

## December 2022 Monthly Report

### Important Information:

1. Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF (the "Fund") is an index-tracking fund listed on the Stock Exchange of Hong Kong Limited ("SEHK") which aims to provide investment results that, before fees and expenses, closely correspond to the performance of the EMQQ The Emerging Markets Internet & Ecommerce Index (the "Index").
2. The Fund invests in emerging markets and is subject to a greater risk of loss than investments in a developed market due to greater political, economic, taxation and regulatory uncertainty and risks linked to volatility and market liquidity.
3. The Fund is subject to concentration risk as a result of tracking the performance of securities that are issued by companies which are either headquartered or incorporated in mainland China or Hong Kong. It may likely be more volatile than a broad-based fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in mainland China and Hong Kong.
4. Due to the concentration of the Index in the ecommerce and internet sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.
5. The Fund may invest in financial derivative instruments including swaps for investment and hedging purposes, and therefore subject to counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk.
6. The Index may experience periods of volatility and decline and the price of units of the Fund is likely to vary or decline accordingly. As the Fund is not actively managed, the Manager will not adopt a temporary defensive position against any market downturn. Investors may lose part or all of their investment.
7. There is no assurance that the Fund will pay dividends. The Manager may at its discretion pay dividends out of the capital of the Fund or pay dividend out of gross income while all or part of the fees and expenses of the Fund are charged to/paid out of the capital of the Fund. Dividends effectively paid out of capital amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Such distribution involving payment of dividends out of the capital may result in an immediate reduction of the Fund's net asset value per share.
8. Trading prices of shares on the SEHK are subject to market forces and the shares may trade at a substantial premium/discount to the net asset value of the Fund.
9. You should not make investment decision on the basis of this material alone. Please read the prospectus for details and risk factors.

### Overview

The EMQQ Index was up 2.49% in December to finish 2022 with a 29.8% decline. That drop followed a 32% decline in 2021 bringing the Index's decline to 52% over the two-year period. However, December's positive return comes after a surge of 29% in November and the index is now up over 50% from its intraday low on October 24<sup>th</sup>.<sup>1</sup>

Indeed, investor sentiment towards Emerging Markets may be improving for the following reasons:

- China has ended its COVID Zero policy (in a very abrupt manner!)
- China's leaders have signaled support for the internet platform companies indicating the perceived "tech crackdown" may be over
- The PCAOB (Public Company Accounting Oversight Board) completed its initial audit reviews in Hong Kong and reported them to be successful

<sup>1</sup> Bloomberg

These three actions have addressed what have been the three primary fears of investors over the past year. The year ended with a palatable increase in optimism for the sector.

Furthermore, the beginning of 2023 saw additional promising signs. On January 6<sup>th</sup> Alibaba’s fintech subsidiary, Ant Group, finally received regulatory approval to raise more capital for its consumer lending unit.<sup>2</sup> On January 8<sup>th</sup>, China opened its borders for the first time in 1000 days. Travel domestically and internationally has surged.

Finally, while an end appears to be in sight for the country’s long struggle with COVID, it remains to be seen what additional issues this rapid reopening might lead to for China and the world. Nonetheless, we enter 2023 with a sense of long-term optimism as millions of consumers in Emerging and Frontier markets continue to get their first computers (smartphones) every month.

### December 2022 Rebalance

EMQQ Index completed its semi-annual rebalance on December 16<sup>th</sup>. The number of constituents declined from 136 to 126. There were five additions and ten deletions due to declines in market capitalization, liquidity, and/or trading volume. The largest addition was Full Truck Alliance (NYSE: YMM). The company operates an online freight platform to facilitate shipments across China.

### Valuations



<sup>2</sup> <https://www.cnbc.com/2023/01/04/ant-gets-approval-to-expand-its-consumer-finance-business.html>

<sup>3</sup> Bloomberg, EMQQ Global Analysis

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