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## **Samsung S&P GSCI Crude Oil ER Futures ETF**

Stock Code: 03175  
(the “**Sub-Fund**”)

*(a sub-fund of Samsung ETFs Trust (the “**Trust**”), a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

### **Announcement**

#### **Change of underlying index Change of investment strategy**

Unless otherwise stated, capitalised terms used in this Announcement shall have the same meaning ascribed to them in the prospectus of the Trust and the Sub-Fund dated 29 April 2020 (the “**Prospectus**”).

#### **A. Change of underlying index**

Reference is made to the Announcements in respect of the Sub-Fund issued on 21 April 2020 (the “**21 April Announcement**”) and on 3 May 2020 (the “**3 May Announcement**”).

As explained in the 21 April Announcement, Samsung Asset Management (Hong Kong) Limited, the Manager of the Trust and the Sub-Fund (the “**Manager**”), will closely monitor the situation and will also consider alternative solutions (for example, to discuss with S&P Dow Jones Indices (the “**Index Provider**”) the possibility of changing the index methodology), and will notify investors as soon as possible for further updates.

The 3 May Announcement also stated that the Manager would keep a close dialogue with the Index Provider in relation to any further changes to the rolling arrangements of the S&P GSCI Crude Oil Index Excess Return (the “**Existing Index**”).

The Manager would like to update the Unitholders that with effect from 7 August 2020 (the “**Effective Date**”), the underlying index of the Sub-Fund will change from the Existing Index to S&P GSCI Crude Oil Multiple Contract 55/30/15 1M/2M/3M (USD) ER Index (the “**New Index**”). The Manager believes that the change of underlying index will mitigate the

concentration risk arising from the holding of a single month WTI Futures Contracts by the Sub-Fund.

1. Information about the New Index

The New Index is a sub-index of the S&P GSCI Multiple Contract Index, which is a standardised, long-only version of the S&P GSCI that holds multiple contract months for each of the S&P GSCI commodities.

The New Index holds multiple contract months for WTI Futures Contracts traded on the New York Mercantile Exchange. The basic framework involves:

- 55% assigned to the contract month represented by the S&P GSCI 1 Month Forward Index;
- 30% assigned to the contract month represented by the S&P GSCI 2 Month Forward Index; and
- 15% assigned to the contract month represented by the S&P GSCI 3 Month Forward Index.

Each of the S&P GSCI 1 Month Forward Index, the S&P GSCI 2 Month Forward Index and the S&P GSCI 3 Month Forward Index is a sub-index of the S&P GSCI Forward Indices.

The S&P GSCI Forward Indices measure the S&P GSCI based on first nearby contract expiration that would be in the index on the specified forward dates. For example, on 15 June 2020, the WTI Futures Contracts of the S&P GSCI 3 Month Forward Index include those WTI Futures Contracts which would be in the S&P GSCI on 15 September 2020 (which are the November 2020 WTI Futures Contracts).

The New Index is denominated in USD. It was launched on 15 June 2020 and had a base value of 100 as at 16 January 1995.

Set out below is a comparison of the key features of the Existing Index and the New Index:

	<b>Existing Index</b>	<b>New Index</b>
<b>Index Provider</b>	S&P Dow Jones Indices	S&P Dow Jones Indices
<b>Constituents</b>	<p>The Existing Index tracks the performance of the nearest month WTI Futures Contracts.</p> <p>The specific WTI Futures Contracts that are included in the Existing Index are:</p> <p>(a) WTI Futures Contract with the closest expiration date (the “nearest contract”) (e.g. in April 2019, this means the May 2019 WTI Futures Contract) for the period prior to the rolling period in a month;</p> <p>(b) WTI Futures Contracts with the second closest expiration date</p>	<p>The New Index holds multiple contract months for WTI Futures Contracts.</p> <p>The specific WTI Futures Contracts that are included in the New Index are:</p> <p>(a) WTI Futures Contract which is moved forward one-month from the closest expiration date (the “<b>1M Forward Contract</b>”) (e.g. in August 2020, this means the October 2020 WTI Futures Contract for the period prior to and during the rolling period and November 2020 WTI</p>

	<p>(the “next nearest contract”) (e.g. in April 2019, this means the June 2019 WTI Futures Contract) for the period after the rolling period in a month; and</p> <p>(c) both the nearest contract and the next nearest contract during the rolling period in a month.</p>	<p>Futures Contract for the period after the rolling period);</p> <p>(b) WTI Futures Contract which is moved forward two-months from the closest expiration date (the “<b>2M Forward Contract</b>”) (e.g. in August 2020, this means the November 2020 WTI Futures Contract for the period prior to and during the rolling period and December 2020 WTI Futures Contract for the period after the rolling period);</p> <p>(c) WTI Futures Contract which is moved forward three-months from the closest expiration date (the “<b>3M Forward Contract</b>”) (e.g. in August 2020, this means the December 2020 WTI Futures Contract for the period prior to and during the rolling period and January 2021 WTI Futures Contract for the period after the rolling period);</p> <p>(d) WTI Futures Contract which is moved forward four-months from the closest expiration date (the “<b>4M Forward Contract</b>”) (e.g. in August 2020, this means the January 2021 WTI Futures Contract during the rolling period) during the rolling period in a month only.</p>
<p><b>Futures Roll</b></p>	<p>The Existing Index incorporates a methodology for the replacement (also referred to as “rolling”) of the nearest contracts with the next nearest contracts as they approach maturity. The Existing Index gradually reduces the weighting of the nearest contract and increases the weighting of the next-nearest contract over a five consecutive business day period (commencing on the 5th S&amp;P GSCI Business Day of the month) so that on the first day of the roll-over period the nearest contract represents 80%</p>	<p>The New Index incorporates a methodology for the replacement (also referred to as “rolling”) of the 1M Forward Contracts with the 2M Forward Contracts, 3M Forward Contracts and 4M Forward Contracts as they approach maturity. The New Index gradually reduces the weighting of the 1M Forward Contract and increases the weighting of the 2M Forward Contract, 3M Forward Contract and 4M Forward Contract over a five consecutive business day period (commencing on the 5th S&amp;P GSCI</p>

	and the next-nearest contract represents 20% of the Existing Index, and on the 5th day of the roll-over period (i.e. the 9th S&P GSCI Business Day of the month) the next-nearest contract represents 100% of the Existing Index.	Business Day of the month) so that on the first day of the rolling period the 1M Forward Contract represents 44%, the 2M Forward Contract represents 35%, the 3M Forward Contract represents 18% and the 4M Forward Contract represents 3% of the New Index, and on the 5th day of the rolling period (i.e. the 9th S&P GSCI Business Day of the month) the 2M Forward Contract represents 55%, the 3M Forward Contract represents 30% and the 4M Forward Contract represents 15% of the New Index.
<b>Excess Return</b>	The return of the Existing Index is calculated based on the change in price levels of the nearest contract, the next nearest contract as well as the gain or loss obtained by “rolling” hypothetical positions in such WTI Futures Contracts as they approach delivery.	The return of the New Index is calculated based on the change in price levels of all of the 1M Forward Contract, 2M Forward Contract, 3M Forward Contract and (during the rolling period only) 4M Forward Contract, each of which is subject to the respective roll weights of that the relevant contract month as specified in the rolling schedule of the New Index.
<b>Bloomberg Code</b>	SPGSCLP	SPGCLMCP
<b>Reuters Code</b>	.SPGSCLP	.SPGCLMCP

Investors can obtain additional information concerning the New Index (including index fact sheets, a complete official index methodology, end of day index levels and index performance, important news relating to the Index and a full list of constituents and their weights) from the website of the Index Provider at [https://us.spindices.com/indices/commodities/sp-gsci-crude-oil-multiple-contract-55-30-15-1m-2m-3m/?geographicalRegion=hong-kong&complianceLevel=sfc\\_hk&cvmlanguage=1#overview](https://us.spindices.com/indices/commodities/sp-gsci-crude-oil-multiple-contract-55-30-15-1m-2m-3m/?geographicalRegion=hong-kong&complianceLevel=sfc_hk&cvmlanguage=1#overview) (this website has not been reviewed by the SFC). Please also refer to the revised Prospectus to be published on or around the Effective Date for further information regarding the New Index and the risks relevant and applicable to the Sub-Fund.

Investors should note that there is no guarantee of (i) the correlation of the two indices in future and (ii) the return of the Sub-Fund after the change of underlying index.

For the avoidance of doubt, the Index Provider of the underlying index, the bilingual full name and short name of the Sub-Fund will remain unchanged.

## 2. Futures Roll

The Manager will seek to carry out the rolling of the Sub-Fund according to the rolling

strategy as stated in the index methodology (which is summarised above) with the aim to closely track the New Index. For the Sub-Fund, under normal market conditions the roll will take place over a 5-day period per month commencing on the 5<sup>th</sup> S&P GSCI Business Day of the month as stated in the index methodology. Under exceptional market conditions, the Manager may, in its discretion, deviate from the rolling strategy and/or rolling schedule as mentioned above in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund.

### 3. Rebalancing process

This change of underlying index will commence from the start of trading on the Effective Date. The rebalancing to the constituents of the New Index is anticipated to take place over a period of 5 Business Days starting from the Effective Date, ending on 13 August 2020 at the latest (the “**Rebalancing Period**”).

The table below illustrates the expected holdings of the Sub-Fund immediately prior to and after the Rebalancing Period:

<b>Percentage Holdings of the Sub-Fund</b>	<b>September 2020 WTI Futures Contracts</b>	<b>October 2020 WTI Futures Contracts</b>	<b>November 2020 WTI Futures Contracts</b>	<b>December 2020 WTI Futures Contracts</b>	<b>January 2021 WTI Futures Contracts</b>
<b>Immediately prior to the Rebalancing Period</b>	35%	33%	0%	32%	0%
<b>After the Rebalancing Period</b>	0%	0%	55%	30%	15%

During the Rebalancing Period, the tracking error and tracking difference of the Sub-Fund may increase. Investors who deal with Units of the Sub-Fund during the rebalancing period should exercise caution.

The Manager does not expect that the rebalancing will have any material impact on the market.

### 4. Risk factors

Please refer to Appendix 1 for the potential risks involved in respect of the Rebalancing Period and more generally in respect of the change of underlying index.

## **B. Change of investment strategy**

With effect from the Effective Date, the investment strategy of the Sub-Fund will be changed as follows:

### 1. Possible deviation from the full replication strategy

Notwithstanding the interim changes as disclosed in the 21 April Announcement and the 3 May Announcement, the current Prospectus and the product key facts statement of the Sub-Fund (the “**KFS**”) currently state that the Manager adopts a full replication strategy through investing directly in all the WTI Futures Contracts constituting the underlying index in substantially the same weightings as those of the WTI Futures Contracts in the underlying

index so as to give the Sub-Fund the performance of the underlying index (“**Full Replication Strategy**”).

With effect from the Effective Date, the Manager will continue to adopt the Full Replication Strategy, but under exceptional circumstances, the Manager may, in its absolute discretion and without prior notice to investors, deviate from the Full Replication Strategy and implement alternative investment strategies which may include investing in WTI Futures Contracts other than those constituting the New Index, underweighting or overweighting certain WTI Futures Contracts in the New Index, deviating from the rolling strategy and/or rolling schedule, and/or using financial derivative instruments (other than WTI Future Contracts) for hedging purposes, in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund.

## 2. Margin and investment in cash

With effect from the Effective Date, the cap for margin used to acquire the WTI Futures Contracts will be increased from 20% to 50% of the net asset value of the Sub-Fund (the “**Net Asset Value**”), while the threshold for investment in cash (HKD or USD) and other HKD denominated investment products will be reduced from 80% to 50% of the Net Asset Value. Under exceptional circumstances, including but not limited to imposition of more stringent margin requirement by an exchange or clearing brokers in extreme market turbulence, the margin exposure may increase beyond 50% of the Net Asset Value of the Sub-Fund.

The Manager believes that the change of investment strategy as described in this section B can facilitate its fund management function in the best interest of the Sub-Fund and its investors, and for the protection of the Sub-Fund under exceptional circumstances.

## C. Impact on the Sub-Fund

Other than as outlined above, the Manager does not expect the changes described in this Announcement will result in:

1. any changes to the features or risk profile of the Sub-Fund (other than the risks as mentioned in Appendix 1);
2. any changes to the operation or manner in which the Sub-Fund is being managed;
3. any material prejudice to the Unitholders’ rights or interests;
4. any changes to the fee levels or costs in managing the Sub-Fund following the implementation of these changes; or
5. any substantive change to the ongoing charges figure and tracking difference figure (except during the Rebalancing Period as disclosed under the risk factor headed “Risk related to the Rebalancing Period” in Appendix 1) of the Sub-Fund. The figures for the year ended 31 March 2019 are currently disclosed in the KFS. The Manager will monitor the ongoing charges and tracking difference and, if necessary, update the figures in the KFS, in accordance with the relevant SFC guidance. Information relating to past performance of the Sub-Fund will continue to be shown in the KFS. Investors should however note that due to the changes as set out in this Announcement, the circumstances under which performance prior to the Effective Date was achieved will no longer apply.

Costs associated with the changes described in this Announcement will be borne by the Manager.

The changes described in this Announcement do not require Unitholders' approval.

**D. General**

The Prospectus and the KFS will be updated to reflect the above changes and to enhance disclosures of the risks relevant and applicable to the Sub-Fund. The revised Prospectus and KFS will be published on the Manager's website at [www.samsungetf.com.hk](http://www.samsungetf.com.hk) (this website has not been reviewed by the SFC) and HKEx's website at [www.hkex.com.hk](http://www.hkex.com.hk) on or around the Effective Date.

Investors who have any enquiries regarding the above may contact the Manager during office hours. The contact details of the Manager are as follows:

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**Samsung Asset Management (Hong Kong) Limited**

**三星資產運用 (香港) 有限公司**

**as Manager of the Trust and the Sub-Fund**

6 July 2020

## **Appendix 1 Risk Factors**

### **A. Risk related to the Rebalancing Period**

During the Rebalancing Period, holdings of the Sub-Fund will be rebalanced from the September 2020 WTI Futures Contracts, October 2020 WTI Futures Contracts and December 2020 WTI Futures Contracts currently held by the Sub-Fund to constituents and weights of the New Index. There is a risk that the tracking error and tracking difference of the Sub-Fund during the Rebalancing Period may increase. Investors should exercise caution when dealing with Units of the Sub-Fund during the Rebalancing Period.

### **B. Past performance risk**

As a result of the change in the underlying index, past performance of the Sub-Fund prior to the Effective Date is achieved under circumstances which will no longer apply from the Effective Date. Investors should exercise caution when considering the past performance of the Sub-Fund prior to the Effective Date.

### **C. New index risk**

The New Index is a new index having only been launched on 15 June 2020. Given the New Index is relatively new, the Sub-Fund may be riskier than other exchange traded funds tracking more established indices with a longer operating history.