

CESC Index Report for 2015



China Exchanges Services Co Ltd (CESC)



Highlights

- **Cross-border mid-cap index, CES 280, had a return of 10.3 per cent, outperforming other major benchmark indices.**
- CES cross-bored index, CES 120, included stocks from Shenzhen's ChiNext for the first time to better reflect Mainland development.
- Developed markets performed well while emerging markets took a beating. The Mainland market experienced some uncommon booms and busts.
- **The CSI 300 Index had a full-year gain of 5.6 per cent. A shares outperformed stocks of other emerging economies.**
- Trading through Shanghai-Hong Kong was smooth though participants remained limited.
- Number of Hong Kong ETFs that track A shares increased to 45.
- Open interest of FTSE China A50 Index Futures continued to hit new highs.

1. Performance of CESC indices in 2015

The Mainland stock market had an unusual year, with the Shanghai Composite Index surging 59 per cent to 5000 points in the first half before shedding 40 per cent in the following three months amid extraordinary volatility which wiped off almost all previous gains. Hong Kong stocks also went through sharp fluctuations. As Table 1 shows, the performance of CESC indices varied between about a 10 per cent gain and an 8 per cent loss.

On the Mainland, small and medium cap stocks, which represent new economic developments, outperformed large cap stocks.

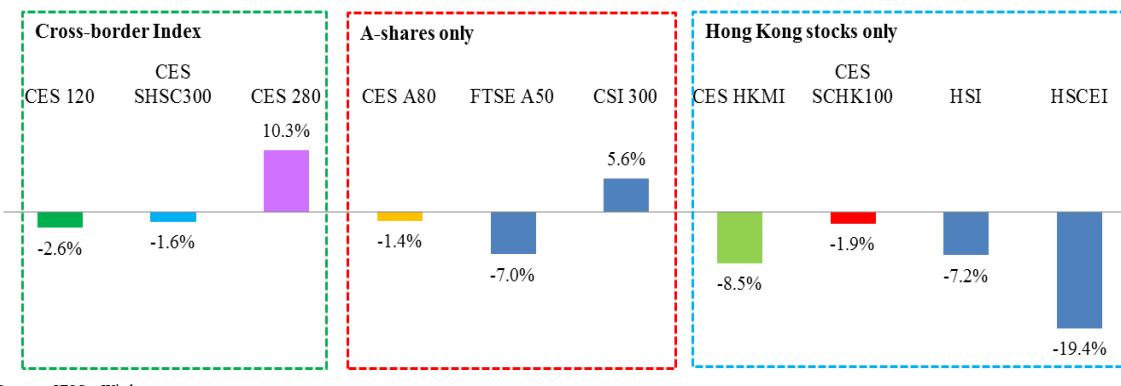
Table 1

	Index Point	Yearly Return	Volatility	Risk-adjusted Return
SZSE Component	12,664.89	14.98%	41.33%	0.36
CES 280	6,675.19	10.33%	37.08%	0.28
SSE Composite	3,539.18	9.41%	37.98%	0.25
CSI 300	3,731.00	5.58%	38.56%	0.14
CES A80	6,296.47	-1.43%	38.41%	(0.04)
CES SHSC 300	3,693.68	-1.62%	25.76%	(0.06)
CES SCHK 100	4,297.59	-1.95%	19.60%	(0.10)
CES 120	5,044.06	-2.63%	28.76%	(0.09)
FTSE A50	10,711.64	-7.00%	38.39%	(0.18)
HSI	21,914.40	-7.16%	20.41%	(0.35)
CES HKMI	5,418.21	-8.46%	23.59%	(0.36)
HSCEI	9,661.03	-19.39%	26.78%	(0.72)

Source: CESC and Wind; data as of 31 Dec 2015

CESC's cross-border mid-cap index, CES 280, which includes Mainland growth enterprises, had a return of 10.3 per cent (see Chart 1). It outperformed CES's other

Chart 1 Index Returns for 2015



Sources: CESC, Wind

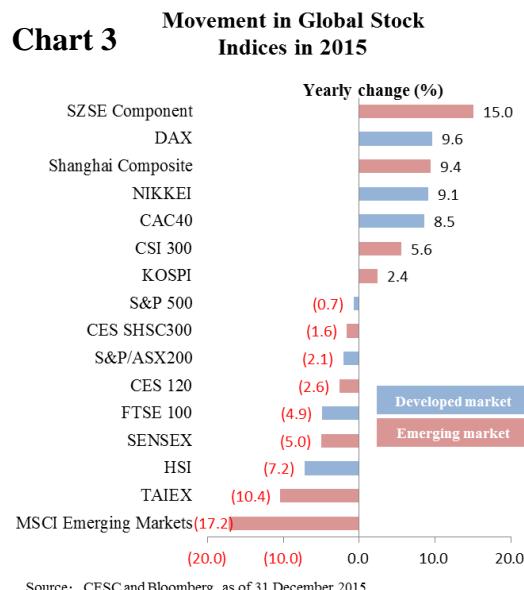
cross-border indices as well as major A-share and Hong Kong stock indices (see Chart 1).

2. Global stock market performance in 2015

Many major stock markets ended the year with small gains or losses. The investment environment included a few big themes. The US dollar strengthened as the US economy's recovery continued. Europe and Japan maintained their easy monetary policies. Emerging markets led by Mainland China were threatened by potential capital flight.

Developed markets performed well while emerging markets took a beating.

Under the influence of a strong domestic currency, US stocks ended the year slightly lower. Easy monetary policy propped up European and Japanese stocks. Germany's DAX rose 9.6 per cent; France's CAC 40 Index gained 8.5 per cent and Japan's Nikkei climbed 9.1 per cent. (See Chart 3)



Source: CESC and Bloomberg, as of 31 December 2015

An uncertain economic outlook, a strong US dollar and falling commodity prices led to capital flight and turmoil in emerging markets. The MSCI Emerging Markets Index closed 17.2 per cent lower. **Although A shares experienced some uncommon booms and busts throughout the year, they outperformed other major emerging economies, with the CSI 300 Index, the Shanghai Composite Index and the SZSE Component Index posting a full-year gains of 5.6 per cent, 9.4 per cent and 15 per cent respectively.** Asian stock markets excluding China, Japan and Korea

underperformed major developed markets, with Hong Kong, Taiwan and Indian stocks losing 5 per cent to 10 per cent of their value.

3. A shares continued to attract interest overseas in 2015

i. Shanghai-Hong Kong Connect operated smoothly, though participants remained limited

Northbound trading under Shanghai-Hong Kong Stock Connect (Stock Connect) had total turnover of about RMB1.5 trillion. Tumbling prices significantly increased Northbound selling of A shares in the second half of the year (see Chart 4).

Southbound trading under Stock Connect had total turnover of RMB777.7 billion.

ii. Number of Hong Kong ETFs tracking A shares rose to 45

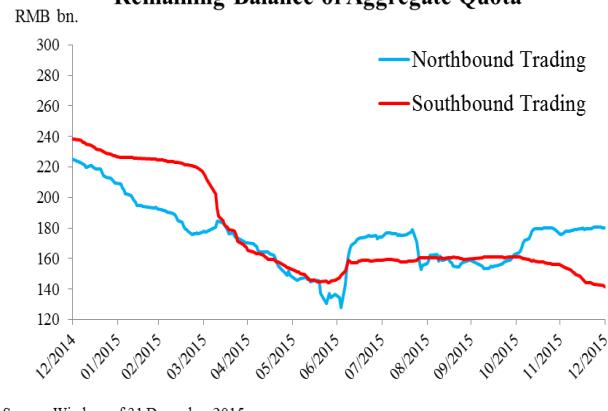
Hong Kong, as the world's largest offshore A-share ETF market, welcomed six new A-share ETFs. Of the 118 equity-related ETFs listed in Hong Kong at the end of the year, 45, or more than one-third, tracked A shares.

iii. Open interest of FTSE China A50 Index Futures continued to hit new highs

FTSE China A50 Index Futures are undeniably a major component of the A-share ecosystem for international investors. The design of the contract and its high liquidity satisfy the risk management requirements of investors who are outside the Mainland and have exposure to A shares.

The open interest of FTSE China A50 Index Futures was more than 550,000 contracts at the end of the year and 25 per cent higher than it was at the end of 2014. The nominal value of the contracts was almost RMB40 billion, about the same as the total market value of open interest in CSI

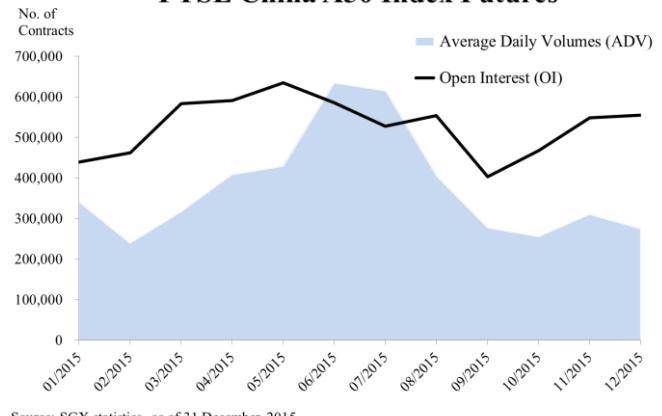
Chart 4 Shanghai-Hong Kong Stock Connect's Remaining Balance of Aggregate Quota



Source: Wind as of 31 December 2015

Chart 5

FTSE China A50 Index Futures



Source: SGX statistics as of 31 December 2015

300 Futures. (See Chart 5)

China Exchanges Services Company Limited

Suites 906-908, 9/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
<http://www.cesc.com>

Prepared by: Index Development

Tel: +852 2803 8200

Email: cescinfo@cesc.com

Disclaimer

China Exchanges Services Company Limited (CESC) endeavours to ensure the accuracy and reliability of the information provided, but it does not guarantee its accuracy and reliability and accepts no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracy or omission or from any decision, action or non-action based on or in reliance upon information contained in this report.