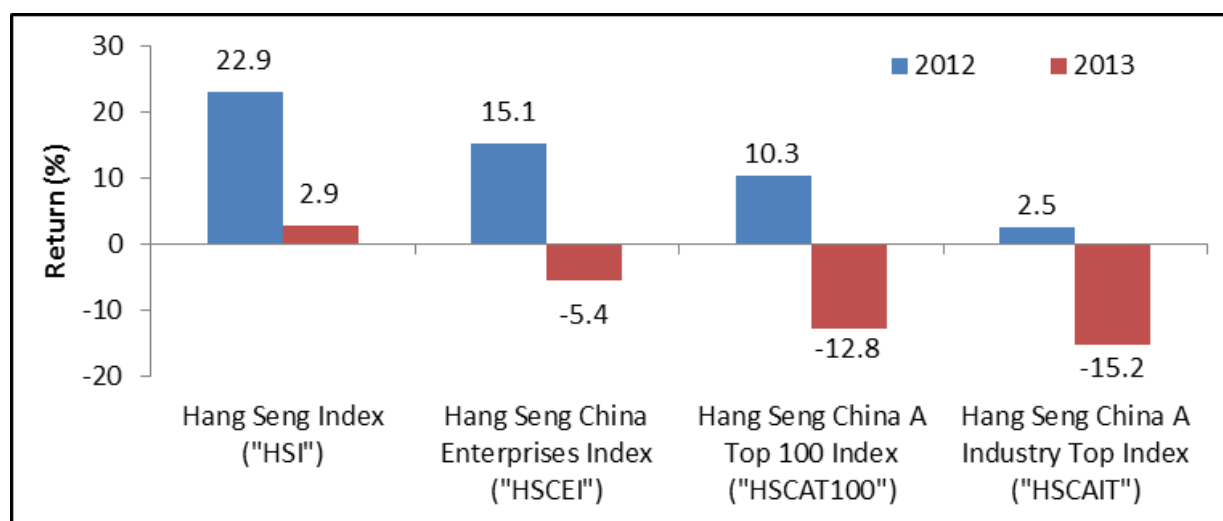


# 2013 Year-end Report

## Performance of Hang Seng Family of Indexes in 2013

- Hang Seng Index rose 2.9% in 2013, much less than the 22.9% return in 2012.
- Strategy indexes' risk/return profiles continued to differentiate themselves from the market benchmark.
- Technology was the best performing sector; SmallCap stocks performed better than LargeCap and MidCap stocks.
- Hang Seng China AH Premium Index fell to 94.11 from last year's 101.01, implying that A-shares underperformed H-shares of the same company in general.
- Total return on iBonds issued by the Hong Kong Government rose slightly during the year.

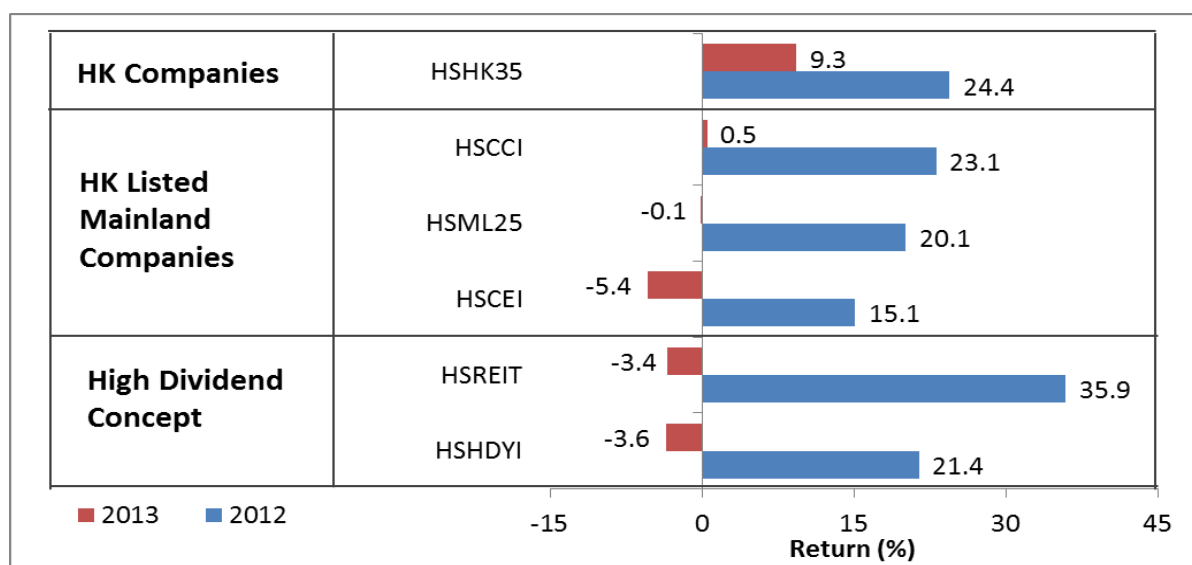
## Performance of Major Flagship Indexes



### Stock market momentum faded in 2013

- The Hong Kong stock market rose slightly in 2013, with the HSI recording a gain of 2.9%.
- The A-share market remained weak. The HSCAIT and HSCAT100 dropped 15.2% and 12.8% respectively.
- Tracking the decline in the A-share market, the HSCEI declined by 5.4%.

## Performance of Thematic Indexes

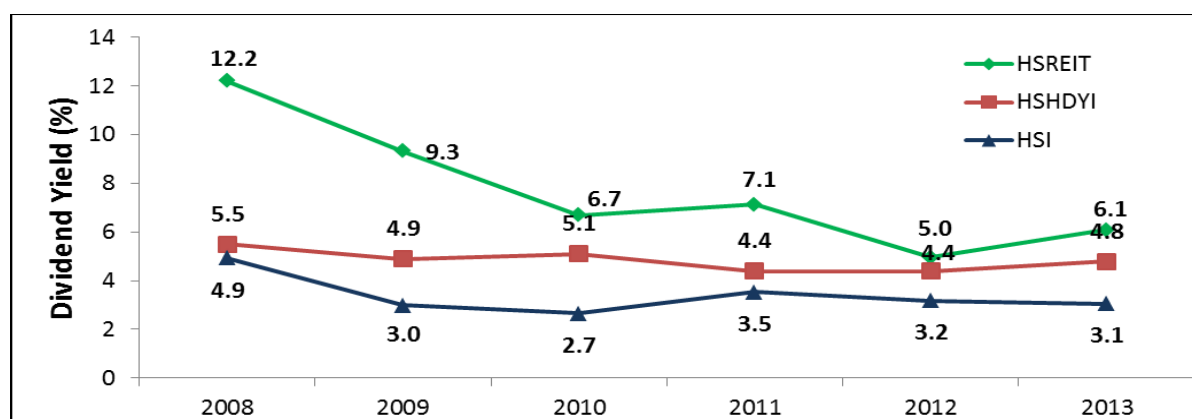


HSHK35: Hang Seng HK 35 Index  
 HSCEI: Hang Seng China Enterprises Index  
 HSCCI: Hang Seng China-Affiliated Corporations Index  
 HSML25: Hang Seng Mainland 25 Index  
 HSHDYI: Hang Seng High Dividend Yield Index  
 HSREIT: Hang Seng REIT Index

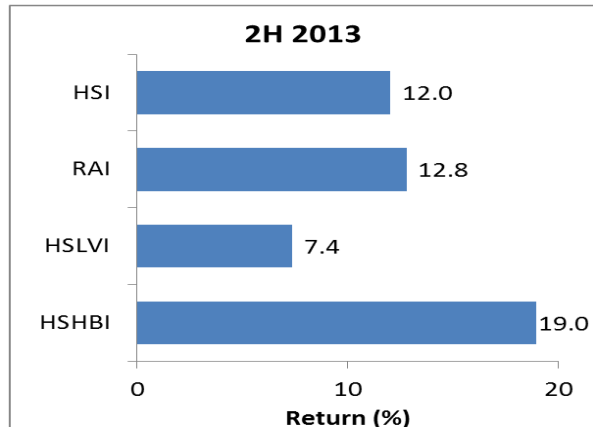
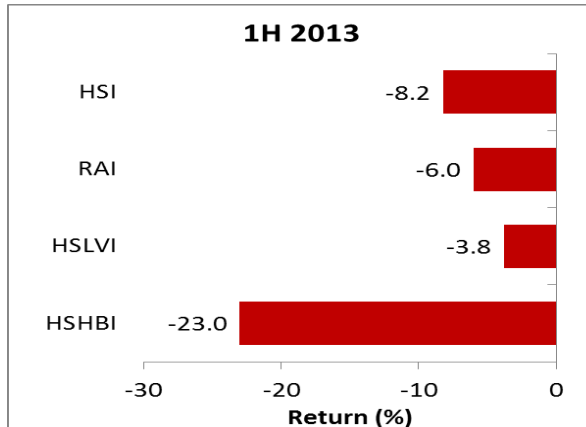
### Hong Kong stocks outperformed HK-listed Mainland China counterparts

- Hong Kong stocks continued to outperform Hong Kong-listed Mainland stocks in 2013, with the HSHK35 rising 9.3%.
- Mainland sector indexes performance was mixed in 2013. The HSCCI rose 0.5% while the HSML25 and HSCEI slid by 0.1% and 5.4% respectively.
- Hang Seng Indexes' high yield concept indexes - the HSHDYI and the HSREIT - fell by 3.6% and 3.4% respectively, but consistently recorded higher dividend yields than the HSI.

### Dividend Yield of High-yield Indexes vs HSI



## Performance of Strategy Indexes

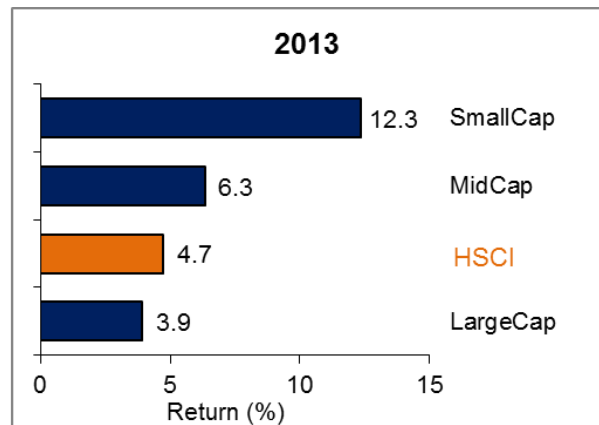
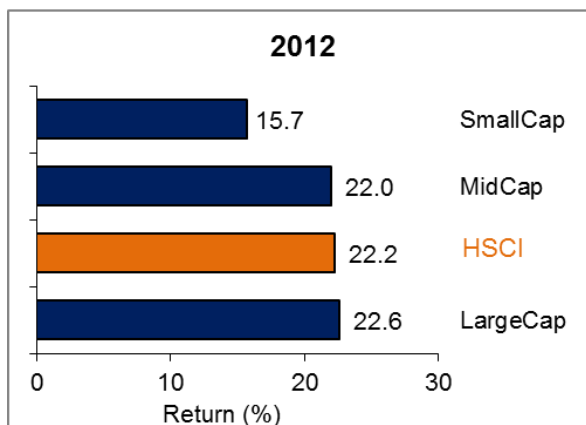


RAI: Hang Seng Risk Adjusted Index  
 HSLVI: Hang Seng Low Volatility Index  
 HSHBI: Hang Seng High Beta Index

### Strategy indexes well differentiated from market benchmark

- The RAI and HSLVI demonstrated their defensive nature in the first half of 2013, outperforming the HSI by 2.2% and 4.4% respectively.
- During the market rebound in the second half of 2013, the HSLVI lagged the HSI while the RAI delivered a similar return to the market benchmark.
- The HSHBI underperformed during the bear market in the first half of 2013 but had rebounded strongly by in the second half of 2013.

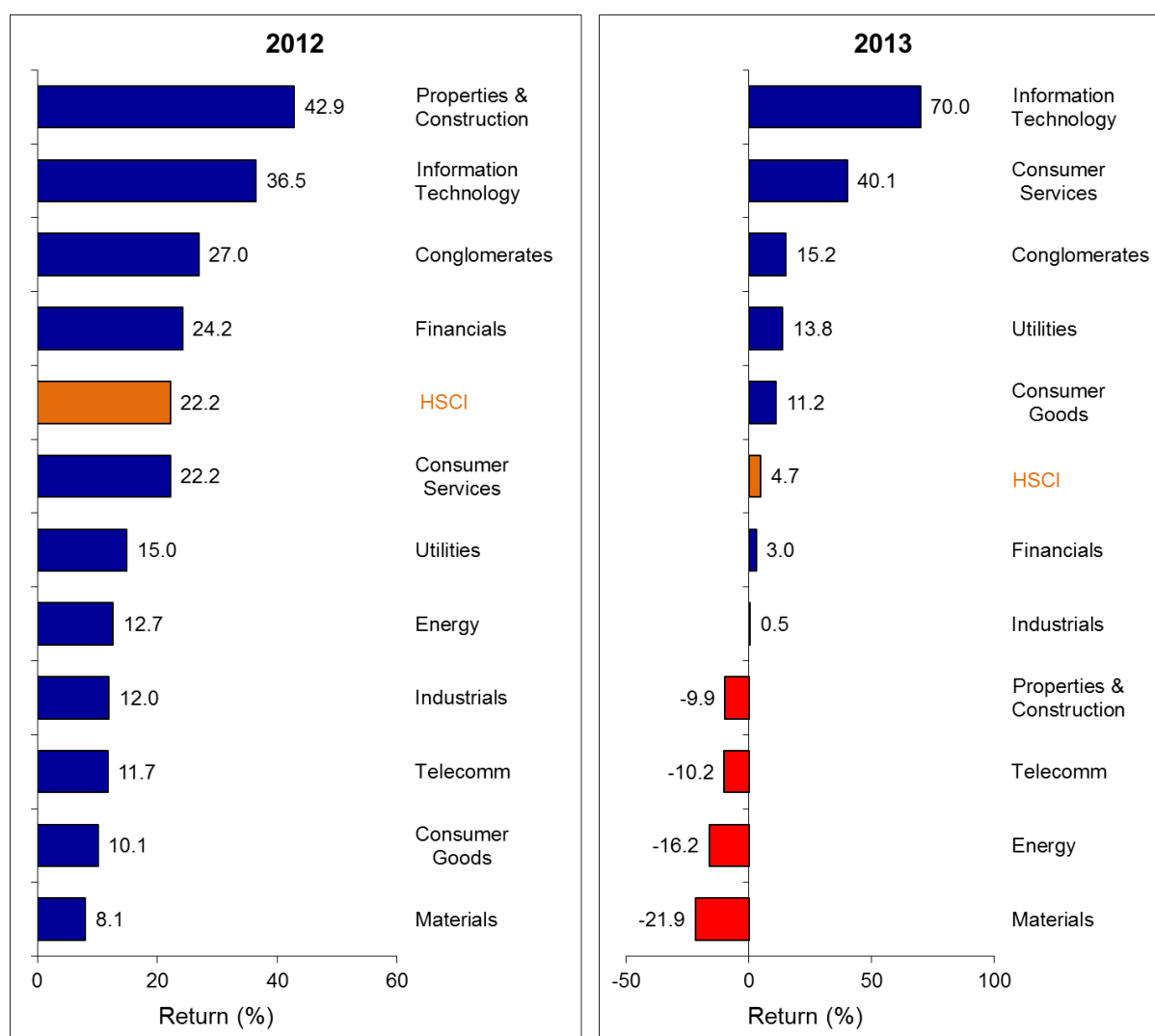
## Performance of Size Indexes



### SmallCap stocks best overall performers

- The Hang Seng Composite SmallCap Index outperformed all other market capitalisation size-based indexes in 2013, with a return of 12.3% as compared to returns of 6.3% and 3.9% for the Hang Seng Composite MidCap Index and the Hang Seng Composite LargeCap Index, respectively.

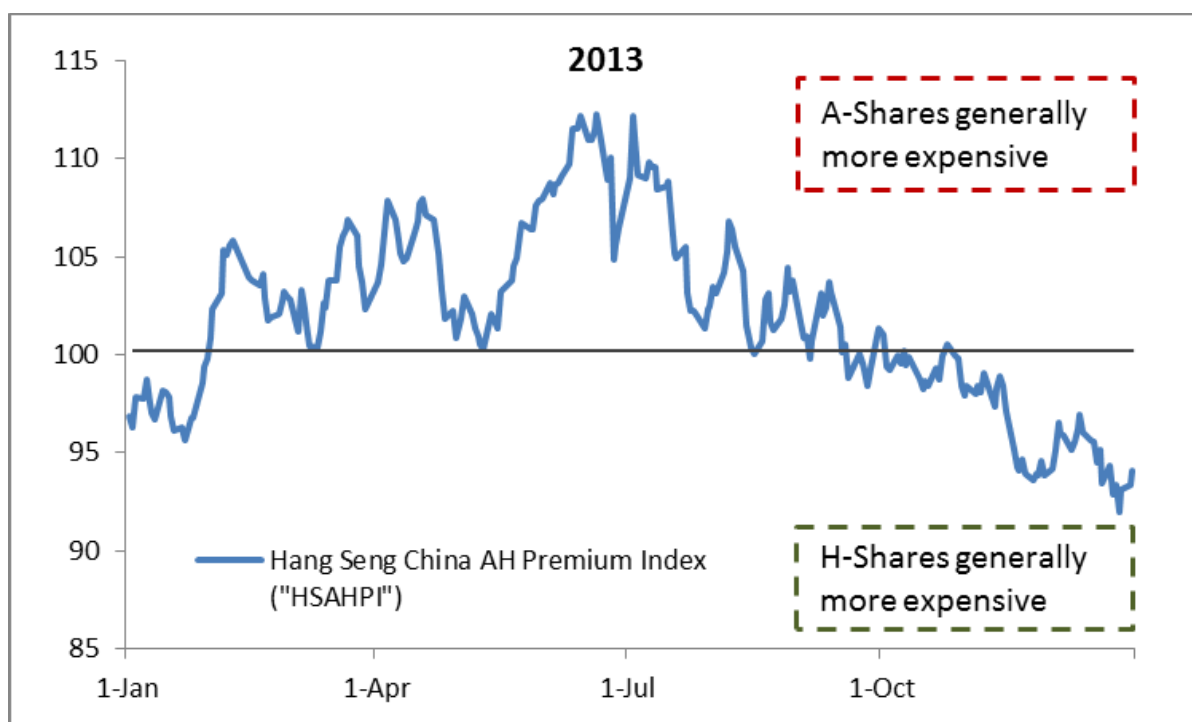
## Performance of Industry Indexes



### Technology stocks led the way

- Seven industry sectors rose in 2013. The top three performing industries were Information Technology, Consumer Services and Conglomerates, which moved up by 70.0%, 40.1% and 15.2% respectively.
- Four industry sectors recorded a negative return in 2013, ranging from -9.9% for Properties & Construction to -21.9% for Materials.

## Performance of Hang Seng China AH Premium Index



	High	Low	Close
2008	208.06	106.49	119.31
2009	163.66	110.24	120.93
2010	123.56	92.68	98.81
2011	141.44	94.44	111.83
2012	118.24	94.96	101.01
<b>2013</b>	<b>112.27</b>	<b>91.99</b>	<b>94.11</b>

### Price ratio of AH Companies continued to fluctuate

- The overall price difference of AH companies continued to fluctuate in 2013.
- The HSAHPI hit an annual high of 112.27 on 20 June 2013, implying that A-shares were generally trading at a premium of 12.27% over H-shares.
- The HSAHPI started to decline in mid-2013. By the end of the year, H-shares were trading at an average premium of 5.89%.

## Performance of iBond Indexes

Index	Base Date (at100)	Closing Index	
		2012	2013
HSIBCI	28 Jul 2011	115.29	118.90
HSIB1407	28 Jul 2011	111.10	112.98
HSIB1506	22 Jun 2012	107.89	108.75
HSIB1606	24 Jun 2013	-	107.50

Return (%)	2011	2012	2013	Overall
HSIBCI	9.36 <sup>^</sup>	5.42	3.13	18.90
HSIB1407	9.36 <sup>^</sup>	1.59	1.69	12.98
HSIB1506	-	7.87 <sup>^</sup>	0.82	8.75
HSIB1606	-	-	7.50 <sup>^</sup>	7.50

HSIBCI: Hang Seng iBond Composite Total Return Index

HSIB1407: Hang Seng iBond 1407 Total Return Index

HSIB1506: Hang Seng iBond 1506 Total Return Index

HSIB1606: Hang Seng iBond 1606 Total Return Index

<sup>^</sup> Since launch

### iBonds total return rose slightly

- The Hang Seng iBond Index Series reflects the total return on an iBond investment by taking into account the market price change, interest accrual and coupon payments.
- The HSIB1407 and HSIB1506 rose slightly in 2013 – increasing by 1.69% and 0.82% respectively.
- HKSAR iBond 1606 was listed on 24 June 2013 and its corresponding index jumped 3.18% on the first trading day.
- From issue date to the end of 2013, total returns on the HSIB1407, HSIB1506 and HSIB1606 were 12.98%, 8.75% and 7.50% respectively.

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