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CETF

VanEck FTSE China A50 ETF (ASX: CETF)

Q1 2024 Update

Fund summary

CETF gives investors exposure to a diversified portfolio comprising the 50 largest companies in the mainland Chinese market. CETF aims to provide investment returns before fees and other costs which track the performance of the Index.

CETF tracks the FTSE China A50 Index, which is a market capitalisation weighted index designed to represent the performance of the 50 largest companies by full market capitalisation, in the mainland Chinese market.

Quarterly summary

- *CETF returned 7.61% for the quarter ended 31 March 2024.*
- *From a sector perspective, Energy (+24.76%) and Materials (+20.44%) were the largest, while Health Care (-6.06%) was the only sector to return negative for the quarter.*

Quarter end performance as at 31 March 2024

	1 month	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)	Since CETF inception (p.a.)
Price Return (%)	0.70	7.61	-4.31	-11.75	-9.87	-2.89	-4.26
Income Return (%)	0.00	0.00	0.00	2.38	1.80	1.61	2.46
Total Return (%)	0.70	7.61	-4.31	-9.37	-8.07	-1.28	-1.80
Index* (%)	1.38	8.43	-3.40	-8.20	-7.31	0.86	-0.02
FTSE China A50 Net Tax AUD Index (%)	1.38	8.43	-3.40	-8.20	-7.31	1.08	2.61

The tables above show past performance of the ETF from 26 June 2015. Past performance is not a reliable indicator of current or future performance which may be lower or higher. *The Blended Index shows the relevant index performance from the ETF Inception Date. The current Index (XINA50AN) performance history is shown for the previous 10 years. Blended Index performance is shown from the ETF Inception Date.

Results are calculated to the last business day of the month and assume immediate reinvestment of dividends. ETF results are net of management fees and costs, but before brokerage fees or bid/ask spreads incurred when investors buy/sell on the ASX. Index performance excludes cost of investing in the ETF. Performance data for periods longer than one year are annualised.

Since 23 April 2020, the fund has operated as VanEck FTSE China A50 ETF, and aims to track the FTSE China A50 Index (current investment objective). Prior to 23 April 2020 the fund operated under the name VanEck China CSI 300 ETF and aimed to track the CSI 300 Index (old investment objective). In the Blended Index, performance data from 23 April 2020 onwards reflects the fund's current investment objective, while performance data prior to 23 April 2020 reflects the old investment objective.

Key benefits

Australia's only dedicated China A-shares market benchmark exposure: Access to a diversified portfolio of the 50 largest companies in the mainland Chinese market that make up the FTSE China A50 Index.

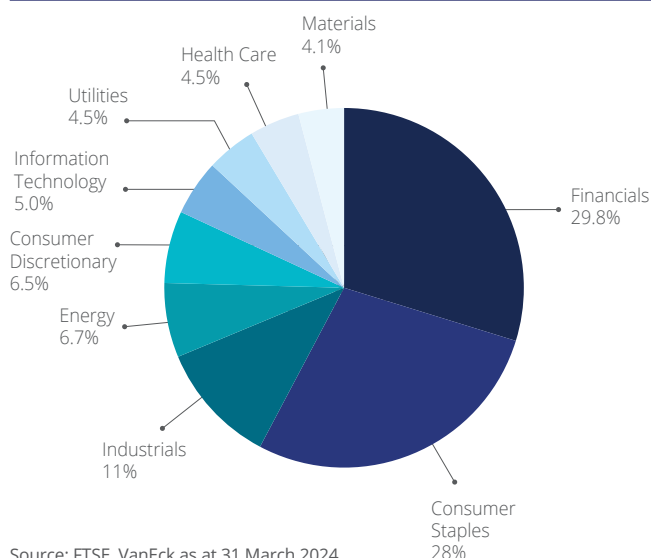
A-shares growth driven by domestic consumption: Domestic consumption growth in China is the highest in the world.

Diversified across companies and sectors: Comprised of the largest and the most liquid mainland China companies considered to be the pillar companies of the Chinese economy and leaders in their sectors.

Key risks

An investment in the ETF carries risks associated with: ASX trading time differences, China, financial markets generally, individual company management, industry sectors, foreign currency, sector concentration, political, regulatory and tax risks, fund operations, liquidity and tracking an index. See the PDS for details.

Index sector breakdown



Source: FTSE, VanEck as at 31 March 2024.

Index fundamentals

Trailing P/E ratio	11.9
Price/Book ratio	1.46
Price/Sales ratio	1.31
Operating margin (%)	31.65
Earnings per share (EPS) 3-year growth (%)	21.3
Long term debt to capital (%)	14.20
Return on equity	20.07
Dividend yield (%)	3.03
Dividend per share (DPS) YoY growth (%)	56.36

Source: FTSE, FactSet as at 31 March 2024.

VanEck FTSE China A50 ETF: Top and bottom performers

Top performers	Contribution to return (%)	Sector	Commentary
Contemporary Amperex Technology	0.94	Industrials	Contemporary Amperex Technology is the world's top maker of electric vehicle batteries. Its share price saw strong rebound during the quarter after finishing 2023 in negative territory off the back of continuous reports in slowdown in profit growth.
China Merchants Bank	0.85	Financials	China Merchants Bank engages in the provision of corporate and personal banking services, focusing on individual and corporate businesses, credit card and SMEs. Its share price rebounded strongly during the quarter after a series of negative quarterly reporting in 2023.
Foxconn Industrial Internet	0.82	Information Technology	Foxconn Industrial Internet is involved in the research, development, manufacture and sales of electronic equipment products. Its products are mainly used in smart phones, broadband and wireless networks. Its share price suffered most of 2023 and into February but recovered strongly as sentiment in the broader Chinese market continues to improve.
Bottom performers	Contribution to return (%)	Sector	Commentary
WuXi AppTec Co	-0.37	Health Care	WuXi AppTec's shares fell after the Chinese biotechnology company issued a downbeat revenue outlook amid concerns about potential US sanctions. After reporting in-line 2023 results, WuXi AppTec's management guided for 2024 revenue to reach 38.3 billion yuan (\$5.32 billion) to CNY40.5 billion, compared with actual revenue of CNY40.34 billion in 2023.
Luxshare Precision Industry Co	-0.25	Information Technology	Luxshare Precision Industry is engaged in the research, development, production and distribution of computer and electronic connectors. The reduction in demand for iPhones, especially in China has weighted negatively on the company which is instrumental in the production of iPhones.
LONGi Green Energy Technology Co	-0.16	Information Technology	LONGi Green Energy is a photovoltaics company, a major manufacturer of solar modules and a developer of solar power projects. Its share price has continued its negative trajectory after a series of disappointing results particularly as product price declines outweighed shipment growth. Solar wafer and module prices hit year-lows towards the end of last year the company flagged challenges into the year.

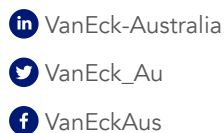
Source: VanEck, as at 31 March 2024.

Outlook

- January and February activity data showed a steady start to the year for the Chinese economy. Fixed asset investments, including capex and infrastructure, could remain the driving force for the economy, while consumption may pick up provided that the real estate sector doesn't deteriorate further. Together with the better than expected CPI reading and exports, it should alleviate some of the pessimism in the market.
- Following the 'Two Sessions' meetings in March, investors will be monitoring the supply side policy implementation. It is expected that the fiscal deployment may be more at the central level, rather than the local level given the concerns around the local government debt build up. In addition, equipment upgrades and trade-in programs for durable goods will take place, though the scale is yet to be announced.
- While the consumption side of the stimulus has not been on the top of the agenda, it is an important component which will help to snap China out of deflation. Consumers will have to be comfortable spending again, to create a positive cycle and avoid the history of Japan's 'lost decade'.
- We are of the view that A-shares could offer more resilience against geopolitical uncertainty vs. offshore names, as the US election season ramps up later this year. In March the US introduced four bills around China related investment curbs and it is unlikely to be the end of this policy. A shares performance has proven to be more domestically driven, and therefore more likely to be sheltered from external shocks.

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