LION GLOBAL INVESTORS

LION-OCBC SECURITIES CHINA LEADERS ETF

Seize the opportunity with 80* China leaders.

Quarterly Newsletter

Q1 2023

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*Based on the underlying Index Securities of the Hang Seng Stock Connect China 80 Index

INTRODUCTION

- The Lion-OCBC Securities China Leaders ETF was listed on the Singapore stock market on 2 August 2021.
- This ETF is a well-diversified portfolio containing industry leaders across multiple sectors.
- It is passively managed to fully replicate the Hang Seng Stock Connect China 80 Index.

KEY FACTS

- Dual trading currencies: SGD and RMB
- Total AUM: SGD 85.9 million as of 31 March 2023
- Management fee: 0.45% p.a.
- Bloomberg ticker: YYY SP (S$ counter), YYR SP (RMB counter)

KEY FEATURES

80 largest Chinese companies listed on HKEX, SZSE and SSE[1]

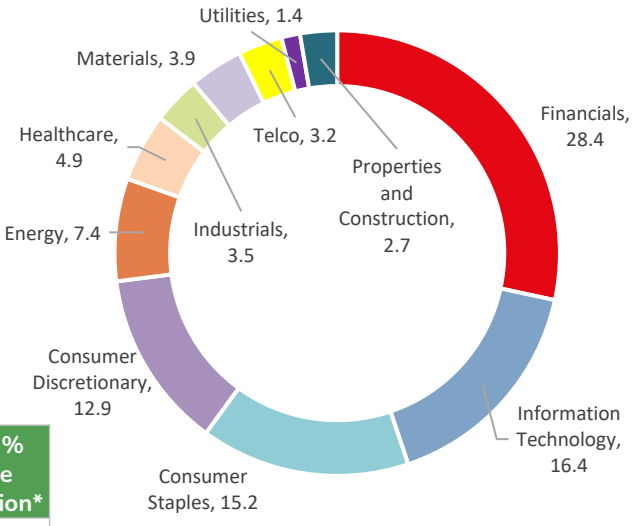
Capped at 8% and 40% weightage for individual stocks and sectors respectively during rebalancing[2]

Rebalanced quarterly (every March, June, September and December)

Lion-OCBC Securities China Leaders ETF Performance[3]

From Morningstar as of 31 Mar 2023	2023 YTD return	Annualized % return since Fund's inception*
Lion-OCBC Securities China Leaders ETF	3.3%	-10.4%
Benchmark Index	3.0%	-9.6%

Composition



Source: Lion Global Investors, 31 March 2023

** Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. Performance is calculated in SGD. The Lion-OCBC Securities China Leaders ETF was listed on 2 August 2021. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice. Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance*

[1] Based on the underlying Index Securities of the Hang Seng Stock Connect China 80 Index.

[2] Weightage of individual stocks within the index will be reviewed semi-annually and rebalanced quarterly by the index provider (Hang Seng Indexes Co Ltd). The weights of each Index Security and industry might fluctuate above 8% and 40% respectively due to market movements in between the rebalancing period

[3] Source: Bloomberg, Lion Global Investors, Hang Seng Indexes Company, as of 31 March 2023

WHAT CAN WE EXPECT AFTER CHINA'S TWO SESSIONS?

Q1 2023 was an eventful quarter for China. We saw China concluding its Two Sessions (两会) in March 2023, officially electing President Xi Jinping for his third term and appointing Li Qiang as its new premier. Within President Xi Jinping's inner circle, Premier Li has been regarded as highly pro-business and this presents numerous green shoots for China.

During his first press conference[4], Premier Li Qiang specifically mentioned that government officials at all levels should sincerely care for and support development of private enterprises, build cordial relations with private entrepreneurs and promote a culture of respect for entrepreneurs. Premier Li has since led by example.

In his first month as Premier, there has been numerous positive business-friendly developments. After being abroad for more than 1 year, Alibaba founder (Jack Ma) returned[5] to China on 27 March 2023. A day after Jack Ma's return, Alibaba announced the biggest revamp in its 24-year history, seeing it split into six units. Each of the six businesses will have its own CEO and board of directors, with the flexibility[6] to raise external capital and seek their own stock exchange listings.

In the state-organised China Development Forum which also happened on 28 March 2023, Premier Li Qiang specifically assured[7] Apple CEO (Tim Cook) and Ray Dalio (founder of Bridgewater Associates) that China will open wider to the outside world. Other event attendees included P&G CEO (Jon Moeller) and HSBC CEO (Noel Quinn). This is a strong commitment to top foreign business CEOs in his first month as Premier.

Before becoming Premier, one of Premier Li's notable achievements included his oversight of the speedy construction and opening of Tesla's factory when he was Shanghai's party secretary. China is Tesla's second-largest market after the United States and the Shanghai factory is its largest production hub. Following the 2019 opening of Tesla's Shanghai plant, Elon Musk and Premier Li have maintained active dialogue. On 31 March 2023, Elon Musk announced plans[8] to visit China as early as April to meet Premier Li. All these suggest Premier Li executing his commitment about China opening wider to the outside world and more market-friendly initiatives are expected to be rolled out.

We believe China's reopening and Premier Li's pro-business approach will continue driving China's growth in 2023. By providing exposure to 80 industry leaders across 12 sectors, the Lion-OCBC Securities China Leaders ETF is well-positioned to ride on China's recovery and long-term growth story.

[4] *Source: Ministry of Foreign Affairs of the People's Republic of China, March 2023*
[5] *Source: The Business Times, March 2023*
[6] *Source: Reuters, March 2023*
[7] *Source: Al Jazeera, March 2023*
[8] *Source: Reuters, March 2023*

HOW DOES THE BENCHMARK INDEX AND ETF COMPARE WITH OTHER CHINA-FOCUSED INDICES AND ETFs SINCE INCEPTION?

Despite the overall Chinese market volatility in Q1 2023, the Hang Seng Stock Connect China 80 Index (the Benchmark Index) had stable performance relative to other China-focused indices. Between 2 August 2021 (ETF's listing date) and 31 March 2023, the Index cumulatively outperformed[9] other China-focused indices (Figure 1) such as the MSCI China Index, MSCI Emerging Markets Index and the Shanghai Shenzhen CSI 300 Index as of 31 March 2023.

Between 2 August 2021 and 31 March 2023, the Lion-OCBC Securities China Leaders ETF also cumulatively outperformed[10] other China-focused ETFs listed in SGX (Figure 2), such as the Xtrackers MSCI China UCITS ETF and Lyxor MSCI China ESG Leaders Extra DR UCITS ETF as of 31 March 2023. The cumulative outperformance (as of 31 March 2023) can be attributed to the Index's exclusion of American Depositary Receipts (ADRs).

With US-China tensions rising, the International Monetary Fund (IMF) estimates[11] this could cost the world a long-term loss around 2% of global gross domestic product (GDP). The IMF specifically quoted recent bills (such as Washington's Chips and Science Act) arising from such tensions, which are expected to escalate due to issues like Taiwan and the potential ban of TikTok in US.

The exclusion of ADRs is thus expected to reduce the Index's exposure to foreign regulatory risks, that can adversely affect US-listed Chinese firms. By providing diversified exposure to industry leaders listed only in HKSE, SSE and SZSE[12], the Lion-OCBC Securities China Leaders ETF is less vulnerable to foreign regulatory risks and better cushioned against the broader market volatility.

Figure 1: Benchmark Index performance relative to other China-focused indices

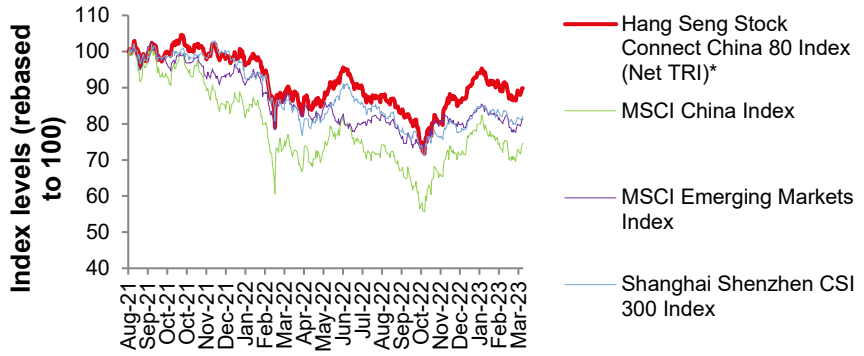
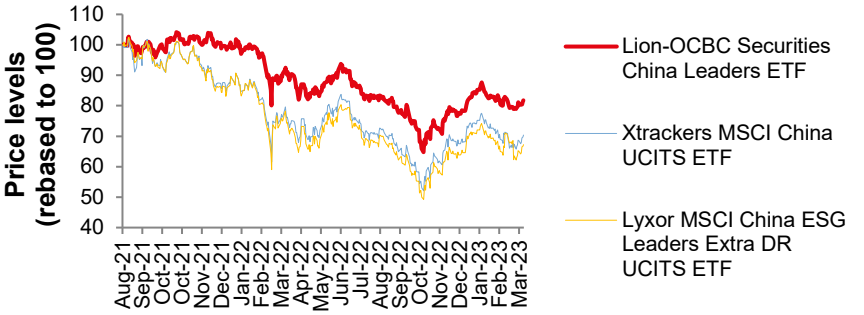


Figure 2: ETF performance* relative to other China-focused ETFs



Similarity	The mentioned ETFs provide broad-based exposure to the China equities market
Difference	The Lion-OCBC Securities China Leaders ETF excludes ADRs

From Morningstar as of 31 Mar 2023	Annualized % return since Fund's inception*
Lion-OCBC Securities China Leaders ETF	-10.4%
Xtrackers MSCI China UCITS ETF	-18.6%
Lyxor MSCI China ESG Leaders Extra DR UCITS ETF	-21.0%

Note: Each ETF currently adopts a direct replication strategy in tracking their respective indices. The Lyxor MSCI China ESG Leaders Extra (DR) UCITS ETF (USD) tracks the MSCI China Select ESG Rating and Trend Leaders Index while the Xtrackers MSCI China UCITS ETF tracks the MSCI China Index.

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[9, 10] Source: Bloomberg, March 2023
[11] Source: CNBC, April 2023
[12] HKSE, SSE and SZSE refer to Hong Kong Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange respectively.

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