LION-OCBC SECURITIES
HANG SENG TECH ETF

The future of technology

Seize the opportunity.

Quarterly Newsletter

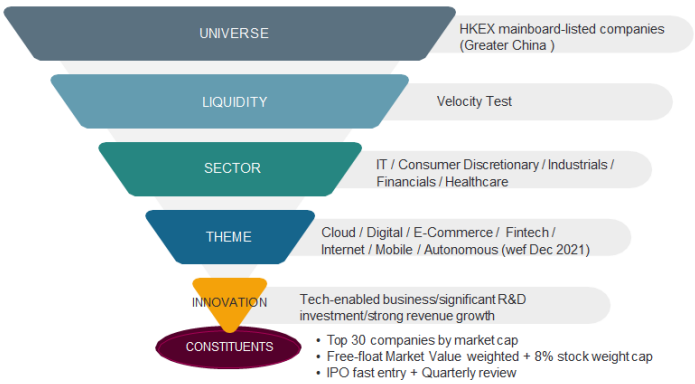
Q4 2022

LION GLOBAL INVESTORS

INTRODUCTION

The Lion-OCBC Securities Hang Seng TECH ETF was launched in the Singapore stock market on 10 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$327 million as of 31 December 2022.

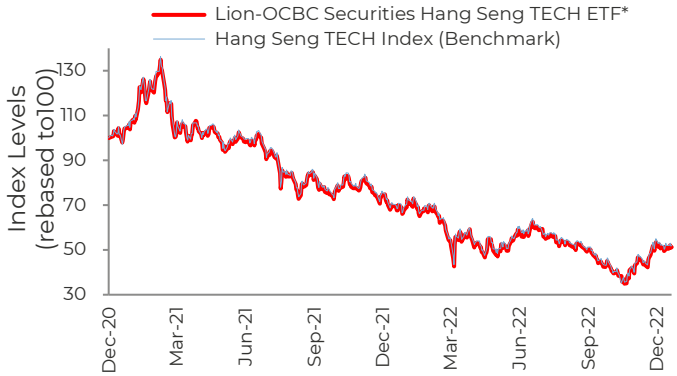
INDEX CONSTRUCTION METHODOLOGY[2]



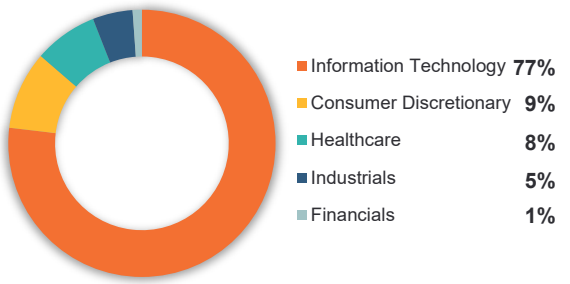
KEY FACTS

- 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, Sep and Dec)
- Dual Trading Currencies: SGD and USD
- Total AUM: SGD 327 million as of 31 December 2022
- 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, 31 December 2022

From Morningstar as of 31 Dec 2022	Annualized % return since Fund's inception*
Lion-OCBC Securities Hang Seng TECH ETF	-27.5%
Benchmark Index	-27.3%

*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, as at 31 December 2022
For explanation of additional technical terms, please visit www.lionglobalinvestors.com

Q4 2022 REVIEW

Photo Credit: iStock

REOPENING AND RECOVERY

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, triggering an 8% surge in the Hang Seng TECH Index[5] on 5 December 2022.

On 7 December 2022, Chinese authorities formalized numerous easing measures[6] 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 27 December 2022, China 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.

[4] Source: Reuters, November 2022
[5] Source: CNBC, December 2022
[6] Source: CNN, December 2022
[7] Source: Reuters, December 2022
[8] Source: China State Council, December 2022
[9] Source: China State Council, December 2022
[10] Source: US Public Company Accounting Oversight Board, December 2022

> ***"Economic stability will be a top priority for 2023. Proactive fiscal policy and prudent monetary policy will continue to be implemented next year."***
>
> ***- China's Politburo[7], CEWC in December 2022***

With China concluding its recent investigation on the platform economy, policy is likely to turn more supportive[9] of the platform economy to create jobs domestically and participate in global competition.

In addition to domestic measures, the US Public Company Accounting Oversight Board (PCAOB) also announced[10] on 15 December 2022 that 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 tech 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 tech companies.

All these actions align closely with the Chinese Communist Party's top priority of economic stability for 2022 and 2023, as highlighted in our previous newsletters. These are concrete actions taken to support growth.

Given the highly suppressed levels of consumption due to Covid-19 restrictions and lack of consumer confidence, a tech rebound is likely if China can smoothly exit from zero Covid-19 and reopen the economy.

By providing exposure to the 30 largest tech-themed companies listed in Hong Kong, the Lion-OCBC Securities Hang Seng TECH ETF is well positioned to capitalize on the long-term growth story of the Chinese tech sector.

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