

Virtual Asset Futures ETFs

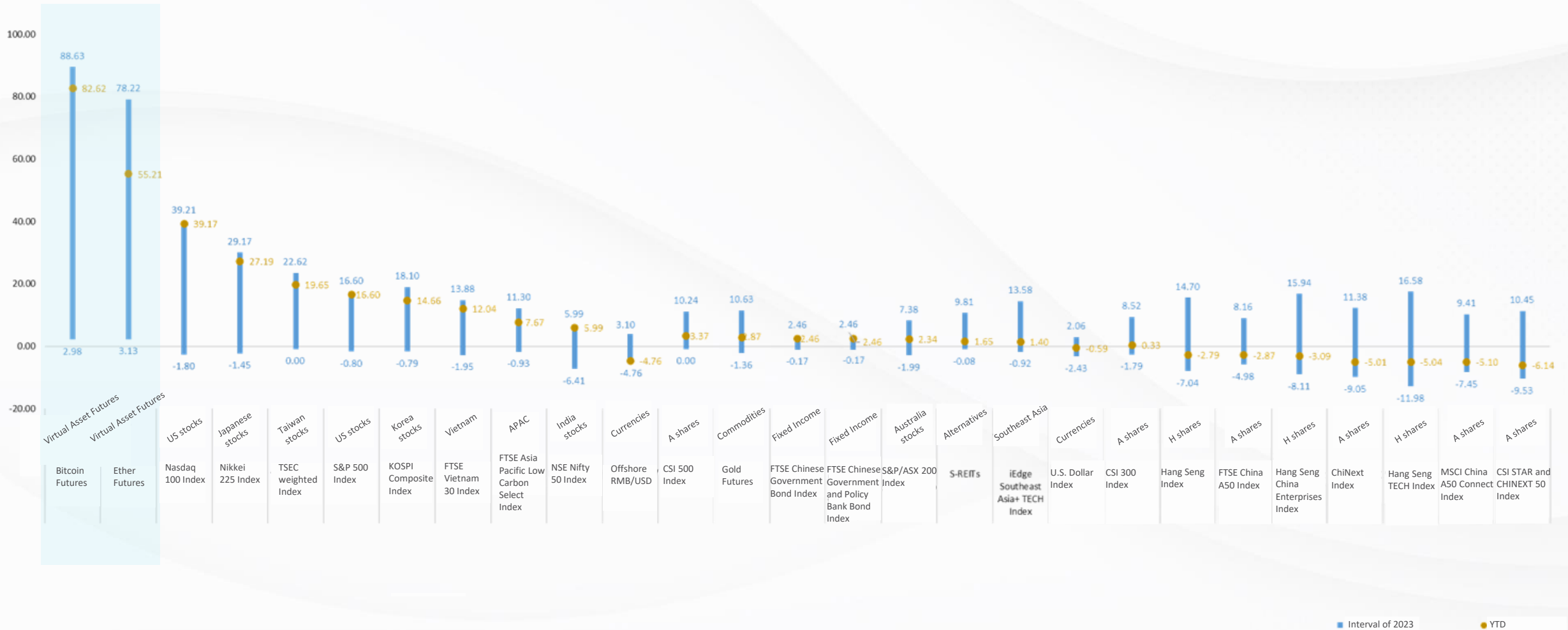
CSOP Bitcoin Futures ETF (3066.HK)

CSOP Ether Futures ETF (3068.HK)

November 2023



Virtual Assets: Best Performers in the First Half of 2023



Source: Bloomberg, CSOP. 2022/12/31-2023/6/30. For illustration purposes only. Past performance is not indicative of future performance.

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The Background

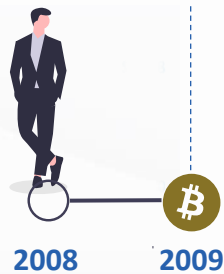
Virtual Assets as an Emerging Asset Class

Once upon a Time ...

Global virtual assets market cap hit record **US\$3 trillion** in November 2021, with 10,000+ types of virtual assets and 600+ exchanges.*

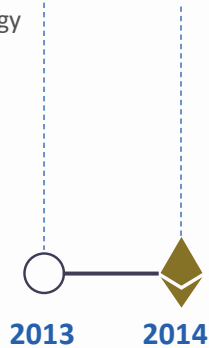
Bitcoin created: Nakamoto mined the starting block of the blockchain, referred to as the **Genesis Block** that contained the first 50 Bitcoins ever created. Bitcoin is the world's first decentralized virtual asset#.

Bitcoin in concept: A paper titled *Bitcoin: A Peer-to-Peer Electronic Cash System* was posted on October 31, 2008 with "Satoshi Nakamoto" as the author. It introduced a peer-to-peer digital cash system based on a new form of distributed ledger technology called **blockchain**.



Ethereum in concept: programmer Vitalik Buterin published a white paper explaining the concept of Ethereum in November 2013. Several others also joined to co-found Ethereum.

Ether purchasable: The Ethereum idea raised capital via an initial coin offering (ICO). Ether coins became purchasable in 2014 with its blockchain going live in 2015.



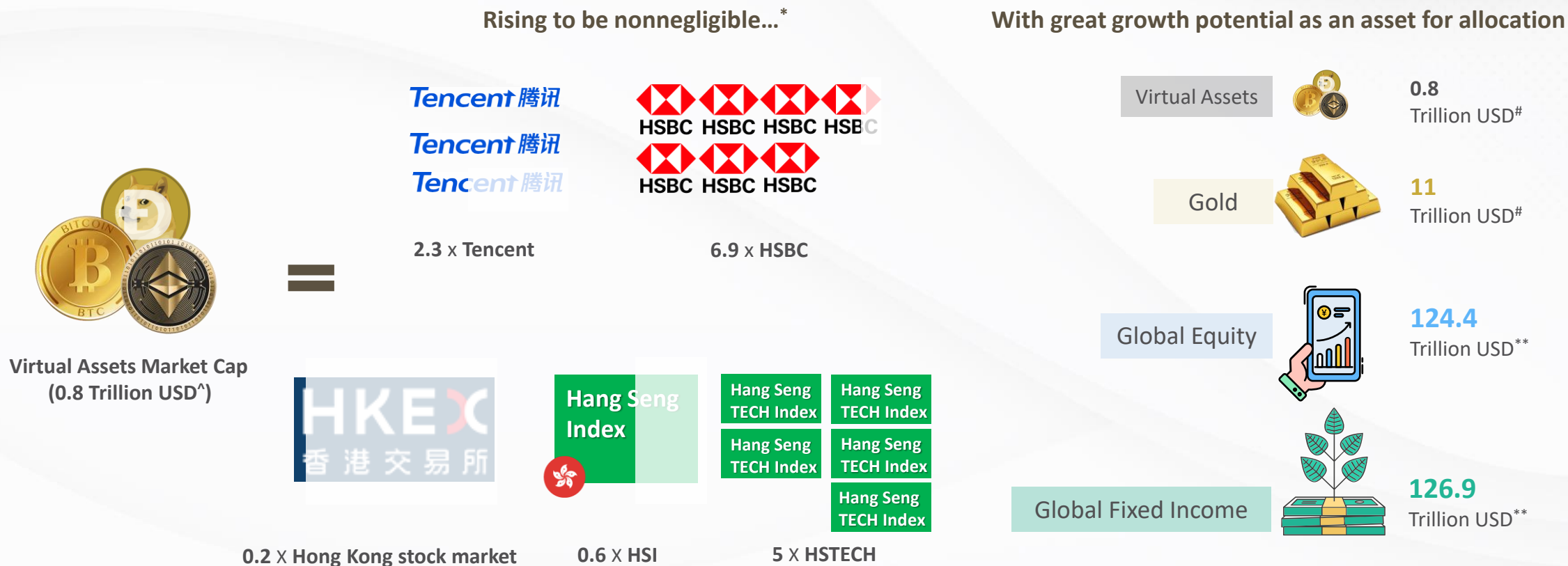
Global Virtual Assets Market Cap^



Source: *CoinGecko. #Cyber Defender. ^CoinMarketCap, 2013/4/30 -- 2022/11/21.

Now – Emerging Asset Class

Virtual Assets has become an asset class too big to ignore, and with great potential to grow further.



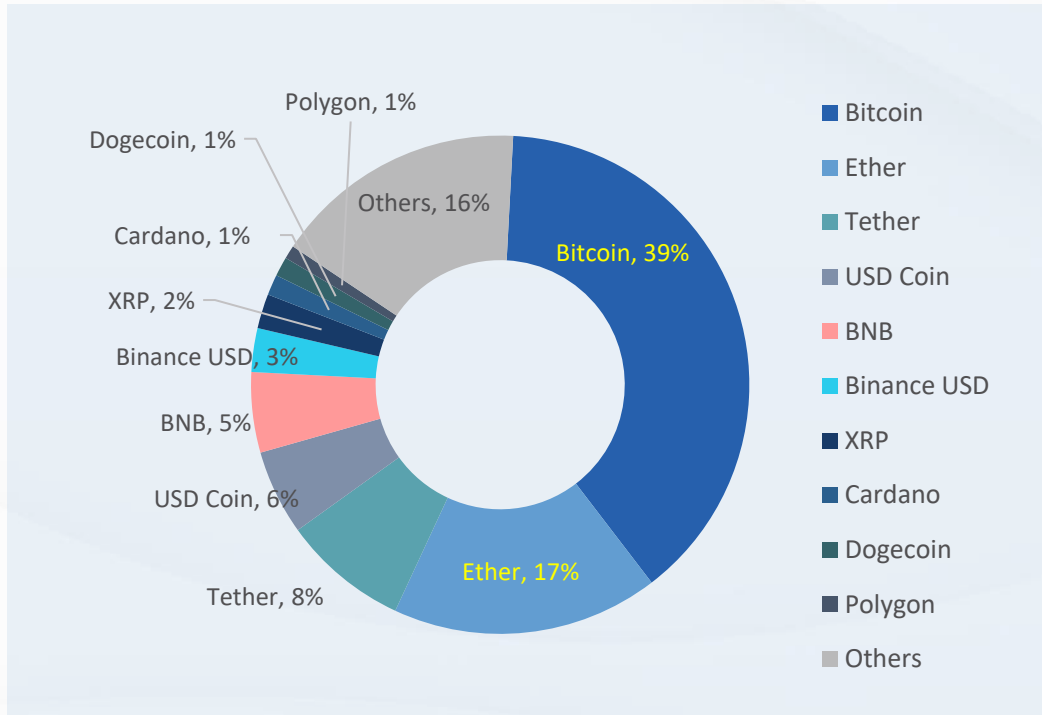
Source: [^]CoinMarketCap, 2022/11/21 *Market cap data from Bloomberg, 2022/11/22, ^{**}Stifma: 2022 Capital Markets Fact Book, #: CompaniesMarketCap.com, 2022/11/22. For illustration purposes only. Past performance is not indicative of future performance.

Dominance of Bitcoin and Ether

CME – the world’s largest futures exchange saw combined open interest across CME Group virtual asset futures and options reach a record average of 174.6K contracts throughout Q3 2022, an increase of 64% from Q2.

Top 2 Virtual Assets in the World

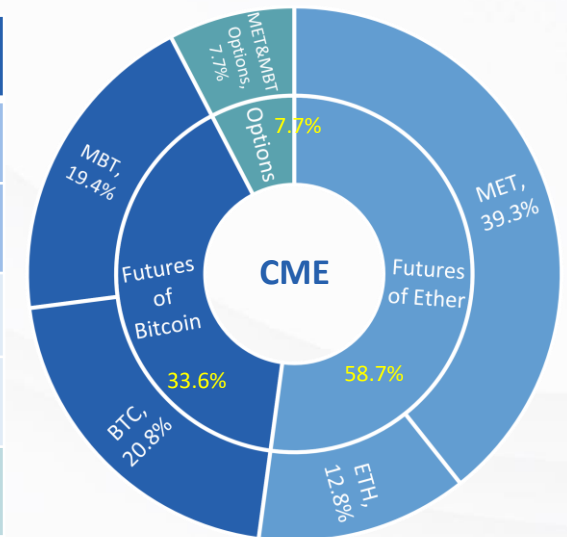
Global Major Virtual Assets
By % of Total Market Capitalization*



Top 2 Virtual Asset Derivatives in the World

CME Virtual Asset Derivatives
Average Daily Volume (ADV) Breakdown in Q3 2022 (by No. of contracts)^

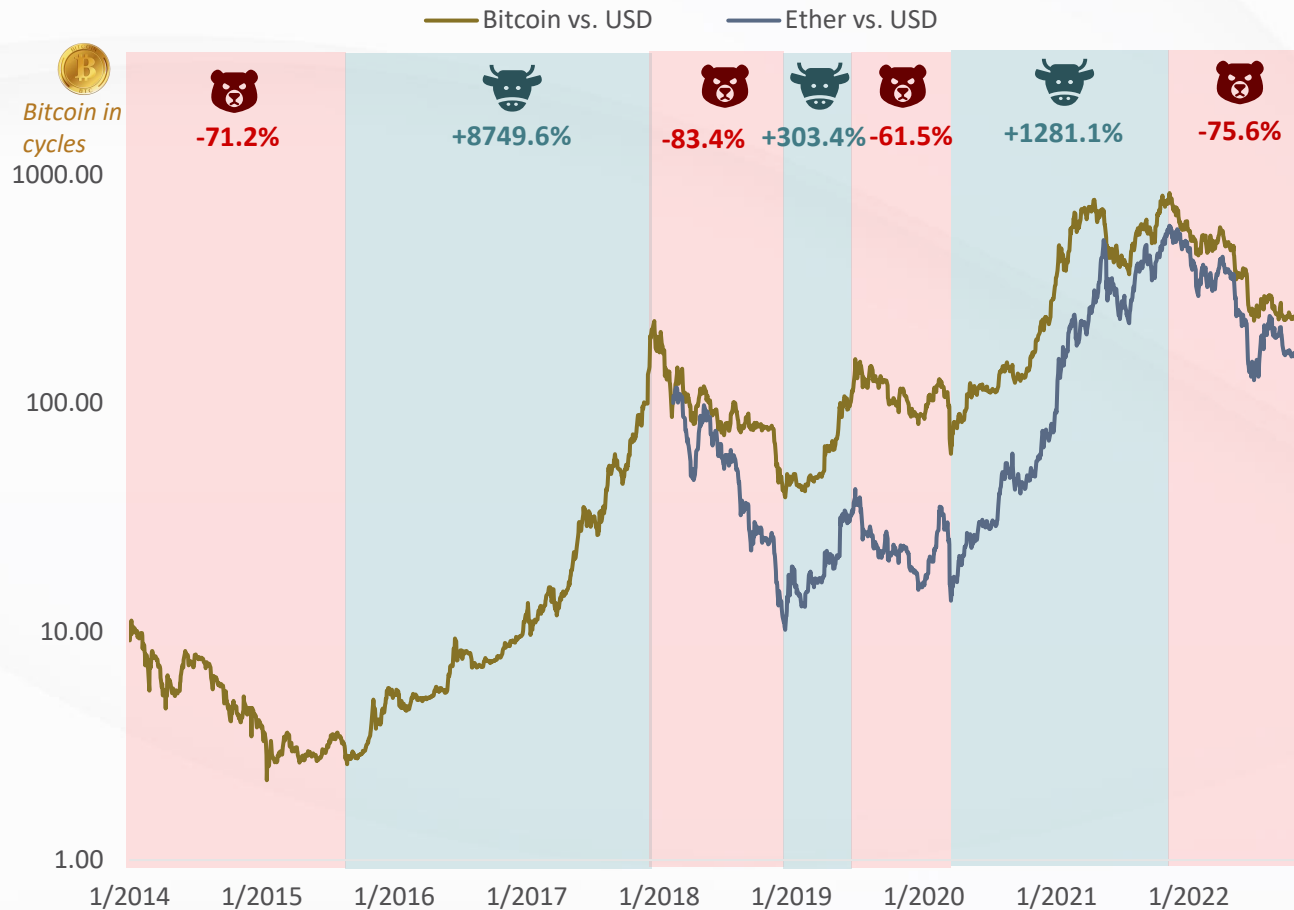
Q3 ADV (No. of contracts)	
Bitcoin futures (BTC)	11.7K
Micro Bitcoin futures (MBT)	10.9K
Ether futures (ETH)	7.2K
Micro Ether futures (MET)	22.1K
Micro virtual asset options	4.3K



Source: ^CME Group [Crypto Insights October 2022](#). *CoinMarketCap, as of 2022/11/20. For illustration purposes only. Past performance is not indicative of future performance.

High Volatility

Next, Another Bull Market?*



Key Features of Bitcoin and Ether ^



A virtual decentralized asset best recognized as a potentially great store of value due to its limited and ever-dwindling supply.



- **Limited supply make Bitcoin even rarer than gold.** By design, the supply of Bitcoin is limited to **21 million Bitcoins** with a current level of 19.22 million already mined, and the reward of newly mined Bitcoin gets cut in half every 4 years^^.



A decentralized software platform where developers leverage smart contracts to develop decentralized applications and fungible/non-fungible tokens.



- Unlike Bitcoin, the total amount of Ether that can be created is unlimited.
- But smart contracts are Ether's main competitive advantage. **Extension of the use cases for smart contracts imply the application scenarios.**

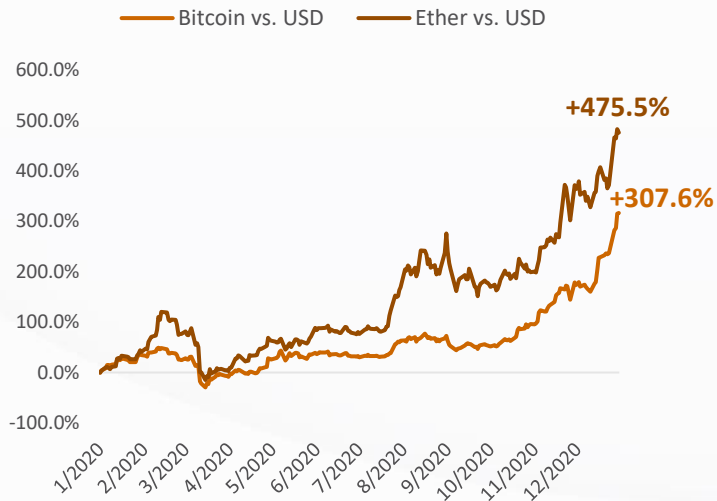
Source: *Bloomberg, CSOP. The periodic returns use the price change of Bitcoin, and the time ranges are 2014/1/1-2015/8/24; 2015/8/24-2017/12/17; 2017/12/17-2018/12/14; 2018/12/14-2019/6/26; 2019/6/26-2020/3/16; 2020/3/16-2021/11/9; 2021/11/9-2022/11/25 The vertical axis is adjusted in logarithmic scale for illustrative purpose. And the prices of Bitcoin & Ether versus USD are normalized as 100 on 2018/2/8 (the earliest date when Ether price is available in Bloomberg). For illustration purposes only. Past performance is not indicative of future performance. ^JP Morgan. ^^ This is a process known as Bitcoin halving.

Virtual Assets Performance Affected by Many Factors

Money Supply

More money supply usually brings higher Bitcoin/Ether prices, boosted by monetary easing. More and more dollars wind up chasing an ever-dwindling supply of Bitcoin.

2020 Was A Bullish Year for Virtual Assets Market Due to Fed's Quantitative Easing*



Sentiment

According to IMF research, sentiment in stock market is transmitted to the virtual assets in a nontrivial way. There is a growing interconnectedness between virtual assets and financial markets.

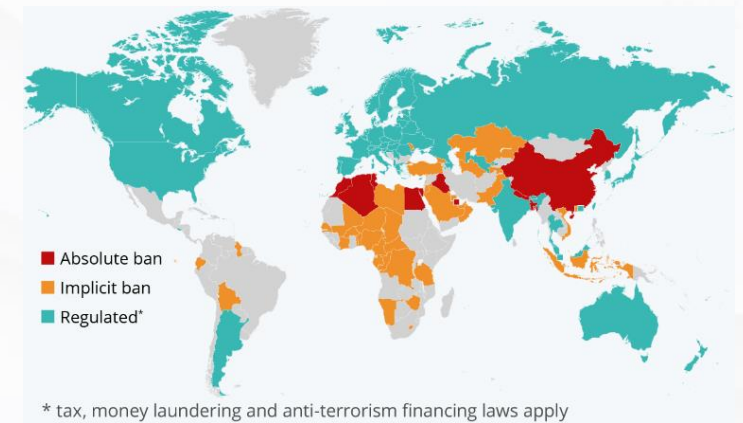
Correlation between Bitcoin and S&P 500 Index#



Regulations

Government policy and attitude may affect Bitcoin/Ether prices. Nowadays, more and more economies are open to regulated virtual assets related activities.

Countries/Regional Economies Where Virtual Assets Are Banned Or Regulated^



Source: *Bloomberg, CSOP, 2020/1/2-2020/12/31. #IMF. ^Statista, Law Library of Congress. As of Nov. 2021. For illustration purposes only. Past performance is not indicative of future performance.

Performance of Virtual Assets & CSOP Virtual Asset ETFs

- Bitcoin and Ether are holding strong at high levels

Bitcoin breaks through US\$30,000 and reaches a new high for the year



CSOP Bitcoin Futures ETF (3066 HK) / CSOP Ether Futures ETF (3068 HK) YTD +76.49%/+58.19%
Standardized with the price level of December 30, 2022 as the base (100)



Source: HKEX, Bloomberg, CSOP. 2022/12/31-2023/6/30. For illustration purposes only. Past performance is not indicative of future performance.

Bitcoin ETF Craze

- A series of announcements indicate institutional participants, including **BlackRock, Invesco, and WisdomTree**, are seeking approval to offer Virtual Asset Spot ETFs.
- Reportedly, **Fidelity** is planning a 'Significant Move' in the Virtual Asset Market.

- **2x Leveraged Futures Products Launched Prior to Spot ETFs.** The U.S. Securities and Exchange Commission (SEC) approved the first leveraged Bitcoin futures ETF on June 23. The Volatility Shares 2x Bitcoin Strategy ETF (BITX) was launched on June 27 on the Chicago Board Options Exchange (CBOE) BZX Exchange.
- The approval of BITX provides a respite for the virtual asset industry amidst regulatory uncertainties following the SEC's recent lawsuits against two major cryptocurrency exchanges.

1

Traditional asset managers have submitted new applications for Bitcoin Spot ETFs

2

Global inflows into virtual asset investment products remain strong

3

Open interest in Bitcoin futures contracts has surged to the highest level since January 23rd

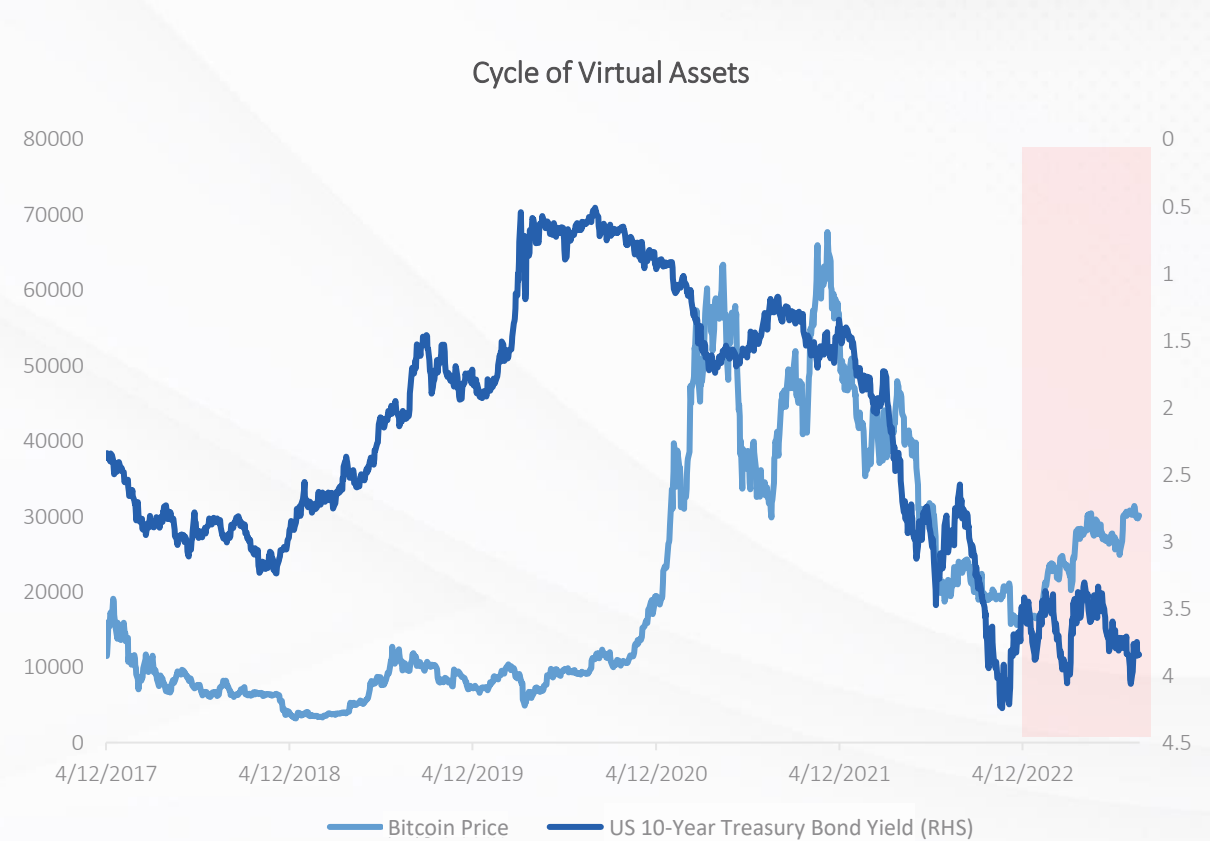
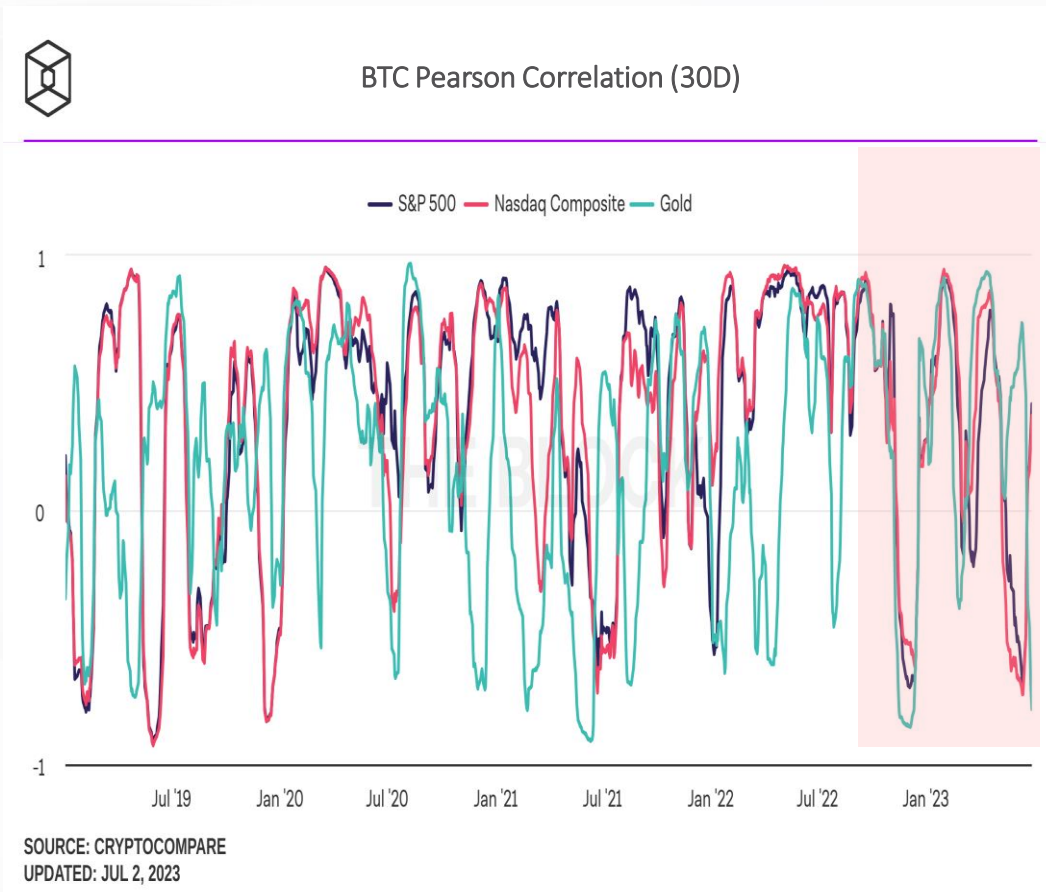
- As of June 30th, cryptocurrency investment products have seen two consecutive weeks of net inflows reaching US\$334 million, accounting for 1% of the total assets under management.*
- Against the backdrop of a strong recovery in Bitcoin prices this year, ProShares' BITO has experienced a robust revival, with continuous increases in institutional fund inflows. **It recorded the largest weekly net inflow in a year, reaching US\$65.3 million, pushing the assets under management past US\$1 billion.****

- As of June 25th, the value of open positions for Bitcoin futures contracts reached US\$319 million, **representing an increase of approximately 30% compared to the previous week.** Open interest contracts serve as an indicator of overall market activity and participation in Bitcoin futures trading. ^

Source: *Coinshare. **2023/6/19-2023/6/23. ^Media reports. For illustration purposes only. Past performance is not indicative of future performance.

Correlation with Traditional Assets

- Since the beginning of this year, there has been significant volatility in the stock market due to banking crises, debt ceiling concerns, high inflation, and frequent changes in interest rate expectations. Under these risk factors, the correlation between Bitcoin and the stock market has decreased, while the correlation between Bitcoin and gold has increased.

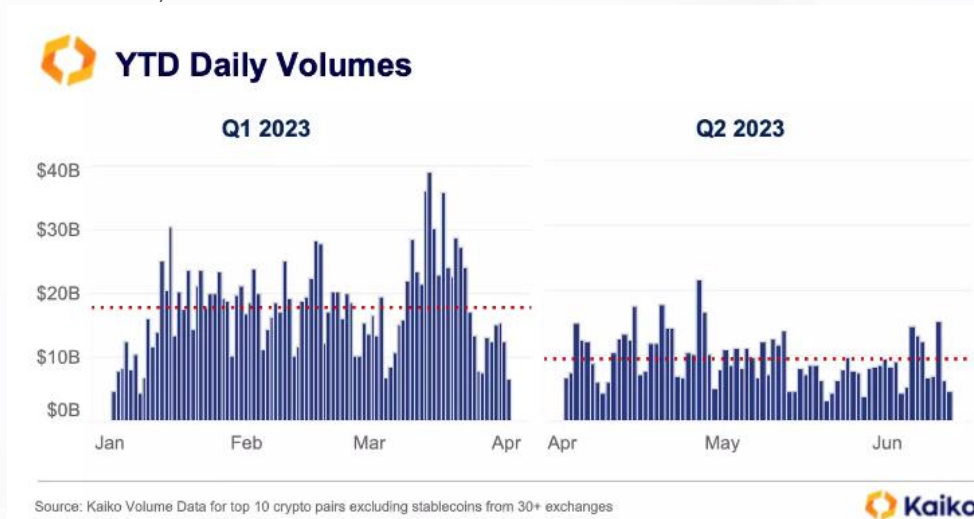


Source: Cryptocompare. As of 2023/7/2.

The Suppressed Liquidity Can Partially Explain the Previous Pullback

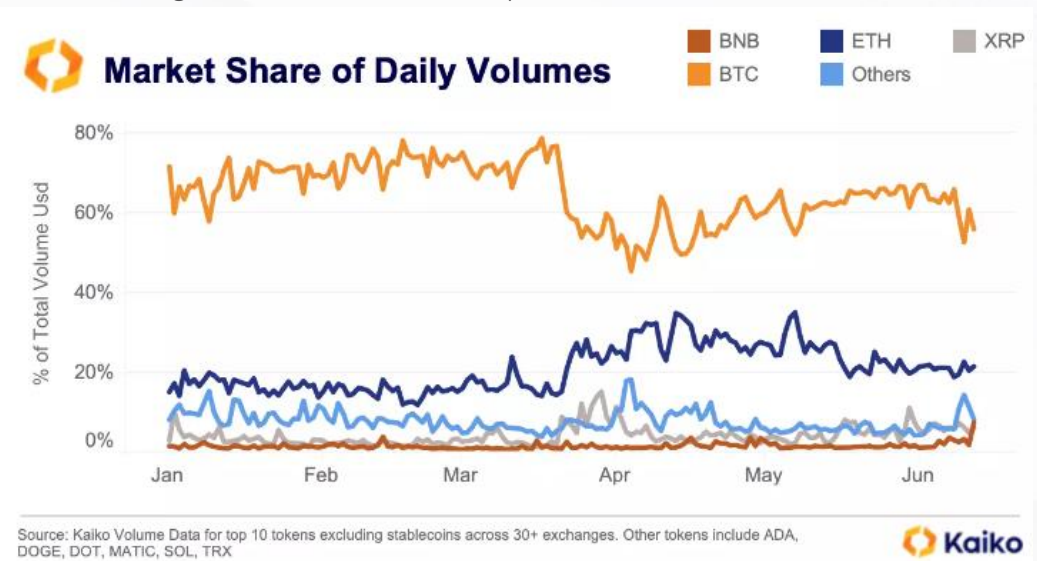
In the Second Quarter, the Trading Volume of Virtual Assets was Suppressed, Reaching Yearly Lows Multiple Times

The average daily trading volume of the top 10 virtual assets (excluding stablecoins) in the second quarter was only US\$10 billion, compared to US\$18 billion in the first quarter. This reflects the deteriorating liquidity conditions in the industry.



Bitcoin And Ether Maintain Their Dominant Positions

There have been changes in the market share of trading volume in the second quarter, with Bitcoin losing approximately 20% of its market share since its peak at the end of March. On the other hand, Ether has seen an increase of over 5% in its trading volume share since its low point at the end of March.



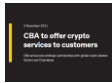
Source: Kaiko. As of 2023/6/16. For illustration purposes only. Past performance is not indicative of future performance.

Growing Inflow to Virtual Assets

More and More Institutions and Celebrities are in the Game



Cathie Wood sees Bitcoin hitting US\$1 million by 2030*.



Commonwealth Bank (CBA), the largest Australian commercial bank, offer customers the ability to buy, sell and hold virtual assets. **

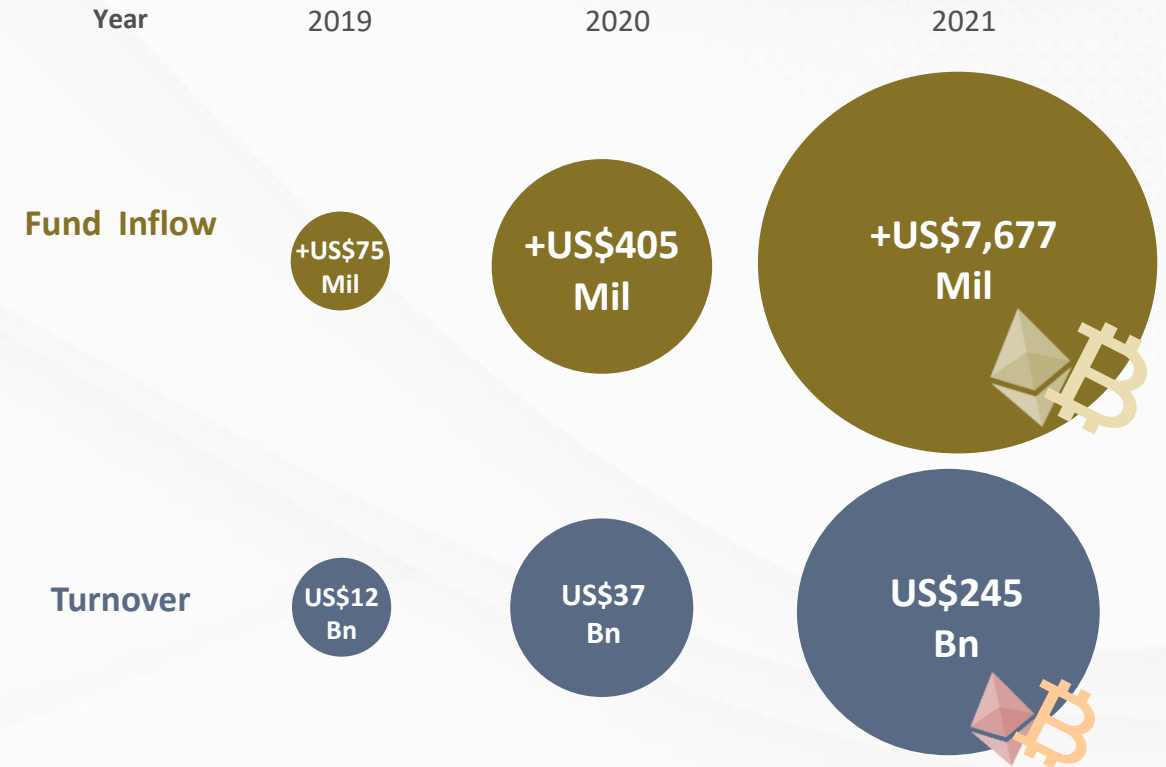


PayPal, a popular US payment service provider, allows trading Bitcoin, Bitcoin Cash, Ether, and Litecoin on its App or Website. ***

Tesla CEO Elon Musk owns a large number of Bitcoin; Tesla once accepted Bitcoin for payment



Increasing Flow and Trading of Global Virtual Asset ETPs^



Source: *Bloomberg. **CBA. ***PayPal. ^Bloomberg, CSOP. As of 2022/10/31. ETPs include ETF, ETC, and ETN.

Retail Virtual-Asset ETF First Ever in Asia

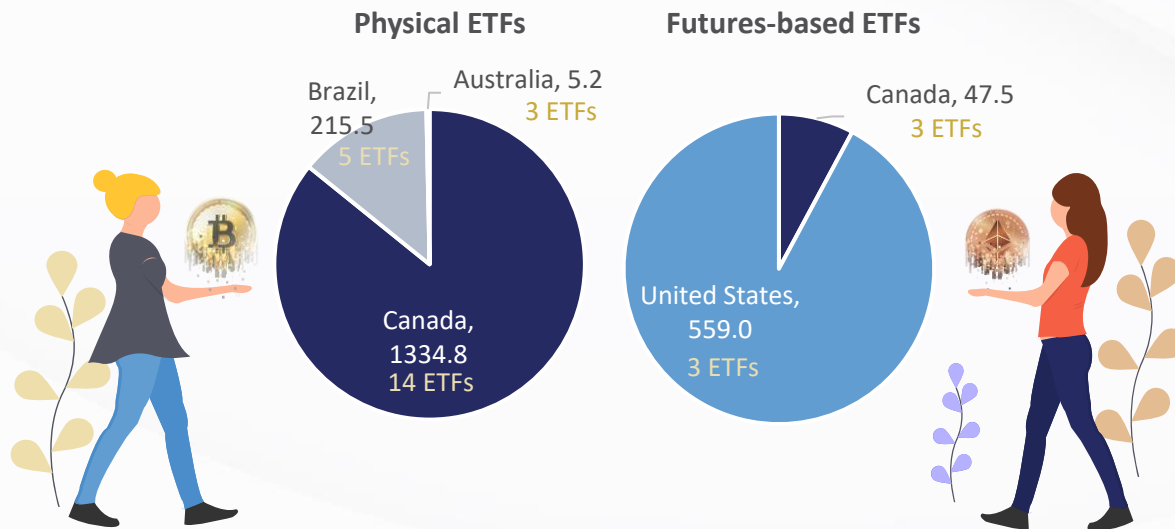
On 27 January 2020, the world's first virtual asset ETF available for retail investors was listed in **Canada**.

As of November 2022, there are 28 virtual asset ETFs around the world, **concentrating in North and South America**.*

On 31 October 2022, Hong Kong's Securities and Futures Commission announced to **allow the launch of ETFs tracking virtual asset futures for retail investors**, marking the first time Asian retail investors could get exposure to virtual assets.[^]



The AUM of Global Virtual Asset ETFs by Country* (Million USD)



Circular

31 October 2022

Circular on Virtual Asset Futures Exchange Traded Funds

1. This circular sets out the requirements under which the Securities and Futures Commission (SFC) would consider authorising exchange traded funds (ETFs) that obtain exposure to virtual assets (VAs)¹ primarily through futures contracts (VA Futures ETFs) for public offering in Hong Kong under sections 104 and 105 of the Securities and Futures Ordinance (SFO).

Source: *CSOP, Bloomberg, As of 2022/11/23, excluding ETN and ETC. ^Securities and Futures Commission (SFC). The picture is the screenshot of SFC's circular.

02

Product

First Virtual Asset Futures ETFs in Asia

3066.HK—— The First Bitcoin Futures ETF in Asia*

Fund Name	CSOP Bitcoin Futures ETF
Stock Code	3066.HK
Short Name	FA CSOP BTC
Manager	CSOP Asset Management Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Listing Date	December 16, 2022
Exchange Listing	HKEX-main board
Product Type	Active ETF
Base Currency	USD
Trading Currency	HKD
Trading Board Lot Size	100 units
Unit Price	Around 7.8 HKD
Minimum Investment [^]	Around 780 HKD
Investment Objective	The investment objective of the ETF is to provide investors with capital appreciation primarily through actively managed exposure to Bitcoin Futures . The ETF does not invest directly in Bitcoin . There is no assurance that the ETF will achieve its investment objective
Distribution Policy	Subject to the Manager’s discretion. Currently the Manager does not intend to make any distribution to Unitholders (whether out of income or out of capital)
Management Fee ^{^^}	1.99% per year
Ongoing charges over a year [#]	Estimated to be 2.0%



Source: CSOP. *Bloomberg, as of 2022/12/7. ^Estimated data for reference. ^^Please note that some fees may be increased up to a permitted maximum amount by providing one month’s prior notice to Unitholders. Please refer to the section headed “Fees and Expenses” in Part 1 of the Prospectus for details. #As the ETF is newly set up, this figure is a best estimate only and represents the sum of the estimated ongoing charges over a 12-month period, expressed as a percentage of the estimated average NAV over the same period. It may be different upon actual operation of the ETF and may vary from year to year. The Manager will cap the ongoing charges figure of the ETF for the first year from the date of its launch at a maximum of [2.0]% (the “OCF Cap”). This means that any expense of the ETF (falling within the scope of ongoing expenses) incurred during this period will be borne by the Manager and will not be charged to the ETF if such expense would result in the ongoing charges figure exceeding the OCF Cap.

3068.HK—— The First Ether Futures ETF Globally*

Fund Name	CSOP Ether Futures ETF
Stock Code	3068.HK
Short Name	FA CSOP ETH
Manager	CSOP Asset Management Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Listing Date	December 16, 2022
Exchange Listing	HKEX-main board
Product Type	Active ETF
Base Currency	USD
Trading Currency	HKD
Trading Board Lot Size	100 units
Unit Price	Around 7.8 HKD
Minimum Investment [^]	Around 780 HKD
Investment Objective	The investment objective of the ETF is to provide investors with capital appreciation primarily through actively managed exposure to Ether Futures . The ETF does not invest directly in ether . There is no assurance that the ETF will achieve its investment objective
Distribution Policy	Subject to the Manager’s discretion. Currently the Manager does not intend to make any distribution to Unitholders (whether out of income or out of capital)
Management Fee ^{^^}	1.99% per year
Ongoing charges over a year [#]	Estimated to be 2.0%



Source: CSOP. *Bloomberg, as of 2022/12/7. [^]Estimated data for reference. ^{^^}Please note that some fees may be increased up to a permitted maximum amount by providing one month’s prior notice to Unitholders. Please refer to the section headed “Fees and Expenses” in Part 1 of the Prospectus for details. [#]As the ETF is newly set up, this figure is a best estimate only and represents the sum of the estimated ongoing charges over a 12-month period, expressed as a percentage of the estimated average NAV over the same period. It may be different upon actual operation of the ETF and may vary from year to year. The Manager will cap the ongoing charges figure of the ETF for the first year from the date of its launch at a maximum of [2.0]% (the “OCF Cap”). This means that any expense of the ETF (falling within the scope of ongoing expenses) incurred during this period will be borne by the Manager and will not be charged to the ETF if such expense would result in the ongoing charges figure exceeding the OCF Cap.

Comparison



Virtual Assets



Decentralized Digital Asset

Trade at virtual asset exchanges



Virtual Asset Futures



Financial Derivatives

Trade at US futures exchange



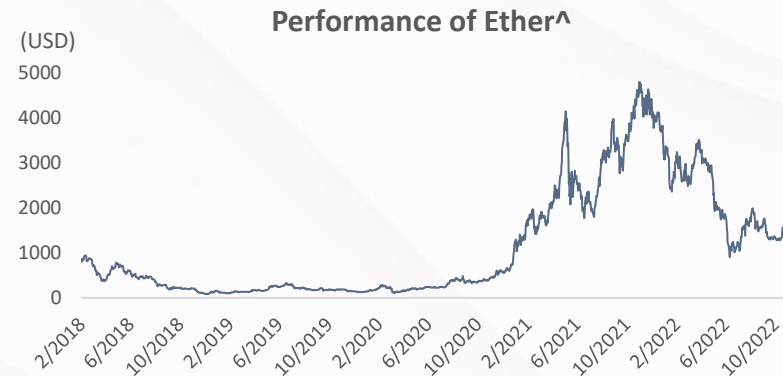
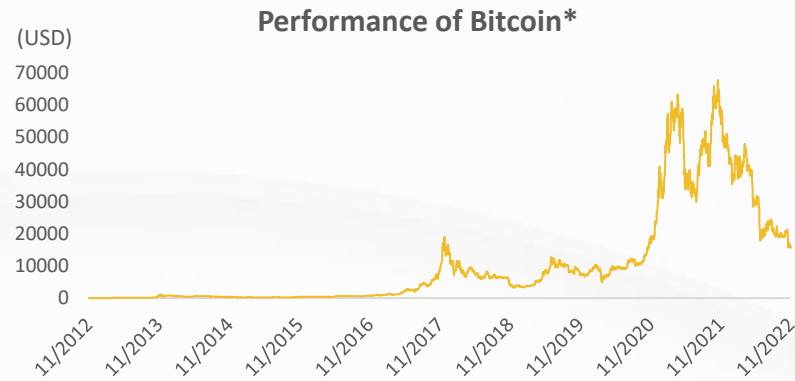
Virtual Asset Futures-based ETFs



Exchange Traded Funds Actively Managed by CSOP

Trade at HK stock exchange

Bitcoin & Ether as Virtual Assets



Virtual Assets

- Bitcoin and Ether are **virtual assets** (also referred to as “digital assets”).
- The value of the two virtual assets and their futures is not backed by any government, corporation or other identified body, but is determined in part by the supply of, and demand for, virtual assets in the markets for exchange that have been organized to facilitate the trading of the virtual assets.

- **Bitcoin**'s ownership and behavior are determined by participants in an online, peer-to-peer network that connects computers that run publicly accessible software that follows the rules and procedures governing the Bitcoin network, commonly referred to as the “**Bitcoin protocol**”.
- Ownership of and the ability to transfer or take other actions with respect to Bitcoin as well as transaction records of Bitcoin are protected through public key cryptography. Bitcoin is “stored” on a digital transaction ledger commonly known as a “**Blockchain**”.
- Bitcoin may be used as a medium of exchange or unit of account.



- **Ether** serves as the unit of account on an open-source, decentralized, peer-to-peer computer network, commonly referred to as the “**Ethereum computer network**”.

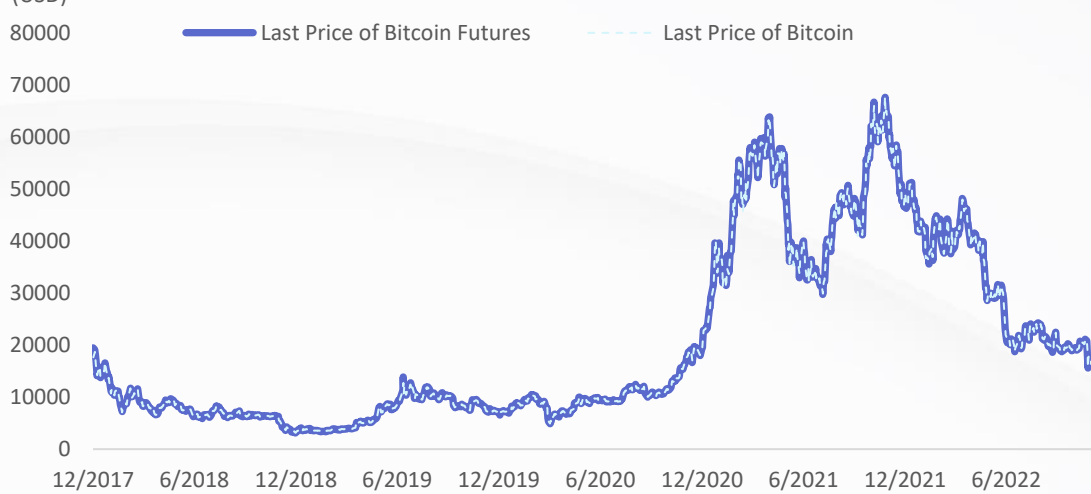
- Ethereum transitioned to a proof-of-stake chain in an upgrade known as **Ethereum 2.0** on 15 September 2022. Proof-of-stake is viewed as more energy efficient and scalable than proof-of-work.

- Ownership of and the ability to transfer or take other actions with respect to Ether as well as transaction records of Ether are protected through public-key cryptography. Ether is “stored” on a digital transaction ledger commonly known as a “**Blockchain**”.

Source: *Bloomberg, 2012/11/23-2022/11/23. ^Bloomberg, 2018/2/8-2022/11/23. For illustration purposes only. Past performance is not indicative of future performance.

CME Bitcoin Futures and CME Ether Futures

Comparison of performance of Bitcoin & CME Bitcoin Futures*



CME Bitcoin Futures



- CME Bitcoin Futures is one of the most liquid financial derivatives that provides investors access to invest in the evolving virtual assets market. Its underlying reference asset is Bitcoin.
- According to the CME, CME's Bitcoin futures contracts traded more than **10,000 futures contracts** daily in 2022 year-to-day (as at 4 November 2022) with an average open interest of 12,300 contracts which is **equivalent to 61,500 Bitcoin**.
- The only futures contracts in which the CSOP Bitcoin Futures ETF invests are cash-settled CME Bitcoin Futures.

Futures contracts

- Futures contracts are financial contracts the value of which depends on, or is derived from, the underlying reference asset.
- Futures contracts may be physically-settled or cash-settled.

CME Ether Futures



- CME Ether Futures is one of the most liquid financial derivatives that provides investors access to invest in the evolving digital asset market. Its underlying reference asset is ether.
- According to the CME, as at 4 November 2022, CME's Ether futures contracts traded over **2.2 million futures contracts** since its launch in February 2021 that worth nearly **110 million equivalent ether**.
- The only futures contracts in which the CSOP Ether Futures ETF invests are cash-settled CME Ether Futures.

Comparison of performance of Ether & CME Ether Futures^



Source: *Bloomberg, 2012/11/23-2022/11/23. ^Bloomberg, 2018/2/8-2022/11/23. For illustration purposes only. Past performance is not indicative of future performance.

Bitcoin Futures ETF and Ether Futures ETF

CSOP Bitcoin Futures ETF (3066.HK)

- Aiming to provide investors with capital appreciation primarily through actively managed exposure to CME Bitcoin Futures. **The ETF does not invest directly in Bitcoin.** There is no assurance that the ETF will achieve its investment objective.
- The ETF seeks to achieve its investment objective by primarily investing in standardized, cash-settled Bitcoin futures contracts and/or micro Bitcoin futures contracts traded on the Chicago Mercantile Exchange (the “CME”). The CME is a commodity exchange registered with the Commodity Futures Trading Commission of the United States (the “CFTC”).

	<u>CME’s Bitcoin futures contracts</u>	<u>CME’s micro Bitcoin futures contracts</u>
Exchange	CME	
Ticker symbol	BTC	MBT
Contract value (as at 15 November 2022)	83,450 (contract month of November 2022)	1,669 (contract month of November 2022)
Contract size (as defined by the CME CF Bitcoin Reference Rate)	5 Bitcoin	0.1 Bitcoin
Minimum tick	5	
Dollar value of one tick	USD25	USD0.5

CSOP Ether Futures ETF (3068.HK)

- Aiming to provide investors with capital appreciation primarily through actively managed exposure to CME Ether Futures. **The ETF does not invest directly in ether.** There is no assurance that the ETF will achieve its investment objective.
- The ETF seeks to achieve its investment objective by primarily investing in standardized, cash-settled Ether futures contracts and/or micro Ether futures contracts traded on CME.

	<u>CME’s Ether futures contracts</u>	<u>CME’s micro Ether futures contracts</u>
Exchange	CME	
Ticker symbol	ETH	MET
Contract value (as at 15 November 2022)	61,925 (contract month of November 2022)	123.85 (contract month of November 2022)
Contract size (as defined by the CME CF Ether Reference Rate)	50 ether	0.1 ether
Minimum tick	0.5	
Dollar value of one tick	USD25	USD0.05

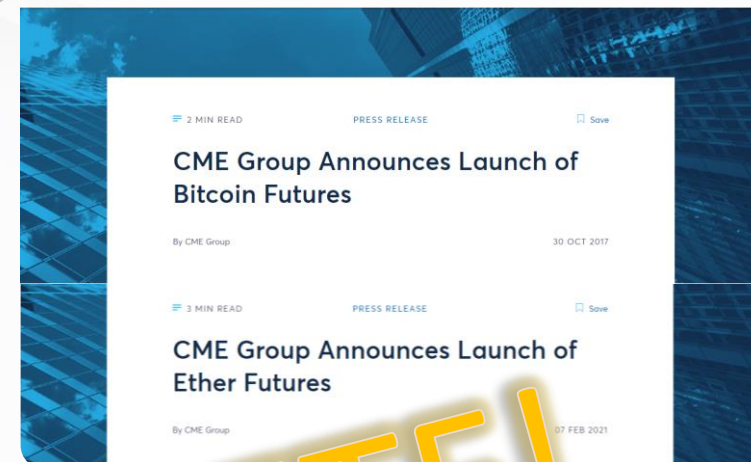
ETF

- Actively managed investment strategy;
- To invest in cash-settled, front-month CME futures of Bitcoin and Ether with the shortest time to maturity, and may also invest in cash-settled, back-month futures with longer times to maturity.

Summary



	Virtual Assets	CME Virtual Asset Futures	CSOP Bitcoin Futures ETF (3066.HK) CSOP Ether Futures ETF (3068.HK)
Ownership of virtual asset	√	X	X
Regulation	Evolving	√ Standardized agreement regulated by the CFTC	√ SFC
Independent trustee	Arguable	√	√
Accessibility	Virtual asset wallet at virtual asset exchanges	Hard Only allow account opening to selected professional investors with strict KYC	Easy Traded at HKEX, need HK stock account
Investment threshold	Low	High	Low 780 HKD per lot
Currency	Digital Token	USD	HKD (secondary market)
Liquidity	Depend on virtual asset exchanges	Good	Good liquidity supported by market makers
Conversion to fiat	Complicated	Convenient	Convenient



ETF!



Source: CSOP. Picture source: CME, [Cointelegraph.com](https://cointelegraph.com)

03

Key Features

Investing in Virtual Asset Futures
ETFs

Why CSOP Virtual Asset Futures ETFs?



Virtual asset futures contracts and ETFs are traded on a regulated exchanges, which provide built-in layers of protection against market manipulation and other illegal activities.

Virtual asset futures ETFs provide easy access to virtual asset futures via brokerage account, avoiding the hassle of opening a virtual asset wallet which may lack transparency.

Virtual asset futures ETFs adopt the active investment strategy to allow flexibility in portfolio composition, e.g., diversification of futures positions with multiple expiry dates, rolling strategy, and handling of any market disruption events.

As required by SFC, assets of the ETFs must be entrusted to a trustee that is functionally independent from the fund manager.

Key Risks*

Virtual assets (VA) and CME VA Futures are relatively new investments with limited history. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. The value of an investment in the VA ETFs could decline significantly in a short period of time, including to zero. If you are not prepared to accept significant and unexpected changes in the value of the VA ETFs and the possibility that you could lose your entire investment in the VA ETFs you should not invest in the VA ETFs.

The VA ETFs are futures based ETFs. The risks of investing in the VA ETFs are therefore greater than those of investing in other conventional ETFs. Investment in CME VA Futures involves specific risks such as high volatility, leverage, high rollover costs and margin risks.



Risks related to VA

VA is a relatively new innovation and the market for virtual assets is subject to rapid price swings, changes and uncertainty. The slowing, stopping or reversing of the development and acceptance of the VA network may adversely affect the price of VA and accordingly, of CME VA futures.

Regulatory risk. As digital assets have grown in both popularity and market size, certain regulatory authorities have been examining the operations of digital asset exchanges and service providers. Certain regulatory authorities have brought enforcement actions and issued advisories and rules relating to digital asset markets. Regulatory changes and actions with respect to digital assets generally or any single digital asset in particular may alter, perhaps to a materially adverse extent, the nature of an investment in the VA.

Forks risk. As the Bitcoin and Ethereum computer network are both open-source projects, the developers may suggest changes to the Bitcoin/Ethereum software from time to time. If the updated bitcoin/Ethereum software is not compatible with the original bitcoin/Ethereum software and a sufficient number (but not necessarily a majority) of users and miners elect not to migrate to the updated bitcoin software, this would result in a “hard fork” of the bitcoin/Ethereum computer network, with one prong running the earlier version of the bitcoin/Ethereum software and the other running the updated bitcoin/Ethereum software, resulting in the existence of two versions of bitcoin/Ethereum computer network running in parallel and a split of the blockchain underlying the bitcoin/Ethereum computer network. This could impact demand for bitcoin/ether or other digital assets and could adversely impact the CME VA Futures in which the ETFs invests.

“Air drop” risk. A substantial giveaway of bitcoin/ether (sometimes referred to as an “air drop”) may also result in a significant and unexpected declines in the value of bitcoin/ether, CME bitcoin/ether Futures, and the CSOP Bitcoin Futures ETF/CSOP Ether Futures ETF.

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Extremely high volatility risk

Investments linked to VA can be highly volatile compared to investments in traditional securities and the ETF may experience sudden and substantial losses. Historically, the prices of VA and CME VA futures have been highly volatile.



Material Non-correlation with spot price risk

As the ETF invests in CME VA futures but not in VA, the performance of CME VA futures and therefore the performance of the ETF may differ significantly from the performance of the current market or spot price of VA.

* CSOP. Please refer to the prospectus of CSOP Bitcoin Futures ETF (3066.HK) and CSOP Ether Futures ETF (3068.HK) for more details.

04

Appendix

FAQ

Can Bitcoin Futures and Ether Futures Capture the Trend of Spot Prices?

- The Bitcoin and Ether futures offered by the Chicago Mercantile Exchange (CME) are among the most liquid financial derivatives for investing in the virtual asset market. They can closely track the performance of Bitcoin and Ether spot prices.

Bitcoin Futures Price Performance & Bitcoin Spot Price Performance over the past 5 years (2017.07.24 to 2023.07.24)



Ether Futures Price Performance since Launch & Ether Spot Price Performance 2021.02.09 to 2023.07.24



Source: Bloomberg. As of 2023/7/24. For illustration purposes only. Past performance is not indicative of future performance.

The Impact of Futures Rollover of Virtual Asset Futures ETF

- As of June 30, 2023, 3066 HK and 3068 HK have been listed for 196 days and have undergone 7 rollovers of the underlying futures. 3066 HK and 3068 HK exhibit a high correlation with the performance of the underlying Bitcoin and Ether prices.
- Since their inception, 3066 HK has gained 75.69%, while the underlying Bitcoin index (BRR Index) has risen by 77.46%, showing a close alignment;
- Since their inception, 3068 HK has gained 58.52%, while the underlying Ether index (ETHUSD RR Index) has risen by 53.46%. Our ETF has delivered an excess performance of 5.06%;
- This demonstrates that our ETF (after accounting for fees) can effectively help investors capture the trends in Bitcoin and Ether prices. Through the active management of the fund manager in selecting appropriate rollover strategies, it can even generate some alpha.



Source: Bloomberg. For illustration purposes only. Past performance is not indicative of future performance.

Product Risk Disclosure

CSOP Bitcoin Futures ETF

The CSOP Bitcoin Futures ETF (the “Sub-Fund”) is an umbrella unit trust established under Hong Kong law. The Sub-Fund is an actively managed exchange traded fund. The units of the Sub-Fund (the “Units”) are traded on The Stock Exchange of Hong Kong Limited (the “SEHK”) like stocks. The Sub-Fund is denominated in USD.

- This is a futures-based exchange traded fund which is subject to risks associated with derivatives and is different from conventional exchange traded funds.
- The investment objective of the Sub-Fund is to achieve long-term capital growth by primarily investing in CME Bitcoin Futures whose price movement may deviate significantly from the spot price of bitcoin. The Sub-Fund does not seek to deliver a return of the spot price of bitcoin.
- The Sub-Fund’s investments in CME Bitcoin Futures are subject to key risks such as potentially large roll costs, operational risks (such as margin risks and risks associated with mandatory measures imposed by relevant parties).
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- The Sub-Fund employs an actively managed investment strategy. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. It may fail to meet its objective as a result of the Manager’s selection of investments, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.
- The Sub-Fund is indirectly exposed to the risks of bitcoin through investment in CME Bitcoin Futures, and that risks which adversely affect the price of bitcoin may also affect the price of CME Bitcoin Futures and the Sub-Fund.

The CSOP Bitcoin Futures ETF is not being offered or sold directly or indirectly in Mainland China to or for the benefit of, legal or natural persons of Mainland China. Further, no legal or natural persons of the Mainland China may directly or indirectly purchase Units of the CSOP Bitcoin Futures ETF without obtaining all prior governmental approvals of Mainland China that are required, whether statutorily or otherwise.

Please note that the above listed investment risks are not exhaustive and investors should read the Prospectus and the Product Key Facts Statement in detail before making any investment decision.

CSOP Bitcoin Futures ETF is authorized by the Securities and Futures Commission (SFC) in Hong Kong. Such authorization does not imply any official recommendation by the SFC.

Issuer: CSOP Asset Management Limited

Product Risk Disclosure

CSOP Ether Futures ETF

The CSOP Ether Futures ETF (the “Sub-Fund”) is an umbrella unit trust established under Hong Kong law. The Sub-Fund is an actively managed exchange traded fund. The units of the Sub-Fund (the “Units”) are traded on The Stock Exchange of Hong Kong Limited (the “SEHK”) like stocks. The Sub-Fund is denominated in USD.

- This is a futures-based exchange traded fund which is subject to risks associated with derivatives and is different from conventional exchange traded funds.
- The investment objective of the Sub-Fund is achieve long-term capital growth by primarily investing in CME Ether Futures whose price movement may deviate significantly from the spot price of ether. The Sub-Fund does not seek to deliver a return of the spot price of ether.
- The Sub-Fund’s investments in CME Ether Futures are subject to key risks such as potentially large roll costs, operational risks (such as margin risks and risks associated with mandatory measures imposed by relevant parties).
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- The Sub-Fund employs an actively managed investment strategy. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. It may fail to meet its objective as a result of the Manager’s selection of investments, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.
- The Sub-Fund is indirectly exposed to the risks of ether through investment in CME Ether Futures, and that risks which adversely affect the price of ether may also affect the price of CME Ether Futures and the Sub-Fund.

The CSOP Ether Futures ETF is not being offered or sold directly or indirectly in Mainland China to or for the benefit of, legal or natural persons of Mainland China. Further, no legal or natural persons of the Mainland China may directly or indirectly purchase Units of the CSOP Ether Futures ETF without obtaining all prior governmental approvals of Mainland China that are required, whether statutorily or otherwise.

Please note that the above listed investment risks are not exhaustive and investors should read the Prospectus and the Product Key Facts Statement in detail before making any investment decision.

CSOP Ether Futures ETF is authorized by the Securities and Futures Commission (SFC) in Hong Kong. Such authorization does not imply any official recommendation by the SFC.

Issuer: CSOP Asset Management Limited

Risk Disclosure

Key risks of Investment of Crypto Futures ETF

- A virtual asset futures ETF is indirectly exposed to the risks of the underlying VA through investment in the relevant VA futures, such as VA is highly speculative, VA prices are extremely volatile and affected by numerous events or factors that are unforeseeable, regulations on VA are still developing and increasing, etc.
- A virtual asset futures ETF is a derivative product and is targeted at investors who understand its nature and risks, such as:
- extremely high price volatility of VA futures and the value of the VA futures may decline significantly, including to zero;
- concentration risk in a single reference asset (e.g., bitcoin or ether) and/or a single futures contract;
- potentially large roll costs of VA futures which may adversely affect the ETF's net asset value (NAV); and
- operational risks related to VA futures, including additional margin requirements, potential size limits on and/or mandatory liquidation of the ETF's VA futures positions imposed by relevant parties without advance notice.
- The performance of a virtual asset futures ETF can significantly deviate from that of the VA's spot price, because the virtual asset futures ETF invests in VA futures but not in the VA directly.
- You should exercise caution when trading a virtual asset futures ETF. Before investing in such ETF, particularly if you wish to adopt a buy-and-hold strategy, you should read this page and its offering documents carefully and fully understand its features, exposure, operation and risks. You should also have a clear understanding of how VA futures contracts work and the rollover mechanism involved. You should pay particular attention to the risks under exceptional market circumstances, such as significant or total loss of your investment in the ETF in a short period of time and how rollover of futures contracts may adversely affect the value and performance of the ETF.
- Investment in virtual asset futures ETFs should only be ancillary in your portfolio because they are highly volatile and do not necessarily provide any diversification effect as some proponents of VA have claimed.
- If you are not prepared to accept significant and unexpected changes in the value of a virtual asset futures ETF (including dropping to zero) and the possibility that you could lose your entire investment in the virtual asset futures ETF, you should not invest in it.

IMPORTANT: Investment involves risks. Past performance information presented is not indicative of future performance. Investors should refer to the offering documents for further details, including risk factors. Investors should not base on this material alone to make investment decisions.

Investors should read the relevant Prospectuses and the Product Key Facts Statements in detail before making any investment decision. [Please also reference the Securities and Futures Commission's investor education website for more information.](#)

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