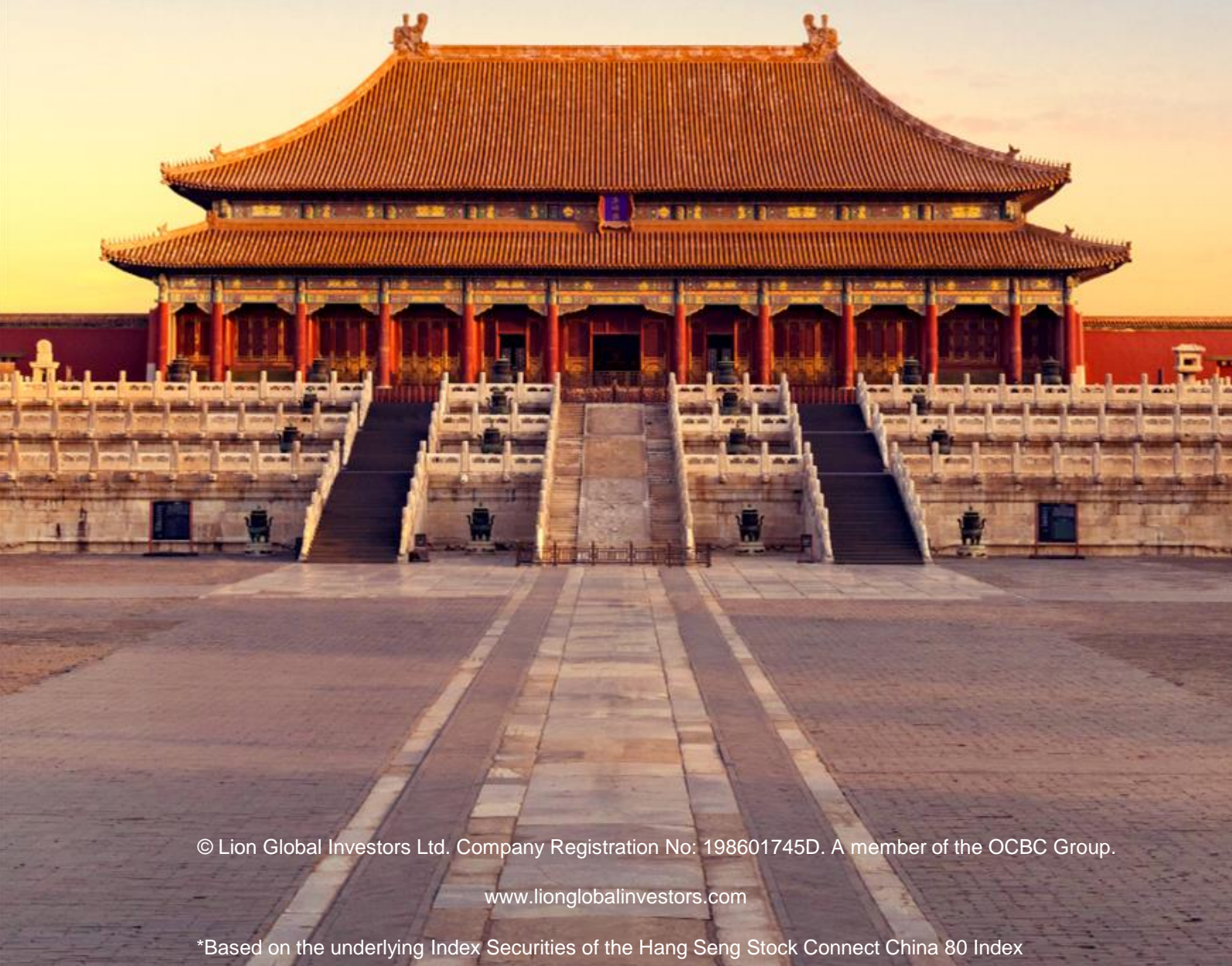


LION-OCBC SECURITIES  
**CHINA LEADERS ETF**

Seize the opportunity with 80\* China leaders.

Quarterly Newsletter

Q4 2021



## 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 12 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 84.2 million as of 31 December 2021
- 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<sup>1</sup>



Capped at 8% and 40% weightage for individual stocks and sectors respectively during rebalancing<sup>2</sup>

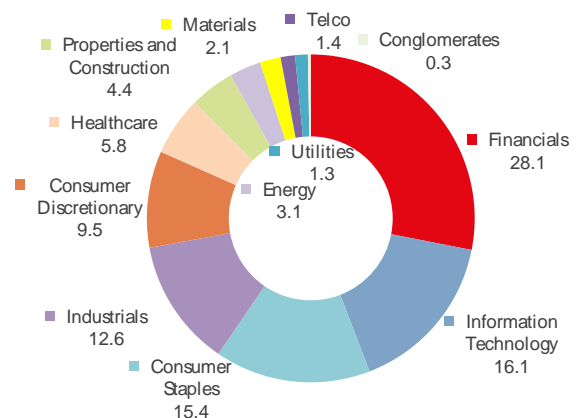


Rebalanced quarterly (every March, June, September and December)

### Lion-OCBC Securities China Leaders ETF Performance<sup>3</sup>



### Composition



Source: Lion Global Investors, 31 December 2021

\* 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

<sup>1</sup> Based on the underlying Index Securities of the Hang Seng Stock Connect China 80 Index.

<sup>2</sup> 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

<sup>3</sup> Source: Bloomberg, Lion Global Investors, Hang Seng Indexes Company, 31 December 2021

## WHAT ARE SOME POSITIVE NEWS YOU SEE FROM THE RECENT DEVELOPMENTS IN CHINA?

2021 was a momentous year for China, with the Chinese Communist Party (CCP) also celebrating its 100th founding anniversary. With 2021 behind, 2022 will be an especially important year for China. The Beijing Olympics is expected to happen in February 2022 and President Xi is likely to secure his third term during the CCP Congress assembly in late 2022.

In China's December 2021 Politburo meeting<sup>4</sup>, senior leaders unveiled the 2022 priority to be "supporting growth", with attention on financial stability and innovation. This is a noteworthy difference from its 2021 focus on policy tightening.

In fact, policy loosening<sup>5</sup> already started in 2021 when the People's Bank of China (PBOC) cut the reserve requirement ratio (RRR) for banks by 50 basis points (bps), effective from 15 December 2021. This is expected to releasing CNY 1.2 trillion (US\$188 billion) in long-term liquidity to support economic growth.


In the same month of December 2021, the PBOC also lowered<sup>6</sup> the 1-year loan prime rate (LPR) to 3.8%. The last time PBOC cut the LPR was on April 2020, when China was at the height of the Covid-19 pandemic. This cut lowers the lending rate for corporate and household loans.

We believe the RRR and LPR cuts will set the tone for continued policy loosening 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.

<sup>4</sup> Source: Macquarie, December 2021

<sup>5</sup> Source: Reuters, December 2021

<sup>6</sup> Source: CNBC, December 2021



*We believe the RRR and LPR cuts will set the tone for continued policy loosening in 2022 while other countries such as the US focus on policy tightening to tackle inflationary fears.*

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

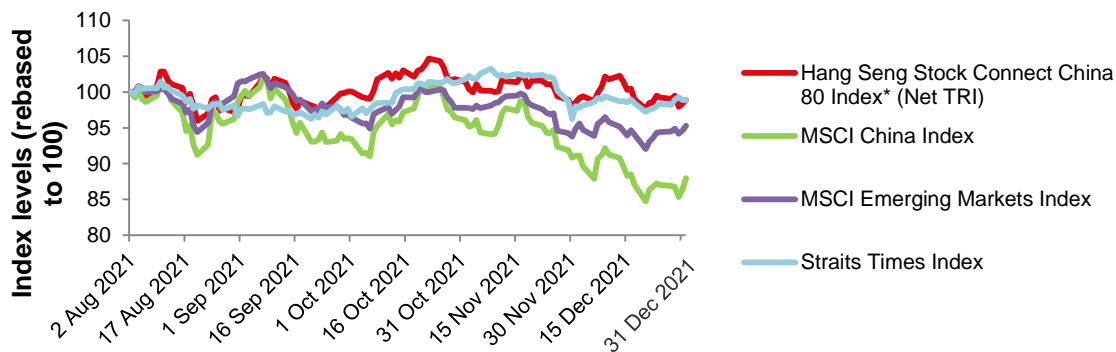
Despite the overall Chinese market volatility in 2021, the Hang Seng Stock Connect China 80 Index (the Index) had stable performance.

Between 2 August 2021 (ETF's listing date) and 31 December 2021, the Index outperformed<sup>7</sup> peer indices (Figure 1) such as the MSCI China Index, MSCI Emerging Markets Index and the Straits Times Index.

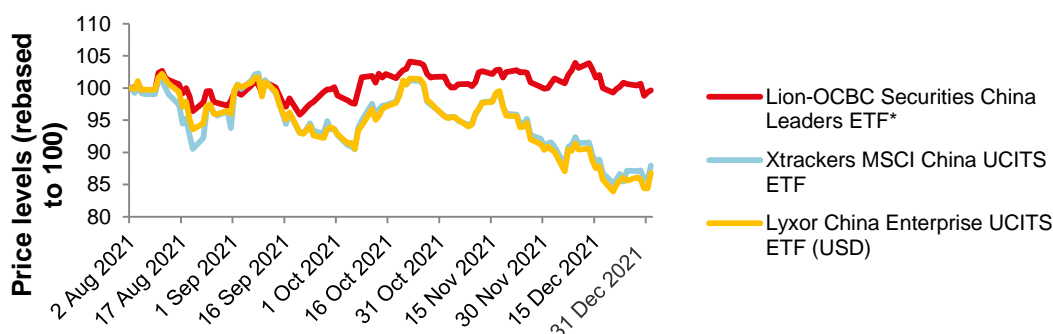
Between 2 August 2021 and 31 December 2021, the Lion-OCBC Securities China Leaders ETF also outperformed<sup>8</sup> other China-focused ETFs listed in SGX (Figure 2), such as the Xtrackers MSCI China UCITS ETF and Lyxor China Enterprise UCITS ETF (USD). Such resilient performance can be attributed to the Index's exclusion of American Depositary Receipts (ADRs), reducing exposure to the foreign regulatory risks that placed heavy pressure on US-listed companies such as Alibaba, Baidu, Didi and Nio in 2021.

In fact given the boiling US-China tensions, there have been predictions<sup>9</sup> that most Chinese companies listed on U.S. exchanges will likely delist from the US by 2024. By providing diversified exposure to industry leaders listed in HKSE, SSE and SZSE, the Lion-OCBC Securities China Leaders ETF is less susceptible to foreign regulatory risks and better positioned towards stability and resilience.

**Figure 1: Index performance against peers**



**Figure 2: ETF performance against peers**



\* 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 Index. The Lion-OCBC Securities China Leaders ETF was listed on 2 August 2021

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<sup>7, 8</sup> Source: Bloomberg, December 2021

<sup>9</sup> Source: CNBC, December 2021

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