

KGI Taiwan Premium Selection AI 50 ETF

(Dividends may be distributed from the reserve for income equalization)

SIMPLIFIED PROSPECTUS

Printed on: 27 Aug, 2024

1. The Simplified Prospectus represents the very key points of the Prospectus in summary. The wording and definitions contained in the Simplified Prospectus are exactly same as those in a Prospectus.
2. After an Investor subscribes to the Fund, his or her rights & obligations are detailed in the Prospectus. An investor who intends to subscribe to the Fund is advised to peruse the Prospectus in full.

I. Fundamental particulars

Title of the Fund	KGI Taiwan Premium Selection AI 50 ETF (Dividends may be distributed from the reserve for income equalization)	Establishment date	August 26, 2024
Management Company	KGI Securities Investment Trust Co. Ltd.	Type of the Fund	Open-end
Fund Custodian Institution	First Commercial Bank Co., Ltd.	Category of the Fund	Exchange Traded Fund (ETF)
Entity delegated for management	Nil	Authorized territories for investment	Republic of China (Taiwan)
Foreign investment consultation company	Nil	Duration of existence	Duration of infinite period
Allocation of gains	Monthly distribution (the last calendar day of each month)	Pricing currencies	New Taiwan Dollars
Performance benchmark	The Fund's benchmark index is TIP FactSet Taiwan AI 50 Index, a customized Smart Beta index. Please refer to pages 26-34 of the Fund's prospectus for relevant information.	Guarantee entity	Nil ; Not a guarantee fund
		Guarantee related information	Nil

II. Scope of investment with the Fund and characteristics in the investment

1. **Investment scope:**
 The Fund adopts an indexing strategy based on full replication, aiming to track the performance of the benchmark index (namely, TIP FactSet Taiwan AI 50 Index) as closely as possible after deducting all necessary expenses. To achieve this investment objective, the Fund will from its listing date invest at least 90% of its net asset value in the component stocks of the benchmark index. Additionally, to meet the Fund's need for index tracking and requirements for capital allocation, the Fund may engage in the transactions of securities-related instruments and the investment of other marketable securities, to ensure that the overall exposure of the investment portfolio can closely match 100% of the Fund's net asset value.
 - (1) **About the benchmark index:** The index consists of 50 high-quality AI related component stocks in Taiwan from TWSE/TPEX-listed ordinary stocks meeting the criteria for liquidity and market capitalization, based on FactSet RBICS industry classification and across the AI-related industry chain. The stocks not meeting the standards for financial quality, downside risk, and dividend quality are excluded. A comprehensive score is calculated based on three main metrics: dividend yield, momentum factor, and enterprise value growth. The weighting is allocated according to the free-float market capitalization equal-weight method to represent future trends and potential opportunities in Taiwan's AI industry chain.
 - (2) **Differences between the benchmark index and traditional indices:** The Fund's benchmark index is a customized Smart Beta index. The benchmark index is focused on Taiwanese companies in the AI industry chain and comes with the risk of over-concentration on specific stocks compared to traditional indices. As a result, this Fund's performance may not be suitable for comparison against traditional indices. There is no guarantee that this customized index will outperform the market at all times. The index performance may lag behind market-cap weighted indices or other performance benchmarks, and the time period of such underperformance is unknown. In contrast with traditional market-cap weighted index (TAIEX), there are differences in sampling universe, screening criteria, sorting methods and weightings.
2. **Investment characteristics:**

- (1) Taiwan occupies a crucial and strategic position in the global AI ecosystem. This ETF's benchmark index focuses on the three main pillars of the AI industry: computing power, algorithms, and data. Based on the FactSet RBICS industry classification, it identifies and consolidates AI-related sub-sectors from the 6th level (L6) industry classification. The precise industry profiling highlights the future trends and potential opportunities of Taiwan's AI industry and provides investors with a comprehensive opportunity to invest in Taiwan's AI industry.
- (2) The Fund announces its portfolio composition daily and releases real-time estimated net asset values during trading hours. The index provider regularly or from time to time publishes the latest component stocks of the Fund's benchmark index and relevant changes. Management Company also disclose the Fund's investment portfolio. The information transparency helps investors to determine investment opportunities and risks.
- (3) The Fund is listed on the Taiwan Stock Exchange (TWSE). Investors can trade during the exchange's trading hours or conduct subscriptions and redemptions through participating securities firms in the primary market during the times specified by Management Company. Trading is easy and can be done in many convenient ways. Trading costs are relatively low. Investors can effectively reduce transaction costs.

III. Major potential risks for investment in the Fund

1. **The Fund is an exchange-traded fund (ETF). The fund manager will allocate assets optimally according to the benchmark index. However, the Fund's net asset value may experience short-term significant volatility due to significant price fluctuations as a result of industry cycles or non-economic factors. There may also be risks associated with over-concentration in certain stock categories. Management Company will exercise the duty of care of a good manager to reduce the risk of over-concentration in specific stock categories, but this does not mean that such risk can be completely avoided.**
2. **The Fund adopts a full replication indexing strategy by investing its assets in securities and security-related instruments related to the benchmark index. To mirror the performance of the benchmark index, the Fund will maintain a certain level of exposure. However, in event of special political and economic circumstances, trading limits or trading suspension of underlying assets, there is possibility of failure trades, margin calls for futures contracts, or insufficient trading volume. All of these may lead to liquidity risks. While Management Company will exercise the duty of care, this does not guarantee that risks can be completely avoided.**
3. **The benchmark index tracked by the Fund is a customized index. The Fund's characteristics and differences from traditional indices may lead to index products with stock allocations leaning towards specific themes, characteristics, or sizes, causing the risk that the performance of index products may not be suitable for comparison with traditional indices. "There is no guarantee that the performance of this customized index will outperform market conditions at any time. The index performance may lag behind market-weighted indices or other performance benchmarks, and the time period of such underperformance is unknown." "Compared to those tracking market-weighted indices, the funds tracking customized indices may have a significant proportion of holdings invested in companies with smaller market capitalizations." For details on the differences and risks compared to the representative index, please refer to pages 41-42 of this Fund's prospectus.**
4. **The Fund is a domestic exchange-traded fund (ETF) that aims to track the performance of TIP FactSet Taiwan AI 50 Index. The Fund invests in securities within the Republic of China (Taiwan) and, at reasonable risk levels, in securities related to the benchmark index. Please refer to the Fund Risk and Return Classification Standard issued by the Securities Investment Trust & Consulting Association of the R.O.C. A fund's risk and return profile is classified on a scale from RR1 to RR5 (low to high) based on fund types, investment areas or main investment targets/industries. The Fund is classified as RR5 for its risk-return profile. This classification is based on the calculated standard deviation of a fund's net asset value volatility over the past five years and the range of standard deviations. Investors are reminded that this classification reflects market price volatility risk under general market conditions and cannot cover all risks (such as a fund's invested industry risk, credit risk, interest rate risk, liquidity risk, etc.). It should not be referred to as the sole basis for investment. Before investing, investors should still pay attention to the specific risks of the funds they invest in and consider their own risk tolerance and the length of time their capital can be utilized. Please peruse the Fund's prospectus for the relevant risks of investing in the Fund. Relevant data such as annualized standard deviation, Alpha, Beta, and Sharpe ratio can be found on the website of the Securities Investment Trust & Consulting Association of the R.O.C. in the Fund Performance and Evaluation Indicators Inquiry section. (https://www.sitca.org.tw/index_pc.aspx)**
5. **Please refer to pages 21-24 and pages 34-46 regarding the restrictions on the Fund's asset utilization and the disclosure of investment risks.**

IV. Analyses on the attributes of the investors oriented to the Fund

The Fund is a domestic exchange-traded fund (ETF), aiming to track the performance of the benchmark index "TIP FactSet Taiwan AI 50 Index". The creation of the benchmark index incorporates multiple factors such as financial quality, revenues, dividends, and volatility and refers to the FactSet RBICS industry classification, to select an investment portfolio that represents the long-term trends of Taiwan's TWSE/TPEX-listed companies in the AI industry chain. The Fund's main income sources include potential capital gains and dividends. As the Fund only invests in the domestic securities market, the risk is relatively concentrated, and investment risks cannot be completely eliminated. Investors should fully understand the Fund's investment characteristics and risks. This Fund is suitable for investors who pursuit medium to long-term investment returns and are willing to accept greater risks of the benchmark index fluctuations, over-concentration of stock categories, industry cycles, liquidity risks, risks associated with tracking the benchmark index, and risks of the Fund returns not closely mirroring the benchmark index returns.

V. Facts about use of the Fund

1. Composition of net assets: Not applicable for IPO fund.	2. Net asset value during the most recent ten years: Not applicable for IPO fund.
3. Returns during the most recent ten years: Not applicable for IPO fund.	
4. Cumulative returns: Not applicable for IPO fund.	
5. Distribution of gains per beneficiary unit over the most recent ten years: Not applicable for IPO fund.	
6. Annual expense ratio (%) of the fund during the most recent five years: Not applicable for IPO fund.	

VI. Items of the expenses payable by the beneficiaries, and methods of calculation thereof

Item	Calculation method or amount
Management fee	0.40% of the Fund's net asset value per annum. Calculated daily and cumulatively. Payable in each calendar month after the Fund's establishment date.
Custodian fee	0.035% of the Fund's net asset value per annum. Calculated by Management Company daily and cumulatively. Payable in each calendar month after the Fund's establishment date.
Index licensing fee ^(Note 1)	1. Index licensing fee schedule: (1) Basic fee: US\$15,000 payable on the listing date and at the beginning of each year thereafter (2) Variable fee: based on 0.95bp (0.0095%) of the Fund's average net asset value during each calendar quarter. (based on the actual number of days if less than one calendar quarter) 2. Index service management fee (only applicable if the Fund is not issued within one year after effective date): US\$10,000 payable on the anniversary of the effective date to Taiwan Index Plus Corporation and FactSet.
Listing fee and annual fee	The listing review fee is TWD100,000. The annual listing fee is 0.03% of the asset size, up to TWD300,000. The most updated rules from Taiwan Stock Exchange shall apply to relevant fees.
Expenses due to securities lending	The Fund may lend marketable securities. The relevant expenses to be borne shall be based on the securities loan contract signed by both parties.
Short-term borrowing fee	Borrowing interest and other expenses (including but not limited to setup fees or service charges) under the signed loan contract.
Expenses for beneficiaries' meeting ^(Note 2)	Expected to be no more than TWD1 million per meeting.
Other expenses ^(Note 3)	Based on actual expenses.



Subscription and redemption fees in the primary market	Subscription service charge (Before establishment date)	No more than 2% of the issuance price.
	Subscription service charge (Starting from listing date)	No more than 2% of the Fund's net asset value per beneficiary unit. Currently, the subscription service charge is TWD5,000 per subscription base unit ^(Note 4) (including the processing fee charged by Taiwan Depository & Clearing Corporation and excluding the service fee charged by participating securities firms).
	Subscription transaction fee	Actual subscription consideration × subscription transaction fee rate: Currently, the Fund's subscription transaction fee rate is 0.1%. The abovementioned subscription transaction fee rate may be adjusted according to the condition of the securities market and the holdings of the investment portfolio. The rate is capped at 2%. The rules specified in the latest prospectus shall apply.
	Redemption service charge	No more than 2% of the Fund's net asset value per beneficiary unit. Currently, the redemption service charge is TWD5,000 per subscription base unit ^(Note 4) (including the processing fee charged by Taiwan Depository & Clearing Corporation and excluding the service fee charged by participating securities firms).
	Redemption transaction fee	Redemption transaction fee = Redemption proceeds × redemption transaction fee rate: Currently, the Fund's redemption fee rate is 0.4%. The abovementioned redemption transaction fee rate may be adjusted according to the condition of the securities market. The rate is capped at 2%. The rules specified in the latest prospectus shall apply.
	Administrative fees	Administrative fees shall be charged to subscribers if a subscription has failed or to a redeemer if a redemption has failed.
	Redemption fee	None
	Redemption request processing fee	None
	Redemption fee for short-term trading	None
	Administrative fees	Administrative fees shall be charged to subscribers if a subscription has failed or to a redeemer if a redemption has failed.

Note 1: Please refer to page 63 of the Fund's prospectus for details of the responses and impact of change in the index licensing fee.

Note 2: Beneficiaries' meetings are not convened annually so the expenses may not incur each year.

Note 3: The Fund also assumes the expenses specified in Article 11 of the trust deed.

Note 4: The Fund's base unit for subscription/redemption is 500,000 beneficiary units.

VII. Items of taxes payable by the beneficiaries and calculation thereof

Where the Fund is invested in domestic capital market, all taxation shall be duly handled in accordance with the laws and ordinances concerned of the Ministry of Finance. All taxes the beneficiaries are likely to pay might primarily include various trading tax and income tax on the merchandise in which the Fund is invested. Besides, in the event that the Fund is invested in overseas capital markets, all sorts of incomes so earned shall be taxable based on the laws and ordinances concerned prevalent in the respective countries or regions and all such taxes may be non-returnable. For all details please refer to the Prospectus, page 63-64.

VIII. Public announcement of the net asset values of the Fund, the time and method of public announcement

- Time for public announcement:** The net asset value of each beneficiary unit of the Fund in the preceding day shall be promulgated on every business day.
- Method of public announcement:**
 - Through the website of the Management Company, i.e., KGI Securities Investment Trust Co. Ltd. (<https://www.KGIfund.com.tw>)
 - Through the website of the Securities Investment Trust & Consulting Association of the R.O.C. (<https://www.sitca.org.tw>).

IX. Acquisition for Prospectus

1. The Prospectus of the Fund is readily available at the business operation premises of the Management Company, Fund sales entities where investors are welcome to pick up as required.
2. An investor may, as well, obtain the Prospectus and the financial statements of recent year(s) in E-files through the Management Company (<https://www.KGIfund.com.tw>) and Market Observation Post System (MOPS) (<https://mops.twse.com.tw>).

Other information

KGI SITE Customer Service Hotline: (02)2181-5678

1. The Fund has been effective upon reporting to the Financial Supervisory Commission or its designated organization. However, this does not indicate that the Fund is without risks. The past performance of Management Company does not guarantee the minimum investment return of the Fund. While exercising the duty of care of a good administrator, Management Company is not responsible for the Fund's profit or loss, nor does it guarantee a minimum return. Investors should carefully read the Fund's prospectus before subscribing.
2. **From the Fund's establishment date until its listing date (excluding that day), Management Company will not accept subscriptions or redemptions of the Fund's beneficiary units. The listing and trading of the Fund's beneficiary certificates should be conducted in accordance with the relevant regulations governing the securities trading market.**
3. **Index Disclaimer: TIP FactSet Taiwan AI 50 Index is jointly developed by Taiwan Index Plus Corporation (TIP) and Taipei Exchange (collectively referred to as "Cooperating Organizations") and is solely licensed to KGI SITE for use in issuing the "Fund". Cooperating Organizations do not in any way sponsor, endorse, sell, or promote the "Fund", nor do they explicitly or implicitly provide any guarantee or representation regarding the results of using the index and/or the data of the index at any specific date, time, or other times. The index is calculated by Taiwan Index Plus Corporation (TIP). However, Cooperating Organizations are not liable to anyone for any errors, inaccuracies, omissions, or interruptions in the transmission of index data, and have no obligation to notify anyone of such errors, inaccuracies, or omissions.**
4. **The investment in the Fund is not protected by mechanisms such as deposit insurance, Taiwan Insurance Guaranty Fund or other protection mechanisms. Investors must assume their own profits or losses. The maximum potential loss from investing in the Fund is the entire principal.**