



CSOP LEVERAGED AND INVERSE SERIES
(An umbrella unit trust established in Hong Kong)

CSOP HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT
(Stock Code: 07300)
(A sub-fund of CSOP Leveraged and Inverse Series)

Unaudited Semi-Annual Report
FOR THE PERIOD FROM
10 MARCH 2017 (DATE OF INCEPTION) TO
30 JUNE 2017



**CSOP HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

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CSOP HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT (A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP Hang Seng Index Daily (-1x) Inverse Product (or the “Sub-Fund”), a sub-fund of the CSOP Leveraged and Inverse Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 5 July 2016 (the “Trust Deed”) between CSOP Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

It was launched on 10 March 2017 and commenced trading in HKD under the stock code 7300 on the Stock Exchange of Hong Kong Limited (the “SEHK”) on 14 March 2017. The Sub-Fund is benchmarked against the Hang Seng Index (the “Index”) and adopts a futures-based replication strategy. The Manager is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP Hang Seng Index Daily (-1x) Inverse Product is a futures-based ETF which invests directly in the nearest month futures contracts on the Hang Seng Index listed on the SEHK (“Hang Seng Index Futures”) subject to the rolling strategy discussed in below, to obtain the required exposure to the Index and to provide investment results that, before fees and expenses, closely correspond to inverse (-1x) of the Daily performance of the Index.

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will roll the Hang Seng Index Futures on a monthly basis. The futures roll for the Hang Seng Index Futures will be done on a monthly basis during a 3 or 4 trading day period on the SEHK shortly before expiration.

The index is compiled and managed by Hang Seng Indexes Company Limited (the “Index Provider”). It is a freefloat-adjusted market capitalization weighted index that tracks the behaviour of a portfolio of blue chip companies, the largest and most liquid Hong Kong securities listed on the Stock Exchange of Hong Kong Limited (the “SEHK”). The Index operates under clearly defined rules published by the index provider and is a tradable index.

Sub-Fund Performance

The CSOP Hang Seng Index Daily (-1x) Inverse Product seeks to provide daily investment results, before fees and expenses, which closely correspond to negative 1 times the daily performance of the Index. As of 30 June 2017, the dealing Net Asset Value (“NAV”) per unit of the CSOP Hang Seng Index Daily (-1x) Inverse Product was HKD 6.5443 and there were 60,000,000 units outstanding. The total asset under management was approximately HKD 392.7 million.

For the period from 10 March 2017 (date of inception) to 30 June 2017, the dealing NAV of CSOP Hang Seng Index Daily (-1x) Inverse Product performed -9.11% while the index performed 9.32%. YTD Price return of the HKD counter (stock code 7300) was -9.31%.

Exchange Liquidity

Since inception, the CSOP Hang Seng Index Daily (-1x) Inverse Product has attracted great investor attention from investors across the globe. The trading value of the HKD counter (stock code: 7300) remained steadily at an average daily turnover of HKD 65.9 million in June 2017. The trading volume for the CSOP Hang Seng Index Daily (-1x) Inverse Product reflected strong interest in the CSOP Hang Seng Index Daily (-1x) Inverse Product.

Portfolio Rebalance

The CSOP Hang Seng Index Daily (-1x) Inverse Product adopts futures-based replication strategy to track the Index. Since inception, the Sub-Fund has experienced four monthly rebalances.

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CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 (Unaudited) <i>HKD</i>
ASSETS	
CURRENT ASSETS	
Investments	228,147,820
Derivative financial instruments	709,300
Bank interest receivable	36
Interest receivable	299,513
Amounts due from participating dealers	20,907,880
Margin deposit	33,769,768
Bank balances	130,073,077
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Total assets	413,907,394
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LIABILITIES	
CURRENT LIABILITIES	
Management fee payable	266,617
Other accounts payable	210,595
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Total liabilities	477,212
	<hr/> <hr/>
EQUITY	
Net assets attributable to unitholders	413,430,182
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Number of units in issue	63,200,000
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Net asset value per unit	6.5416
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period from 10 March 2017 (date of inception) to 30 June 2017

	Period from 10 March 2017 (date of inception) to 30 June 2017 (Unaudited) <i>HKD</i>
INCOME	
Interest on bank deposits	5,646
Interest on bonds	130,746
Net loss on investments and derivative financial instruments	(34,267,050)
Total net loss	<u>(34,130,658)</u>
EXPENSES	
Management fee	(1,100,466)
Transaction costs of investments	(95,869)
Audit fee	(70,757)
Safe custody and bank charges	(27,402)
License fee	(89,649)
Establishment cost	(278,743)
Other operating expenses	(34,921)
Total operating expenses	<u>(1,697,807)</u>
FINANCE COSTS	
Interest expenses	(33,784)
Total comprehensive income	<u><u>(35,862,249)</u></u>

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CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 10 March 2017 (date of inception) to 30 June 2017

	Period from 10 March 2017 (date of inception) to 30 June 2017 (Unaudited) <i>HKD</i>
Net assets attributable to unitholders at the beginning of the period	-

Proceeds on issue of units	449,292,431

Net increase from unit transactions	449,292,431

Total comprehensive income for the period	(35,862,249)

Net assets attributable to unitholders at the end of the period	413,430,182
	=====

**CSOP HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT
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CONDENSED STATEMENT OF CASH FLOWS

For the period from 10 March 2017 (date of inception) to 30 June 2017

	Period from 10 March 2017 (date of inception) to 30 June 2017 (Unaudited) <i>HKD</i>
OPERATING ACTIVITIES	
Payments for purchase of investments	(342,613,380)
Proceeds from sale of investments	79,489,210
Interest on bank deposits received	5,610
Interest on bonds	(168,767)
Management fee paid	(796,603)
Transaction costs paid	(95,869)
Other operating expenses paid	(337,369)
Margin deposit	(33,769,768)
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Net cash used in operating activities	(298,286,936)

FINANCING ACTIVITIES	
Proceeds on issue of units	428,384,551
Interest paid	(24,538)
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Net cash generated from financing activities	428,360,013

Net increase in cash and cash equivalents	130,073,077
Cash and cash equivalents at the beginning of the period	-
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Cash and cash equivalents at the end of the period	130,073,077
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Analysis of balances of cash and cash equivalents	
Bank balances	130,073,077
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**CSOP HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT
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INVESTMENT PORTFOLIO (Unaudited)

As at 30 June 2017

		Fair value	% of
		HKD	assets
Investments (55.36%)			
Listed debt securities (55.19%)	<i>Holdings</i>		
Hong Kong (55.19%)			
HONG KONG (GOVT OF) 0.27% 18 December 2017	38,000,000	37,983,280	9.19
HONG KONG (GOVT) 0.25% 18 September 2017	38,000,000	37,998,100	9.19
HONG KONG GOVERNMENT 0.42% 20 November 2017	38,000,000	38,011,780	9.20
HONG KONG GOVERNMENT 0.46% 21 August 2017	38,000,000	38,011,780	9.19
HONG KONG GOVERNMENT 0.53% 19 March 2018	38,000,000	38,020,900	9.20
HONG KONG GOVERNMENT 0.93% 19 February 2018	38,000,000	38,121,980	9.22
Total debt securities		<u>228,147,820</u>	<u>55.19</u>
Future contracts (0.17%)	<i>Expiration Date</i>	<i>Contracts</i>	
Hong Kong (0.17%)			
HANG SENG IDX FUT JUL17 28 July 2017	28 July 2017	(322)	709,300
Total derivatives			<u>709,300</u>
Total investments and derivative financial instruments		228,857,120	55.36
Other net assets		184,573,062	44.64
Net assets attributable to unitholders as at 30 June 2017		<u>413,430,182</u>	<u>100.00</u>
Total investments and derivative financial instruments, at cost		<u>228,171,000</u>	

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period from 10 March 2017 (date of inception) to 30 June 2017

	Holdings				30 June 2017
	10 March 2017 (date of inception)	Additions	Corporate actions	Disposals	
Investments					
Listed debt securities					
HONG KONG (GOVT OF) 0.27% 18 December 2017	-	38,000,000	-	-	38,000,000
HONG KONG (GOVT OF) 0.46% 22 May 2017	-	38,000,000	-	38,000,000	-
HONG KONG (GOVT OF) 4.85% 27 June 2017	-	38,000,000	-	38,000,000	-
HONG KONG (GOVT) 0.25% 18 September 2017	-	38,000,000	-	-	38,000,000
HONG KONG 0.44% 19 June 2017	-	38,000,000	-	38,000,000	-
HONG KONG GOVERNMENT 0.42% 20 November 2017	-	38,000,000	-	-	38,000,000
HONG KONG GOVERNMENT 0.46% 21 August 2017	-	38,000,000	-	-	38,000,000
HONG KONG GOVERNMENT 0.53% 19 March 2018	-	38,000,000	-	-	38,000,000
HONG KONG GOVERNMENT 0.93% 19 February 2018	-	38,000,000	-	-	38,000,000
Future contracts					
HANG SENG IDX FUT MAR17 30 March 2017	-	332	-	332	-
HANG SENG IDX FUT APR17 27 April 2017	-	336	-	336	-
HANG SENG IDX FUT MAY17 29 May 2017	-	344	-	344	-
HANG SENG IDX FUT JUN17 29 June 2017	-	340	-	340	-
HANG SENG IDX FUT JUL17 28 July 2017	-	10	-	332	(322)

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PERFORMANCE RECORD (Unaudited)

Net asset value

	Net asset value of the Sub-Fund <i>HKD</i>	Net asset value per unit <i>HKD</i>
At the end of financial period dated		
30 June 2017	413,599,283	6.5443

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>HKD</i>	Lowest net asset value per unit <i>HKD</i>
Financial period ended		
30 June 2017 (since 10 March 2017 (date of inception))	7.2060	6.4902

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UNDERLYING INDEX CONSTITUENT STOCK DISCLOSURE (UNAUDITED)

There was no investment that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 30 June 2017.

For the period from 10 March 2017 (date of inception) to 30 June 2017, the Hang Seng Index increased by 9.32% while the net asset value per unit of Sub-Fund decreased by 9.14%.

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MANAGEMENT AND ADMINISTRATION

Manager

CSOP Asset Management Limited
2801-2803 & 3303-3304, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Service Agent

HK Conversion Agency Services Limited
1st Floor, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

Listing Agent

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

Directors of the Manager

Benoit Descourtieux
Chen Ding
Gaobo Zhang
Liangyu Gao
Haipeng Li
Zhongping Cai
Zengtao Wu

Legal Counsel to the Manager

Simmons & Simmons
13th Floor, One Pacific Place
88 Queensway
Hong Kong

Auditor

PricewaterhouseCoopers
21st Floor, Edinburgh Tower
15 Queen's Road Central
Hong Kong



www.csopasset.com

Telephone: (852) 3406 5688

2801-2803, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

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