China A-shares exhibit low correlations to other stock markets in the world, making them ideal candidates for portfolio diversification.

Increasing Institutional Participation

Although the A-share market is dominated by retail investors, who hold around 40% of the A-share free-float market cap, institutional participation has been on the rise since the launch of Stock Connect in 2014.

Global Index Inclusion

2019 is a monumental year for A-shares as index providers including MSCI, FTSE Russell and S&P Dow Jones race to add weight to China, potentially giving rise to unprecedented inflows into A-shares.

MSCI

FTSE

S&P DJ

MSCI to increase the inclusion factor of current China - A large caps from 5% to 20% in 3 phases (May, Aug & Nov 2019) & add ChiNext large cap shares with a 10% inclusion factor.

FTSE Russell will implement a 3-phase process as part of its Phase 1 inclusion of China A-shares into its Global Equity Index Series.

S&P Dow Jones' Global Benchmark Indices to include all stocks S&P China A BMI Index that participate in Northbound trading of Stock Connect.

MSCI

MSCI to add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor.

Equity Inclusion

Bond Inclusion

Bloomberg

Bloomberg Barclays Global Aggregate Index starts to phase in CGB & policy bank securities over 20 months.

Low Correlation to Global Equity Markets

China A-shares exhibit low correlations to other stock markets in the world, making them ideal candidates for portfolio diversification.

Policy as Market Stabilizer

Government policies focused on stabilizing the A-share market are proven effective:

• The number of trading suspensions has dropped to 12 following tighter rules on stock suspensions.

• Regulators relaxed share buybacks rules (such as broadening the circumstances under which companies are permitted to repurchase shares) and simplified buybacks procedures to stabilize market.

Increasing Institutional Participation

Although the A-share market is dominated by retail investors, who hold around 40% of the A-share free-float market cap, institutional participation has been on the rise since the launch of Stock Connect in 2014.

A-share free-float market cap held by institutional investors

23.8% 2015
31.3% 2018Q2
MSCI INCLUSION SPOTLIGHTED

MSCI will increase the weight of A-shares in its indices in 3 steps from May to November 2019. On completion, A-shares will represent 3.3% of the pro forma MSCI EM Index, which is tracked by $1.8 trillion in assets.

The number of A-shares in the MSCI EM Index by Nov 2019:

| 253 | Large Cap |
| 168 | Mid Cap |
| 27  | ChiNext Shares* |

*the number of ChiNext shares are included in the Large and Mid caps

MSCI Inclusion Timeline 2019

- **MAY**
  - Increase the inclusion factor of China A Large Cap shares from 5% to 10%
  - Add ChiNext Large cap shares with a 10% inclusion factor

- **AUG**
  - Increase the inclusion factor of China A Large Cap shares from 10% to 15%

- **NOV**
  - Increase the inclusion factor of China A Large Cap shares from 15% to 20%
  - Include China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor

HKEX – YOUR GATEWAY TO CHINA A-SHARES

China A-share has reached a milestone, so can your trading strategy. HKEX features a range of products to help you gain China exposure:

- **Equity Index Derivatives**
  - Leveraged, cost effective exposure to China’s growth drivers

- **Stock Connect**
  - The direct investment channel to trade eligible stocks in Shanghai & Shenzhen

- **A-share ETFs**
  - A growing range of China broad market and thematic ETFs

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