

SPDR® FTSE® Greater China ETF

a Sub-Fund of the SPDR® ETFs

Annual Report 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial Risk Management

(a) Strategy in using financial instruments

The investment objective of the Sub-Fund is to provide investment returns, before fees and expenses, that closely correspond to the performance of the FTSE® Greater China HKD Index (the "Underlying Index"). FTSE International Limited ("FTSE") is the index provider of the Underlying Index. The Underlying Index comprises stocks listed in Hong Kong, Taiwan, Shanghai (B shares), Shenzhen (B shares) and Singapore, providing coverage for the Greater China Region and does not have any A share constituent stocks.

All the financial assets and liabilities are classified as loans and receivables except for investments and derivative financial instruments, which are classified as financial assets and liabilities at fair value through profit or loss.

The Sub-Fund is exposed to market price risk, credit risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Sub-Fund to manage these risks are discussed below:

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund's securities are susceptible to market price risk arising from uncertainties about future price of the securities. The Sub-Fund's market price risk is managed through diversification of investment portfolio. As at year end, the overall market exposures were as follows:

As at 30th September 2016			
	Fair value HK\$	Cost HK\$	% of net assets
Equities	359,786,554	347,530,054	99.09
Derivatives financial instruments			
– foreign currency contracts (note 8)	(61)	–	–
– future contracts (note 8)	(34,170)	–	(0.01)
	<u>359,752,323</u>	<u>347,530,054</u>	<u>99.08</u>
As at 30th September 2015			
	Fair value HK\$	Cost HK\$	% of net assets
Equities	242,099,406	269,915,962	99.01
Derivatives financial instruments			
– future contracts (note 8)	(24,574)	–	(0.01)
	<u>242,074,832</u>	<u>269,915,962</u>	<u>99.00</u>