



2023 Year-end Market Report

HSIL Indexes' AUM Reached Record High in 2023 Despite Market Downturn

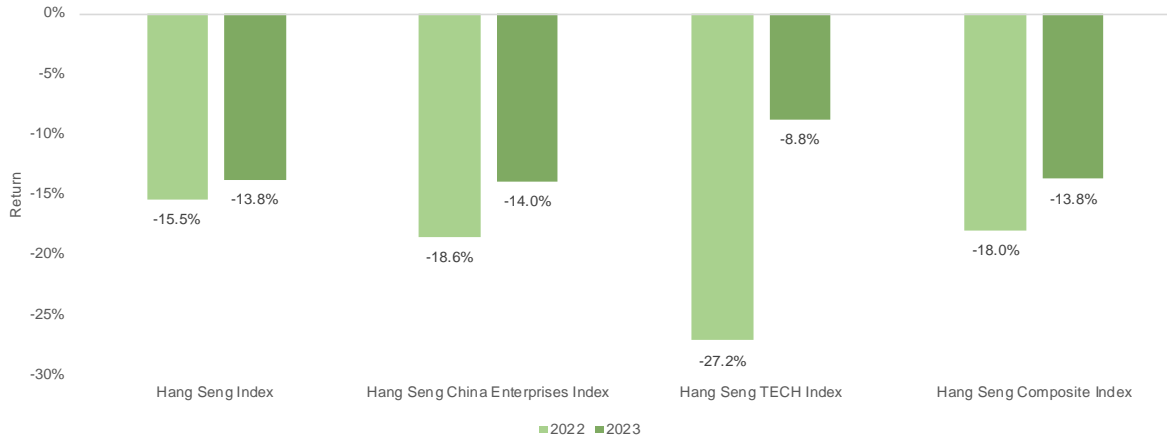
Highlights of Key Indexes Performance

- In January 2023, the Hong Kong stock market reached its peak for the year, as hopes for reopening boosted investors' sentiment. However, the market was on a downward trend for the remainder of the year due to several factors. Initially, uncertainties arising from the US regional banking crisis and the outlook for Federal Reserve rates impacted market confidence. Subsequently, concerns over China's economy further exacerbated the market's decline. In 2023, the Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) were down by 13.8% and 14.0% respectively, while the Hang Seng TECH Index (HSTECH) posted a relatively better return of -8.8%. In mainland China's stock market, the Hang Seng China A Industry Top Index and the Hang Seng Stock Connect China A 300 Index declined by 6.0% and 11.6% respectively.
- The HSI Volatility Index (VHSI) and the HSCEI Volatility Index (VHSCEI) surged to their peaks in March and August 2023, as uncertainties over the Fed rate and the economic outlook for China dampened market sentiment. Market volatility was in general lower in the year compared to 2022.
- Within the Hang Seng Composite Index (HSCI), large-cap stocks declined by 12.9%, outperforming mid-cap (-15.3%) and small-cap (-24.7%). Among the HSCI industry sub-indexes, Energy was again the best-performing industry, recording an increase of 19.8% following a 17.3% gain in 2022, versus Properties & Construction as the worst-performing industry (-30.9%).
- The Hang Seng Corporate Sustainability Index and Hang Seng ESG 50 Index achieved better performance compared to the HSI by 5.5 percentage points and 3.5 percentage points respectively. The HSI ESG Index and HSCEI ESG Index, which combine the HSI and HSCEI with ESG initiatives respectively, both outperformed their base indexes by 1.7 percentage points and 3.7 percentage points.
- The Hang Seng Stock Connect Greater Bay Area Composite Index decreased by 15.8%. For the sub-indexes that measure performance by Region, Industry, Theme, and Factor & Strategy, the respective outperformers were Shenzhen-Dongguan-Huizhou (-14.2%), Information Technology (+4.5%), New Economy (-5.5%), and Innovation Top 50 (-11.9%).
- For thematic indexes, the Hang Seng Automobile Index (+7.7%) and the Hang Seng China Metaverse Index (+5.1%) 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 Dividend Yield (-10.8% in Comprehensive Series). Among the Hang Seng China A Single Factor Indexes, the top-performing index is Low Volatility (-5.4% in Comprehensive Series).
- As at 29 December, assets under management ('AUM') in products passively tracking indexes in the Hang Seng Family of Indexes was about US\$65.8 billion, which increased by 14.4% year-on-year despite market correction in 2023, implying net inflows into the universe. AUM in exchange-traded products linked to the HSI, HSCEI and HSTECH increased to US\$20.9 billion (+6.1%), US\$5.5 billion (+1.7%) and US\$16.2 billion (+65.7%) respectively.



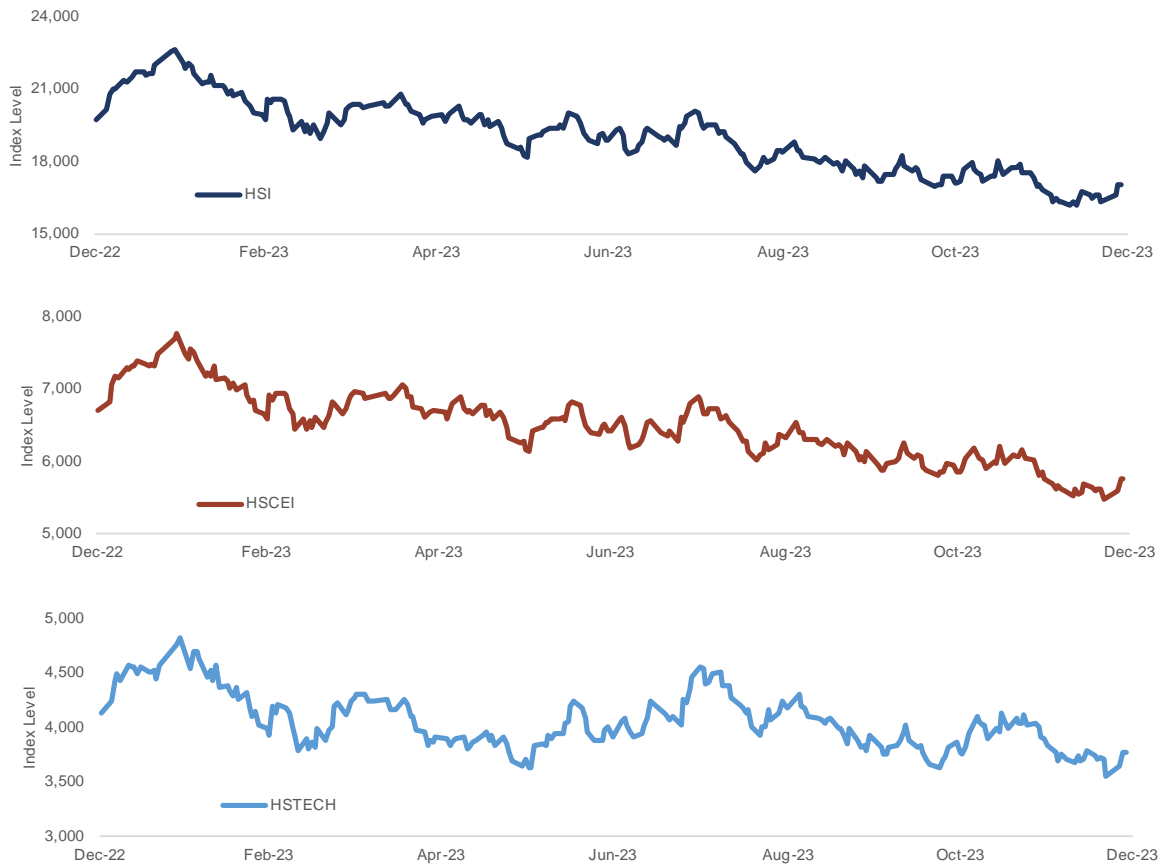
Hong Kong-Listed

Major Indexes



HSI, HSCEI and HSTECH

- HSI declined by 13.8% in 2023 after falling by 15.5% in 2022.
- HSCEI registered similar performance with HSI, with an annual return of -14.0%.
- HSTECH outperformed HSI by 5.0 percentage points, with an annual return of -8.8%.



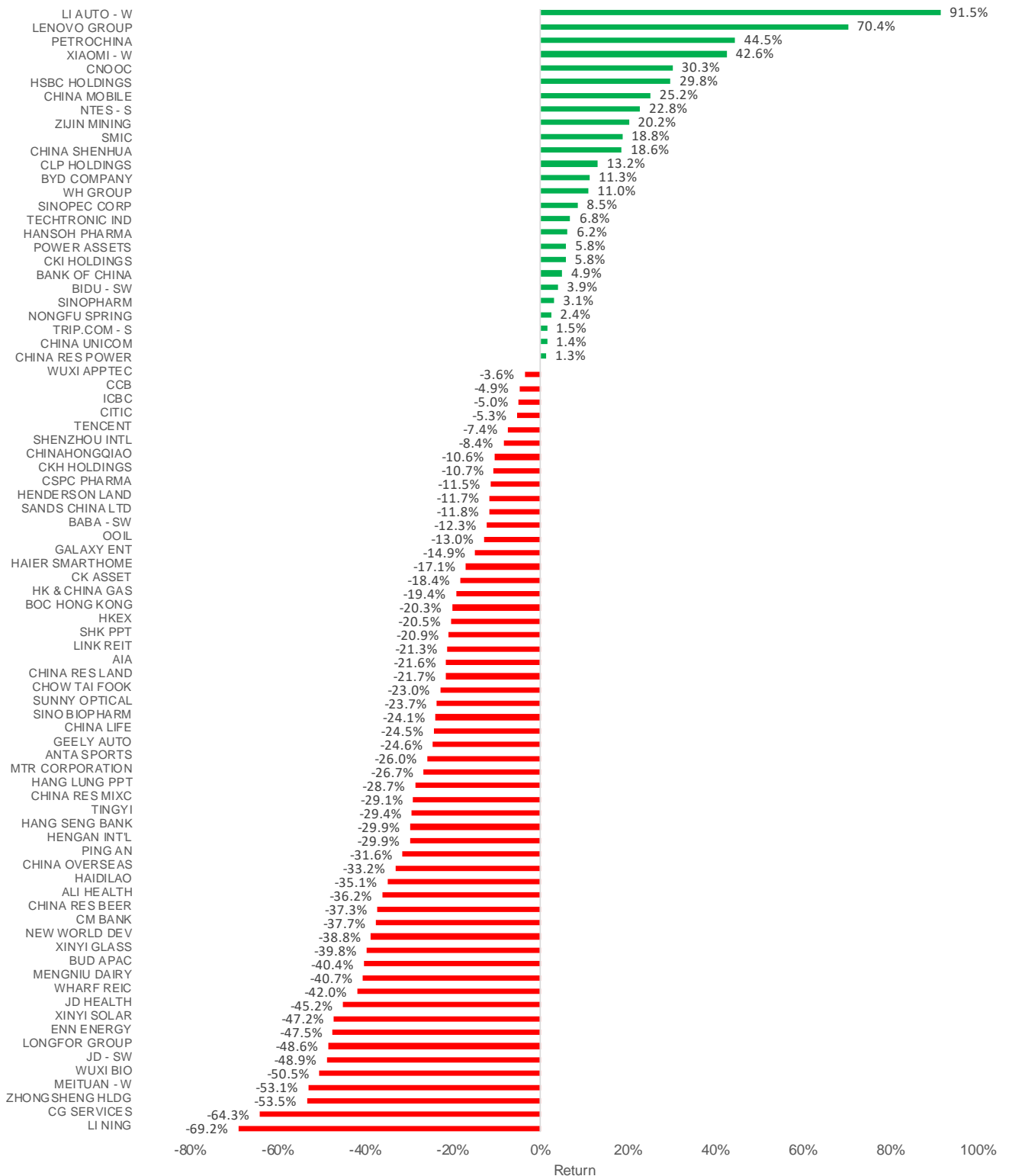
Index	Closing High	Closing Low	Closing Index	Yearly Change		PE Ratio (Times)	Dividend Yield	Dividend Point Index*
				Points	%			
HSI	22,689	16,201	17,047	-2,734	-13.8%	10.6	4.0%	727.1
HSCEI	7,774	5,489	5,769	-936	-14.0%	8.8	4.2%	237.4
HSTECH	4,813	3,548	3,764	-365	-8.8%	91.5	1.1%	--

*As of 28 Dec 2023



HSI Constituents

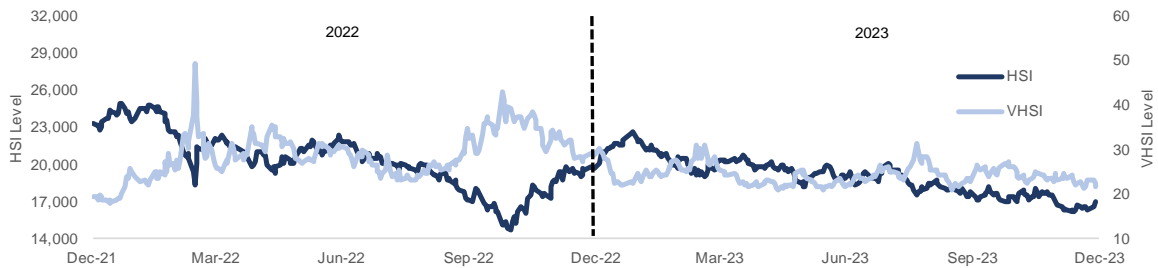
- Among the 82 current HSI constituents, 26 rose in 2023. LI AUTO - W (2015.HK), LENOVO GROUP (0992.HK), PETROCHINA (0857.HK) were the best performers, with yearly gains of 91.5%, 70.4% and 44.5%.



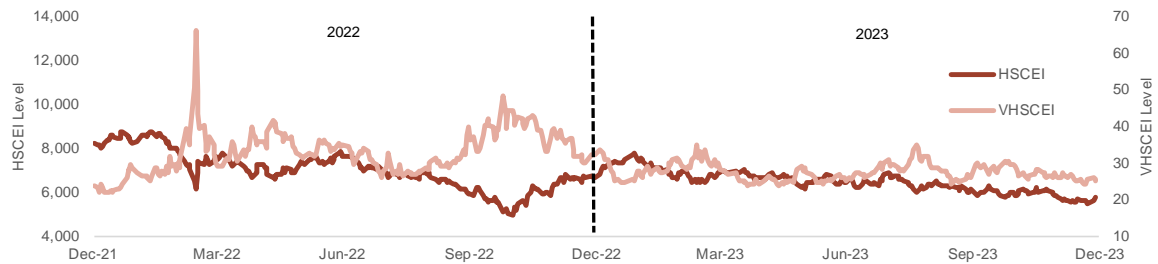


Volatility Indexes

- The differences between the peak and trough of the HSI and the HSCEI were 6,487pts and 2,285pts respectively, with the peak-to-trough spreads of both indexes lower than that of previous year (HSI 2022: 10,279pts; HSCEI 2022: 3,851pts).
- 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 and August, with the VHSI exceeding 30 in the respective months amidst uncertainties around Fed rate and China economic outlook.
- The VHSI and the VHSCEI reached their highest levels (VHSI: 31.5; VHSCEI: 35.2) in the year on 21 Aug 2023, while the lowest levels (VHSI: 21.1; VHSCEI: 23.8) were observed on 12 May 2023.
- Market volatility in 2023 was in general lower than that in 2022, in terms of volatility index levels and peak-to-trough spread.



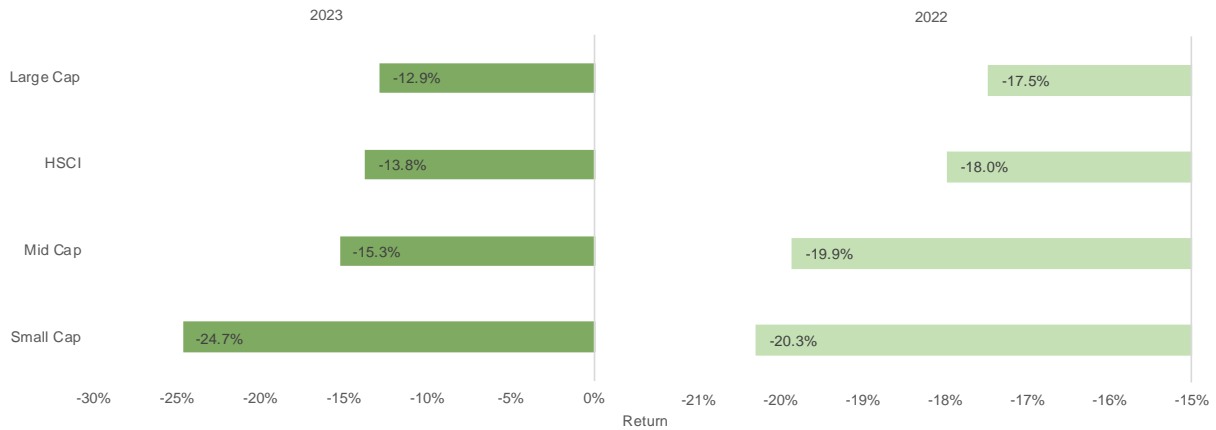
- Similar movement was observed for the HSCEI Volatility Index (“VHSCEI”).





Hang Seng Composite Index (HSCI) - Size Indexes

- Within HSCI Size Indexes, Large-cap performed the best, declining by 12.9%.
- Small Cap was the worst-performing category with a decline of 24.7%, following a decline of 20.3% in 2022.



* Note:

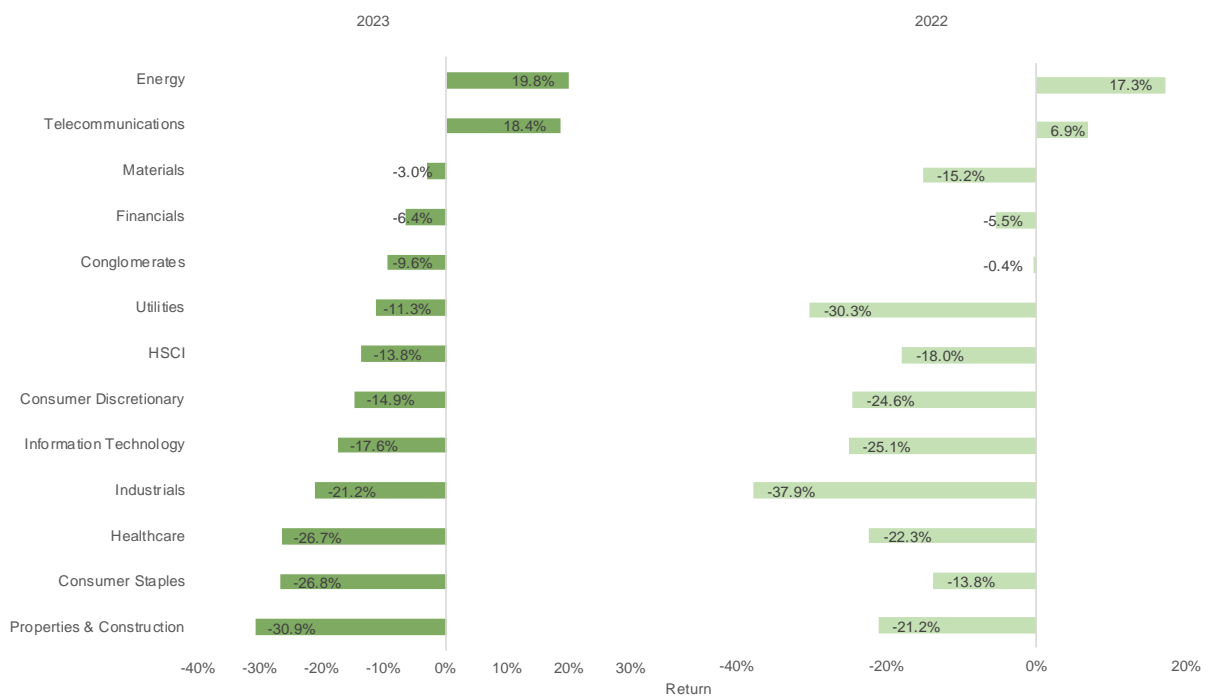
Large Cap: Hang Seng Composite LargeCap Index

Mid Cap: Hang Seng Composite MidCap Index

Small Cap: Hang Seng Composite SmallCap Index

Hang Seng Composite Index (HSCI) - Industry Indexes

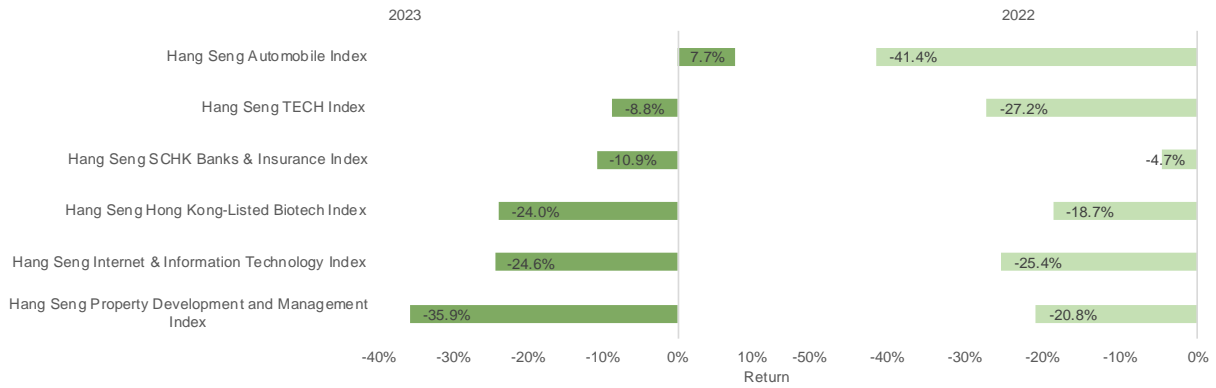
- Energy was the best performing industry (+19.8%), followed by Telecommunications (+18.4%).
- Properties & Construction fared the worst, posting a decline of 30.9%.





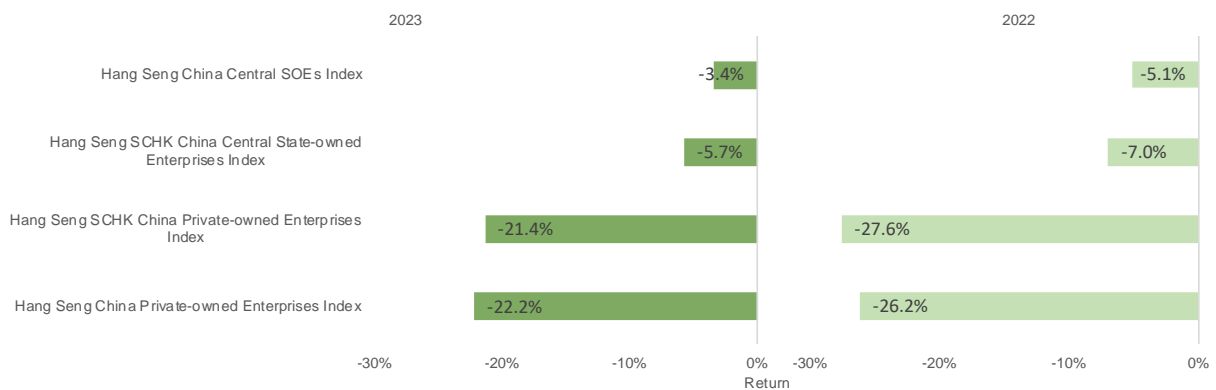
Thematic Indexes – Hong Kong-Listed

- The Hang Seng Automobile Index rose by 7.7% in 2023, after registering a decline of 41.4% in the previous year.



SOE & POE Indexes – Hong Kong-Listed

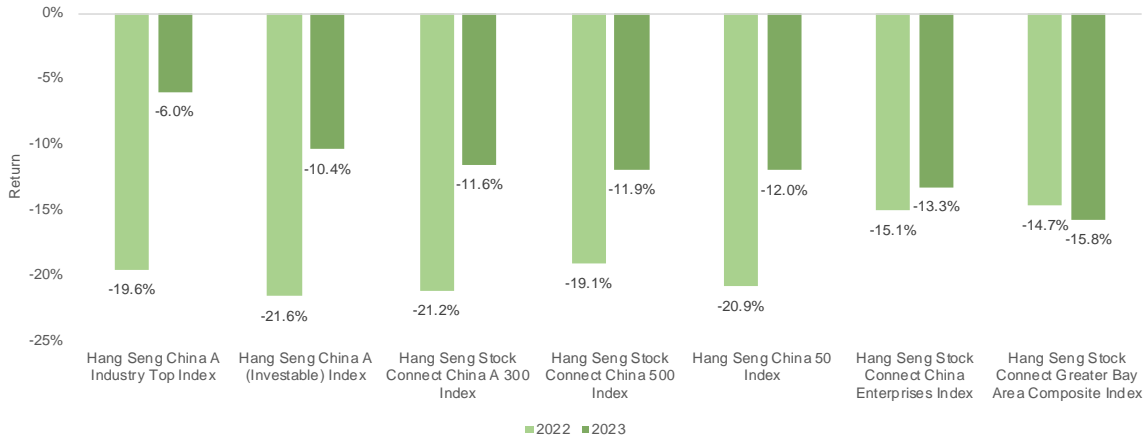
- The Hang Seng China Central SOEs Index fell by 3.4% in 2023.





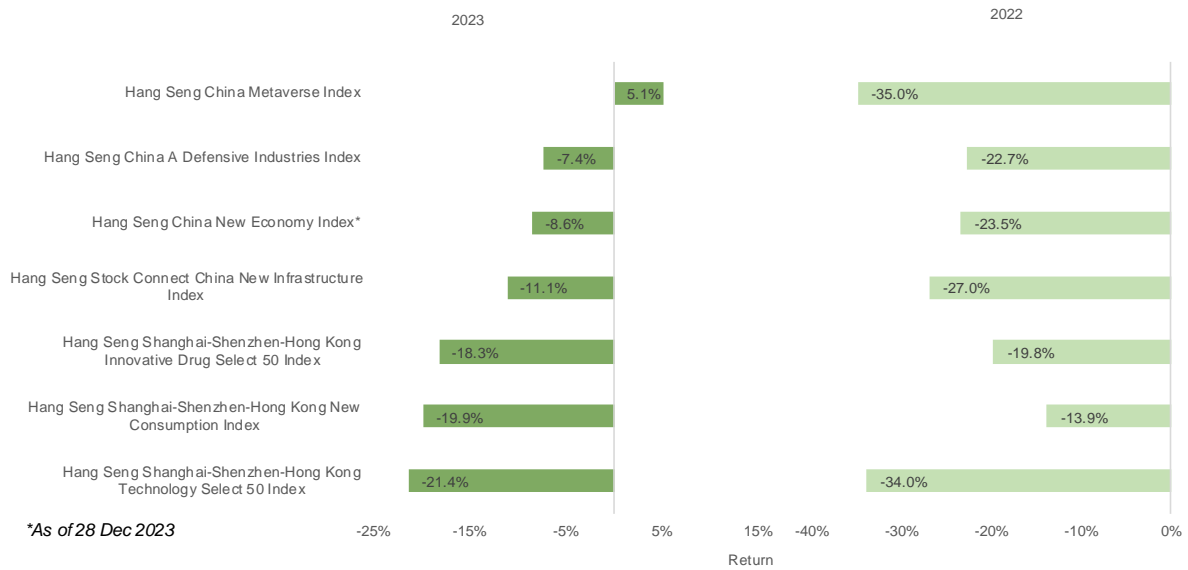
Mainland-Listed / Cross-Market

Major Indexes



Thematic Indexes

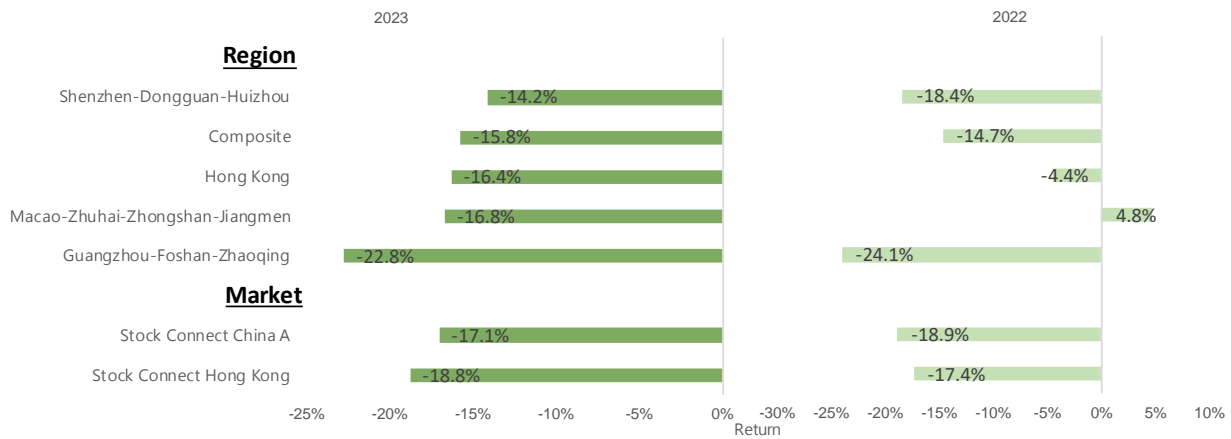
- The Hang Seng China Metaverse Index gained 5.1% in 2023, after a decline of 35% in 2022.
- The Hang Seng China A Defensive Industries Index dropped by 7.4%.





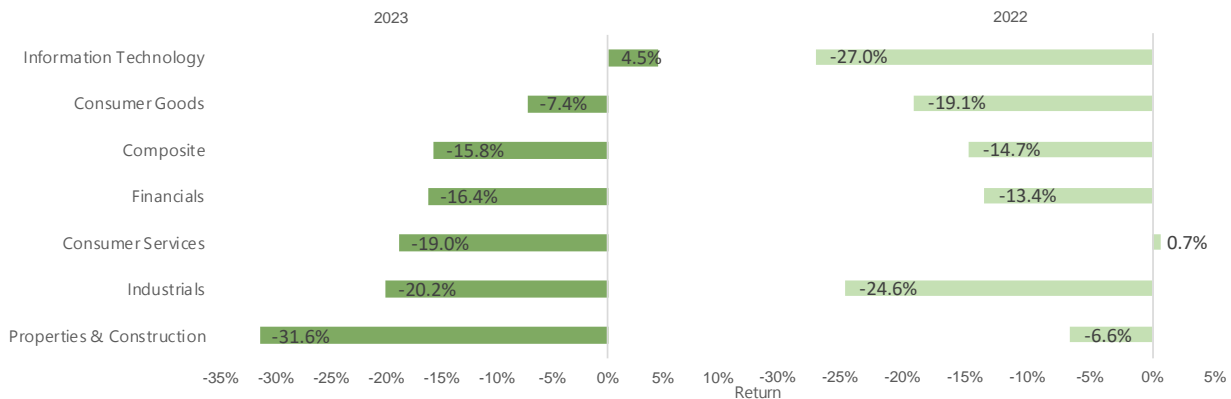
Hang Seng Stock Connect Greater Bay Area Composite Index - Region / Market Indexes

- Shenzhen-Dongguan-Huizhou and Stock Connect China A performed the best among Region Indexes (-14.2%) and Market Indexes (-17.1%) respectively.



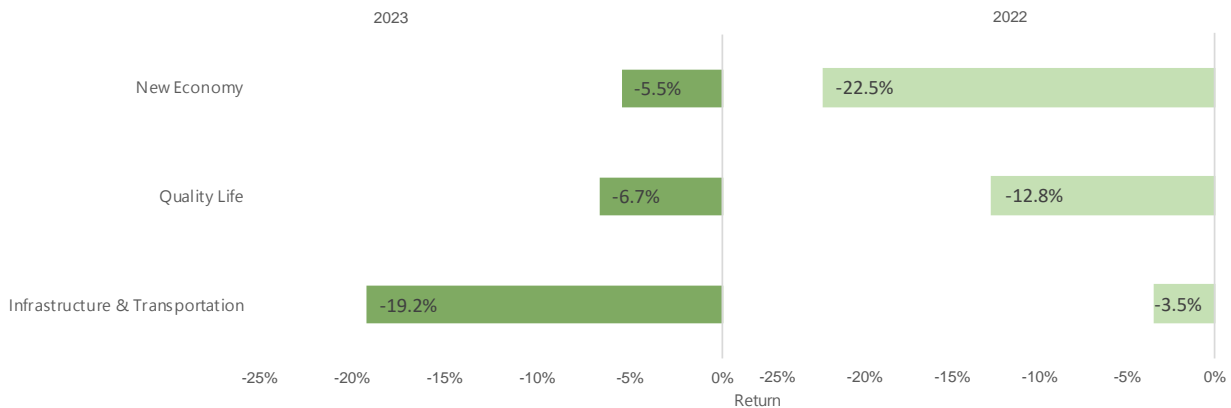
Hang Seng Stock Connect Greater Bay Area Composite Index - Industry Indexes

- Information Technology increased by 4.5%, following a decline of 27% in 2022.



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

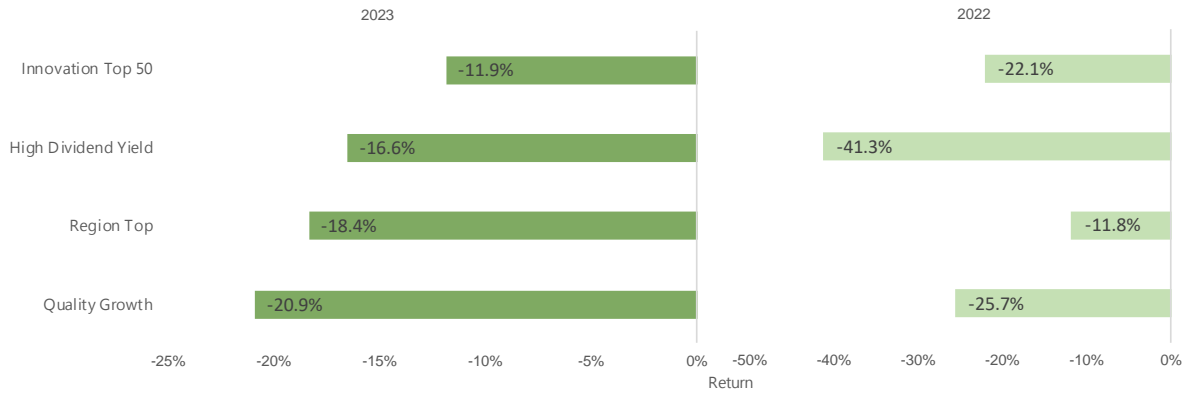
- New Economy dropped by 5.5%, following a decline of 22.5% in 2022.





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

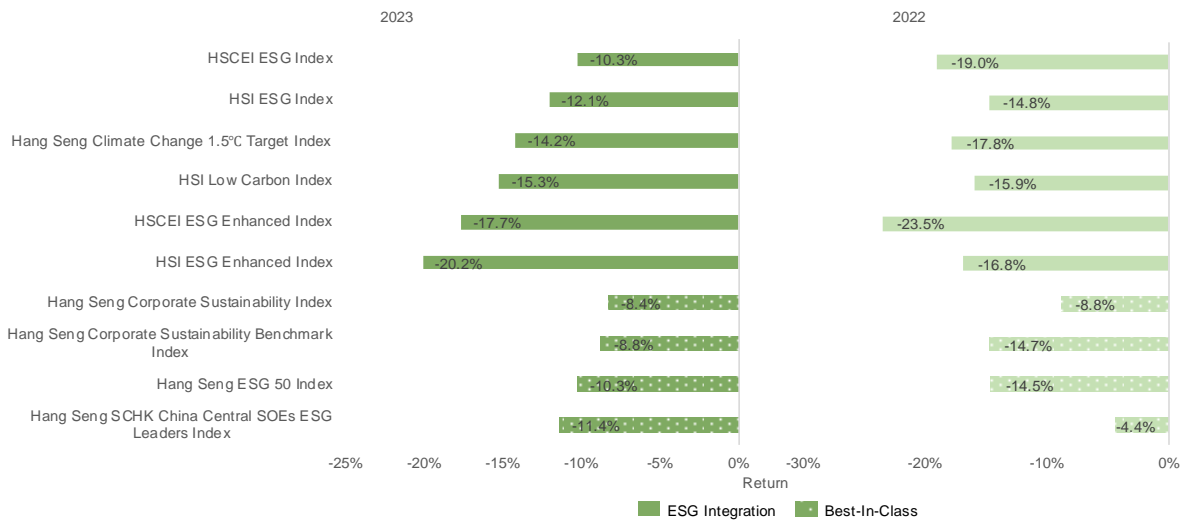
- Innovation Top 50 dropped (-11.9%), following a decline of 22.1% in 2022.





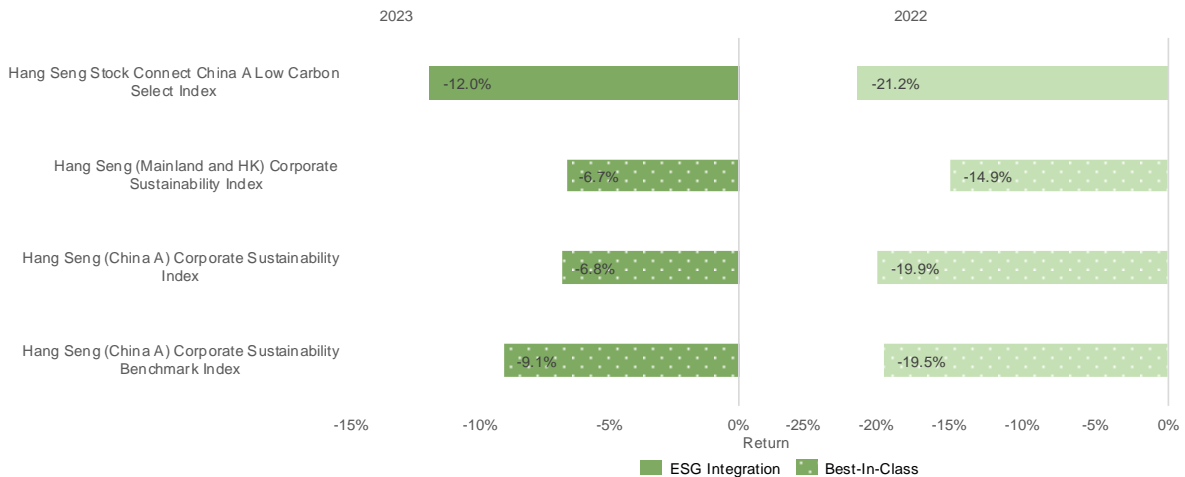
ESG Indexes – Hong Kong-Listed

- The Hong Kong listed ESG index family is broadly categorized into 2 groups: best-in-class and ESG integration.
- In the ESG integration series, HSCEI ESG Index has the best performance of -10.3%.
- In the best-in-class series, Hang Seng Corporate Sustainability Index has the best performance of -8.4%.



ESG Indexes – Mainland-Listed / Cross Market

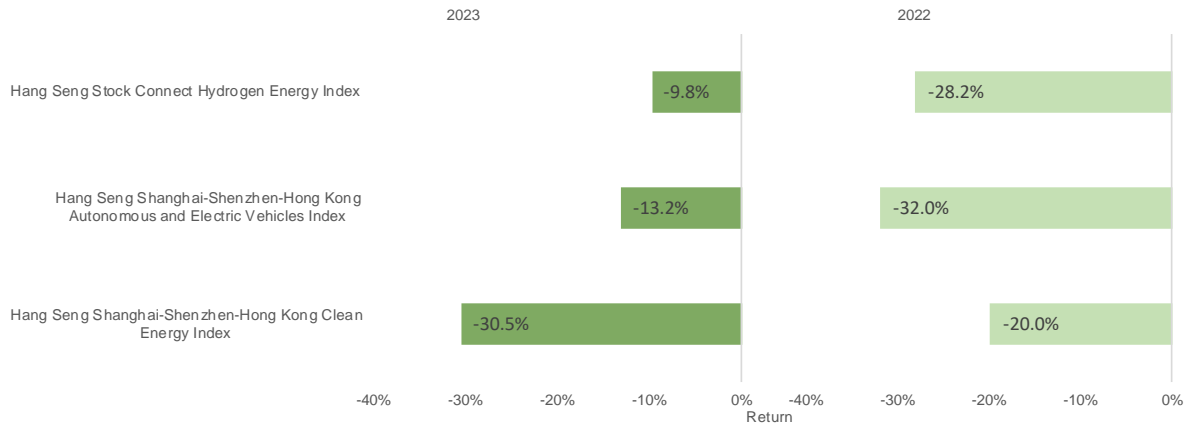
- The Hang Seng (Mainland and HK) Corporate Sustainability Index dropped by 6.7%.
- The Hang Seng (China A) Corporate Sustainability Index fell by 6.8%.





ESG Indexes – Thematic Indexes

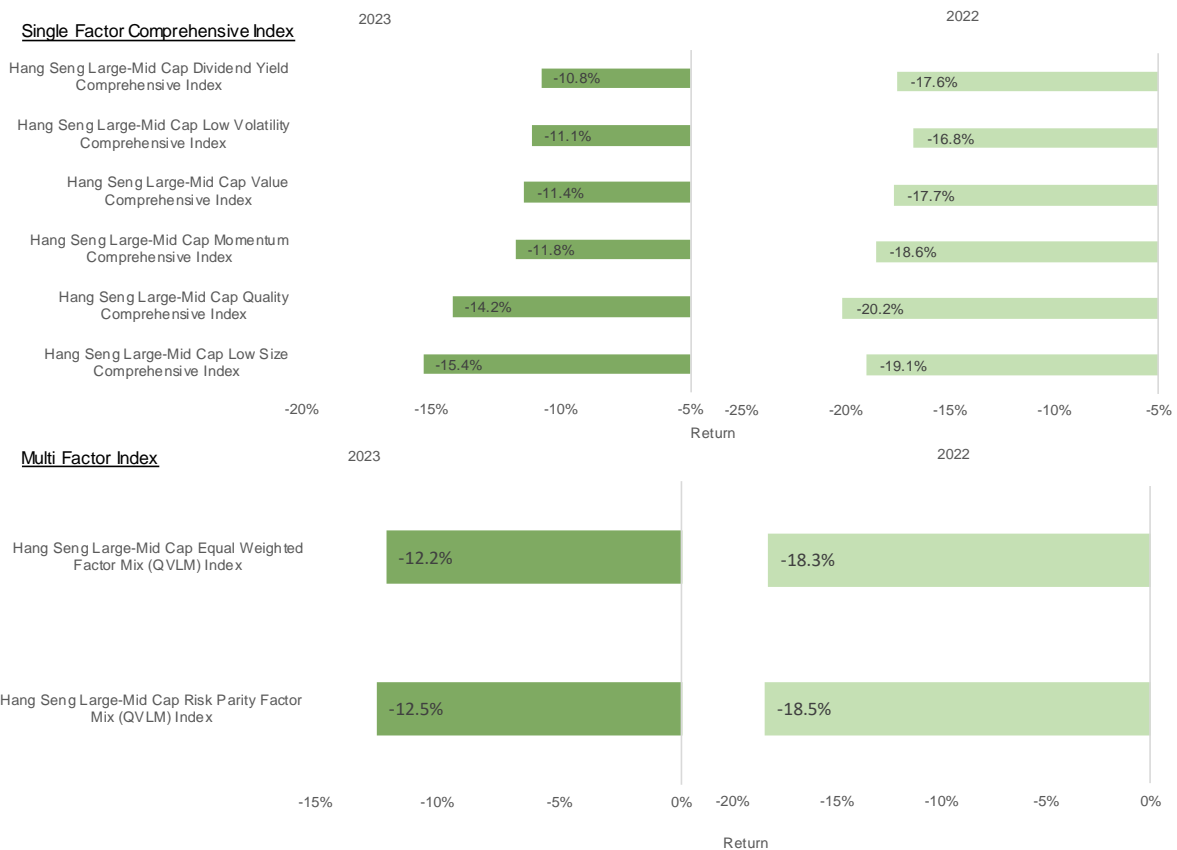
- The Hang Seng Stock Connect Hydrogen Energy Index and the Hang Seng Shanghai-Shenzhen-Hong Kong Clean Energy Index fell by 9.8% and 30.5% respectively.
- The Hang Seng Shanghai-Shenzhen-Hong Kong Autonomous and Electric Vehicles Index dropped by 13.2%.





Smart Beta – Hong Kong-Listed

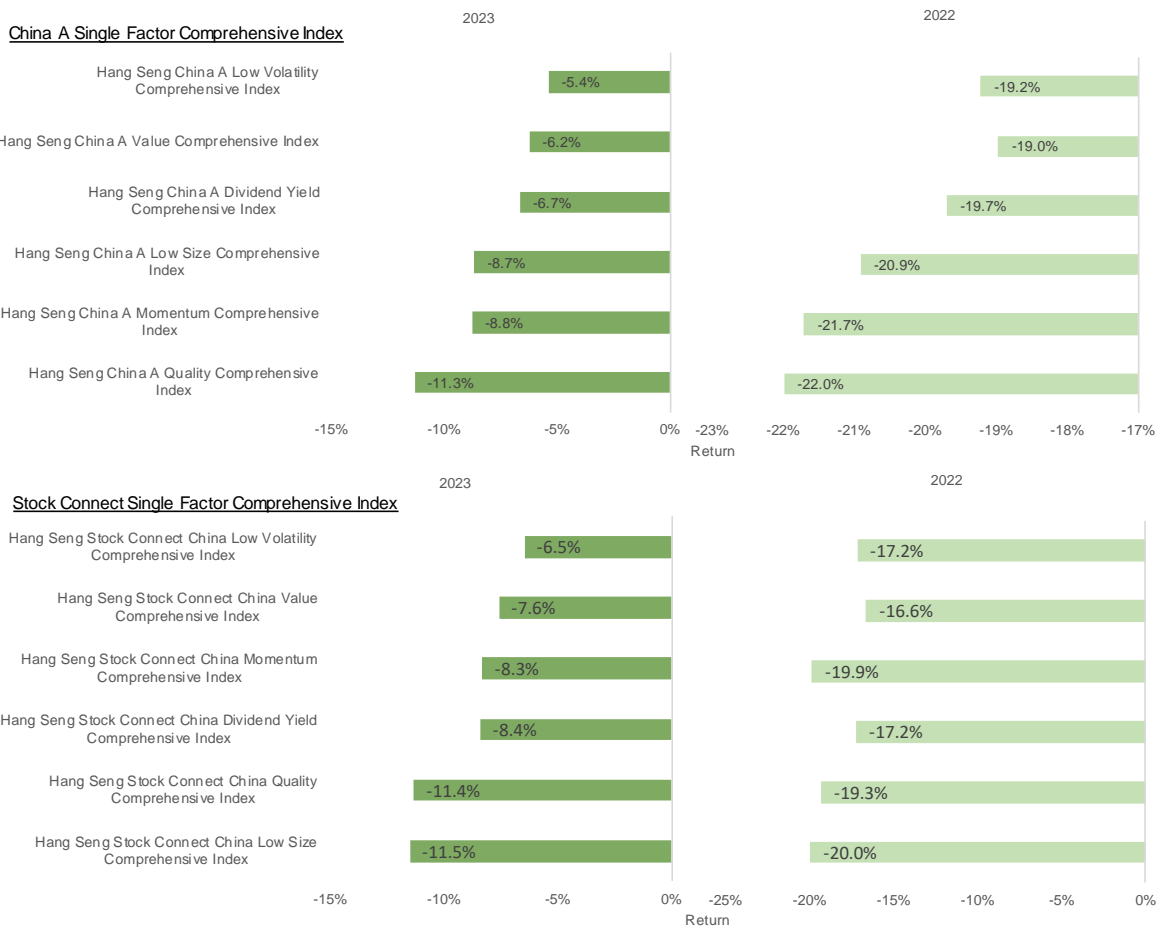
- The Hang Seng Indexes Company studies various factors and selects those that can deliver long-term risk premium. These factors can be classified into six groups: Value, Momentum, Quality, Yield, Low Volatility and Low Size.
- Our Smart Beta family of indexes offers Single Factor indexes for the six 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 2023, among the Hong Kong-listed Single Factor Comprehensive indexes, the Hang Seng Large-Mid Cap Dividend Yield Comprehensive Index was the best performer (-10.8%), followed by the Hang Seng Large-Mid Cap Low Volatility Comprehensive Index (-11.1%) and the Hang Seng Large-Mid Cap Value Comprehensive Index (-11.4%).
- Among the Hong Kong-listed Multi-factor indexes, the Hang Seng Large-Mid Cap Equal Weighted Factor Mix (QVLM) Index has performed better (-12.2%) for the year.





Smart Beta – Mainland-Listed / Cross-Market

- Among the mainland-listed Single Factor Comprehensive indexes in 2023, the Hang Seng China A Low Volatility Comprehensive Index performed best (-5.4%), followed by the Hang Seng China A Value Comprehensive Index (-6.2%) and the Hang Seng China A Dividend Yield Comprehensive Index (-6.7%).
- For the cross-market Single Factor Comprehensive indexes, the top runners are the Hang Seng Stock Connect China Low Volatility Comprehensive Index (-6.5%), the Hang Seng Stock Connect China Value Comprehensive Index (-7.6%) and the Hang Seng Stock Connect China Momentum Comprehensive Index (-8.3%).





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