LEVERAGED AND INVERSE PRODUCTS

Leveraged and inverse products (L&I Products) are derivative products traded on the stock exchange. L&I Products are structured as funds, but unlike conventional funds, they are designed for short term trading or hedging, which are not intended for holding longer than one day.

Today, the performance target is capped at two times (2x) for leveraged products and negative two times (-2x) for inverse products. L&I Products have three key features:

1. Daily investment objective – seek to achieve a multiple (2x or up to -2x) of their benchmark's daily performance, before fees and expenses;
2. Compounding effects of daily returns – performance can deviate from the multiple of the benchmark's cumulative return when held for longer than one trading day; and
3. Use of derivatives – invest a portion or all of their net assets in derivatives, typically futures or swaps.

Due to the complexities of L&I Products, it is important to understand fully how they work and the risks involved before making your investment decision.

L&I Products vs ETFs

	Leveraged products	**Inverse products**	**ETF**
Investment objective	Seek the daily return equivalent to a multiple of the underlying index return	Seek the daily return equivalent to a multiple of the inverse return of the underlying index	Replicate/mirror the performance of the underlying index
Use of leverage	Yes, leverage factor capped at two times in Hong Kong	Yes, leverage factor capped at two times in Hong Kong	No, leverage factor is not applicable
Rebalancing frequency	Daily	Daily	Depends on the index methodology
Target investors	Sophisticated trading-oriented investors	Sophisticated trading-oriented investors	General investors
Investment holding period	Short term (not intended for holding longer than one day)	Short term (not intended for holding longer than one day)	Long term
Termination	As and when determined by the product issuer	Termination	As and when determined by the product issuer

浦銀國際
SPDB INTERNATIONAL

Common Short Term Use

Leveraged Products	Inverse Products
• Seeking to magnify daily returns • Obtaining a target level of exposure using less cash • Overweighting a market segment without committing additional cash	• Seeking profits from a market decline • Helping to hedge against an expected decline • Underweighting exposure to a market segment

Risk Involved in Trading L&I Products

1. Like ETFs, the risk of L&I Products can include counterparty risk, market risk, tracking errors, trading at discount or premium, and liquidity risk.

2. When L&I Products are held overnight, their return may deviate from and may be uncorrelated to the multiple of the returns of the underlying index.

For more benefits and risk involved in trading L&I products, please click here to visit.