LION-OCBC SECURITIES
HANG SENG TECH ETF

The future of technology

Seize the opportunity.

Quarterly Newsletter

Q2 2021

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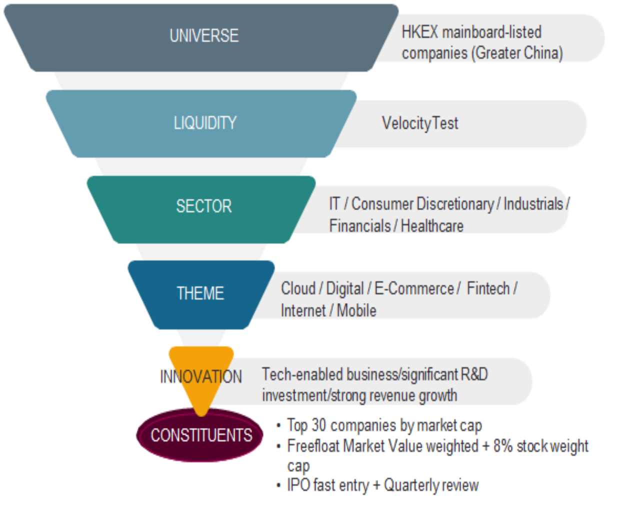
LION GLOBAL INVESTORS

OCBC Securities

INTRODUCTION

The Lion-OCBC Securities Hang Seng TECH ETF was launched in the Singapore stock market on the 10th of December 2020. Since listing, the ETF has crossed many milestones. The size of the ETF has grown rapidly to an AUM (assets under management) of ~S$238 million as of 30th June 2021.

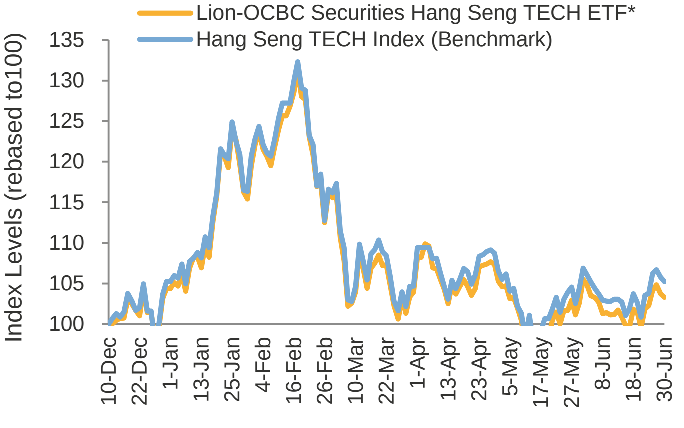
INDEX CONSTRUCTION METHODOLOGY[2]



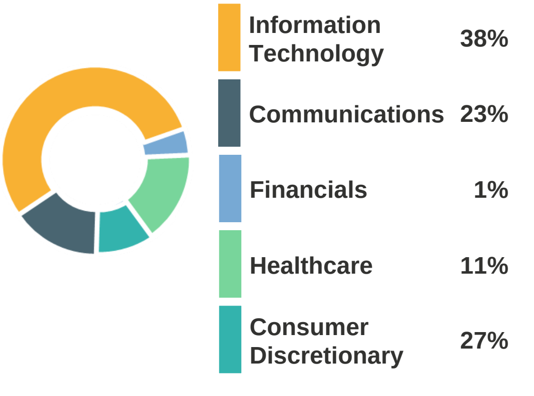
KEY FACTS

- 30 largest TECH-themed companies listed on HKEX[1]
- Full replication of the Hang Seng TECH Index
- Each constituent capped at 8% weightage during rebalancing
- Rebalanced on a quarterly basis (Mar, Jun, Sept and Dec)
- Dual Trading Currencies: SGD and USD
- Total AUM: HKD 1.4 billion as of 30 June 2021
- Management Fee: 0.45% p.a.
- Bloomberg ticker: HST SP (S$ counter), HSS SP (US$ counter)

LION-OCBC SECURITIES HANG SENG TECH ETF PERFORMANCE[3]



COMPOSITION



Source: Lion Global Investors, 30th June 2021

*Returns are based on NAV-NAV basis in HKD and assuming all dividends are reinvested net of all charges payable upon reinvestment. Performance is calculated in the base currency of the Fund. The Lion-OCBC Securities Hang Seng TECH ETF was listed on 10 December 2020
Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance.

[1] Refers to the underlying Index Securities of the Hang Seng TECH Index

[2,3] Source: Bloomberg, Lion Global Investors, Hang Seng Indexes Company, 30 June 2021

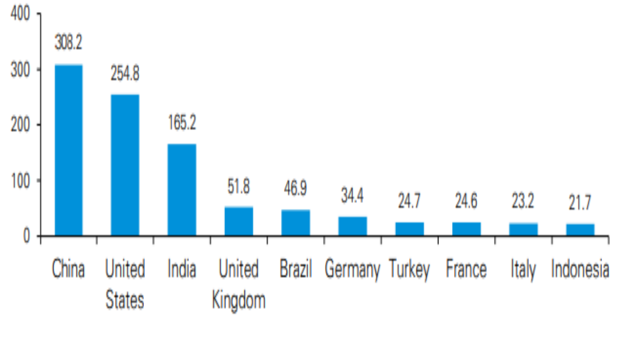
Q2 2021 OUTLOOK


Photo Credit: iStock

China Economy

China's GDP grew 18.3% year-over-year (yoy) in Q1, up from 6.5% in Q4 2020. On the production side, growth of the industrial sector rebounded to 24.4%[1]. High-tech manufacturing continued to expand, up 31.2% in Q1 2021[2]. Direct beneficiaries from vaccine production include the medical and pharmaceutical sectors. Consumption should play a more pivotal role in China's economic growth going forward in 2021. According to Wind estimates[3], China's economy is expected to grow 8.8% in 2021.

Total Number of Vaccine Doses Administered (millions)



Source: Our World in Data, KPMG, 7 May 2021

"Pick-up in vaccinations is hampered by uneven rollouts across various countries"

Due to a resurgence of outbreaks due to Covid-19 variants in many parts of the world, the spotlight has now shifted from the virus-economy recovery race to that of Covid-19 variants versus vaccines. As new variants are more likely to emerge from large and uncontrolled outbreaks, vaccination is a key step in preventing further mutation of the virus.

As of 30 June 2021, more than 3 billion vaccine doses have been administered worldwide, equivalent to 39 doses for every 100 people. While vaccinations are gradually picking up across the globe, the rollouts have been uneven across countries. In terms of the absolute number of vaccines administered thus far, US and China are leading the pack. According to estimates by World Health Organization (WHO), there are currently 88 vaccines in clinical trials worldwide, of which 16 are already in phase 3 of trial testing stage as of 16 April 2021.

[1,2] Source: KPMG China Economic Monitor, May 2021
[3] Source: Wind, May 2021

Disruptive Innovation by Tech – A Secular Trend

Disruptive innovation by tech companies is a long term secular growth trend that is likely to continue in a post-pandemic world. Taking a snapshot of the current industry as it is right now, categories that stand out include artificial intelligence, cloud computing, robotics and electric vehicles.

The successes of some of these tech companies have attracted more regulations. For example, China has stepped up regulations of various e-commerce platform providers and Fintech companies. Some examples of Fintech regulations include interest rate cap, leverage ratio requirements and anti-trust rules.

We believe a healthy dose of regulations to protect consumer rights and prevent monopolistic behaviours will ultimately be positive for the proper development of these industries. It is highly unlikely for regulators to “over-regulate” and supress innovations that they so keenly promote.

Overall, we are bullish on Chinese tech companies in the long term, as the market has corrected quite significantly, and valuations have now come down to reasonable levels. In China, policies on the fiscal and monetary front are starting to normalize ahead of the rest of the world, and this should stabilize in the near term. In terms of regulation, most of the risk seems to have been priced into the stock market, and any relaxation from the worst case scenario would be a boost for the market.

Photo Credit: iStock

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