

Bi-weekly Fund Flow Report

November 9, 2018

Hong Kong stocks rebounded in the past two weeks as Chinese policymakers stepped out to support the market and economic growth, meanwhile the mid-term election in the US has ended with the democrats winning control of House. In the past two weeks from October 26 to November 8, HSI rose 6.11%, HSCEI gained 6.41%.^[1]

- **China to set new tech board in Shanghai for listings of start-ups** ^[2] · President Xi Jinping announced the news at the China International Import Expo on Nov 5, adding that registration system for IPOs will also be introduced in this pilot program. CSRC said the board is designed to fill the blank in the capital market and serve for technological innovation.
- **China Oct exports and imports grow more than expected.** ^[3] China's October exports went up 15.6% y-o-y, beating expected 11.7% and September's 14.5%. Imports rose 21.4% yoy, stronger than expected 14.5% and 14.3% a month earlier as they raced to beat higher tariff rates that took effect next year amid China-US trade conflicts.
- **China Politburo meeting warns downside pressure in economic growth and signaled more stimulus.** ^[4] The meeting, held on October 31, said China will take more timely steps to support the economy, including stabilizing the employment, finance, foreign trade and investment, etc.
- **Northbound capital flew to financials and consumer names, while southbound flow stood weak.**

Chart 1 Stock Connect Bi-weekly Flow
(RMB mil)

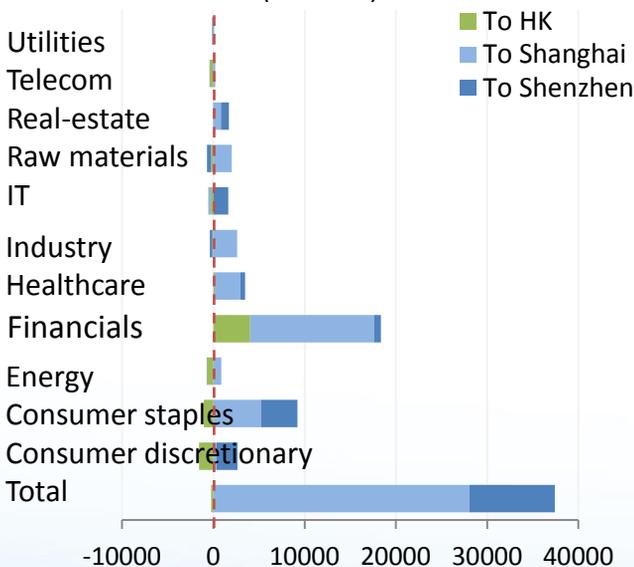


Chart2 Bi-weekly Southbound Top Buy/Sell Top 5

Net Inflow			
Ticker	Stock Name	Bi-weekly flow (HKD mil)	Connect Holding
5 HK	HSBC Holdings	2746.3	7.3%
1288 HK	Agricultural Bank of China	938.1	10.4%
1398 HK	ICBC	879.8	15.9%
939 HK	China Construction Bank	855.4	4.1%
2601 HK	China Pacific Insurance	833.9	12.6%
Net Outflow			
Ticker	Stock Name	Bi-weekly flow (HKD mil)	Connect Holding
175 HK	Geely Automobile	-1029.1	9.8%
2318 HK	Ping An Insurance	-593.9	1.3%
700 HK	Tencent holdings	-503.6	1.2%
688 HK	China Overseas Land & Investment	-484.1	1.4%
3968 HK	China Merchants Bank	-406.4	13.1%

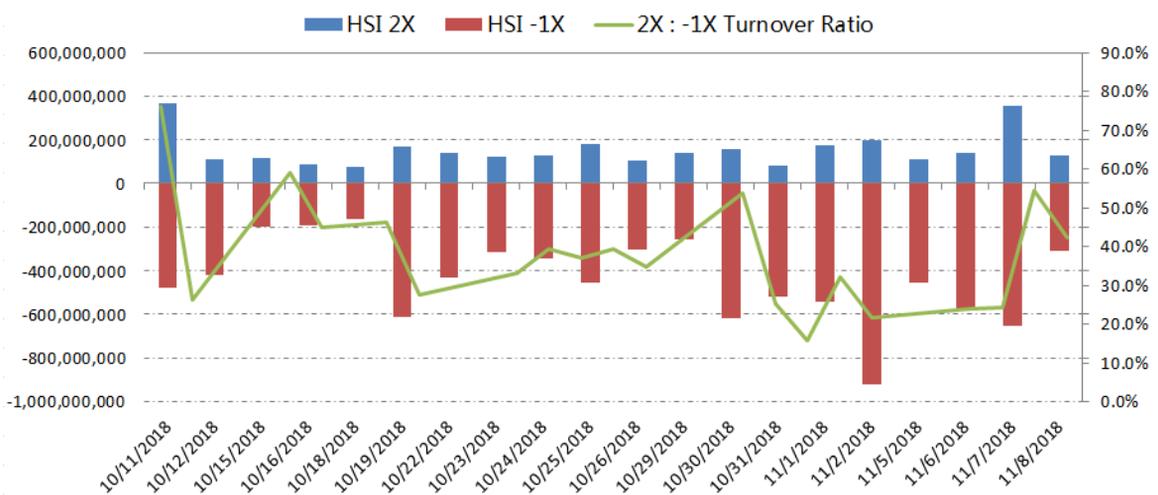
CSOP ETF Flow

- In the past two weeks (Oct 25- Nov 8), HK stocks rebounded but investors seemed to stay bearish as trading turnover in our inverse HSI product hit a record high with decent inflows.
- However, A-share ETFs were popular. CSOP FTSE China A50 ETF (2822.HK) recorded 36.6 mil USD inflow while CSOP SZSE ChiNext ETF (3147.HK) also saw 3.4 mil USD creation.

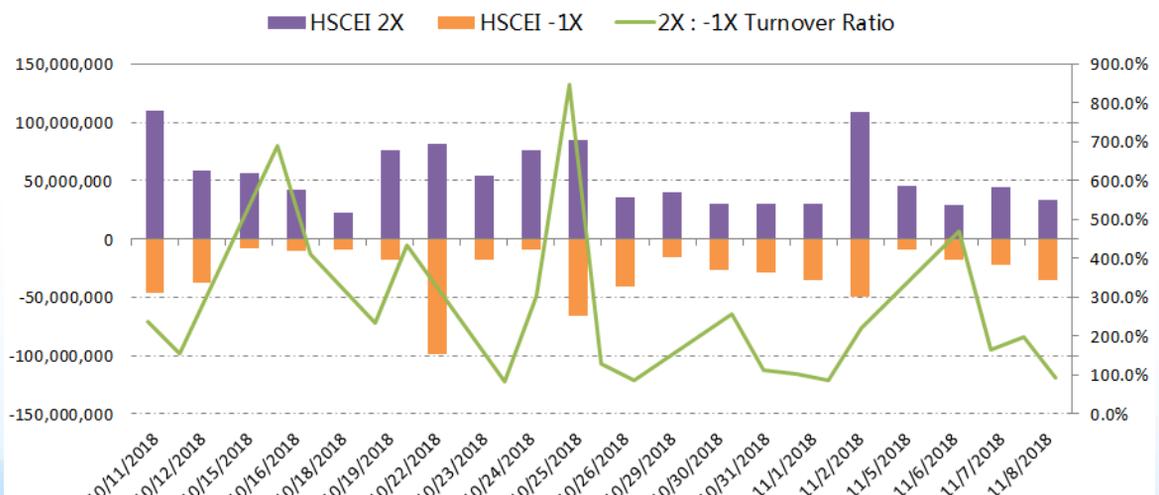
L&I Products	Money Flow (USD)
CSOP Hang Seng Index Daily (-1x) Inverse Product (7300.HK)	48.7 mil
CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product (7388.HK)	-2.5 mil
CSOP Hang Seng Index Daily (2x) Leveraged Product (7200.HK)	-17.1 mil
CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product (7288.HK)	-12.2 mil

Source: CCASS, Bloomberg, CSOP, data from Oct 25 – Nov 8, 2018

HSI L&I Products Daily Turnover (HKD, last 20 D)



HSCEI L&I Products Daily Turnover (HKD, last 20 D)



Source: Bloomberg, CSOP, as of November 8, 2018

【1】 Bloomberg, as of Nov 8, 2018

【2】 CSRC, as of Nov 5, 2018

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201811/t20181105_346199.html

【3】 Wallstreet.cn, China General Administration of Customs, as of Nov 8, 2018

<https://wallstreetcn.com/articles/3434469>

【4】 Xinhuanet.com, as of Oct 31, 2018

http://www.xinhuanet.com/politics/2018-10/31/c_1123642826.htm

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Leveraged Product and Inverse Product are futures-based products which invest directly in futures contracts on the Hang Seng Index or the Hang Seng China Enterprises Index listed on the HKFE so as to give the Leveraged Product and Inverse Product twice (2x) or inverse (-1x) of the daily performance of the index respectively. They are different from conventional ETF.

For Leveraged Product, both gains and losses will be magnified. The risk of loss resulting from an investment in the Leveraged Products in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

For Inverse Product, should the value of the underlying securities of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.

The Products are designed to be used for short term trading or hedging purposes. The Products are not intended for holding longer than one day as the performance of the Products over a longer period may deviate from and be uncorrelated to the leveraged or inverse performance of the Index over the period.

Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. A relatively small price movement in a future may result in a proportionally high impact and substantial losses to the Products, having a material adverse effect on the NAV.

The Manager may, at its discretion, pay distributions out of capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment and may result in an immediate reduction in the NAV per Unit.

CSOP Hang Seng Index Daily (-1x) Inverse Product, CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product, CSOP Hang Seng Index Daily (2x) Leveraged Product and CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product (each a “Product”, collectively, the “Products”):

- CSOP Hang Seng Index Daily (-1x) Inverse Product is a futures-based product which invests directly in futures contracts on the Hang Seng Index (“HSI Futures”) listed on the HKFE so as to give the Product the inverse (-1x) of the daily performance of the Hang Seng Index
- CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product is a futures-based product which invests directly in futures contracts on the Hang Seng China Enterprises Index (“HSCEI Futures”) listed on the HKFE so as to give the Product the inverse (-1x) of the daily performance of the Hang Seng China Enterprises Index
- Inverse product is different from conventional ETF. Should the value of the underlying securities of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.
- CSOP Hang Seng Index Daily (2x) Leveraged Product is a futures-based product which invests directly in futures contracts on the Hang Seng Index (“HSI Futures”) listed on the HKFE so as to give the Product twice (2x) the daily performance of the Hang Seng Index.
- CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product is a futures-based product which invests directly in futures contracts on the Hang Seng China Enterprises Index (“HSCEI Futures”) listed on the HKFE so as to give the Product twice (2x) the daily performance of the Hang Seng China Enterprises Index.
- Leveraged product is different from conventional ETF. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.
- The Products are designed to be used for short term trading or hedging purposes, and are not intended for long term investment. The Products are not intended for holding longer than one day as the performance of the Products over a longer period may deviate from and be uncorrelated to the inverse/leveraged performance of the Products’ relevant index.
- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. A relatively small price movement in a HSI Future/HSCEI Future may result in a proportionally high impact and substantial losses to the relevant Product, having a material adverse effect on the NAV.
- Daily rebalancing of Products’ holdings cause a higher level of portfolio transactions than compared to the conventional ETF. High levels of transactions increase brokerage and other transaction costs.
- The Manager may, at its discretion, pay distributions out of capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment and may result in an immediate reduction in the NAV per Unit.

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- The CSOP FTSE China A50 ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of FTSE China A50 Index, which is an index consisting the top 50 A-Share companies by market capitalization listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Investors may not get back part of or the entire amount they invest.
- The ETF is one of the first RMB physical A-share exchange traded funds issued outside PRC to invest directly in the A-share market which is inherently a market with restricted access. Investing solely in China market may also subject the ETF to emerging market risk (such as greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks) and concentration risk.
- Investors who bought units on the HKD counter may be subject to currency exchange risk as the assets of the ETF are denominated in RMB.
- The liquidity and trading price of the ETF RMB traded units may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion between foreign currency and RMB.
- There are risks and uncertainties associated with the current Chinese tax laws applicable to investments made by an RQFII ETF. Provisions of PRC taxes may not be sufficient or may even be excessive. Any shortfall between the reserves and actual tax liabilities may have to be covered by the ETF's assets and may adversely affect the ETF's asset value.
- The ETF is subject to tracking error risks due to factors such as fees and expenses of the ETF and the liquidity of the market, imperfect correlation of return and other factors such as the representative sampling strategy being used and investing in collective investment scheme under exceptional circumstances.
- The units of the ETF are traded on the SEHK. Their prices on the SEHK are based on secondary market trading factors and may deviate significantly from the net asset value of the ETF and may trade at a substantial premium or discount to its NAV.
- The Manager may, at its discretion, pay dividends out of capital. Payment of dividends out of capital or effectively out of the capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the capital or effectively out of the capital of the ETF may result in an immediate reduction of the NAV per Unit.

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- CSOP SESZ ChiNext ETF is a physical index tracking exchange traded fund and it aims to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the ChiNext Index (the “Underlying Index”).
- The Sub-Fund invests primarily in China A-Shares listed on the ChiNext board of the PRC Shenzhen Stock Exchange (“SZSE”) primarily through the RQFII quota of the Manager.
- Listed companies in the ChiNext market (e.g. innovative or small/medium sized enterprises (“SME”)) are usually in their preliminary stage of development with smaller operating scale and shorter operating history, and their businesses are usually subject to higher uncertainty and more fluctuations in their performance. Therefore, its stability and resistance to market risks may be lower.
- Given the emerging nature of the companies listed on the ChiNext market and their industries focus on scientific development, innovation and media industries, any failures in the process of the scientific development may result in losses in such companies.
- This Sub-Fund invests in constituent securities of the Underlying Index which are highly volatile and have a high price-earnings ratio. You may suffer a substantial loss by investing in this product.

- China is considered an emerging market and investments in the China market may be subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks, than that in more developed countries.
- The Manager may, at its discretion, pay dividends out of capital. Payment of dividends out of capital or effectively out of the capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. The Sub-fund may result in an immediate reduction of the NAV per Unit.
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