



Into Emerging Markets

Identifying Leading vs Lagging Countries in the 2020s

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Image credit: My own photo, Karakorum highway en route to Tashgurkan, August 2017

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About Tariq Dennison TEP CFP^{CM}

- Hong Kong & US Advisor on the IBKR platform
 - US Advisor: GFM Asset Management LLC
 - HK Advisor: GFM Group Limited
- In the market since 1998
 - Commerzbank (NY, London, Frankfurt)
 - Bear Stearns (NY)
 - J.P. Morgan (NY)
 - Canadian Imperial Bank of Commerce
 - Societe Generale (HK)
- Masters in Financial Engineering
 - University of California at Berkeley
- Lecturer at ESSEC Singapore
 - Fixed Income
 - Alternative Assets
- Focus on US-Asia corridor
- Author “Invest Outside the Box”



Fundamentals

- Breakdown of MSCI Emerging Markets Index
- Greater China vs Greater EM
- Some country and market metrics
- Bull vs Bear cases

Futures and Strategies

- How MSCI Index Futures work
- Price return vs NTR futures
- Futures vs ETFs
- Sample trading strategies

What is EM?

Which are the Emerging Markets in 2020?

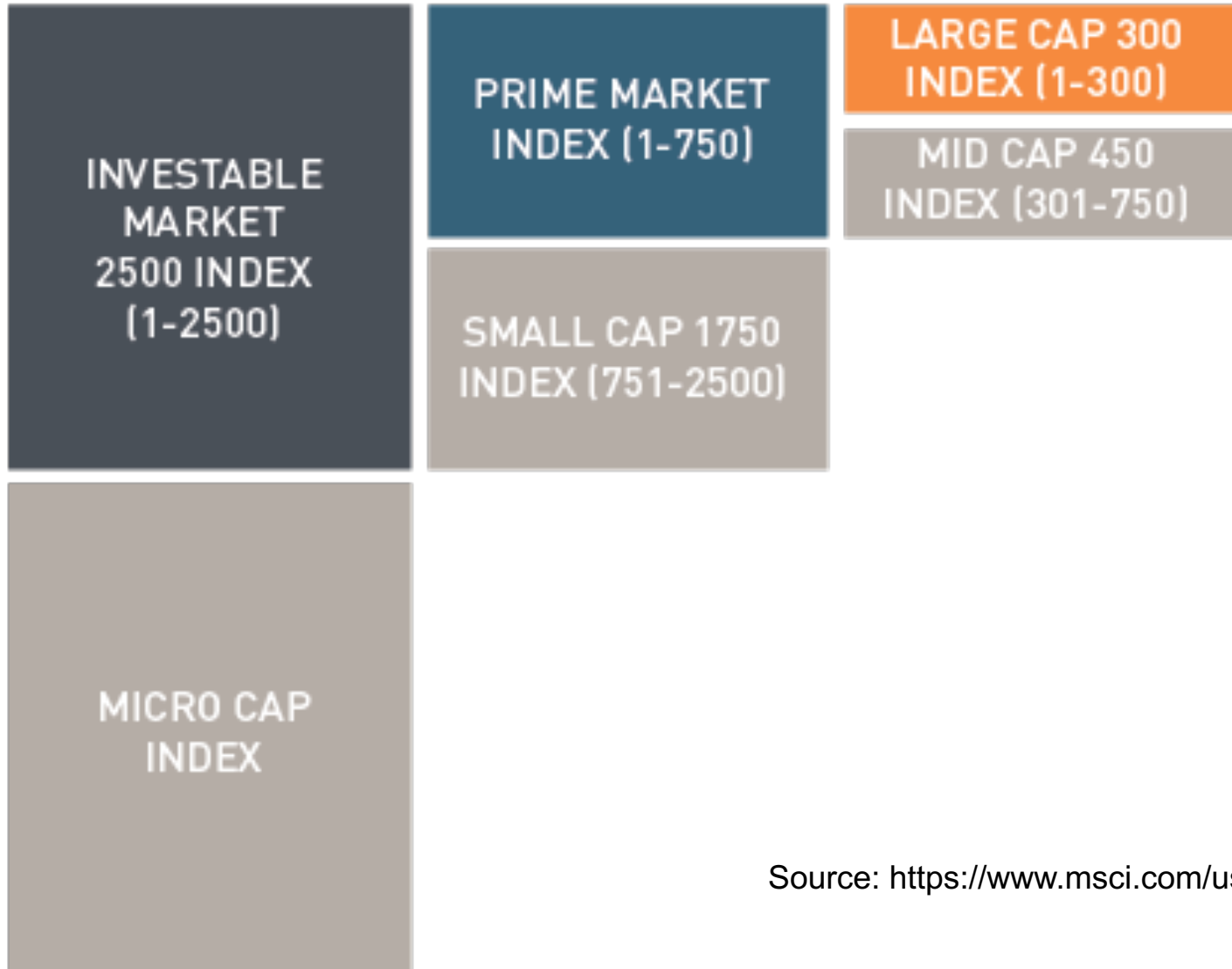
MSCI ACWI & FRONTIER MARKETS INDEX									
MSCI ACWI INDEX						MSCI EMERGING & FRONTIER MARKETS INDEX			
MSCI WORLD INDEX			MSCI EMERGING MARKETS INDEX			MSCI FRONTIER MARKETS INDEX			
DEVELOPED MARKETS			EMERGING MARKETS			FRONTIER MARKETS			
Americas	Europe & Middle East	Pacific	Americas	Europe, Middle East & Africa	Asia	Europe & CIS	Africa	Middle East	Asia
Canada	Austria	Australia	Argentina	Czech Republic	China	Croatia	Kenya	Bahrain	Bangladesh
United States	Belgium	Hong Kong	Brazil	Egypt	India	Estonia	Mauritius	Jordan	Sri Lanka
	Denmark	Japan	Chile	Greece	Indonesia	Lithuania	Morocco	Kuwait	Vietnam
	Finland	New Zealand	Colombia	Hungary	Korea	Kazakhstan	Nigeria	Lebanon	
	France	Singapore	Mexico	Poland	Malaysia	Romania	Tunisia	Oman	
	Germany		Peru	Qatar	Pakistan	Serbia	WAEMU ²		
	Ireland			Russia	Philippines	Slovenia			
	Israel			Saudi Arabia	Taiwan				
	Italy			South Africa	Thailand				
	Netherlands			Turkey					
	Norway			United Arab Emirates					
	Portugal								
	Spain								
	Sweden								
	Switzerland								
	United Kingdom								
MSCI STANDALONE MARKET INDEXES ¹									
						Americas	Europe & CIS	Africa	Middle East
						Jamaica	Bosnia Herzegovina	Botswana	Palestine
						Panama	Bulgaria	Zimbabwe	
						Trinidad & Tobago	Malta		
							Iceland		
							Ukraine		

Source: <https://www.msci.com/market-classification>

Source: <https://www.msci.com/market-classification>

Country Indexes	Market Reclassification	Date*
MSCI Saudi Arabia	From Standalone to Emerging Markets	May 2019
MSCI Argentina Index	From Frontier Markets to Emerging Markets	May 2019
MSCI China Index	China-A Shares included in the Emerging Markets	May 2018
MSCI Pakistan Index	From Frontier Markets to Emerging Markets	May 2017
MSCI WAEMU Index	From Standalone to Frontier Markets	November 2016
MSCI Bulgaria Index	From Frontier Markets to Standalone	August 2016
MSCI Ukraine Index	From Frontier Markets to Standalone	August 2015
MSCI Qatar Index	From Frontier to Emerging Markets	May 2014
MSCI UAE Index	From Frontier to Emerging Markets	May 2014
MSCI Greece Index	From Developed to Emerging Markets	November 2013
MSCI Morocco Index	From Emerging to Frontier Markets	November 2013
MSCI Trinidad & Tobago Index**	From Frontier Markets to Standalone	May 2011
MSCI Israel Index	From Emerging to Developed Markets	May 2010
MSCI Bangladesh Index	From Standalone to Frontier Markets	May 2010
MSCI Argentina Index	From Emerging to Frontier Markets	May 2009
MSCI Pakistan Index***	From Standalone to Frontier Markets	May 2009
MSCI Jordan Index	From Emerging to Frontier Markets	November 2008
MSCI Lithuania Index	From Standalone to Frontier Markets	November 2008
MSCI Serbia Index	From Standalone to Frontier Markets	November 2008
MSCI Sri Lanka****	From Standalone to Frontier Markets	November 2007
MSCI Venezuela Index*****	From Emerging to Standalone	May 2006
MSCI Greece Index	From Emerging to Developed Markets	May 2001
MSCI Portugal Index	From Emerging to Developed Markets	November 1997

Most focus on “prime market”, not IMI



Source: <https://www.msci.com/us-equity-indexes>

Exhibit 3: Composition of the MSCI ACWI Index, 1987-2012

Country	1987	1992	1997	2002	2007	2012
Developed Markets						
Australia	1.20%	1.48%	1.22%	1.88%	2.79%	3.31%
Canada	2.42%	2.29%	2.29%	2.20%	3.67%	4.30%
Europe	21.14%	26.00%	30.04%	28.47%	30.23%	22.82%
Hong Kong	0.76%	1.56%	1.25%	0.64%	1.05%	1.09%
Israel						0.21%
Japan	40.15%	22.69%	11.26%	8.44%	8.60%	7.50%
New Zealand	0.19%	0.17%	0.13%	0.07%	0.06%	0.05%
Singapore	0.49%	0.77%	0.41%	0.33%	0.48%	0.71%
USA	32.75%	40.44%	46.56%	53.99%	41.80%	47.45%
Developed Markets Total	99.10%	95.41%	93.16%	96.02%	88.68%	87.44%
Emerging Markets						
Argentina	0.01%	0.19%	0.29%	0.02%	0.05%	-
Brazil	0.19%	0.47%	1.02%	0.27%	1.51%	1.64%
Chile	0.08%	0.34%	0.25%	0.06%	0.13%	0.24%
China	-	-	0.03%	0.26%	1.80%	2.23%
Colombia	-	-	0.06%	0.00%	0.03%	0.16%
Czech Republic	-	-	0.06%	0.02%	0.09%	0.04%
Egypt	-	-	-	0.01%	0.09%	0.04%
Greece	0.04%	0.09%	0.17%	-	-	-
Hungary	-	-	0.08%	0.05%	0.09%	0.04%
India	-	-	0.40%	0.20%	0.94%	0.79%
Indonesia	-	0.09%	0.11%	0.04%	0.19%	0.36%
Israel	-	-	0.17%	0.13%	0.24%	-
Jordan	0.02%	0.02%	0.01%	0.01%	0.01%	-
Korea		0.72%	0.20%	0.86%	1.62%	1.94%
Malaysia	0.29%	0.82%	0.36%	0.22%	0.28%	0.46%
Mexico	0.08%	1.19%	0.81%	0.31%	0.51%	0.63%
Morocco	-	-	-	0.01%	0.03%	0.01%
Pakistan	-	-	0.05%	0.01%	0.02%	-
Peru	-	-	0.08%	0.02%	0.07%	0.08%
Philippines	0.03%	0.09%	0.09%	0.02%	0.06%	0.12%
Poland	-	-	0.03%	0.05%	0.19%	0.17%
Portugal	0.08%	0.09%	-	-	-	-
Russia	-	-	0.37%	0.19%	1.15%	0.76%
South Africa	-	-	0.67%	0.56%	0.76%	1.01%
Sri Lanka	-	-	0.01%	0.00%	-	-
Taiwan	-	-	1.14%	0.51%	1.12%	1.34%
Thailand	0.08%	0.41%	0.10%	0.07%	0.15%	0.27%
Turkey	-	0.07%	0.20%	0.05%	0.19%	0.21%
Venezuela	-	-	0.10%	0.01%	-	-
Emerging Markets Total	0.90%	4.59%	6.84%	3.96%	11.32%	12.56%
ACWI Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

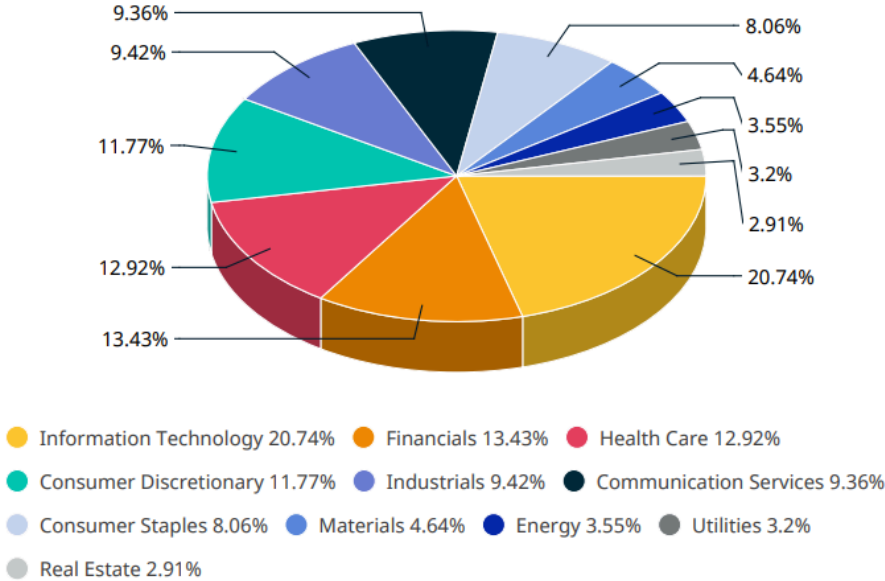
For year 1987 to 2007, data is as of year end. For 2012, data is as of July 31, 2012

Source: MSCI

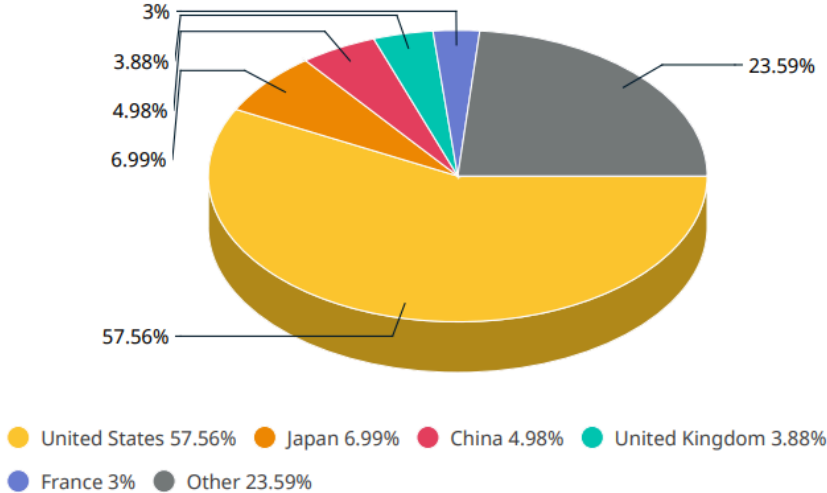
Source: https://www.msci.com/documents/10199/255853/built_to_last.pdf/fc700a7-3216-457a-88da-f50e71d8a15e

Japan still outweighs China in ACWI...

SECTOR WEIGHTS



COUNTRY WEIGHTS

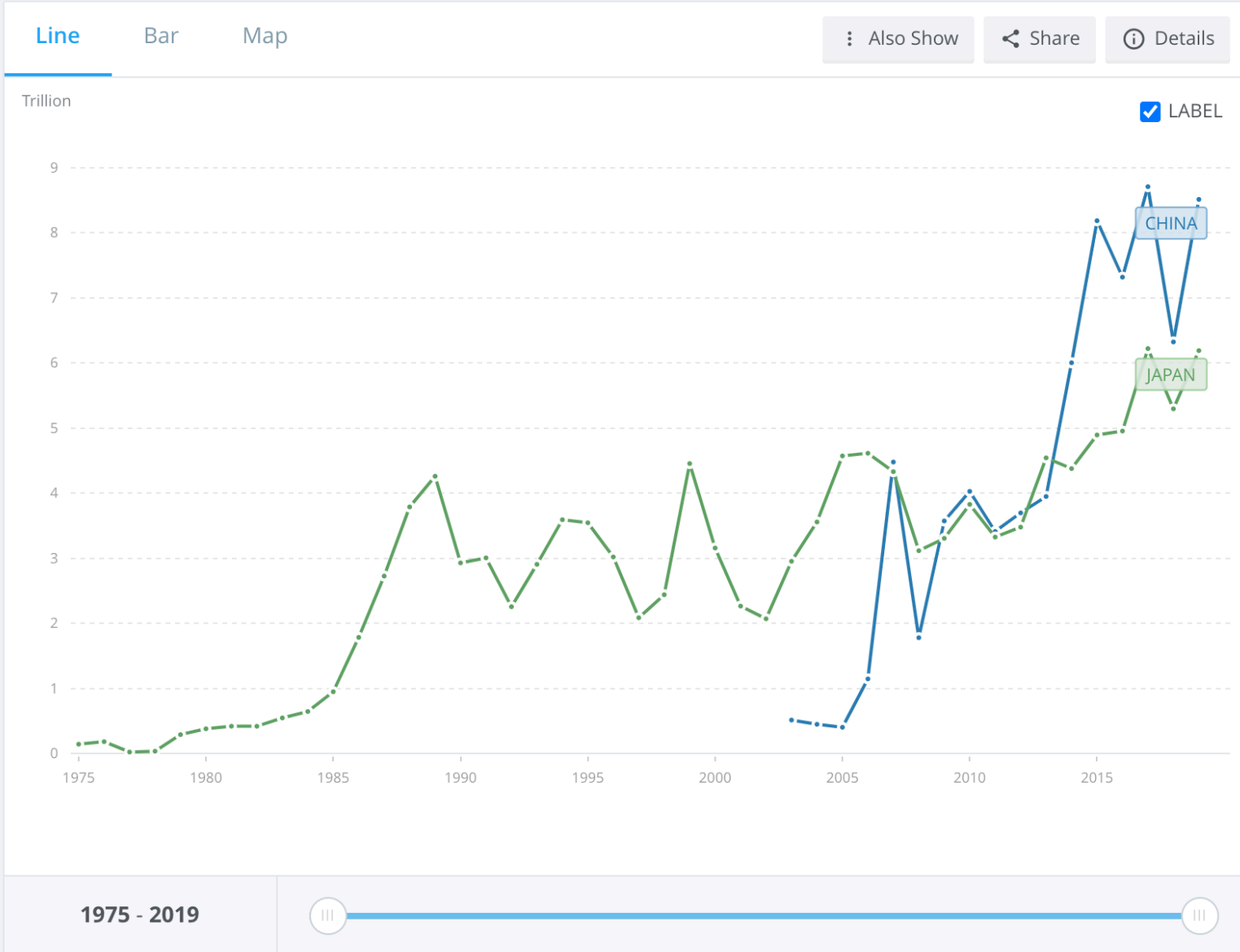


Source: <https://www.msci.com/documents/10199/8d97d244-4685-4200-a24c-3e2942e3adeb>

Market capitalization of listed domestic companies (current US\$) - China, Japan

World Federation of Exchanges database.

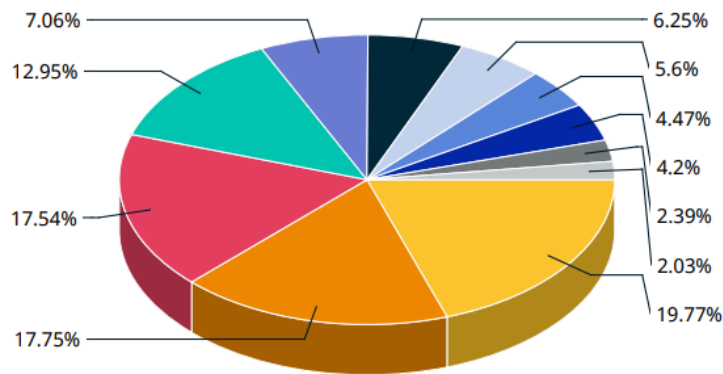
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Source: <https://data.worldbank.org/indicator/CM.MKT.LCAP.CD?locations=CN-JP>

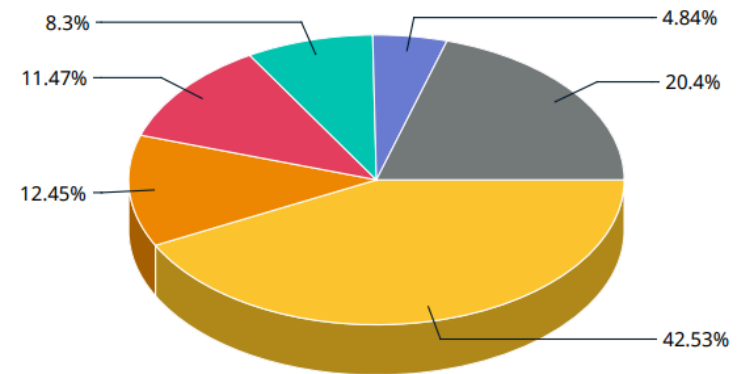
Current EM weights:

SECTOR WEIGHTS



- Consumer Discretionary 19.77%
- Financials 17.75%
- Information Technology 17.54%
- Communication Services 12.95%
- Materials 7.06%
- Consumer Staples 6.25%
- Energy 5.6%
- Industrials 4.47%
- Health Care 4.2%
- Real Estate 2.39%
- Utilities 2.03%

COUNTRY WEIGHTS



- China 42.53%
- Taiwan 12.45%
- South Korea 11.47%
- India 8.3%
- Brazil 4.84%
- Other 20.4%

Source: <https://www.msci.com/documents/10199/c0db0a48-01f2-4ba9-ad01-226fd5678111>

Asia has been dominant weight, but also performer...

INDEX PERFORMANCE – NET RETURNS (%) (AUG 31, 2020)

FUNDAMENTALS (AUG 31, 2020)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			Since Dec 29, 2000	Div Yld (%)	P/E	P/E Fwd	P/BV
					3 Yr	5 Yr	10 Yr					
MSCI Emerging Markets Asia	3.21	22.52	25.35	9.23	6.06	11.21	6.70	9.92	1.99	19.03	15.50	1.87
MSCI Emerging Markets	2.21	19.53	14.49	0.45	2.83	8.66	3.76	8.84	2.28	18.20	14.88	1.77
MSCI ACWI	6.12	15.30	16.52	4.75	8.99	10.21	9.90	5.66	1.98	23.65	20.15	2.54

INDEX RISK AND RETURN CHARACTERISTICS (AUG 31, 2020)

	Turnover (%) ¹	ANNUALIZED STD DEV (%) ²			SHARPE RATIO ^{2,3}			Since Dec 29, 2000	MAXIMUM DRAWDOWN	
		3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr		(%)	Period YYYY-MM-DD
MSCI Emerging Markets Asia	10.50	18.46	16.84	17.15	0.31	0.64	0.42	0.47	66.39	2007-10-29–2008-10-27
MSCI Emerging Markets	10.60	18.91	17.41	17.90	0.15	0.49	0.25	0.43	65.25	2007-10-29–2008-10-27
MSCI ACWI	3.82	16.74	14.44	13.94	0.49	0.66	0.70	0.32	33.74	2020-02-12–2020-03-23

¹ Last 12 months

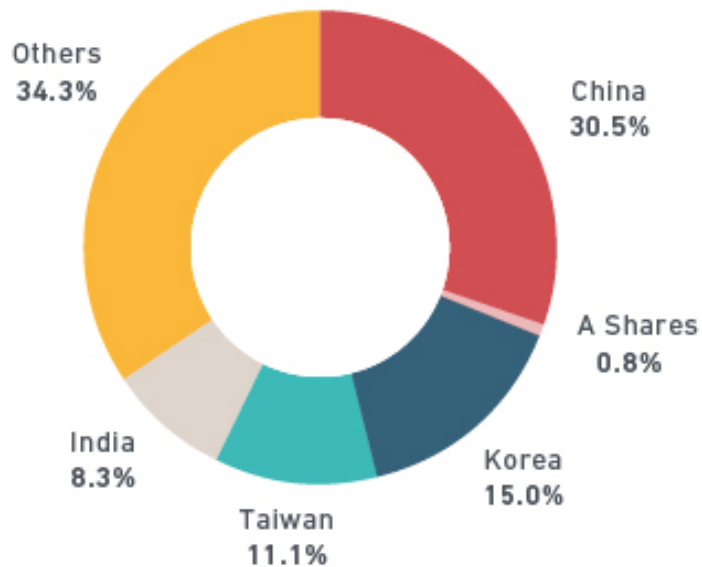
² Based on monthly net returns data

³ Based on ICE LIBOR 1M

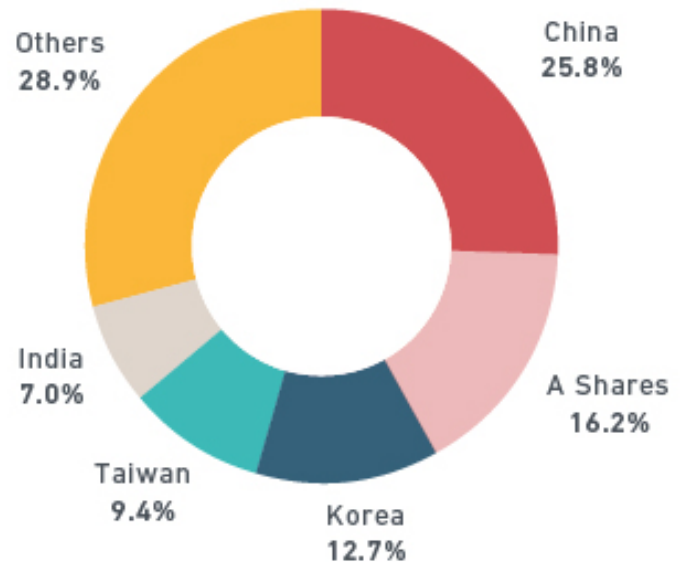
Source: <https://www.msci.com/documents/10199/c0db0a48-01f2-4ba9-ad01-226fd5678111>

A-share inclusion has been incremental

MSCI EM INDEX WITH 5% CHINA A SHARES



MSCI EM INDEX WITH 100% CHINA A SHARES

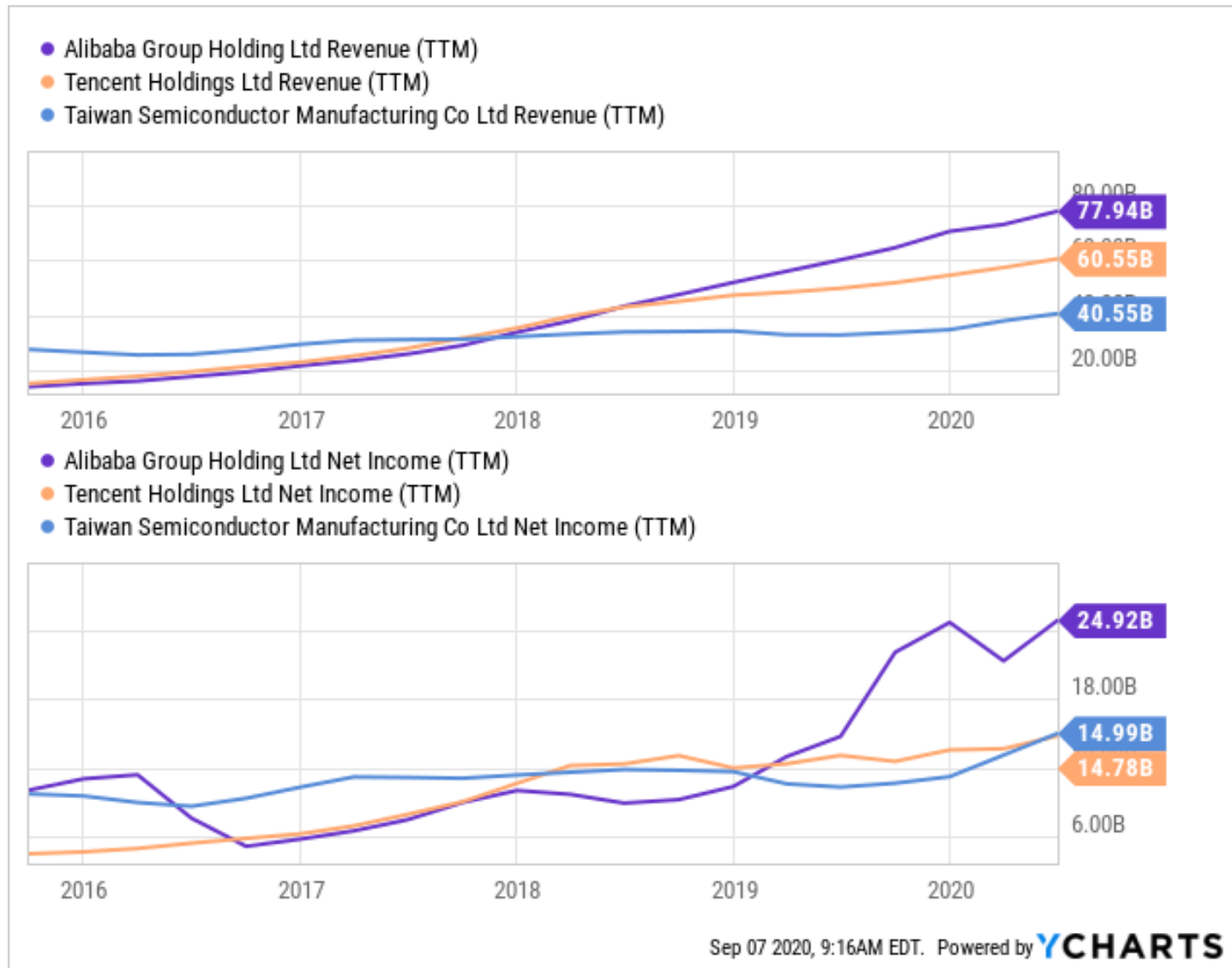


Source: <https://www.msci.com/documents/10199/8d97d244-4685-4200-a24c-3e2942e3adeb>

MSCI EM's Top 3 @17%



... though profitably...



Why EM?

Emerging markets will dominate the world's top 10 economies in 2050 (GDP at PPPs)

	2016	2050	
<i>China</i>	1	1	<i>China</i>
<i>US</i>	2	2	<i>India</i>
<i>India</i>	3	3	<i>US</i>
<i>Japan</i>	4	4	<i>Indonesia</i>
<i>Germany</i>	5	5	<i>Brazil</i>
<i>Russia</i>	6	6	<i>Russia</i>
<i>Brazil</i>	7	7	<i>Mexico</i>
<i>Indonesia</i>	8	8	<i>Japan</i>
<i>UK</i>	9	9	<i>Germany</i>
<i>France</i>	10	10	<i>UK</i>

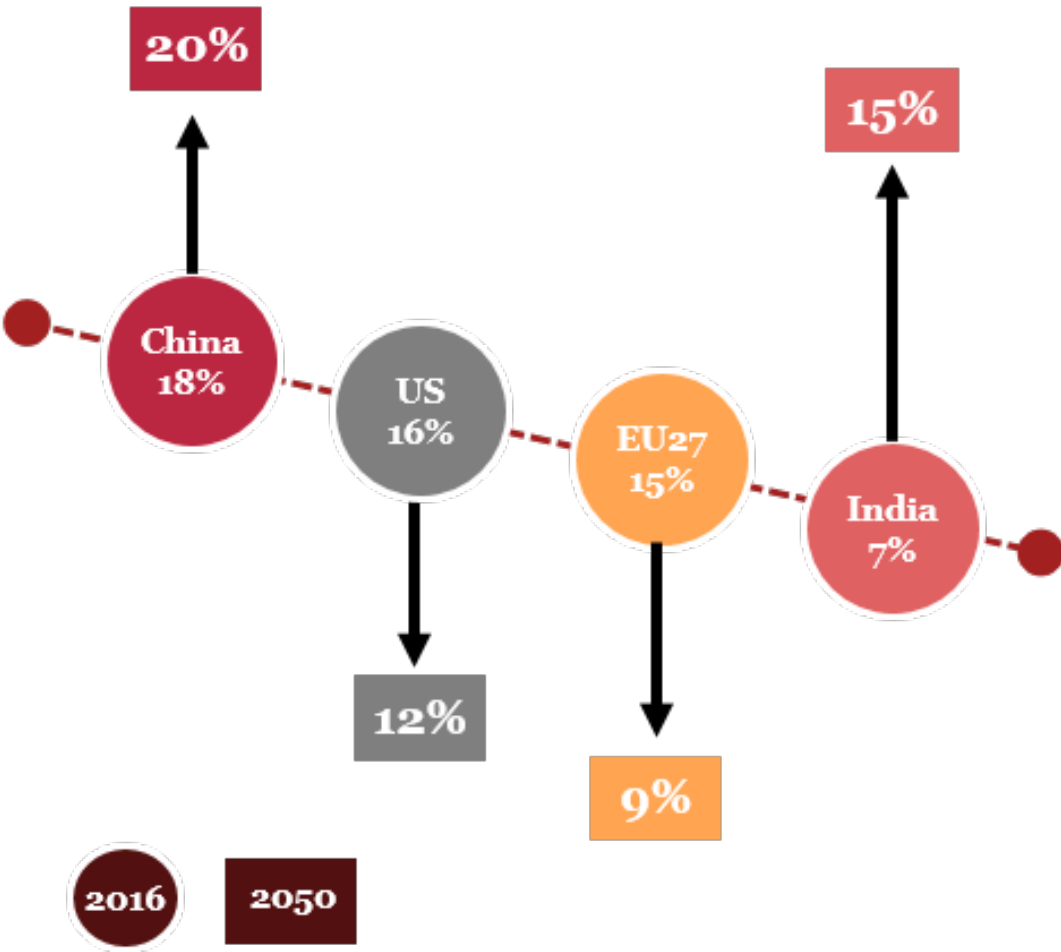
E7 economies
 G7 economies

Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

Source: <https://www.pwc.com/gx/en/issues/economy/the-world-in-2050.html>

The US and Europe will steadily lose ground to China and India

Share of world GDP (PPPs) from 2016 to 2050...



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

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Source: <https://www.pwc.com/gx/en/issues/economy/the-world-in-2050.html>

Global economic power will shift to the E7 economies

In...

1995

E7

*were
half
the size of*

G7

By...

2015

E7

*were
around the
same
size as*

G7

*And in just
25 years...*

2040

E7

*could be
double
the size of*

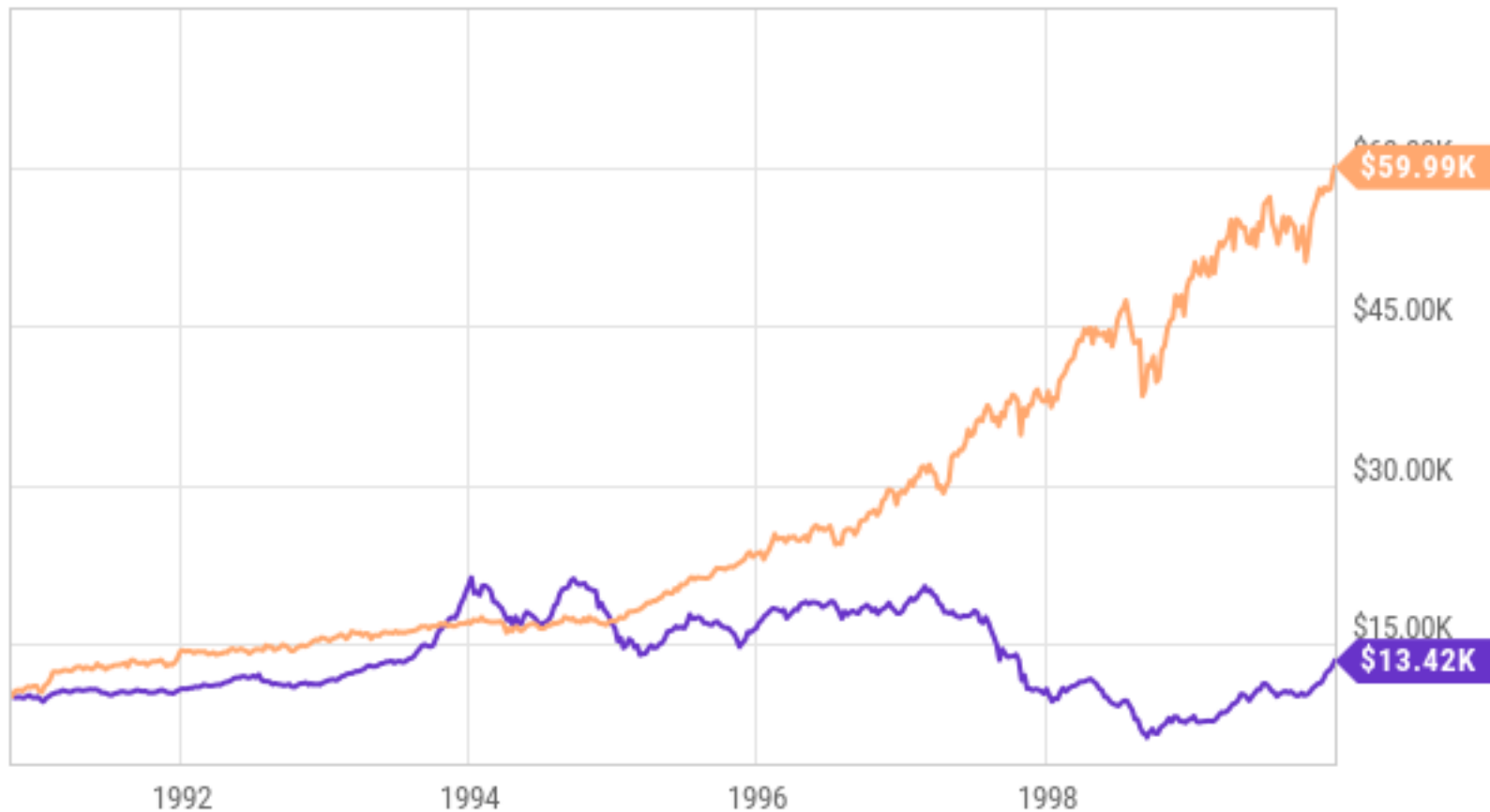
G7

G7: US, UK, France, Germany, Japan, Canada and Italy

E7: China, India, Indonesia, Brazil, Russia, Mexico and Turkey

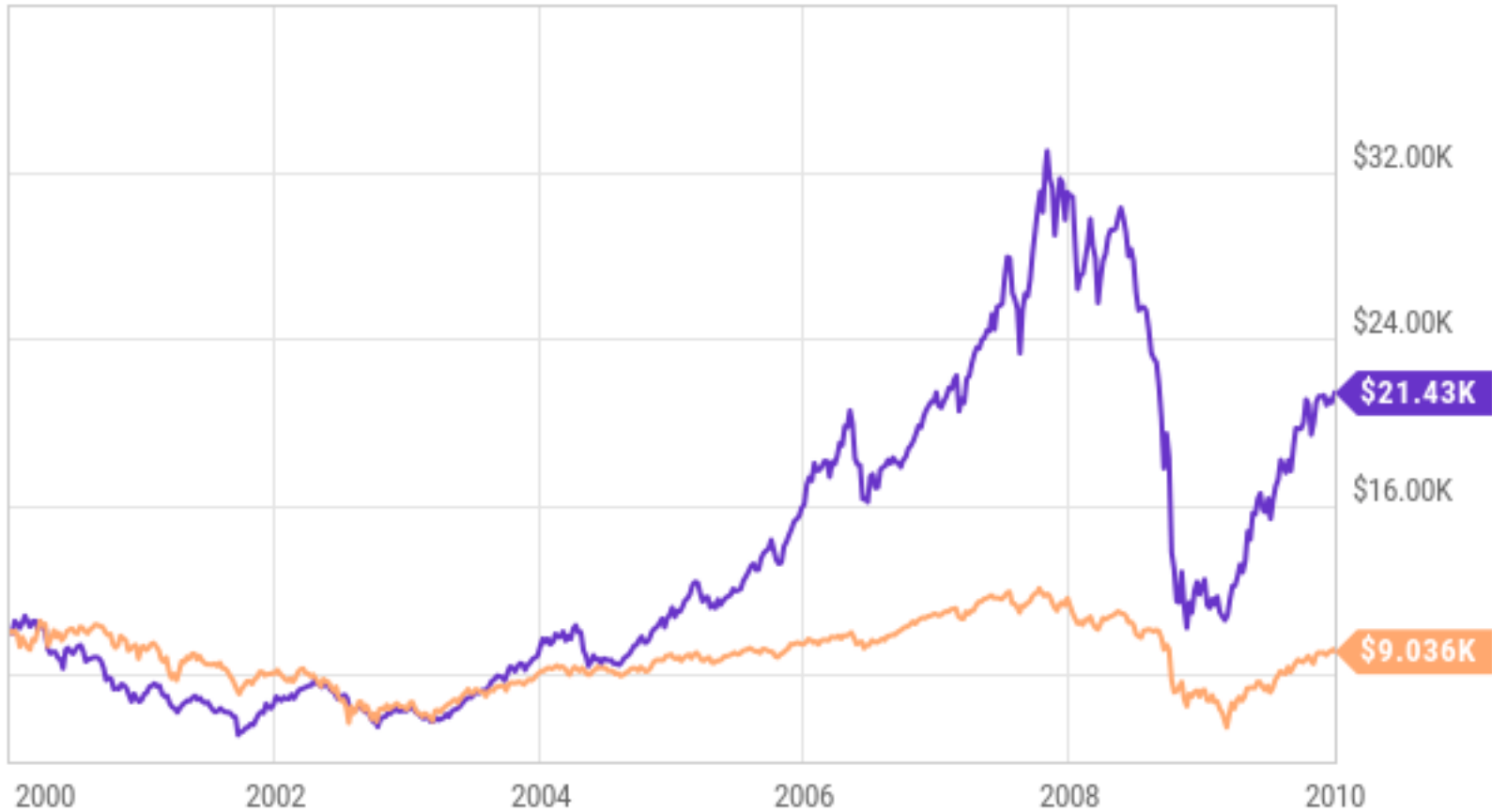
Source: <https://www.pwc.com/gx/en/issues/economy/the-world-in-2050.html>

- Fidelity® Emerging Markets Total Return Level Growth
- Vanguard 500 Index Investor Total Return Level Growth



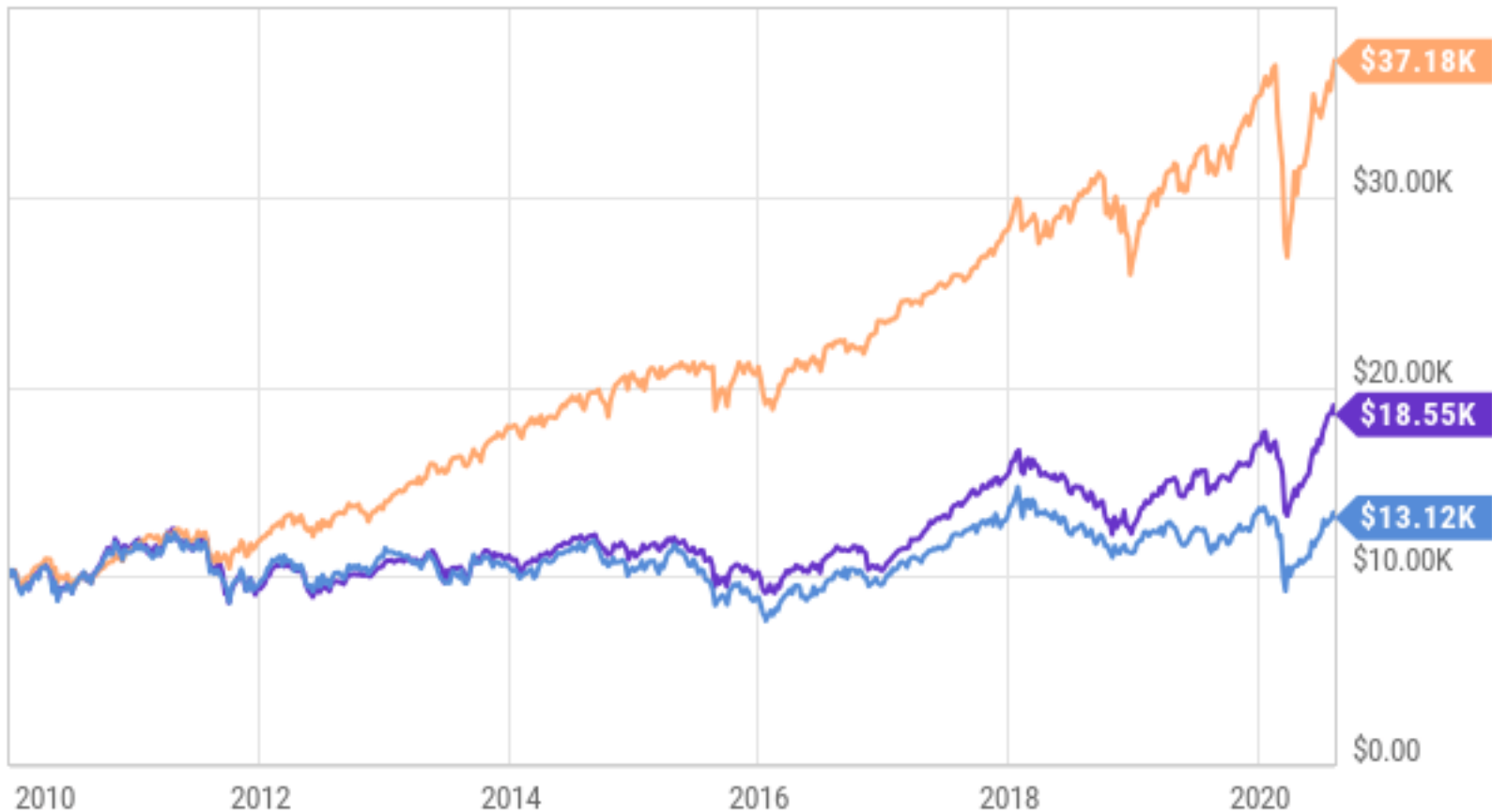
Aug 11 2020, 8:52AM EDT. Powered by **YCHARTS**

- Fidelity® Emerging Markets Total Return Level Growth
- SPDR® S&P 500 ETF Trust Total Return Level Growth



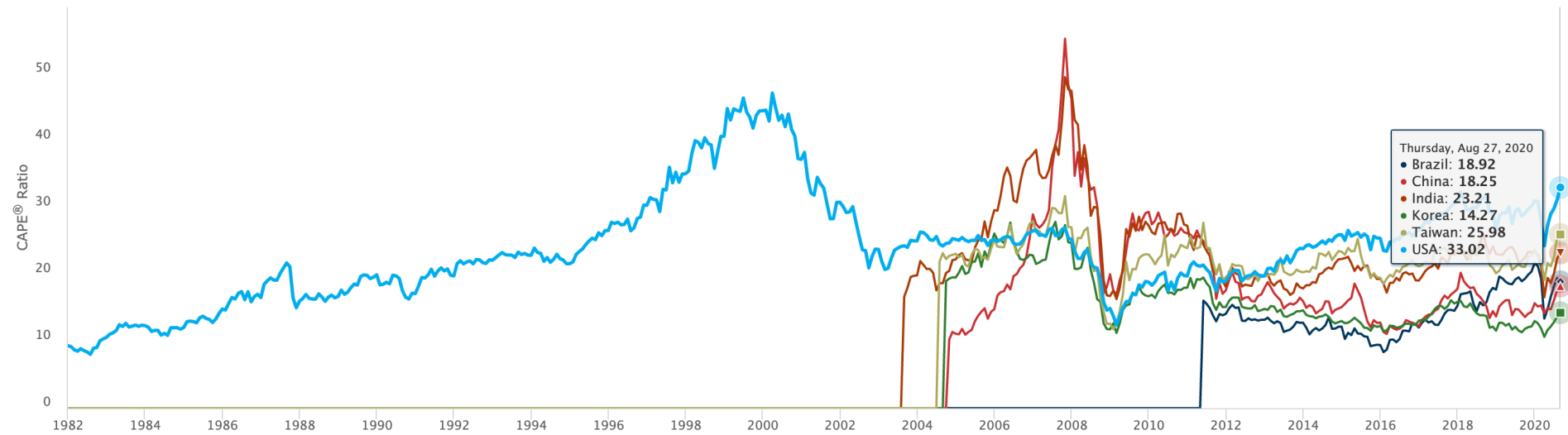
Aug 11 2020, 8:52AM EDT. Powered by **YCHARTS**

- Fidelity® Emerging Markets Total Return Level Growth
- SPDR® S&P 500 ETF Trust Total Return Level Growth
- iShares MSCI Emerging Markets ETF Total Return Level Growth



Aug 11 2020, 8:53AM EDT. Powered by **YCHARTS**

CAPE Ratios by comparison...



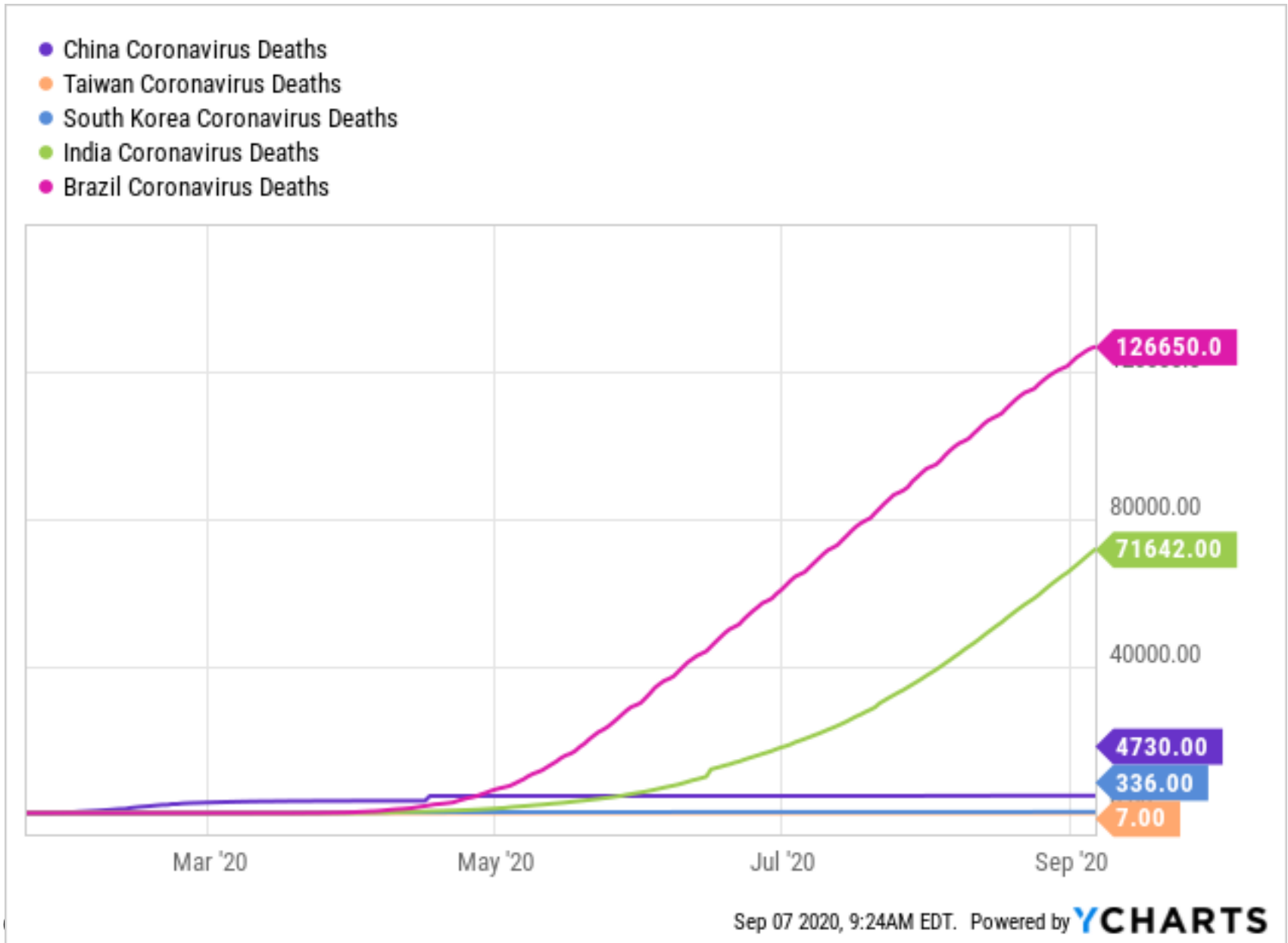
Source: <https://indices.barclays/IM/21/en/indices/static/historic-cape.app>

More detailed heatmap of MSCI EM sub-indexes

Market	Weight %	P/E	Past Earnings Growth	P/B	Past Book Growth	P/S	Past Sales Growth
Brazil	5	18.7	21.0	2.2	6.2	1.5	5.4
Chile		12.9	6.8	1.1	6.4	0.9	3.7
China	37	15.6	28.4	2.0	9.6	1.8	10.5
China A-share	5	18.9	20.9	2.2	11.4	1.8	10.5
China Small	0	9.2	23.6	1.0	5.9	0.8	3.9
India	8	21.9	10.0	2.9	11.8	1.9	13.9
India Small	0	18.5	17.8	2.1	2.2	1.3	6.1
Indonesia	2	13.4	8.2	1.8	7.9	1.5	7.0
Malaysia	2	19.6	1.8	1.6	2.1	2.6	3.3
Mexico	2	16.7	20.8	1.6	3.9	1.1	4.4
Peru		16.6	9.3	1.6	-10.2	1.4	-10.8
Philippines		12.6	11.1	1.5	9.0	1.5	10.0
Poland		14.6	-0.2	0.9	5.8	0.6	9.5
Qatar		14.8	2.9	1.3	1.6	2.6	3.3
Russia	3	8.1	16.3	0.9	7.7	0.8	10.1
Saudi Arabia	3	17.5	1.1	1.7	3.2	2.8	0.3
South Africa	3	14.7	4.9	1.6	4.0	1.2	3.9
South Korea	12	15.0	1.0	0.9	6.6	0.6	4.3
Taiwan	12	18.3	5.1	1.9	5.7	1.0	3.2
Thailand	2				7.4		1.5
Turkey		7.4	27.3	1.0	15.5	0.6	23.4
United Arab Emirates		8.8	0.7	0.8	-1.0	1.9	-1.8

Source: BlackRock iShares

COVID-19 also bi-furcated East Asia vs other EM...



Futures Strategies

Sample quotes of “classic” MSCI EM Price Index (M=50)

eurexchange.com/exchange-en/markets/idx/msc/regional/MSCI-Emerging-Markets-Price-Index-Futures-254382



Statistics

Data is for **Sep 4, 2020** Last update: **Sep 05, 2020 12:00:00 AM**

Select other trading date: **Sep 4, 2020** ▾

Product type: **F** Stock exchange: **n/a** Underlying closing price: **1,108.852**

Delivery month	Opening price	Daily high	Daily low	Last price	Settlem. price	Traded contracts	Open interest	Open interest (adj.)
Dec 20	0.00	0.00	0.00	0.00	1,079.5	50	3,549	3,499
Sep 20	1,092.70	1,093.60	1,083.70	1,083.70	1,080.7	96	12,126	12,113
Dec 21	0.00	0.00	0.00	0.00	1,065.1	0	1,260	1,260
Mar 21	0.00	0.00	0.00	0.00	1,077.9	0	501	501
Jun 21	0.00	0.00	0.00	0.00	1,073.2	0	2,269	2,269
Sep 21	0.00	0.00	0.00	0.00	1,073.7	0	180	180
Dec 22	0.00	0.00	0.00	0.00	1,067.2	0	0	0
Mar 22	0.00	0.00	0.00	0.00	1,065.7	0	536	536
Jun 22	0.00	0.00	0.00	0.00	1,066.2	0	1,364	1,364
Sep 22	0.00	0.00	0.00	0.00	1,066.7	0	0	0
Mar 23	0.00	0.00	0.00	0.00	1,067.7	0	0	0
Jun 23	0.00	0.00	0.00	0.00	1,068.2	0	0	0
Total						146	21,785	21,722



... versus the Net Total Return (NTR) Index (M=100)

eurexchange.com/exchange-en/markets/idx/msc/regional/MSCI-Emerging-Markets-Index-Futures-254370



Statistics

Data is for **Sep 4, 2020** Last update: **Sep 05, 2020 12:00:00 AM**

Select other trading date: **Sep 4, 2020** ▾

Product type: **F** Stock exchange: **n/a** Underlying closing price: **533.545**

Delivery month	Opening price	Daily high	Daily low	Last price	Settlem. price	Traded contracts	Open interest	Open interest (adj.)
Dec 20	0.00	0.00	0.00	0.00	520.9	0	15,066	15,066
Sep 20	524.70	530.20	520.20	522.70	520.4	130	28,504	28,443
Dec 21	0.00	0.00	0.00	0.00	523.1	0	0	0
Mar 21	0.00	0.00	0.00	0.00	522.1	0	0	0
Jun 21	0.00	0.00	0.00	0.00	522.5	175	36,685	36,510
Sep 21	0.00	0.00	0.00	0.00	522.8	0	5,675	5,675
Dec 22	0.00	0.00	0.00	0.00	523.9	0	0	0
Mar 22	0.00	0.00	0.00	0.00	523.2	0	0	0
Jun 22	0.00	0.00	0.00	0.00	523.4	0	0	0
Sep 22	0.00	0.00	0.00	0.00	523.6	0	0	0
Mar 23	0.00	0.00	0.00	0.00	524.2	0	0	0
Jun 23	0.00	0.00	0.00	0.00	524.7	0	0	0
Total						305	85,930	85,694



... versus China Free (NTR) Index (M=50)

eurexchange.com/exchange-en/markets/idx/msc/country/MSCI-China-Free-Index-Futures-254070



Statistics

Data is for **Sep 4, 2020** Last update: **Sep 05, 2020 12:00:00 AM**

Select other trading date: **Sep 4, 2020** ▾

Product type: **F** Stock exchange: **n/a** Underlying closing price: **1,093.69**

Delivery month	Opening price	Daily high	Daily low	Last price	Settlem. price	Traded contracts	Open interest	Open interest (adj.)
Dec 20	0.00	0.00	0.00	0.00	1,062.5	0	9,211	9,211
Sep 20	1,068.40	1,089.00	1,068.40	1,075.20	1,061.5	1,208	19,475	19,065
Dec 21	0.00	0.00	0.00	0.00	1,067.2	0	0	0
Mar 21	0.00	0.00	0.00	0.00	1,065.0	0	0	0
Jun 21	0.00	0.00	0.00	0.00	1,065.9	0	0	0
Sep 21	0.00	0.00	0.00	0.00	1,066.5	0	0	0
Dec 22	0.00	0.00	0.00	0.00	1,069.1	0	0	0
Mar 22	0.00	0.00	0.00	0.00	1,067.5	0	0	0
Jun 22	0.00	0.00	0.00	0.00	1,068.0	0	0	0
Sep 22	0.00	0.00	0.00	0.00	1,068.5	0	0	0
Mar 23	0.00	0.00	0.00	0.00	1,069.7	0	0	0
Jun 23	0.00	0.00	0.00	0.00	1,070.6	0	0	0
Total						1,208	28,686	28,276



Some US iShares MSCI EM Trackers...

 Remove All	IEMG iShares Core MSCI Emerging Markets ETF	EMXC iShares MSCI Emerging Markets ex China ETF	EEMV iShares MSCI Emerging Markets Min Vol Factor ETF	EMGF iShares MSCI Emerging Markets Multifactor ETF
P/E ⓘ	15.22	14.98	15.64	12.44
P/B ⓘ	1.68	1.61	1.80	1.44

^ TOP 10 HOLDINGS

As of date	Sep 09, 2020	Sep 09, 2020	Sep 09, 2020	Sep 09, 2020
Number of holdings	2,472 ⓘ	523	319	238
1	ALIBABA GROUP HOLDING ADR REPRESENTATION 7.13%	ISHARES MSCI INDIA ETF 13.43%	CHUNGHWA TELECOM LTD 1.54%	ALIBABA GROUP HOLDING ADR REPRESENTATION 5.23%
2	TENCENT HOLDINGS LTD 5.18%	TAIWAN SEMICONDUCTOR MANUFACTURING 7.64%	TAIWAN COOPERATIVE FINANCIAL HOLDING LTD 1.50%	TENCENT HOLDINGS LTD 4.31%
3	TAIWAN SEMICONDUCTOR MANUFACTURING 4.99%	SAMSUNG ELECTRONICS LTD 6.13%	FIRST FINANCIAL HOLDING LTD 1.49%	TAIWAN SEMICONDUCTOR MANUFACTURING 2.57%
4	SAMSUNG ELECTRONICS LTD 3.26%	NASPERS LIMITED N LTD 2.38%	TAIWAN MOBILE LTD 1.49%	CHINA MOBILE LTD 2.48%
5	MEITUAN DIANPING 1.49%	SK HYNIX INC 1.14%	SAUDI TELECOM 1.43%	INFOSYS LTD 2.33%
6	RELIANCE INDUSTRIES LTD 1.17%	HON HAI PRECISION INDUSTRY LTD 1.10%	ALIBABA GROUP HOLDING ADR REPRESENTATION 1.43%	YUM CHINA HOLDINGS INC 2.16%
7	NASPERS LIMITED N LTD 1.05%	CIA VALE DO RIO DOCE SH 1.08%	FAR EASTONE TELECOMMUNICATIONS LTD 1.31%	ANGLOGOLD ASHANTI LTD 2.12%



... vs top UCITS ones for non-US investors


Remove All

EIMI iShares Core
MSCI EM IMI UCITS
ETF
USD • Accumulating

SAEM iShares MSCI
EM IMI ESG Screened
UCITS ETF
USD • Accumulating

SEDY iShares EM
Dividend UCITS ETF
USD • Distributing

CEMA iShares MSCI
EM Asia UCITS ETF
USD • Accumulating

^ SUSTAINABILITY CHARACTERISTICS (MSCI)

As of	01/Aug/2020	01/Aug/2020	01/Aug/2020	01/Aug/2020
MSCI ESG Rating ⓘ	BB	BB	BB	BB
MSCI ESG Quality Score ⓘ	4.10	4.22	3.70	4.26
MSCI Carbon Intensity ⓘ	289.91	212.10	566.91	256.04

✓ PERFORMANCE: DISCRETE

✓ PERFORMANCE: ANNUALISED

✓ PERFORMANCE: CUMULATIVE

^ TOP 10 HOLDINGS

As of	09/Sep/2020	09/Sep/2020	09/Sep/2020	09/Sep/2020
1	ALIBABA GROUP HOLDING ADR REPRESEN 6.26%	ALIBABA GROUP HOLDING ADR REPRESEN 6.51%	INDIABULLS HOUSING FINANCE LTD 2.21%	ALIBABA GROUP HOLDING ADR REPRESEN 8.79%
2	TENCENT HOLDINGS LTD 5.70%	TENCENT HOLDINGS LTD 5.93%	TELKOM SOC LTD SA 2.15%	TENCENT HOLDINGS LTD 8.00%
3	TAIWAN SEMICONDUCTOR MANUFACTURING 4.04%	TAIWAN SEMICONDUCTOR MANUFACTURING 4.20%	VEON ADR LTD 1.76%	ISH MSCI CHINA A ETF USD 6.02%



Direct Stock / ETF

- Buy with cash
- Borrow to short
- Hold as long as you wish
- FX full capital amount
- Dividend / tax issues?
- Smaller lot sizes

Futures

- Small margin requirement
- Short w/ no borrow
- Must roll monthly/quarterly
- FX only the margin
- Implied div priced in
- “Institutional” liquidity

L/S #1: China vs Other EM

- Macro / sector bet on Greater China vs rest of EM
- Relative Value, relative growth
- MSCI China Free NTR and EM NTR comparable contract sizes

Risks

- Being wrong
 - Embedded currency exposure
 - Extreme market scenario
- Pushing margin limits

L/S #2: Stocks vs Index Future

- Long select basket of EM stocks vs short futures (or short BTT vs long futures)
- Requires cash or margin funding of cash equity side, dividend WHT, etc.
- But futures easily provides the most efficient beta hedge, esp short side

Risks

- Your stock picks underperform
- Still need to watch margin limits



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