LION GLOBAL INVESTORS

LION-OCBC SECURITIES CHINA LEADERS ETF

Seize the opportunity with 80* China leaders.

Quarterly Newsletter

Q2 2022

www.lionglobalinvestors.com

*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 in 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 89.1 million as of 30 June 2022
- Management fee: 0.45% p.a.
- Bloomberg ticker: YYY SP (S$ counter), YYR SP (RMB counter)

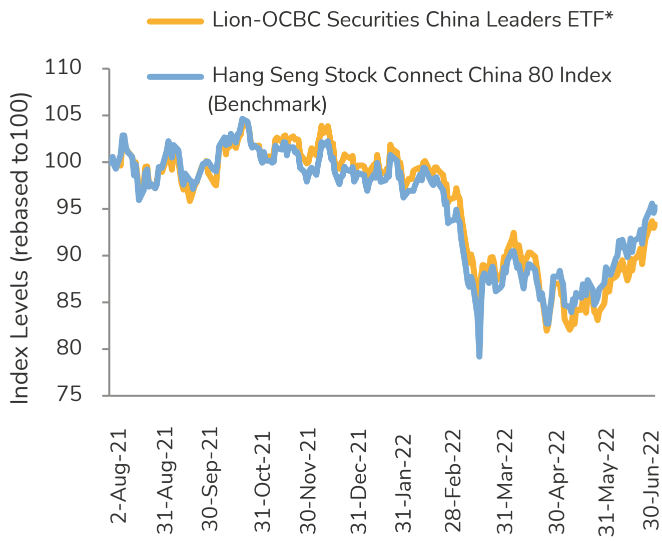
KEY FEATURES

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

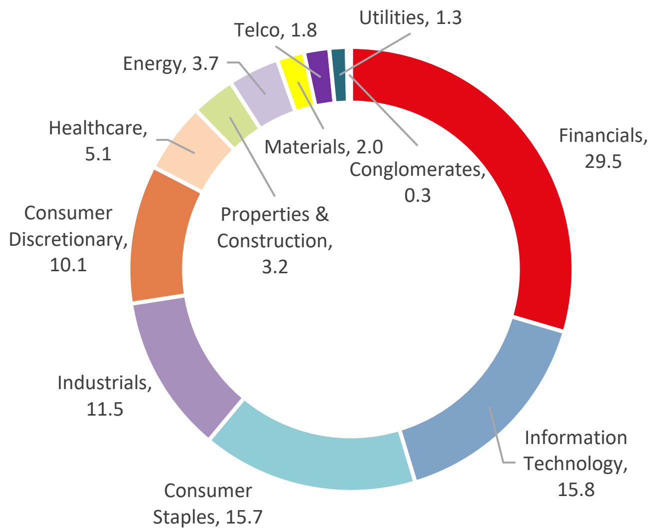
Capped at 8% and 40% weightage for individual stocks and sectors respectively during rebalancing[2]

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

Lion-OCBC Securities China Leaders ETF Performance[3]



Composition



Source: Lion Global Investors, 30 June 2022

** 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 the base currency of the Fund. 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, 30 June 2022

WITH THE US HIKING RATES TO TACKLE 41-YEAR HIGH INFLATION, WHAT IS CHINA DOING IN CONTRAST?

In Q2 2022, we saw the Chinese government intensifying top-down actions to support its economy. On 15 May 2022, the People's Bank of China (PBOC) cut the lower-bound range of mortgage interest rates[4] for first-time homebuyers to 20 basis points (bps) below the corresponding tenors of loan prime rate (LPR). This is the first time in this pandemic that the central government directly supported the housing market. On 20 May 2022, PBOC further cut the five-year LPR[5] by 15 bps to 4.45%, being the largest reduction since 2019.

On 25 May 2022, Premier Li Keqiang held a nationwide video conference[6] with more than 100,000 party cadres to reinforce China’s focus to maintain economic stability and preserve growth. On 31 May 2022, China’s cabinet unveiled 33 detailed policies[7] to stimulate demand, including CNY 140 billion in additional tax relief for corporates and households, together with CNY 300 billion in railway construction bonds. On 1 June 2022, China’s cabinet further announced a CNY 800 billion[8] increase in credit quota for policy banks to support infrastructure construction. Besides policy loosening, China also eased Covid-19 restrictions in Q2 2022. On 30 May 2022, Shanghai announced[9] to end its 2-month lockdown starting 1 June 2022. Beijing’s Universal Studio theme park reopened on 25 June 2022 after a near 2-month closure. On 28 June 2022, China’s National Health Commission Quarantine further reduced[10] quarantine at centralized facilities from 14 to 7 days and cut subsequent at-home health monitoring from 7 to 3 days.

All these actions came after the US Federal Reserve approved a 75-bps rate hike[11] on 15 June 2022 to tackle inflation that reached a 41-year high of 8.6%. This was the biggest rate hike since 1994. The US Federal Reserve is expected to implement rate hikes until interest rates reach around 3.4%. In contrast, China is doing the contrarian opposite by loosening policies to drive growth as described in our previous newsletters.

We believe China’s policy loosening and easing of Covid-19 restrictions will continue the direction for driving growth in 2022 while other countries such as the US focus on policy tightening to tackle inflationary fears. By providing exposure to 80 industry leaders across 12 sectors, the Lion-OCBC Securities China Leaders ETF is well-positioned to ride on this new wave of policy loosening.

[4] *Source: The Straits Times, May 2022*
[5] *Source: Reuters, May 2022*
[6] *Source: CNBC, June 2022*
[7] *Source: Reuters, May 2022*
[8] *Source: Reuters, June 2022*
[9] *Source: BBC, June 2022*
[10] *Source: The Business Times, June 2022*
[11] *Source: BBC, June 2022*

HOW DOES THE BENCHMARK INDEX AND ETF COMPARE WITH ITS PEERS SINCE INCEPTION?

Despite the overall Chinese market volatility in Q2 2022, the Hang Seng Stock Connect China 80 Index (the Benchmark Index) had stable performance relative to its peers. Between 2 August 2021 (ETF's listing date) and 30 June 2022, the Index outperformed[12] peer indices (Figure 1) such as the MSCI China Index, MSCI Emerging Markets Index and the Shanghai Shenzhen CSI 300 Index.

Between 2 August 2021 and 30 June 2022, the Lion-OCBC Securities China Leaders ETF also outperformed[13] other China-focused ETFs listed in SGX (Figure 2), such as the Xtrackers MSCI China UCITS ETF and Lyxor China Enterprise UCITS ETF (USD). Such outperformance can be attributed to the Index's exclusion of American Depositary Receipts (ADRs). This helped reduce the Index's exposure to the foreign regulatory risks that negatively impacted US-listed Chinese companies when the US Securities and Exchange Commission (SEC) announced[14] on 4 May 2022 to potentially delist at least 80 more companies (including Pinduoduo) that failed to comply with the Holding Foreign Companies Accountable Act (HFCAA).

However as highlighted in our Q1 2022 newsletter, China has shown increasing willingness to comply with US Public Company Accounting Oversight Board. For instance, the China Securities Regulatory Commission (CSRC) particularly called[15] for faster implementation of a new rule surrounding overseas listings that may remove a hurdle for US regulators seeking access to the auditing papers of Chinese firms listed in New York. By providing diversified exposure to industry leaders listed in HKSE, SSE and SZSE[16], the Lion-OCBC Securities China Leaders ETF is nonetheless less vulnerable to such foreign regulatory risks and thus more cushioned against the broader market volatility.

Figure 1: Benchmark Index performance against peers

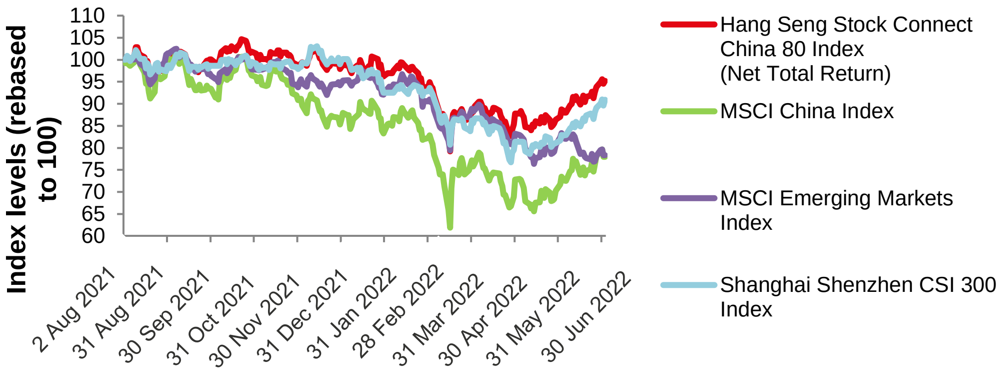
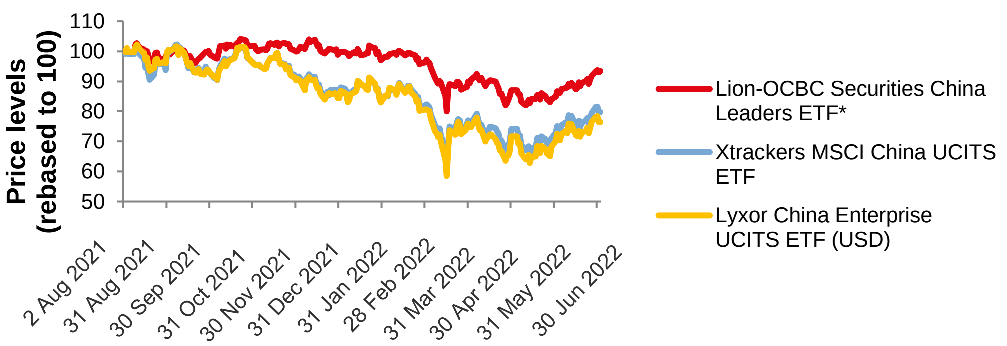


Figure 2: ETF performance against peers



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[12, 13] Source: Bloomberg, June 2022

[14] Source: CNBC, May 2022

[15] Source: The Business Times, April 2022

[16] HKSE, SSE and SZSE refer to Hong Kong Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange respectively.

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