

Q&A

Regarding the recent rollover of Samsung S&P GSCI Crude Oil ER Futures ETF (3175)

In view of the inquiries from investors and the media about the rollover of SAMSUNG S&P GSCI Crude Oil ER Futures ETF conducted on 21 April 2020, we have prepared the following Q&A to address some of the common questions:

Q1: Why did Samsung Asset Management (Hong Kong) Limited (“the Manager”) determine to roll over and replace 3175’s holdings of June 2020 West Texas Intermediate crude oil futures contracts (“June Contracts”) with September 2020 West Texas Intermediate crude oil futures contracts (“September Contracts”)?

Ans: After the close of Hong Kong stock market on 21 April 2020, the price of the June Contracts dropped significantly. In view of this and the risk of a continued price decline in a way similar to that of the May 2020 West Texas Intermediate crude oil futures contract falling below zero on 20 April 2020, we determined to roll over and replace the June Contracts with the September Contracts (“Rollover”) in order to safeguard the interests of unitholders against such extreme risks after careful consideration of all relevant factors and consulting both the Securities and Futures Commission and the trustee.

In accordance with the announcement “One-off and Interim Change of Rolling Strategy” issued by us at 10:58 p.m. on 21 April 2020 HKT (“Announcement”), we carried out the Rollover during The New York Mercantile Exchange ,Inc. (NYMEX) trading hour on 21 April 2020.

Q2: Which months of WTI futures contracts does 3175 currently hold?

Ans: As at the HK market opened on 22 April 2020, all the futures contracts held by 3175 were the September Contracts.

Prior to the publication of the Announcement at 10:58pm on 21 April 2020 HKT, 3175 was holding only the June Contracts. After completion of the Rollover (which took place in between 11:30 p.m. on 21 April 2020 and 2:30 a.m. on 22 April 2020 HKT), all the futures contracts held by 3175 were the September Contracts as at the closing time of NYMEX.

Q3: Was the drop in the price of 3175 after the Hong Kong stock market opened on 22 April 2020 caused by the Rollover?

Ans: The Rollover transaction was not the main cause of the drop in the price of 3175 on 22

April 2020. Instead, it was due to significant price decline of the June Contracts after the close of Hong Kong trading session (4:00 p.m. HKT) on 21 April 2020, as 3175 was still holding the June Contracts before the Rollover.

The Net Asset Value (NAV) of 3175 as of 21 April 2020 (as published on the Manager's website on 22 April 2020) was HKD 1.7192 which represented a 48.64% down from the previous close. The significant decline in NAV was mainly caused by the drop in the price of the June Contracts.

Assuming if the Rollover transaction had not taken place and the June Contracts were continued to be held by 3175, the magnitude of price decline of 3175 would still be similar to the approx. 43.4% price decline of the June Contracts on 21 April 2020.

During the Hong Kong trading session on 22 April 2020, the price movements of 3175 reflected the real-time price movement of the September Contracts.

Q4: If the futures contracts held by 3175 drop to zero or lower under the extreme market condition, will unitholders be liable to make additional payment to cover the negative price difference (below zero)?

Ans: Unitholder is not obliged to make additional payment to cover the negative price difference if the future contracts held by 3175 drops to zero under the extreme market condition. As mentioned in the Announcement, the NAV of 3175 may drop to zero and investors' loss will be limited to their investments in 3175 in the worst scenario.

Q5: What were the considerations of the Manager in determining the Rollover on 21 April 2020?

Ans: We made the decision to conduct the Rollover after careful consideration of all relevant factors, including but not limited to our primary concern to protect the best interest of unitholders.

1. The Rollover's purpose is to protect the best interest of unitholders and 3175.
2. We have sought legal opinions to ensure that the Rollover arrangement is permitted under the trust deed of 3175.
3. We have consulted both the Securities and Futures Commission and Trustee prior to conducting the Rollover.
4. The Rollover is a one-off and interim measure adopted by us in response to the extreme market conditions.

Samsung Asset Management (Hong Kong) Limited

23 April 2020