

Monthly Emerging Markets and Ecommerce Report

October 2020

HANetf & EMQQ Emerging Markets and Ecommerce UCITS ETF

EMQQ
86bps
IE00BFYN8Y92
Fund Inception Date: 02/10/2018

For Professional Clients Only. Capital at risk.

This report was written by, and is the opinion of, the EMQQ fund partners EMQQ.

Key Takeaways

- The appetite for IPO's in the space has grown significantly with a robust pipeline of unicorns announcing intentions to go public
- Shanghai's recent STAR market performance has proven the appetite of the retail dominated investor base for these new Chinese tech listings
- Possibly the largest IPO in history, the Ant Group's listing is a preview of the future fintech growth to come in other EM geographies, showing the scale of digital transformation underway in the developing world
- EMQQ looks to be increasing its India exposure as Paytm, Zamoto, Delhivery, FlipKart and others are all looking to go public
- The US China conflict continues to deepen as the US threatens banning the Chinese chip maker SMIC¹
- IMF's latest GDP growth for 2020 puts Emerging and Frontier economies at -1%, with Advanced economies at -6% for 2020.²

EMQQ Emerging Markets Internet & Ecommerce UCITS ETF Performance

September*	YTD**	12 Month***
-4.08%	47.32%	67.64%

Past performance is no guarantee of future performance.

Source: Bloomberg, HANetf

* Sept figures based on 01.09.20 – 30.09.20

**YTD figures based on 01.01.20 - 30.09.20

***12 Month figures based on 30.09.19 -30.09.20

Performance Review

The Emerging Markets and Ecommerce UCITS ETF (EMQQ) has posted a trailing year return of over 65% and remains the best performing EM ETF in the category.³

EMQQ finally took a breather in September after its relentless rebound from the March lows to finish a choppy month down -4.0%. The best 5 contributors were, Meituan Dianping (China), MercadoLibre (Argentina) Pinduoduo (China), JD.com (China), and Sea Ltd (Singapore), showcasing the geographic diversity of growth as they have all benefited from the rapid consumer behaviour changes driven by the pandemic. One of the leading underperformers has, unsurprisingly, been the travel and ticketing leader in China; Trip.com. However, given the Chinese government's recent push for domestic travel during the national holiday and Mid-Autumn festival, we anticipate somewhat of a rebound for these names and another indicator of how the recovery is diverging at a greater rate between Asia and the West.

With the coming Ant Group IPO and the resulting coming out party for China's fintech leader, it is important to highlight how the digital payments story has spread throughout EMQQ's holdings and thriving throughout emerging economies.

¹ <https://www.bbc.com/news/technology-54056941>

² https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO_WORLD

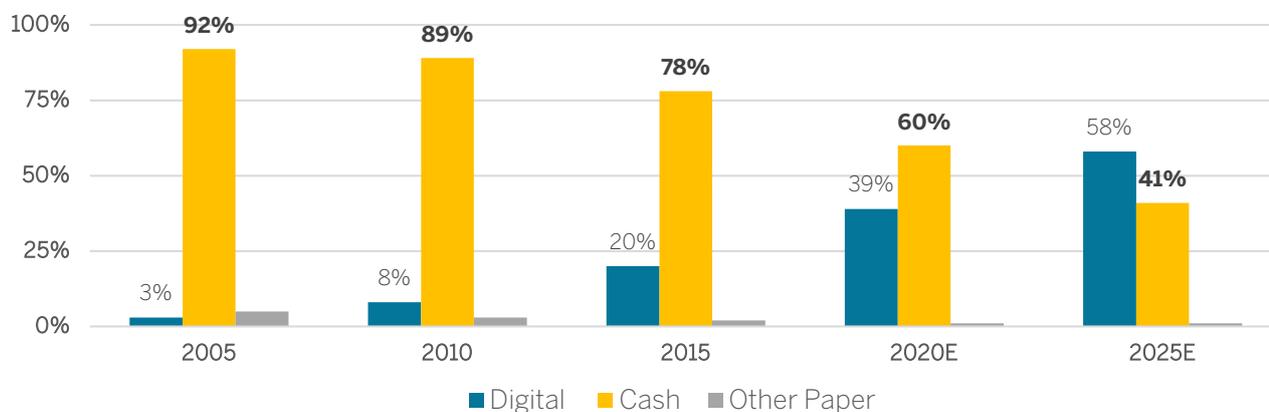
³ https://etfdb.com/screener/#page=1&tab=returns&sort_by=five_ytd&sort_direction=desc&asset_class=equity®ions=China%2CEmerging%20Markets

The growth opportunity presented by Ant should serve as an indicator of what's to come in other geographies like India's Paytm, South America's MercadoLibre and StoneCo, Africa's Jumia, and Eastern Europe's Yandex which are all aggressively expanding in the space.

On the cusp of a digital revolution, emerging markets are only now beginning to transform consumer behaviours in a way that is allowing all areas of the economy to be impacted; be it healthcare, education, banking, and even how we shop for groceries. With fintech at the heart of all these transactions, the potential for the space is significant and will continue to prove McKinsey and Co's prediction back in 2012 that the emerging market consumer wave will be **"the biggest growth opportunity in the history of capitalism"**.⁴

As the digitisation wave spreads, India seems to be then next major opportunity in the global fight for the prize of a billion digital consumers up for grabs. The only difference to China is that India is a more open market and there is intense international competition. This potential is not lost on the Indian government, however, as Modi appears to be moving in the Chinese direction of protectionist policies as he recognises the incredible domestic potential to incubating homegrown names over global rivals.

Digital Payments Trend Transforming India (2005-2025E)



For illustrative purposes only. Source: NASSCOM Insights, 2020

The UPI or Unified Payments Interface, established in 2016 to facilitate digital and mobile based payments, has seen strong growth amongst the connected population, yet with still only 25% of their 1.4 billion population connected via a smartphone, the lions share of upside still remains.⁵

UPI Growth in India Total Transaction Volume (Mn)



For illustrative purposes only. Source: NASSCOM Insights, 2020

⁴ <https://www.mckinsey.com/featured-insights/winning-in-emerging-markets/winning-the-30-trillion-decathlon-how-to-succeed-in-emerging-markets>

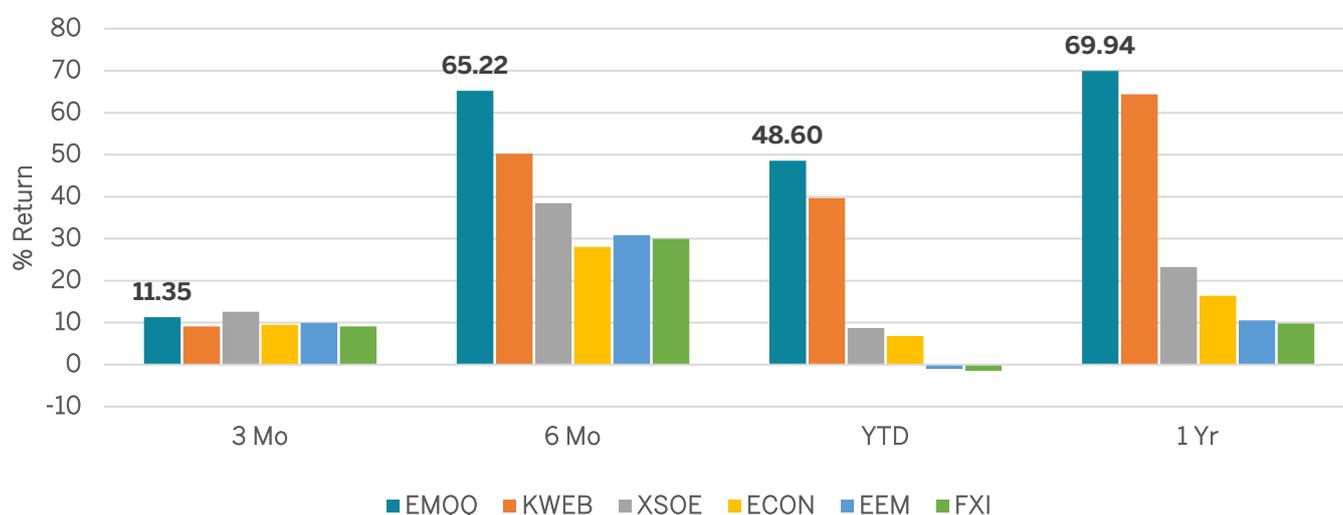
⁵ https://newzoo.com/insights/rankings/top-countries-by-smartphone-penetration-and-users/of-our-time/?utm_source=Alizila+RSS&utm_campaign=9ca8347ad1-

The Emerging Markets Internet and Ecommerce UCITS ETF

Total Return NAV to Date (up 30/09/2020)

	1M	3M	6M	YTD	12M	Since Inception
EMQQ Emerging Markets Internet & Ecommerce UCITS ETF (Acc)	-4.08%	11.04%	64.25%	47.31%	67.64%	66.68%
<i>EMQQ Emerging Markets Internet and Ecommerce Index (NTR)</i>	<i>-4.03</i>	<i>11.30%</i>	<i>65.01%</i>	<i>48.38%</i>	<i>69.35%</i>	<i>71.20%</i>

EMQQ Index vs Key EM Competitors- as of 30/09/2020 (For illustrative purposes only)



Source: Bloomberg, September 30, 2020

Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer (“Prospectus”) before investing and should refer to the section of the Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in this product.

Industry News

Ant Group IPO: Anticipated to be one of the largest IPO’s in history, Alibaba’s fintech arm Ant Financial is looking to forgo the trend of recent years of listing in the U.S. and instead targeting a HK and Shanghai listing.⁶

DiDi IPO: One of the largest private companies in the world, the ride hailing unicorn from China is rumoured to be getting pressure from investors like SoftBank and Hillhouse to go public. A target of October or November could be the window and most likely listing in HK due to the recent China/US tensions.⁷

India Increasing Domestic Technology Protection: Following a fatal military skirmish on the northern border with China, India’s Modi has moved to retaliate in blocking a number of Chinese made apps within the country. The move has proven a strategic one as Modi’s government has taken stronger action to protect domestic tech companies as well as a political push back on the Chinese.⁸

⁶<https://www.caixinglobal.com/2020-08-03/exclusive-ant-group-aims-to-raise-30-billion-in-record-shattering-ipo-101587973.html>

⁷<https://www.caixinglobal.com/2020-08-03/exclusive-ant-group-aims-to-raise-30-billion-in-record-shattering-ipo-101587973.html>

⁸<https://timesofindia.indiatimes.com/business/india-business/india-blocks-top-chinese-apps-baidu-weibo/articleshow/77341103.cms>

Constituent News

Top 10 Constituents	Weight %	Region Breakdown	Weight
Alibaba Group Holding Ltd	8.79%	Asia	77.88%
Meituan Dianping	8.31%	South America	9.12%
Tencent Holdings Ltd	7.25%	Africa	6.47%
Naspers Ltd	6.09%	Europe	6.53%
MercadoLibre Inc	5.91%		
JD.com Inc	4.98%	Sector Breakdown	Weight
NAVER Corp	4.85%	Information Technology	5.95%
Pinduoduo Inc	4.73%	Financials	1.19%
Prosus NV	4.31%	Industrials	0.56%
NetEase Inc	4.15%	Communication Services	39.04%
		Consumer Discretionary	50.22%
		Health Care	3.03%

Source: Bloomberg / HANetf. Data as of 30/09/20

Fund Details

EMQQ Emerging Markets and Ecommerce UCITS ETF, is a UCITS compliant Exchange Traded Fund domiciled in Ireland.

The fund tracks an index of leading internet and Ecommerce companies that serve emerging markets, including search engines, online retailers, social networks, online video, online gaming, e-payment systems and online travel. The fund seeks to provide exposure to the growth of online consumption in the developing world.

Please remember that the value of your investment may go down as well as up and past performance is no indication of future performance.

- [EMQQ Factsheet](#)
- [EMQQ Video](#)
- [EMQQ Whitepaper](#)
- [EMQQ Fund Page](#)

EXCHANGE	BB CODE	RIC	ISIN	CURRENCY	INCOME
London Stock Exchange	EMQQ LN	EMQQ.L	IE00BFYN8Y92	USD	Acc
London Stock Exchange	EMQP LN	EMQP.L	IE00BFYN8Y92	GBP	Acc
Borsa Italiana	EMQQ IM	EMQQ.MI	IE00BFYN8Y92	EUR	Acc
XETRA	EMQQ GY	EMQ1.DE	DE000A2N5XA8	EUR	Acc
SIX	EMQQ SW	EMQQ.S	IE00BFYN8Y92	CHF	Acc

Webinars

Please see upcoming and past webinars here www.hanetf.com/webinars

EMQQ Fund News

Recent Rebalance: June 19th 2020

- Last rebalance added 14 additional constituents to leave 83 total companies in the Index
- We anticipate a smaller increase in constituents ~3-5 net adds come December with some potentially significantly sized IPO's
 - Ant Financial will be a sizable addition depending on actual IPO date to satisfy inclusion rules for the index

Next Rebalance: December 18th 2020

EMQQ listed on **Six Swiss Exchange** on 2nd June 2020

Press

Recent Press Video/Articles

- [Market Leading Emerging Market Fund Highlights Rapid Structural Shift to E-commerce in Latin American due to Coronavirus](#)
- [US bill aimed at forcing certain Chinese companies to delist from US Securities exchanges to become more prominent but investors should welcome it if it becomes law](#)
- [SIX Swiss Listing](#)

For more press www.hanetf.com/press-releases

About HANetf

HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors via unique white-label ETF/ETC platform.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

For further information, please visit www.hanetf.com.



Kevin T. Carter, Founder & CIO of EMQQ

Kevin T. Carter is the Founder & Chief Investment Officer The Emerging Markets Internet ETF (NYSE:EMQQ). He is considered an expert on China and Emerging Markets with over two decades of work alongside Princeton Economist & Author of *A Random Walk Down Wall Street*, Dr. Burton G. Malkiel. He was also the founder and CEO of AlphaShares, a firm offering emerging market ETFs in partnership with Guggenheim Investments.

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