



## Thoughts from Simon Lee (CSOP) and Tim Harvey on the 5<sup>th</sup> anniversary of CHNA's listing on LSE 16<sup>th</sup> January 2019

Dear All,

NTree's first conference call of the year will be on January 30<sup>th</sup>, 2019. We are celebrating the 5<sup>th</sup> anniversary of the LSE listing of CHNA - CSOP's FTSE 50 China A Share ETF. Our guest speaker will be Simon Lee, Head of International Business for CSOP.

2018 was rumoured to have had US\$500mil of European ETF inflows into China's A Share market. However, most of this money did not go into FTSE China A share indexes. Simon is keen to point out how selecting the correct index is key to long term monetary gain when investing into the Chinese markets. To demonstrate this, Simon provided the chart below showing the 5-year performance of the FTSE 50 A Share index verses its leading competitors:



Source: Bloomberg data

CHNA clearly gave the best performance over the past 5 years and Simon has some thoughts on why the FTSE 50 China A Share index has outperformed all other indexes.



The FTSE 50 China A Share index allocates to the largest 50 stocks by market capitalization in the Chinese stock market. All of these stocks are market or industry leaders in China. These top fifty, often referred to as the Pillars of the Chinese economy, have historically done better in good and bad markets as reflected in the chart above. These Pillar stocks benefit from existing strong distribution networks, strong domestic branding and other real advantages within their arena.

The Pillars offer European investors an excellent opportunity to invest directly into Chinese companies which are best positioned to capitalize on China's growth. European investors should also note CSOP's FTSE 50 China A Share ETF in Hong Kong, 2822 HK, is the largest Asian based China A Share ETF outside of China with over US\$2bn in AUM. The FTSE 50 China A Share index is also the preferred access point to the China A Share market for overseas Chinese investors!

As trade issues with the US recede, most China market watchers expect no more tariff hikes and a deal to be reached by March – therefore A-shares should be seeing a much more positive year in 2019 than they did in 2018.

In closing, for those European investors who still think China is not important enough for them to allocate to, Simon points out some pertinent facts in 2018/9. China is:

- The world's largest commodity market
- The world's largest smartphone and mobile phone market
- The world's largest banking market
- The world's largest exporter market
- The world's largest online market

And China is already the world's second largest insurance market!

Please join us for our CSOP and FTSE 50 China A Share call on 30<sup>th</sup> January.

Regards,

Tim Harvey

CEO

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