

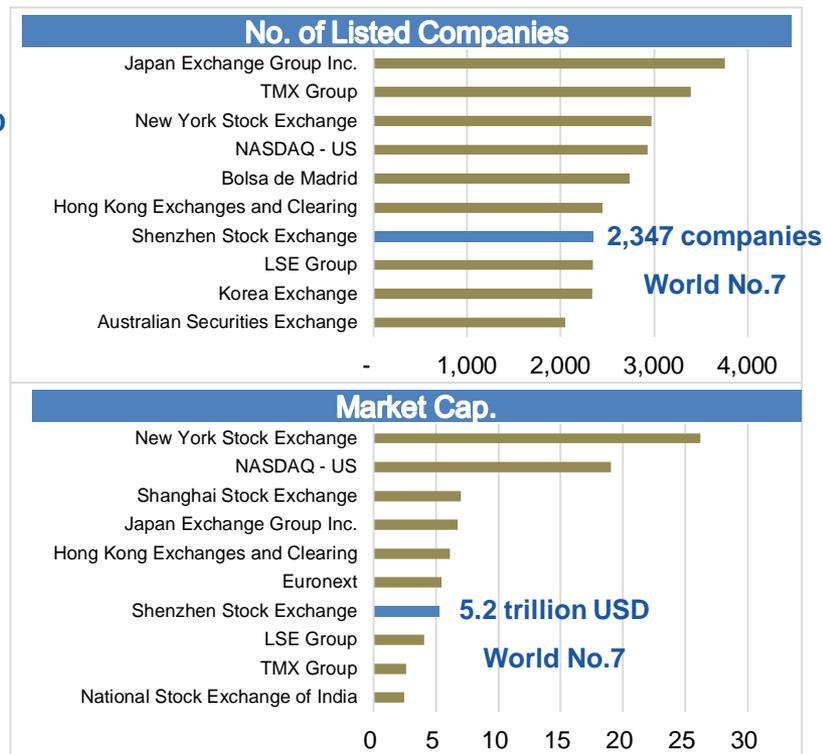
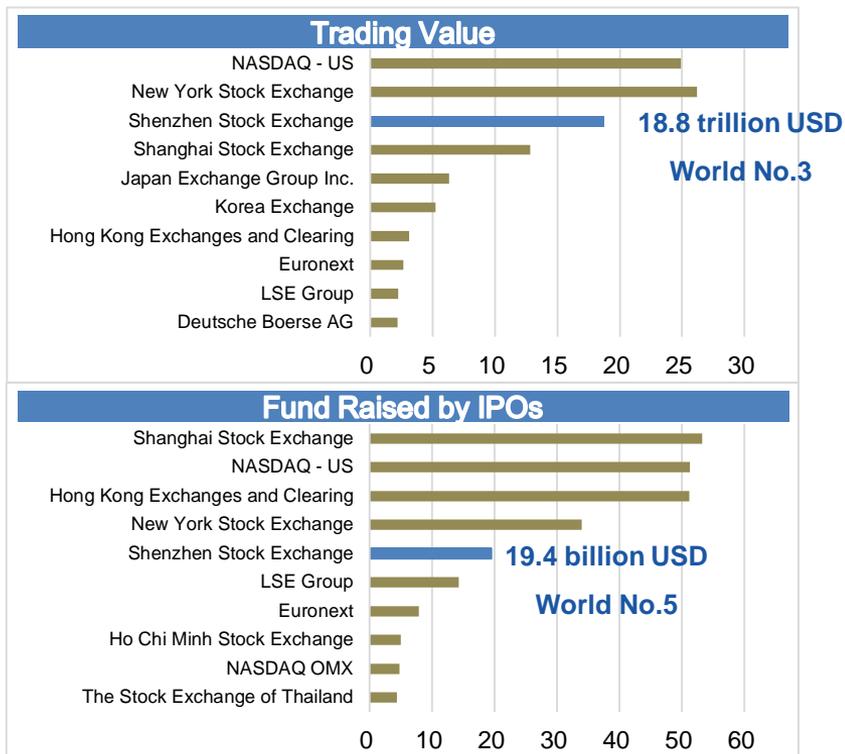
# Capture the Opportunities of Shenzhen market via Shenzhen Indices

Index Department  
Shenzhen Securities Information Co., Ltd.

# Contents

- I. **Distinctive Shenzhen Market Features**
- II. Shenzhen Indices with Characteristics
- III. Index Provider of SZSE

# A high-growth emerging market



Source: WFE, as of December 2020

## A two-board market structure

	Main Board	ChiNext Market
No. of listed companies	1470+	950+
Mkt cap. (Trillion CNY)	23.6	11.5
IPO mechanism	Merit-based	Registration-based
% of Non-SOEs	70%	91%
Target companies	Relatively mature enterprises	High-tech enterprises and growing innovative enterprises
Features Cluster	Market-based blue chips and industry champions acting as stabilizers of the national economy	90%+ high-tech enterprises 80%+ capable of independent research 60%+ belongs to strategic emerging industries 60% served as import domestic substitute
Major sectors	IT (18%) Materials (16%) Consumer Staples (15%) Consumer discretionary (15%)	IT (26%) Healthcare (26%) Industrials (25%) Materials (7%)

Source: SZSE, SSIC, as of April 2021

# High quality development of SZSE listed companies

In 2020, SZSE listed companies took the lead in financial recovery.

- **60%** of companies generated **positive revenue growth**
- **40%** recorded positive revenue growth for **3 consecutive years**
- **60%** generated **positive net income growth**
- **40%** generated net income growth of **more than 30%**

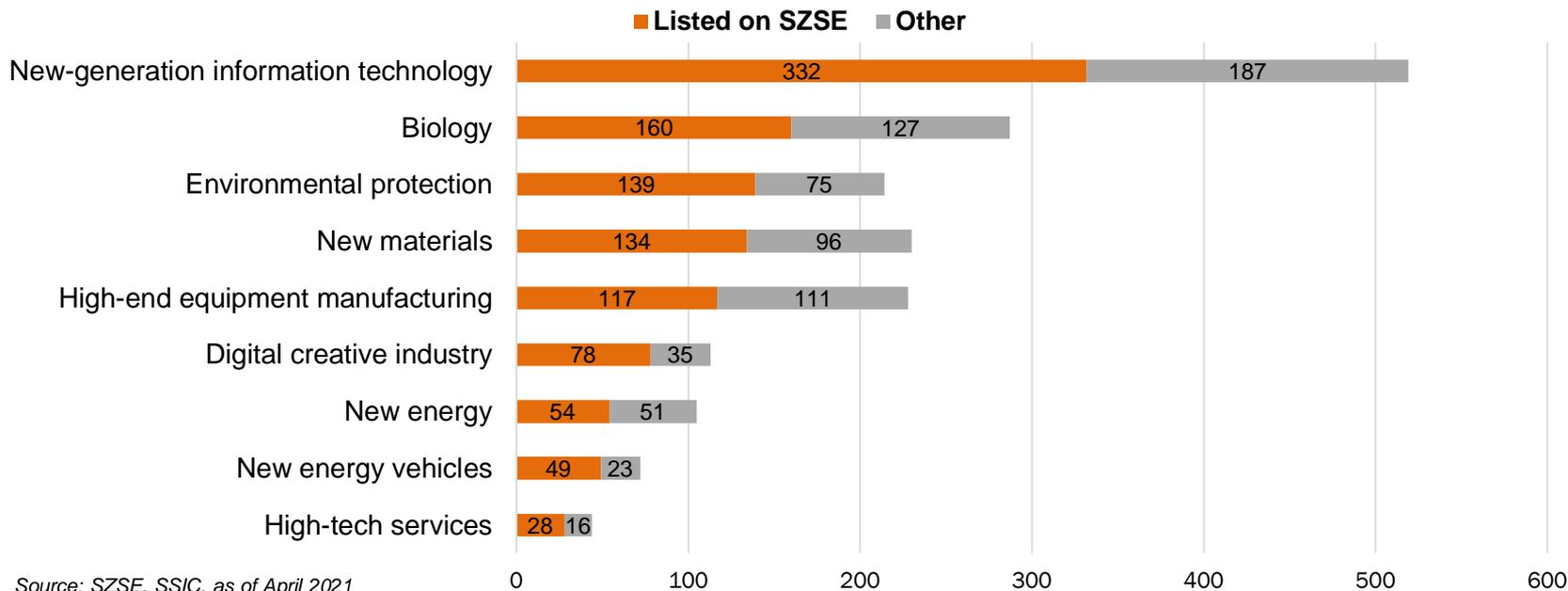
## Net Income Growth (year-on-year)

Market Index	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Year 2020
<b>Shenzhen Component</b>	-9.3%	<b>19.9%</b>	24.5%	10.5%	12.6%
S&P 500	-60.9%	<b>-40.4%</b>	-0.3%	-13.4%	-30.8%
IBOVESPA	-220.2%	<b>-76.1%</b>	-23.8%	105.2%	-43.0%
FTSE 100	-70.7%	<b>-149.1%</b>	22.7%	40.0%	-62.5%
CAC 40	-95.9%	<b>-107.7%</b>	-16.9%	41.4%	-52.2%
DAX 30	-52.9%	<b>-145.8%</b>	-49.2%	113.5%	-43.0%
Nikki 225	-126.5%	<b>-59.1%</b>	-4.3%	42.3%	-40.1%
KOSPI 200	-43.4%	<b>-17.2%</b>	49.7%	466.9%	25.0%
SENSEX 30	-37.4%	<b>-39.4%</b>	-20.0%	10.2%	-5.4%

Source: SZSE, SSIC, Bloomberg

# Advantages on Emerging Industries and New Economy Sectors

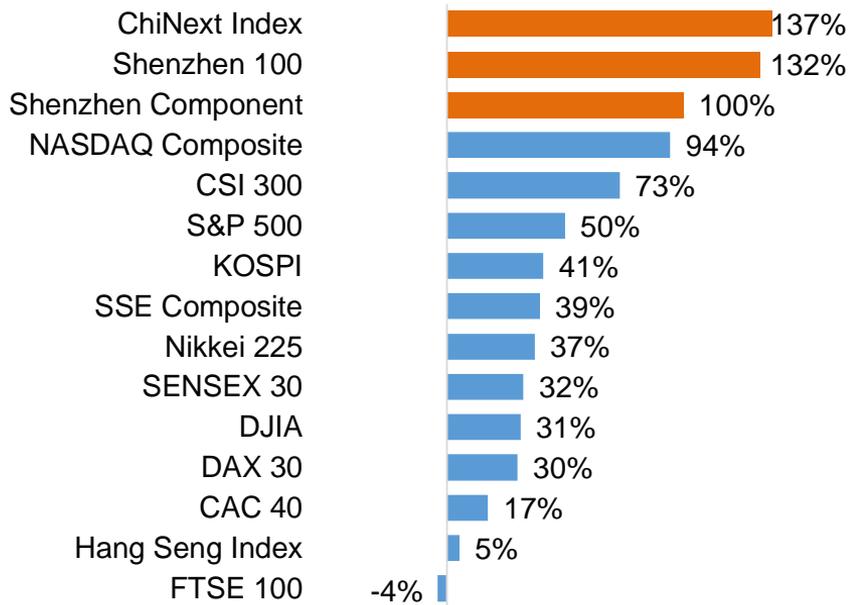
- IT is the largest sector of Shenzhen market.
- SZSE has great advantages on strategic emerging industries by number of companies and weightings.
- **75%** of SZSE companies are non-SOEs, possessing 'market-orientation' philosophy.



# SZSE market is suitable for index investment

## Remarkable returns

### Cumulative return of major market indices (2019-2020)



Source: SZSE, SSIC, Bloomberg



China's **Shenzhen component** is a standout among the region's major markets, having risen 38.73% in 2020.

Those figures echo China's tremendous economic recovery after the country earlier this year instituted lockdowns to stem the virus' spread.

# SZSE market is suitable for index investment

Risk diversification  
Cost efficiency  
Allocation enrichment

**SSE**

Financials & real estates

Large SOEs

Traditional blue chips

**SZSE**

Advanced manufacturing

Non-SOEs & SMEs

Competitive blue chips &  
Innovative companies

**HKEX**

Financials & real estates

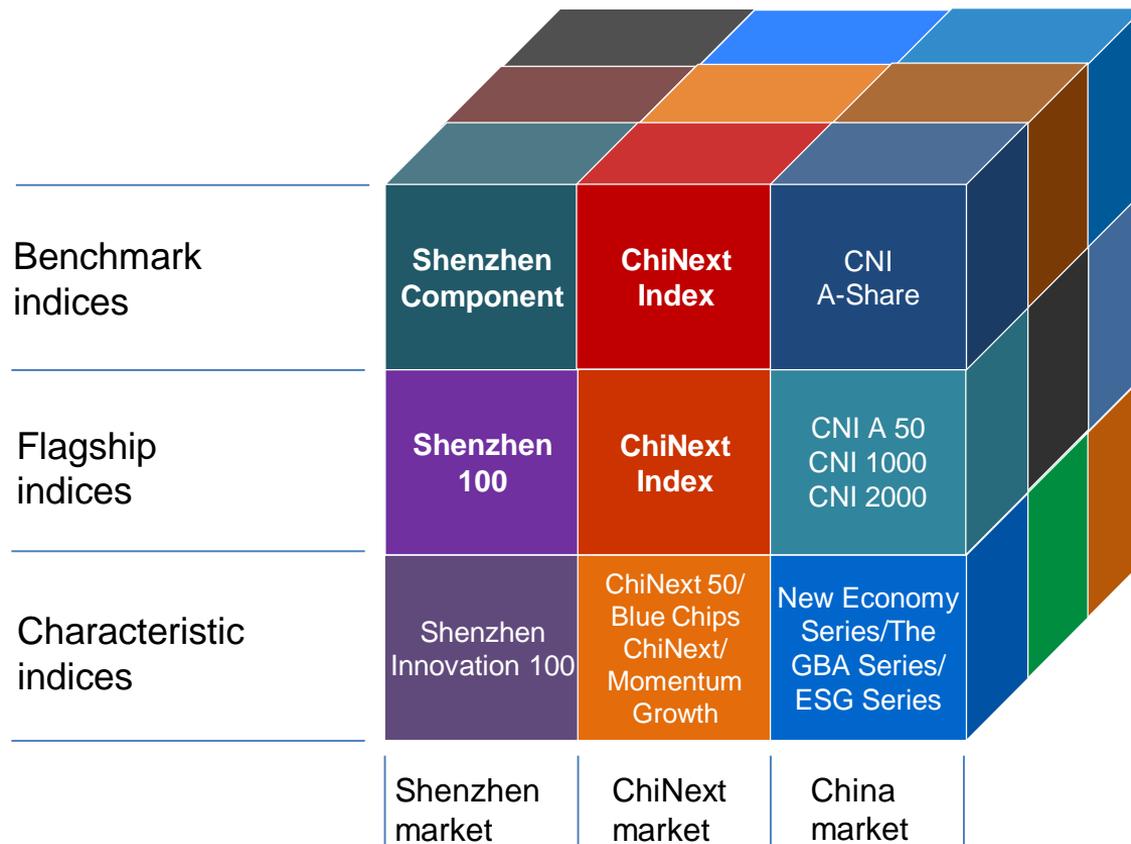
Red chips

Internet companies

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# Multi-tiered index family



## '1+2' Core indices

Exchange	Benchmark	Flagship Index	Characteristic Index
<b>Shenzhen Stock Exchange</b>	Shenzhen Component	Shenzhen 100	ChiNext Index
<b>Shanghai Stock Exchange</b>	SSE Composite	SSE 50	STAR 50
<b>Korea Exchange</b>	KOSPI	KOSPI 200	KOSDAQ 150
<b>Tokyo Stock Exchange</b>	TOPIX	TOPIX	JASDAQ
<b>NASDAQ</b>	NASDAQ Composite	NASDAQ 100	

# Shenzhen Component Index

## Positioning

- Benchmark of SZSE

## Target

- Representing China's up-and-coming growth enterprises

## Constituents

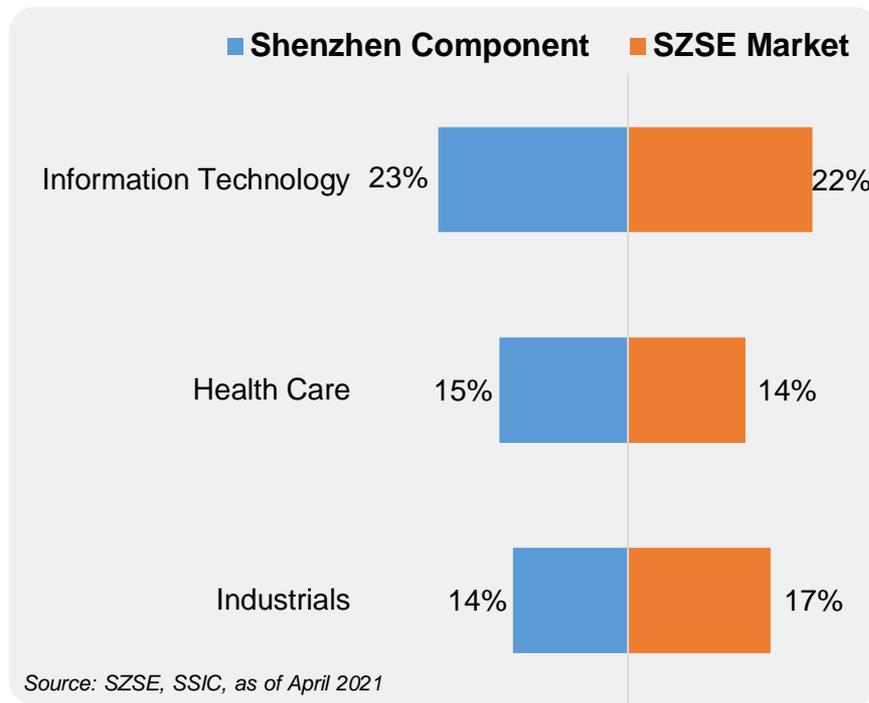
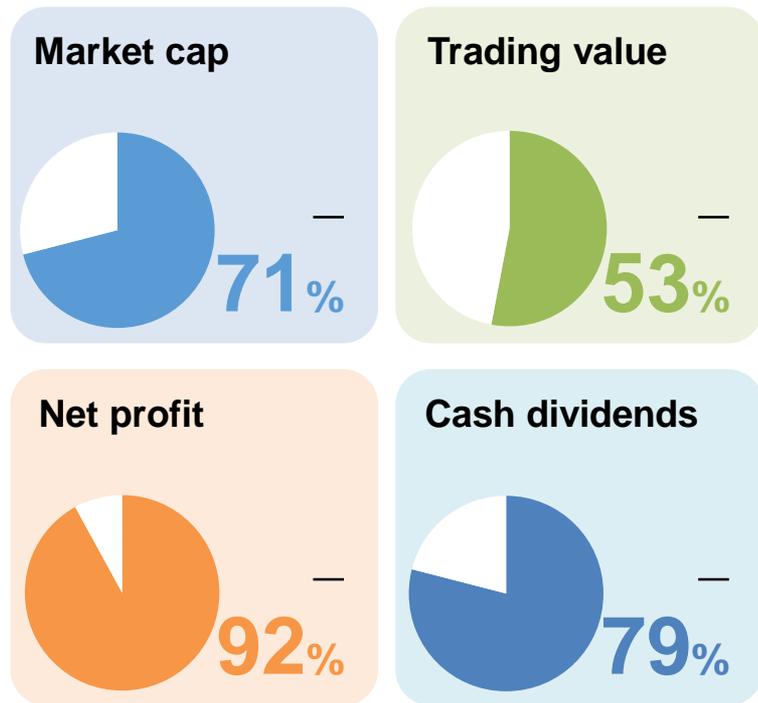
- The 500 largest and most liquid A shares listed and trading on SZSE

## Quick facts

SZSE ticker	399001
Bloomberg	SICOM
RIC	.SZI
ISIN	CNM000000C8
Number of Constituents	500
Universe	SZSE mainboard & ChiNext market
Weighting Method	Free-float market cap.
Review Frequency	Semi-annually
Calculation Frequency	Every 3 seconds
Launch Date	01/23/1995
Base Value	1000

# Shenzhen Component Index

## Good spokesman of SZSE

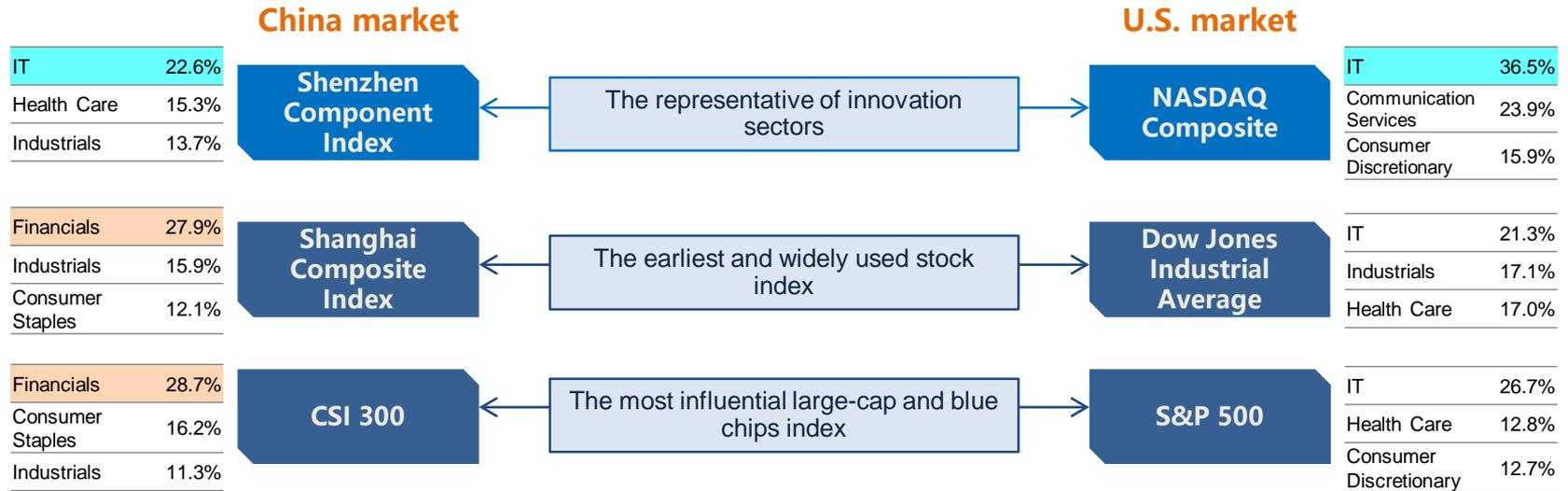


Source: SZSE, SSIC, as of April 2021

# Shenzhen Component Index

## A unique benchmark

- A multi-tiered stock market needs multiple benchmark indices
- The unique market position and characteristics make the Shenzhen Component an irreplaceable benchmark
- The 500 constituents provide part of the universe of the Northbound of Shenzhen-Hong Kong Stock Connection



Source: SZSE, SSIC, Bloomberg, public data, as of April 2021

# ChiNext Index

## Positioning

- Characteristics index of SZSE
- Benchmark & flagship index of ChiNext market of SZSE

## Target

- Representing China's high-tech and innovative companies

## Constituents

- The 100 largest and most liquid A shares listed and trading on ChiNext market of SZSE

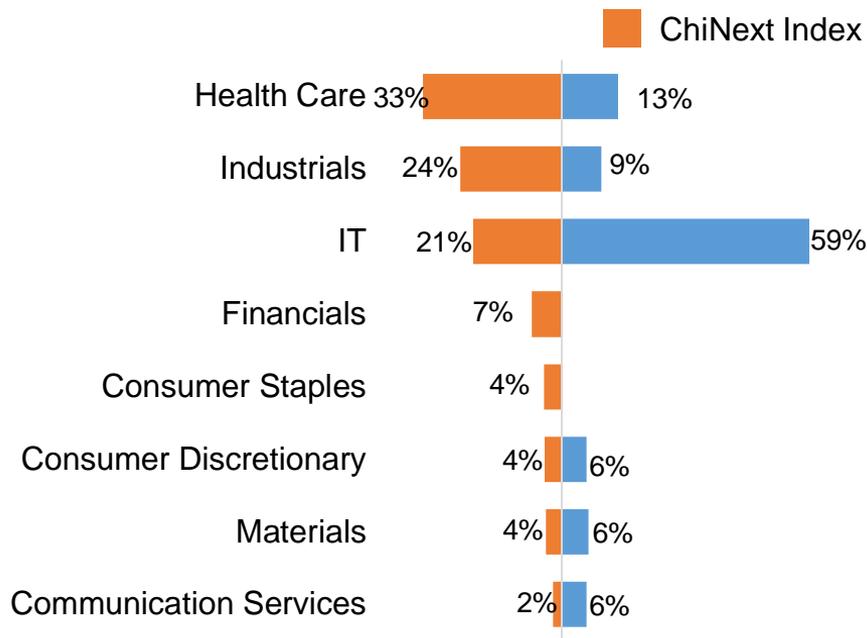
## Quick facts

SZSE Ticker	399006
Bloomberg	SZ399006
RIC	.CNT
ISIN	CNM100002K13
Number of Constituents	100
Universe	ChiNext market
Weighting Method	Free-float market cap.
Review Frequency	Semi-annually
Calculation Frequency	Every 3 seconds
Launch Date	06/01/2010
Base Value	1000

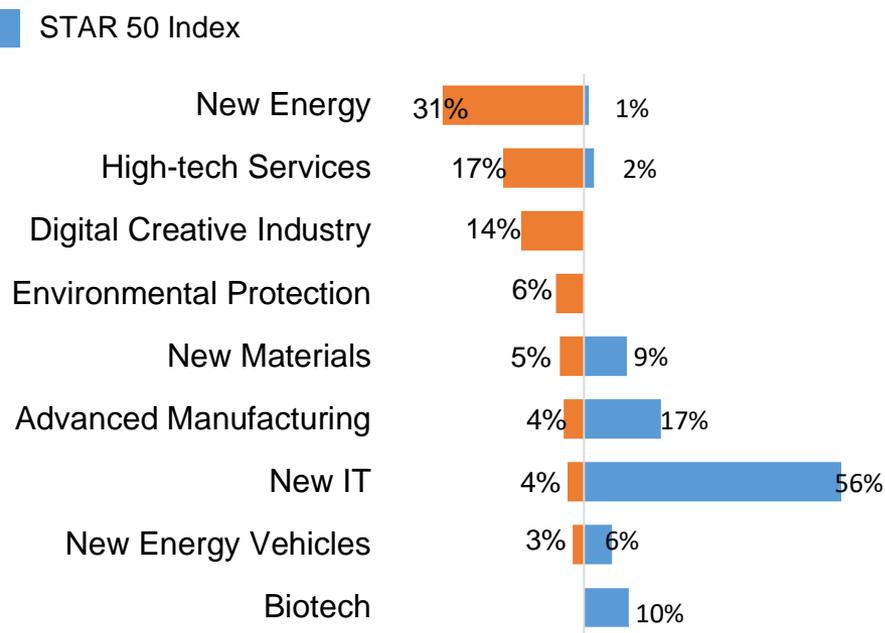
# ChiNext Index

## Innovation DNA

Sector breakdown by market cap.



Strategic emerging industries breakdown by market cap.



Source: SZSE, SSIC, as of April 2021

# ChiNext Index

## Outstanding Performance

- The performance of ChiNext Index shows a high- return and high-volatility pattern
- Correlations of the performance between ChiNext Index and other indices are relatively low



The tech-heavy start-up board **ChiNext .CNT** rose 63% in 2020, posting its biggest yearly gain since 2015, versus a 43% gain for Nasdaq .IXIC.

## Risk and return (2018-2020)

Index	ChiNext Index	FTSE A50	MSCI China A Inclusion	CSI300	CSI500
Accumulative Return	69%	34%	32%	29%	2%
Annualized Return	19%	10%	10%	9%	1%
Annualized Volatility	29%	22%	21%	21%	25%

## Correlation matrix (2018-2020)

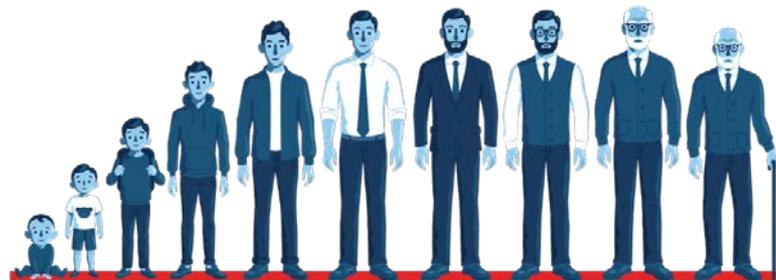
Index	ChiNext Index	FTSE A50	MSCI China A Inclusion	CSI300	CSI500
ChiNext Index	1	0.661	0.831	0.822	0.935
FTSE A50		1	0.949	0.957	0.727
MSCI China A Inclusion			1	0.995	0.883
CSI300				1	0.880
CSI500					1

Source: SZSE, SSIC, Bloomberg, as of April 2021

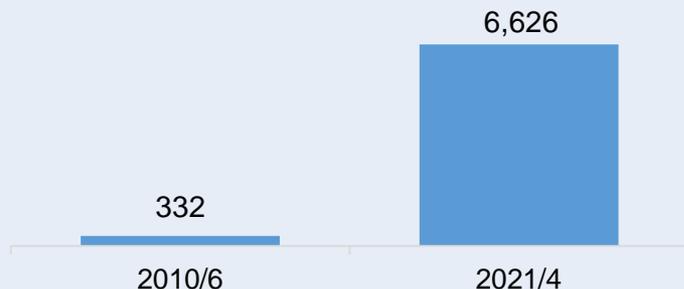
# ChiNext Index

## Tremendous and Sustained Growth

- On average, constituents of the ChiNext Index bear a relatively shorter listing history and smaller market cap.
- ChiNext index is at a stage of rapid growth



Market cap. (bn CNY) of the ChiNext Index



Source: SZSE, SSIC, as of April 2021

66

billion CNY  
Avg. market cap.

7.2

years  
Avg. listing history

# ChiNext Index

## Bright Future



# Shenzhen 100

## Positioning

- The flagship index of SZSE

## Target

- Representing China's high growth and blue chips

## Constituents

- The 100 largest and most liquid A shares listed and trading on SZSE.

## Quick facts

SZSE Ticker	399330
Bloomberg	SZ399330
RIC	.SZ100
ISIN	CNM0000002G5
Number of Constituents	100
Universe	SZSE mainboard & ChiNext market
Weighting Method	Free-float market cap.
Review Frequency	Semi-annually
Calculation Frequency	Every 3 seconds
Launch Date	06/01/2010
Base Value	1000

# Shenzhen 100

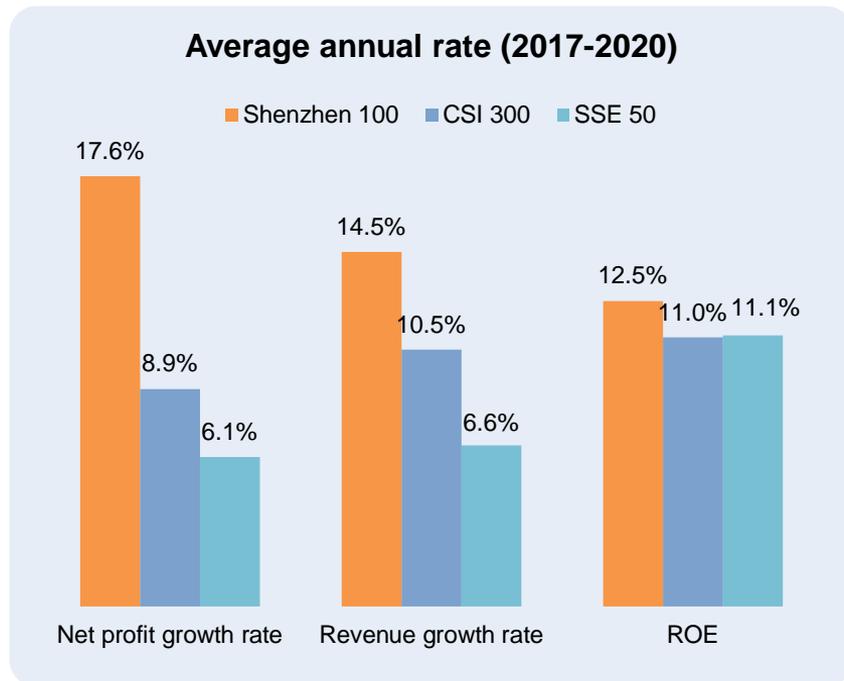
## Good Representative for China's New Economy

Sector	Shenzhen 100	CSI 300	SSE 50	S&P 500
Information Technology	23.3%	10.8%	5.6%	26.7%
Consumer Staples	17.0%	16.2%	19.5%	6.0%
Health Care	15.2%	10.3%	8.1%	12.8%
Consumer Discretionary	14.3%	10.7%	6.9%	12.7%
Financials	12.3%	28.7%	42.9%	14.0%
Industrials	11.6%	11.3%	9.0%	8.7%
Materials	4.8%	7.3%	4.3%	2.7%
Telecommunications Services	1.3%	1.6%	1.5%	11.2%
Utilities	0.2%	1.7%	--	2.6%
Energy	--	1.2%	2.2%	2.7%

Source: SZSE, SSIC, as of April 2021

# Shenzhen 100

## A Hub of High Growth Blue-chips



Source: SZSE, SSIC, as of April 2021

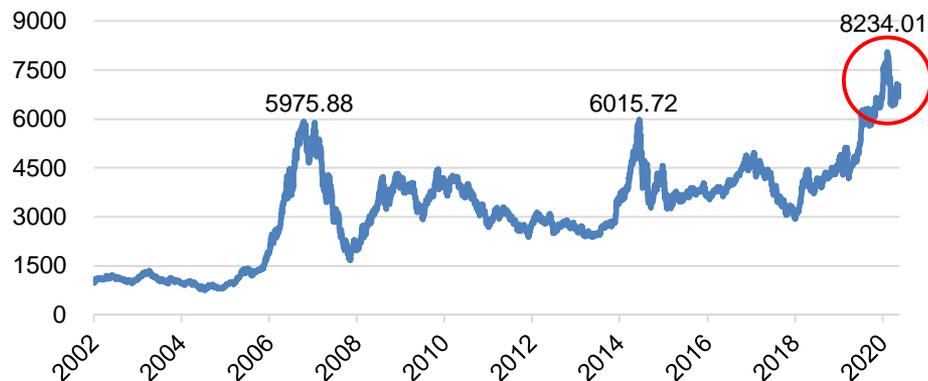


# Shenzhen 100

## Solid and Steady Growth in Index Performance

Year	Shenzhen 100	SSE 50	CSI 300
2005	-10.1%	-7.7%	-5.5%
2006	124.1%	121.0%	126.7%
2007	179.1%	161.5%	134.1%
2008	-63.6%	-65.9%	-67.2%
2009	113.4%	96.7%	84.4%
2010	-4.3%	-12.5%	-22.6%
2011	-31.0%	-25.0%	-18.2%
2012	2.0%	7.6%	14.8%
2013	-4.9%	-7.6%	-15.2%
2014	32.3%	51.7%	63.9%
2015	21.8%	5.6%	-6.2%
2016	-16.5%	-11.3%	-5.5%
2017	26.4%	21.8%	25.1%
2018	-34.7%	-25.3%	-19.8%
2019	55.2%	36.1%	33.6%
2020	49.6%	27.2%	18.9%
<b>Total</b>	<b>588.4%</b>	<b>408.0%</b>	<b>324.0%</b>

Year	Shenzhen 100	CSI 300	SSE 50	S&P 500
2020	49.6%	27.2%	18.9%	16.3%
2019-2020	132.1%	73.1%	58.8%	51.1%
2016-2020	60.0%	39.7%	50.4%	83.8%
5Y Annualized Return	9.9%	8.5%	6.9%	12.9%
5Y Annualized Volatility	23.4%	19.8%	19.3%	22.2%

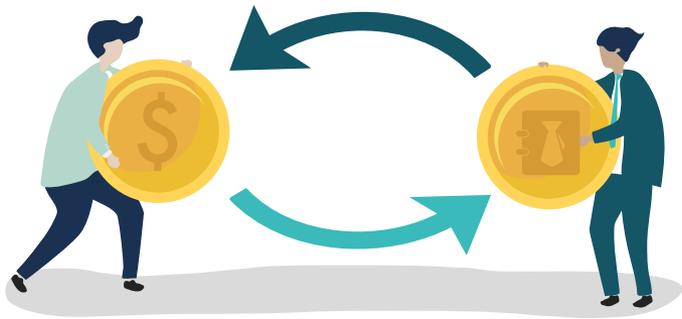


Source: SZSE, SSIC, as of December 2020

# Shenzhen 100

## Investment friendliness

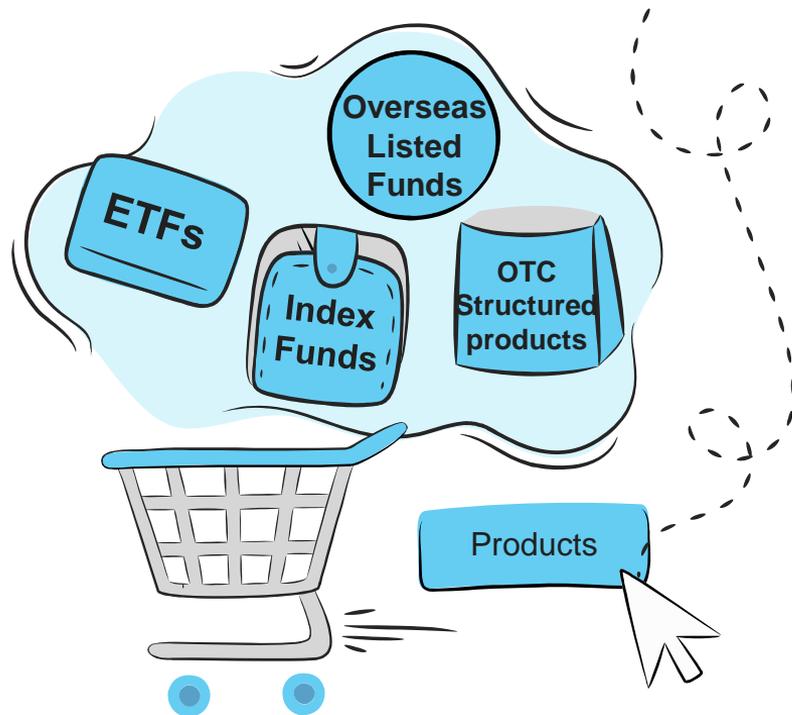
- Constituents of SZSE 100 are required to publish Corporate Social Responsibility Report by SZSE.
- Take Shenzhen 100 ETF (159901) as an example, it is the first ETF listed on SZSE. The proportion of shares held by institutional investors has reached 80%.



Index  
Futures

ETF  
Options

Coming Soon ...

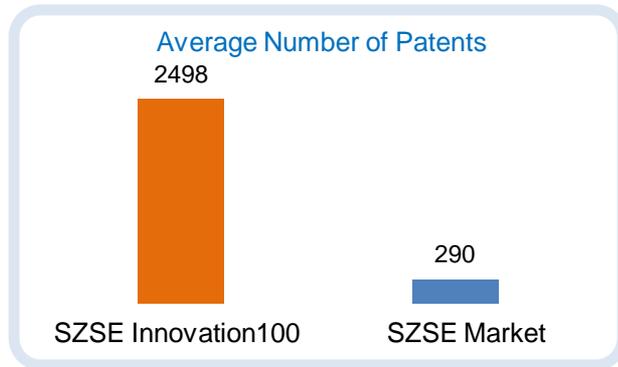
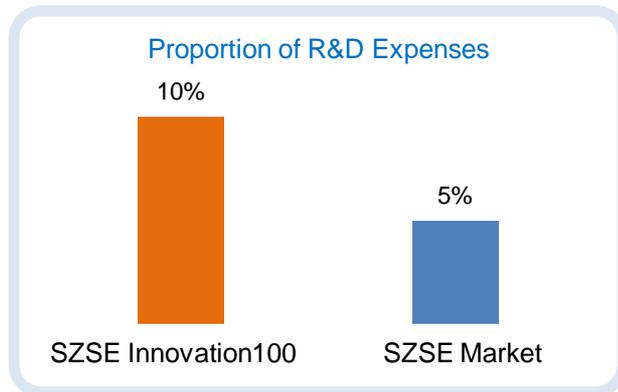


# Innovation Driven Index Series

## SZSE Innovation 100 (399088)

### Innovation Assessment Framework

Enterprise Type	Strategic Emerging / High-tech Industry
Innovation Expenses	R&D Expenses R&D Expenses as Percentage of Operating Income
Innovation Output	Patent Quality Number of Invention Patents
Growth	ROE Year-on-year Growth Rate of Net Profit Excluding Extraordinary Profit and Loss
Representativeness	Average Daily Market Cap in the Past Six Months



Source: SZSE, SSIC, as of December 2020

# Great Bay Area index series



- A vibrant world-class city cluster
- A globally influential international innovation and technology hub
- An important support pillar for the Belt and Road Initiative
- A showcase for in-depth cooperation between the Mainland and Hong Kong and Macao
- A quality living circle for living, working and traveling

## GBA Index Family

### Benchmark

GBA Composite Index

### Flagship index

GBA Innovation 100 Index

### Featured thematic indices

GBA Advanced Manufacturing Index

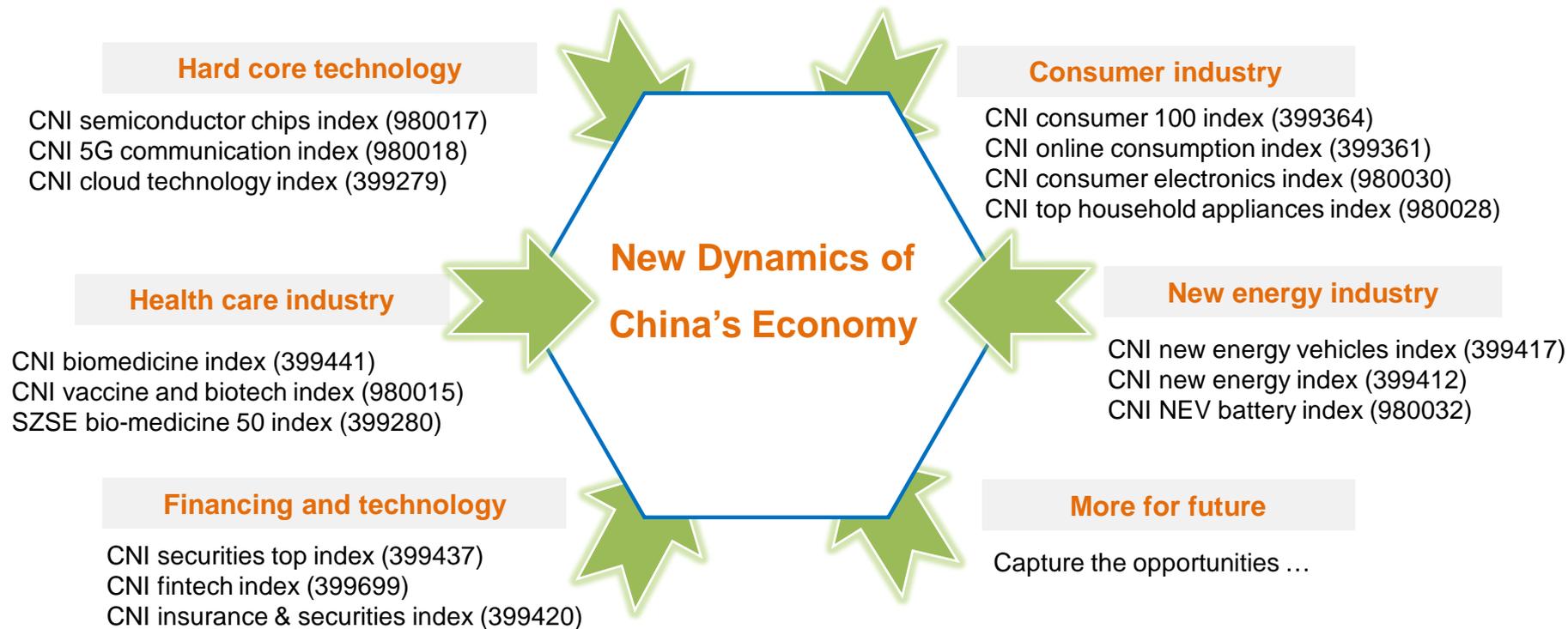
GBA Healthcare Index

GBA Strategic Emerging Industry

GBA Modern Service

GBA Ocean Economy

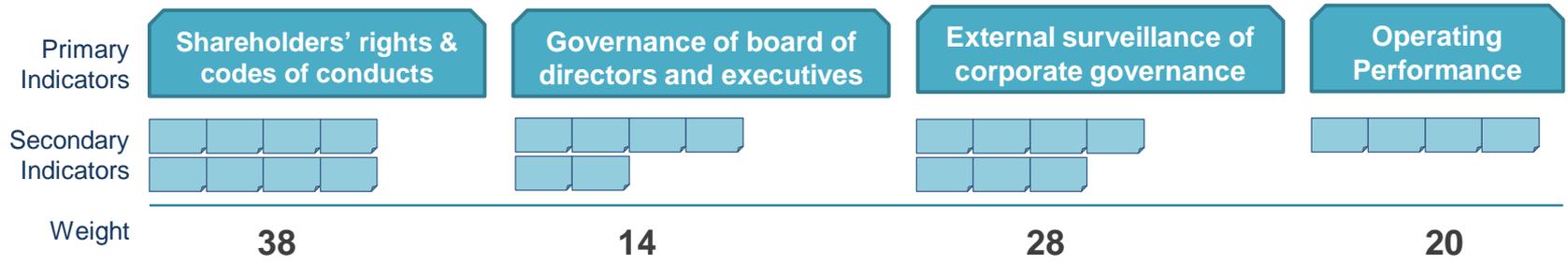
# New Economy Index Series



# ESG Index Series

- Corp. Governance index**  
 Based on our proprietary quantitative corporate governance evaluation system, which enjoys broad recognitions in China's capital market.
- Environmental index**  
 Co-developed with industry leader China Energy Conservation and Environmental Protection (中国节能环保集团), based on reasonable classification of energy saving and environmental protection industries.
- CSR index**  
 Comprised of 100 stocks with excellent social responsibility performance to guide and promote socially responsible investment.

## CNI Corporate Governance Evaluation System



# Green Bond indices

## CUFE-CNI Green Bond Index Series

- Raised fund of constituent bonds must be invested on green industries.
- Collaboration with Central University of Finance and Economics, with support of Green Finance Committee, China Society for Finance & Banking(GFC).
- Published on Luxembourg Stock Exchange(LuxSE) and several overseas exchanges.

## Emission Peak and Carbon Neutrality



## Cooperation

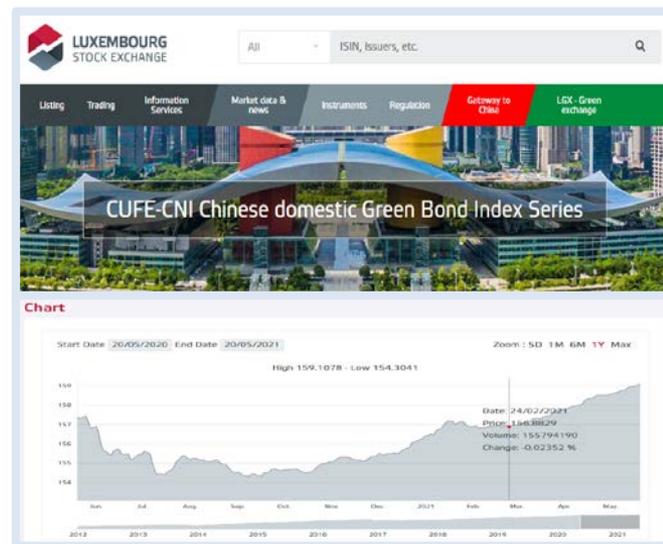
Academy



Government



Enterprises



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## Some facts about SSIC

- A wholly-owned subsidiary of SZSE, and also the provider of Shenzhen indices
- The first index institution in mainland China since 2002, and a member of the Index Industry Association (IIA) since 2019.
- Launched more than 1000 indices cover a range of asset classes and markets.
- Our indices are widely tracked by hundreds of index products with total AUM exceeding 100 billion CNY.

# Index Provider



## Index Governance

Index Advisory Committee  
IOSCO Principle  
EU BMR



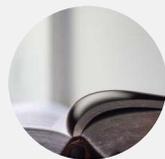
## Index Brands

SZSE indices  
CNI indices



## Self-developed Industry Standards

Industry Classification Standard  
Bond Valuation  
ESG Ratings  
Country Classification Criteria



## Honor

The Best Index Provider for ETF-  
China ( 2015 & 2021 )  
ESG Pioneer ( 2018 & 2019 )  
Best Index Provider of Technology in  
China ( 2020 )

# THANKS

For more information please visit  
[www.cnindex.com.cn](http://www.cnindex.com.cn)

Or contact us:

Tel: +86-755-83241251

Fax: +86-755-83243723

E-mail: [index.service@cninfo.com.cn](mailto:index.service@cninfo.com.cn)