LION-OCBC SECURITIES CHINA LEADERS ETF

Seize the opportunity with 80* China leaders.

Quarterly Newsletter

Q4 2022

www.lionglobalinvestors.com

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

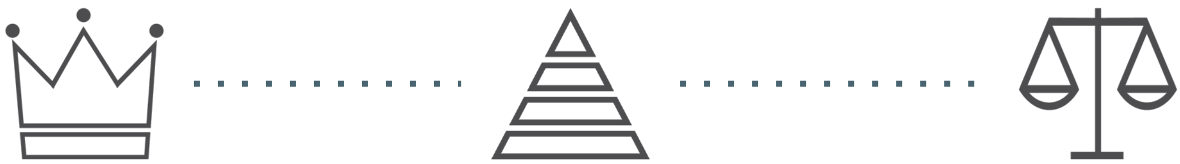
INTRODUCTION

- 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 81.1 million as of 31 December 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]

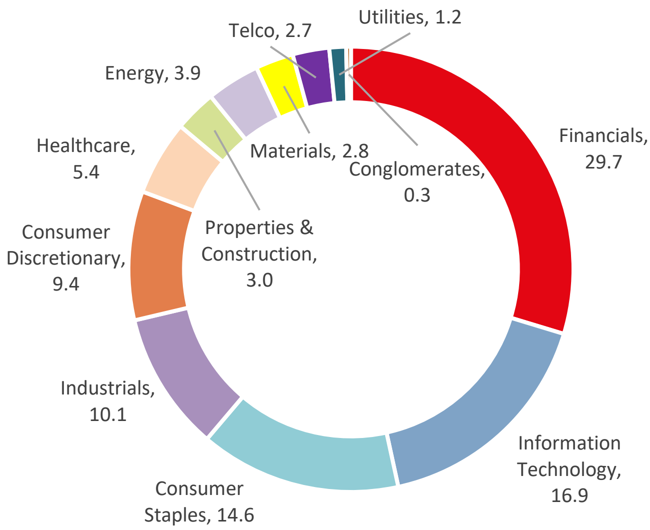
Capped at 8% and 40% weightage for individual stocks and sectors respectively during rebalancing[2]

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

Lion-OCBC Securities China Leaders ETF Performance[3]

From Morningstar as of 31 Dec 2022	Annualized % return since Fund's inception*
Lion-OCBC Securities China Leaders ETF	-14.1%
Benchmark Index	-13.0%

Composition



Source: Lion Global Investors, 31 December 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 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 December 2022

WHAT CAN WE EXPECT AFTER CHINA'S RELAXED STANCE ON COVID-19?

In Q4 2022, we saw the Chinese government relaxing its zero Covid-19 stance. On 30 November 2022, Chinese Vice Premier Sun Chunlan first announced[4] about China facing a new Covid-19 situation as the Omicron variant's pathogenic nature weakens, signaling a shift in tone from zero Covid-19. Beijing and Shenzhen then loosened Covid-19 testing requirements and quarantine rules on 2 December 2022.

On 7 December 2022, Chinese authorities formalized numerous easing measures[5] which included allowing Covid-19 infected people to isolate at home instead of government facilities and removing the need for Covid-19 tests for people travelling across China. On 26 December 2022, Hong Kong's Chief Executive John Lee announced[6] that Hong Kong intends to start reopening its borders with China in a gradual and orderly manner by mid-January 2023. On 27 December 2022, China also announced removal of quarantine rules[7] for inbound travelers starting 8 January 2023.

In terms of economic policy direction, at its latest annual Central Economic Working Conference (CEWC) on 15 and 16 December 2022, China's Politburo concluded to make economic stability its top priority[8] for 2023. Specifically, China will focus on boosting domestic demand in 2023 by prioritizing the recovery and expansion of consumption, while continuing to implement proactive fiscal policy and prudent monetary policy in 2023.

On 17 December 2022, the People's Bank of China (PBOC) deputy Governor Liu Guoqiang stated[9] that the intensity of monetary easing will be at least equal or more in 2023 than this year's intensity, signaling room for China to roll out monetary easing via both quantity or price measures. In the same forum, China's Vice Finance Minister Xu Hongcai also shared that China will implement a proactive fiscal policy in 2023, signaling that China may expand its fiscal deficit target and increase government bond issuance quota in 2023.

Since the CEWC prioritized restoring and expanding consumption to stabilize growth, housing upgrade demand, travel consumption and service consumption will be the drivers[10] to boost consumption in 2023. Specifically, housing and automobile will likely remain major areas where policy supports for household consumption in the near term while elderly care will become an important sector to boost consumption in the long run.

We believe China's easing of Covid-19 restrictions and its reinforced focus on economic stability will continue driving growth in 2023 while other countries such as the US focus on managing inflationary and recessionary risks. 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 and China's reinforced focus on economic stability.

[4] Source: Reuters, November 2022
[5] Source: CNN, December 2022
[6] Source: Business Times, December 2022
[7] Source: Reuters, December 2022
[8] Source: China State Council, December 2022
[9] Source: Reuters, December 2022
[10] Source: China State Council, December 2022

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

Despite the overall Chinese market volatility in Q4 2022, 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 December 2022, the Index cumulatively outperformed[11] 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 December 2022.

Between 2 August 2021 and 31 December 2022, the Lion-OCBC Securities China Leaders ETF also cumulatively outperformed[12] 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 December 2022. The cumulative outperformance (as of 31 December 2022) can be attributed to the Index's exclusion of American Depositary Receipts (ADRs). This exclusion 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) conclusively identified[13] to potentially delist 173 companies (including Pinduoduo) that failed to comply with the Holding Foreign Companies Accountable Act (HFCAA) as of 31 December 2022.

As highlighted in our earlier 2022 newsletters, China has shown increasing willingness to comply with US Public Company Accounting Oversight Board (PCAOB). On 15 December 2022, PCAOB announced[14] it secured complete access to inspect and investigate audit firms in the People's Republic of China (PRC) for the first time in history. This signals a relief for US-listed Chinese firms (including Alibaba) which have faced forced delisting amid rocky US-China relations. This is now expected to remove delisting risks for US-listed Chinese companies. Nonetheless by excluding ADR exposure and providing diversified exposure to industry leaders listed in HKSE, SSE and SZSE[15], 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

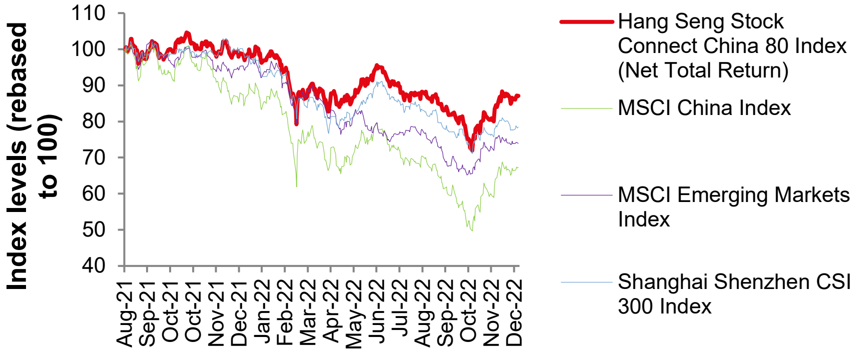
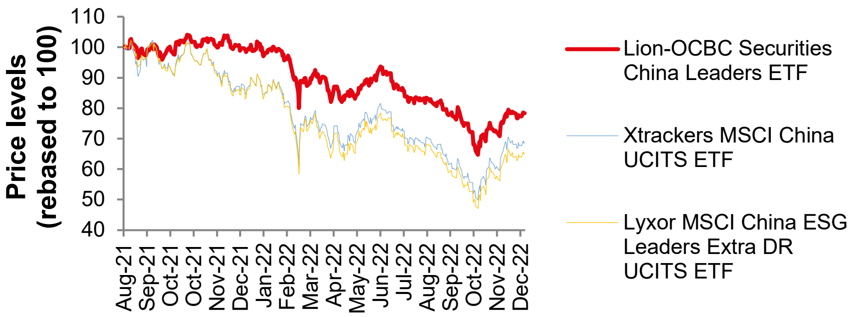


Figure 2: ETF performance* relative to other China-focused ETFs



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

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.

From Morningstar as of 31 Dec 2022	Annualized % return since Fund's inception*
Lion-OCBC Securities China Leaders ETF	-14.1%
Xtrackers MSCI China UCITS ETF	-23.5%
Lyxor MSCI China ESG Leaders Extra DR UCITS ETF	-26.4%

** Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. The Lion-OCBC Securities China Leaders ETF was listed on 2 August 2021*

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[11, 12] Source: Bloomberg, December 2022

[13] Source: US Securities and Exchange Commission, December 2022

[14] Source: US Public Company Accounting Oversight Board, December 2022

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

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