

**MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES**

**AUDITED FINANCIAL STATEMENTS**

MIRAE ASSET HORIZONS S&P 500 DAILY (-1X) INVERSE PRODUCT

FOR THE YEAR ENDED 31 MARCH 2018

MIRAE ASSET HORIZONS HANG SENG INDEX DAILY (-1X) INVERSE  
PRODUCT

MIRAE ASSET HORIZONS HANG SENG INDEX DAILY (2X) LEVERAGED  
PRODUCT

MIRAE ASSET HORIZONS HANG SENG CHINA ENTERPRISES INDEX DAILY  
(-1X) INVERSE PRODUCT

MIRAE ASSET HORIZONS HANG SENG CHINA ENTERPRISES INDEX DAILY  
(2X) LEVERAGED PRODUCT

FOR THE PERIOD FROM 10 MARCH 2017 (DATE OF INCEPTION) TO 31  
MARCH 2018

(SUB-FUNDS OF MIRAE ASSET HORIZONS LEVERAGED AND INVERSE  
SERIES)

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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#### IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about Mirae Asset Horizons Leveraged and Inverse Series, please refer to the prospectus of the Mirae Asset Horizons Leveraged and Inverse Series which is available at our website: [www.miraeasset.com.hk/li](http://www.miraeasset.com.hk/li).

Investors should not rely on the information contained in this report for their investment decisions.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, Mirae Asset Global Investments (Hong Kong) Limited, the Manager of the Mirae Asset Horizons Leveraged And Inverse Series (the “Trust”) has, in all material respects, managed the Trust, in accordance with the provisions of the Trust Deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (collectively, the “Trust Deed”).

1. Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product  
for the year ended 31 March 2018
2. Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product
3. Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product
4. Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product
5. Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product  
for the period from 10 March 2017 (date of inception) to 31 March 2018



**HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)**

27 July 2018



## INDEPENDENT AUDITOR'S REPORT

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

(An umbrella unit trust established under the laws of Hong Kong)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product, and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product (collectively, the "Sub-Funds") of the Trust set out on pages 8 to 52, which comprise the statement of net assets as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product for the year then ended and of Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product for the period from 10 March 2017 (date of inception) to 31 March 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Funds as at 31 March 2018, and of their financial transactions and the cash flows of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product for the year then ended and of Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product for the period from 10 March 2017 (date of inception) to 31 March 2018 then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-Funds in accordance with *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year/period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## INDEPENDENT AUDITOR'S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

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### Key audit matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matters
<p><i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i></p> <p>For Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product, and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product, the financial assets and financial liabilities at fair value through profit or loss as at 31 March 2018 consisted of investments in futures traded on the Hong Kong Futures Exchange Limited. The futures were measured at fair value as at 31 March 2018. We focused on this area because the financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures of the financial assets and financial liabilities at fair value through profit or loss are set out in the summary of significant accounting policies and notes 11 and 12(b)(i).</p>	<p><i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i></p> <p>We obtained independent confirmations from the counterparties of the investment portfolio held as at 31 March 2018, agreeing the quantities held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we checked the valuation of the financial assets and financial liabilities at fair value through profit or loss that are quoted in active markets by independently agreeing the valuation of financial assets and financial liabilities to third party vendor sources such as Reuters or Bloomberg as at 31 March 2018.</p>



## INDEPENDENT AUDITOR’S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the “Trust”)

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### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p data-bbox="177 712 799 779"><i>Net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss</i></p> <p data-bbox="177 779 799 1104">For the year/period ended 31 March 2018, the net realised gain/(loss) on sale of financial assets and financial liabilities classified as “at fair value through profit or loss” of the Sub-Funds represented a significant amount of the total comprehensive income for the year. We focused on this area because the net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.</p> <p data-bbox="177 1137 799 1290">Disclosures of the net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss are set out in the summary of significant accounting policies and note 4.</p>	<p data-bbox="799 712 1399 981">We tested the net realised gain/(loss) on sale of financial assets and financial liabilities by obtaining the trade confirmations and broker statements of selected trades and agreeing the details, such as the cost and proceeds of the disposal of financial assets and financial liabilities, to the accounting records.</p>

### Other information included in the Annual Report

The Manager and the Trustee of the Sub-Funds are responsible for the other information. The other information comprises the information included in the annual report (the “Annual Report”), other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT (continued)**

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")  
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### **Responsibilities of Manager and Trustee of the Sub-Funds for the financial statements**

The Manager and the Trustee of the Sub-Funds are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Sub-Funds are responsible for assessing the Sub-Funds' abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Sub-Funds either intend to liquidate the Sub-Funds or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and Trustee of the Sub-Funds are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (collectively, the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## **INDEPENDENT AUDITOR'S REPORT (continued)**

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

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### **Auditor's responsibilities for the audit of the financial statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee of the Sub-Funds regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager and the Trustee of the Sub-Funds with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager and the Trustee of the Sub-Funds, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **INDEPENDENT AUDITOR'S REPORT (continued)**

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

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### **Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Christine Lin.

  
**Certified Public Accountants**  
Hong Kong  
27 July 2018

# MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

## STATEMENT OF NET ASSETS

As at 31 March 2018

	Notes	Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product		Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product	Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product	Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product	Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product
		2018 US\$	2017 US\$	2018 HK\$	2018 HK\$	2018 HK\$	2018 HK\$
<b>ASSETS</b>							
Financial assets at fair value through profit or loss	11, 12(b)(i), 12(e)	-	-	1,354,785	-	688,594	-
Amounts due from brokers	6	-	4,042	12,551,019	20,784,272	10,737,762	24,750,023
Amount due from the Manager	5(f)	9,174	-	1,600	1,920	2,480	2,040
Interest receivables		4,086	2,177	5,514	3,327	6,284	44,571
Cash and cash equivalents	5(d)	4,377,502	1,798,344	90,080,738	88,721,878	52,396,344	94,951,940
<b>TOTAL ASSETS</b>		<u>4,390,762</u>	<u>1,804,563</u>	<u>103,993,656</u>	<u>109,511,397</u>	<u>63,831,464</u>	<u>119,748,574</u>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	11,12(b)(i), 12(e)	-	-	-	2,998,821	-	2,706,905
Amounts due to brokers	6	53,863	-	-	-	-	-
Management fee payable	5(a)	19,839	3,817	53,417	61,861	38,328	68,465
Trustee fee payable	5(b)	392	182	9,861	11,421	7,076	12,640
Formation fee payable	5(c)(i)	115,252	115,252	-	-	-	-
Administration fee payable	5(c)(ii)	5,217	1,636	-	46,325	-	-
Other payables and accruals		2,080	-	45,362	26,988	50,142	41,902
<b>TOTAL LIABILITIES</b>		<u>196,643</u>	<u>120,887</u>	<u>108,640</u>	<u>3,145,416</u>	<u>95,546</u>	<u>2,829,912</u>
<b>EQUITY</b>							
Net assets attributable to unitholders	3(a)	<u>4,194,119</u>	<u>1,683,676</u>	<u>103,885,016</u>	<u>106,365,981</u>	<u>63,735,918</u>	<u>116,918,662</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>4,390,762</u>	<u>1,804,563</u>	<u>103,993,656</u>	<u>109,511,397</u>	<u>63,831,464</u>	<u>119,748,574</u>
Number of units in issue	3(b)	<u>2,750,000</u>	<u>1,000,000</u>	<u>18,500,000</u>	<u>8,800,000</u>	<u>10,700,000</u>	<u>11,300,000</u>
Net asset value per unit	3(b)	<u>1.5251</u>	<u>1.6837</u>	<u>5.6154</u>	<u>12.0870</u>	<u>5.9566</u>	<u>10.3468</u>

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Mirae Asset Global Investments (Hong Kong) Limited

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

Notes	<u>Mirae Asset Horizons S&amp;P 500 Daily (-1x) Inverse Product</u>		<u>Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product</u>	<u>Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product</u>	<u>Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	<u>Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>
	For the year ended 31 March 2018 US\$	For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>INCOME</b>						
Interest income	16,450	4,494	300,611	652,821	412,622	351,556
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss	4 (156,931)	(192,123)	(23,026,401)	106,336,199	(25,405,703)	45,484,151
Net exchange loss	(8)	-	-	-	-	-
	<u>(140,489)</u>	<u>(187,629)</u>	<u>(22,725,790)</u>	<u>106,989,020</u>	<u>(24,993,081)</u>	<u>45,835,707</u>
<b>EXPENSES</b>						
Management fee	5(a) (16,021)	(7,767)	(553,320)	(1,370,503)	(765,695)	(822,574)
Trustee fee	5(b) (2,262)	(1,096)	(102,151)	(253,016)	(141,359)	(151,860)
Brokerage and other transaction fees	(304)	(2,575)	(79,766)	(367,448)	(248,044)	(487,109)
Registrar fee	5(b) -	(40)	-	-	-	-
Formation fee	5(c)(i) -	(115,252)	(392,989)	(392,989)	(392,989)	(392,989)
Administration fee	5(c)(ii) (3,581)	(1,636)	(174,671)	(346,065)	(224,914)	(210,177)
Other expenses	5(c)(ii) -	(329)	(25,068)	(25,068)	(25,068)	(25,068)
	<u>(22,168)</u>	<u>(128,695)</u>	<u>(1,327,965)</u>	<u>(2,755,089)</u>	<u>(1,798,069)</u>	<u>(2,089,777)</u>
<b>Operating profit/(loss)</b>	(162,657)	(316,324)	(24,053,755)	104,233,931	(26,791,150)	43,745,930
<b>FINANCE COSTS</b>						
Interest expense	-	-	(23,329)	(133,750)	(29,482)	(83,838)
<b>Profit/(loss) and total comprehensive income for the year/period</b>	<u>(162,657)</u>	<u>(316,324)</u>	<u>(24,077,084)</u>	<u>104,100,181</u>	<u>(26,820,632)</u>	<u>43,662,092</u>

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

		<u>Mirae Asset Horizons S&amp;P 500 Daily (-1x) Inverse Product</u>	<u>Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product</u>	<u>Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product</u>	<u>Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	<u>Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>
	Note	For the year ended 31 March 2018 US\$	For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>Net assets attributable to unitholders at the beginning of the year/period</b>		1,683,676	-	-	-	-
Issue of units during the year/period	3(b)	2,673,100	2,000,000	154,308,900	211,504,360	154,045,410
Redemption of units during the year/period	3(b)	-	-	(26,346,800)	(209,238,560)	(80,788,840)
Net issue of units		4,356,776	2,000,000	127,962,100	2,265,800	73,256,570
Profit/(loss) and total comprehensive income for the year/period		(162,657)	(316,324)	(24,077,084)	104,100,181	(26,820,632)
<b>Net assets attributable to unitholders at the end of the year/period</b>		<u>4,194,119</u>	<u>1,683,676</u>	<u>103,885,016</u>	<u>106,365,981</u>	<u>63,735,918</u>

The accompanying notes are an integral part of these financial statements.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CASH FLOWS

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

		<u>Mirae Asset Horizons S&amp;P 500 Daily (-1x) Inverse</u> Product	For the period from 5 October 2016 (date of inception) to 31 March 2017
	Note	For the year ended 31 March 2018 US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss and total comprehensive income for the year/period		(162,657)	(316,324)
Adjustment for:			
Interest income		(16,450)	(4,494)
Decrease/(increase) in amounts due from brokers		4,042	(4,042)
Increase in amount due from the Manager		(9,174)	-
Increase in amounts due to brokers		53,863	-
Increase in management fee payable		16,022	3,817
Increase in trustee fee payable		210	182
Increase formation fee payable		-	115,252
Increase in administration fee payable		3,581	1,636
Increase in other payables and accruals		2,080	-
Cash used in operations		<u>(108,483)</u>	<u>(203,973)</u>
Interest received		14,541	2,317
<b>Net cash flows used in operating activities</b>		<u>(93,942)</u>	<u>(201,656)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received from issue of units		2,673,100	2,000,000
<b>Net cash flows generated from financing activities</b>		<u>2,673,100</u>	<u>2,000,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year/period		2,579,158	1,798,344
		<u>1,798,344</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>			
		<u>4,377,502</u>	<u>1,798,344</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances	5(d)	3,362,759	796,223
Time deposits	5(d)	1,014,743	1,002,121
Cash and cash equivalents as stated in the statement of cash flows		<u>4,377,502</u>	<u>1,798,344</u>

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

	Note	<u>Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product</u> For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss and total comprehensive income for the period		(24,077,084)
Adjustments for:		
Interest income		(300,611)
Interest expense		23,329
Increase in financial assets at fair value through profit or loss		(1,354,785)
Increase in amounts due from brokers		(12,551,019)
Increase in amount due from the Manager		(1,600)
Increase in management fee payable		53,417
Increase in trustee fee payable		9,861
Increase in other payables and accruals		45,362
Cash used in operations		<u>(38,153,130)</u>
Interest received		295,097
Interest paid		(23,329)
<b>Net cash flows used in operating activities</b>		<u>(37,881,362)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units		154,308,900
Cash paid on redemption of units		(26,346,800)
<b>Net cash flows generated from financing activities</b>		<u>127,962,100</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		90,080,738
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>90,080,738</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	5(d)	55,961,964
Time deposits	5(d)	34,118,774
Cash and cash equivalents as stated in the statement of cash flows		<u><u>90,080,738</u></u>

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

	Note	<u>Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product</u> For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit and total comprehensive income for the period		104,100,181
Adjustments for:		
Interest income		(652,821)
Interest expense		133,750
Increase in amounts due from brokers		(20,784,272)
Increase in amount due from the Manager		(1,920)
Increase in financial liabilities at fair value through profit or loss		2,998,821
Increase in management fee payable		61,861
Increase in trustee fee payable		11,421
Increase in administration fee payable		46,325
Increase in other payables and accruals		26,988
Cash generated from operations		<u>85,940,334</u>
Interest received		649,494
Interest paid		<u>(133,750)</u>
<b>Net cash flows generated from operating activities</b>		<u>86,456,078</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units		211,504,360
Cash paid on redemption of units		<u>(209,238,560)</u>
<b>Net cash flows generated from financing activities</b>		<u>2,265,800</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		88,721,878
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>88,721,878</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	5(d)	38,604,755
Time deposits	5(d)	<u>50,117,123</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>88,721,878</u>

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

	Note	<u>Mirae Asset Horizons Hang Seng China Enterprises</u> <u>Index Daily (-1x) Inverse Product</u> For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss and total comprehensive income for the period		(26,820,632)
Adjustments for:		
Interest income		(412,622)
Interest expense		29,482
Increase in financial assets at fair value through profit or loss		(688,594)
Increase in amounts due from brokers		(10,737,762)
Increase in amount due from the Manager		(2,480)
Increase in management fee payable		38,328
Increase in trustee fee payable		7,076
Increase in other payables and accruals		50,142
Cash used in operations		<u>(38,537,062)</u>
Interest received		406,338
Interest paid		(29,482)
<b>Net cash flows used in operating activities</b>		<u>(38,160,206)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units		221,025,660
Cash paid on redemption of units		(130,469,110)
<b>Net cash flows generated from financing activities</b>		<u>90,556,550</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		52,396,344
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>52,396,344</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	5(d)	13,260,103
Time deposits	5(d)	39,136,241
Cash and cash equivalents as stated in the statement of cash flows		<u><u>52,396,344</u></u>

The accompanying notes are an integral part of these financial statements.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2018 and for the period from 10 March 2017 (date of inception) to 31 March 2018

	Note	<u>Mirae Asset Horizons Hang Seng China Enterprises</u> <u>Index Daily (2x) Leveraged Product</u> For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit and total comprehensive income for the period		43,662,092
Adjustments for:		
Interest income		(351,556)
Interest expense		83,838
Increase in amounts due from brokers		(24,750,023)
Increase in amount due from the Manager		(2,040)
Increase in financial liabilities at fair value through profit or loss		2,706,905
Increase in management fee payable		68,465
Increase in trustee fee payable		12,640
Increase in other payables and accruals		41,902
Cash generated from operations		<u>21,472,223</u>
Interest received		306,985
Interest paid		(83,838)
<b>Net cash flows generated from operating activities</b>		<u>21,695,370</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units		154,045,410
Cash paid on redemption of units		(80,788,840)
<b>Net cash flows generated from financing activities</b>		<u>73,256,570</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		94,951,940
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>94,951,940</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	5(d)	64,861,132
Time deposits	5(d)	30,090,808
Cash and cash equivalents as stated in the statement of cash flows		<u><u>94,951,940</u></u>

The accompanying notes are an integral part of these financial statements.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 1. GENERAL INFORMATION

Mirae Asset Horizons Leveraged and Inverse Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (collectively, the “Trust Deed”) between Mirae Asset Global Investments (Hong Kong) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee” and “Registrar”). The Trust Deed is governed by Hong Kong Law.

As at 31 March 2018, the Trust has established eight sub-funds, each a separate sub-fund of the Trust, which are authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The sub-funds are listed on the Stock Exchange of Hong Kong Limited (the “SEHK” and a subsidiary of The Hong Kong Exchanges and Clearing Limited). For three of the eight sub-funds, namely Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product, they were delisted on 24 July 2018 and their financial statements are separately reported upon their termination. The remaining five sub-funds that are reported under these financial statements are referred individually or collectively as the “Sub-Fund(s)” and their listing dates are as follows:

<u>Name of Sub-Funds</u>	<u>Listing date on the SEHK</u>
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product	11 October 2016
Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product	14 March 2017
Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product	14 March 2017
Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product	14 March 2017
Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product	14 March 2017

These financial statements relate to the above-mentioned Sub-Funds. The Manager and the Trustee (collectively, the “Management”) are responsible for the preparation of the financial statements.

#### Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product (“S&P 500 Daily (-1x) Inverse Product”)

The objective of S&P 500 Daily (-1x) Inverse Product (Stock code: 07322) is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the S&P 500 Index (net of swap fees). The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

#### Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product (“Hang Seng Index Daily (-1x) Inverse Product”)

The objective of Hang Seng Index Daily (-1x) Inverse Product (Stock code: 07336) is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the Hang Seng Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

#### Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product (“Hang Seng Index Daily (2x) Leveraged Product”)

The objective of Hang Seng Index Daily (2x) Leveraged Product (Stock code: 07231) is to provide investment results that, before fees and expenses, closely correspond to twice (2x) daily performance of the Hang Seng Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION (CONTINUED)

Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product (“Hang Seng China Enterprises Index Daily (-1x) Inverse Product”)

The objective of Hang Seng China Enterprises Index Daily (-1x) Inverse Product (Stock code: 07362) is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the Hang Seng China Enterprises Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product (“Hang Seng China Enterprises Index Daily (2x) Leveraged Product”)

The objective of Hang Seng China Enterprises Index Daily (2x) Leveraged Product (Stock code: 07230) is to provide investment results that, before fees and expenses, closely correspond to twice (2x) daily performance of the Hang Seng China Enterprises Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Sub-Funds have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the SFC (the “SFC Code”). The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities classified as fair value through profit or loss that have been measured at fair value.

The preparation of financial statements, in conformity with IFRSs, requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts recognised in the financial statements and disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going concern

The Management has made an assessment of the Sub-Funds’ ability to continue as a going concern and is satisfied that the Sub-Funds have the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Funds’ ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (a) Basis of preparation (continued)

###### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense that is already recorded. The Sub-Funds establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which the Sub-Funds invest. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated.

#### CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the sub-funds.

#### ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Sub-Funds financial statements are disclosed below. The Sub-Funds intend to adopt applicable standards when they become effective.

##### IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Sub-Funds plan to adopt the new standard on the required effective date and will not restate comparative information. The assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Sub-Funds in 2018 when the Sub-Funds will adopt IFRS 9. Overall, the Sub-Funds expect no significant inputs on their statements of financial position and net assets attributable to holders of redeemable participating shares.

##### *Classification and measurement*

The Sub-Funds do not expect a significant impact on the statements of net assets or net assets attributable to unitholders on applying the classification and measurement requirements of IFRS 9. The Sub-Funds expect to continue measuring at fair value all financial assets and financial liabilities currently held at fair value.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (a) Basis of preparation (continued)

For Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, the financial statements for 2017 were issued for the period from 5 October 2016 (date of inception) to 31 March 2017. As such the financial statements for 2017 were presented for the period shorter than one year and are not entirely comparable to the 2018 information.

##### (b) Financial instruments

###### **Classification**

The Sub-Funds classify their financial assets and liabilities into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

###### Financial assets and financial liabilities at fair value through profit or loss

The Sub-Funds classify their investments as financial assets and financial liabilities at fair value through profit or loss in accordance with IAS 39. All financial assets and financial liabilities at fair value through profit or loss are designated upon initial recognition on the basis that they are part of a group of financial assets and financial liabilities which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Sub-Funds.

###### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Funds include in this category amounts relating to amounts due from brokers, amount due from the Manager and interest receivables.

###### Other financial liabilities

This category includes all financial liabilities other than those classified as at fair value through profit or loss. The Sub-Funds include in this category amounts relating to amounts due to brokers, management fee payable, trustee fee payable, formation fee payable, administration fee payable, and other payables and accruals.

###### **Recognition**

The Sub-Funds recognise a financial asset or a financial liability when, and only when, they become a party to the contractual provisions of the instrument. Purchases and sales of financial assets at fair value through profit or loss are accounted for on the trade date basis.

###### **Initial measurement**

Financial assets at fair value through profit or loss are initially recognised at fair value, excluding transaction costs which are expensed as incurred.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Sub-Funds recognise the difference in the profit or loss, unless specified otherwise.

# MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

## NOTES TO FINANCIAL STATEMENTS

31 March 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial instruments (continued)

##### **Subsequent measurement**

After initial measurement, financial assets and financial liabilities at fair value through profit or loss are subsequently re-measured at fair value. Realised gains and losses and change in unrealised gains and losses on financial assets and financial liabilities at fair value through profit or loss are included in profit or loss in the period in which they arise.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Funds estimate cash flows considering all contractual terms of the financial instrument but do not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### **Derecognition**

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired, or where the Sub-Funds have transferred their rights to receive cash flows from the financial asset, or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Sub-Funds have transferred substantially all the risks and rewards of the asset or the Sub-Funds have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the asset.

When the Sub-Funds have transferred its rights to receive cash flows from an asset (or have entered into a pass-through arrangement), and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Funds' continuing involvement in the asset. In that case, the Sub-Funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained. The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### Fair value measurement

The Sub-Funds measure their investments in financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Financial instruments (continued)

###### Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Sub-Funds.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values for financial instruments that are listed or traded on an exchange are based on quoted last traded market prices.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Funds determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

###### Derivative financial instruments

Derivative financial instruments are recorded on a mark-to-market basis. Fair values are determined by using quoted market prices for futures contracts or calculated by reference to changes in specified prices of an underlying asset or otherwise determined notional amount for swap contracts. All derivatives are carried as assets when amounts are receivable by the Sub-Funds and as liabilities when amounts are payable by the Sub-Funds.

Unrealised gains and losses arising from change in fair value, and realised gains and losses are recognised profit or loss.

##### (c) Income

Interest income is recognised in profit or loss on a time-proportionate basis using the effective interest method.

Dividend income on equity securities is recognised on the date on which the investments are quoted ex-dividend. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Funds' right to receive payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss.

##### (d) Expenses

Expenses are recognised on an accrual basis.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets comprise short-term deposits in banks and time deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

##### (f) Translation of foreign currencies

###### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Funds operate (the “functional currency”). The performance of the Sub-Funds are measured and reported to the unitholders, and in United States Dollar (“US\$”) for S&P 500 Daily (-1x) Inverse Product and in Hong Kong dollar (“HK\$”) for Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product. The Management considers the US\$ and HK\$ as the currencies that most faithfully represent the economic effects of the underlying transactions, events and conditions. The financial statements of the Sub-Funds are presented in US\$ for S&P 500 Daily (-1x) Inverse Product, and in HK\$ for Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product, which are the Sub-Funds’ functional and presentation currencies.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency using the exchange rate ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses arising from translation are included in profit or loss.

Foreign exchange gains and losses relating to cash and cash equivalents are included in profit or loss within “net exchange gain/(loss)”.

Foreign exchange gains and losses relating to the financial instruments classified as at fair value through profit or loss are included in profit or loss within “net gain/(loss) on financial assets or financial liabilities at fair value through profit or loss”.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a pro-rata share of the Sub-Funds' net assets in the event of the Sub-Funds' liquidation;
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments;
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro-rata share of the Sub-Funds' net assets; or
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds over the life of the instrument.

In addition to the redeemable units having all the above features, the Sub-Funds must have no other financial instrument or contract that has:

- (a) Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds; and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Funds' redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and are classified as equity.

The Sub-Funds continuously assess the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Funds will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Funds will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of redeemable units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Funds in issuing of their own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The Sub-Funds' own equity instruments which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Sub-Funds' own equity instruments.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) Redeemable units (continued)

Redeemable units can be redeemed in cash equal to a proportionate share of the Sub-Funds' net asset value. The Sub-Funds' net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units of the respective Sub-Funds. Units are created or redeemed in multiples of 250,000 units for S&P 500 Daily (-1x) Inverse Product, and 100,000 units for Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product.

##### (h) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

##### (i) Amounts due from and due to brokers

Amounts due from brokers include cash held at the brokers and receivables for unsettled trades. Amounts due to brokers include margin debt balances and, payables for unsettled trades.

These amounts are measured initially at fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. Gains and losses are recognised in the profit or loss when the amounts due from brokers are derecognised or impaired and when the amounts due to brokers are derecognised, as well as through the amortisation process.

##### (j) Impairment of financial assets

The Sub-Funds assess at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been occurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss as "Credit loss expense".

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (j) Impairment of financial assets (continued)

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Funds. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### (k) Net change in unrealised gains or losses on financial assets and financial liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and financial liabilities as “at fair value through profit or loss” and excludes interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period unrealised gains and losses for financial instruments which were realised in the reporting period.

##### (l) Net realised gains or losses on disposal of financial instruments

Net realised gains and losses on disposals of financial instruments classified as “at fair value through profit or loss” are calculated using the weighted average method. They represent the difference between an instrument’s average cost and disposal amount.

##### (m) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### (n) Taxes

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted from the source of the income. The Sub-Funds present the withholding tax separately from the gross investment income in the profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

##### (o) Distributions to unitholders

The Manager does not intend to pay or make any distributions or dividends to the Sub-Funds’ unitholders.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Formation fee

Formation fee is recognised as an expense in the period in which it is incurred.

(q) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

(r) Related parties

A party is considered to be related to the Sub-Funds if:

- (a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Sub-Funds;
  - (ii) has significant influence over the Sub-Funds; or
  - (iii) is a member of the key management personnel of the Sub-Funds or of a parent of the Sub-Funds;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Sub-Funds are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Funds or an entity related to the Sub-Funds;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Sub-Funds or to the parent of the Sub-Funds.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

##### (a) Net assets attributable to unitholders

The creation and redemption of units of the Sub-Funds can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

The Trustee shall receive subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the year/period are shown on the statement of changes in net assets attributable to unitholders.

As stated in note 2(g), units of the Sub-Funds, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRSs (the “Accounting NAV”). For the purpose of determining the NAV per unit for subscriptions and redemptions and for various fee calculations (the “Dealing NAV”), the Trustee calculates the Dealing NAV in accordance with the provisions of the Trust Deed, which may be different from the accounting policies under IFRSs.

#### Reconciliation between Accounting NAV and Dealing NAV

##### *Adjustment for formation fee*

The formation fee for establishing S&P 500 Daily (-1x) Inverse Product was HK\$nil (2017: US\$115,252). The formation fee for establishing Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product are HK\$392,989 respectively. Per the prospectus of the Sub-Funds, the formation fee will be amortised over the first 5 financial periods of the Sub-Funds. However, with respect to the Sub-Funds for the purpose of financial statements preparation in compliance with IFRSs, their accounting policies are to expense the formation fee in profit or loss as incurred.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (CONTINUED)

(a) Net assets attributable to unitholders (continued)

##### Reconciliation between Accounting NAV and Dealing NAV (continued)

The difference between the Accounting NAV reported in the statement of financial position and the Dealing NAV for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions and for various fee calculations as at 31 March 2018 and 31 March 2017 is reconciled below:

<u>As at 31 March 2018</u>	<u>S&amp;P 500 Daily (-1x) Inverse Product US\$</u>	<u>Hang Seng Index Daily (-1x) Inverse Product HK\$</u>	<u>Hang Seng Index Daily (2x) Leveraged Product HK\$</u>	<u>Hang Seng China Enterprises Index Daily (-1x) Inverse Product HK\$</u>	<u>Hang Seng China Enterprises Index Daily (2x) Leveraged Product HK\$</u>
Accounting NAV as reported in the statement of net assets	4,194,119	103,885,016	106,365,981	63,735,918	116,918,662
Adjustment for formation fee	<u>100,975</u>	<u>172,604</u>	<u>-</u>	<u>57,829</u>	<u>99,756</u>
Dealing NAV	<u><u>4,295,094</u></u>	<u><u>104,057,620</u></u>	<u><u>106,365,981</u></u>	<u><u>63,793,747</u></u>	<u><u>117,018,418</u></u>
<u>As at 31 March 2017</u>					<u>Mirae Asset Horizons S&amp;P 500 Daily (-1x) Inverse Product US\$</u>
Accounting NAV as reported in the statement of net assets					1,683,676
Adjustment for formation fee					<u>110,777</u>
Dealing NAV					<u><u>1,794,453</u></u>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

#### 31 March 2018

#### 3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (CONTINUED)

##### (b) Movement of units

The table below summarises the movement of units for the year/period ended 31 March 2018 and 2017, and the Accounting NAV per unit and the Dealing NAV per unit for each of the Sub-Funds as at 31 March 2018 and 31 March 2017.

As at 31 March 2018	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of the year/period	Creation during the year/period	Redemption during the year/period	Units in issue at end of year/period	Accounting NAV	Dealing NAV
					Per unit at year/period end	Per unit at year/period end
S&P 500 Daily (-1x) Inverse Product <sup>1</sup>	1,000,000	1,750,000	-	2,750,000	US\$1.5251	US\$1.5619
Hang Seng Index Daily (-1x) Inverse Product <sup>2</sup>	-	20,500,000	(2,000,000)	18,500,000	HK\$5.6154	HK\$5.6247
Hang Seng Index Daily (2x) Leveraged Product <sup>2</sup>	-	24,300,000	(15,500,000)	8,800,000	HK\$12.0870	HK\$12.0870
Hang Seng China Enterprises Index Daily (-1x) Inverse Product <sup>2</sup>	-	24,000,000	(13,300,000)	10,700,000	HK\$5.9566	HK\$5.9620
Hang Seng China Enterprises Index Daily (2x) Leveraged Product <sup>2</sup>	-	16,800,000	(5,500,000)	11,300,000	HK\$10.3468	HK\$10.3556

  

As at 31 March 2017	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of period	Creation during the period	Redemption during the period	Units in issue at end of period	Accounting NAV	Dealing NAV
					Per unit at period end	Per unit at period end
S&P 500 Daily (-1x) Inverse Product <sup>1</sup>	-	1,000,000	-	1,000,000	US\$1.6837	US\$1.7945

<sup>1</sup>The financial period of the Sub-Fund in 2017 and 2018 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017 and the year ended 31 March 2018 respectively.

<sup>2</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 4. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a breakdown of net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss:

	<u>S&amp;P 500 Daily (-1x) Inverse Product</u>		<u>Hang Seng Index Daily (-1x) Inverse Product</u>	<u>Hang Seng Index Daily (2x) Leveraged Product</u>	<u>Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	<u>Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>
	For the year ended 31 March 2018 US\$	For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$	For the period from 10 March 2017 (date of inception) to 31 March 2018 HK\$
<u>Financial assets at fair value through profit or loss</u>						
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss	(156,931)	(192,123)	(24,381,186)	-	(26,094,297)	-
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss	-	-	1,354,785	-	688,594	-
	<u>(156,931)</u>	<u>(192,123)</u>	<u>(23,026,401)</u>	<u>-</u>	<u>(25,405,703)</u>	<u>-</u>
<u>Financial liabilities at fair value through profit or loss</u>						
Net realised gain/(loss) on sale of financial liabilities at fair value through profit or loss	-	-	-	109,335,020	-	48,191,056
Net change in unrealised gain/(loss) on financial liabilities at fair value through profit or loss	-	-	-	(2,998,821)	-	(2,706,905)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,336,199</u>	<u>-</u>	<u>45,484,151</u>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS

Related parties are those as defined in note 2(r). Related parties of the Sub-Funds also include the Manager of the Sub-Funds and its connected persons. Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year/period between the Sub-Funds and their related parties, including the Manager and its connected persons, were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Funds do not have any other transactions with their related parties, including the Manager and its connected persons, except for those disclosed below.

##### (a) Management fee

The Manager is entitled to receive a management fee of up to 2% per year of the net asset value of each Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears. For each Sub-Fund, the respective annual rates of management fee are as below:

	<u>Maximum rate of the net assets in %</u>	<u>Annual rate of the net assets in %</u> 2018	<u>Annual rate of the net assets in %</u> 2017
S&P 500 Daily (-1x) Inverse Product <sup>1</sup>	2%	0.85%	0.85%
Hang Seng Index Daily (-1x) Inverse Product <sup>2</sup>	2%	0.65%	-
Hang Seng Index Daily (2x) Leveraged Product <sup>2</sup>	2%	0.65%	-
Hang Seng China Enterprises Index Daily (-1x) Inverse Product <sup>2</sup>	2%	0.65%	-
Hang Seng China Enterprises Index Daily (2x) Leveraged Product <sup>2</sup>	2%	0.65%	-

<sup>1</sup>The financial period of the Sub-Fund in 2017 and 2018 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017 and the year ended 31 March 2018 respectively

<sup>2</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

##### (b) Trustee fees and Registrar fees

The Trustee receives out of the assets of each Sub-Fund a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each dealing day of up to the greater of 1.00% per year of the net asset of the Sub-Fund or the applicable monthly minimum. For each sub-fund, the respective annual rates of trustee are as below:

	<u>Annual rate<sup>3</sup> of the net asset value in %</u> 2018	<u>Annual rate<sup>3</sup> of the net asset value in %</u> 2017
S&P 500 Daily (-1x) Inverse Product <sup>1</sup>	0.12%	0.12%
Hang Seng Index Daily (-1x) Inverse Product <sup>2</sup>	0.12%	-
Hang Seng Index Daily (2x) Leveraged Product <sup>2</sup>	0.12%	-
Hang Seng China Enterprises Index Daily (-1x) Inverse Product <sup>2</sup>	0.12%	-
Hang Seng China Enterprises Index Daily (2x) Leveraged Product <sup>2</sup>	0.12%	-

<sup>1</sup>The financial period of the Sub-Fund in 2017 and 2018 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017 and the year ended 31 March 2018 respectively.

<sup>2</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

<sup>3</sup>The current standard annual rate for all the Sub-Funds is 0.12% per year of the net asset value of each sub-fund, subject to a monthly minimum of HK\$78,000 (waived for 12 months from (but excluding) the listing date) except for S&P 500 Daily (-1x) Inverse Product which is subject to a monthly minimum of US\$10,000 (waived for 12 months from (but excluding) the listing date). During the year, the waiver for S&P 500 Daily (-1x) Inverse Product has been extended for another 12 months.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS (CONTINUED)

##### (b) Trustee fee and Registrar fees (continued)

In respect of the Sub-Funds (except for S&P 500 Daily (-1x) Inverse Product), the Trustee acting as the Registrar, is also entitled to receive a registrar fee of HK\$160 (US\$20 with respect to S&P 500 Daily (-1x) Inverse Product) per participating dealer per transaction for updating the register record. The registrar fee incurred by the Sub-Funds has been borne by the Manager during the year ended 31 March 2018 (2017: nil).

The Registrar is also entitled to receive from the participating dealer a transaction fee of HK\$3,900 (US\$500 with respect to S&P 500 Daily (-1x) Inverse Product) per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Funds. The administration transaction fee would be paid by the participating dealer to the Sub-Funds and the Sub-Funds would pay the transaction fee to the Trustee on behalf of the participating dealer. As at 31 March 2018 and 2017, no transaction fee was payable to the Trustee by the Sub-Funds.

##### (c) Other expenses

###### (i) *Formation fee*

During the year ended 31 March 2018, the formation fee for establishing S&P 500 Daily (-1x) Inverse Product, was US\$nil (2017: US\$115,252). During the period ended 31 March 2018, the formation fee for establishing Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product, which were newly launched, was HK\$392,989 each.

As at 31 March 2018, the formation fee for S&P 500 Daily (-1x) Inverse Product of US\$115,252 (2017: US\$115,252) is payable to the Manager.

###### (ii) *Administration fee and other expenses*

The Manager is responsible for the payment of several fees, such as audit fee, conversion agent fee and index licensing fee, for the administration of the Sub-Funds. The Manager is entitled to receive a recharge of the administration fee and other expenses, calculated at an annual rate on the net assets of the Sub-Funds at each dealing day and payable monthly in arrears, as illustrated by the table below.

	<u>Annual rate of the net assets in %</u>	
	2018	2017
S&P 500 Daily (-1x) Inverse Product <sup>1</sup>	0.19%	0.19%
Hang Seng Index Daily (-1x) Inverse Product <sup>2</sup>	0.17%	-
Hang Seng Index Daily (2x) Leveraged Product <sup>2</sup>	0.17%	-
Hang Seng China Enterprises Index Daily (-1x) Inverse Product <sup>2</sup>	0.17%	-
Hang Seng China Enterprises Index Daily (2x) Leveraged Product <sup>2</sup>	0.17%	-

<sup>1</sup>The financial period of the Sub-Fund in 2017 and 2018 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017 and the year ended 31 March 2018 respectively.

<sup>2</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS (CONTINUED)

##### (c) Other expenses (continued)

##### (ii) Administration fee and other expenses (continued)

The tables below list the breakdown of the administration fee incurred by the Sub-Funds.

##### S&P 500 Daily (-1x) Inverse Product

	For the year ended 31 March 2018		
	Portion borne by the Sub-Fund US\$	Portion borne by the Manager US\$	Total US\$
Audit fee	674	7,455	8,129
Index licensing fee	1,508	23,492	25,000
Other administration fee and expenses	1,399	15,458	16,857
	<u>3,581</u>	<u>46,405</u>	<u>49,986</u>

  

	For the period ended 31 March 2017		
	Portion borne by the Sub-Fund US\$	Portion borne by the Manager US\$	Total US\$
Audit fee	295	7,884	8,179
Index licensing fee	689	11,435	12,124
Other administration fee and expenses	981	17,420	18,401
	<u>1,965</u>	<u>36,739</u>	<u>38,704</u>

##### Hang Seng Index Daily (-1x) Inverse Product

	For the period ended 31 March 2018		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	25,113	38,687	63,800
Index licensing fee	120,199	91,308	211,507
Other administration fee and expenses	54,427	83,844	138,271
	<u>199,739</u>	<u>213,839</u>	<u>413,578</u>

##### Hang Seng Index Daily (2x) Leveraged Product

	For the period ended 31 March 2018		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	53,316	10,484	63,800
Index licensing fee	202,267	9,240	211,507
Other administration fee and expenses	115,550	22,720	138,270
	<u>371,133</u>	<u>42,444</u>	<u>413,577</u>

##### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

	For the period ended 31 March 2018		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	31,729	32,071	63,800
Index licensing fee	149,490	141,327	290,817
Other administration fee and expenses	68,763	69,507	138,270
	<u>249,982</u>	<u>242,905</u>	<u>492,887</u>



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS (CONTINUED)

##### (c) Other expenses (continued)

##### (ii) Administration fee and other expenses (continued)

<u>Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>	For the period ended 31 March 2018		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	30,454	33,346	63,800
Index licensing fee	138,790	72,717	211,507
Other administration fee and expenses	66,001	72,269	138,270
	<u>235,245</u>	<u>178,332</u>	<u>413,577</u>

##### (iii) Bank charges

Bank charges of S&P 500 Daily (-1x) Inverse Product for the year/period ended 31 March 2018 and 2017, and bank charges of Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product for the period ended 31 March 2018 were charged by The Hongkong and Shanghai Banking Corporation Limited., immediate holding company of the Trustee.

##### (d) Cash and cash equivalents held by the Trustee's related company

<u>S&amp;P 500 Daily (-1x) Inverse Product</u>	Notes	As at 31 March 2018 US\$	As at 31 March 2017 US\$
Bank balances	(i)	3,362,759	796,223
Time deposits	(ii)	1,014,743	1,002,121
Cash and cash equivalents		<u>4,377,502</u>	<u>1,798,344</u>
<u>Hang Seng Index Daily (-1x) Inverse Product</u>	Notes		As at 31 March 2018 HK\$
Bank balances	(i)		55,961,964
Time deposits	(ii)		34,118,774
Cash and cash equivalents			<u>90,080,738</u>
<u>Hang Seng Index Daily (2x) Leveraged Product</u>	Notes		As at 31 March 2018 HK\$
Bank balances	(i)		38,604,755
Time deposits	(ii)		50,117,123
Cash and cash equivalents			<u>88,721,878</u>
<u>Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	Notes		As at 31 March 2018 HK\$
Bank balances	(i)		13,260,103
Time deposits	(ii)		39,136,241
Cash and cash equivalents			<u>52,396,344</u>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS (CONTINUED)

##### (d) Cash and cash equivalents held by the Trustee's related company (continued)

<u>Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>	Notes	As at 31 March 2018 HK\$
Bank balances	(i)	64,861,132
Time deposits	(ii)	30,090,808
Cash and cash equivalents		<u>94,951,940</u>

##### Notes:

- (i) As at 31 March 2018 and 2017, these interest-bearing bank balances were held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.
- (ii) As at 31 March 2018 and 2017, these time deposits at fixed interest rates of 1.75% p.a. for S&P 500 Daily (-1x) Inverse Product, 0.2% p.a. for Hang Seng Index Daily (-1x) Inverse Product, 0.48% p.a. for Hang Seng Index Daily (2x) Leveraged Product, 0.2% p.a. for Hang Seng China Enterprises Index Daily (-1x) Inverse Product and 0.75% p.a. for Hang Seng China Enterprises Index Daily (2x) Leveraged Product were placed with Bank of China (Hong Kong) Limited with a maturity of less than one month.

The carrying accounts of the cash and cash equivalents approximate their fair value. Interest income was earned on these cash and cash equivalents during the year/period ended 31 March 2018 and 2017.

##### (e) Holdings of units

###### S&P 500 Daily (-1x) Inverse Product

As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited., a related company of the Trustee, and Mirae Asset Securities (HK) Ltd., a related company of the Manager, held 257,600 units (2017: nil units) and 500,000 units (2017: 500,000 units) of this Sub-Fund respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

###### Hang Seng Index Daily (-1x) Inverse Product

As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited., a related company of the Trustee, and Mirae Asset Securities (HK) Ltd., a related company of the Manager, held 1,047,600 units and 900,000 units of this Sub-Fund respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

###### Hang Seng Index Daily (2x) Leveraged Product

As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited., a related company of the Trustee, and Mirae Asset Securities (HK) Ltd., a related company of the Manager held 57,600 units and 200,000 units of this Sub-Fund respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

###### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited., a related company of the Trustee, and Mirae Asset Securities (HK) Ltd., a related company of the Manager held 30,000 units and 800,000 units of this Sub-Fund respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS (CONTINUED)

##### (e) Holdings of units (continued)

##### Hang Seng China Enterprises Index Daily (2x) Leveraged Product

As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited., a related company of the Trustee, and Mirae Asset Securities (HK) Ltd., a related company of the Manager held 30,000 units and 200,000 units of this Sub-Fund respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

##### (f) Amount due from the Manager

As at 31 March 2018 and 31 March 2017, the amount due from the Manager of the Sub-Funds is as follows:-

	<u>2018</u>	<u>2017</u>
	US\$	US\$
S&P 500 Daily (-1x) Inverse Product	9,174	-
		<u>2018</u>
		HK\$
Hang Seng Index Daily (-1x) Inverse Product		1,600
Hang Seng Index Daily (2x) Leveraged Product		1,920
Hang Seng China Enterprises Index Daily (-1x) Inverse Product		2,480
Hang Seng China Enterprises Index Daily (2x) Leveraged Product		2,040

#### 6. AMOUNT DUE FROM AND DUE TO BROKERS

As at 31 March 2018 and 2017, the Sub-Funds have amount due from and amounts due to brokers, which represent receivables and payables for securities sold/bought with the brokers that have been contracted for but not yet settled or delivered on the reporting date respectively. Amount due from/due to brokers also include cash held at the brokers and margin debt balances.

##### S&P 500 Daily (-1x) Inverse Product

	2018	2017
	US\$	US\$
Amount due from a broker		
- Cash held at broker (BNP Paribas Securities Services)	-	4,042
Amount due to a broker		
- Payables for securities sold, but not yet delivered (BNP Paribas Securities Services)	53,863	-

##### Hang Seng Index Daily (-1x) Inverse Product

	2018
	HK\$
Amount due from a broker	
- Cash held at broker (Goldman Sachs International)	12,551,019

##### Hang Seng Index Daily (2x) Leveraged Product

	2018
	HK\$
Amount due from a broker	
- Cash held at broker (Goldman Sachs International)	20,784,272

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 6. AMOUNT DUE FROM AND DUE TO BROKERS (CONTINUED)

##### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

Amount due from a broker	2018
- Cash held at broker (Goldman Sachs International)	HK\$
	<u>10,737,762</u>

##### Hang Seng China Enterprises Index Daily (2x) Leveraged Product

Amount due from a broker	2018
- Cash held at broker (Goldman Sachs International)	HK\$
	<u>24,750,023</u>

#### 7. SOFT COMMISSION ARRANGEMENTS

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Sub-Funds with whom the Manager or any of its connected persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its connected persons goods, services or other benefits (such as advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Funds as a whole and may contribute to an improvement in the performance of the Sub-Funds. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments. Since the inception of the Sub-Funds, the Manager had not participated in any soft commission arrangements in respect of any transactions for the accounts of the Sub-Funds.

#### 8. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Funds as they are authorised as collective investment schemes under section 104 of the Hong Kong Securities and Futures Ordinance and are therefore exempt from Hong Kong Profits Tax under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

#### 9. DISTRIBUTIONS TO UNITHOLDERS

The Manager does not intend to pay or make any distributions or dividends.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC code states that not more than 10% of the NAV of the Sub-Funds may be invested in securities issued by any single issuer, subject to certain provisions of the SFC code. There were no securities that individually accounted for more than 10% of the NAV of the Sub-Funds as at 31 March 2018 and 31 March 2017.

As per chapter 8.4A(e) of the SFC Code, the Sub-Funds with investments in futures may not hold open positions in any futures contract month for which the combined margin requirement represents 5% or more of the NAV of the Sub-Funds. However, as the Manager expects that the aggregate margin requirement for the futures contracts that Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product will invest may be as high as 10% in order to obtain the required exposure to the respective index, the Manager has applied to the SFC, and the SFC has granted, a waiver in respect of these Sub-Funds from the requirement under Chapter 8.4A(e) of the SFC Code, subject to certain conditions as stated in the prospectus of these Sub-Funds. Details of these Sub-Funds' margin requirements as at 31 March 2018 are disclosed below:

As at 31 March 2018, the initial and maintenance margin requirements for futures were as follows (2017: nil):

	<u>2018</u>	% of net asset
<u>Initial margin requirement</u>	HK\$	value
Hang Seng Index Daily (-1x) Inverse Product	10,076,346	9.70
Hang Seng Index Daily (2x) Leveraged Product	20,590,794	19.36
Hang Seng China Enterprises Index Daily (-1x) Inverse Product	6,207,443	9.74
Hang Seng China Enterprises Index Daily (2x) Leveraged Product	22,819,741	19.52

  

	<u>2018</u>	% of net asset
<u>Maintenance margin requirement</u>	HK\$	value
Hang Seng Index Daily (-1x) Inverse Product	8,061,077	7.76
Hang Seng Index Daily (2x) Leveraged Product	16,472,635	15.49
Hang Seng China Enterprises Index Daily (-1x) Inverse Product	4,965,954	7.79
Hang Seng China Enterprises Index Daily (2x) Leveraged Product	18,255,793	15.59

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 11. DERIVATIVE FINANCIAL INSTRUMENTS

(i) *Futures contracts*

Futures contracts are commitments to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery.

As at 31 March 2018, the initial margin requirements for futures were as follows (2017: nil):

	<u>2018</u>
	HK\$
Hang Seng Index Daily (-1x) Inverse Product	10,076,346
Hang Seng Index Daily (2x) Leveraged Product	20,590,794
Hang Seng China Enterprises Index Daily (-1x) Inverse Product	6,207,443
Hang Seng China Enterprises Index Daily (2x) Leveraged Product	22,819,741

(ii) *Swap agreements*

Swap agreements ("Swaps") represent agreements between two parties to make payments based upon the performance of certain underlying assets. The Sub-Fund is obligated to pay, or entitled to receive as the case may be, the net difference in the value determined at the onset of the Swaps versus the value determined at the termination or reset date of the Swaps. Therefore, amounts required for the future satisfaction of the Swaps may be greater or less than the amounts recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instrument of the Swaps is valued, at the Swap's settlement date.

In managing a Sub-Fund, the Manager adopted a synthetic replication investment strategy, pursuant to which the relevant Sub-Fund will enter into one or more unfunded swaps (a "Swap") (which are over-the counter financial derivative instruments entered into with one or more counterparties (each a "Swap Counterparty")) whereby the relevant Sub-Fund will receive or pay the economic gain or loss in respect of the inverse or leveraged performance of the relevant index (net of swap fees of the respective Sub-Fund).

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

#### 31 March 2018

#### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

##### (ii) Swap agreements (continued)

The following derivative contracts were unsettled as at year/period ended 31 March 2018 and 2017.

##### S&P 500 Daily (-1x) Inverse Product

###### As at 31 March 2018

Type of contract	Expiration	Number of contracts	Nominal amount US\$	Fair value US\$
Swaps	4 November 2018	7,665,562	(3,965,541)	-

###### As at 31 March 2017

Type of contract	Expiration	Number of contracts	Nominal amount US\$	Fair value US\$
Swap	6 October 2017	93,409,929	1,816,449	-

##### Hang Seng Index Daily (-1x) Inverse Product

###### As at 31 March 2018

Type of contract	Expiration	Number of contracts	Nominal amount HK\$	Fair value HK\$
Futures	27 April 2018	(69)	(103,672,500)	1,354,785

##### Hang Seng Index Daily (2x) Leveraged Product

###### As at 31 March 2018

Type of contract	Expiration	Number of contracts	Nominal amount HK\$	Fair value HK\$
Futures	27 April 2018	141	211,852,500	(2,998,821)

##### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

###### As at 31 March 2018

Type of contract	Expiration	Number of contracts	Nominal amount HK\$	Fair value HK\$
Futures	27 April 2018	(105)	(63,241,500)	688,594

##### Hang Seng China Enterprises Index Daily (2x) Leveraged Product

###### As at 31 March 2018

Type of contract	Expiration	Number of contracts	Nominal amount HK\$	Fair value HK\$
Futures	27 April 2018	386	232,487,800	(2,706,905)



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### (a) Strategy in using financial instruments

###### *Investment objectives and investment policies*

The investment objectives of the Sub-Funds are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to respective Sub-Funds. The Sub-Funds will rebalance its position at or around the close of trading of the underlying market, by increasing exposure in response to the relevant index's daily gains or reducing exposure in response to the relevant index's daily losses, so that their daily inverse or leverage exposure ratios to the relevant indices are consistent with the Sub-Funds' investment objectives.

The Sub-Funds themselves are subject to various risks. The main risks associated with the investments, assets and liabilities of the Sub-Funds are set out below:

##### (b) Market risk

###### (i) *Market price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Funds are designated to track the performance of their respective indices, and therefore the exposures to market risk in the Sub-Funds will be substantially the same as the tracked indices. The Manager manages the Sub-Funds' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked indices.

As at 31 March 2018 and 2017, given that financial assets and financial liabilities at fair value through profit or loss of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product are subject to daily settlement, these financial assets and financial liabilities at fair value through profit or loss are not subject to any market price risk.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (b) Market risk (continued)

##### (i) *Market price risk* (continued)

As at 31 March 2018, financial assets and liabilities of Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product at fair value through profit or loss were concentrated in the following country:

##### Hang Seng Index Daily (-1x) Inverse Product

	As at 31 March 2018	
	Fair value HK\$	% of net asset value
<u>Futures</u>		
Hong Kong	1,354,785	1.30
Total financial assets at fair value through profit or loss	<u>1,354,785</u>	<u>1.30</u>

##### Hang Seng Index Daily (2x) Leveraged Product

	As at 31 March 2018	
	Fair value HK\$	% of net asset value
<u>Futures</u>		
Hong Kong	(2,998,821)	(2.82)
Total financial liabilities at fair value through profit or loss	<u>(2,998,821)</u>	<u>(2.82)</u>

##### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

	As at 31 March 2018	
	Fair value HK\$	% of net asset value
<u>Futures</u>		
Hong Kong	688,594	1.08
Total financial assets at fair value through profit or loss	<u>688,594</u>	<u>1.08</u>

##### Hang Seng China Enterprises Index Daily (2x) Leveraged Product

	As at 31 March 2018	
	Fair value HK\$	% of net asset value
<u>Futures</u>		
Hong Kong	(2,706,905)	(2.32)
Total financial liabilities at fair value through profit or loss	<u>(2,706,905)</u>	<u>(2.32)</u>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (b) Market risk (continued)

###### (i) *Market price risk* (continued)

Sensitivity analysis in the event of a possible change in the tracked indices by sensitivity threshold as estimated by the Manager

As at 31 March 2018, if the tracked indices of Hang Seng Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (-1x) Inverse Product would increase by the following sensitivity thresholds with all other variables held constant, this would decrease the net assets of Hang Seng Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (-1x) Inverse Product by the amounts stated in the following table. If the tracked index of Hang Seng Index Daily (2x) Leveraged Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product would increase by the following sensitivity threshold with all other variables held constant, this would increase the net assets of the Hang Seng Index Daily (2x) Leveraged Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product by the amounts stated in the following table.

Conversely, if the tracked indices of Hang Seng Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (-1x) Inverse Product would decrease by the same sensitivity threshold, this would increase the net assets of Hang Seng Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (-1x) Inverse Product by the amounts stated in the following table. If the tracked index of Hang Seng Index Daily (2x) Leveraged Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product would decrease by the same sensitivity threshold, this would decrease the net asset of Hang Seng Index Daily (2x) Leveraged Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product by the amounts stated in the following table.

	As at 31 March 2018	
	Sensitivity threshold in %	Impact on net assets HK\$
Hang Seng Index Daily (-1x) Inverse Product	(21.56)	(292,094)
Hang Seng Index Daily (2x) Leveraged Product	52.45	1,573,005
Hang Seng China Enterprises Index Daily (-1x) Inverse Product	(17.14)	(118,015)
Hang Seng China Enterprises Index Daily (2x) Leveraged Product	31.95	864,823

The Manager has used their view of what would be a “reasonable shift” in each key market to estimate the change for use in the market sensitivity analysis above. Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index percentage are revised annually depending on the Manager’s current view of market volatility and other relevant factors.

###### (ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (b) Market risk (continued)

###### (ii) *Interest rate risk* (continued)

The only financial asset subject to floating interest rate is bank balance. Given that the interest arising from bank balance is immaterial, the Manager considers the interest rate risk to be low.

###### (iii) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All of the Sub-Funds' assets and liabilities are denominated in their functional currencies (either United States Dollar or Hong Kong Dollar). As a result, these Sub-Funds' assets and liabilities were not exposed to significant currency risk as at 31 March 2018 and 2017.

##### (c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Sub-Funds' financial assets which are potentially subject to credit risk consist principally of securities and cash and cash equivalents. The Sub-Funds limit their exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Funds' financial assets which are potentially subject to concentrations of counterparty risk consist principally of financial assets at fair value through profit or loss held with Goldman Sachs International and BNP Paribas Securities Services, amount due from broker held with BNP Paribas Securities Services, bank deposits held with The Hongkong and Shanghai Banking Corporation Limited, and time deposits held with Bank of China (Hong Kong) Limited.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (c) Credit risk (continued)

The table below summarises the Sub-Fund's assets placed with banks and brokers and their related credit ratings from Standard & Poor's as of 31 March 2018:

	<u>S&amp;P 500 Daily (-1x) Inverse Product</u>	<u>Hang Seng Index Daily (-1x) Inverse Product</u>	<u>Hang Seng Index Daily (2x) Leveraged Product</u>	<u>Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	<u>Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>
	Net exposure to counterparty 2018 US\$	Net exposure to counterparty 2018 HK\$	Net exposure to counterparty 2018 HK\$	Net exposure to counterparty 2018 HK\$	Net exposure to counterparty 2018 HK\$
Financial assets at fair value through profit or loss					
Goldman Sachs International	-	1,354,785	-	688,594	-
Rating	-	A+	-	A+	-
Source of rating	-	Standard & Poor's	-	Standard & Poor's	-
Amount due from brokers					
Goldman Sachs International	-	12,551,019	20,784,272	10,737,762	24,750,023
Rating	-	A+	A+	A+	A+
Source of rating	-	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's
Bank balances					
The Hongkong and Shanghai Banking Corporation Limited	3,362,759	55,961,964	38,604,755	13,260,103	64,861,132
Rating	AA-	AA-	AA-	AA-	AA-
Source of rating	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's
Time deposits					
Bank of China (Hong Kong) Limited	1,014,743	34,118,774	50,117,123	39,136,241	30,090,808
Rating	A+	A+	A+	A+	A+
Source of rating	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (c) Credit risk (continued)

The table below summarises the Sub-Fund's assets placed with banks and their related credit ratings from Moody's as of 31 March 2017:

	<u>S&amp;P 500 Daily (-1x) Inverse</u>
	<u>Product</u>
	Net exposure to counterparty
	2017
	US\$
Amount due from brokers	
BNP Paribas Securities Services	4,042
Rating	A1
Source of rating	Moody's
Bank balances	
The Hong Kong and Shanghai Banking Corporation Limited	796,223
Rating	A-1
Source of rating	Standard & Poor's
Time deposits	
Bank of China (Hong Kong) Limited	1,002,121
Rating	A1
Source of rating	Moody's

Accordingly, the Sub-Funds have no significant credit risk as of 31 March 2018 and 2017. The maximum exposure to credit risk at year/period end is the carrying amount of the financial assets as shown on the statement of net assets. None of the assets are impaired nor past due but not impaired.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Sub-Funds invest the majority of their assets in investments that are traded in an active market and can be readily disposed of. The Sub-Funds' securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Sub-Funds' liquidity position on a daily basis.

The following table illustrates the expected liquidity of financial assets held at 31 March 2018 and 2017 and gives the contractual undiscounted cash-flow projection of the Sub-Funds' financial liabilities. The Sub-Funds manage their liquidity risk by investing in securities that they expect to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

#### S&P 500 Daily (-1x) Inverse Product

<u>As at 31 March 2018</u>	Less than 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	More than 12 months US\$	Total US\$
<b>Financial assets</b>					
Amount due from the Manager	9,174	-	-	-	9,174
Interest receivable	4,086	-	-	-	4,086
Cash and cash equivalents	4,377,502	-	-	-	4,377,502
<b>Total</b>	<b>4,390,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,390,762</b>
<b>Financial liabilities</b>					
Amounts due to brokers	53,863	-	-	-	53,863
Management fee payable	-	-	19,839	-	19,839
Trustee fee payable	364	-	28	-	392
Formation fee payable	-	-	115,252	-	115,252
Administration fee payable	-	-	5,217	-	5,217
Other payables and accruals	2,080	-	-	-	2,080
<b>Total</b>	<b>56,307</b>	<b>-</b>	<b>140,336</b>	<b>-</b>	<b>196,643</b>
<u>As at 31 March 2017</u>	Less than 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	More than 12 months US\$	Total US\$
<b>Financial assets</b>					
Amounts due from brokers	4,042	-	-	-	4,042
Interest receivable	2,177	-	-	-	2,177
Cash and cash equivalents	1,798,344	-	-	-	1,798,344
<b>Total</b>	<b>1,804,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,804,563</b>
<b>Financial liabilities</b>					
Management fee payable	3,817	-	-	-	3,817
Trustee fee payable	182	-	-	-	182
Formation fee payable	767	1,534	6,904	106,047	115,252
Administration fee payable	1,636	-	-	-	1,636
<b>Total</b>	<b>6,402</b>	<b>1,534</b>	<b>6,904</b>	<b>106,047</b>	<b>120,887</b>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (d) Liquidity risk (continued)

As at 31 March 2018, three (2017: three) unitholders held respectively 18%, 16% and 13% (2017: 50%, 22% and 10%) of S&P 500 Daily (-1x) Inverse Product's total net assets.

##### Hang Seng Index Daily (-1x) Inverse Product

<u>As at 31 March 2018</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
<b>Financial assets</b>					
Financial assets at fair value					
through profit or loss	1,354,785	-	-	-	1,354,785
Amounts due from brokers	5,000,000	-	7,551,019	-	12,551,019
Amount due from the Manager	1,600	-	-	-	1,600
Interest receivable	5,514	-	-	-	5,514
Cash and cash equivalents	90,080,738	-	-	-	90,080,738
Total	<u>96,442,637</u>	<u>-</u>	<u>7,551,019</u>	<u>-</u>	<u>103,993,656</u>
<b>Financial liabilities</b>					
Management fee payable	48,123	-	5,294	-	53,417
Trustee fee payable	9,180	-	681	-	9,861
Other payables and accruals	5,500	-	39,862	-	45,362
Total	<u>62,803</u>	<u>-</u>	<u>45,837</u>	<u>-</u>	<u>108,640</u>

As at 31 March 2018, two unitholders held respectively 37% and 25% of Hang Seng Index Daily (-1x) Inverse Product's total net assets.

##### Hang Seng Index Daily (2x) Leveraged Product

<u>As at 31 March 2018</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
<b>Financial assets</b>					
Amounts due from brokers	20,784,272	-	-	-	20,784,272
Amount due from the Manager	1,920	-	-	-	1,920
Interest receivable	3,327	-	-	-	3,327
Cash and cash equivalents	88,721,878	-	-	-	88,721,878
Total	<u>109,511,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,511,397</u>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	2,998,821	-	-	-	2,998,821
Management fee payable	56,127	-	5,734	-	61,861
Trustee fee payable	10,716	-	705	-	11,421
Administration fee payable	-	-	46,325	-	46,325
Other payables and accruals	1,920	-	25,068	-	26,988
Total	<u>3,067,584</u>	<u>-</u>	<u>77,832</u>	<u>-</u>	<u>3,145,416</u>

As at 31 March 2018, two unitholders held respectively 65% and 13% of Hang Seng Index Daily (2x) Leveraged Product's total net assets.



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

##### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

<u>As at 31 March 2018</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
<b>Financial assets</b>					
Financial assets at fair value through profit or loss	688,594	-	-	-	688,594
Amounts due from brokers	10,737,762	-	-	-	10,737,762
Amount due from the manager	2,480	-	-	-	2,480
Interest receivable	6,284	-	-	-	6,284
Cash and cash equivalents	52,396,344	-	-	-	52,396,344
<b>Total</b>	<b>63,831,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,831,464</b>
<b>Financial liabilities</b>					
Management fee payable	33,595	-	4,733	-	38,328
Trustee fee payable	6,660	-	416	-	7,076
Other payables and accruals	10,280	-	39,862	-	50,142
<b>Total</b>	<b>50,535</b>	<b>-</b>	<b>45,011</b>	<b>-</b>	<b>95,546</b>

As at 31 March 2018, two unitholders held respectively 34% and 23% of Hang Seng China Enterprises Index Daily (-1x) Inverse Product's total net assets.

##### Hang Seng China Enterprises Daily (2x) Leveraged Product

<u>As at 31 March 2018</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
<b>Financial assets</b>					
Amounts due from brokers	24,750,023	-	-	-	24,750,023
Amount due from the Manager	2,040	-	-	-	2,040
Interest receivable	44,571	-	-	-	44,571
Cash and cash equivalents	94,951,940	-	-	-	94,951,940
<b>Total</b>	<b>119,748,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,748,574</b>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	2,706,905	-	-	-	2,706,905
Management fee payable	62,187	-	6,278	-	68,465
Trustee fee payable	11,858	-	782	-	12,640
Other payables and accruals	2,040	-	39,862	-	41,902
<b>Total</b>	<b>2,782,990</b>	<b>-</b>	<b>46,922</b>	<b>-</b>	<b>2,829,912</b>

As at 31 March 2018, three unitholders held respectively 62%, 15% and 14% of Hang Seng China Enterprises Daily (2x) Leveraged Product's total net assets.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (e) Fair value estimation

The fair values of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year/period end date. The Sub-Funds used last traded market prices as their fair valuation inputs for financial assets.

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 requires the Sub-Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the assets or liabilities.

The determination of what constitutes "observable" requires significant judgement by the Sub-Funds. The Sub-Funds consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant markets.

#### Financial assets and financial liabilities carried at fair value

The following tables analyse within the fair value hierarchy the Sub-Funds' financial assets and financial liabilities (by class) measured at fair value as at 31 March 2018 and 31 March 2017:

<u>As at 31 March 2018</u>	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
<b>Financial assets at fair value through profit or loss at inception:</b>				
<i>Future Contracts</i>				
Hang Seng Index Daily (-1x) Inverse Product (in HK\$)	1,354,785	-	-	1,354,785
	<u>1,354,785</u>	<u>-</u>	<u>-</u>	<u>1,354,785</u>
Hang Seng China Enterprises Index Daily (-1x) Inverse Product (in HK\$)	688,594	-	-	688,594
	<u>688,594</u>	<u>-</u>	<u>-</u>	<u>688,594</u>

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (e) Fair value estimation (continued)

##### Financial assets and financial liabilities carried at fair value (continued)

<u>As at 31 March 2018</u>	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
<b>Financial liabilities at fair value through profit or loss at inception:</b>				
<i>Future Contracts</i>				
Hang Seng Index Daily (2x) Leveraged Product (in HK\$)	2,998,821	-	-	2,998,821
	<u>2,998,821</u>	<u>-</u>	<u>-</u>	<u>2,998,821</u>
Hang Seng China Enterprises Daily (2x) Leveraged Product (in HK\$)	2,706,905	-	-	2,706,905
	<u>2,706,905</u>	<u>-</u>	<u>-</u>	<u>2,706,905</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The Sub-Funds do not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

During the year/period ended 31 March 2018 and 2017, there were no transfers between levels.

##### Other financial assets and financial liabilities

The Management has assessed that the fair values of the amounts due from brokers, an amount due from the Manager, interest receivable, cash and cash equivalents, amounts due to brokers, management fee payable, trustee fee payable, formation fee payable, administration fee payable and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

##### (f) Capital risk management

The Sub-Funds' capital is represented by the net assets attributable to unitholders. The Sub-Funds' objective is to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to each of the respective Sub-Funds. The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Sub-Funds; and
- suspend the creation and redemption of units under certain circumstance stipulated in the Trust Deed.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 March 2018

#### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

- (g) Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2018 and 2017, the Sub-Funds were not subject to any master netting arrangement with its counterparties.

#### 13. SEGMENT INFORMATION

The Manager makes the strategic resource allocations on behalf of the Sub-Funds and has determined the operating segments based on the reports reviewed which are used to make strategic decisions.

The Manager considers that each Sub-Fund has a single operating segment which is investing in swaps or futures as the Manager adopts a swap-based or futures-based replication investment strategy to achieve the investment objective of the respective Sub-Funds' segment. The objectives of the Sub-Funds are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to each Sub-Fund.

The internal financial information used by the Manager for the Sub-Funds' assets, liabilities and performance is the same as that disclosed in the statement of net assets and statement of profit or loss and other comprehensive income.

There were no changes in the reportable segment during the year/period ended 31 March 2018 and 2017.

The Sub-Funds are domiciled in Hong Kong. Majority of the Sub-Funds' income is derived from investments in financial assets and financial liabilities at fair value through profit or loss. The Sub-Funds have no assets or liabilities classified as non-current.

#### 14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 27 July 2018.

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 March 2018

#### S&P 500 Daily (-1x) Inverse Product

		Holdings	Fair value HK\$	% of net assets
<b>Swap</b>	<b>Expiration Date</b>	<b>Contracts</b>		
MIRAE ASSET HORIZONS S&P 500 TOTAL RETURN INDEX	4 November 2018	7,665,562	-	-
Total investments at fair value			-	-
Total investments, at cost			-	

#### Hang Seng Index Daily (-1x) Inverse Product

		Holdings	Fair value HK\$	% of net assets
<b>Future contracts</b>	<b>Expiration Date</b>	<b>Contracts</b>		
HANG SENG IDX FUT APR18 27/04/2018	27 April 2018	(69)	1,354,785	1.30
Total investments at fair value			1,354,785	1.30
Total investments, at cost			-	

#### Hang Seng Index Daily (2x) Leveraged Product

		Holdings	Fair value HK\$	% of net assets
<b>Future contracts</b>	<b>Expiration Date</b>	<b>Contracts</b>		
HANG SENG IDX FUT APR18 27/04/2018	27 April 2018	141	(2,998,821)	(2.82)
Total investments at fair value			(2,998,821)	(2.82)
Total investments, at cost			-	

#### Hang Seng China Enterprises Index Daily (-1x) Inverse Product

		Holdings	Fair value HK\$	% of net assets
<b>Future contracts</b>	<b>Expiration Date</b>	<b>Contracts</b>		
HSCEI FUTURES APR18 27/04/2018	27 April 2018	(105)	688,594	1.08
Total investments at fair value			688,594	1.08
Total investments, at cost			-	

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

As at 31 March 2018

#### Hang Seng China Enterprises Daily (2x) Leveraged Product

		<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net assets</b>
<b>Future contracts</b>	<b>Expiration Date</b>	<b>Contracts</b>		
HSCEI FUTURES APR18 27/04/2018	27 April 2018	386	(2,706,905)	(2.32)
Total investments at fair value			<u>(2,706,905)</u>	<u>(2.32)</u>
Total investments, at cost			<u>-</u>	

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 10 March 2017 (date of inception) to 31 March 2018

#### Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

Financial assets at fair value through profit or loss	Opening	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2018
<b>Swap</b>					
<b>USA</b>					
MIRAE ASSET HORIZONS S&P 500 TOTAL RETURN INDEX	-	473,944,422	-	481,609,984	(7,665,562)
S&P 500 INVERSE DAILY INDEX PRICE RETURN EQUITY SWAP	93,409,929	12,330,110,628	-	12,423,520,557	-

#### Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product

Financial assets at fair value through profit or loss	10 March 2017 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2018
<b>Futures Contracts</b>					
<b>HONG KONG</b>					
HANG SENG IDX FUT MAR 17 30/03/2017	-	84	-	84	-
HANG SENG IDX FUT APR17 27/04/2017	-	96	-	96	-
HANG SENG IDX FUT 29/05/2017	-	92	-	92	-
HANG SENG IDX FUT JUN 17 29/06/2017	-	87	-	87	-
HANG S IDX FUT JUL17 28/07/2017	-	84	-	84	-
HANG SENG INDEX FUT 30/08/2017	-	57	-	57	-
HANG SENG IDX FUT SEP 17	-	56	-	56	-
HANG SENG IDX FUT OCT17 30/10/2017	-	55	-	55	-
HANG SENG IDX FUT NOV17 29/11/ 2017	-	50	-	50	-
HANG SENG IDX FUT DEC17 FUT 28/12/2017	-	49	-	49	-
HANG SENG INDEX FUTURE JAN18 30/01/2018	-	43	-	43	-
HANG SENG INDEX FUT FEB18 27/02/2018	-	59	-	59	-
HANG SENG IDX FUT MAR18 28/03/2018	-	76	-	76	-
HANG SENG IDX FUT APR18 27/04/2018	-	2	-	71	(69)

#### Mirae Asset Horizons Hang Seng Index Daily (2x) Leveraged Product

Financial assets at fair value through profit or loss	10 March 2017 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2018
<b>Future Contracts</b>					
<b>Hong Kong</b>					
HANG SENG IDX FUT MAR 17 30/03/2017	-	337	-	337	-
HANG SENG IDX FUT APR17 27/04/2017	-	343	-	343	-
HANG SENG IDX FUT 29/05/2017	-	378	-	378	-
HANG SENG IDX FUT JUN 17 29/06/2017	-	398	-	398	-
HANG S IDX FUT JUL17 28/07/2017	-	413	-	413	-
HANG SENG INDEX FUT 30/08/2017	-	351	-	351	-
HANG SENG IDX FUT SEP 17	-	348	-	348	-
HANG SENG IDX FUT OCT17 30/10/2017	-	355	-	355	-
HANG SENG IDX FUT NOV17 29/11/ 2017	-	362	-	362	-
HANG SENG IDX FUT DEC17 FUT 28/12/2017	-	331	-	331	-
HANG SENG INDEX FUT FEB18 27/02/2018	-	194	-	194	-
HANG SENG IDX FUT MAR18 28/03/2018	-	181	-	181	-
HANG SENG IDX FUT APR18 27/04/2018	-	145	-	4	141

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

For the period from 10 March 2017 (date of inception) to 31 March 2018

#### Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product

Financial assets at fair value through profit or loss	10 March 2017 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2018
<b>Future Contracts</b>					
<b>Hong Kong</b>					
H-SHARES IDX FUT MAR17 30/03/2017	-	360	-	360	-
H-SHARES INDEX FUT 27/04/2017	-	399	-	399	-
H-SHARES INDEX FUT 29/05/2017	-	406	-	406	-
H-SHARES INDEX FUTUER 28/07/2017	-	384	-	384	-
H-SHARES INDEX FUT 30/08/2017	-	341	-	341	-
H-SHARES IDX FUT SEP17 28/09/2017	-	156	-	156	-
HSCEI FUTURES OCT17 30/10/2017	-	156	-	156	-
HSCEI FUTURES NOV17 29/11/2017	-	146	-	146	-
HSCEI FUTURES DEC17 28/12/2017	-	147	-	147	-
H-SHARES IDX FUT JAN 18 30/01/2018	-	102	-	102	-
H-SHARES INDEX FUT 27/02/2018	-	100	-	100	-
HSCEI FUTURES MAR18 28/03/2018	-	155	-	155	-
HSCEI FUTURES APR18 27/04/2018	-	2	-	107	(105)

#### Mirae Asset Horizons Hang Seng China Enterprises Daily (2x) Leveraged Product

Financial assets at fair value through profit or loss	10 March 2017 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2018
<b>Future Contracts</b>					
<b>Hong Kong</b>					
H-SHARES IDX FUT MAR17 30/03/2017	-	396	-	396	-
H-SHARES INDEX FUT 27/04/2017	-	396	-	396	-
H-SHARES INDEX FUT 29/05/2017	-	401	-	401	-
H-SHARES INDEX FUTUER 28/07/2017	-	628	-	628	-
H-SHARES INDEX FUT 30/08/2017	-	672	-	672	-
H-SHARES IDX FUT SEP17 28/09/2017	-	447	-	447	-
HSCEI FUTURES OCT17 30/10/2017	-	458	-	458	-
HSCEI FUTURES NOV17 29/11/2017	-	484	-	484	-
HSCEI FUTURES DEC17 28/12/2017	-	474	-	474	-
H-SHARES IDX FUT JAN 18 30/01/2018	-	458	-	458	-
H-SHARES INDEX FUT 27/02/2018	-	494	-	494	-
HSCEI FUTURES MAR18 28/03/2018	-	448	-	448	-
HSCEI FUTURES APR18 27/04/2018	-	395	-	9	386



## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### PERFORMANCE RECORD (UNAUDITED)

#### NET ASSET VALUE

	<u>As at 31 March 2018</u>	
	Dealing net asset value	Dealing net asset value per unit
S&P 500 Daily (-1x) Inverse Product (in US\$)	4,295,094	1.5619
Hang Seng Index Daily (-1x) Inverse Product (in HK\$)	104,057,620	5.6247
Hang Seng Index Daily (2x) Leveraged Product (in HK\$)	106,365,981	12.0870
Hang Seng China Enterprises Index Daily (-1x) Inverse Product (in HK\$)	63,793,747	5.9620
Hang Seng China Enterprises Index Daily (2x) Leveraged Product (in HK\$)	117,018,418	10.3556

	<u>As at 31 March 2017</u>	
	Dealing net asset value	Dealing net asset value per unit
S&P 500 Daily (-1x) Inverse Product (in US\$)	1,794,453	1.7945

#### HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

	<u>For the year/period ended 31 March 2018</u>	
	Highest issue price per unit	Lowest redemption price per unit
S&P 500 Daily (-1x) Inverse Product (in US\$)	1.8189	1.4396
Hang Seng Index Daily (-1x) Inverse Product (in HK\$) <sup>1</sup>	15.0191	5.1726
Hang Seng Index Daily (2x) Leveraged Product (in HK\$) <sup>1</sup>	23.1596	10.8196
Hang Seng China Enterprises Index Daily (-1x) Inverse Product (in HK\$) <sup>1</sup>	15.4402	5.2809
Hang Seng China Enterprises Index Daily (2x) Leveraged Product (in HK\$) <sup>1</sup>	20.4167	9.1407

	<u>For the period ended 31 March 2017</u>	
	Highest issue price per unit	Lowest redemption price per unit
S&P 500 Daily (-1x) Inverse Product (in US\$) <sup>2</sup>	1.7651	2.0585

<sup>1</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

<sup>2</sup>The financial period of the Sub-Fund in 2017 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017.

#### PERFORMANCE OF THE SUB-FUNDS

	<u>For the year/period ended 31 March 2018</u>	
	Sub-Fund performance (%)	Index* performance (%)
S&P 500 Daily (-1x) Inverse Product (in US\$)	(13.10)	11.77
Hang Seng Index Daily (-1x) Inverse Product (in HK\$) <sup>1</sup>	(23.59)	24.81
Hang Seng Index Daily (2x) Leveraged Product (in HK\$) <sup>1</sup>	56.08	24.81
Hang Seng China Enterprises Index Daily (-1x) Inverse Product (in HK\$) <sup>1</sup>	(19.98)	16.79
Hang Seng China Enterprises Index Daily (2x) Leveraged Product (in HK\$) <sup>1</sup>	37.24	16.79

	<u>For the period ended 31 March 2017</u>	
	Sub-Fund performance (%)	Index* performance (%)
S&P 500 Daily (-1x) Inverse Product (in US\$) <sup>2</sup>	(10.50)	9.35

<sup>1</sup>The financial period of the Sub-Funds in 2018 is referring to the period from 10 March 2017 (date of inception) to 31 March 2018.

<sup>2</sup>The financial period of the Sub-Fund in 2017 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017.

\*The respective tracking indices of these Sub-Funds are price return, float-adjusted market capitalisation weighted indices. A price return index calculates the performance of the index constituents on the basis that any dividends or distributions are not included in the index returns

# MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

## MANAGEMENT AND ADMINISTRATION

### Manager

Mirae Asset Global Investments (Hong Kong) Limited  
Level 15, Three Pacific Place  
1 Queen's Road East, Hong Kong

### Directors of the Manager

Mr. Hyeon Joo Park  
Mr. Jung Ho Rhee  
Mr. Wan Youn Cho  
Mr. Byung Ha Kim

### Trustee and Registrar

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

### Custodian

The Hong Kong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

### Service Agent

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

### Legal Counsel to the Manager

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway, Hong Kong

### Auditors

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

### Listing Agent

KGI Capital Asia Limited  
41/F, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

### Participating Dealers

BNP Paribas Securities Services  
21/F PCCW Tower,  
Taikoo Place, 979 King's Road  
Quarry Bay, Hong Kong

China Merchants Securities (HK) Co., Limited<sup>%</sup>  
48/F, One Exchange Square,  
Central, Hong Kong

CIMB Securities Ltd <sup>#</sup>  
Units 7706-08, Level 77,  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27/F, Low Block, Grand Millennium Plaza,  
No. 181 Queen's Road Central,  
Hong Kong

Goldman Sachs (Asia) Securities Limited<sup>%</sup>  
68/F Cheung Kong Center,  
2 Queen's Road Central,  
Hong Kong

### Participating Dealers (continued)

Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

KGI Securities (Hong Kong) Limited  
41/F Central Plaza, 18 Harbour Road,  
Wanchai, Hong Kong

Merrill Lynch Far East Limited<sup>%</sup>  
17/F-18/F 22/F & 23/F ICBC Tower,  
3 Garden Road, Central,  
Hong Kong

Mirae Asset Securities (HK) Limited  
Suite 1502, Level 15,  
Three Pacific Place  
1 Queen's Road East,  
Hong Kong

Yue Kun Research Limited  
17th Floor, China Building  
29 Queen's Road Central  
Hong Kong

ABN AMRO Clearing Hong Kong Limited  
70th Floor, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

### Market Makers

Bluefin HK Limited  
8/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

Commerz Securities Hong Kong Limited  
15/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

Flow Traders Hong Kong Limited<sup>%</sup>  
Room 2803 Hysan Place,  
500 Hennesy Road,  
Causeway Bay Hong Kong

KGI Securities (Hong Kong) Limited <sup>#</sup>  
41/F Central Plaza, 18 Harbour Road,  
Wanchai, Hong Kong

BNP Paribas Securities (Asia) Limited  
59/F-63/F Two International Finance Centre,  
8 Finance Street,  
Central, Hong Kong

Goldman Sachs (Asia) Securities Limited<sup>%</sup>  
68/F Cheung Kong Center,  
2 Queen's Road Central,  
Hong Kong

Haitong International Securities Company Limited<sup>%</sup>  
22/F, Li Po Chun Chambers,  
189 Des Voeux Road Central

IMC Asia Pacific Limited<sup>%</sup>  
99 Queen's Road  
4703-09, 47/F, The Center  
Central Hong Kong  
Hong Kong

## MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

### MANAGEMENT AND ADMINISTRATION (CONTINUED)

#### Market Makers (Continued)

Mirae Asset Securities (HK) Limited<sup>6</sup>  
Suite 1502, Level 15,  
Three Pacific Place  
1 Queen's Road East,  
Hong Kong

Optiver Trading Hong Kong Limited<sup>6</sup>  
25/F, 33 Des Voeux Rd Central,  
Central, Hong Kong

Yue Kun Research Limited<sup>6</sup>  
17th Floor, China Building  
29 Queen's Road Central  
Hong Kong

<sup>6</sup> In respect of Hang Seng Index Daily (-1x) Inverse Product, Hang Seng Index Daily (2x) Leveraged Product, Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Hang Seng China Enterprises Index Daily (2x) Leveraged Product only

<sup>7</sup> In respect of S&P 500 Daily (-1x) Inverse Product only