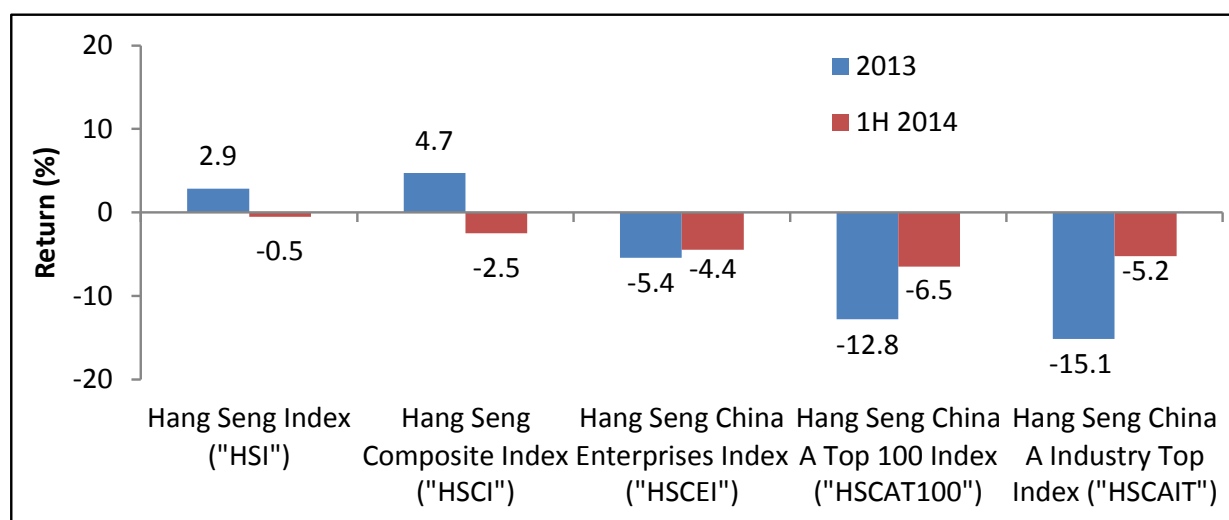


# 2014 Mid-Year Report

## Performance of Hang Seng Family of Indexes in 1H 2014

- The Hang Seng Index dropped 0.5% in the first half of 2014, compared to a positive return of 2.9% in 2013.
- Risk/return profiles of strategy indexes continued to differentiate themselves from the market benchmark.
- Information Technology was the best performing sector; LargeCap stocks performed better than MidCap and SmallCap stocks.
- The Hang Seng China AH Premium Index fell to 92.38 from last year's 94.11, implying that, in general, A-shares underperformed H-shares of the same company.
- Total return on iBonds issued by the Hong Kong Government rose slightly during first half of the year.

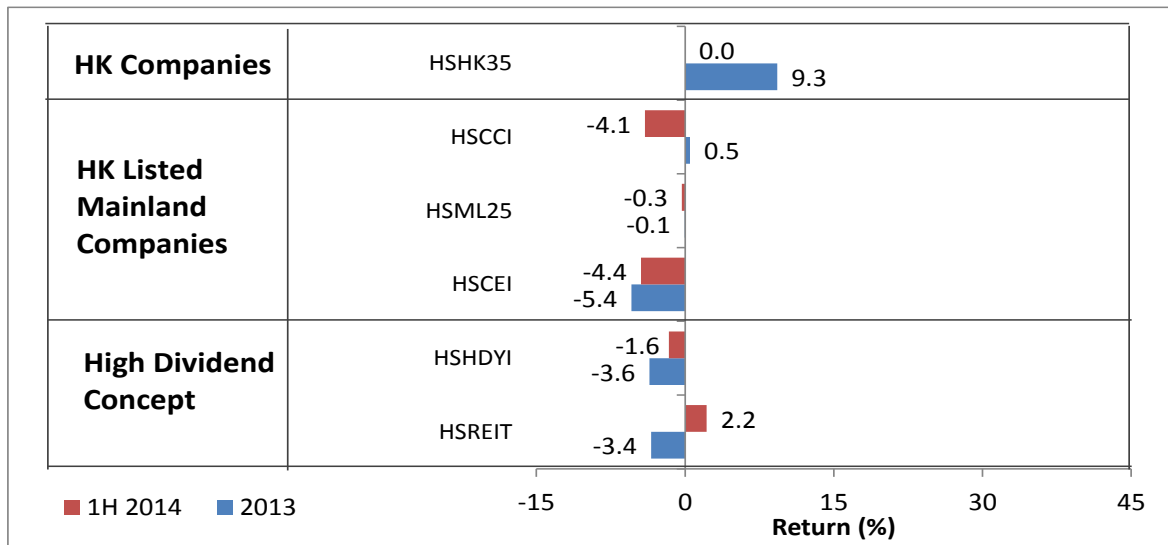
## Performance of Major Flagship Indexes



### Stock market momentum faded in 1H 2014

- The Hong Kong stock market declined slightly in the first half of 2014, with the HSI and the HSCI recording a loss of 0.5% and 2.5% respectively.
- The A-share market remained weak. The HSCAIT and the HSCAT100 dropped by 5.2% and 6.5% respectively.
- Tracking the decline in the A-share market, the HSCEI fell by 4.4%.

## Performance of Thematic Indexes

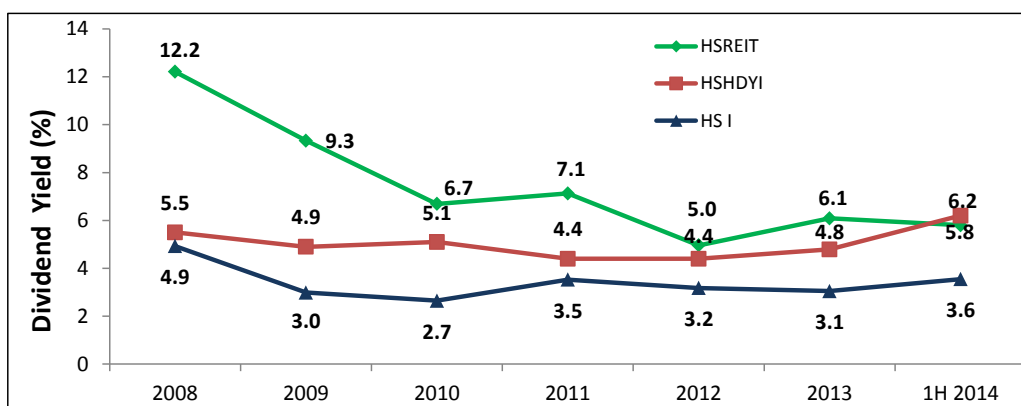


HSHK35: Hang Seng HK 35 Index  
 HSCEI: Hang Seng China Enterprises Index  
 HSCCI: Hang Seng China-Affiliated Corporations Index  
 HSML25: Hang Seng Mainland 25 Index  
 HSHDYI: Hang Seng High Dividend Yield Index  
 HSREIT: Hang Seng REIT Index

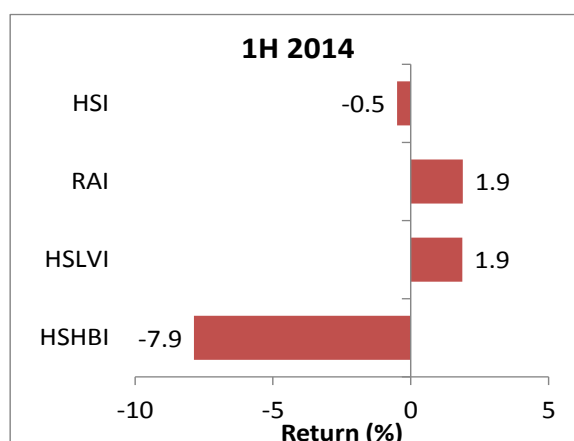
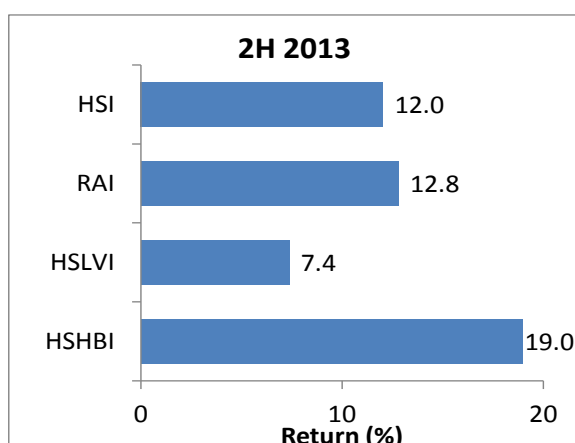
### Hong Kong stocks outperformed HK-listed Mainland China counterparts

- Hong Kong stocks continued to outperform Hong Kong-listed Mainland China stocks in the first half of 2014, with the HSHK35 outperforming the HSCEI by 4.4%.
- The performance of Mainland sector indexes was weak in 1H 2014. The HSCCI dropped by 4.1% while the HSML25 and the HSCEI slid by 0.3% and 4.4% respectively.
- Among all thematic indexes, only the HSREIT had a positive return at 2.2%. The HSHDYI fell by 1.6%, but consistently recorded higher dividend yields than the HSI.

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



## Performance of Strategy Indexes

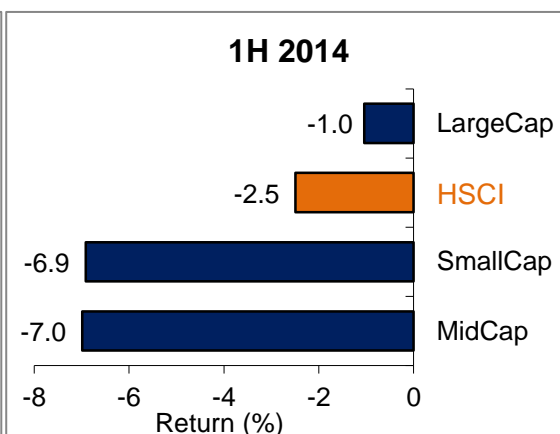
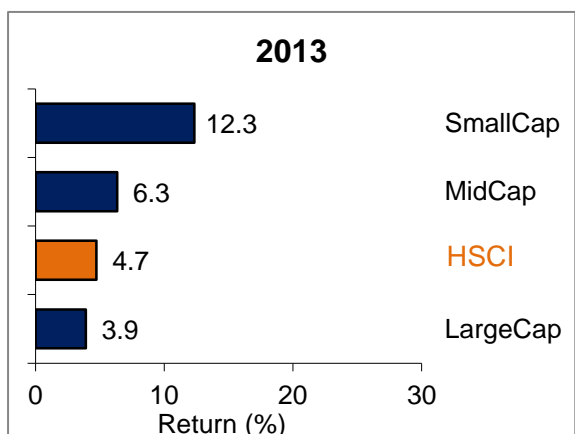


RAI: Hang Seng Risk Adjusted Index  
 HSLVI: Hang Seng Low Volatility Index  
 HSHBI: Hang Seng High Beta Index

### Strategy indexes well differentiated from market benchmark

- The HSLVI lagged behind the HSI while the RAI delivered a similar return to the market benchmark during the market rebound in the second half of 2013.
- During the first half of 2014, both the HSLVI and the RAI demonstrated their defensive nature by delivering a positive return of 1.9% respectively.
- The HSHBI outperformed the market in the second half of 2013 but dropped significantly in the first half of 2014 to underperform the HSI by 7.4%.

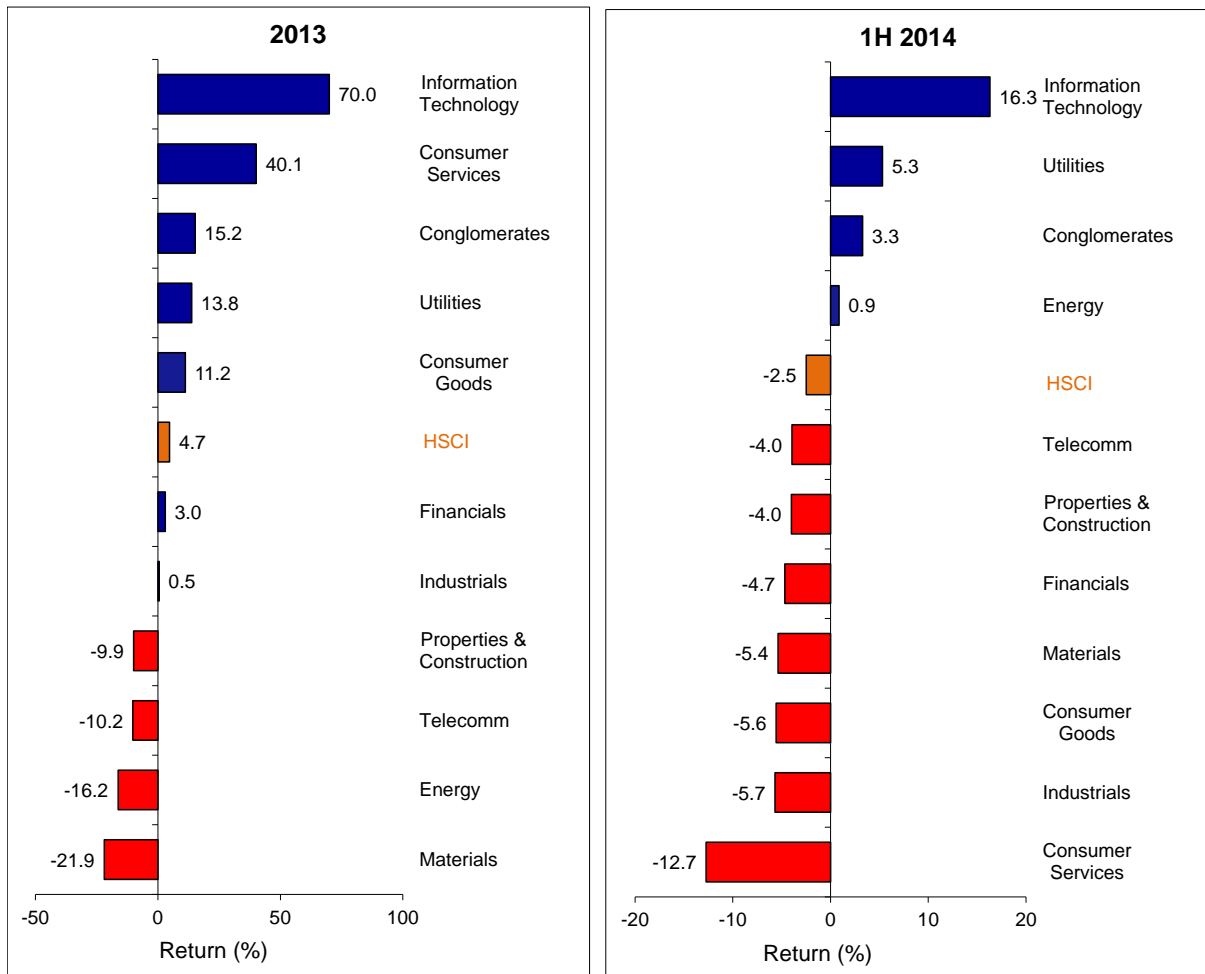
## Performance of Size Indexes



### LargeCap stocks best overall performers

- In contrast to its 2013 performance, the Hang Seng Composite LargeCap Index outperformed all other market capitalisation size-based indexes in the first half of 2014, with a negative return of 1.0% as compared to negative returns of 7.0% and 6.9% for the Hang Seng Composite MidCap Index and the Hang Seng Composite SmallCap Index, respectively.

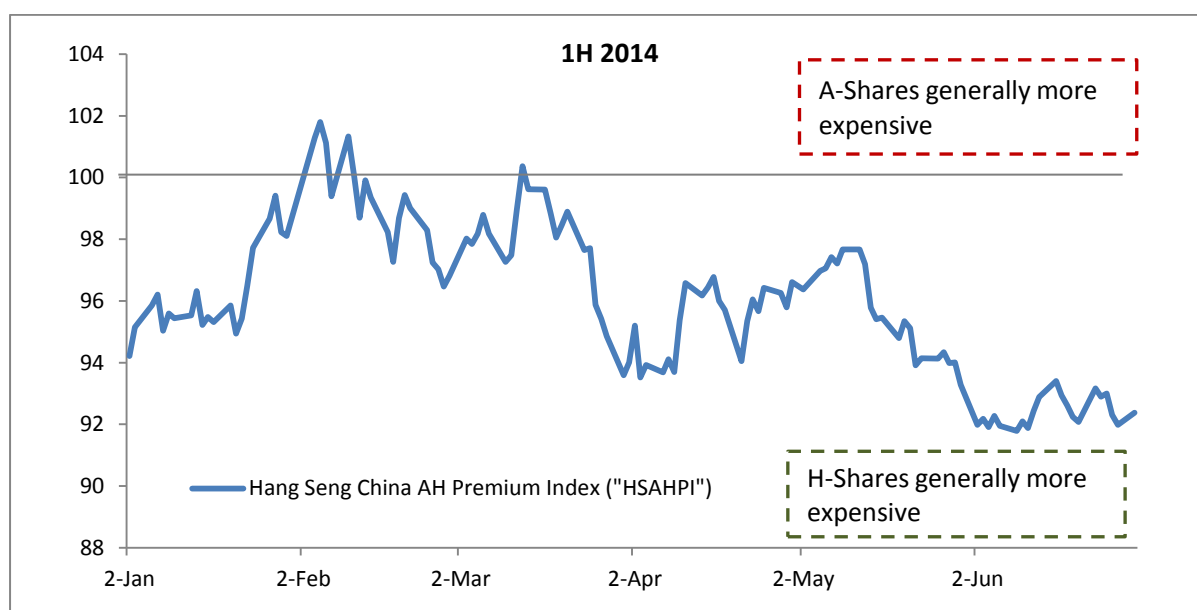
## Performance of Industry Indexes



### Technology stocks led the way

- Four industry sectors rose in the first half of 2014, namely, Information Technology, Utilities, Conglomerates and Energy which moved up by 16.3%, 5.3%, 3.3% and 0.9% respectively.
- Seven industry sectors recorded a negative return in the first half of 2014, ranging from -4.0% for Telecommunications to -12.7% for Consumer Services.

## 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
2013	112.27	91.99	94.11
<b>1H 2014</b>	<b>101.80</b>	<b>91.79</b>	<b>92.38</b>

### Price ratio of AH Companies continued to fluctuate

- The overall price difference of AH companies continued to fluctuate in the first half of 2014.
- The HSAHPI hit a semi-annual high of 101.80 on 5 February 2014, implying that A-shares were generally trading at a premium of only 1.80% over H-shares.
- The HSAHPI was trading below 100 most of the time during the first half of 2014. By the end of the period, A-Shares were generally trading at an average discount of 7.62% when compared to H-Shares.

## Performance of iBond Indexes

Index	Base Date (at100)	Closing Index	
		2013	1H 2014
HSIBCI	28 Jul 2011	118.90	120.73
HSIB1407	28 Jul 2011	112.98	114.09
HSIB1506	22 Jun 2012	108.75	110.90
HSIB1606	24 Jun 2013	107.50	109.26

Return (%)	2012	2013	1H 2014	Overall
HSIBCI	5.42	3.13	1.54	20.73
HSIB1407	1.59	1.69	0.99	14.09
HSIB1506	7.87 <sup>^</sup>	0.82	1.97	10.90
HSIB1606	-	7.50 <sup>^</sup>	1.64	9.26

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 returns 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, HSIB1506 and HSIB1606 all rose slightly in the first half of 2014 – increasing by 0.99%, 1.97% and 1.64% respectively.
- From issue date to the end of first half of 2014, total returns on the HSIB1407, HSIB1506 and HSIB1606 were 14.09%, 10.90% and 9.26% respectively.

Should you have any enquiries, please e-mail [info@hsi.com.hk](mailto:info@hsi.com.hk) or call us at (852) 2877 0704.

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