



## **NikkoAM-ICBCSG China Bond ETF**

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A quality brew of strength and depth

## About the index

### The ChinaBond ICBC 1-10 Year Treasury and Policy Bank Bond Index

The ChinaBond ICBC 1-10 Year Treasury and Policy Bank Bond Index invests into China government bonds, and bonds issued by policy banks such as Agricultural Development Bank of China, China Development Bank, and Export-Import Bank of China.

In addition to China Government Bonds, you will have access to these China Policy Bank Bonds:

| 100% government owned financial institutions that are responsible for financing state led development projects. |  |
|---|--|
| China Development Bank  | Support large-scale national projects such as infrastructure development, basic industries, energy and transport   |
| Agricultural Development Bank of China  | Support development of agricultural projects and rural areas   |
| Export-Import Bank of China   | Support China's foreign trade, cross-border investment, the Belt and Road Initiatives (BRI), international industrial capacity and equipment manufacturing cooperation |

## Why invest in NikkoAM-ICBCSG China Bond ETF?



**1**  
Strength and growth of the China bond market



**2**  
Internationalisation of the RMB



**3**  
Higher risk-adjusted returns



**4**  
Competitive yields relative to China government bonds



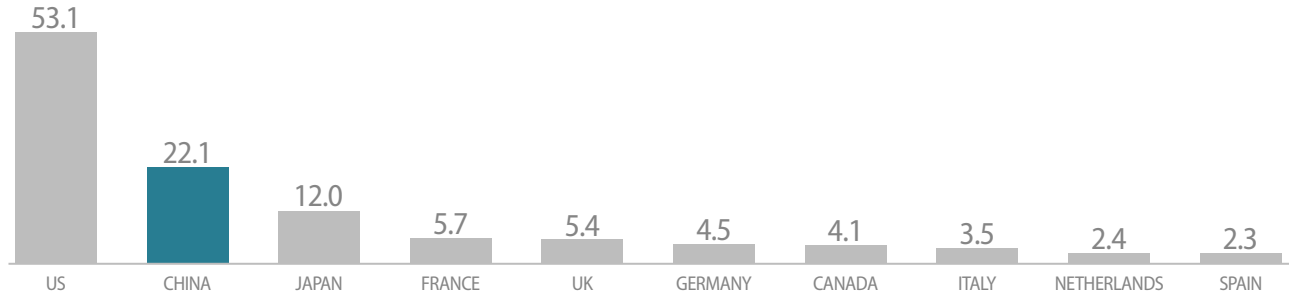
**5**  
Uses leading pricing and index provider for China's bond market

# 1. Strength and growth of the China bond market

## Access to China's bond market

The world's 2nd largest bond market and one of the most liquid markets in the world.

**Figure 1: China – second largest bond market in the world (USD tn)**

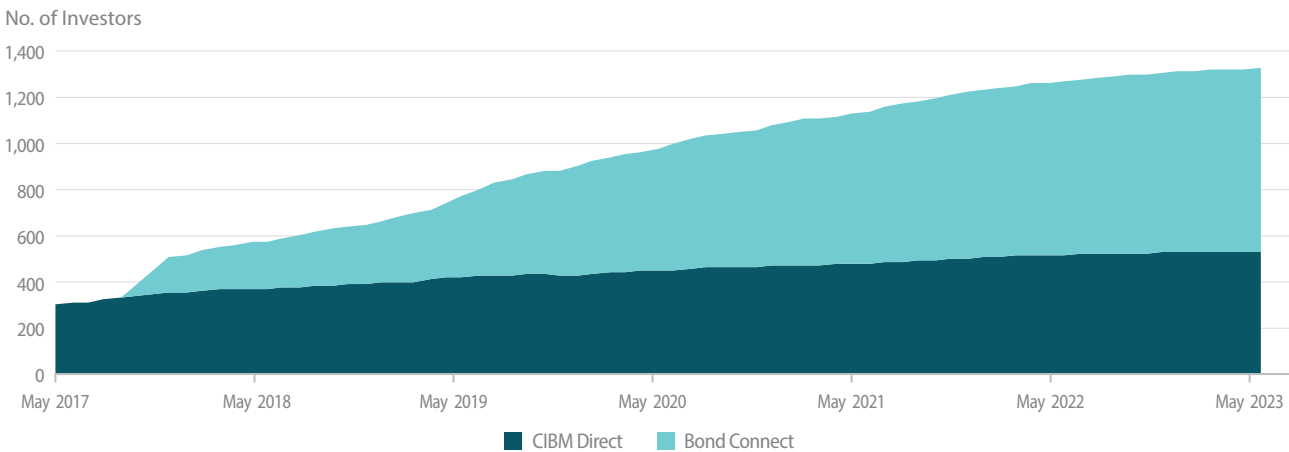


Source: BIS, Q1 2023

## Increased foreign participation

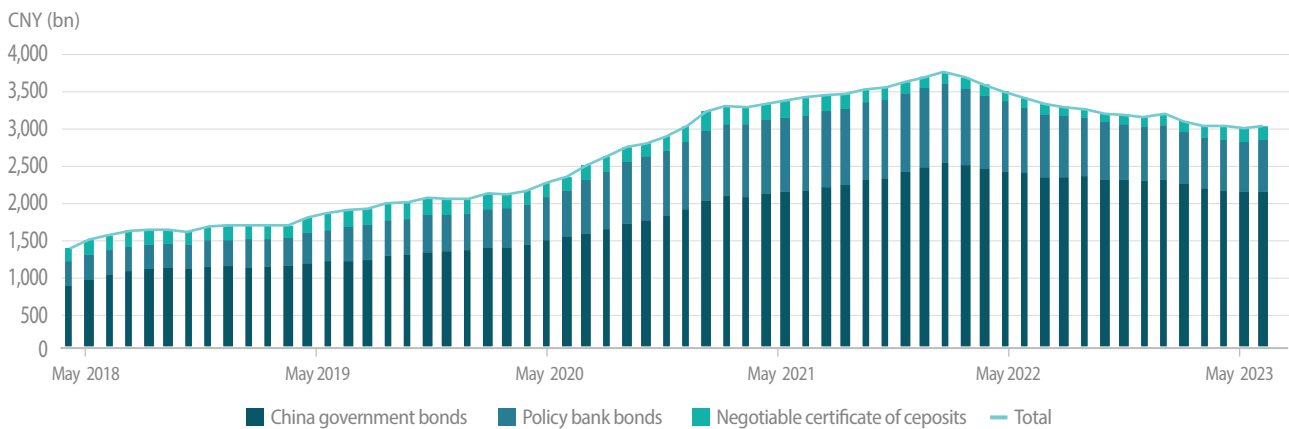
In recent years, foreign participation into the Chinese government bond market has demonstrated evident increase. With the opening of the China Interbank Bond Market (CIBM), Global Bond indices have started to include China bonds and this accessibility is expected to drive further foreign investments into this asset class.

**Figure 2: Growing foreign investors via both channels**



Source: ICBC, PBoC, May 2023

**Figure 3: Foreign investors holdings - total outstanding (CNY bn)**

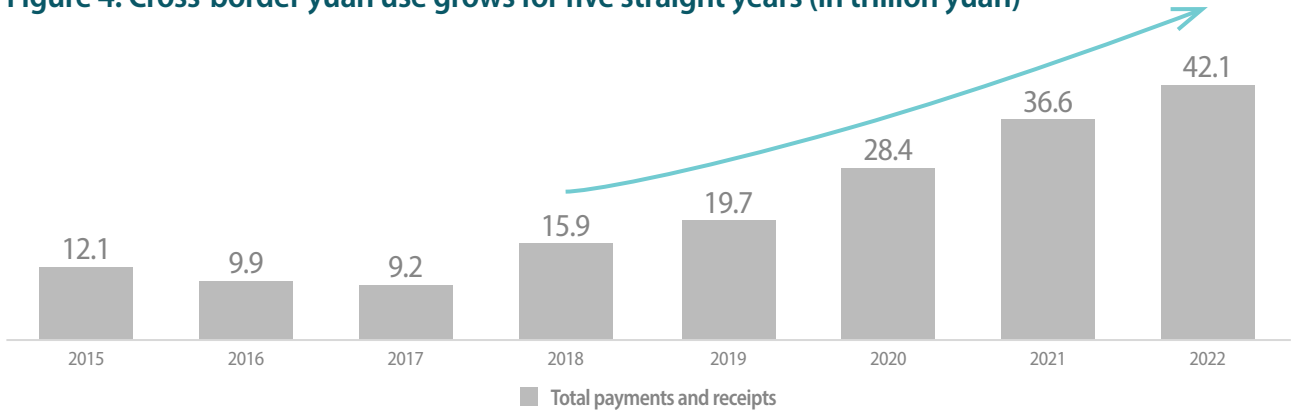


Source: Chinabond, Bloomberg, Barclays Research, May 2023

## 2. Internationalisation of the RMB

The RMB has seen increased importance on the global stage across time. China's cross-border yuan usage in international trade deals has grown significantly across the last 5 years, as shown in Fig 4 below.

**Figure 4: Cross-border yuan use grows for five straight years (in trillion yuan)**



Source: People's Bank of China, Caixin, The National News, 5 Apr 2023

In 2022, about 42 trillion yuan worth of China's cross-border payments and receipts were settled in the Chinese currency, up 15% from the previous year, and marking the fifth straight annual increase.

In March 2023, the yuan also became the most widely-used currency for cross-border transactions in China and overtook the dollar for the first time, reflecting efforts to internationalise use of the yuan.

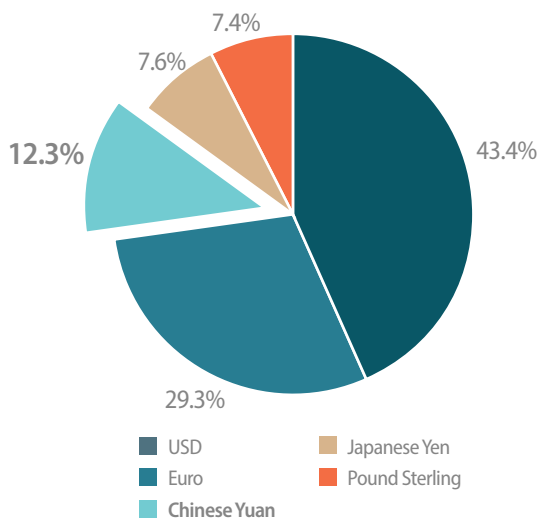
Source: Reuters, 26 Apr 2023

### Potential for greater RMB representation in world reserves

The RMB represents approximately 12% of the International Monetary Fund's (IMF) Special Drawing Rights (SDR). The SDR is an international type of monetary reserve asset created by the IMF in 1969 that operates as a supplement to existing money reserves of member countries.

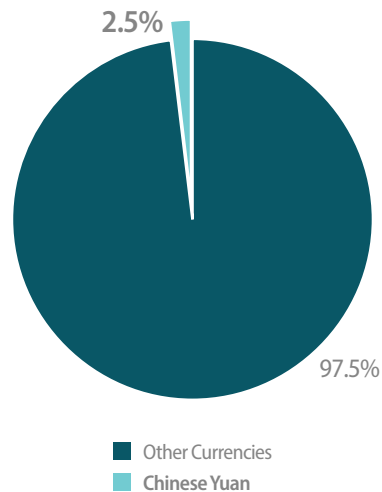
However, only approximately 3% of current world reserves are held in RMB, which could suggest potential for the RMB to continue growing in weight within the world reserves.

**Figure 5: IMF SDR Basket**



Source: IMF, May 2022

**Figure 6: Current world reserves**



Source: IMF, Q2, 2023

### 3. Higher risk-adjusted returns

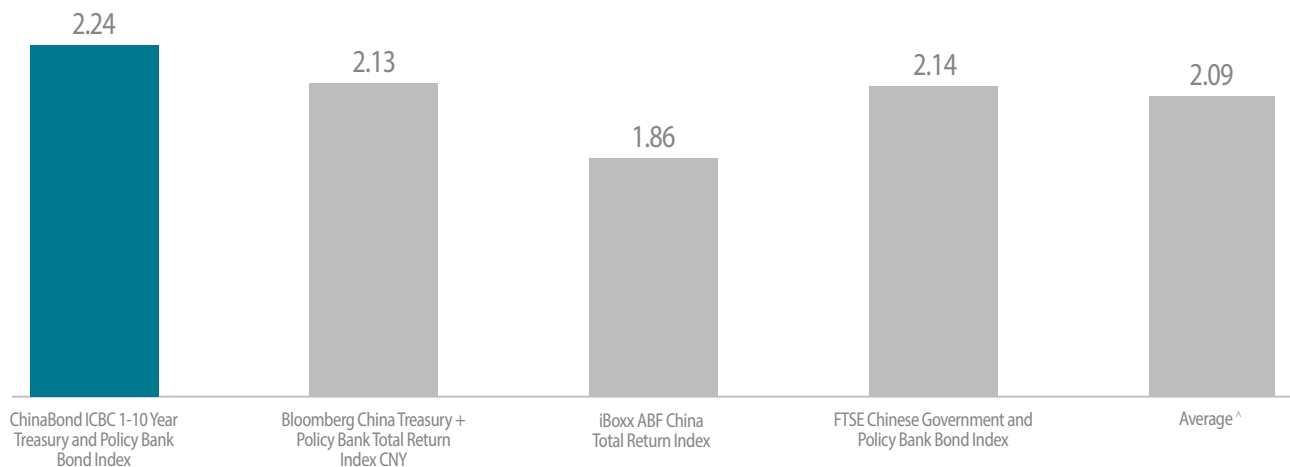
Short term bonds typically have lower volatility. We have designed the ETF to track an index comprising of bonds with maturity of less than 10 years, resulting in higher risk-adjusted returns.

| ChinaBond ICBC 1-10 Year Treasury and Policy Bank Bond Index |             |
|--|-------------|
| Date   | 30 Jun 2023 |
| Market Size (RMB tn)   | 34.3        |
| Number of Bonds  | 214         |
| Duration (years)   | 4.19 years  |
| Yield to Maturity (%)  | 2.60%       |
| 3 Year Returns (annualised)                                  | 3.60%       |
| 3 Year Volatility (annualised)                               | 1.51%       |
| 5 Year Returns (annualised)                                  | 4.34%       |
| 5 Year Volatility (annualised)                               | 1.94%       |

Source: Nikko AM, China Bond Pricing Center, Bloomberg as of 30 Jun 2023

Performance of the index presented here is not exactly the same as that of the corresponding or related ETFs. Index performance does not factor in any management fee, transaction costs or fund expenses of an ETF. Past performance is not necessarily indicative of the future performance.

**Figure 7: Risk-adjusted returns (%)\***



Source: Nikko Asset Management, Bloomberg, as of 30 Jun 2023

\* Risk-adjusted Returns defined as 5 year annualised returns divided by 5 year annualised volatility

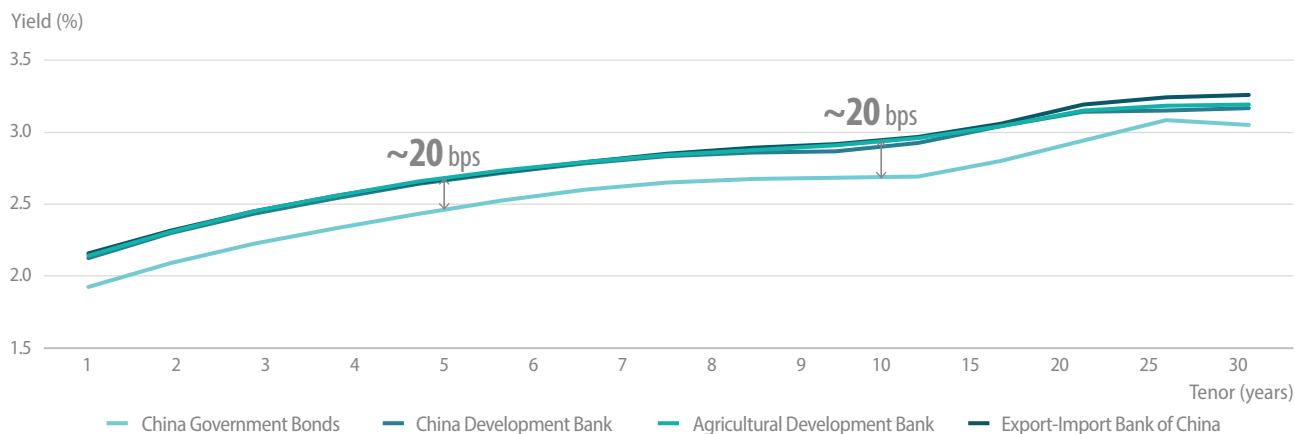
^ The average risk-adjusted returns is derived by calculating the simple average of the risk-adjusted returns of the four above-mentioned indices

For the purpose of illustrating that short term bonds have a lower volatility and therefore higher risk-adjusted returns, the 3 indices chosen for comparison purposes tracks bonds that are not limited to a maturity of 10 years. The bond issuers are however similar, comprising of bonds issued by the China Government as well as policy banks. iBoxx ABF China Total Return Index also includes bonds issued by China Quasi-Sovereign entities.

## 4. Competitive yields relative to Chinese government bonds

China policy banks are quasi-sovereign entities that are 100% owned by the Chinese government. The bond yields are competitive relative to Chinese government bonds. Comparing the most liquid portions of the yield curve (i.e. the 5-year and 10-year space) the average yield pick-up is approximately 20 bps at present.

**Figure 8: China government bond vs policy banks yield curve**



Source: Bloomberg, 30 Jun 2023. Past performance is not necessarily indicative of the future performance.

## 5. Uses leading pricing and index provider for China's bond market

### ChinaBond Pricing Center (CBPC) — A local champion operating on the highest international standards



The gold standard in China for bond valuations



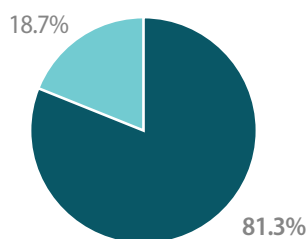
Dominant position in the world's second largest fixed income market



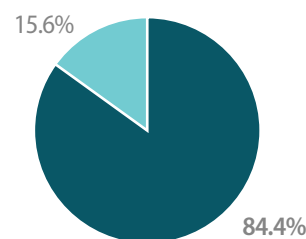
Pillar of China's financial infrastructure

Charts show market share of ChinaBond Indices as target index by domestic bond index funds (as of 31 March 2023)

**Figure 9: By number of funds**



**Figure 10: By AUM**



■ ChinaBond Index ■ Others

Source: ChinaBond Pricing Center (CBPC) as of 31 Mar 2023

### Our partnership with ICBC

ICBC is the largest bank in the world, with assets totalling USD 5.8 trillion, as at the end of March 2023.

Known as a vigorous leader in CIBM, amongst its many accolades, ICBC has earned honours as the top investor in CIBM, the largest bond underwriter, the largest money market liquidity provider as well as the best bond and FX market maker.

The NikkoAM-ICBCSG China Bond ETF is professionally managed by NikkoAM and advised by ICBC Singapore branch, the sole RMB clearing bank in Singapore.



## Fund information

|   |  |
|---|--|
| <b>Benchmark</b>                        | ChinaBond ICBC 1-10 Year Treasury and Policy Bank Bond Index   |
| <b>Listing Date</b>                     | 24 November 2020   |
| <b>Fund Structure</b>                   | Open-ended Listed Unit Trust traded on Singapore Exchange  |
| <b>Lot Structure</b>                    | 1 unit per lot   |
| <b>Dividend Distribution Frequency*</b> | RMB Class Units: Nil.<br>SGD Class Units: Semi-annual distributions around January and July  |
| <b>Valuation Frequency</b>              | Daily  |
| <b>Listing</b>                          | Singapore Exchange   |
| <b>Manager</b>                          | Nikko Asset Management Asia Limited  |
| <b>Investment Advisor</b>               | Industrial and Commercial Bank of China Limited, Singapore Branch  |
| <b>Trustee</b>                          | DBS Trustee Limited  |
| <b>Fund Auditor</b>                     | PricewaterhouseCoopers LLP   |
| <b>Designated Market Makers</b>         | Flow Traders Asia Pte. Ltd., CLSA Singapore Pte. Ltd. and Phillip Securities Pte Ltd.  |
| <b>Management Fee<sup>^</sup></b>       | 0.15% p.a.   |
| <b>Total Expense Ratio<sup>#</sup></b>  | 0.30% p.a. (As of financial period ended 30 June 2023)   |
| <b>ISIN Stock Code</b>                  | RMB Fund Class: SGXC29409643<br>SGD Fund Class: SGXC30096447   |
| <b>Primary Currency</b>                 | RMB Class Units: RMB<br>SGD Class Units: SGD   |
| <b>Secondary Currency</b>               | RMB Class Units: USD   |
| <b>SGX Stock Code</b>                   | RMB Class Units: Primary Currency (RMB): ZHY<br>Secondary Currency (USD): ZHD<br>SGD Class Units: Primary Currency (SGD): ZHS  |
| <b>SGX Trading Name</b>                 | RMB Class Units: Primary Currency (RMB): NikkoAM-ICBCSG CNB CNY<br>Secondary Currency (USD): NikkoAM-ICBCSG CNB USD<br>SGD Class Units: Primary Currency (SGD): NikkoAM-ICBCSG CNB SGD |
| <b>Bloomberg Ticker</b>                 | RMB Class Units: Primary Currency (RMB): ZHY SP<br>Secondary Currency (USD): ZHD SP<br>SGD Class Units: Primary Currency (SGD): ZHS SP   |

\* Distributions are not guaranteed and are at the absolute discretion of the Managers. If the investment income is insufficient to fund a distribution for the Fund, the Managers may determine that such distributions should be paid from the capital of the Fund. Any distribution is expected to result in an immediate reduction of the Fund's net asset value per unit. Please refer to the Fund Prospectus and Product Highlights Sheet for further details.

<sup>^</sup> Usual brokerage and handling charges to apply. Please refer to the Fund Prospectus for complete information on the Fund, relevant disclosures and fees payable.

<sup>#</sup> The Manager intends to cap the total expense ratio of the Fund at 0.30% p.a.. Management Fee and Trustee Fee are included in the calculation of Total Expense Ratio.



Find out more on [nikkoam.com.sg/chinabond](https://nikkoam.com.sg/chinabond)

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**Important information:** The performance of the ETF's price on the Singapore Exchange Securities Trading Limited ("SGX-ST") may be different from the net asset value per unit of the ETF. The ETF may also be suspended or delisted from the SGX-ST. Listing of the units does not guarantee a liquid market for the units. Investors should note that the ETF differs from a typical unit trust and units may only be created or redeemed directly by a participating dealer in large creation or redemption units.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested.**

You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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