



Annex III  
K. 6/115 amended

# Enhancing the ETF Investing Ecosystem in Hong Kong and Mainland China

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# Summary of the Impact

- Dr. Meng's engagement in the KE activities has played positive roles in enhancing the ETF investing ecosystem in Hong Kong and mainland China, and has achieved significant impact in the following areas:
  - promoting the ETF investor education and supporting ETFs as one of the core investment vehicles for ordinary people's wealth management
  - enriching the product offering to facilitate a better portfolio diversification and risk management
  - enhancing the ETF market liquidity in Hong Kong and mainland
  - facilitating the development of Robo Advisors in the region, a key area in financial technology (FinTech)
  - supporting the launch of the ETF Connect between Hong Kong and mainland, which will further enhance the market liquidity and complement the product offering in the two markets, and thus benefit investors, bourses and financial institutions.

# Underpinning Research

Explain the **quality of the knowledge**

An outline of what the underpinning research (or teaching & learning) was

- ETFs are listed open-end funds tracking a wide variety of market and asset class indices, such as S&P500, gold price, and US treasury bond indices.
- Topics examined
  - The role of ETFs in inclusive finance and ordinary people's wealth management
  - The advantages and disadvantages of ETFs relative to other investment vehicles
  - The innovations in the index construction and ETF product design
  - How to enhance the development of the ETF markets in mainland China and Hong Kong
  - The ETF Connect between Hong Kong and mainland China

# Underpinning Research

When your research (or teaching & learning) was undertaken, and your role in the creation of such knowledge

- The research started in 2011. Dr. Meng also built her expertise through the teaching & learning in TPG and executive education programmes at HKU.
- Dr. Meng examined the topics listed on the previous page and published articles and business cases.
- She is one of the active advocates of
  - ETFs being one of the core investment vehicles for ordinary people's wealth management
  - Launching the ETF Connect between Hong Kong and mainland China

# Underpinning Research

**Innovativeness** of the knowledge arising from your research (or teaching & learning) at HKU

- The research is innovative because
  - It focuses on the ETFs listed in Hong Kong and mainland China. The published articles and business cases are among the first on these markets.
  - The research links the ETFs with inclusive finance and has implications on the development of Robo Advisors in mainland China, one of the key areas of financial technology (FinTech).

# Underpinning Research

Significance of the key insights or findings from the research (or teaching & learning) that relate to the impact achieved by the KE project

- ETFs, traded like stock shares on exchanges, combined the features of both traditional open-end mutual funds and closed-end funds.
- With the advantages of high liquidity and transparency, low cost, low investment requirements, insignificant cash drag, high flexibility and accessibility, ETFs are the best long-term investment vehicle for ordinary people with limited investing skills to construct a diversified portfolio.
- The new innovative products, such as leveraged and inverse products, certain smart beta ETFs, and products tracking derivatives and novel asset classes like market volatility, enrich the product offering, but are suitable only for short-term hedging and/or profit-taking.

# Underpinning Research

- The turnover of most ETFs traded in Hong Kong is quite low.
- The limited coverage of market and asset class by the ETFs traded in mainland China has created obstacles for investors to build a diversified investment portfolio and has hindered the development of Robo-Advisors in mainland.
- The ETF Connect between Hong Kong and mainland China will enhance the market liquidity and complement the product offering in the two markets, and thus benefit investors, bourses and financial institutions.

# Engagement

Explain the **engagement process** through which the knowledge arising from the research (or teaching & learning) described above was shared with or transferred to the target beneficiaries; and its **Innovativeness**

## ■ Published business cases

1. A Chairman's Decision: Launching A Robo-Advisor in CCB Principal Asset Management Company. Rujing Meng and Fang Zhu. Asia Case Research Centre, The University of Hong Kong. 2019
2. Fidelity: Embracing ETFs. Rujing Meng and Jiayun Qian. Asia Case Research Centre, The University of Hong Kong. 2019
3. Leveraged and Inverse Products in Hong Kong. Rujing Meng and Fang Zhu. Asia Case Research Centre, The University of Hong Kong. 2018
4. Value Partners Group Ltd. Rujing Meng and Xiaozhou Yang. Asia Case Research Centre, The University of Hong Kong September, 2017



# Engagement

- Articles published on *Financial Times* (in Chinese)
  1. 股市大跌，一般投资者如何避险？孟茹静，英国《金融时报》中文网。2020年3月3日 <http://www.ftchinese.com/story/001086553?full=y&archive>
  2. 投资者如何通过基金渠道配置海外资产？孟茹静，英国《金融时报》中文网。2018年11月29日  
<http://www.ftchinese.com/story/001080430?full=y&archive>
  3. 对中国智能投顾发展的几点建议。孟茹静，英国《金融时报》中文网。2018年9月30日  
<http://www.ftchinese.com/story/001079612?full=y&archive>
  4. 中国大陆 ETF 产品分析，孟茹静、欧阳辉，英国《金融时报》中文网。2017年11月21日  
<http://www.ftchinese.com/story/001075138?full=y&archive>
  5. 大陆投资者如何投资香港证券市场，欧阳辉、孟茹静，英国《金融时报》中文网。2016年9月12日  
<http://www.ftchinese.com/story/001069294?full=y&archive>
  6. 香港市场被动投资策略，欧阳辉、孟茹静，英国《金融时报》中文网。2016年1月29日  
<http://www.ftchinese.com/story/001065978?full=y&archive>

# Engagement

- Successfully awarded a KE grant
  - The University of Hong Kong Knowledge Exchange (KE) Funding Exercise 2018/19, Impact Project Proposal (Project No.: KE-IP-2018/19-21)
- Built a website for ETFs in mainland China and Hong Kong, which came online on May 1<sup>st</sup>, 2019: <https://www.fbe.hku.hk/~meng/etf/>



THE UNIVERSITY OF HONG KONG  
Faculty of Business and Economics

中国大陆和香港  
**ETF网站**

网站宗旨 ETF列表及产品详情 ▼ 中国大陆和香港ETF手册 ▼

中国大陆和香港ETF市场报告 出版物 研讨会/讲座 在线论坛

# Engagement

- E-engagements,
  - Built user-friendly expandable databases of mainland and Hong Kong ETFs  
<https://www.fbe.hku.hk/~meng/etf/a.dataset/?sheet=0>
  - As of 6 July 2020, published 34 market reports for mainland and Hong Kong ETF markets  
<https://www.fbe.hku.hk/~meng/etf/marketreport.php>
  - Made the ETF materials online  
<https://www.fbe.hku.hk/~meng/etf/publications.php>
  - Set up a ETF Weibo Forum  
<https://www.weibo.com/u/7077023504>
- Delivered a public talk in Shanghai on 2 March 2019
- In the process of publishing books

# Impacts Achieved

## Beneficiaries

- ETF investors
- ETF brokers, financial advisors, and sponsors in Hong Kong and mainland
- Hong Kong Stock Exchange, Shanghai Stock Exchange, and Shenzhen Stock Exchange
- FinTech startups providing robo advisory in Hong Kong and mainland

# Impacts Achieved

## Nature and extent of the impact;

- Dr. Meng's engagement in KE activities have promoted ETF investor education and supported the development of ETF markets in mainland and Hong Kong.
- ETF investors benefited by
  - being able to easily screen ETF products listed in Hong Kong and mainland by asset class, country exposure, issuer, underlying index, expenses, etc. through the user-friendly datasets on the ETF website
  - being able to access product market data through the website links to the relevant exchange websites on the ETF website
  - understanding better the ETF markets in mainland and Hong Kong through the published monthly market reports
  - gaining knowledge of the ETFs as a low-cost, transparent and liquid investment vehicle for long-term wealth management through a public talk conducted in Shanghai and the educational materials such as the published articles on *Financial Times* (in Chinese) and business cases

# Impacts Achieved

- As more investors get familiar with ETFs and use them as an investment vehicle, the market liquidity of mainland and Hong Kong ETF markets will improve.
- As a result, Hong Kong Stock Exchange, Shanghai Stock Exchange, and Shenzhen Stock Exchange will benefit from the increased capital flow.
- In addition, ETF brokers, financial advisors, and sponsors in Hong Kong and mainland will benefit from increased market demand of ETF products.
- As the mainland and Hong Kong ETF markets become more active, ETF sponsors will have more incentive to enrich the coverage of market and asset class, which will further benefit investors to build a diversified investment portfolio and support the development of Robo-Advisors in the region.
- With the improved investor education, increased market demand, and enhanced ETF infrastructure, regulators could expedite the launch of the ETF Connect between Hong Kong and mainland.
- The KE work is expected to make a positive impact in enhancing the ETF investing ecosystem in the region over the long term.

# Impacts Achieved

## Evidence

- The website for ETFs in mainland China and Hong Kong came online on May 1<sup>st</sup>, 2019: <https://www.fbe.hku.hk/~meng/etf/>
  - **Awarded a KE grant:** The University of Hong Kong Knowledge Exchange (KE) Funding Exercise 2018/19, Impact Project Proposal (Project No.: KE-IP-2018/19-21)
  - **15,936 visitor counts** as of 6 July 2020
  - **Over 200 participants in the public talk** delivered by Dr. Meng in Shanghai on 2 March 2019
  - **Monthly market reports and ETF datasets were well received and commended by users** through WeChat and other informal channels
  - **Positive feedback from executives** of financial institutions, such as CSOP, Premia Partners and Yunfeng Financial.

# Impacts Achieved

- **Dr. Meng was interviewed by Hong Kong Economic Journal Monthly (HKEJ Monthly) on the Chinese Capital Market covering topics on ETFs on 12 March 2019.**
- The featured interview articles were published in HKEJ Monthly in the Edition of April 2019.



▲孟茹靜博士是香港大學金融學碩士項目主任，是香港少數研究中國資本市場的學者。（黃文華攝）

## 學者：散戶最好買A股ETF

香港大學經濟及工商管理學院金融系首席講師孟茹靜認為，投資者應該要適當買入A股，因為它跟港股、美股等市場相關性較小，有助降低整個投資組合的風險。

不過，她不建議散戶購買個別股票，反而應該以追蹤A股指數的交易所交易基金ETF入手。「買股票要買自己有優勢的，不懂就不要做短線投資。不如通過ETF來對A股有一個涉獵。」

她又不建議散戶以ETF作為短線套利。「一般投資者應該把ETF作為一個長期的財富管理的工具，就是不擇時、不選股，通過ETF構建一個多元化的投資組合，每年再做平衡調整。」

至於A股佔個人投資組合的比例，則要視乎個人的風險承受能力，以及財富管理目標。「A股是新興市場，目前不應該佔比很高，因為波動性也比較高。如果你全買A股，這就有點像是在做timing。」



# Impacts Achieved

- The mainland ETF market has accelerated the release of new ETF products. Here is one example with **media coverage by Bloomberg** quoting Dr. Meng's research.
- <https://www.bloomberg.com/news/articles/2019-09-04/china-approves-first-commodity-linked-exchange-traded-funds?sref=f3TexhvD>

## China Approves First Commodity-Linked Exchange-Traded Funds

By Alfred Cang

4 September 2019, 12:28 GMT+8

The combined net asset value of ETFs in China grew by more than 50% over the two years through July to around 633 billion yuan (\$88 billion), according to **Rujing Meng**, a researcher at the University of Hong Kong. Almost all of the mainland ETFs track stocks and currencies, her research shows.

# Impacts Achieved

- **Another example of media coverage:** As the financial markets plunged with the outbreak of the Covid-19 in early March 2020, Dr. Meng's research about the merits and limitations of a few innovative exchange-traded products during stressed market environments was quoted **by STCN (证券时报网)** on 9 March 2020.

- <http://stock.jrj.com.cn/2020/03/09214728982960.shtml>

## 暴跌下何处避险？欧股重挫超8% 科威特再度熔断

2020-03-09 21:47:10 来源：证券时报网 作者：吴少龙 胡华雄

香港大学经济及工商管理学院金融系首席讲师**孟茹静**博士指出，无需保证金账户是反向指数产品的一大优点，投资者仅需通过一般的股票账户就可以对某一市场或资产进行反向投资，达到做空的目的，却没有做空可能带来的爆仓和亏损无限的风险，最差的情况只是亏光本金。目前，北美、欧洲及亚洲许多市场都发行了反向ETF产品，追踪不同市场和资产。

**孟茹静**指出，去除几次美国暴跌时VIX出现暴涨的收益，VIX长期的回报为损失。因此，投资者绝不应该长期持有基于VIX的ETP产品，因为它们是被设计为一种对市场进行短期对冲或在跌市中寻找短期获利机会的金融工具。由于其单日的波动率有时可超过20%，使用不当会导致高额损失，投资者一定要花些时间深入了解其特性后再谨慎使用。

# Impacts Achieved

- Hong Kong and mainland has enhanced the cooperation in the area of ETFs and are making efforts toward the launch of the ETF Connect.
- HKEX is considering more new types of ETFs, including leveraged and inverse products that track mainland China A share indexes, sectoral and thematic ETFs with underlying Chinese assets, and fixed-income ETFs.  
<https://www.straitstimes.com/business/hk-stock-exchange-plans-suite-of-new-etps>
- Also, Dr. Meng was **invited to give talks by institutions**, such as China Construction Bank, Noah Holdings, and Shanxi Securities International Asset Management.

# Impacts Achieved

- Here is **an example on supporting the cooperation between Hong Kong and mainland in the area of ETFs.**
  - A new ETF product tracking the mainland DCE Iron Ore Futures Index was successfully launched on HKEX on 27 March 2020.
  - Dr. Meng was **invited as a guest speaker** in a discussion forum about the product design and its significance on 20 September 2019.
  - [http://www.ssif.com.hk/main\\_hk/gsd/upload/20190920tc.pdf](http://www.ssif.com.hk/main_hk/gsd/upload/20190920tc.pdf)

