

RISK DISCLOSURE STATEMENT FOR LEVERAGED AND INVERSE EXCHANGE TRADED FUNDS

1. This statement is provided to me/us in accordance with the directives of the Rules of Bursa Malaysia Securities Berhad.
2. The purpose of this statement is to inform me/us that the risk of loss in purchasing Leveraged and Inverse Exchange Traded Funds (“**L&I ETFs**”) units can be substantial. I/We should assess if the purchase of L&I ETFs units is suitable for me/us in light of my/our financial position, risk tolerance and investment experience while taking into account the following risks before deciding whether to invest in L&I ETFs:
 - (i) An investor of L&I ETFs is subject to the risk of losing the full purchase price of the L&I ETFs units;
 - (ii) The investor should keep in mind that L&I ETFs are intended to track and replicate up to a multiple of performance of an index or a multiple of the inverse performance of an index on a daily basis;
 - (iii) As such, L&I ETFs are more suitable for short term trading/ positioning. Holding L&I ETFs units for more than a day could result in investment returns that deviate greatly from the multiple of performance of an index or a multiple of the inverse performance of an index that the L&I ETFs are supposed to track;

For example, an Index 2x Leveraged ETF does not necessarily give the investor twice the return of the Underlying Index, to illustrate this, consider the following 3 scenarios:

Scenario 1:

5 days cumulative return comparison, index increases by 10% daily.

		Investment Amount (RM)		
End of Day	Daily Index Movement	Underlying Index	2X Underlying Index	Index 2x Leveraged ETF
0	NA	100.00	100.00	100.00
1	10%	110.00	120.00	120.00
2	10%	121.00	142.00	144.00
3	10%	133.10	166.20	172.80
4	10%	146.41	192.82	207.36
5	10%	161.05	222.10	248.83
Cumulative Return		61%	122%	149%

2X Underlying Index cumulative return is 122% while Index 2x Leveraged ETF cumulative return over the same period is 149%.

Scenario 2:

5 days cumulative return comparison, index decreases by 10% daily.

End of Day	Daily Index Movement	Investment Amount (RM)		
		Underlying Index	2X Underlying Index	Index 2x Leveraged ETF
0	NA	100.00	100.00	100.00
1	-10%	90.00	80.00	80.00
2	-10%	81.00	62.00	64.00
3	-10%	72.90	45.80	51.20
4	-10%	65.61	31.22	40.96
5	-10%	59.05	18.10	32.77
Cumulative Return		-41%	-82%	-67%

2X Underlying Index cumulative return is -82% while Index 2x Leveraged ETF cumulative return over the same period is -67%.

Scenario 3:

5 days cumulative return comparison, index increases and decreases by 10% alternatingly.

End of Day	Daily Index Movement	Investment Amount (RM)		
		Underlying Index	2X Underlying Index	Index 2x Leveraged ETF
0	NA	100.00	100.00	100.00
1	-10%	110.00	120.00	120.00
2	-10%	99.00	98.00	96.00
3	-10%	108.90	117.80	115.20
4	-10%	98.01	96.02	92.16
5	-10%	107.81	115.62	110.59
Cumulative Return		8%	16%	11%

2X Underlying Index cumulative return is 16% while Index 2x Leveraged ETF cumulative return over the same period is 11%.

Similarly, an Index (-1x) Inverse ETF will not give the investor the opposite of the cumulative return of the Underlying Index over a longer period:

Scenario 1:

5 days cumulative return comparison, index increases by 10% daily.

End of Day	Daily Index Movement	Investment Amount (RM)		
		Underlying Index	(-1)X Underlying Index	Index (-1x) Leveraged ETF
0	NA	100.00	100.00	100.00
1	10%	110.00	90.00	90.00
2	10%	121.00	79.00	81.00
3	10%	133.10	66.90	72.90
4	10%	146.41	53.59	65.61
5	10%	161.05	38.95	59.05
Cumulative Return		61%	-61%	-41%

(-1)X Underlying Index cumulative return is -61% while Index (-1x) Inverse ETF cumulative return over the same period is -41%.

Scenario 2:

5 days cumulative return comparison, index decreases by 10% daily.

End of Day	Daily Index Movement	Investment Amount (RM)		
		Underlying Index	(-1)X Underlying Index	Index (-1x) Leveraged ETF
0	NA	100.00	100.00	100.00
1	-10%	90.00	110.00	110.00
2	-10%	81.00	119.00	121.00
3	-10%	72.90	127.10	133.10
4	-10%	65.61	134.39	146.41
5	-10%	59.05	140.95	161.95
Cumulative Return		-41%	41%	61%

(-1)X Underlying Index cumulative return is 41% while Index (-1x) Inverse ETF cumulative return over same period is 61%.

Scenario 3:

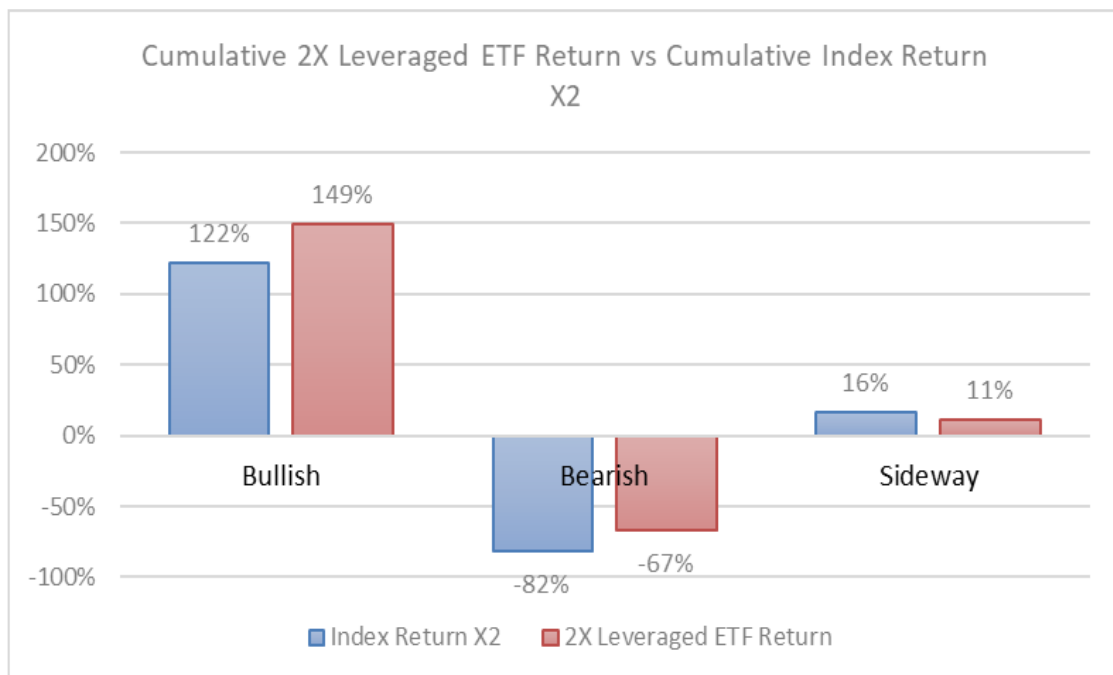
5 days cumulative return comparison, index increases and decreases by 10% alternatingly.

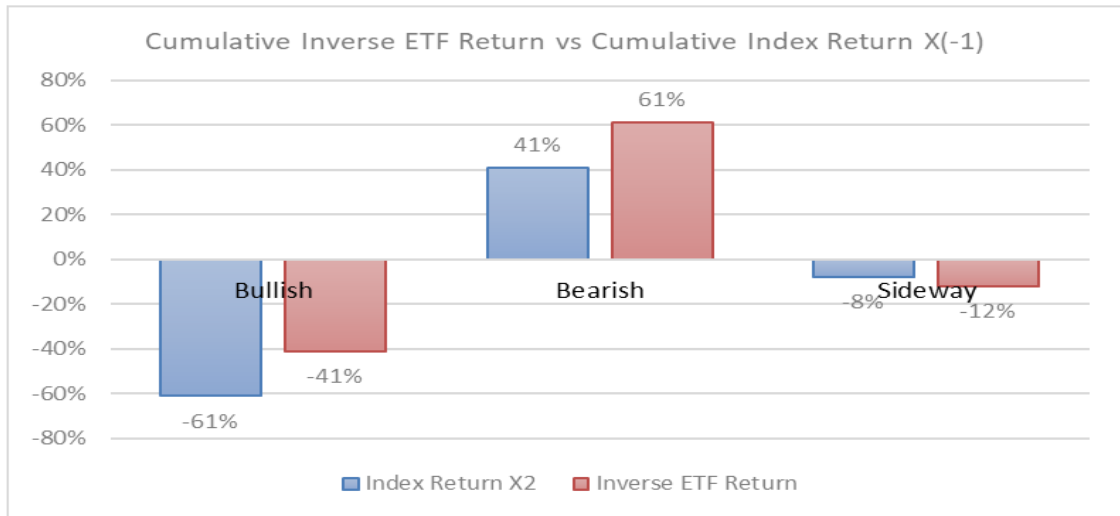
End of Day	Daily Index Movement	Investment Amount (RM)		
		Underlying Index	(-1)X Underlying Index	Index (-1x) Leveraged ETF
0	NA	100.00	100.00	100.00
1	10%	110.00	90.00	90.00
2	-10%	99.00	101.00	99.00
3	-10%	108.90	91.10	89.10
4	-10%	98.01	101.99	98.01
5	-10%	107.81	92.19	88.21
Cumulative Return		8%	-8%	-12%

(-1)X Underlying Index cumulative return is -8% while Index (-1x) Inverse ETF cumulative return over the same period is -12%.

In summary, the compounding effect could potentially lead to deviations in cumulative returns between a leveraged ETF or inverse ETF with the corresponding multiples (2X for 2X leveraged ETF and -1X for Inverse ETF) of the underlying index’s cumulative return.

Nonetheless, as the charts below indicate, such deviation could, at times benefit the investor. For example, in a trending market where market valuation is trending upwards or downwards, an investor tends to benefit from compounding effect either by gaining higher returns or suffering less losses. However, in a volatile sideways market, the compounding effect is likely to put the investor at a disadvantage, either causing the investor to earn less returns or inflicting greater losses as compared to a multiple of the underlying index’s cumulative return.





Disclaimer: the scenarios presented above are solely for illustration purposes only and does not take into account the impact of other factors (such as but not limited to management fees) on a fund's performances. Actual performances of L&I ETF units with respect to their Underlying Indices might differ under similar scenarios.

- (iv) Placing of contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit my/our losses to the intended amount. Market conditions may not make it possible to execute such orders;
 - (v) The leverage obtained from a leveraged ETF can work against me/us as well as for me/us. It could lead to large losses as well as gains;
 - (vi) It is in my/our best interests to take effort to study all risks as contained in the prospectus of the L&I ETFs, including but not limited to interest rate risks, country risks, credit risks, foreign exchange risks, futures rollover risks, counterparty risks and liquidity risks; and
 - (vii) If I/we engage in purchase of L&I ETF units using margin financing or short sale of L&I ETF units, I/we may gain higher profits when the price movement conforms to expectations or may otherwise suffer bigger losses. I/we may also face a margin call by the lender if the collateral maintenance ratio drops.
3. This brief statement cannot disclose all the risks and other aspects of purchasing L&I ETF units. I/we should carefully study the requirements pertaining to L&I ETFs and the content of the prospectus of L&I ETFs before me/us decide to purchase. If me/us are in doubt in relation to any aspect of this statement or the terms of L&I ETFs, me/us should consult CGS International Securities Malaysia Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.).
 4. To learn more about L&I ETFs, I/we may visit the following website on Bursa Academy: <https://bursaacademy.bursamarketplace.com/en/article/equities/empower-your-etf-investment-journey>