

FUBON LEVERAGED & INVERSE SERIES

(An umbrella unit trust established in Hong Kong)

Fubon FTSE Taiwan Daily (2x) Leveraged Product
(Stock Code: 7232)

Fubon FTSE Taiwan Daily (-1x) Inverse Product
(Stock Code: 7332)

(Sub-Funds of Fubon Leveraged & Inverse Series)

Interim Report 2021

For the period from 27 May 2021 (date of inception) to 30 June 2021

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

CONTENTS

	Page
Condensed Statement of Net Assets (unaudited)	1
Condensed Statement of Comprehensive Income (unaudited)	2
Condensed Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units (unaudited)	3
Condensed Statement of Cash Flows (unaudited)	4
Notes to the Unaudited Condensed Financial Statements	5 - 9
Investment Portfolio (unaudited)	10 - 11
Statement of Movements in Investment Portfolio (unaudited)	12 - 13
Performance Record (unaudited)	14
Administration and Management	15

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)
AS AT 30 JUNE 2021

	Fubon FTSE Taiwan Daily (2x) Leveraged Product 30 June 2021 (Unaudited) USD	Fubon FTSE Taiwan Daily (-1x) Inverse Product 30 June 2021 (Unaudited) USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	441,950	–
Margin accounts	4,724,545	2,074,729
Cash and cash equivalents	9,495,040	11,709,471
Total assets	<u>14,661,535</u>	<u>13,784,200</u>
Liabilities		
Current liabilities		
Financial liabilities at fair value through profit or loss	–	205,570
Amounts due to a broker	10	4,112
Management fee payable	16,273	16,117
Other payables and accruals	7,147	7,147
Formation fee payable	73,411	73,411
Total liabilities	<u>96,841</u>	<u>306,357</u>
Equity		
Net assets attributable to unitholders of redeemable units	<u>14,564,694</u>	<u>13,477,843</u>

Note: No annual report has been published preceding the publication of this Interim report as the date of inception of the Sub-Funds were on 27 May 2021. The Interim report have applied the accounting policies and methods of computation as per the accompanying notes which are an integral part of these financial statements.

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD FROM 27 MAY 2021 (DATE OF INCEPTION) TO 30 JUNE 2021

	Fubon FTSE Taiwan Daily (2x) Leveraged Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD	Fubon FTSE Taiwan Daily (-1x) Inverse Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD
Income		
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	1,520,450	(802,900)
Total net income/(loss)	<u>1,520,450</u>	<u>(802,900)</u>
Expenses		
Management fee	(16,273)	(16,117)
Establishment costs	(73,411)	(73,411)
Audit fee	(3,431)	(3,431)
Bank charges	(26)	(21)
Brokerage and transaction fee	(3,956)	(2,042)
Other operating expenses	(3,715)	(3,715)
Total operating expenses	<u>(100,812)</u>	<u>(98,737)</u>
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations	<u>1,419,638</u>	<u>(901,637)</u>

The notes on pages 5 to 9 form part of these condensed financial statements.

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS (UNAUDITED)

FOR THE PERIOD FROM 27 MAY 2021 (DATE OF INCEPTION) TO 30 JUNE 2021

	Fubon FTSE Taiwan Daily (2x) Leveraged Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD	Fubon FTSE Taiwan Daily (-1x) Inverse Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD
Net assets attributable to unitholders at the beginning of the period	—	—
Proceeds on issue of units	13,145,056	14,379,480
Net increase from unit transactions	13,145,056	14,379,480
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations	1,419,638	(901,637)
Net assets attributable to unitholders of redeemable units at the end of the period	14,564,694	13,477,843

The movement of the redeemable units are as below:

	Fubon FTSE Taiwan Daily (2x) Leveraged Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) Units	Fubon FTSE Taiwan Daily (-1x) Inverse Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) Units
Number of units in issue at the beginning of the period	—	—
Units issued	13,100,000	14,400,000
Number of units in issue at the end of the period	13,100,000	14,400,000

The notes on pages 5 to 9 form part of these condensed financial statements.

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD FROM 27 MAY 2021 (DATE OF INCEPTION) TO 30 JUNE 2021

	Fubon FTSE Taiwan Daily (2x) Leveraged Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD	Fubon FTSE Taiwan Daily (-1x) Inverse Product Period from 27 May 2021 (date of inception) to 30 June 2021 (Unaudited) USD
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations	1,419,638	(901,637)
Operating cash flows before movements in working capital	<u>1,419,638</u>	<u>(901,637)</u>
Increase in financial assets and liabilities at fair value through profit or loss	(441,950)	205,570
Increase in margin accounts	(4,724,545)	(2,074,729)
Increase in management fee payable	16,273	16,117
Increase in amounts due to a broker	10	4,112
Increase in formation fee payable	73,411	73,411
Increase in other payables and accruals	<u>7,147</u>	<u>7,147</u>
Net cash used in operating activities	<u>(3,650,016)</u>	<u>(2,670,009)</u>
Cash flows from financing activities		
Proceeds on issue of units	<u>13,145,056</u>	<u>14,379,480</u>
Net cash generated from financing activities	<u>13,145,056</u>	<u>14,379,480</u>
Net increase in cash and cash equivalents	9,495,040	11,709,471
Cash and cash equivalents at the beginning of the period	<u>–</u>	<u>–</u>
Cash and cash equivalents at the end of the period	<u>9,495,040</u>	<u>11,709,471</u>
Analysis of balances of cash and cash equivalents		
Bank balances	<u>9,495,040</u>	<u>11,709,471</u>

The notes on pages 5 to 9 form part of these condensed financial statements.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. General information

Fubon Leveraged & Inverse Series (the “Trust”) is an umbrella unit trust constituted by way of a trust deed dated 23 April 2021, as amended, supplemented or restated from time to time, between Fubon Fund Management (Hong Kong) Limited (the “Manager”) and Cititrust Limited (the “Trustee”). The Trust is authorized by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance.

The Trust has two sub-funds as at 30 June 2021, Fubon FTSE Taiwan Daily (2x) Leveraged Product and Fubon FTSE Taiwan Daily (-1x) Inverse Product (referred to individually or collectively as the “Sub-Fund(s)”). The Sub-Funds are also listed on The Stock Exchange of Hong Kong Limited (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The investment objective of Fubon FTSE Taiwan Daily (2x) Leveraged Product is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the daily performance of the FTSE Taiwan RIC Capped Index (“the Index”).

The investment objective of Fubon FTSE Taiwan Daily (-1x) Leveraged Product is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the Index.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Standards and amendments to existing standards effective 27 May 2021 (date of inception)

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 27 May 2021 that have a material effect on the financial statements of the Sub-Funds.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations effective after 27 May 2021 (date of inception) and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 27 May 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Funds.

(b) Foreign currency translation

(i) 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 financial statements are presented in United States Dollar (“USD”) for the Sub-Funds. All values are rounded to the nearest USD except where otherwise indicated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within “Net foreign exchange gains/(losses)”.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within “Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss”.

(c) Financial assets and financial liabilities at fair value through profit or loss

(i) Classification

Assets

The Sub-Funds classify their investments based on both the Sub-Funds’ business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Funds are primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The Sub-Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

2. Summary of significant accounting policies (Continued)

(c) Financial assets and financial liabilities at fair value through profit or loss (Continued)

Liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Sub-Funds classify all of their investment portfolio as financial assets or liabilities as fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are accounted for on a trade date basis — the date on which the Sub-Funds commit to purchase or sell the investments. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within "Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss" in the period in which they arise.

(iii) Fair value estimation

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 of financial assets and 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 reporting date. The Sub-Funds utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Sub-Funds uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

2. Summary of significant accounting policies (Continued)

(d) Offsetting financial instruments

Financial assets and liabilities are reported on a net basis in the Statements of Financial Position where the Sub-Funds currently have a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(e) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(f) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less

(g) Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(h) Redeemable units

The Sub-Funds issued one class of units, which are redeemable at the holder's option. Such units are classified as equity.

Units are issued and redeemed at the holder's option at prices calculated by reference to the Sub-Funds' net asset value per unit at the time of issue or redemption.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

2. Summary of significant accounting policies (Continued)

(i) Expenses

All expenses other than establishment costs are accounted for in the Statement of Comprehensive Income on an accrual basis.

(j) Establishment costs

Establishment costs are recognised as an expense in the period in which they are incurred in accordance with IFRSs.

(k) 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 brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

(l) Net gain/(losses) on financial assets at fair value through profit or loss

Net gain/(losses) on financial assets at fair value through profit or loss includes all realised and unrealised fair value changes, foreign exchange differences and accrued interests.

(m) Increase in net assets attributable to unitholders of redeemable units from operations

Income not distributed is included in net assets attributable to unitholders of redeemable units.

(n) Taxation

The Sub-Funds will be exempted from Hong Kong profits tax in respect of its authorised activities in Hong Kong upon its authorisation as a collective investment schemes under section 104 of the Securities and Futures Ordinance.

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2021

Fubon FTSE Taiwan Daily (2x) Leveraged Product

	Underlying assets	Counterparty	Expiration date	Notional amount	Fair value USD	% of net assets
<u>Future contracts</u>						
Singapore						
FTSE TAIWAN INDEX 07/29/21	FTSE Taiwan RIC Capped Index	CSC Futures (HK) Limited Yuanta	29 July 2021	12,513,510	176,570	1.21
FTSE TAIWAN INDEX 07/29/21	FTSE Taiwan RIC Capped Index	Futures (HK) Co., Limited	29 July 2021	16,207,320	265,380	1.82
					<u>441,950</u>	<u>3.03</u>
Total investments, at fair value					<u>441,950</u>	<u>3.03</u>
Total investments, at cost					<u>—</u>	

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)
AS AT 30 JUNE 2021

Fubon FTSE Taiwan Daily (-1x) Inverse Product

	Underlying assets	Counterparty	Expiration date	Notional amount	Fair value USD	% of net assets
<u>Future contracts</u>						
Singapore						
FTSE TAIWAN INDEX 07/29/21	FTSE Taiwan RIC Capped Index	CSC Futures (HK) Limited Yuanta	29 July 2021	5,834,210	(83,760)	(0.62)
FTSE TAIWAN INDEX 07/29/21	FTSE Taiwan RIC Capped Index	Futures (HK) Co., Limited	29 July 2021	7,382,420	<u>(121,810)</u>	<u>(0.91)</u>
					<u>(205,570)</u>	<u>(1.53)</u>
Total investments, at fair value					<u>(205,570)</u>	<u>(1.53)</u>
Total investments, at cost					<u>—</u>	

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2021

Fubon FTSE Taiwan Daily (2x) Leveraged Product

	Holdings			As at 30 June 2021 Units
	As at 27 May 2021 (date of inception) Units	Additions Unit	Disposals Units	
<u>Future contracts</u>				
Singapore				
FTSE TAIWAN INDEX 06/29/21	–	484	(484)	–
FTSE TAIWAN INDEX 07/29/21	–	478	–	478

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (Continued)
AS AT 30 JUNE 2021

Fubon FTSE Taiwan Daily (-1x) Inverse Product

	Holdings			
	As at 27 May 2021 (date of inception) Units	Additions Unit	Disposals Units	As at 30 June 2021 Units
<u>Future contracts</u>				
Singapore				
FTSE TAIWAN INDEX 06/29/21	–	254	(254)	–
FTSE TAIWAN INDEX 07/29/21	–	7	(227)	(220)

FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

PERFORMANCE RECORD (UNAUDITED)

Net asset value

	Net asset value <i>USD</i>	Net asset value per unit <i>USD</i>
<u>Fubon FTSE Taiwan Daily (2x) Leveraged Product</u>		

At the end of financial period dated

30 June 2021	14,636,847	1.1173
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Fubon FTSE Taiwan Daily (-1x) Inverse Product

At the end of financial period dated

30 June 2021	13,550,008	0.9410
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Highest and lowest net asset value per unit

	Highest net asset value per unit <i>USD</i>	Lowest net asset value per unit <i>USD</i>
<u>Fubon FTSE Taiwan Daily (2x) Leveraged Product</u>		

Financial period ended

30 June 2021 (since 27 May 2021 (date of inception))	1.1173	1.0000
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Fubon FTSE Taiwan Daily (-1x) Inverse Product

Financial period ended

30 June 2021 (since 27 May 2021 (date of inception))	1.0000	0.9410
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FUBON LEVERAGED & INVERSE SERIES
Interim Report 2021

ADMINISTRATION AND MANAGEMENT

Manager

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Unit D, 19/F, Lee & Man Commercial Center
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Directors of the Manager

Shyy Gang
Harn Wey Ting
Lee Ming Chou
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Ng Fong Chun
Chan Yue Yuen

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