

May 21, 2025

# CSOP Asset Management

## CSOP Single Stock Leveraged and Inverse Products

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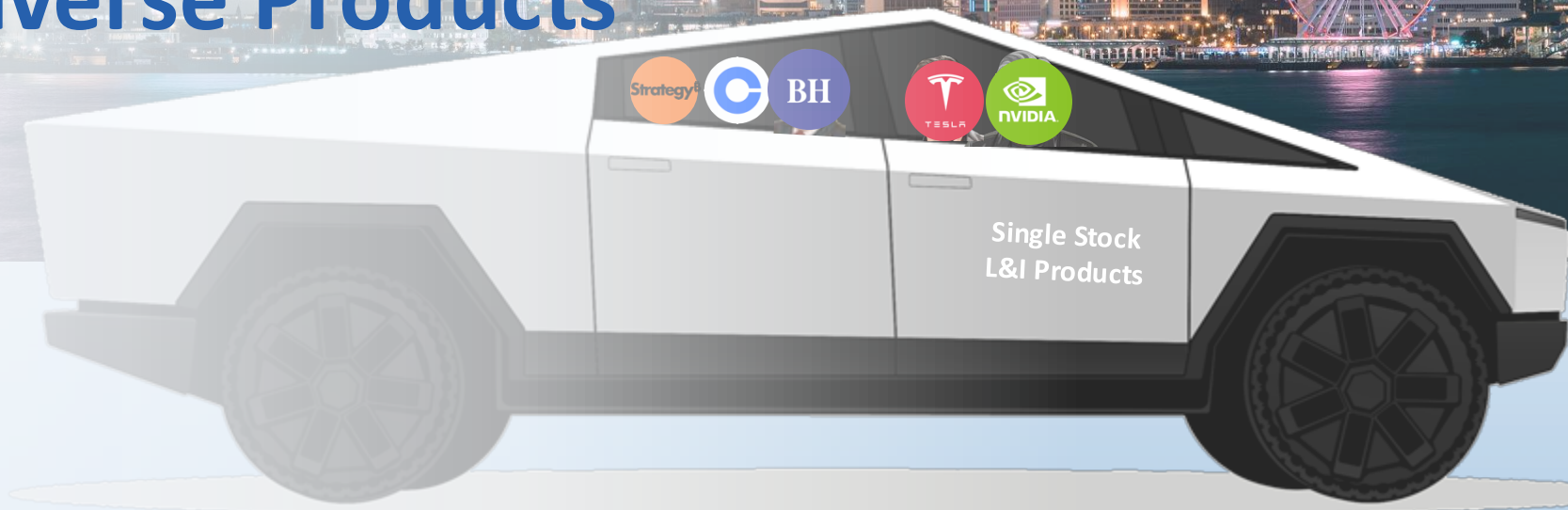
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# CSOP Single Stock Leveraged and Inverse Products

May 2025

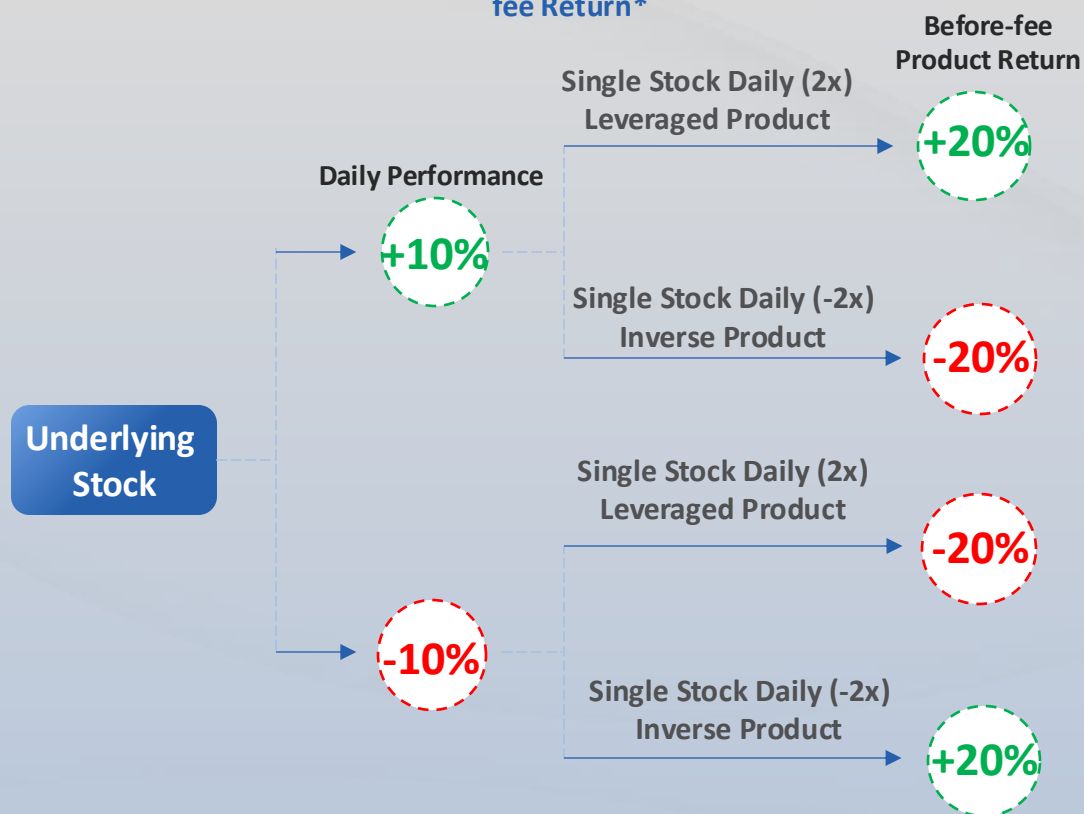


# What are Single Stock L&I Products?

**Single Stock Leveraged and Inverse (L&I) Products** are one of derivative products traded on the stock exchange, which are designed for short term trading or hedging and holding no longer than one day. ^

As the name suggests, different from the current L&I products in Hong Kong, the underlying asset of the single stock L&I products are single stocks listed on overseas exchanges.

## Example: Hypothetical Scenario of the Underlying Stock and Product Before-fee Return\*



## Key Characteristics of HK Single Stock L&I Products#

1

### Easy Tools

- Trading, Hedging and Price Discovery Tools
- During Asian trading hours



2

### Underlying Stocks

- Highly liquid & Mega-cap Stocks
- From a major overseas exchange



3

### Leverage Factor

- Maximum of 2x to -2x



Source: ^IFEC. \*Product offering documents. Theoretical scenario for reference only. #SFC.

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.



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## Why Trading in Asia

# Why Trading in Asia?

## Asian Trading Hours vs. US Trading Hours

### Say Goodbye to Staying Up

Long and short US big names during daytime.



### Unique Trading Opportunities

- The performance of US stocks are largely affected by after-hours news
- Investors can strategically position themselves ahead of the U.S. market open by trading on after-hours events or news occurring during Asian trading hours -- such as BOJ policy shifts, China's trade policies affecting US companies, US company earnings results.



### Potential Tax Benefits

A **30%** withholding dividend tax is required when investing in a US listed ETF, which is waived for HK L&I products.

As of 2025/2/19, the 12-month dividend yield of all US-listed single stock L&Is averaged 10%, carrying a 3% withholding tax effect and eroding the investment returns.\*



### Easy Access

HK products provide Chinese offering documents and maintain a product website to enable timely tracking of product information for HK investors, such as net asset value (NAV).



Source: \*Bloomberg.

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

# Many Surprises during Asian Trading Hours...

Numerous Important Events during Asian Trading Hours could Impact US Stock Prices and Create Trading Opportunities

## Earnings Announcement

US companies only release the earnings results after market closes

## Trump's Posts on Social Media Platforms

Trump has been known to post late at night or early in the morning, when US market is closed. A research revealed that US president Donald Trump was most active on Twitter (X) around 16:00 and 20:00 (UST)\*.

## Bank of Japan (BOJ)'s Policy Shifts

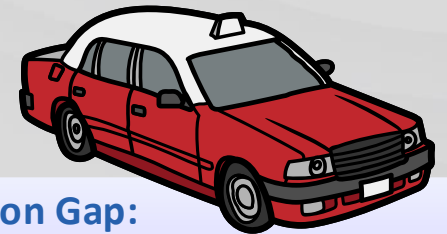
BOJ's policy changes take place during Asian trading hours. As Japan is the world's top creditor, its monetary policies can influence multiple global markets. For example, the unwinding of carry trades in 2024 had significant impacts.

## China's Trade Policies

Many major U.S. companies like Nvidia have significant revenue exposure to the Chinese market. Consequently, changes in China's policies related to the trade war can impact their business.

## AI Progress by Chinese Companies

DeepSeek's emergence has reshaped the AI industry and become a significant short-term factor influencing the stock prices of U.S. companies. As more Chinese AI companies enter the scene, U.S. tech stocks may experience additional "DeepSeek Moments".



**Leverage Information Gap:**  
**Stay Ahead and Trade These Events in Hong Kong!**

Source: \*Stylistic variation on the Donald Trump Twitter account: A linguistic analysis of tweets posted between 2009 and 2018

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# US Tech Stocks: Trade on Ups and Downs

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Amid the intense bull and bear debate in the market, the uncertainties gives rise to opportunities for both long and short trades



## AI Spending

The AI spending plan by tech giants like Microsoft, Amazon, Meta affect the demand for Nvidia's chips.

## US Market Sentiment

Nvidia has a high beta, meaning its stock performance is heavily influenced by overall market sentiment.

## US Trade and Chip Policies

Nvidia's stock price may face pressure if Trump reduces chip subsidies or imposes further restrictions on exports to China.

**AI Spending**  
**US Market Sentiment**  
**US Trade and Chip Policies**  
**Computing Power Expectations**

.....



**Elon Musk**  
**Electric Vehicles**  
**AI & Robotics**  
**Smart Driving**

.....

## Elon Musk

Tesla's CEO Elon Musk's overly deep ties to the US president have become a double-edged sword for its stock price.

## Electric Vehicles

New model launches and high deliveries are usually positive, while good news from China's competitor is a negative.

## AI & Robotics

Tesla is transforming from a pure car company to an AI and robotics company. Investors keep eyes on the mass production progress of humanoid robot Optimus.

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# US Crypto Stocks: Trade on Ups and Downs

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Amid the intense bull and bear debate in the market, the uncertainties gives rise to opportunities for both long and short trades

coinbase

Strategy<sup>₿</sup>

Regulations

Coinbase’s dominance relies heavily on its now-rare regulated status. New regulatory reforms is critical for Coinbase.

Popularity of Crypto

As a leading global regulated crypto exchange, Coinbase should benefit from the development of whole crypto ecosystem

Security of Custodian Service

The security of the crypto exchanges is critical for the investor confidence.

Regulations  
Popularity of Crypto  
Security of Custodian Service  
Competitive Landscape

.....

BITCOIN  
Premium or Discount  
of its Bitcoin Holdings  
Financing Plan  
Liquidation Risk

.....

Bitcoin

Since MicroStrategy holds significant amounts of Bitcoin, its stock price is highly correlated with Bitcoin price fluctuations.

Premium or discount of its bitcoin holdings

Whether the stock prices of MicroStrategy are overvalued or undervalued compared to the net value of its bitcoin holdings

Financing Plan and Liquidation Risk

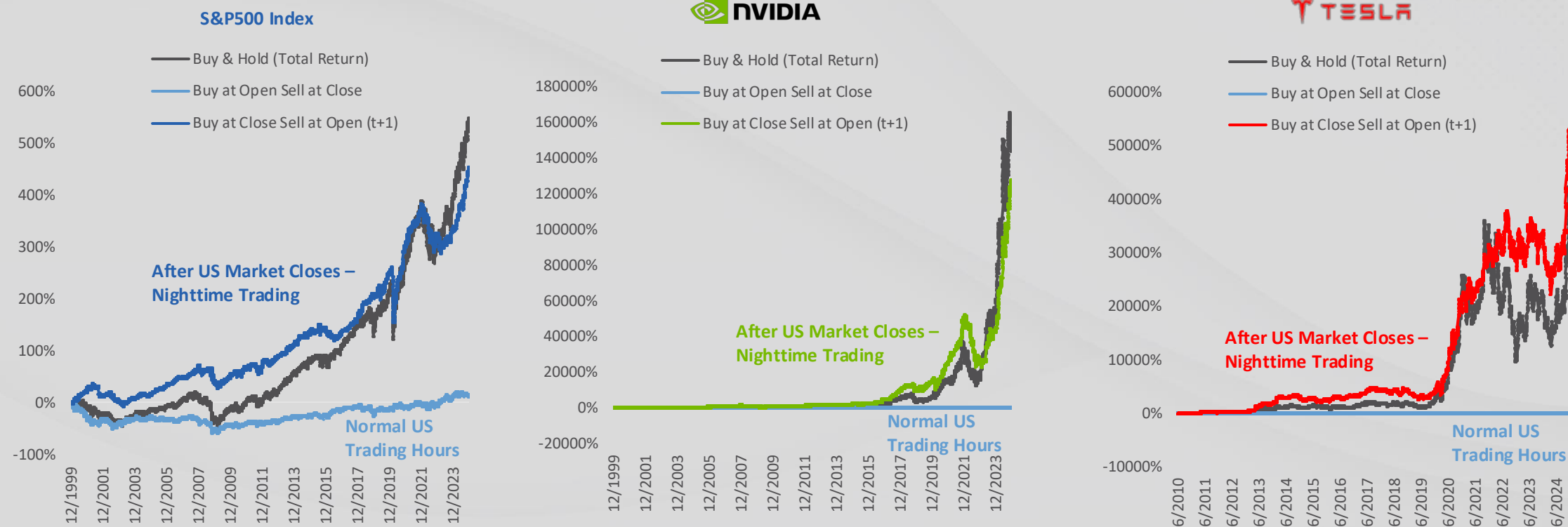
MicroStrategy adopted a leveraged strategy through long-term unsecured convertible bonds. The sustainability of its bond issuance and liquidation risk amidst bitcoin plunge affect its stock performance.

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# Rises of US Stocks are Largely Contributed by Night-time Performance

Historical analysis shows that the volatilities and returns during nighttime are higher than volatilities and returns during the day-time trading session.

Daytime Performance vs. Night-time Performance

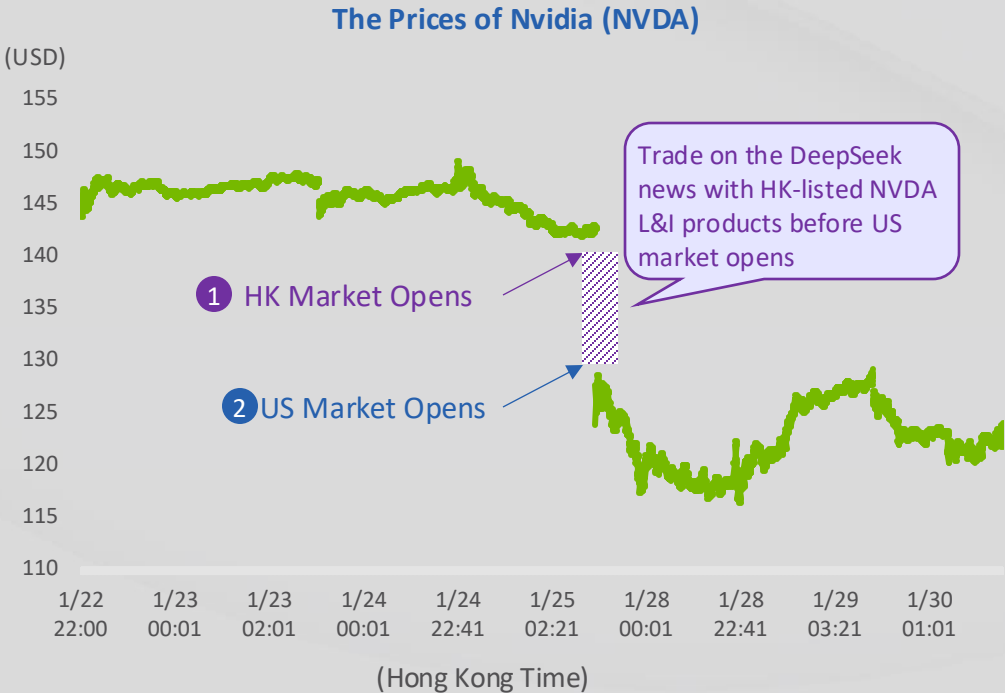


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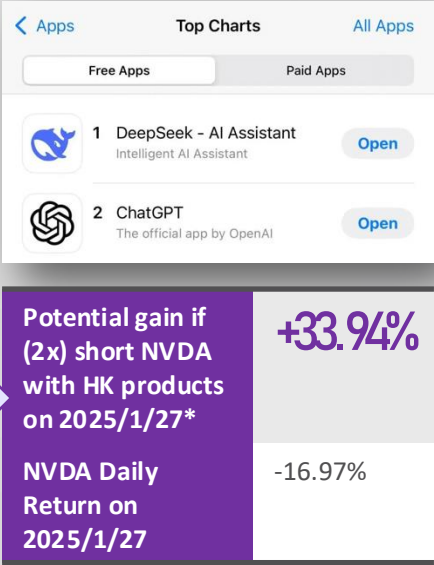
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# Trading Case 1: NVDA and DeepSeek

The launch of China’s AI model DeepSeek in late January sent shockwaves through U.S. markets, sparking concerns about the dominance of cash-rich American tech giants and undercutting Nvidia’s growth narrative. Notably, Nvidia’s stock price dipped following DeepSeek’s announcement of new advancements.



- 26 Jan. 2025 (Sunday)  
DeepSeek hit No.1 on Apple App Store’s Top Free Apps chart days after the Chinese startup released its flagship model, R1.
- 27 Jan. 2025 (Monday)
  - 1 HK Market opened first in the morning  
If possible, HK investors can take advantage of HK-listed NVDA inverse product to hedge the negative event.
  - 27 Jan. 2025 (Monday)
    - 2 US Market opened later in the Evening  
NVDA opened low and plunged.

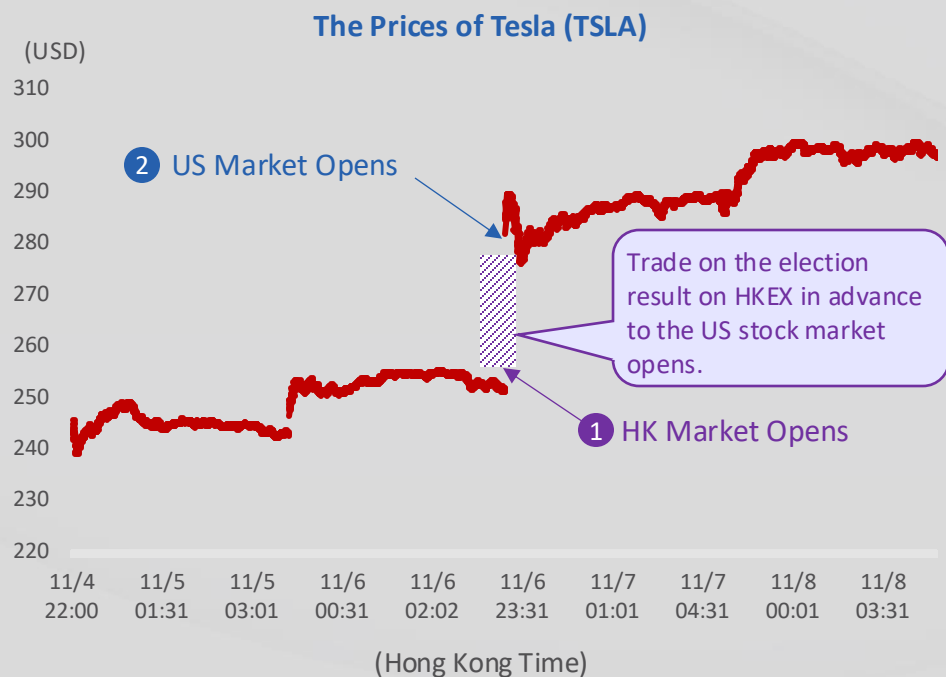


Source: Bloomberg. \*Simulated result before expenses and fees for reference earning. The figures used are for illustrative purposes only and are not indicative of the actual return likely to be achieved. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

# Trading Case 2: TSLA and US Election

In the 2024 US Election, Tesla CEO Elon Musk was one of the biggest supporter of Donald Trump, positioning Tesla among the top Trump-aligned trade targets. Trump’s eventual victory acted as a major catalyst for the automaker’s stock.

Since the election results were revealed during Asian trading hours, investors can capitalize on the jump by ultra longing Tesla with HK-listed leveraged products in advance.



- 6 Nov. 2024 (Wednesday)  
The start of polling starts on 5 Nov., and last polls closed at 1:00 a.m. ET on 6 Nov., which is 2:00 p.m. HKT on the same day.
- 6 Nov. 2024 (Wednesday)  
1 HK Market opened first in the morning  
With the live results implying Trump’s win in the morning, HK investors can use HK-listed TSLA leveraged product to benefit from the news.
- 6 Nov. 2024 (Wednesday)  
2 US Market opened later in the evening  
Tesla shares soar more than 14% as Trump win



Potential gain if (2x) long TSLA with HK products on 2024/11/6*	+29.50%
TSLA Daily Return on 2025/11/6	+14.75%

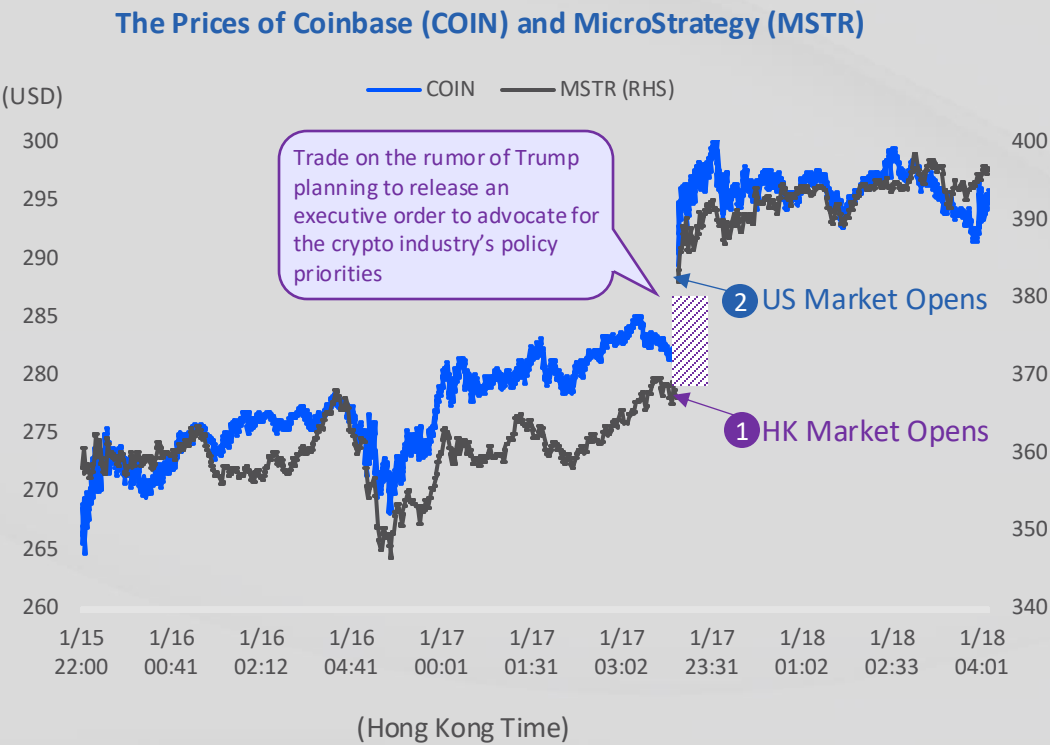
Source: Bloomberg. The image is from CNN. \* Simulated result before expenses and fees for reference earning. The figures used are for illustrative purposes only and are not indicative of the actual return likely to be achieved. The use of the image is for illustrative purposes only. The individuals in the image do not endorse or have any affiliation with CSOP or its financial products.

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# Trading Case 3: COIN, MSTR and Trump's Crypto Policy

The Crypto-theme stocks are another beneficiary of the Trump Trade. As Donald Trump publicly shifted to advocating for the crypto industry and endorsing a lighter regulatory approach, these stocks tended to rally on news of industry-friendly policies.



**17 Jan. 2025 (Friday)**

After US market closes, Bloomberg reported Trump is said to plan to make cryptocurrency a national priority with executive order

**17 Jan. 2025 (Friday)**

**1 HK Market opened first in the morning**

If possible, HK investors can take advantage of HK-listed MSTR and COIN leveraged product to trade on the news.

**17 Jan. 2024 (Friday)**

**2 US Market opened later in the evening**

MSTR and COIN soar 8.04% and 4.92% respectively



	MSTR	COIN
Potential gain if (2x) long stock with HK products on 2025/1/17*	+16.08%	+9.84%
Spot Daily Return on 2025/1/17	+8.04%	+4.92%

Source: Bloomberg. The image is from Bloomberg. \*Simulated result before expenses and fees for reference earning. The figures used are for illustrative purposes only and are not indicative of the actual return likely to be achieved. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

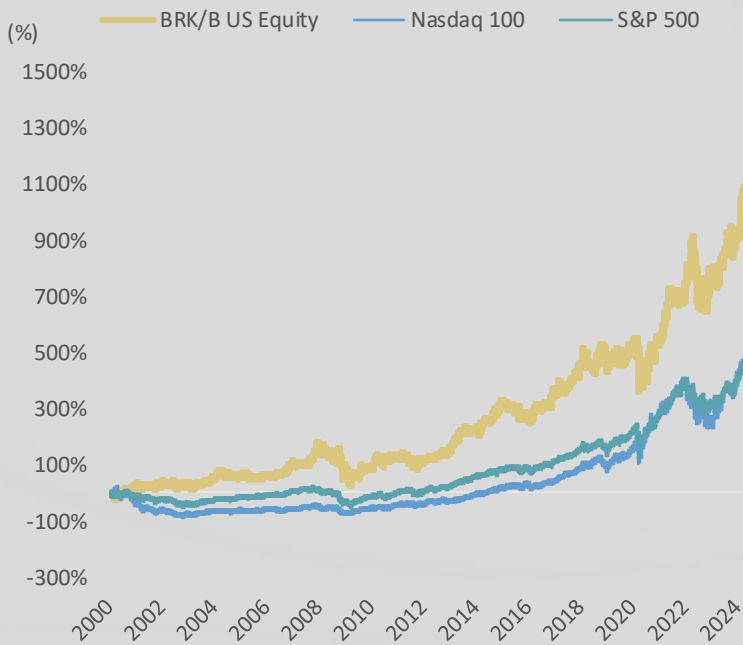
# US Value Stocks: Amplify the Long Bull

Bullish on “Stock of God” Warren Buffett—The Representative of Value Investing

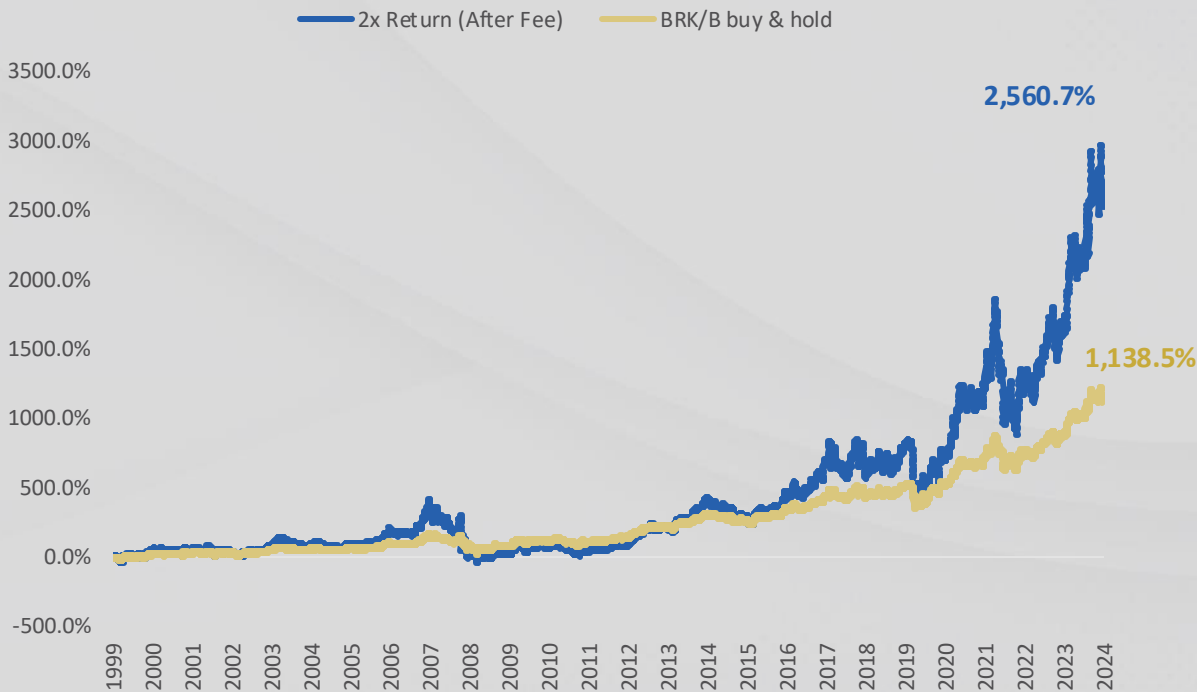
**Buying Berkshire = buying Warren Buffett’s portfolio.** According Forbes data in 2023, Buffett's net worth is about US\$120 billion, of which more than 99% comes from Berkshire's stocks.

**Warren Buffett’s investing is essentially the world's leading value portfolio of US stocks.** Value investing is a disciplined approach that rewards patience and thorough research. By identifying undervalued stocks with strong fundamentals, investors can build wealth steadily and profit from market inefficiencies. At the current historical high stage of US stocks, the value portfolio may provide a greater safety margin than the growth portfolio.

**BRK Delivered Higher Return than the Broad Market**  
Cumulative Performance\*



**(2x) Daily Return of BRK (After Fee) Outperforms Buying and Holding the Spot Stock\***



Source: \*Bloomberg. The hypothesis for the total fee of leveraged products is 2% per year. The figures used are for illustrative purposes only and are not indicative of the actual return likely to be achieved. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

# When to Trade HK-listed Single Stock L&I Products?

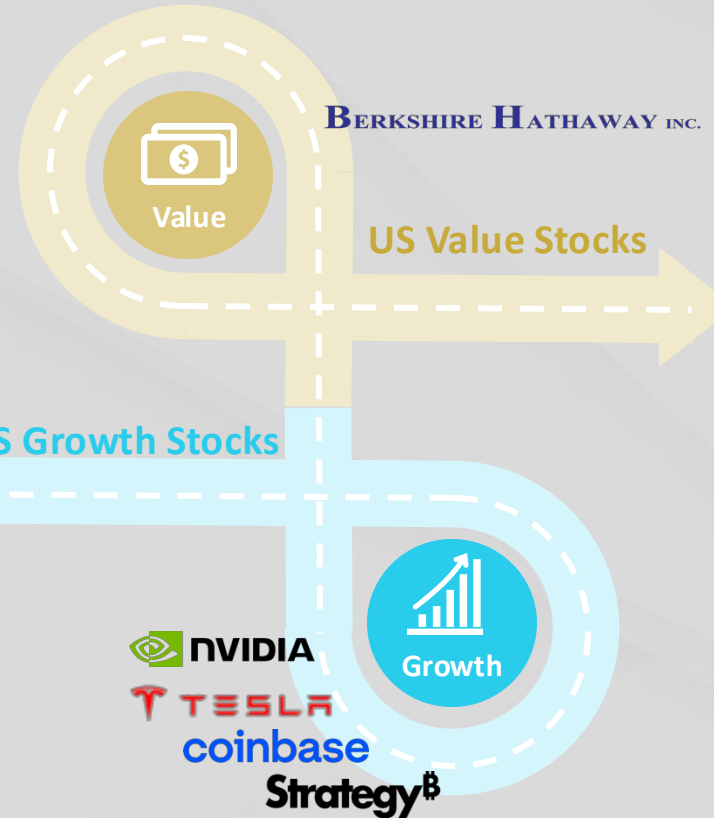
## Ride on Uncertainties

- The US large tech stocks and crypto stocks demonstrate the growth potential, while many short-term uncertainties could still weigh on its stock prices

## Event trade in HK when US stock market is closed

Time difference between L&I products and underlying stocks creates more trading opportunities.

- Historical gains and volatilities of US stocks are largely contributed by its night-time performance
- Investors can strategically position themselves ahead of the U.S. market open by trading on overnight events or news emerging during Asian trading hours -- such as *BOJ policy shifts, China's sanctions on US companies, US company earnings results.*



## Amplify the Long Bull

- **Double Down on Value Investing:** Maintain conviction in time-tested principles of value-driven stock selection.
- **Leverage the “Stock God” Playbook:** Gain 2x exposure to Warren Buffett-endorsed strategies and high-conviction holdings.

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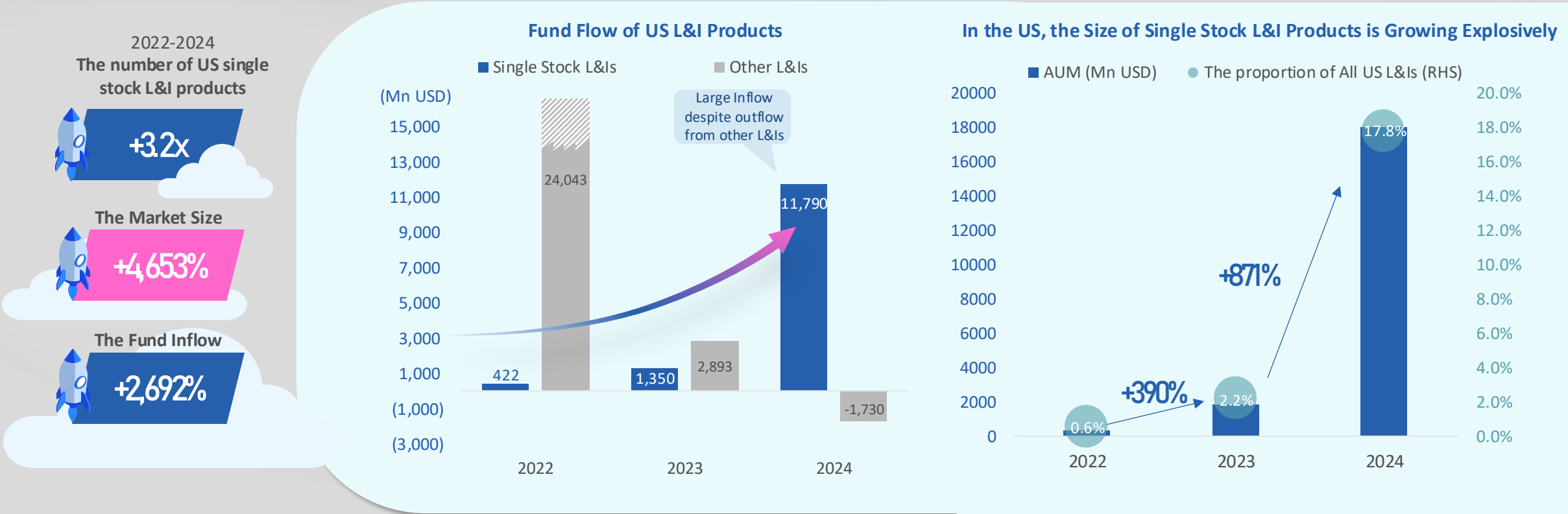
## Why HK Single Stock L&I Products

# Leveraged and Inverse Products

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

Single stock leveraged and inverse (L&I) products have been available in Europe since 2018, with the US following suit in 2022. With US's launches making the innovated products popular, single stock L&I product have achieved an exponential growth in all aspects since 2022.

In 2024, contrary to the fund outflow trend in other L&Is, massive fund inflows of nearly **12 billion USD** were seen in the US single stock L&I products.



Source: Bloomberg.  
The bar for 2022 other L&Is does not display completely

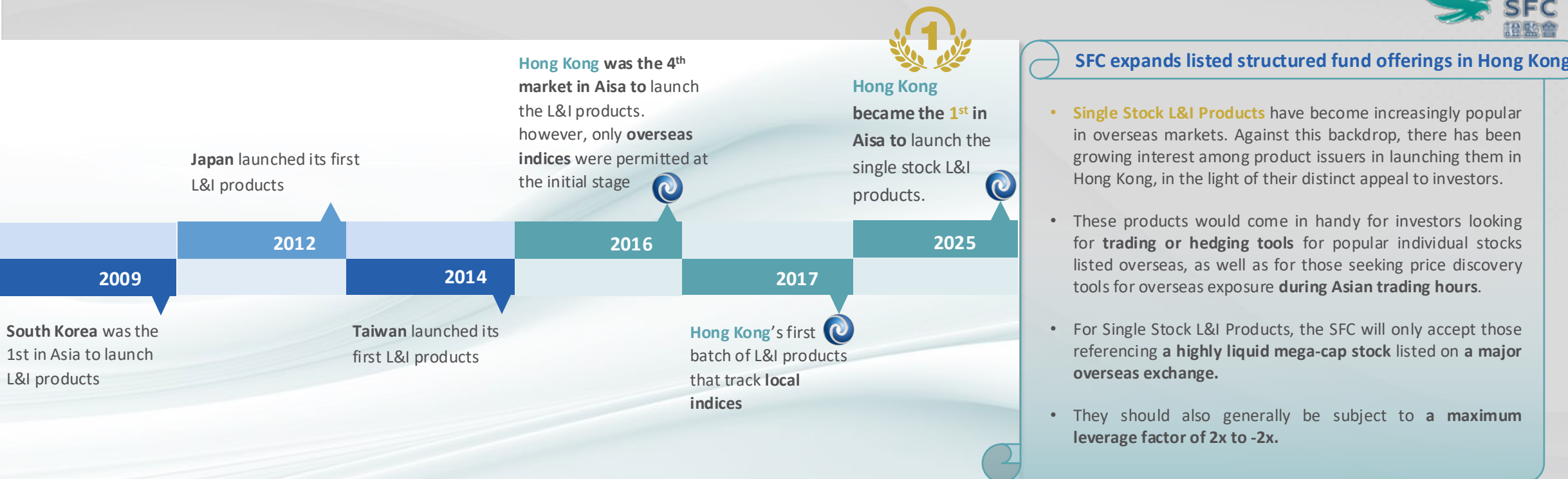


# From Follower to Leader: The First Single Stock L&I Products in Asia

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

Different from the cautious pace of product innovation in the past, Hong Kong has taken the lead in Asia and become the first in Asia to allow single stock leveraged inverse products.

## The Development of Leveraged and Inverse Products in Asia



Source: "[SFC expands listed structured fund offerings in Hong Kong](#)", 23 Jan 2025

# Why HK-listed Single Stock L&I Products over US Night Trade?

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

## Liquidity and Efficiency

### HK Single Stock L&I Products on HKEX



#### Centralized Trading Platforms with Market Makers

HKEX uses **globally recognized centralized trading systems** (e.g., Orion Trading Platform). Trades are cleared and settled via a central counterparty (CCP), reducing counterparty risk.

HKEX has **market makers** providing market liquidity and price efficiency to L&I products.

## Infrastructure

#### Battle-tested Infrastructure through Decades of Market Cycles

HKEX' trading systems have been proved to be able to handle high-volume trading and extreme volatility. Its infrastructure includes redundant data centers, real-time failover mechanisms, and rigorous stress testing.

### US Single Stock L&I Products via Night Trade

vs.



#### OTC Matching System with Limited Transparency and Efficiency

The investors can only trade US L&I products during Asian trading hours via **OTC matching system** through some brokers.

**There is no CCP and market makers in US night trade**, and the settlement relies on finding specific counterparties. So, there could be price inefficiencies, fragmented liquidity and counterparty risk.

#### Risk of System Crash amid Market Turbulence

Smaller U.S. systems like Blue Ocean may be vulnerable to outages during sudden market sell-offs.

#### Example

#### Biggest Overnight Stock Venue Halted Trading Amid Volatility

*Amid a major stock market sell-off on 6 Aug 2024, Blue Ocean, the largest overnight trading venue in the US, detected trading issues and later canceled all trades from that point on to 3:06 a.m., affecting the online brokers like Robinhood.*

Source: Hong Kong Exchange. Example source is from Bloomberg. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

# Single Stock L&I Products vs. Derivative Warrants vs. CBBCs

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

	Single Stock L&I	Derivative Warrants	CBBCs
<b>Maturity</b>	No	Yes	Yes
<b>Time Decay</b>	No	Yes. Warrants' time value decay with maturity approaching	No
<b>Impact of Implied Volatility</b>	No	Yes	No
<b>Mandatory Call Mechanism</b>	No	No	Yes Loss of all principle is possible after touching call price
<b>Bid-Ask Spread</b>	Generally smaller <sup>^</sup>	Generally Larger	Generally Larger
<b>Market Maker</b>	Issuer is <b>different</b> from the market maker	Issuers work as market maker too	Issuers work as market maker too
<b>Pricing</b>	<b>Transparent.</b> The market price fluctuates around the NAV which calculated by the trustee daily.	Issuers provide quotes	Issuers provide quotes
<b>Leverage Factors</b>	The maximum is two times (2x/-2x)	The maximum is more than 2 times	The maximum is more than 2 times

Source: CSOP. <sup>^</sup> The bid-ask spread of single stock L&I products refers to that of existing L&I products in Hong Kong market.

Note: The comparison may vary and would subject to specific analysis in different circumstances.

# Single Stock L&I Products vs. Stock Options

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

	Single Stock L&I	Stock Options
Maturity	No	Yes
Time Decay	No	Yes. Options’ time value decay with maturity approaching
Volatility	Relatively less volatile	Generally more volatile, especially when maturity approaches*
Margin Mechanism	No	Option Seller : Margin call and liquidation may be triggered as the underlying stock swings
Collateral Requirement	No	Option Seller : Cash or securities deposited as collateral before writing options
Pricing	Transparent. The market price fluctuates around the NAV, calculated by the trustee daily	More sophisticated. Affected by many factors such as maturity, strike price, underlying stock price and volatility, etc^
Maximum Loss	Principal	Option Buyer : Principal Option Seller : Unlimited Loss
Leverage Factors	The maximum is two times (2x/-2x)	The maximum is more than 2 times

Source: CSOP, Brokerage websites. \* For example, minor stock’s price fluctuation can lead to significant change in the End of Day Options` value    ^ According to Black-Scholes Option Pricing Model  
 Note: The comparisons may vary and would subject to specific analysis in different circumstances.

# Single Stock L&I Products vs. Stock Margin Trading vs. Stock Borrowing & Short Selling

	Single Stock L&I	Stock Margin Trading	Stock Borrowing & Short Selling
Minimum Investment	Below 1K HKD	Usually at Least 100K HKD	
Margin Mechanism	No	Yes. Margin call and liquidation may be triggered based on margin requirement	Yes. Margin call and liquidation may be triggered based on margin requirement
Collateral Requirement	No	Yes. Purchased or other securities held in margin account as collateral	Yes. Full value (100%) of the short position plus a 50% margin held as collateral*
Financing Cost	No	Yes	Yes
Maximum Loss	Principal	Unlimited Loss	Unlimited Loss
Leverage Factors	The maximum is two times (2x/-2x)	The maximum is more than 2 times	The maximum is more than 2 times

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

Source: CSOP, Brokerage websites.

\* IBKR: Under Regulation T, short sales require a deposit equal to 150% of the position value at the time the short sale is executed, including the full value of the short (100%), plus an additional 50% or half the value of the position as initial margin requirement.

Note: The comparisons may vary and would subject to specific analysis in different circumstances.



# Compounding Effect: (2X) Leveraged Product

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

Leveraged product amplifies returns. The leverage effect will deviate when holding period is long

- When the underlying stock is trending up (2X) leveraged products increase more than 2X of the return of underlying stock.  
( $23.4\% > 11.4\% \times 2 = 22.8\%$ )  
-> **Outperformance**

	Underlying Stock	Daily Return	Total Return	Daily 2x Product	Daily Return	Total Return
Day 1	100.0			100.0		
Day 2	103.0	3%		106.0	6%	
Day 3	108.2	5%		116.6	10%	
Day 4	107.1	-1%		114.3	-2%	
Day 5	111.4	4%	<b>11.4%</b>	123.4	8%	<b>23.4%</b>

- When the underlying stock is trending down (2X) leveraged products fall less than 2X of the return of underlying stock  
( $-20.6\% > -10.7\% \times 2 = -21.4\%$ )  
-> **Outperformance**

	Underlying Stock	Daily Return	Total Return	Daily 2x Product	Daily Return	Total Return
Day 1	100.0			100.0		
Day 2	97.0	-3%		94.0	-6%	
Day 3	93.1	-4%		86.5	-8%	
Day 4	94.1	1%		88.2	2%	
Day 5	89.3	-5%	<b>-10.7%</b>	79.4	-10%	<b>-20.6%</b>

- When the underlying stock is fluctuating (2X) leveraged products deliver less than 2X of the return of underlying stock  
( $-2.0\% < -0.5\% \times 2 = -1\%$ )  
-> **Underperformance**

	Underlying Stock	Daily Return	Total Return	Daily 2x Product	Daily Return	Total Return
Day 1	100.0			100.0		
Day 2	105.0	5%		110.0	10%	
Day 3	99.8	-5%		99.0	-10%	
Day 4	104.7	5%		108.9	10%	
Day 5	99.5	-5%	<b>-0.5%</b>	98.0	-10%	<b>-2.0%</b>

Source: Bloomberg, CSOP Research

# Compounding Effect: (-2X) Inverse Product

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

Inverse product tracks the inverse of daily return of the index. The effect will deviate when holding period is long.

- When the underlying stock is trending up  
(-2X) Inverse products fall less than -2X of the return of underlying stock  
 $(-20.61\% > 11.4\% \times (-2) = -22.8\%)$   
-> **Outperformance**

	Underlying Stock	Daily Return	Total Return	Daily -2x Product	Daily Return	Total Return
Day 1	100.0			100		
Day 2	103.0	3%		94.0	-6%	
Day 3	108.2	5%		84.6	-10%	
Day 4	107.1	-1%		86.3	2%	
Day 5	111.4	4%	<b>11.4%</b>	79.4	-8%	<b>-20.61%</b>

- When the underlying stock is trending down  
(-2X) Inverse products increase more than -2X of the return of underlying stock  
 $(23.41\% > -10.7\% \times (-2) = 21.4\%)$   
-> **Outperformance**

	Underlying Stock	Daily Return	Total Return	Daily -2x Product	Daily Return	Total Return
Day 1	100.0			100		
Day 2	97.0	-3%		106.0	6%	
Day 3	93.1	-4%		114.5	8%	
Day 4	94.1	1%		112.2	-2%	
Day 5	89.3	-5%	<b>-10.7%</b>	123.4	10%	<b>23.41%</b>

- When the underlying stock is fluctuating  
(-2X) Inverse products deliver less than -2X of the return of underlying stock  
 $(-1.99\% < -0.5\% \times (-2) = 1\%)$   
-> **Underperformance**

	Underlying Stock	Daily Return	Total Return	Daily -2x Product	Daily Return	Total Return
Day 1	100.0			100		
Day 2	105.0	5%		90.0	-10%	
Day 3	99.8	-5%		99.0	10%	
Day 4	104.7	5%		89.1	-10%	
Day 5	99.5	-5%	<b>-0.5%</b>	98.0	10%	<b>-1.99%</b>

Source: Bloomberg, CSOP Research



03

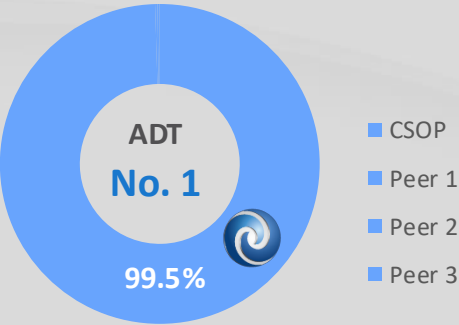
## Why CSOP

# CSOP ——“The Hong Kong L&I King”

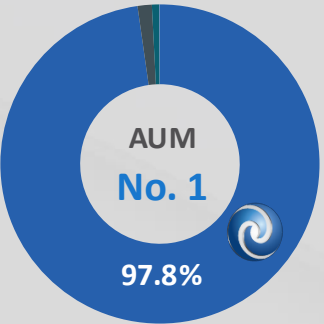
Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

## In Hong Kong Leveraged & Inverse Products Market (2024) CSOP Has Dominant Market Shares

By Average Daily Turnover #



By AUM##



## Among Top 10 Most Actively Traded ETPs in HK (2024) All 4 L&I Products are from CSOP #

Stock Code	Name	ADT (HKD mil)
-	-	-
-	-	-
3033	CSOP Hang Seng TECH Index ETF*	2,579
7226	CSOP Hang Seng TECH Index Daily (2x) Leveraged Product*	1,193
7552	CSOP Hang Seng TECH Index Daily (-2x) Inverse Product*	758
7500	CSOP HSI Daily (-2x) Inverse Product*	411
7200	CSOP HSI Daily (2x) Leveraged Product*	405
-	-	-
-	-	-
-	-	-

Source: #Bloomberg, 2024/1/1 to 2024/12/31. ##Bloomberg, 2024/12/31. \* Products are issued by CSOP. ADT=Average Daily Turnover. Source: \*\*HKEX, Bloomberg, CSOP.



## CSOP Leading the Pioneer Projects in Hong Kong L&I Market\*\*



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04

## Appendix



# Dividend Tax Advantage – No Return Erosion by Withholding Tax

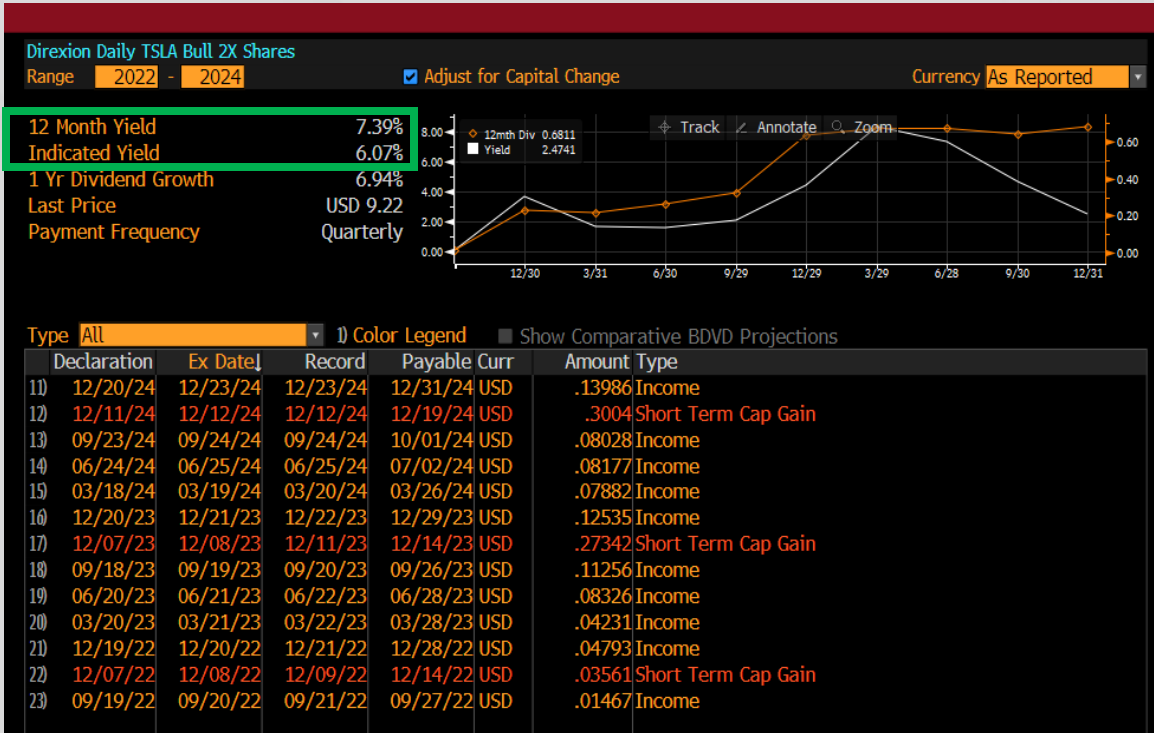
Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

- Non-US residents are subject to 30% flat withholding tax, with partial exemption if a bilateral tax treaty is signed. For example, **HKSAR, South Korea and Mainland China residents are subject to 30% (no treaty), 15% and 10% withholding tax** on US-listed equity ETF dividends, respectively.
- The largest TSLA 2x Product (TSLX.US) paid quarterly dividends with **indicated dividend yield >6.0%**, where the yield will be eroded under US tax regime but be fully passed through under HKSAR tax regime.

Withholding Tax Regime of US and HKSAR

Withholding Tax	Flat Rate	Mainland China	HKSAR	South Korea
US Charge	30%	10%	30%	15%
HKSAR Charge	0%	0%	0%	0%

Significant Dividend Yield of TSLA 2x ETF subject to Dividend Tax



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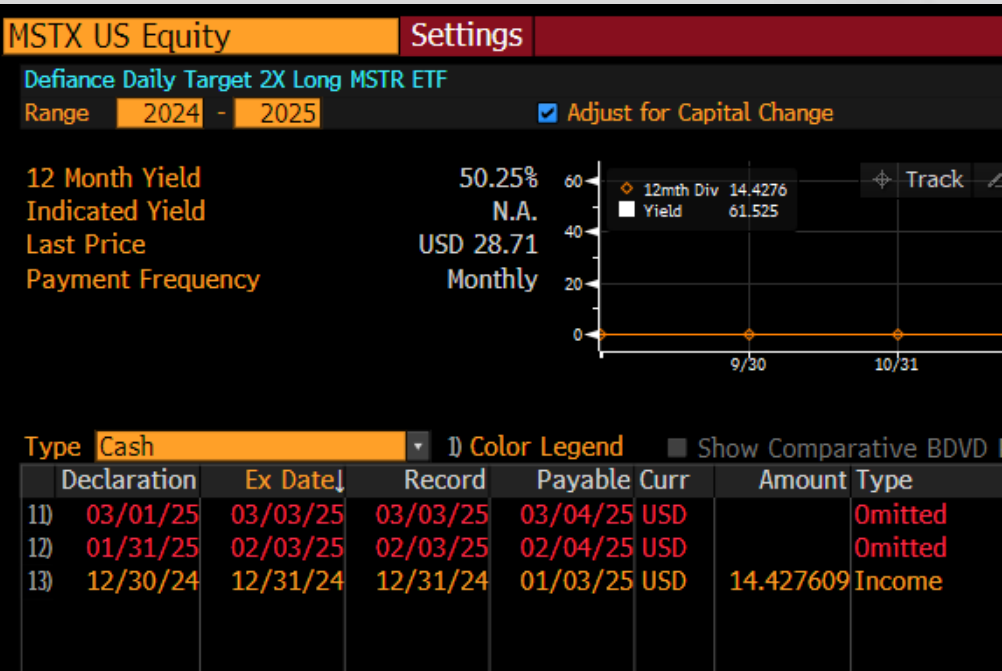
Source: Bloomberg as of 03/17/2025, IRS, Direxion, TSLX estimated management fee is 0.95% per annum.

# Dividend Tax Advantage – MSTX’s Surprising Dividend Case Study

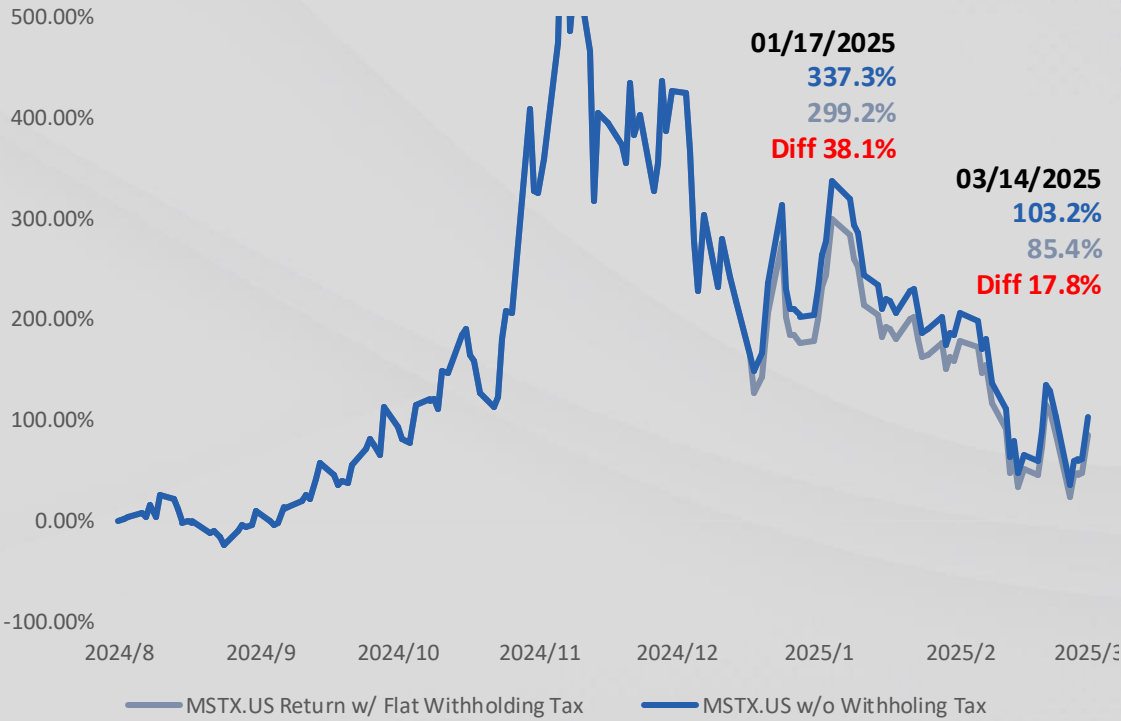
Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

- In 2024, MSTX (launched in August 2024) surprisingly announced its **dividend to be paid at \$14.4**, a significant portion of close price (\$53.02) 1 day before the ex-right day.
- We assume that a flat 30% tax was charged and only the remaining amount are reinvested into the portfolio. The results showed that **the higher further rally of MSTR, the greater the negative impact** from the dividend tax was. On Jan 17, 2025, the cycle high of MSTR, the **difference of 2 hypothetic portfolio returns reached to 38.1%.**

MSTX Surprisingly Paid \$14.4 out of ~\$50 (about 30%)



The large Amount One-off Dividend Tax Significant Dragged Further Rally



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Source: Bloomberg as of 03/17/2025, IRS, Defiance, MSTX management fee is 1.29% per annum.

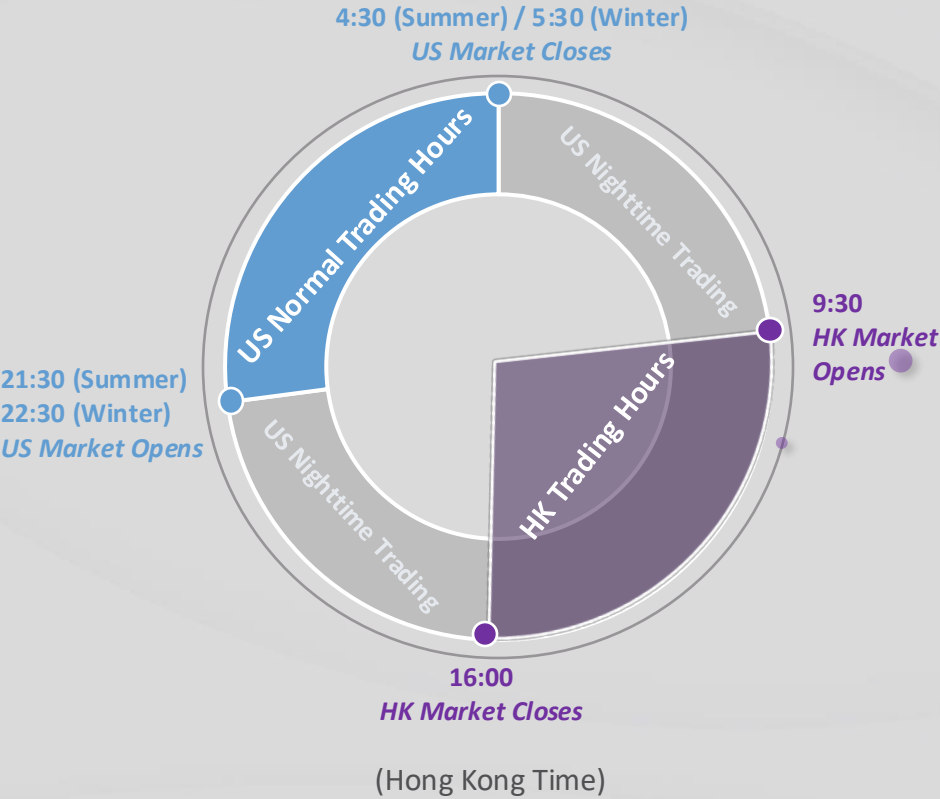
# Price Discovery with HK-listed Products for US Stocks

Asian trading hours **are ahead of US market opening** and partly overlapped with the night-time trading hours of US stocks. Thus, investors can take advantage of the time difference to generate more trading opportunities amidst the volatilities.

Single Stock Leveraged and Inverse products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products.

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The Time Difference between US Market and HK Market\*



? How are prices determined for HK-listed U.S. single-stock L&I products when U.S. markets are closed?

### Secondary Market Prices

- Based on the closing prices on overnight US stock market, **the quotes from Market Makers** usually refer to the price changes during US night trading hours and related index futures prices.
- HK investors** trade their expectations of how US stock prices will change after the US stock market opens that evening.

The secondary market prices of HK-listed single stock L&I products can reflect the market news like after-hours earnings results **ahead of US market.**

### Net Asset Value (NAV)

Theoretically, **the daily NAV return of L&I products** should equal to the 2x/-2x of daily performance of underlying single stock on the same date, before expenses and fees.

### Taking NVDA as an Example:

	Date	Daily Return
NVDA	2025/2/21 (ET.)	-4.05%
NVDA Daily -2X Product^	2025/2/21 (HKT)	+8.11%

Source: \*HKEX, NYSE, Nasdaq. ^This is estimated for reference only, before expenses and fees.  
The figures used are for illustrative purposes only and are not indicative of the actual return likely to be achieved

# Ranking by Turnover

Ranked globally by the average daily trading volume (ADV) over the past 6 months:

- NVDA: 1
- TSLA: 2
- MSTR: 7
- COIN: 15
- BRK: 48

Name	Avg D Val Traded 6M:M-6	Market Cap	Price:D-1	P/E	Total Return YTD	Revenue T12M
<Enter Filter>						
Investable Universe (254)	1.66B	2.66T	4629.71	46.07	4.60	2.44T
1) NVIDIA CORP	34.23B	3.18T	129.84	51.10	-3.31	113.27B
2) SPDR S&P 500 ETF TRUST	27.61B	627.16B	600.77		2.51	
3) TESLA INC	26.14B	1.16T	361.62	175.30	-10.45	97.69B
4) INVESCO QQQ TRUST SERIES 1	15.62B	327.98B	522.92		2.29	
5) FILATEX FASHIONS LTD	15.44B	5.33B	0.64	12.22	-13.51	1.71B
6) APPLE INC	11.33B	3.42T	227.63	32.65	-9.10	395.76B
7) MICROSOFT CORP	8.65B	3.05T	409.75	32.87	-2.79	261.80B
8) META PLATFORMS INC-CLASS A	7.53B	1.81T	714.52	29.60	22.03	164.50B
9) AMAZON.COM INC	7.45B	2.43T	229.15	40.74	4.45	637.96B
10) MICROSTRATEGY INC-CL A	6.23B	82.59B	327.56	241.26	13.10	463.46M
11) ISHARES RUSSELL 2000 ETF	5.82B	73.53B	226.00		2.28	
12) BROADCOM INC	5.42B	1.05T	224.87	85.28	-3.01	51.57B
13) ADVANCED MICRO DEVICES	5.34B	174.30B	107.56	92.75	-10.95	25.78B
14) ALPHABET INC-CL A	4.70B	2.27T	185.34	23.39	-2.09	350.02B
15) PALANTIR TECHNOLOGIES IN..	4.37B	252.43B	110.85	564.40	46.57	2.87B
16) PROSHARES ULTRAPRO QQQ	3.61B	24.79B	82.73		4.55	
17) ISHARES 20+ YEAR TREASUR..	3.52B	52.37B	89.27		2.58	
18) ISHARES CORE S&P 500 ETF	3.36B	600.39B	603.80		2.57	
19) VANGUARD S&P 500 ETF	3.08B	622.12B	552.20		2.49	
20) ELI LILLY & CO	3.00B	833.79B	878.31	57.16	13.77	45.04B
21) SUPER MICRO COMPUTER INC	2.89B	21.24B	36.28	18.21	19.03	14.94B
22) NETFLIX INC	2.71B	433.72B	1013.93	51.70	13.76	39.00B
23) DIREXION DAILY SEMI BULL ...	2.70B	9.44B	26.33		-3.59	
24) ISHARES IBOXX INVESTMENT ...	2.68B	30.39B	107.53		1.01	
25) ISHARES IBOXX HIGH YLD CO...	2.64B	14.93B	79.35		1.35	
26) COINBASE GLOBAL INC -CLAS...	2.58B	68.82B	274.49	29.57	10.55	5.25B
27) EAST MONEY INFORMATION C...	2.33B	383.27B	24.28	47.83	-5.96	9.90B
28) MICRON TECHNOLOGY INC	2.29B	102.84B	92.30	28.54	9.67	29.09B
29) UNITEDHEALTH GROUP INC	2.18B	485.02B	527.03	20.10	4.18	400.28B
30) JPMORGAN CHASE & CO	2.04B	776.47B	275.80	13.78	15.65	278.91B
31) ISHARES BITCOIN TRUST ETF	1.99B	56.12B	54.47		2.68	
32) HFT CSI COMMERCIAL PAPER ...	1.97B	28.06B	111.24		0.09	
33) VISA INC-CLASS A SHARES	1.94B	699.45B	348.02	34.96	10.12	36.80B
34) FINANCIAL SELECT SECTOR S...	1.85B	54.61B	51.82		7.22	
35) SALESFORCE INC	1.84B	311.82B	325.83	49.99	-2.54	37.19B
36) ALIBABA GROUP HOLDING-SP...	1.76B	245.93B	103.51	14.27	22.08	961.96B

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Source: Bloomberg, CSOP

# Upside Risks vs. Downside Risks

## 👍 Upside Risk

- **The current investment commitment remains solid:** Short-term business is supported by the improving Blackwell supply visibility and clear customers' spending willingness. Clients have solid investment commitments and financing demand for large-scale clusters.
- **Still strong earnings growth:** As Nvidia's trading is still based on fundamentals. Backed by its strong earnings growth, sell-off caused by DeepSeek may bring an investment opportunity.

## 🗨️ Downside Risk

- **DeepSeek shakes faith in long-term growth:** DeepSeek may shake the faith of continuous large AI spending in the long term, making some current clients or further clients turn to low-end chips.
- **Potential political risk:** The positive outlook of DeepSeek and the potential threat bringing to US leaders may push US government to introduce further export controls to consolidate the US oligarchic position.



Company fundamentals are the cornerstone of Nvidia's stock performance

The factors affecting its future earnings growth expectations weigh on its stock prices.



Different from Nvidia, Tesla's stock prices are more event driven.

Q424 earnings miss does not lead to price drop, and it even rose.

## 👍 Upside Risk

- **Tesla is transforming from a pure car company to a diversified AI and robotics company,** which create more imagination for its stock rise potential. In 2025, investors will continue to recognize Tesla's strengths in the field of "embodied AI," which are evident in its developments in autonomous driving and robotics.
- **More event-driven** and may benefit from Trump's policies.

## 🗨️ Downside Risk

- **The earnings often missed the expects:** Tesla Q4 results miss expectations despite the stock price rises.
- **Tesla stock is at risk of being overvalued:** The market's valuation of Tesla appears to be overly optimistic and does not fully reflect its execution risks and increasing competition

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# Upside Risks vs. Downside Risks

## 👍 Upside Risk

- **New regulatory reforms could bring upside news for Coinbase in the next 1-2 years:** Stablecoin legislation will lay the foundation for the regulation of other tokens, and solving the regulatory issues of Staking is critical to Coinbase.
- **Good earnings:** Driven by the spike in crypto prices and trading volumes following the US election, Coinbase's Q4 net income is projected to be around US\$1.7 billion, a 130% increase from the previous quarter.

## 🗨️ Downside Risk

- **Competition in the cryptocurrency space will intensify** as more cryptocurrency companies go public.
- **Regulatory approval for more companies to issue tokens could potentially undermine its leading position.**

## coinbase

Coinbase benefits from the whole crypto ecosystem and is affected by regulatory reforms.

Coinbase is the leading global regulated crypto exchange, the world's largest crypto ETF custodian, and the only cryptocurrency trading platform listed on NASDAQ

## Strategy<sup>₿</sup>

Strategy (MicroStrategy) is closely related to Bitcoin performance

Different from the Coinbase functioning as the trading platform for all crypto assets, Strategy only have heavy positions and leveraged investment in Bitcoin.

## 👍 Upside Risk

- **MSTR's leveraged strategy is manageable:** Long-term unsecured convertible bonds provide it with ample investment duration and room to cope with Bitcoin price fluctuations.
- **MSTR's Bitcoin returns are substantial:** The compound annual growth rate ~25% in 4 years.
- **MSTR's convertible bonds perform well:** They have attracted lots of institutional investors and become one of the best-performing convertible bonds.
- **Compared with Bitcoin ETFs, MSTR offers actively managed leveraged Bitcoin exposure:** It has greater growth potential.

## 🗨️ Downside Risk

- **MSTR's stock price trades at a premium to Bitcoin net asset value:** The premium mainly stems from its leveraged strategy, low-interest debt, and the lack of similar leveraged Bitcoin investment tools in the market.
- **Risk of BTC shifting to ETH or SOL**

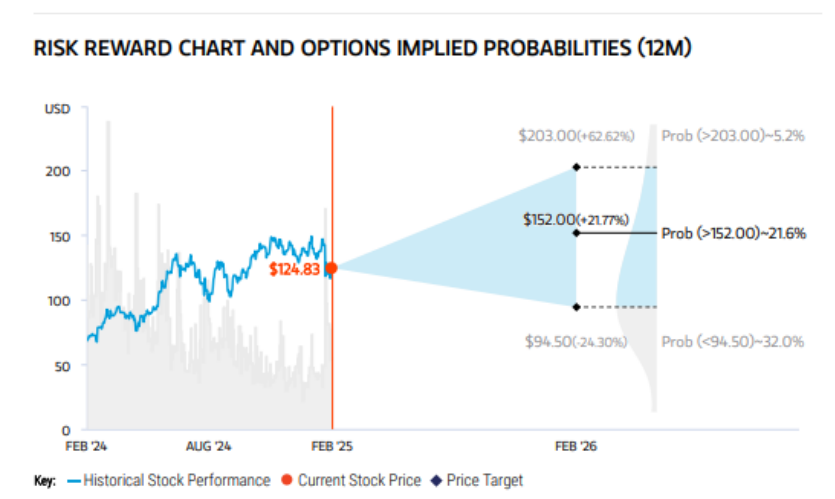
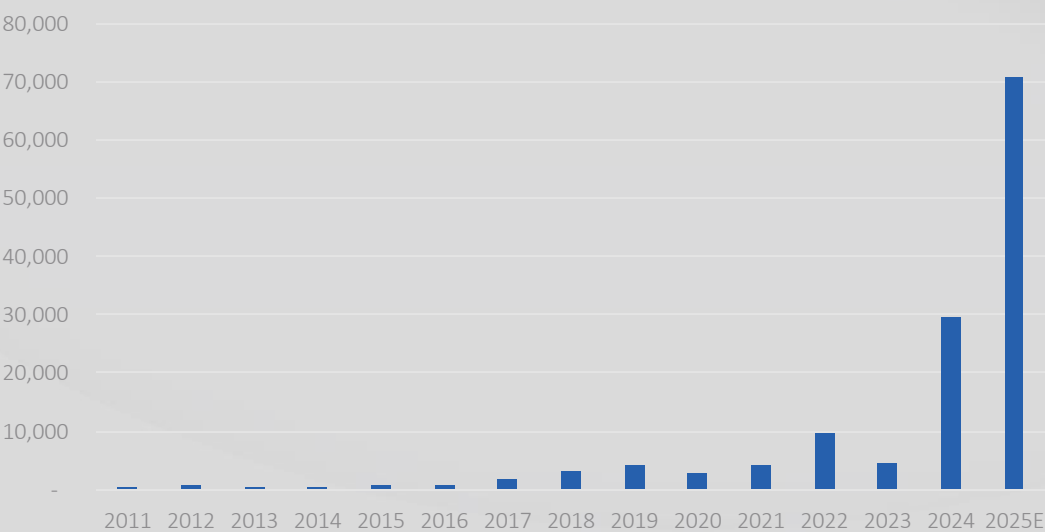
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# NVIDIA: The Leader in AI Chip Market

- **Global Leader in Profit Growth** : Since FY11, Since FY2011, profits have surged 280x, with the majority of this growth occurring in the past two years, significantly boosting the stock price.
- After DeepSeek, the long and short directions are debatable and require continuous observation.

Since FY2011, NVIDIA's annual net profit (Million USD) has surged 280x, with the vast majority of this growth occurring in the past two years



OWNERSHIP POSITIONING	
Inst. Owners, % Active	51.9%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	23.5%

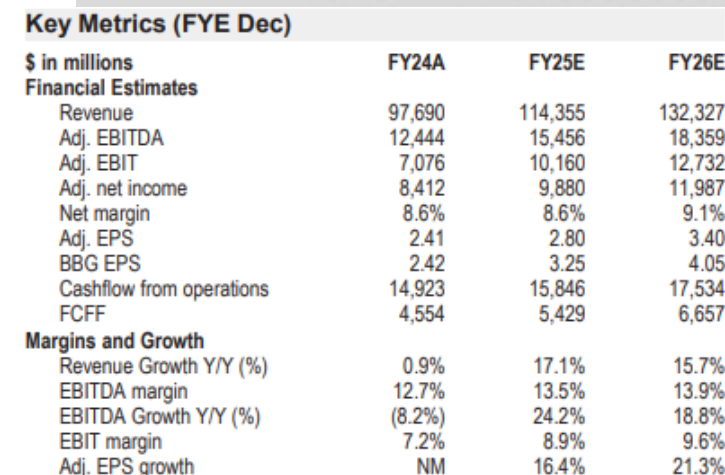


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Source: Bloomberg, CSOP, Sell-side reports

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- Exhibit 24:** P/E Rank of Humanoid 100 (Cons. 2025)



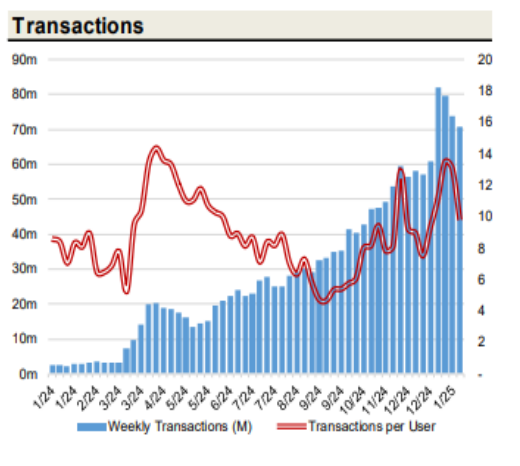
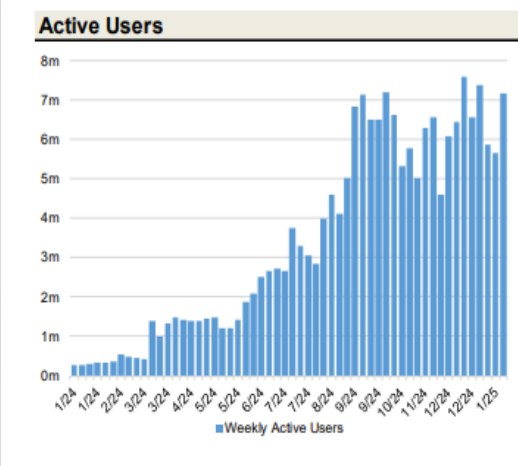
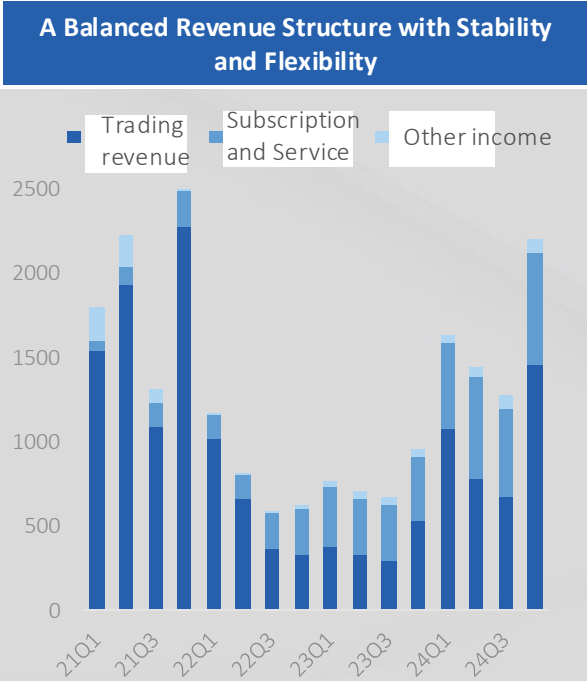
Source: FactSet, Morgan Stanley Research

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# Coinbase: Global Leader in Crypto Exchanges

- Coinbase is the leading global Crypto exchange, the world’s largest crypto ETP custodian and the only cryptocurrency trading platform listed on NASDAQ. Its compliance and security have attracted a large number of retail and institutional investors.
- The company's rapidly expanding subscription and service revenue serve as a stabilizing force for its profitability. Trading revenue closely tracks the volatility of the cryptocurrency market, showcasing strong growth potential.

Key Operating Metrics		
	2024	2023
Average Monthly Active Trading Users (US\$ millions)	8.4	7.4
Platform Total Assets (US\$ billions)	404	191
Platform Total Trading Volume (US\$ billions)	1,162	468
% of Institutional Trading Volume	81%	84%
% of Retail Trading Volume	19%	16%
% Contribution of Trading Revenue	61%	49%
% Contribution of Subscription Service Revenue	35%	45%



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Source: Bloomberg, CSOP, Sell-side reports

# MicroStrategy: World's Largest Bitcoin-Holding Public Company

- Since 2020, MicroStrategy has become well-known for its massive investment in Bitcoin, making it the largest Bitcoin-holding publicly traded company. The company's stock price is closely linked to Bitcoin's price. By January 2025, MicroStrategy holds over 460,000 Bitcoins, worth more than US\$48 billion, which is over 2% of the total Bitcoin supply.
- MicroStrategy uses internal funds, equity, and convertible bond financing to raise capital for purchasing Bitcoin. This creates a positive cycle where rising Bitcoin prices boost the stock price, allowing the company to raise more funds to buy even more Bitcoin and increase its market value.
- The company's stock price is highly correlated with Bitcoin's price, with a correlation of up to 90%. Unlike ETPs that passively hold Bitcoin, MicroStrategy actively uses leverage to grow its Bitcoin reserves. **Since adopting its Bitcoin strategy, Bitcoin's price has increased roughly 8x, while MicroStrategy's stock price has soared a bout 35x.**

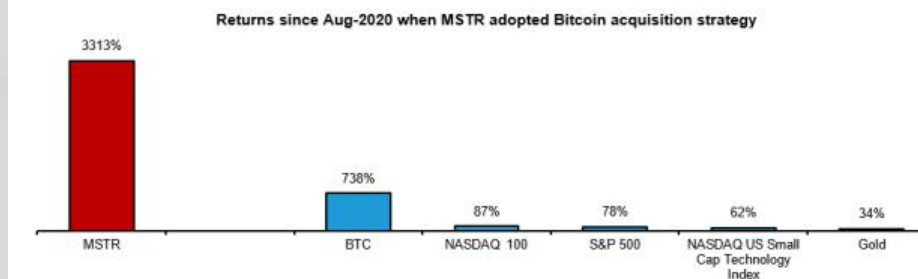
## Active Bitcoin Investment Strategy



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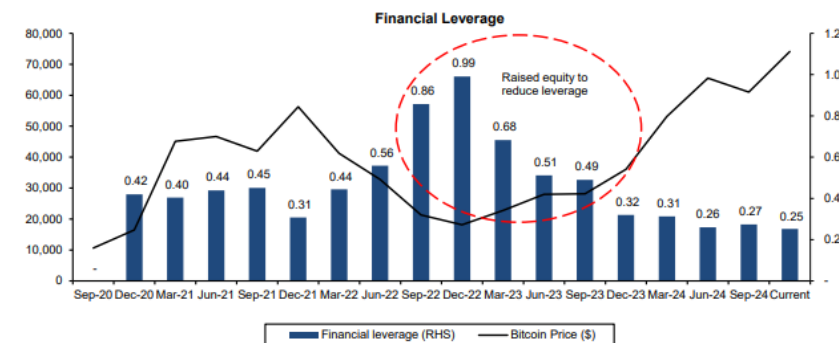
Source: Bloomberg, CSOP, Sell-side reports

EXHIBIT 1: MSTR has given ~33x returns since adoption of Bitcoin strategy in 2020



Source: Bloomberg, Bernstein analysis

EXHIBIT 2: MSTR has demonstrated active debt strategy at scale to build a leading Bitcoin Hold. Co





# Berkshire: Investing in Buffett

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- Investing in Berkshire is like buying the Buffett Index. As of Forbes' 2023 real-time data, Buffett's net worth is about \$120 billion, with over 99% tied to Berkshire stock.
- Berkshire represents one of the world's leading value portfolios in the U.S. stock market. At the current historical highs of the market, a value portfolio may offer a greater margin of safety compared to a growth portfolio. It's particularly suitable for purchasing after a market pullback.
- Over the past 30 years, Berkshire has delivered an annualized return of 11% (covering the 1997, 2000, 2008 crises, and the current AI cycle), achieving a total growth of 19.4 times, slightly beating the S&P 500's annualized 10% return.

**Figure : The Top 20 Holdings by Market Value of Berkshire Hathaway and Changes in Their Positions**

24Q2 Holdings	Chg in positions	Market Value (Mn \$)	Portfolio Allocation	24Q1 Holdings	Chg in positions	Market Value (Mn \$)	Portfolio Allocation	23Q4 Holdings	Chg in positions	Market Value (Mn \$)	Portfolio Allocation	23Q4 Holdings	Chg in positions	Market Value (Mn \$)	Portfolio Allocation
Apple	-49%	84,248	30.0%	Apple	-13%	135,361	41.0%	Apple	-1%	174,347	50.0%	Apple	-	156,753	50.0%
Bank of America	-	41,077	15.0%	Bank of America	-	39,166	12.0%	Bank of America	-	34,776	10.0%	Bank of America	-	28,279	9.0%
American Express	-	35,105	13.0%	American Express	-	34,520	10.0%	American Express	-	28,403	8.2%	American Express	-	22,619	7.2%
Coca-Cola	-	25,460	9.1%	Coca-Cola	-	24,472	7.4%	Coca-Cola	-	23,572	6.8%	Coca-Cola	-	22,392	7.1%
Chevron	-4%	18,553	6.6%	Chevron	-2%	19,399	5.8%	Chevron	14%	18,808	5.4%	Chevron	-10%	18,590	5.9%
Occidental Petroleum	3%	16,090	5.7%	Occidental Petroleum	2%	16,119	4.9%	Occidental Petroleum	9%	14,552	4.2%	Occidental Petroleum	-	14,542	4.6%
Kraft Hein	-	10,492	3.7%	Kraft Hein	-	12,016	3.6%	Kraft Hein	-	12,042	3.5%	Kraft Hein	-	10,954	3.5%
Marsh & McLennan	-	10,384	3.7%	Marsh & McLennan	-	9,696	2.9%	Marsh & McLennan	-	9,635	2.8%	Marsh & McLennan	-	7,800	2.5%
Chubb	4%	6,896	2.5%	Chubb	NEW	6,718	2.0%	Chubb	-	3,781	1.1%	Chubb	-	3,412	1.1%
DaVita	-	5,002	1.8%	DaVita	-	4,983	1.5%	Citigroup	-	2,842	0.8%	Pratt & Whitney	-15%	2,635	0.8%
Citigroup	-	3,506	1.3%	Citigroup	-	3,494	1.1%	Verisign	-	2,640	0.8%	Verisign	-	2,596	0.8%
Kroger	-	2,497	0.9%	Kroger	-	2,857	0.9%	Kroger	-	2,286	0.7%	Citigroup	-	2,272	0.7%
Verisign	-	2,279	0.8%	Verisign	-	2,429	0.7%	Visa	-	2,160	0.6%	Kroger	-	2,238	0.7%
Visa	-	2,178	0.8%	Visa	-	2,316	0.7%	Mastercard	-	1,700	0.5%	Visa	-	1,908	0.6%
Amazon	-	1,933	0.7%	Liberty Media	52%	1,946	0.6%	Capital One	-	1,635	0.5%	Charter Comm.	-	1,684	0.5%
Mastercard	-	1,759	0.6%	Mastercard	-	1,920	0.6%	Amazon	-	1,519	0.4%	Mastercard	-	1,578	0.5%
Liberty Media	7%	1,551	0.6%	Capital One	-	1,857	0.6%	Charter Comm.	-	1,488	0.4%	Aon	-5%	1,329	0.4%
HU Holdings	-	1,381	0.5%	Amazon	-	1,804	0.5%	Liberty Media	-	1,244	0.4%	Amazon	-5%	1,271	0.4%
Capital One	-21%	1,359	0.5%	Aon	-	1,368	0.4%	Snowflake	-	1,219	0.4%	Capital One	-	1,210	0.4%
Aon	-	1,204	0.4%	HU Holdings	-	1,278	0.4%	Aon	-	1,193	0.3%	Paramount	-	1,209	50.0%
Total market value of holdings		279,969		Total market value of holdings		331,680		Total market value of holdings		347,358		Total market value of holdings		313,257	

Source: Bloomberg, CSOP, Sell-side reports



# Key Risks of Single Stock L&I Products

## Leverage Risk

This is a leveraged product. It is different from conventional exchange traded funds as it seeks leveraged investment results relative to the Underlying Stock and only on a Daily basis.

## Single stock concentration risk

The Product is concentrated in a single Underlying Stock. Given its non-diversified and leveraged nature, the Product is subject to extreme price volatility and may become non-viable within a short period. You may lose a significant portion or all of your investment within one day.

## Long Term Holding Risk

This product is not intended for holding longer than one day as the performance of this product over a longer period may deviate from and be uncorrelated to the leveraged performance of the Underlying Stock over the period.

This product is designed to be used for short term trading or hedging purposes, and is not intended for long term investment.

## Investment Risk

This product only targets sophisticated trading-oriented investors who understand the potential consequences of seeking Daily leveraged results and the associated risks and constantly monitor the performance of their holdings on a Daily basis.

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