

2022 Year-End Report

Stock Market Posted Third Consecutive Year of Decline in 2022

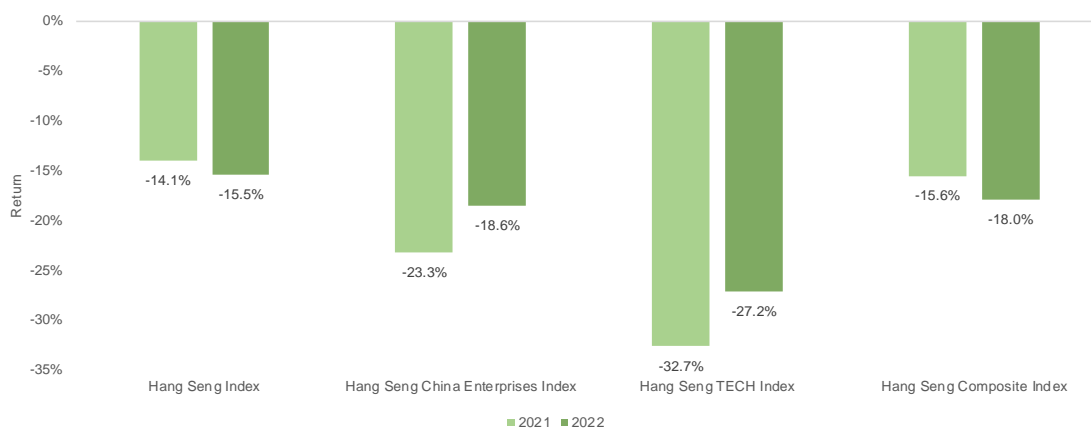
Highlights of Key Indexes Performance

- The Hong Kong stock market was under pressure since the beginning of 2022 as sentiment was hurt by combined effect of geopolitical tensions in Eastern Europe, aggressive rate hike by the US Fed driven by elevated inflation, widening COVID outbreak and pandemic control as well as property market weakness in mainland China. The market recouped some of the losses in the fourth quarter as green shoots started to emerge, however still remained in red for the year, which marked the third consecutive year of decline. In 2022, the Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) were down 15.5% and 18.6% respectively, while the Hang Seng TECH Index (HSTECH) posted a 27.2% decline. For the mainland China stock market, the Hang Seng China A Industry Top Index and the Hang Seng Stock Connect China A 300 Index declined by 19.6% and 21.2% respectively.
- The HSI Volatility Index (VHSI) and the HSCEI Volatility Index (VHSCEI) surged sharply to their peaks in March, as concerns over the rising geopolitical tensions and widening COVID outbreak in Shanghai hurt sentiment. Market volatility remained relatively high over the year compared to 2021.
- Within the Hang Seng Composite Index (HSCI), large-cap stocks declined by 17.5%, outperforming mid-cap (-19.9%) and small-cap (-20.3%). Among the HSCI industry sub-indexes, Energy was again the best-performing industry, recording an increase of 17.3% following a 20.5% gain in 2021, versus Industrials was the worst-performing industry (-37.9%).
- The Hang Seng Corporate Sustainability Index and Hang Seng ESG 50 Index achieved better performance compare to the HSI by 6.7 percentage points and 0.9 percentage points respectively. The HSI ESG Enhanced Index slightly underperform the HSI by 1.4 percentage points. However in the long run, the HSI ESG Enhanced Index still outperforms the HSI by 1.2 percentage points (annualized) since 7 December 2018.
- The Hang Seng Stock Connect Greater Bay Area Composite Index decreased by 14.7%. For the sub-indexes that measure performance by Region, Industry, Theme, and Factor & strategy, the respective outperformers were Macao-Zhuhai-Zhongshan-Jiangmen (+4.8%), Consumer Services (+0.7%), Infrastructure & Transportation (-3.5%), and Region Top (-11.8%).
- For thematic indexes, the Hang Seng Hong Kong-Listed Biotech Index (-18.7%) and the Hang Seng Shanghai-Shenzhen-Hong Kong New Consumption Index (-13.9%) were the outperformers among the Hong Kong listed market and the Mainland-listed / Cross-Market respectively.
- Among the Hang Seng Large-Mid Cap Single Factor Indexes, the top-performing index is Low Volatility (-16.8% in Comprehensive Series). Among the Hang Seng China A Single Factor Indexes, the top-performing index is Value (-19.0% in Comprehensive Series).
- As at 30 December, assets under management ('AUM') in products passively tracking indexes in the Hang Seng Family of Indexes was about US\$57.6 billion, which increased by 32% year-on-year despite market correction in 2022, implying net inflows into the universe. AUM in exchange-traded products linked to the HSI, HSCEI and HSTECH were US\$19.9 billion, US\$5.4 billion and US\$9.8 billion respectively.



Hong Kong-Listed

Major Indexes



HSI, HSCEI and HSTECH

- HSI declined by 15.5% in 2022 after dropping by 14.1% in 2021.
- HSCEI underperformed HSI by 3.1 percentage points, with an annual return of -18.6%.
- HSTECH underperformed HSI by 11.7 percentage points, with an annual return of -27.2%.



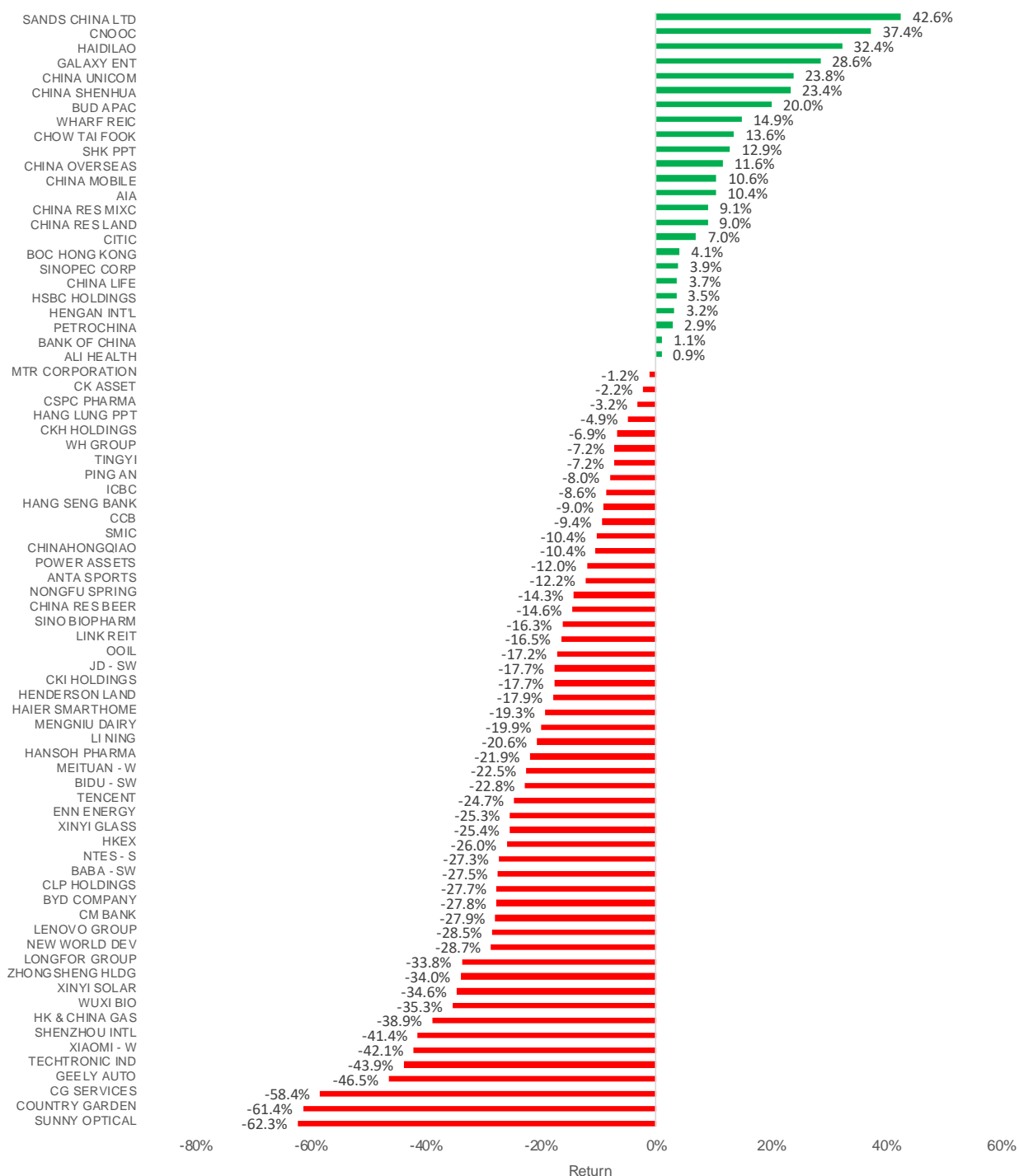
Index	Closing High	Closing Low	Closing Index	Yearly Change		PE Ratio (Times)	Dividend Yield	Dividend Point Index*
				Points	%			
HSI	24,966	14,687	19,781	-3,616	-15.5%	11.3	3.3%	698.3
HSCEI	8,790	4,939	6,705	-1,531	-18.6%	10.4	3.5%	261.7
HSTECH	5,900	2,802	4,129	-1,542	-27.2%	--	0.4%	--

*As of 29 Dec 2022



HSI Constituents

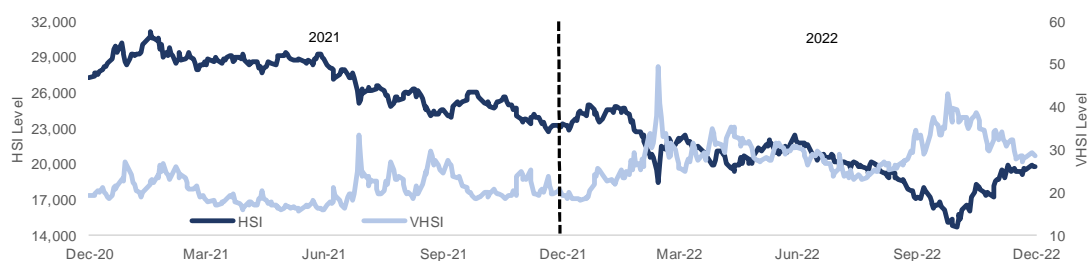
- Among the 76 current HSI constituents, 24 rose in 2022. SANDS CHINA LTD (1928.HK), CNOOC (0883.HK), HAIDILAO (6862.HK) were the best performers, with yearly gains of 42.6%, 37.4% and 32.4% respectively.



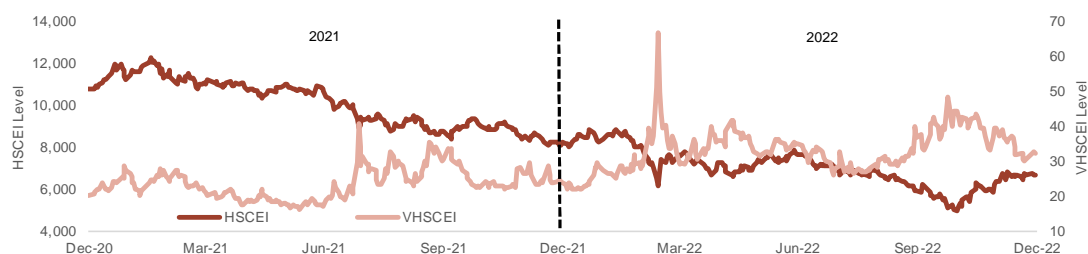


Volatility Indexes

- The differences between the peak and trough of the HSI and the HSCEI were 10,279pts and 3,851pts respectively, with the HSI's peak-to-trough spread much higher than that in the past two years (2021: 8,340pts; 2020: 7,360pts).
- The HSI Volatility Index (VHSI) and the HSCEI Volatility Index (VHSCEI), which measure the 30-calendar-day expected volatility of the HSI and the HSCEI respectively, both saw higher peaks in March (VHSI: 49.4; VHSCEI: 66.6) amidst rising geopolitical tensions, widening COVID outbreak and pandemic control in Shanghai. Volatility remained high later in the year as the property market turmoil in mainland China and Fed's rate hikes weighed on the market.
- Since late October, the VHSI and the VHSCEI edged down with the help of policy supports and further signs of reopening in mainland China. Overall, Market volatility remained relatively high over the year compared to 2021.



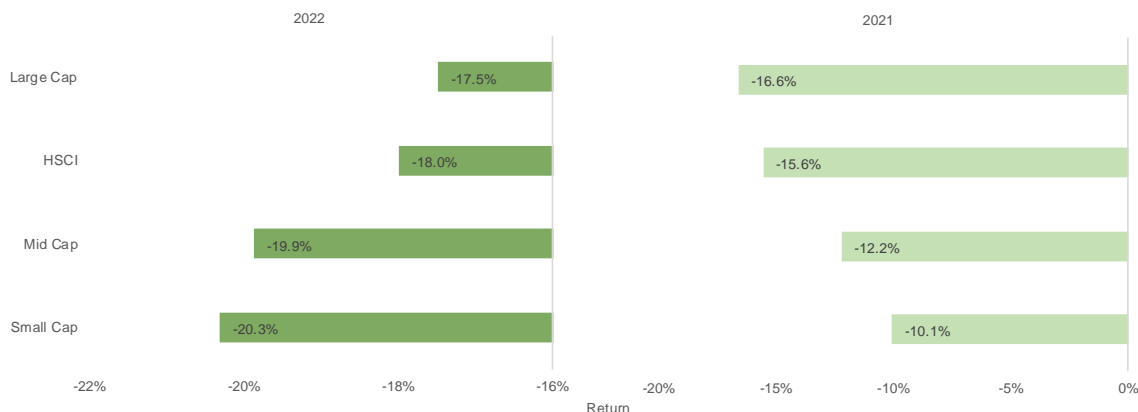
- Similar movement was observed for the HSCEI Volatility Index ("VHSCEI").





Hang Seng Composite Index (HSCI) - Size Indexes

- Within HSCI Size Indexes, Large-cap performed the best, declining by 17.5%.
- Mid-cap dropped by 19.9%, following a decline of 12.2% in 2021.



* Note:

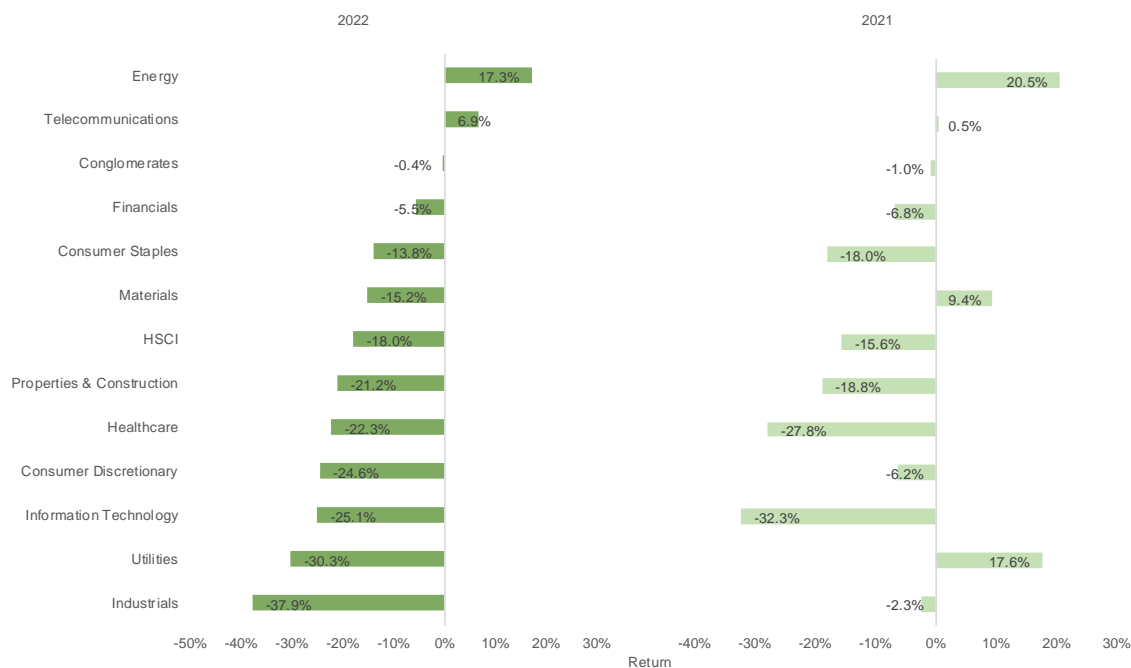
Large Cap: Hang Seng Composite LargeCap Index

Mid Cap: Hang Seng Composite MidCap Index

Small Cap: Hang Seng Composite SmallCap Index

Hang Seng Composite Index (HSCI) - Industry Indexes

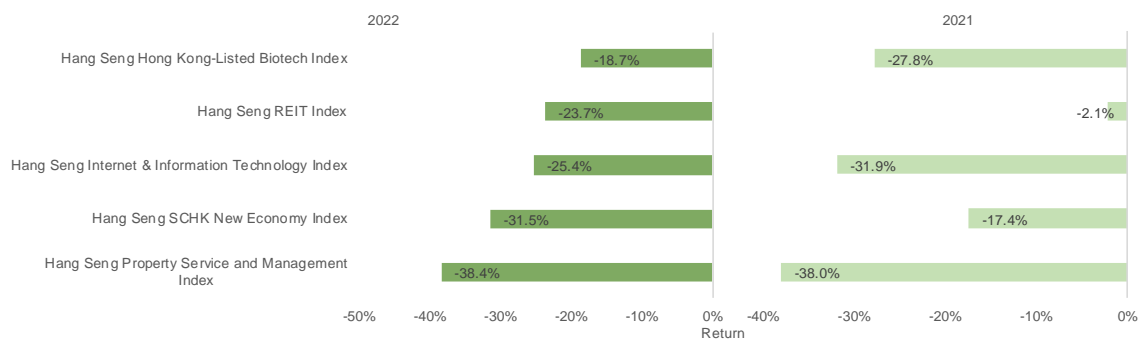
- Energy was the best performing industry, rising by 17.3%.
- Industrials and Utilities fared the worst, recording a decline of 37.9% and 30.3% respectively.





Thematic Indexes – Hong Kong-Listed

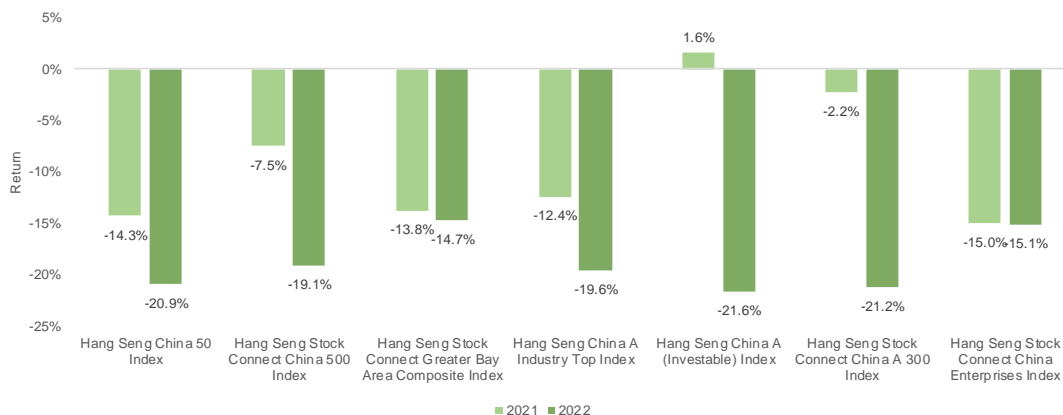
- The Hang Seng Hong Kong-Listed Biotech Index declined by 18.7% in 2022.





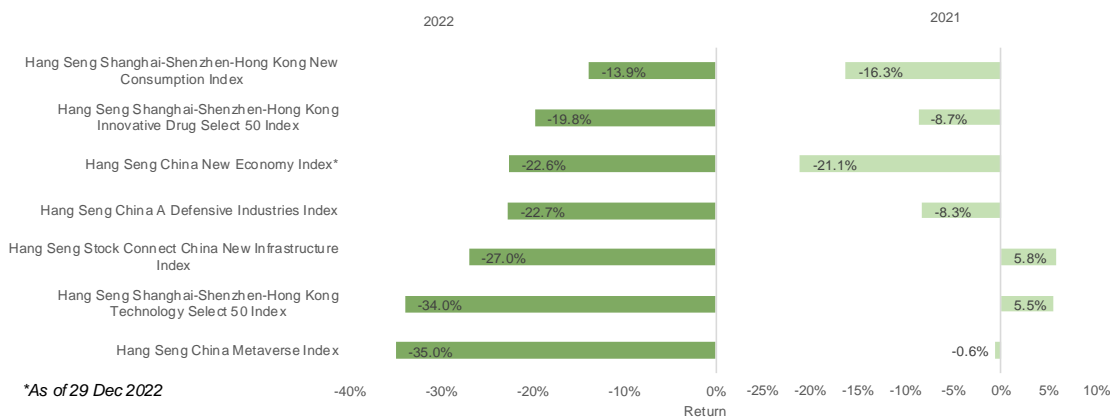
Mainland-Listed / Cross-Market

Major Indexes



Thematic Indexes

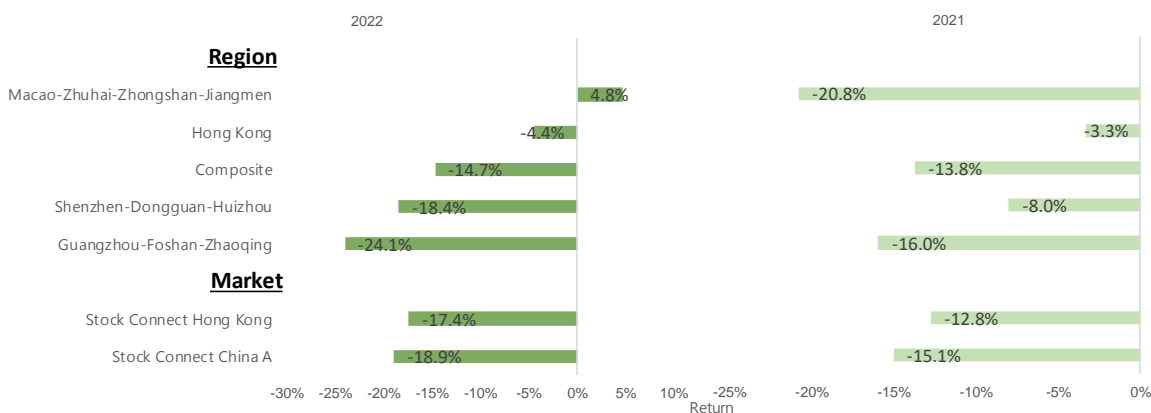
- The Hang Seng Shanghai-Shenzhen-Hong Kong New Consumption Index dropped in 2022 (13.9%), following a drop of 16.3% in 2021.
- The Hang Seng Shanghai-Shenzhen-Hong Kong Innovative Drug Select 50 Index dropped by 19.8%.





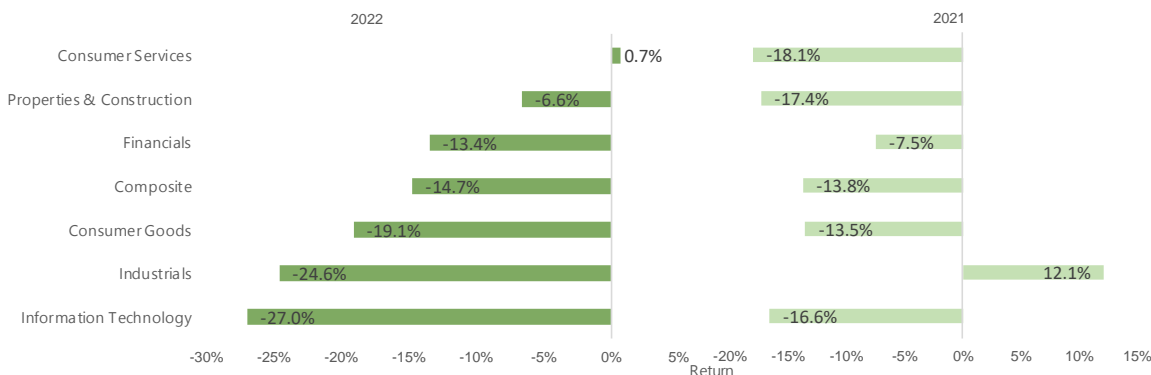
Hang Seng Stock Connect Greater Bay Area Composite Index - Region / Market Indexes

- Macao-Zhuhai-Zhongshan-Jiangmen and Stock Connect Hong Kong performed the best among Region Indexes (4.8%) and Market Indexes (-17.4%) respectively.



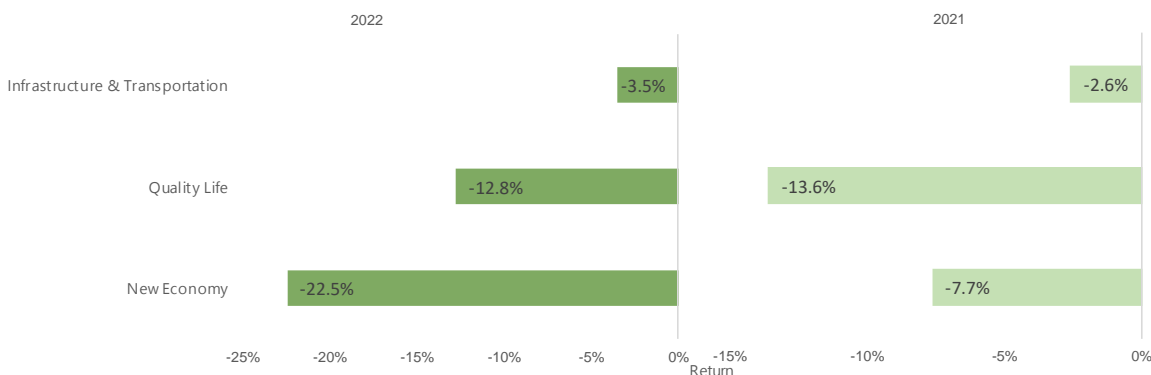
Hang Seng Stock Connect Greater Bay Area Composite Index - Industry Indexes

- Consumer Services increased by 0.7%, following a decline of 18.1% in 2021.



Hang Seng Stock Connect Greater Bay Area Composite Index – Thematic Indexes

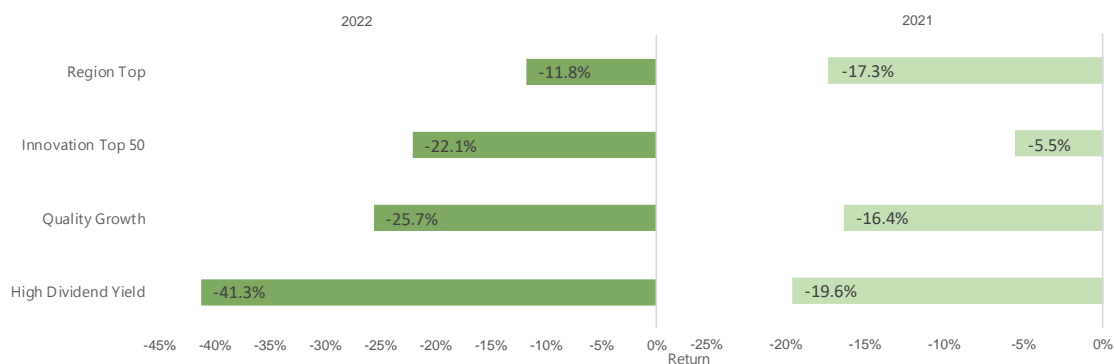
- Infrastructure & Transportation dropped by 3.5%, following a decline of 2.6% in 2021.





Hang Seng Stock Connect Greater Bay Area Composite Index - Factor & Strategy Indexes

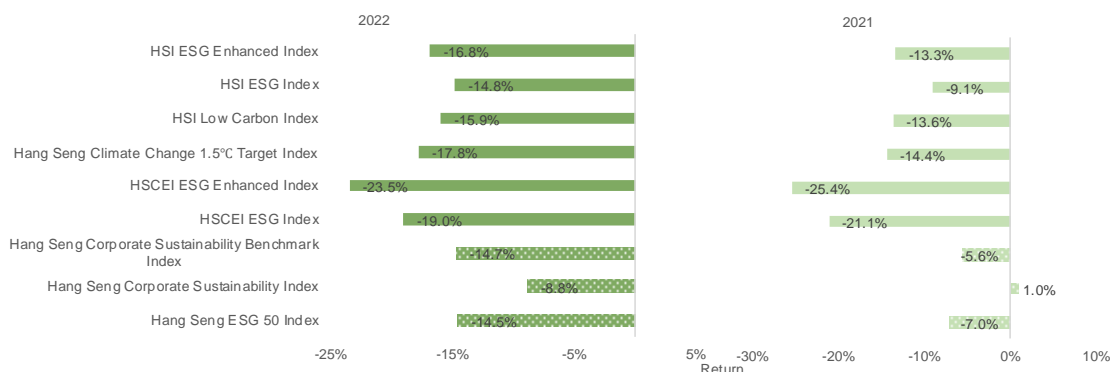
- Region Top dropped (-11.8%), following a decline of 17.3% in 2022.





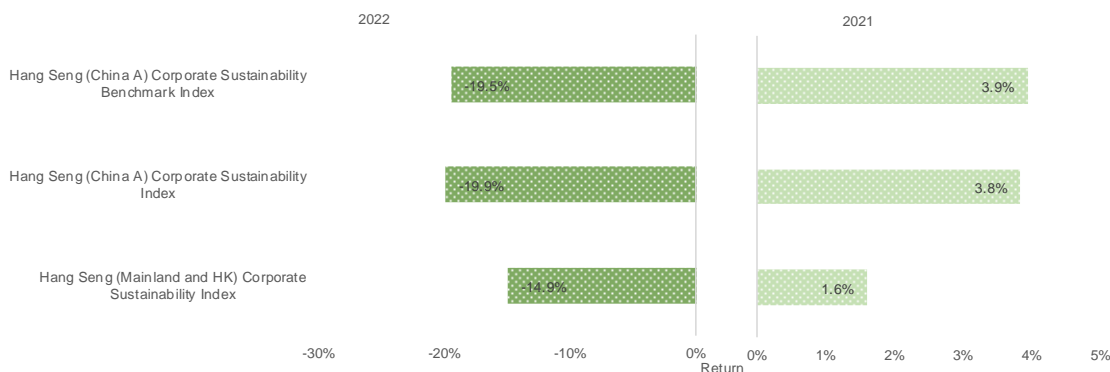
ESG Indexes – Hong Kong-Listed

- The Hong Kong listed ESG index family are broadly categorized into 2 groups; best-in-class and ESG integration.
- In the best-in-class series, Hang Seng Corporate Sustainability Index has the best performance of -8.8%.
- In the ESG integration series, HSI ESG Index has the best performance of -14.8%.



ESG Indexes – Mainland-Listed / Cross Market

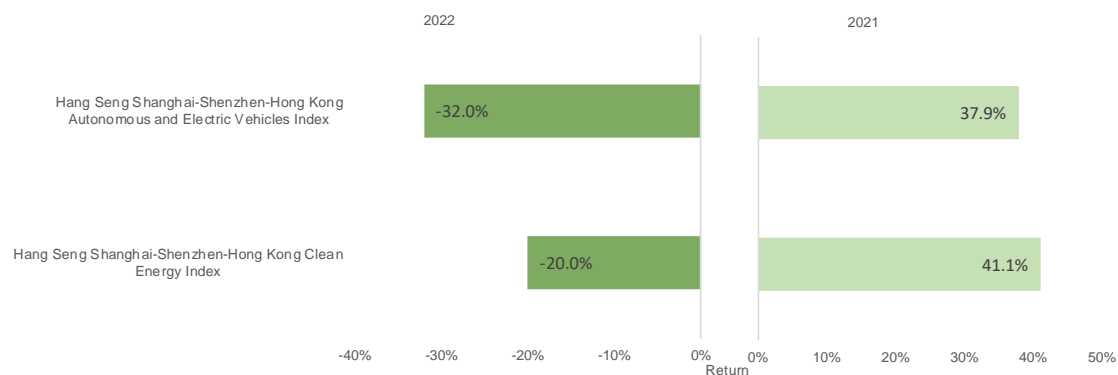
- The Hang Seng (China A) Corporate Sustainability Benchmark Index dropped by 19.5%.
- The Hang Seng (China A) Corporate Sustainability Index dropped by 19.9%.
- The Hang Seng (Mainland and HK) Corporate Sustainability Index dropped by 14.9%.





ESG Indexes – Thematic Indexes

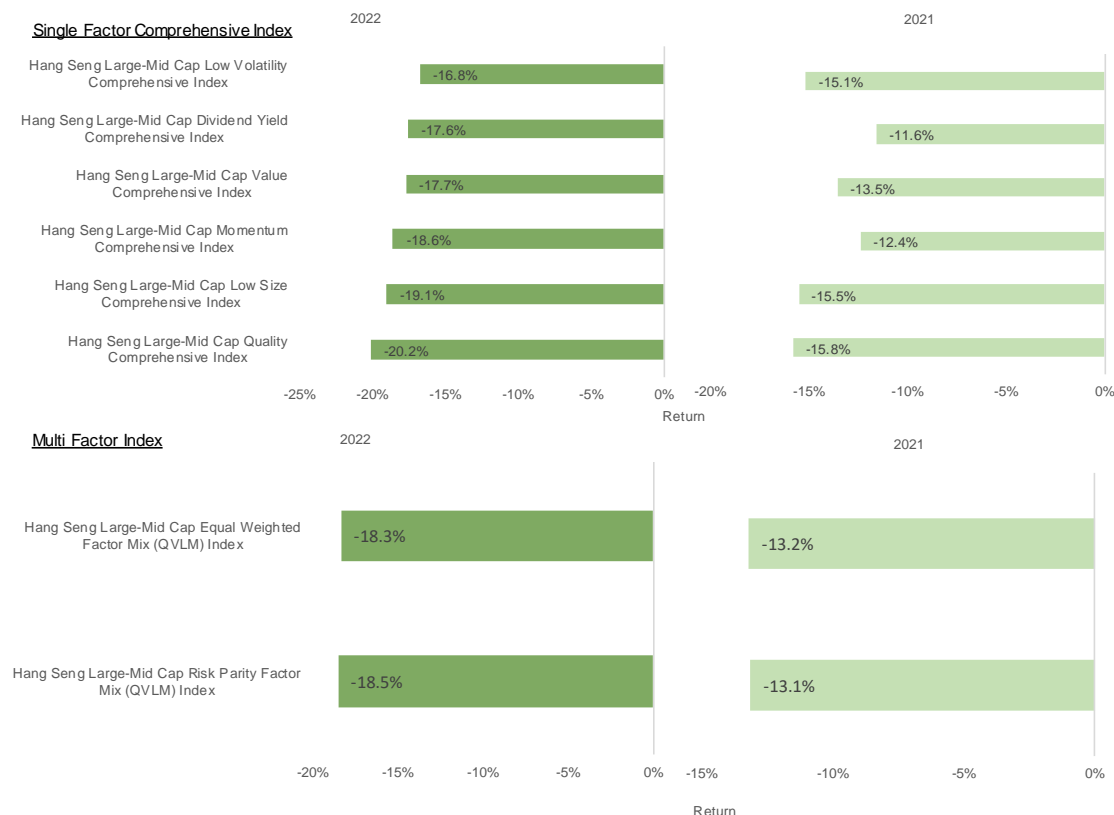
- The Hang Seng Shanghai-Shenzhen-Hong Kong Autonomous and Electric Vehicles Index dropped by 32.0%.
- The Hang Seng Shanghai-Shenzhen-Hong Kong Clean Energy Index dropped by 20.0%.





Smart Beta – Hong Kong-Listed

- The Hang Seng Indexes Company analyses various factors and selects those that can capture long-term risk premium. Consistent with the industry practice, we categorize these factors into six groups: Value, Momentum, Quality, Yield, Low Volatility and Low Size.
- Our Smart Beta family of indexes offers Single Factor indexes for the six factor groups to suit different investors' needs in terms of factor exposures. Under the set of Single Factor indexes, the Comprehensive version of the indexes are constructed to attain high investment capacity. Besides Single Factor indexes, Multi-factor indexes are offered to capture the exposure to the desired factor mix. The Multi-factor indexes combine Single Factor Indexes based on a top-down approach.
- In this year of volatile market, among the Hong Kong-listed Single Factor Comprehensive indexes, the Hang Seng Large-Mid Cap Low Volatility Comprehensive Index has attained the best performance (-16.8%). It is followed by the Hang Seng Large-Mid Cap Dividend Yield Comprehensive Index (-17.6%) and the Hang Seng Large-Mid Cap Value Comprehensive Index (-17.7%).
- Among the Hong Kong-listed Multi-factor indexes, the Hang Seng Large-Mid Cap Equal Weighted Factor Mix (QVLM) Index has performed better (-18.3%) for the year.

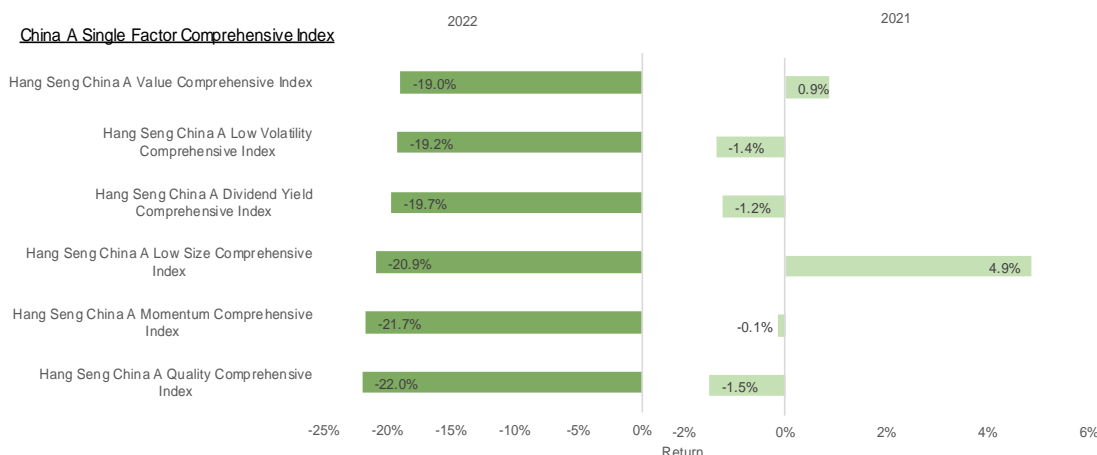




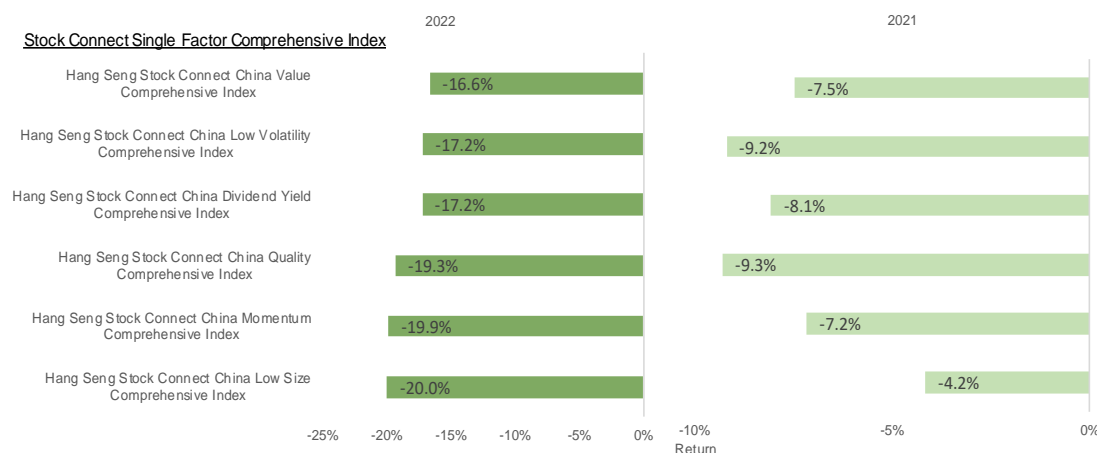
Smart Beta – Mainland-Listed / Cross-Market

- In terms of performance rankings among the factor indexes, the mainland-listed and the cross-market Single Factor indexes have portrayed a similar landscape as the Hong Kong-listed counterparts, with the Low Volatility, the Value and the Yield factor indexes fared among the top three performers.
- In particular for the mainland-listed indexes, the Hang Seng China A Value Comprehensive Index performed best (-19.0%), followed by Hang Seng China A Low Volatility Comprehensive Index (-19.2%) and Hang Seng China A Dividend Yield Comprehensive Index (-19.7%).
- Similarly for the cross-market indexes, the top runners are Hang Seng Stock Connect China Value Comprehensive Index (-16.6%), Hang Seng Stock Connect China Low Volatility Comprehensive Index (-17.2%) and Hang Seng Stock Connect China Dividend Yield Comprehensive Index (-17.2%).

China A Single Factor Comprehensive Index



Stock Connect Single Factor Comprehensive Index





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