



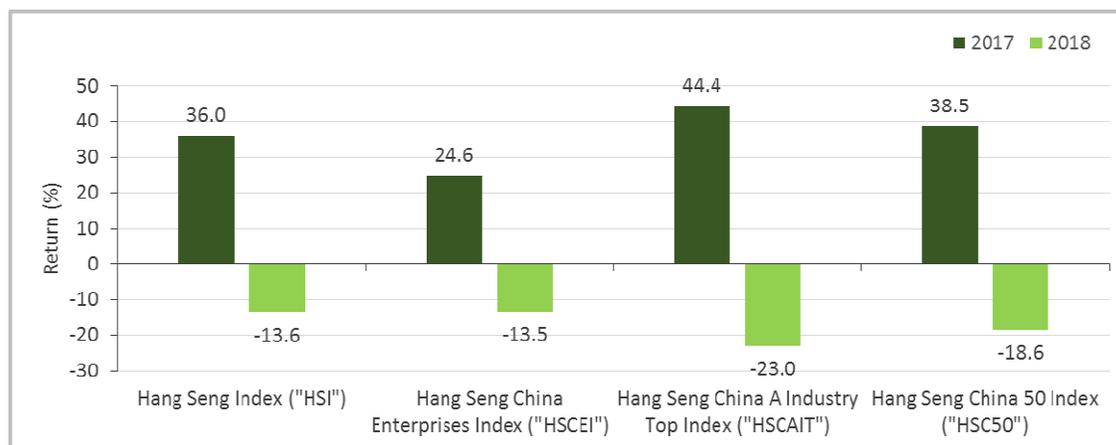
2018 Year-End Report

Stock Market Recoiled in 2018 after Blossoming in 2017

Highlights

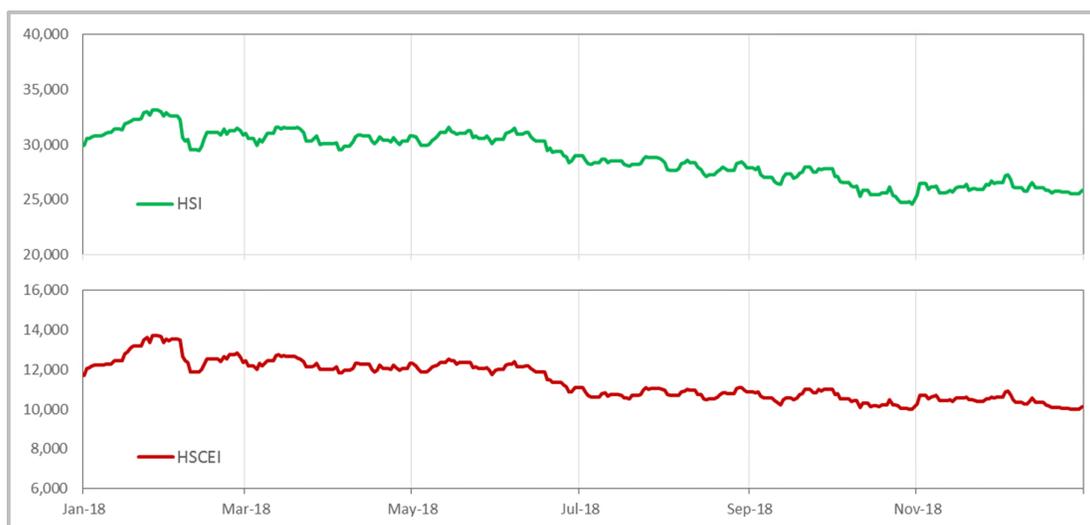
- The Hang Seng Index (“HSI”) rose to its historical closing high (33,154.1) in January but slid afterwards to record a negative return of 13.6% at the end of the year. The Hang Seng China Enterprises Index (“HSCEI”) also fell by 13.5%.
- MidCap stocks declined by 24.0%, underperforming LargeCap and SmallCap stocks by 7-9 percentage point (p.p).
- Information Technology was the worst performing industry (-29.6%) in 2018, in contrast to a 92.3% growth achieved in 2017.
- Red-chips, represented by the Hang Seng China-Affiliated Corporations Index, outperformed other share classes with a decline of 5.8%.
- High Yield and Low Volatility concepts, which are perceived to be relatively more defensive, yielded a better return than those that are more aggressive or targeting growth opportunities.
- The Hang Seng Corporate Sustainability Index, which selects the top 30 Hong Kong-listed companies in terms of sustainability rating as constituents, outperformed HSI by around 3 p.p.
- The HSI Volatility Index fluctuated at a higher level in 2018 when compared to 2017, reflecting the higher market uncertainty faced by investors this year.
- The HSCEI Volatility Index has been newly launched on 3rd December 2018, aiming to reflecting the expected volatility of the HSCEI.

Major Indexes



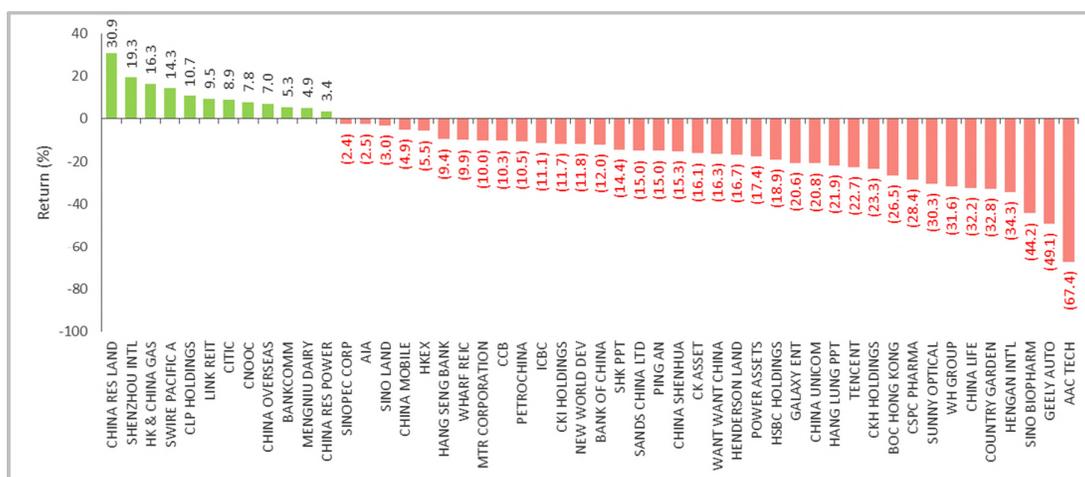
HSI and HSCEI

- HSI reached its historical highest closing index level (33,154.1) on 26th January 2018 but slid to 25,845.7 at the end of the year, recording a decline of 13.6%.
- Similar index movement could be observed for HSCEI as well, which dropped by 13.5% to 10,124.8 at the end of the year.



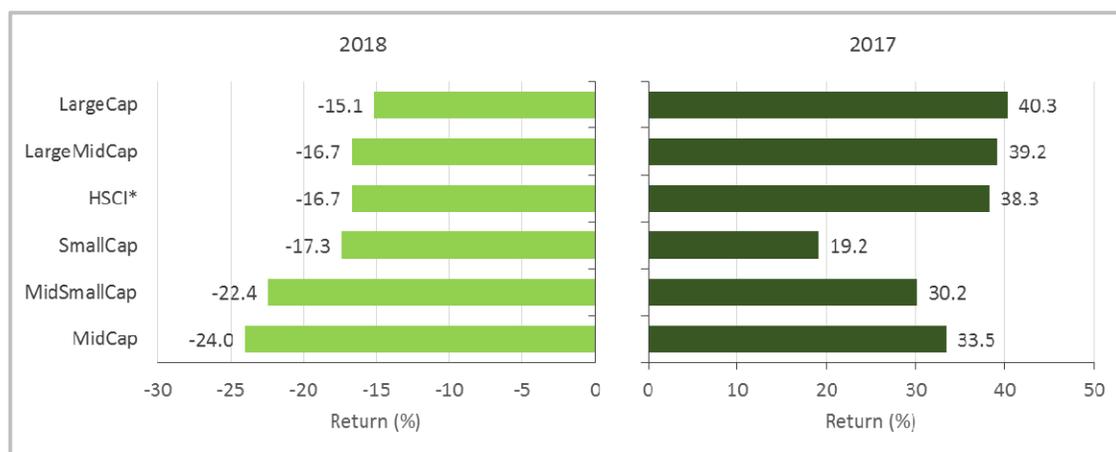
Index	2017 Closing Index	Closing High	Closing Low	2018 Closing Index	Yearly Change	
					(Points)	(%)
HSI	29,919.2	33,154.1	24,585.5	25,845.7	-4,073.5	-13.6%
HSCEI	11,709.3	13,724.0	9,991.1	10,124.8	-1,584.6	-13.5%

- Among the current HSI constituents, only 12 out of 50 recorded a positive return in 2018. China Res Land (1109.HK), Shenzhou Intl (2313.HK) and HK & China Gas (0003.HK) were the best performers, with annual returns of 30.9%, 19.3% and 16.3% respectively.



Hang Seng Composite Index - Size Indexes

- MidCap stocks were the worst performers this year, underperforming the Hang Seng Composite Index by around 7 p.p.



*HSCI: Hang Seng Composite Index

LargeCap: Hang Seng Composite LargeCap Index

MidSmallCap: Hang Seng Composite MidCap & SmallCap Index

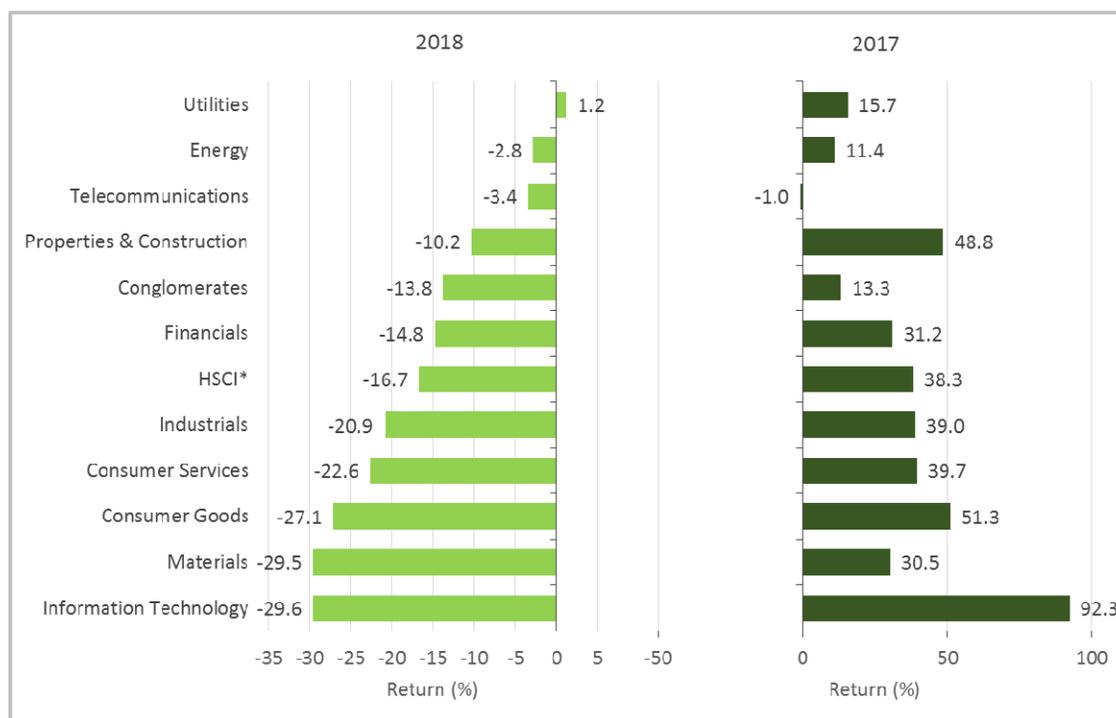
LargeMidCap: Hang Seng Composite LargeCap & MidCap Index

SmallCap: Hang Seng Composite SmallCap Index

MidCap: Hang Seng Composite MidCap Index

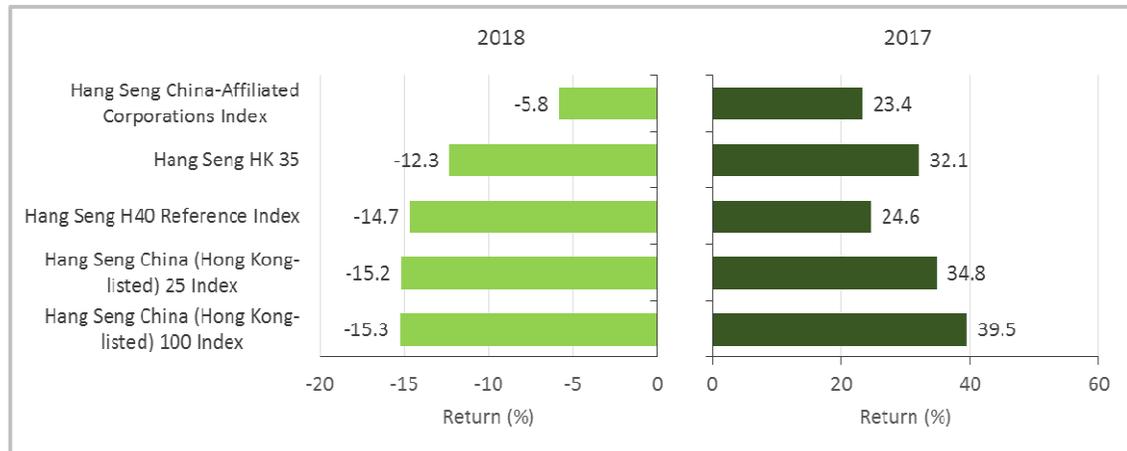
Hang Seng Composite Index - Industry Indexes

- Information Technology was the worst performing industry in 2018 after topping the rest in 2017.
- Utilities was the only sector with positive return.



Share Class

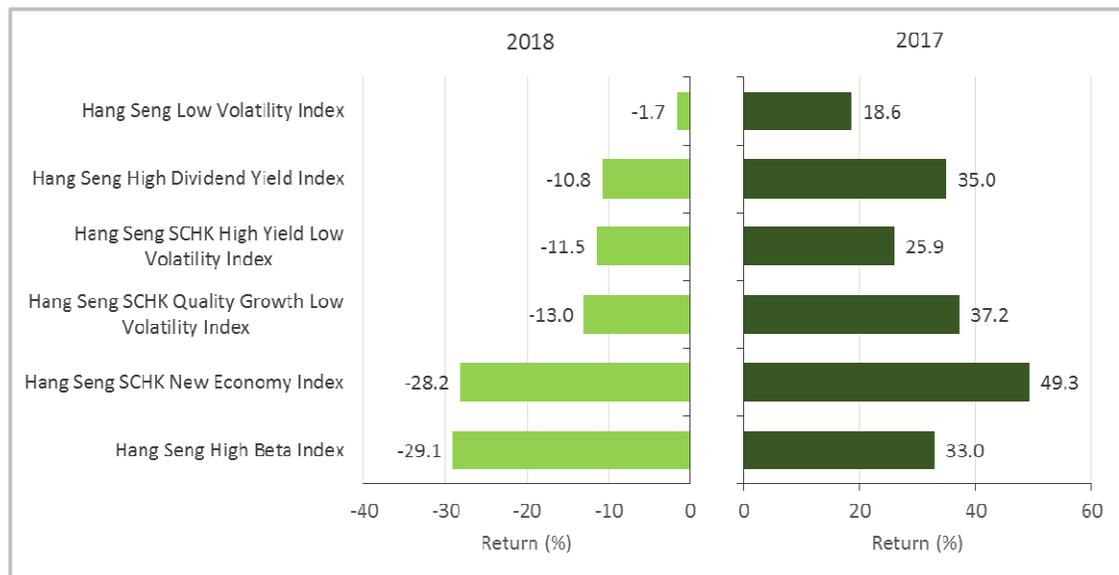
- Hang Seng China-Affiliated Corporations Index, which is composed of only Red-chips, outperformed with a decline of 5.8% while the rest plummeted by more than 10%.



Index	Share Class Covered
Hang Seng China-Affiliated Corporations Index	Red-chips
Hang Seng HK 35	Hong Kong Companies
Hang Seng H40 Reference Index	H-shares
Hang Seng China (Hong Kong-listed) 25 Index	H-shares, Red-chips, P-chips
Hang Seng China (Hong Kong-listed) 100 Index	H-shares, Red-chips, P-chips

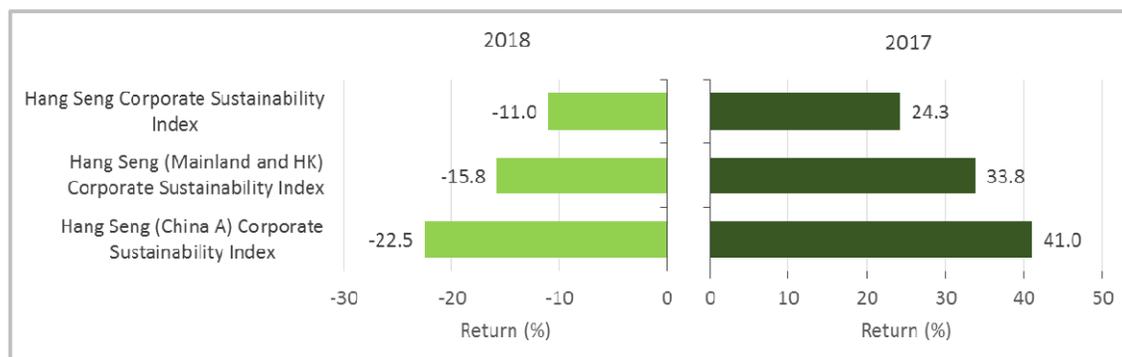
Thematic

- Thematic indexes that involves more defensive strategy like High Yield and Low Volatility performed better in 2018, with the decline limited to 13%. On the other hand, more aggressive themes like New Economy or High Beta plunged by a greater extent.



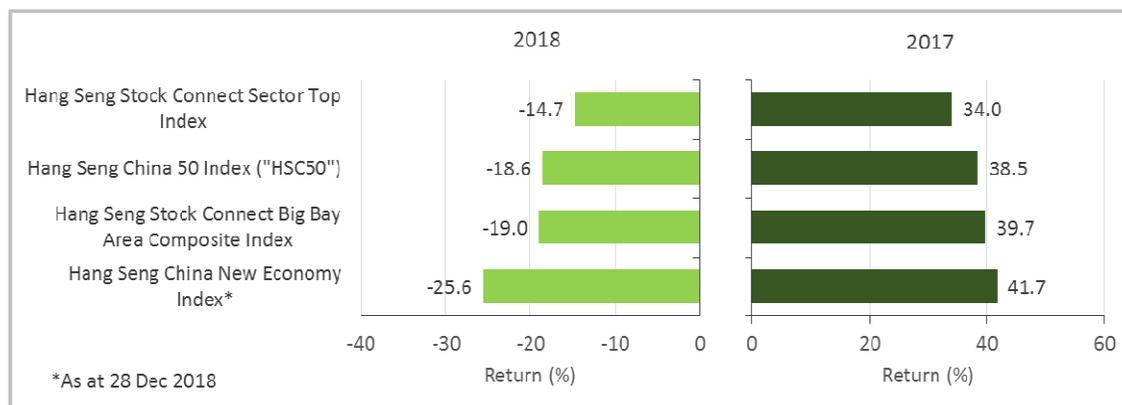
Sustainability

- Hang Seng Corporate Sustainability Index, which selects the top 30 Hong Kong-listed companies in terms of sustainability rating as constituents, outperformed HSI by around 3 p.p.



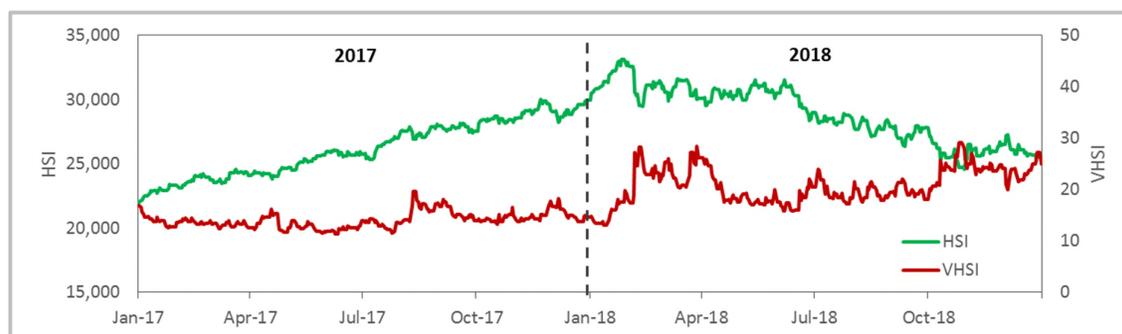
Cross-market

- Hang Seng Stock Connect Sector Top Index, composed of leading companies from 31 sectors in Hong Kong and mainland China, recorded a negative 14.7% return, which was the best among the cross-market investment themes.

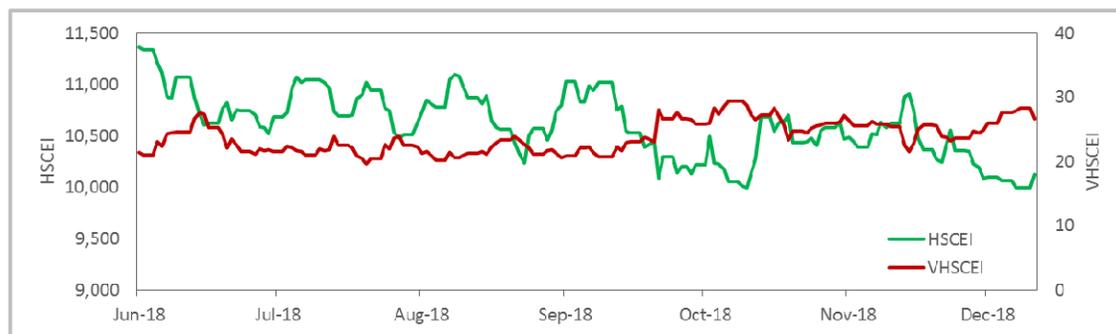


Volatility Index

- The HSI Volatility Index ("VHSI"), measuring the 30-calendar-day expected volatility of HSI, has been at the higher level in response to the higher market uncertainty faced by investors in 2018 when compared to the index movement in 2017.



- The HSCEI Volatility Index (“VHSCEI”) has been newly launched on 3rd December 2018. It aims to measure the 30-calendar-day expected volatility of HSCEI.



Should you have any enquiries, please e-mail info@hsi.com.hk.

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