

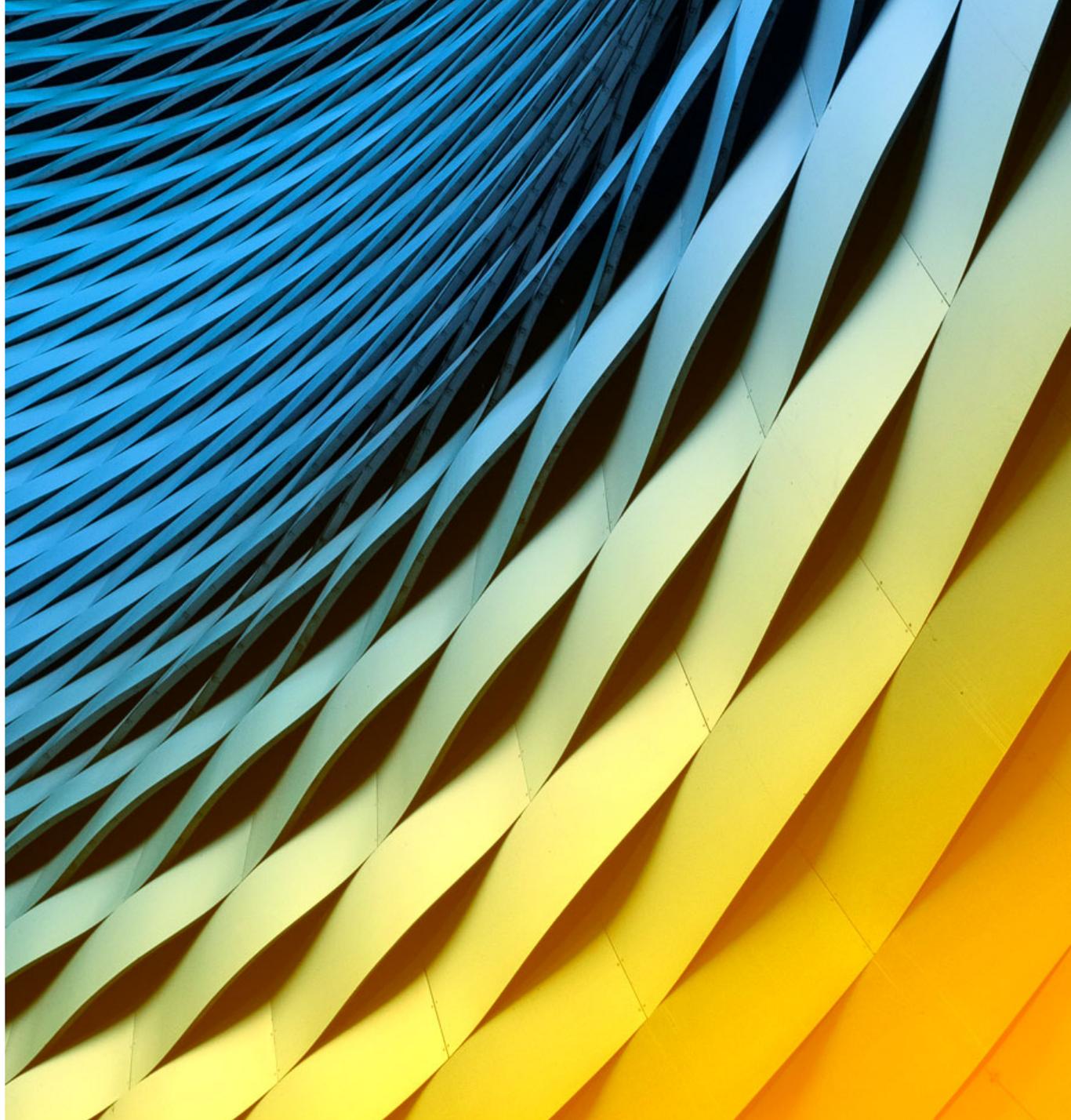
SGX – Refining Your China Strategy With Options

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May 4, 2021



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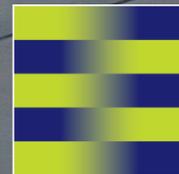
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Refining Your China Strategy With Options

by Tariq Dennison, +852 9476 2868

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About Tariq Dennison TEP CFP^{CM}

- Independent Adviser Managing accounts on Interactive Brokers Platform
 - US RIA: GFM Asset Management LLC
 - HK Type 9: GFM Group Limited
- 23 years global markets experience
 - 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 Business School
 - Fixed Income
 - Alternative Investments
- Author of "Invest Outside the Box"



Outline of Fundamental Part

- China in Global and EM Index Benchmarks
- China Post-COVID-19
- China's "Alphabet soup": Review of A vs H shares
- Understanding the main benchmarks: Hang Seng, H50, and A50

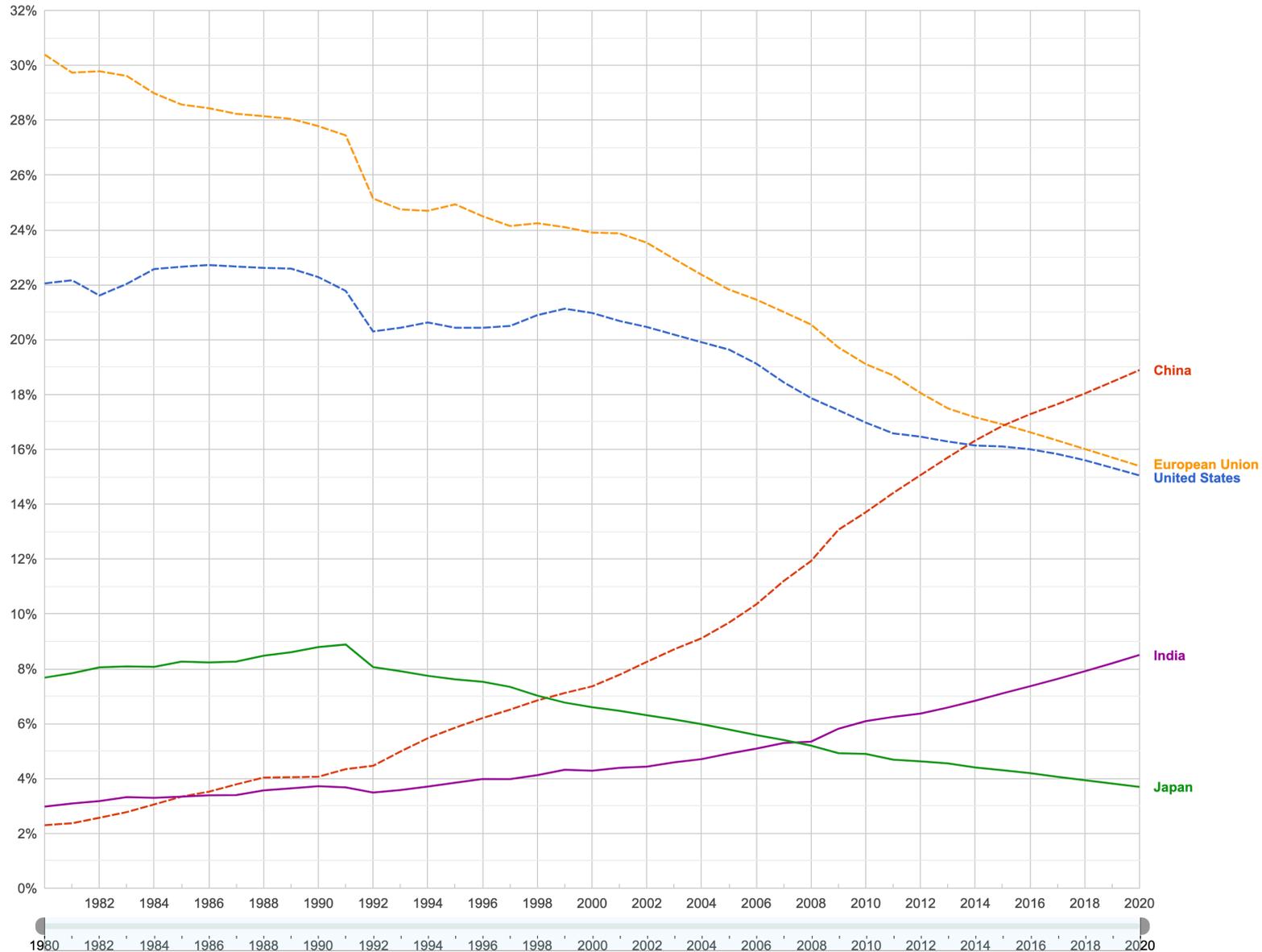
Outline of Action Part

- Understanding the options
 - ETF vs index
 - Exchanges & hours
 - Sizes & currencies
- Sample long and short trading strategies

Big picture: China vs World and EM

China's GDP % of World vs rest of "JUICE"

GDP based on PPP share of world total (%) ?

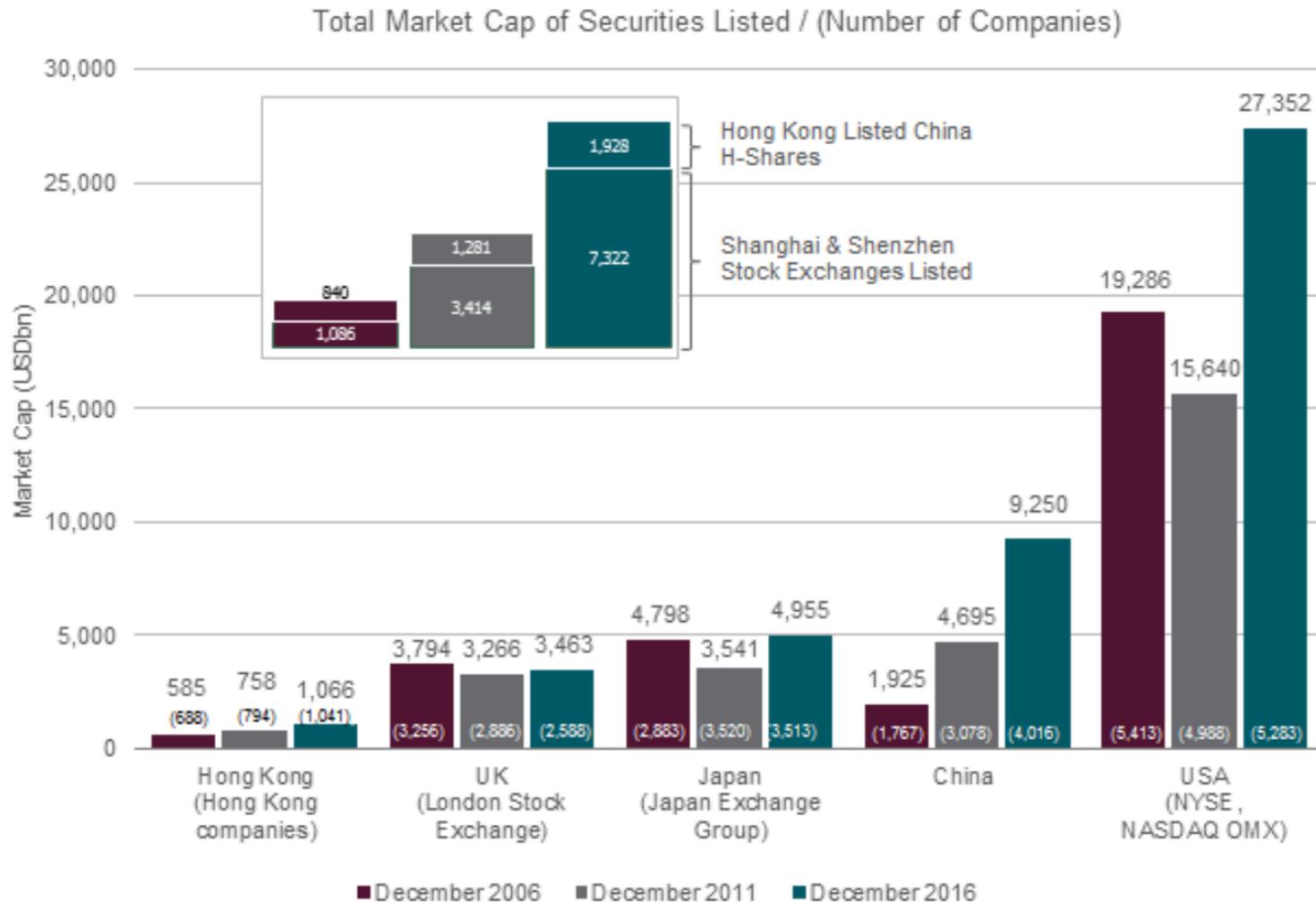


Data from IMF, October 2014 WEO Last updated: Jun 19, 2018

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Source: Google Public Data

Growth of China's Equity Market Equally Impressive

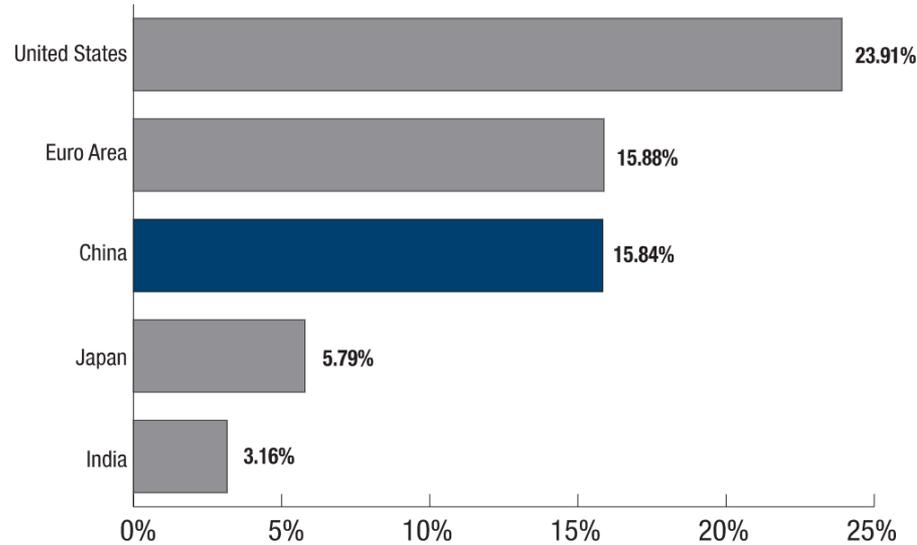


Source: WFE, FTSE Russell, data as at December 31, 2016.

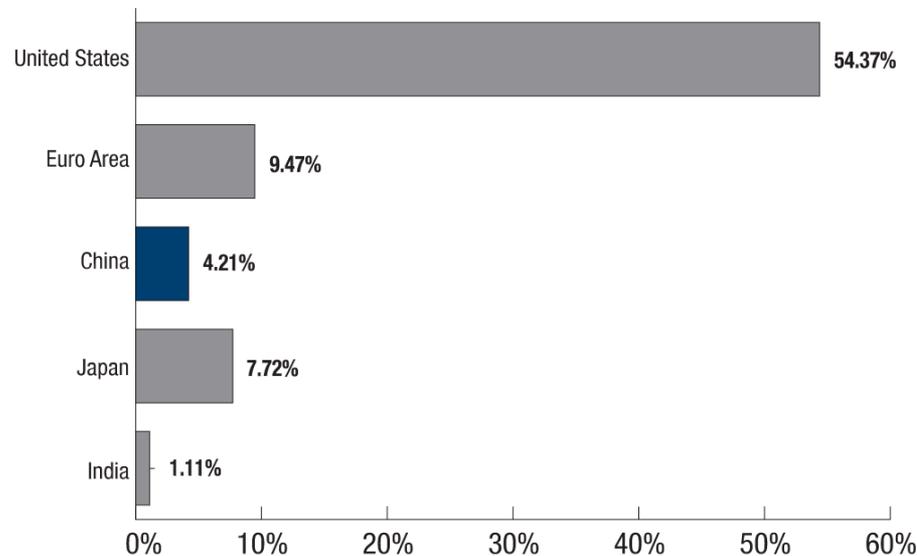
Source: <https://www.ftserussell.com/ja/research/preparing-chinas-inclusion-global-benchmarks-flexible-approach-managing-transition>

China's GDP vs Weight In Stock Benchmarks

GDP % of World



Weight % in FTSE All World Index



Source: World Bank

Source: <https://www.paceretfs.com/products/afty>

Official data? Try on the ground sanity checks...



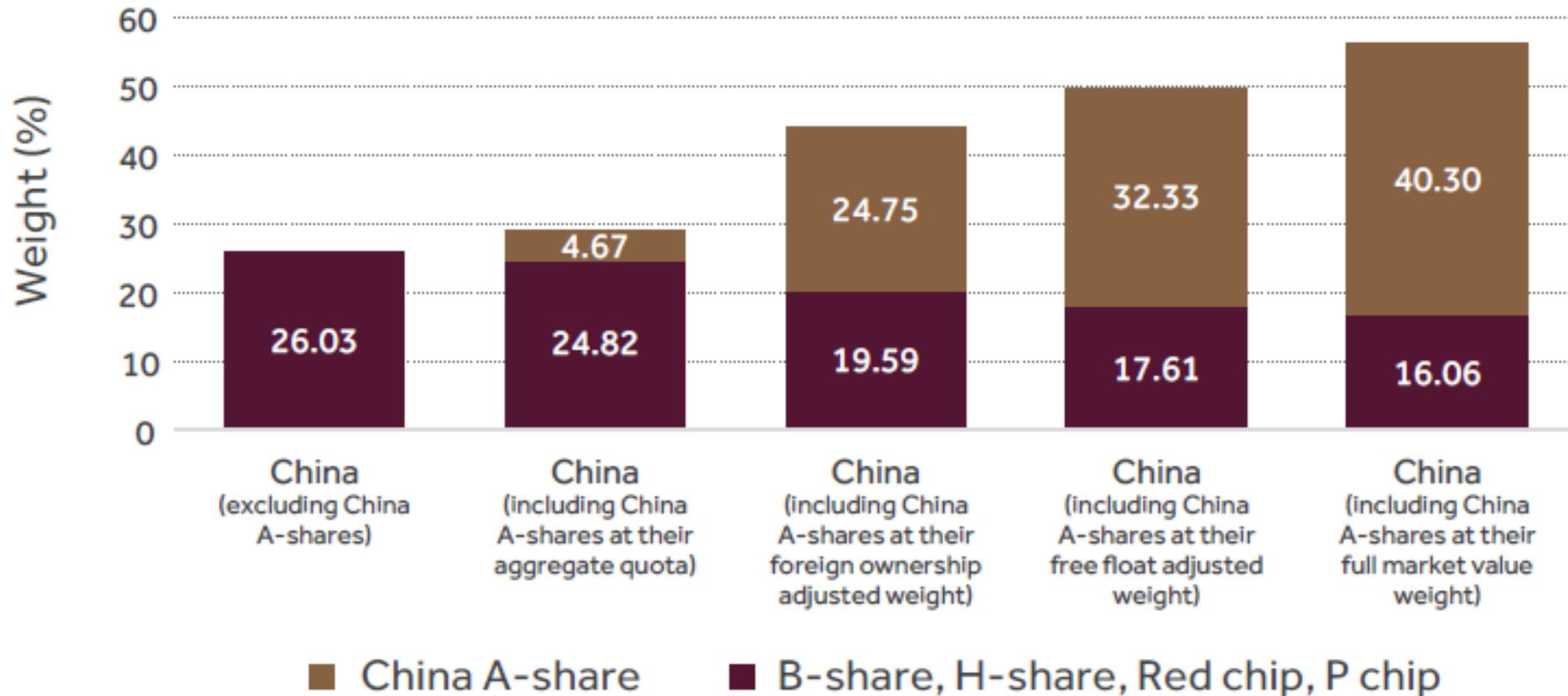
Source: <https://www.forbes.com/sites/tamarathiessen/2020/05/19/covid-19-birthplace-wuhan-china-now-top-travel-attraction/?sh=69d2ddeb1e7a>
19 May 2020

Just remember:
Prices, dividends, and opportunities
matter more than any reported
“statistics”

Options premiums are “prices”
Traveling by train to Wuhan is an “opportunity”

Within your EM fund, China is way "Too Big to Ignore"

China's expansion in the FTSE Emerging Index



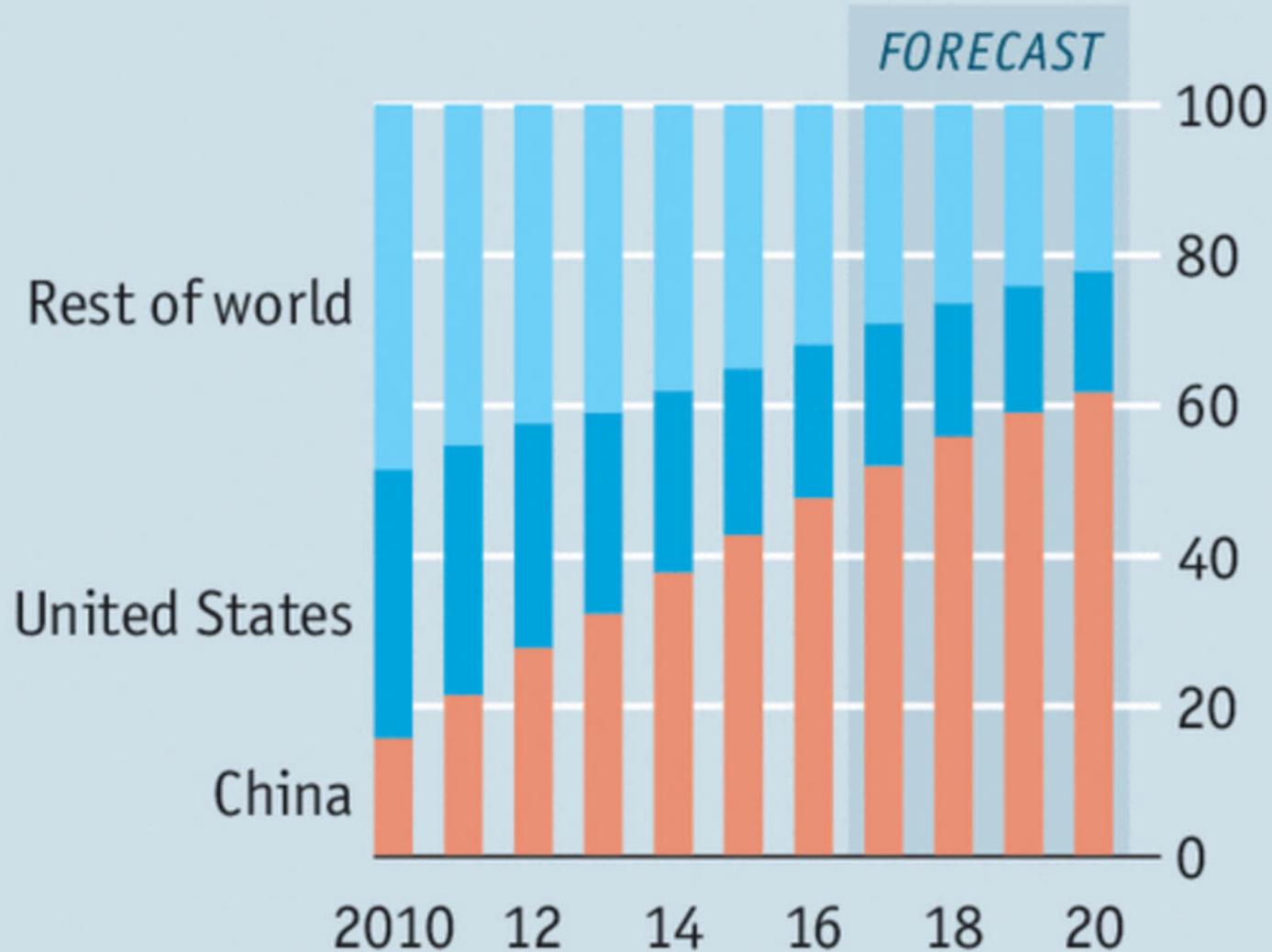
Source: FTSE Russell, data as at June 30, 2017.

Source: <https://www.ftserussell.com/ja/research/preparing-chinas-inclusion-global-benchmarks-flexible-approach-managing-transition>

Much of that growth ← China's E-commerce boom

Retail e-commerce sales, worldwide

Share of total, %



Source: FDI China

The longer-term consumer numbers that matter...

Number of high-income consumers

(m)

12.0

10.0

8.0

6.0

4.0

2.0

0.0

2015 Additional in 2016-30

12.0

10.0

8.0

6.0

4.0

2.0

0.0



Note: high-income consumers refer to individuals with a grey income-adjusted disposable income of above Rmb200,000 per year at 2015 constant prices.

Source: The Economist Intelligence Unit.

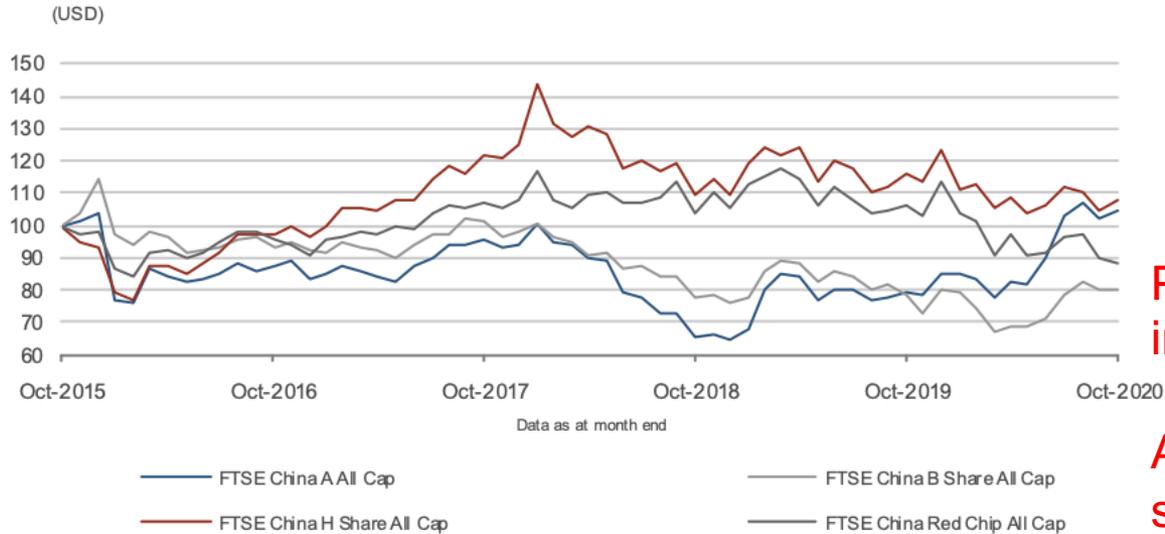
Review of China's A vs B vs H etc. Shares

China's "Alphabet Soup" of Share Classes

| Share Class | Country of Incorporation | Country of Listing | Trading Currency | Other Requirements | Available to mainland Chinese investors | Available to other investors |
|-------------|---|--------------------|----------------------------------|---|--|--|
| A Share | People's Republic of China (PRC) | China | CNY | None as they are specific share classes issued by the company | Yes | Yes under QFII/RQFII/ Stock Connect programs |
| B Share | People's Republic of China (PRC) | China | USD (Shanghai) HKD (Shenzhen) | | Yes (if they have appropriate currency accounts) | Yes |
| H Share | People's Republic of China (PRC) | Hong Kong | HKD | | Yes if QDII approved or under Stock Connect programs | Yes |
| Red Chip | Non-PRC | Hong Kong | HKD | See notes below | Yes if QDII approved or under Stock Connect programs | Yes |
| | Min 25% ownership by Chinese State entity | | | | | |
| P Chip | Non-PRC | Hong Kong | HKD | | Yes if QDII approved or under Stock Connect programs | Yes |
| | Private ownership & leadership Min 45% PRC revenues & assets | | | | | |
| S Chip | Non-PRC | Singapore | SGD | | Yes if QDII approved | Yes |
| N Share | Non-PRC | United States | USD | | Yes if QDII approved | Yes |

... very different performance over the past 5 years

5-Year Performance - Total Return



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5-Year Performance - Total Return



Some Statistics on H shares vs A shares...

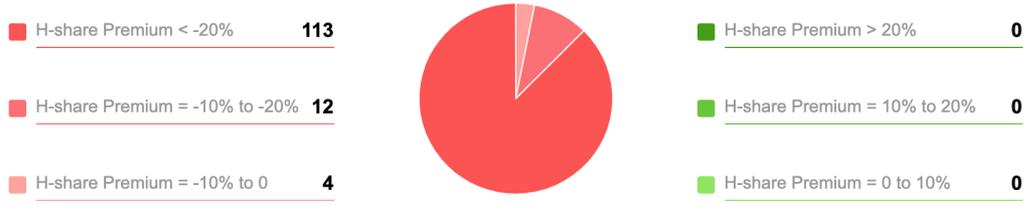
| | Hong Kong Exchange (23/03/2021) | | Shanghai Stock Exchange (23/03/2021) | | Shenzhen Stock Exchange (23/03/2021) | |
|--|----------------------------------|---------|---------------------------------------|---------|---------------------------------------|---------|
| | Main Board | GEM | A Share | B Share | A Share | B Share |
| No. of listed companies | 2,184 | 366 | 1,594 | 48 | 2,382 | 45 |
| No. of listed H shares | 273 | 19 | n.a. | n.a. | n.a. | n.a. |
| No. of listed red-chips stocks | 172 | 4 | n.a. | n.a. | n.a. | n.a. |
| Total no. of listed securities | 17,966 | 367 | n.a. | n.a. | n.a. | n.a. |
| Total market capitalisation (Bil. dollars) | HKD 52,238 | HKD 143 | RMB 41,676 | RMB 67 | RMB 32,577 | RMB 54 |
| Total negotiable capitalisation (Bil. dollars) | n.a. | n.a. | RMB 36,986 | RMB 67 | RMB 25,373 | RMB 54 |
| Average P/E ratio (Times) | 19.88 | 26.24 | 15.69 | 8.20 | 32.33 | 12.60 |
| Total turnover (Mil. shares) | 288,045 | 653 | 32,244 | 22 | 37,791 | 26 |
| Total turnover (Mil. dollars) | HKD 166,584 | HKD 322 | RMB 324,728 | RMB 90 | RMB 447,193 | RMB 102 |
| Total market turnover (Mil. dollars) | HKD 166,906 | | RMB 345,182 | | RMB 447,296 | |

Source: <https://www.hkex.com.hk/eng/csm/highlight.htm>

For stocks with both A and H Shares...

All Listed AH Shares SZ Listed AH Shares SH Listed AH Shares

AH Premium distribution chart ?



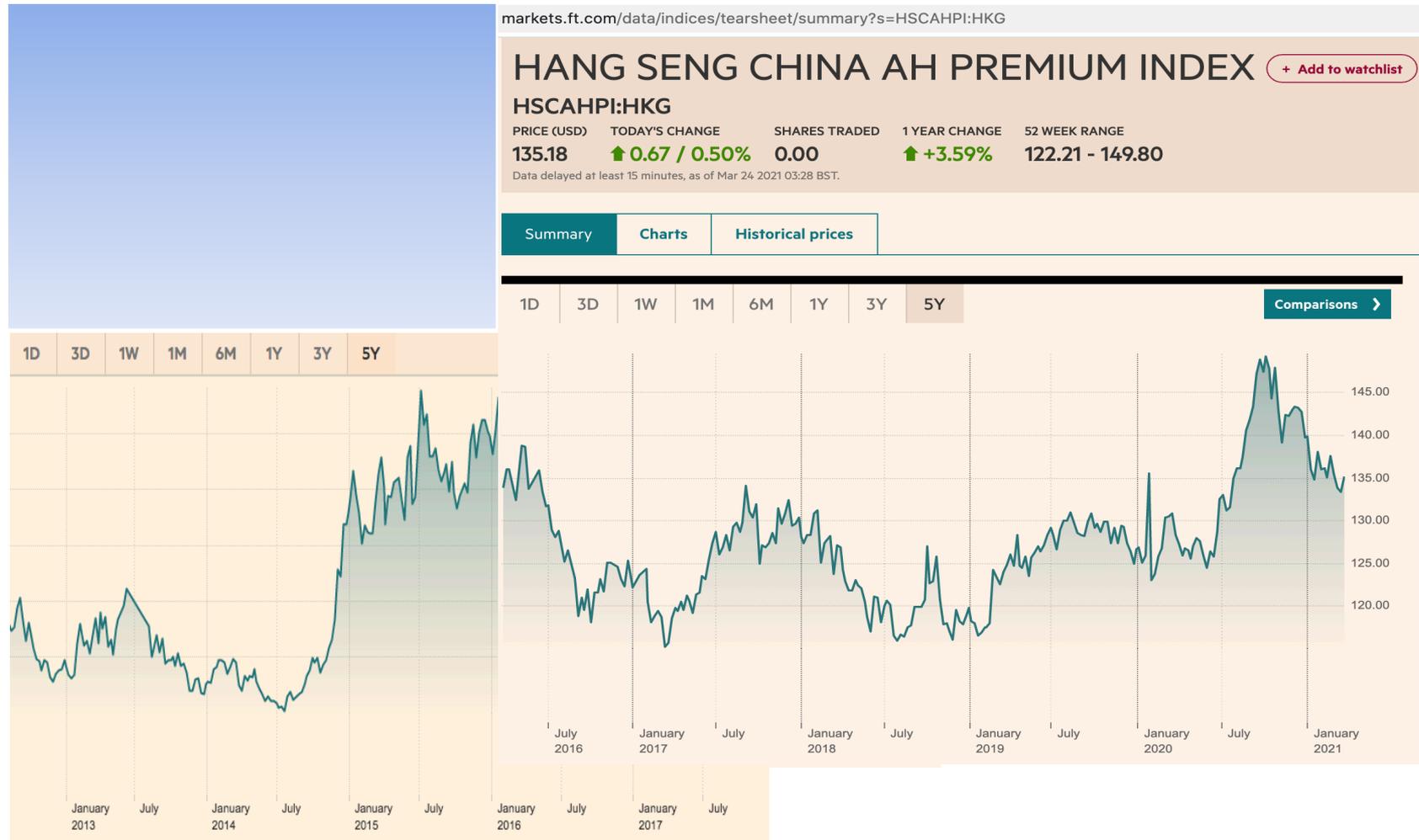
去追更遠大的夢想。
全新應用程式。全新功能。
專為商業客戶而設的全新
創作方式。價格由每月
HK\$268.00起。

立即加入

| AH Shares | H Shares ¹ | | | A Shares ² | | | H Shares VS. A Shares |
|------------------------------|------------------------------------|------------|---------------------------|-------------------------------------|------------|---------------------------|------------------------------|
| Name | Symbol▼ | Last (HKD) | Change (%) ³ ▼ | Symbol▼ | Last (RMB) | Change (%) ³ ▼ | Premium (%) ⁴ ▲ ? |
| CHINA SUNTIEN | 00956.HK <small>CON</small> | 3.000 | +2.389% | 600956.SH <small>3M Hi CON</small> | 13.06 | +10.025% | -80.754% |
| GUOLIAN SEC | 01456.HK <small>10D Hi CON</small> | 4.200 | +5.000% | 601456.SH <small>1M Hi CON</small> | 17.90 | +9.480% | -80.341% |
| LA CHAPELLE | 06116.HK | 0.530 | -1.852% | 603157.SH <small>3M Hi</small> | 2.11 | +3.941% | -78.955% |
| ZHEJIANG SHIBAO | 01057.HK <small>10D Lo CON</small> | 1.400 | -5.405% | 002703.SZ <small>5D Lo CON</small> | 5.12 | -1.727% | -77.090% |
| FIRST TRACTOR | 00038.HK <small>1M Lo CON</small> | 3.410 | -4.213% | 601038.SH <small>CON</small> | 12.07 | -2.029% | -76.329% |
| FUDANZHANGJIANG | 01349.HK <small>5D Lo CON</small> | 4.320 | -1.818% | 688505.SH <small>CON</small> | 14.90 | +0.134% | -75.708% |
| ANDRE JUICE <small>1</small> | 02218.HK <small>CON</small> | 6.350 | +1.276% | 605198.SH <small>CON</small> | 21.74 | +2.162% | -75.528% |
| CSC | 06066.HK <small>CON</small> | 9.960 | 0.000% | 601066.SH <small>5D Hi CON</small> | 33.05 | +1.443% | -74.751% |
| CC SECURITIES | 01375.HK <small>CON</small> | 1.530 | -0.649% | 601375.SH <small>10D Hi CON</small> | 4.70 | +3.524% | -72.726% |
| CICC | 03908.HK <small>CON</small> | 17.460 | 0.000% | 601995.SH <small>10D Hi CON</small> | 52.88 | +4.362% | -72.336% |
| COMEC | 00317.HK <small>5D Lo CON</small> | 7.920 | -2.703% | 600685.SH <small>CON</small> | 23.38 | -2.380% | -71.618% |
| SINOPEC SSC | 01033.HK <small>1M Lo CON</small> | 0.700 | -4.110% | 600871.SH <small>CON</small> | 2.01 | 0.000% | -70.821% |
| LUOYANG GLASS | 01108.HK <small>CON</small> | 4.890 | +2.088% | 600876.SH <small>10D Lo CON</small> | 15.27 | -1.037% | -72.854% |

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A-H Premium since SH Stock Connect



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Now, let's look at the Index Benchmarks

FTSE China (H50) vs A50 vs HSI

| # | H-Ticker | Name | ISIN | Sector | Weighting | A-Ticker | H-Premium | A50 Weight | HSI Weight | P, H, Red |
|----|----------|------------------------|--------|------------------|-----------|----------|-----------|------------|------------|-----------|
| 1 | 3690 | MEITUAN DIANPING | KYG596 | Consumer Discr | 10.2% | | | | | |
| 2 | 700 | TENCENT HLDGS. | KYG875 | Communication | 9.2% | | | | 10.1% | P CHIP |
| 3 | 939 | CHINA CONSTR.BANK | CNE100 | Financials | 8.8% | 601939 | -25.4% | 0.8% | 6.4% | H SHARE |
| 4 | 9988 | ALIBABA GR. HLDG. | KYG017 | Consumer Discr | 5.1% | | | | 4.3% | P CHIP |
| 5 | 2318 | PING AN | CNE100 | Financials | 4.9% | 601318 | -13.2% | 10.9% | 5.3% | H SHARE |
| 6 | 1398 | IND. AND COM. BANK OF | CNE100 | Financials | 4.3% | 601398 | -23.5% | 1.5% | 3.4% | H SHARE |
| 7 | 2963 | WUXI BIO | KYG970 | Health Care | 4.3% | | | | 2.4% | P CHIP |
| 8 | 1810 | XIAOMI | KYG983 | Information Tech | 4.2% | | | | 4.4% | P CHIP |
| 9 | 3968 | CHINA MERCHANTS BAN | CNE100 | Financials | 3.5% | 600036 | -6.5% | 7.4% | | |
| 10 | 3988 | BANK OF CHINA H | CNE100 | Financials | 3.4% | 601988 | -30.2% | 0.9% | 2.2% | H SHARE |
| 11 | 941 | CHINA MOBILE | HK0941 | Communication | 3.3% | | | | 2.9% | RED CHIP |
| 12 | 883 | CNOOC | HK0883 | Energy | 2.6% | | | | 1.7% | RED CHIP |
| 13 | 2020 | ANTA SPORTS PRODUCT | KYG040 | Consumer Discr | 2.4% | | | | | |
| 14 | 2628 | CHINA LIFE INS. H | CNE100 | Financials | 2.4% | 601628 | -64.8% | 0.9% | 1.3% | H SHARE |
| 15 | 1211 | BYD COMPANY | CNE100 | Consumer Discr | 2.3% | 002594 | -10.9% | | | |
| 16 | 1109 | CHINA RESOURCES LAN | KYG210 | Real Estate | 1.8% | | | | 1.1% | RED CHIP |
| 17 | 981 | SEMICONDUCTOR MANU | KYG802 | Information Tech | 1.8% | 688981 | -68.5% | | | |
| 18 | 386 | CHINA PETROLEUM & CH | CNE100 | Energy | 1.6% | 600028 | -28.1% | 0.6% | 0.9% | H SHARE |
| 19 | 241 | ALIBABA HEALTH INF. TE | BMG017 | Health Care | 1.6% | | | | | |
| 20 | 960 | LONGFOR PROPERTIES | KYG563 | Real Estate | 1.6% | | | | | |
| 21 | 1288 | AGRICUL BK CHINA H | CNE100 | Financials | 1.6% | 601288 | -26.2% | 1.7% | | |
| 22 | 2007 | COUNTRY GARDEN | KYG245 | Real Estate | 1.4% | | | | 0.8% | P CHIP |
| 23 | 2601 | CHINA PACIFIC INS. H | CNE100 | Financials | 1.3% | 601601 | -32.0% | 1.3% | | |
| 24 | 688 | CHINA OVERSEAS LD & II | HK0688 | Real Estate | 1.3% | | | | 0.7% | RED CHIP |
| 25 | 914 | ANHUI CONCH H SHS. | CNE100 | Materials | 1.1% | 600585 | -23.0% | 1.4% | | |
| 26 | 788 | CHINA TOWER CORP | CNE100 | Communication | 1.0% | | | | | |
| 27 | 2202 | CHINA VANKE H | CNE100 | Real Estate | 1.0% | 000002 | -21.2% | 2.8% | | |
| 28 | 857 | PETROCHINA H | CNE100 | Energy | 1.0% | 601857 | -48.9% | 0.4% | 0.5% | H SHARE |
| 29 | 1088 | CHINA SHENHUA ENERG | CNE100 | Energy | 0.9% | 601088 | -30.1% | 0.5% | | |
| 30 | 6862 | HAIDILAO INTL. HLDG. | KYG429 | Consumer Discr | 0.9% | | | | | |
| 31 | 3333 | CHINA EVERGRANDE GR | KYG211 | Real Estate | 0.7% | | | | | |
| 32 | 1658 | POSTAL SAVINGS BANK | CNE100 | Financials | 0.7% | 601658 | -26.8% | | | |
| 33 | 6030 | CITIS SECURITIES | CNE100 | Financials | 0.7% | 600030 | -50.4% | 3.5% | | |
| 34 | 728 | CHINA TELECOM | CNE100 | Communication | 0.6% | | | | | |
| 35 | 2359 | WUXI APPTec | CNE100 | Health Care | 0.6% | 603259 | -3.2% | | | |
| 36 | 3692 | HANSOH PHARMA RG | KYG549 | Health Care | 0.6% | | | | | |
| 37 | 998 | CHINA CITIC BANK | CNE100 | Financials | 0.6% | 601998 | -46.6% | 0.2% | | |
| 38 | 3328 | BANK OF COMMUNICATI | CNE100 | Financials | 0.6% | 601328 | -23.6% | 1.3% | 0.4% | H SHARE |
| 39 | 267 | CITIC PACIFIC | HK0267 | Industrials | 0.6% | | | | 0.4% | RED CHIP |
| 40 | 762 | CHINA UNICOM | HK0000 | Communication | 0.5% | | | | 0.3% | RED CHIP |
| 41 | 1988 | CHINA MINSHENG BANKI | | | | | | | | |
| 42 | 1339 | PEOPLES INS.CO | | | | | | | | |
| 43 | 6886 | HUATAI SECURITIES (H) | | | | | | | | |
| 44 | 1816 | CGN POWER | | | | | | | | |
| 45 | 763 | ZTE H | | | | | | | | |
| 46 | 390 | CHINA RAILWAY GROUP | | | | | | | | |
| 47 | 1766 | CSR CORP | | | | | | | | |
| 48 | 6818 | CHINA EVERBRIGHT BAN | | | | | | | | |
| 49 | 6066 | CSC FINANCIAL H | | | | | | | | |
| 50 | 2611 | GUOTAI JUNAN SECURIT | CNE100 | Financials | 0.2% | 601211 | -49.7% | | | |

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Source: DWS, iShares, SPDR TraHK, Nov 2020



Raw sector weight numbers

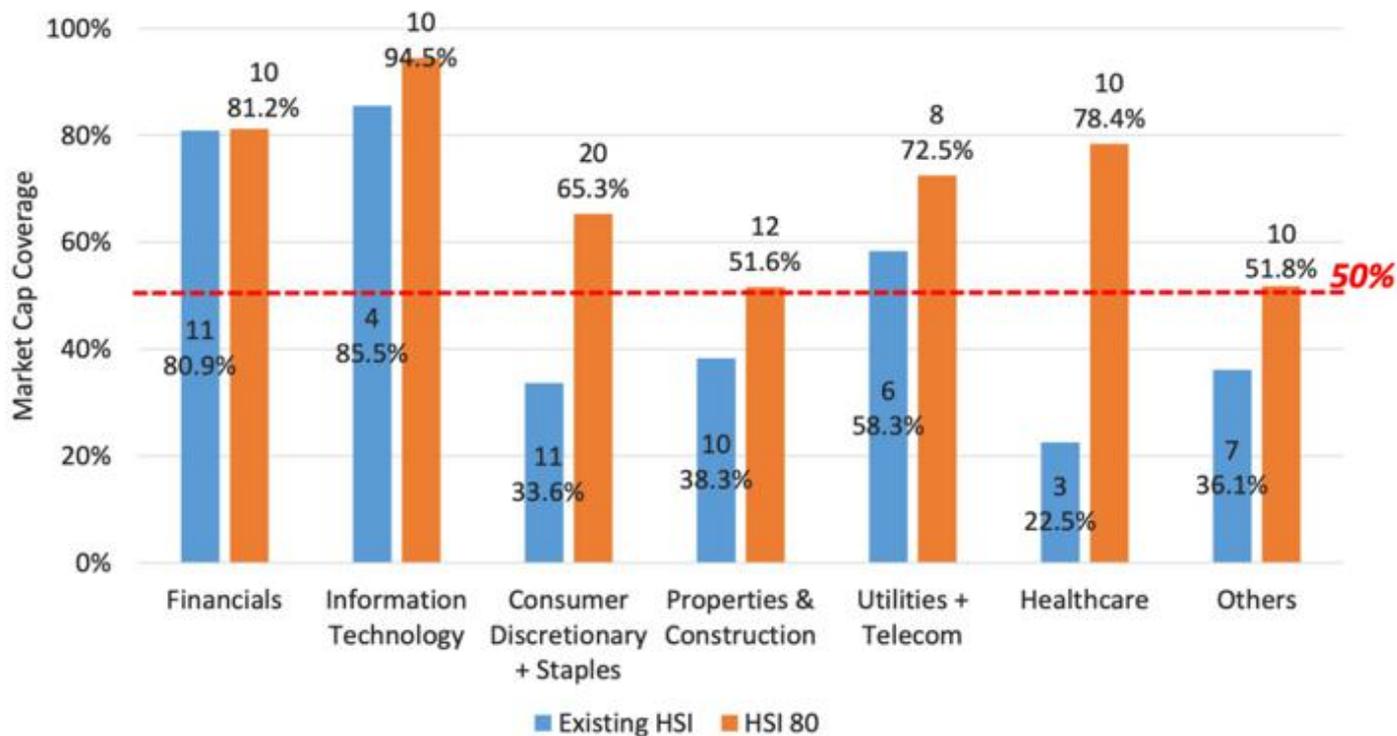
| Sector Weights | A50 | H50 |
|------------------------|-------|-------|
| Communication | 0.5% | 14.7% |
| Consumer Discretionary | 9.3% | 20.9% |
| Consumer Staples | 23.0% | |
| Energy | 1.4% | 6.0% |
| Financials | 42.8% | 34.4% |
| Health Care | 4.7% | 7.1% |
| Industrials | 2.9% | 1.1% |
| Information Technology | 5.7% | 6.3% |
| Materials | 3.1% | 1.1% |
| Real Estate | 4.4% | 7.8% |
| Utilities | 1.1% | 0.3% |

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Source: DWS, iShares

Upcoming Major Changes to the Hang Seng Index

Market Cap Coverage by Industry Group (Simulated Results)



Hypothetical constituent number, Industry Group market cap coverage (for reference only)
(Data as of 11 Feb 2021)

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Top 5 H-Share “Tech Giants” (not in A50)



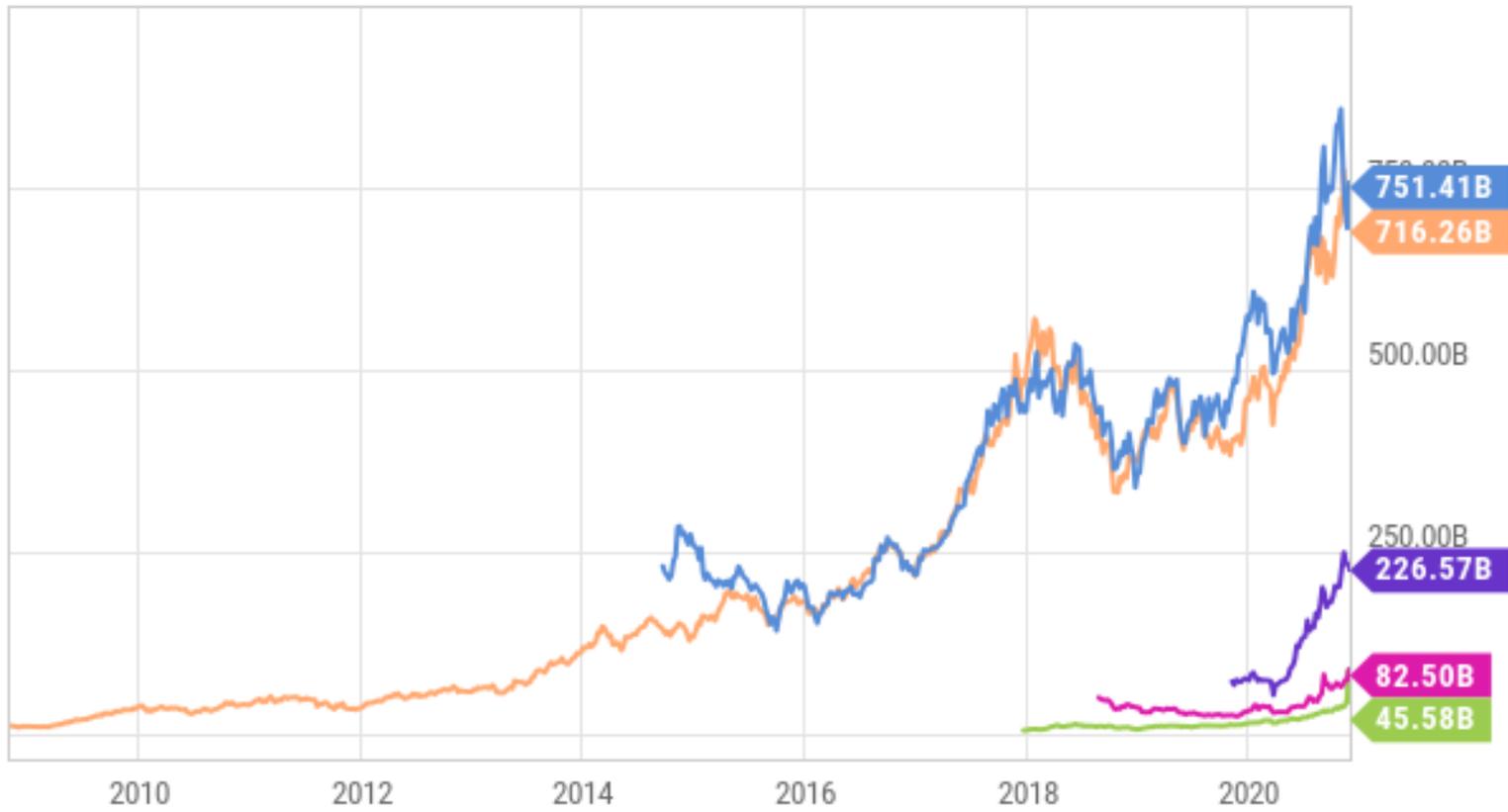
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Source: Companies’ Website

10% Meituan still smaller than 9% Tencent or 5% Ali

- Meituan Market Cap
- Tencent Holdings Ltd Market Cap
- Alibaba Group Holding Ltd Market Cap
- WuXi Biologics (Cayman) Inc Market Cap
- Xiaomi Corp Market Cap

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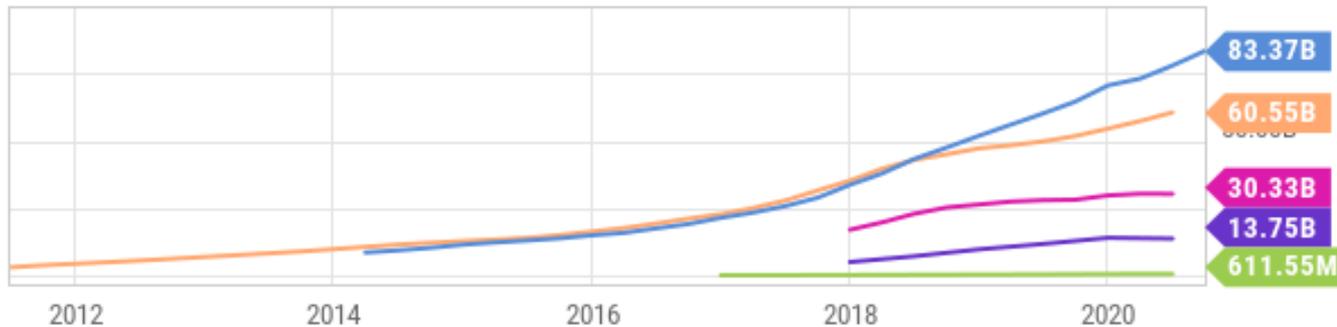


Nov 26 2020, 4:33AM EST. Powered by **YCHARTS**

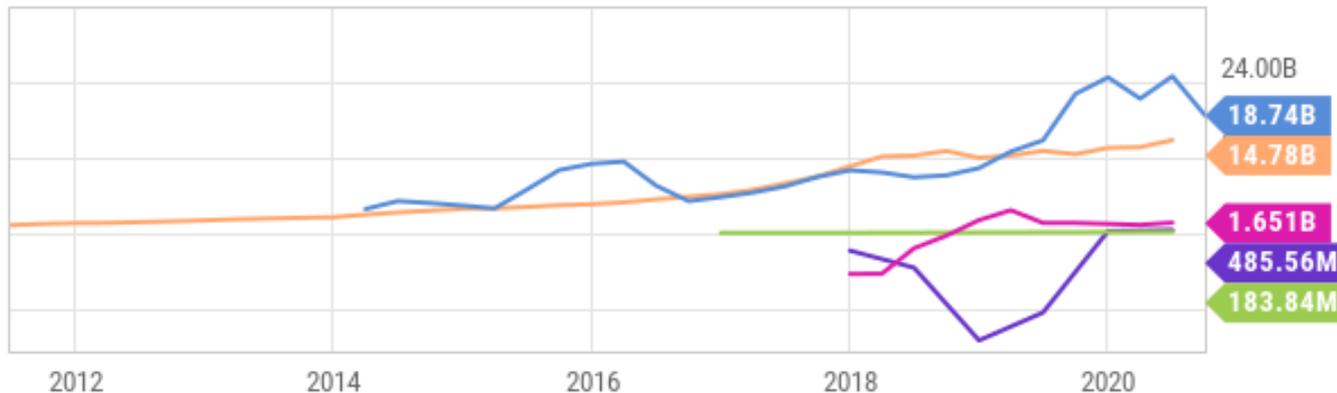
Revenue Growth vs Earnings (~ FCF, roughly)...

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- Meituan Revenue (TTM)
- Tencent Holdings Ltd Revenue (TTM)
- Alibaba Group Holding Ltd Revenue (TTM)
- WuXi Biologics (Cayman) Inc Revenue (TTM)
- Xiaomi Corp Revenue (TTM)



- Meituan Net Income (TTM)
- Tencent Holdings Ltd Net Income (TTM)
- Alibaba Group Holding Ltd Net Income (TTM)
- WuXi Biologics (Cayman) Inc Net Income (TTM)
- Xiaomi Corp Net Income (TTM)



Valuation multiples...

- Meituan Price to Book Value
- Tencent Holdings Ltd Price to Book Value
- Alibaba Group Holding Ltd Price to Book Value
- WuXi Biologics (Cayman) Inc Price to Book Value
- Xiaomi Corp Price to Book Value

Past performance is not indicative of future results. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.



Date Range: 03/23/2011 - 03/23/2021



What A50 has that H50 lacks...



Past performance is not indicative of future results. Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

Summary of H-Shares

- Tech giant P-Chips
- Red Chips like CNOOC and China Mobile
- Average 35% discount on H-Shares vs overlapping A-Shares¹
- 50% Overlap with the Hang Seng Index¹

¹ See Slide 22

Summary of A50

- Big liquor, and other domestic names
- More weight in financials and SOEs
- 38% overlap with the **names** in the H50 (another 7% of H50 names with A shares aren't in the A50)²

² See Slide 22

Trading Mechanics & Strategies

What & Why Options?

- Precise risk/return vs specific prices and timelines
- Manage risk, enhance yield, and/or enforce discipline
- “Simple contracts” like futures contracts

Why not options?

- Many feel options are “complicated” or “risky” (like automobiles)
- Behavioral temptations (very easy to lose huge amounts rapidly!)
- Expiring options require regular trading and maintenance, not “buy and hold”

Options on the Hang Seng Index vs on its ETF

| DESCRIPTION | |
|---|--|
| Mini Hang Seng Index | |
| Security Type | OPT |
| Underlying | <u>MHI IND</u> |
| Contract Month | SEP21 |
| Expiration Date | SEP 29 '21 |
| Last Trading Date | SEP 29 '21 16:00 HKT |
| Strike | 28000 |
| Right | Call |
| Currency | HKD |
| Multiplier | 10 |
| Exchange | HKFE |
| Trading Class | MHI |
| Symbol | MHI28000I1 |
| Product Type | Equity Index |
| Settlement Method | Cash |
| Exercise Style | European |
| Trading Hours: March 24, 2021 Calendar | |
| Regular Trading Session | 09:15 HKT - 12:00 HKT 13:00 HKT - 16:30 HKT |
| Total Available Hours | <i>17:15 HKT - 03:00 HKT</i> 09:15 HKT - 12:00 HKT 13:00 HKT - 16:30 HKT |
| <i>Note: times in italics are on the calendar date preceding trade date</i> | |

| DESCRIPTION | |
|---|--|
| TRACKER FUND OF HONG KONG | |
| Security Type | OPT |
| Underlying | <u>2800 STK</u> |
| Contract Month | MAR21 |
| Expiration Date | MAR 30 '21 |
| Last Trading Date | MAR 30 '21 16:00 HKT |
| Strike | 28 |
| Right | Call |
| Currency | HKD |
| Multiplier | 500 |
| Exchange | SEHK |
| Trading Class | TRF |
| Symbol | TRF MAR21 28 C |
| Product Type | Equity |
| Settlement Method | Physical Delivery |
| Exercise Style | American |
| Trading Hours: March 24, 2021 Calendar | |
| Total Available Hours | 09:30 HKT - 12:00 HKT 13:00 HKT - 16:00 HKT |

H50 on SGX vs US-listed ETF...

| Stock Description | |
|---|-------------------------------------|
| FTSE China H50 | |
| Product | XINOI |
| Security Type | FOP |
| Underlying | <u>FCHM21 JUN 29 '21 FUT</u> |
| Contract Month | JUN21 |
| Expiration Date | JUN 29 '21 |
| Last Trading Date | JUN 29 '21 16:35 HKT |
| Strike | 20000 |
| Right | Put |
| Currency | USD |
| Multiplier | 2 |
| Exchange | SGX |
| Symbol | FCHM21_P20000 |
| Trading Class | FCH |
| Product Type | Equity Index |
| Settlement Method | Cash |
| Exercise Style | European |
| Trading Hours: April 12, 2021 Calendar | |
| Total Available Hours 09:00 HKT - 16:35 HKT | |

| Stock Description | |
|---|----------------------------|
| ISHARES CHINA LARGE-CAP ETF | |
| Security Type | OPT |
| Underlying | <u>FXI STK</u> |
| Contract Month | AUG21 |
| Expiration Date | AUG 20 '21 |
| Last Trading Date | AUG 20 '21 |
| Strike | 50 |
| Right | Call |
| Currency | USD |
| Multiplier | 100 |
| Exchange | SMART |
| Trading Class | FXI |
| Symbol | FXI 210820C00050000 |
| Product Type | Equity |
| Settlement Method | Physical Delivery |
| Exercise Style | American |
| Trading Hours: March 24, 2021 Calendar | |
| Total Available Hours 09:30 EST - 16:00 EST (21:30 HKT - 04:00 HKT) | |
| Exchange Time Zone Eastern Standard Time | |
| <i>Note: times in italics are on the calendar date preceding trade date</i> | |

... A-Share ETF options in HK vs the US

| DESCRIPTION | | File | Configure |
|---|--|------|-----------|
| Stock Description | | | |
| ISHARES FTSE CHINA A50 ETF | | | |
| Security Type | OPT | | |
| Underlying | 2823 STK | | |
| Contract Month | SEP21 | | |
| Expiration Date | SEP 29 '21 | | |
| Last Trading Date | SEP 29 '21 16:00 HKT | | |
| Strike | 20 | | |
| Right | Call | | |
| Currency | HKD | | |
| Multiplier | 5000 | | |
| Exchange | SEHK | | |
| Trading Class | A50 | | |
| Symbol | A50 SEP21 20 C | | |
| Product Type | Equity | | |
| Settlement Method | Physical Delivery | | |
| Exercise Style | American | | |
| Trading Hours: March 24, 2021 Calendar | | | |
| Total Available Hours | 09:30 HKT - 12:00 HKT 13:00 HKT - 16:00 HKT | | |

| DESCRIPTION | | File | Configure |
|---|---|------|-----------|
| Stock Description | | | |
| XTRACKERS HARVEST CSI 300 CH | | | |
| Security Type | OPT | | |
| Underlying | ASHR STK | | |
| Contract Month | JUL21 | | |
| Expiration Date | JUL 16 '21 | | |
| Last Trading Date | JUL 16 '21 | | |
| Strike | 38 | | |
| Right | Put | | |
| Currency | USD | | |
| Multiplier | 100 | | |
| Exchange | SMART | | |
| Trading Class | ASHR | | |
| Symbol | ASHR 210716P00038000 | | |
| Product Type | Equity | | |
| Settlement Method | Physical Delivery | | |
| Exercise Style | American | | |
| Trading Hours: March 24, 2021 Calendar | | | |
| Total Available Hours | 09:30 EST - 16:00 EST (21:30 HKT - 04:00 HKT) | | |
| Exchange Time Zone | Eastern Standard Time | | |
| <i>Note: times in italics are on the calendar date preceding trade date</i> | | | |

Sample option chain screen

| MHI INDEX Calls and Puts | | | | | | | | | | | C28497.00 | | | | | | |
|--------------------------|--------|-----------------------|------|-----------------------|-------|------------------------|-----------|--------|----------|---------------|-------------|-------------|-----------|--------|-----------|-----------|--|
| MAR 30 '21 6 DAYS | | APR 29 '21 36 DAYS | | JUN 29 '21 97 DAYS | | SEP 29 '21 189 DAYS | | MORE ▾ | | TABBED VIEW ▾ | | 3.5 SD ▾ | | HKFE ▾ | | MHI ▾ 10 | |
| CALLS | | | | | | | PUTS | | | | | | | | | | |
| OPTN ... | VOLUME | BID | SIZE | BID x ASK | DELTA | IMPLD ... | ASK SI... | STRIKE | OPTN ... | VOLUME | BID | SIZE | BID x ASK | DELTA | IMPLD ... | ASK SI... | |
| | | | | x | 0.757 | | | 25400 | 5 | 35 | 840 x 904 | | | -0.243 | 22.1% | 7 | |
| | | | | x | 0.743 | | | 25600 | | 35 | 897 x 963 | | | -0.257 | 21.9% | 7 | |
| | | | | x | 0.728 | | | 25800 | 1 | 20 | 967 x 1012 | | | -0.272 | 21.6% | 20 | |
| 4 | | | | x | 0.712 | | | 26000 | 28 | 4 | 20 | 1032 x 1080 | | -0.288 | 21.4% | 20 | |
| | | | | x | 0.696 | | | 26200 | 24 | 5 | 20 | 1103 x 1148 | | -0.304 | 21.2% | 20 | |
| | | | | x | 0.679 | | | 26400 | 15 | 20 | 1176 x 1226 | | | -0.321 | 21% | 20 | |
| | | | | x | 0.662 | | | 26600 | 13 | 20 | 1251 x 1301 | | | -0.338 | 20.9% | 20 | |
| | 2 | | | x | 0.644 | | | 26800 | 12 | 20 | 1333 x 1385 | | | -0.356 | 20.8% | 20 | |
| 9 | | | | x | 0.626 | | | 27000 | 9 | 2 | 27 | 1422 x 1473 | | -0.374 | 20.6% | 20 | |
| | | | | x | 0.607 | | | 27200 | 4 | 20 | 1520 x 1572 | | | -0.393 | 20.5% | 20 | |
| | | 20 | | 1484 x 1547 | 0.588 | 19.7% | 20 | 27400 | 11 | 7 | 1614 x 1688 | | | -0.412 | 20.6% | 7 | |
| 6 | 1 | 20 | | 1386 x 1450 | 0.569 | 19.6% | 20 | 27600 | 7 | 7 | 1717 x 1791 | | | -0.431 | 20.5% | 7 | |
| 6 | 4 | 20 | | 1298 x 1353 | 0.549 | 19.6% | 20 | 27800 | 14 | | x 1900 | | | -0.451 | 20.3% | 1 | |
| 9 | | 20 | | 1210 x 1265 | 0.528 | 19.5% | 20 | 28000 | 12 | | x | | | -0.472 | | | |
| 7 | | 20 | | 1131 x 1182 | 0.508 | 19.5% | 20 | 28200 | 9 | 2 | x | | | -0.492 | | | |
| 8 | | 20 | | 1055 x 1095 | 0.488 | 19.4% | 20 | 28400 | 8 | | x | | | -0.512 | | | |
| 6 | | 20 | | 983 x 1009 | 0.467 | 19.2% | 20 | 28600 | 3 | | x | | | -0.533 | | | |
| 15 | | 20 | | 911 x 959 | 0.448 | 19.4% | 20 | 28800 | 2 | | x | | | -0.552 | | | |
| 8 | | 7 | | 839 x 911 | 0.428 | 19.5% | 35 | 29000 | 3 | | x | | | -0.572 | | | |
| 11 | | 7 | | 782 x 849 | 0.409 | 19.4% | 35 | 29200 | 5 | | x | | | -0.591 | | | |
| 6 | | 7 | | 724 x 790 | 0.391 | 19.5% | 35 | 29400 | 30 | | x | | | -0.609 | | | |
| 3 | | 7 | | 673 x 736 | 0.372 | 19.5% | 35 | 29600 | 2 | | x | | | -0.628 | | | |
| 12 | | 7 | | 625 x 685 | 0.355 | 19.5% | 35 | 29800 | | | x | | | -0.645 | | | |
| 4 | | 7 | | 582 x 639 | 0.336 | 19.5% | 7 | 30000 | 8 | | x | | | -0.664 | | | |
| 8 | | 7 | | 539 x 592 | 0.320 | 19.6% | 7 | 30200 | | | x | | | -0.680 | | | |
| 9 | | 7 | | 501 x 550 | 0.304 | 19.5% | 7 | 30400 | 1 | | x | | | -0.696 | | | |
| 2 | | 7 | | 464 x 510 | 0.288 | 19.6% | 7 | 30600 | 1 | | x | | | -0.712 | | | |
| 6 | | 35 | | 419 x 479 | 0.273 | 19.6% | 35 | 30800 | | | x | | | -0.727 | | | |
| 7 | | 35 | | 387 x 445 | 0.257 | 19.6% | 35 | 31000 | 3 | | x | | | -0.743 | | | |
| 6 | | 35 | | 357 x 414 | 0.244 | 19.6% | 35 | 31200 | | | x | | | -0.756 | | | |
| 1 | | 35 | | 329 x 384 | 0.230 | 19.6% | 35 | 31400 | | | x | | | -0.770 | | | |
| 1 | | 25 | | 293 x 357 | 0.217 | 19.7% | 25 | 31600 | | | x | | | -0.783 | | | |

Sample Sell Index Call Option Order

Order Confirmation

Mini Hang Seng Index

Financial Instrument

Bid

Ask

Last

MHI Sep29'21 30000 CALL @HKFE

576

633

c762

Order Description

SELL 1

Order Type LMT

Routing HKFE

Time in Force DAY

Limit Price 660

Clearing IB

Amount

Balances (in HKD)

Amount 6,600 HKD

Current Change Post-trade*

Commission (est.) 10.60 HKD

Equity with Loan 2,131,823 -11 2,131,812

Total 6,589.40 HKD

Initial Margin 565,743 19,994 585,737

Performance Profile

Maintenance Margin 485,169 15,002 500,172

Position 0 -1 -1

*This is a current projection and is subject to change.

Don't display this message again.

Transmit

Cancel

DATA POWERED BY 

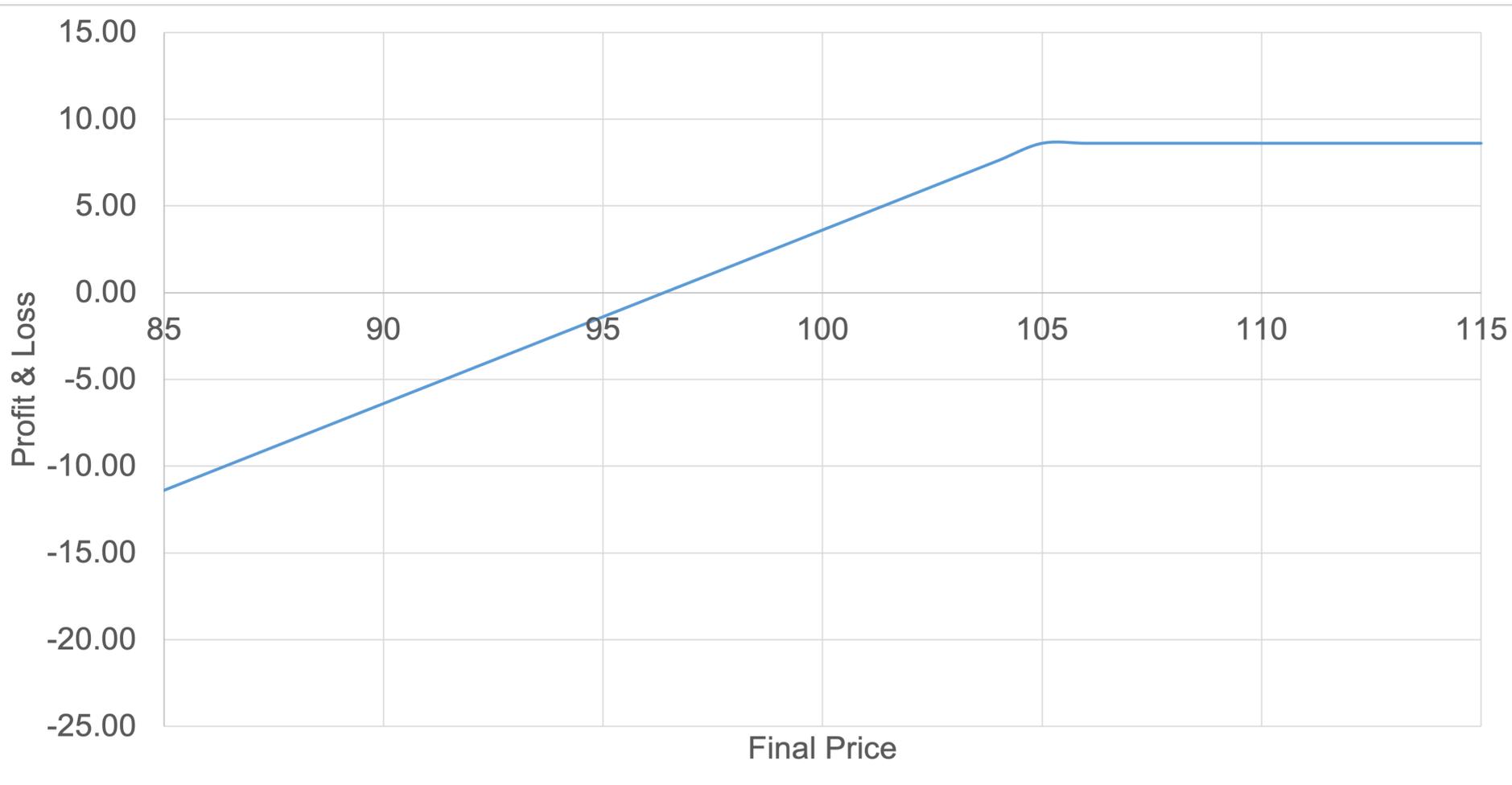


Source: Interactive Brokers

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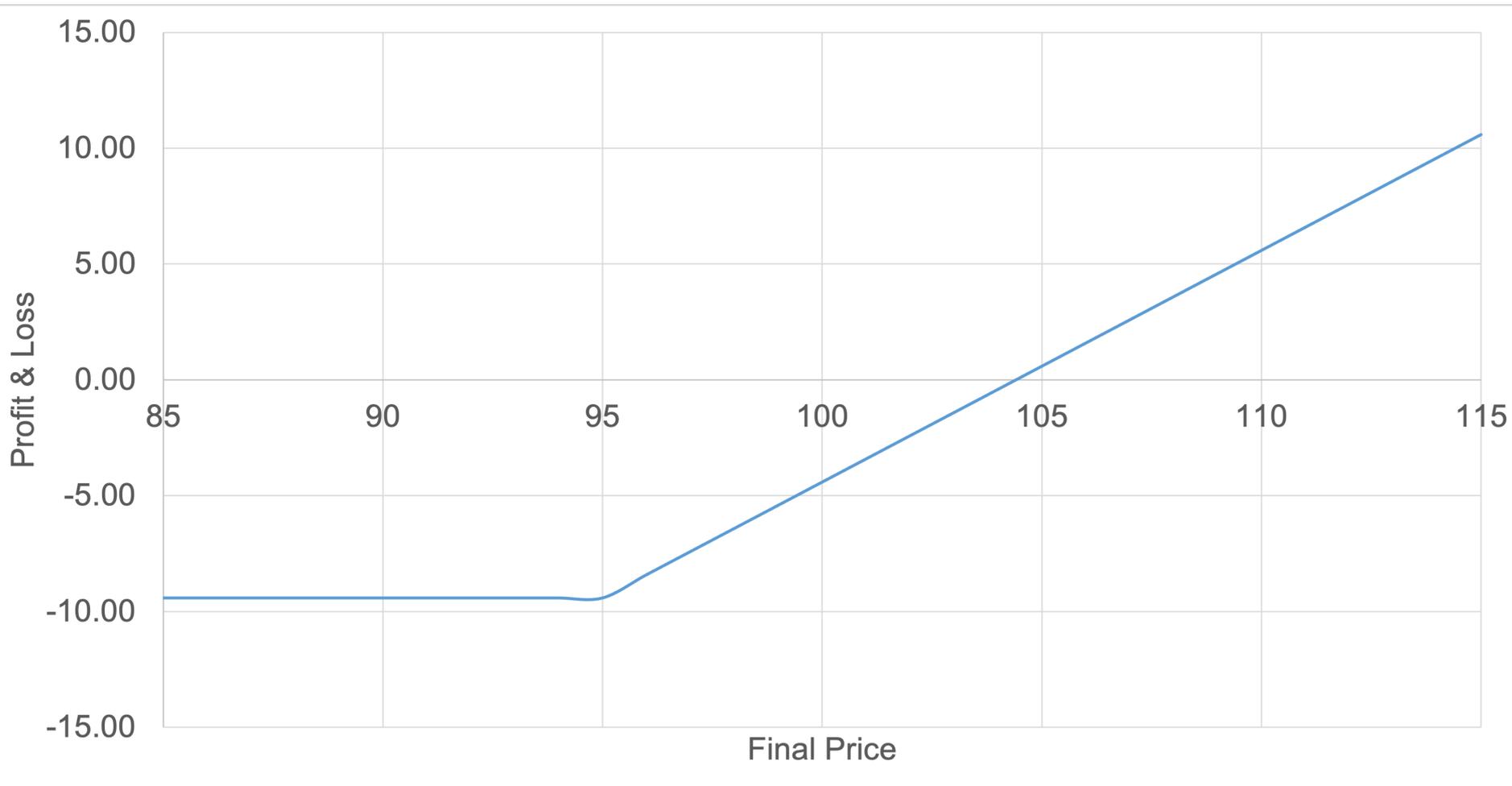
Strategy #1: Covered Call

(Similar to cash-secured put write)



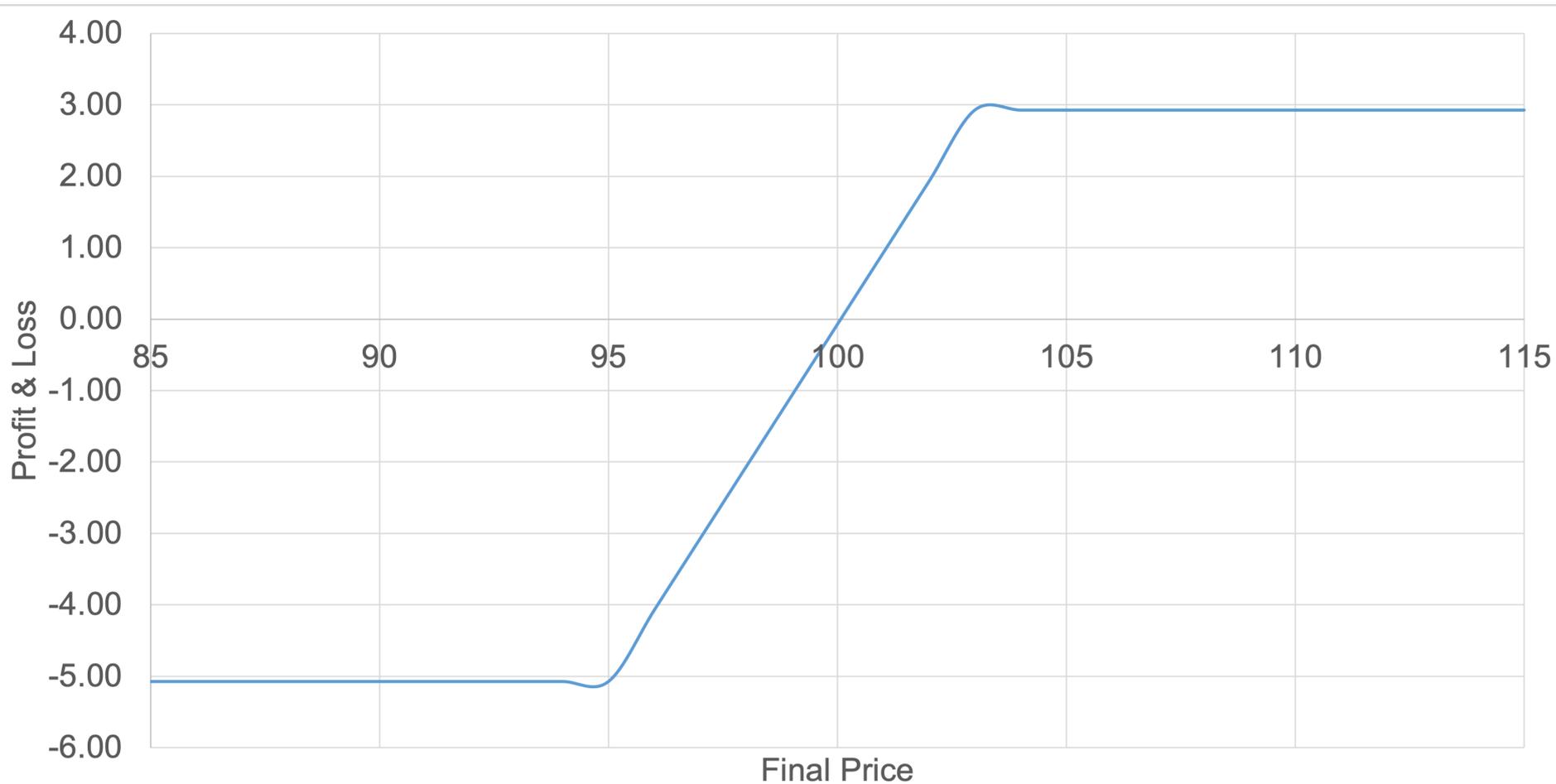
Strategy #2: Protective Put

(Similar to buying a call outright)

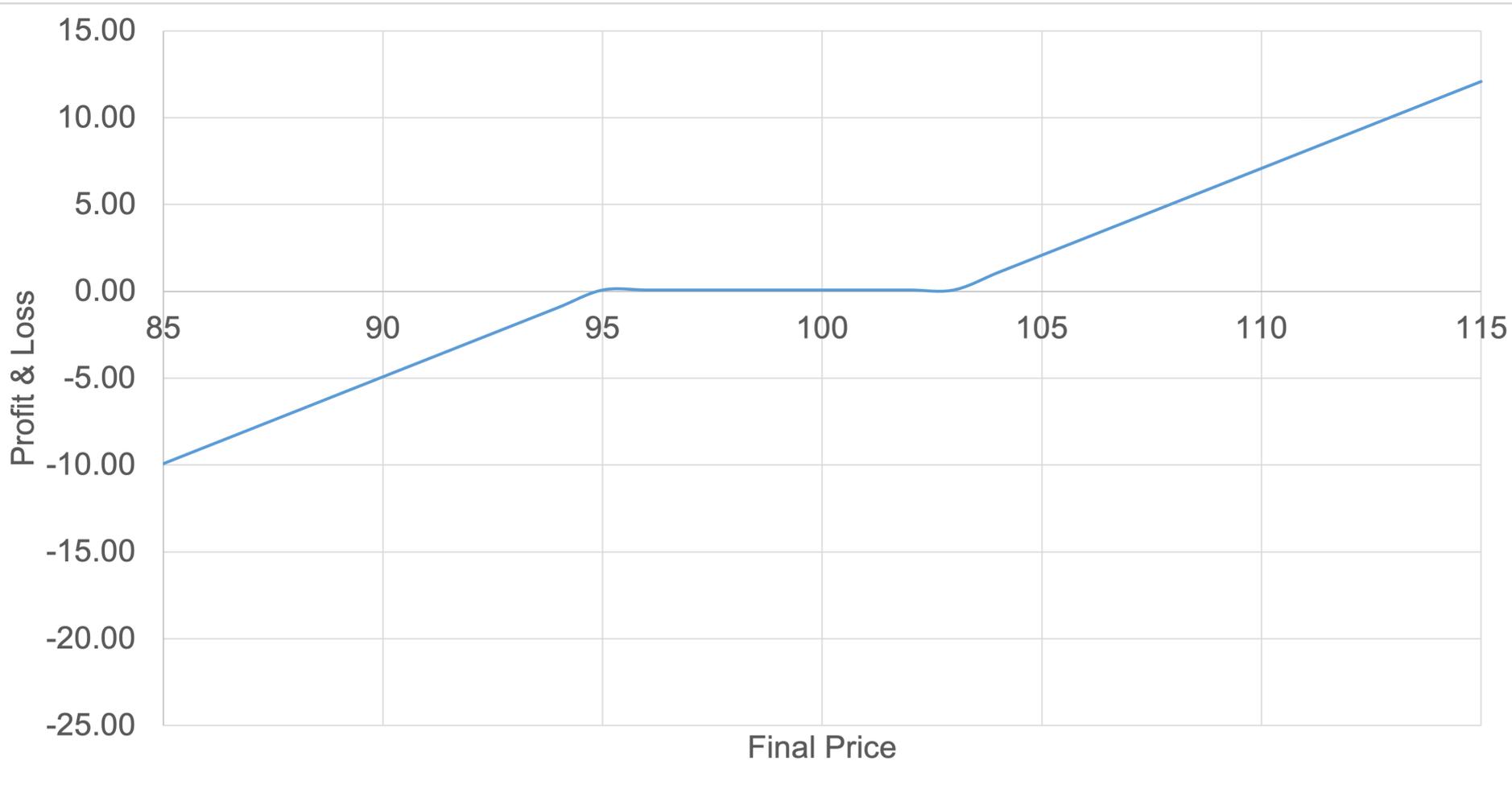


Strategy #3: Collared Long

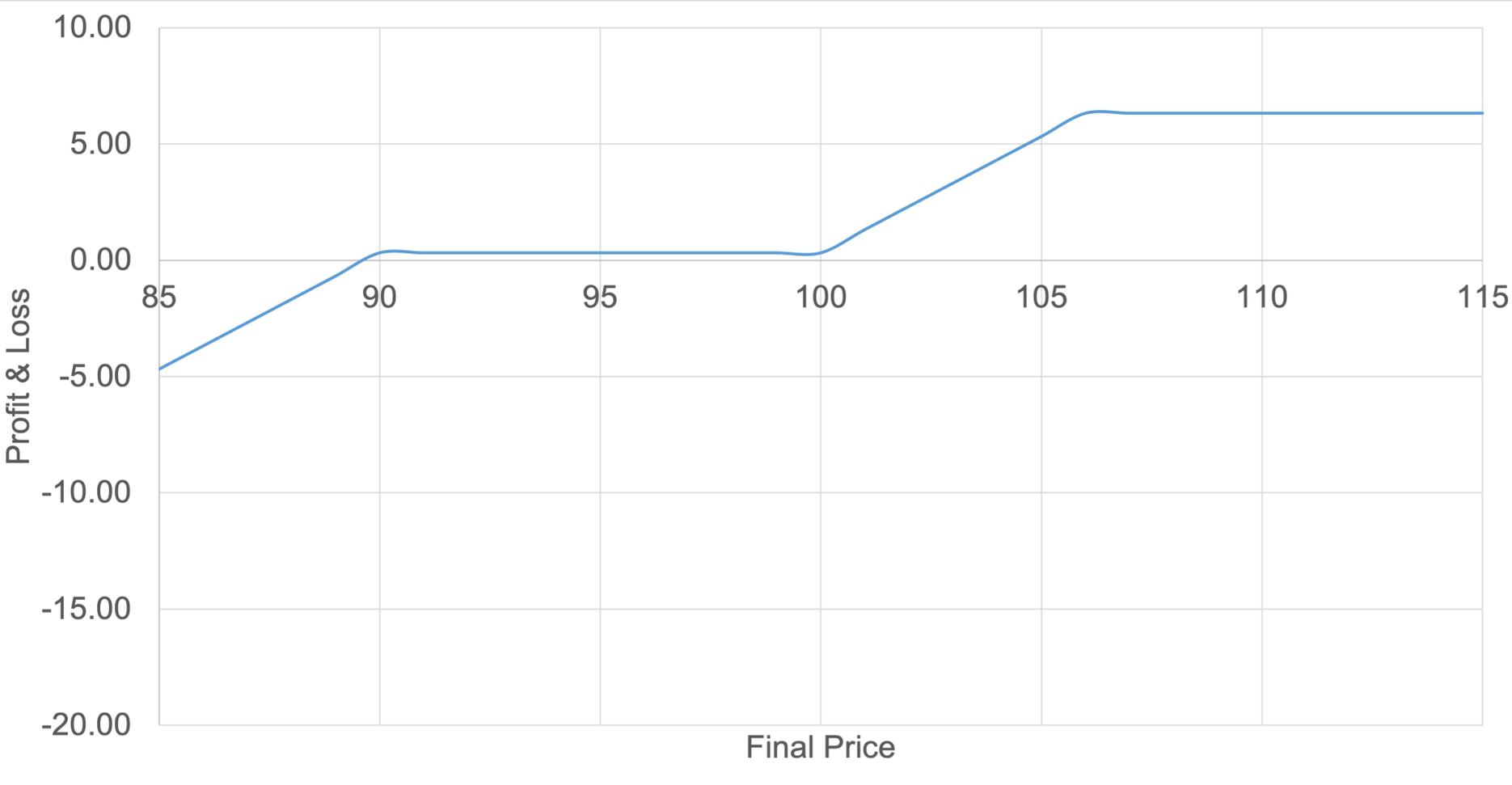
(Similar to buying a vertical call spread or selling a vertical put spread)



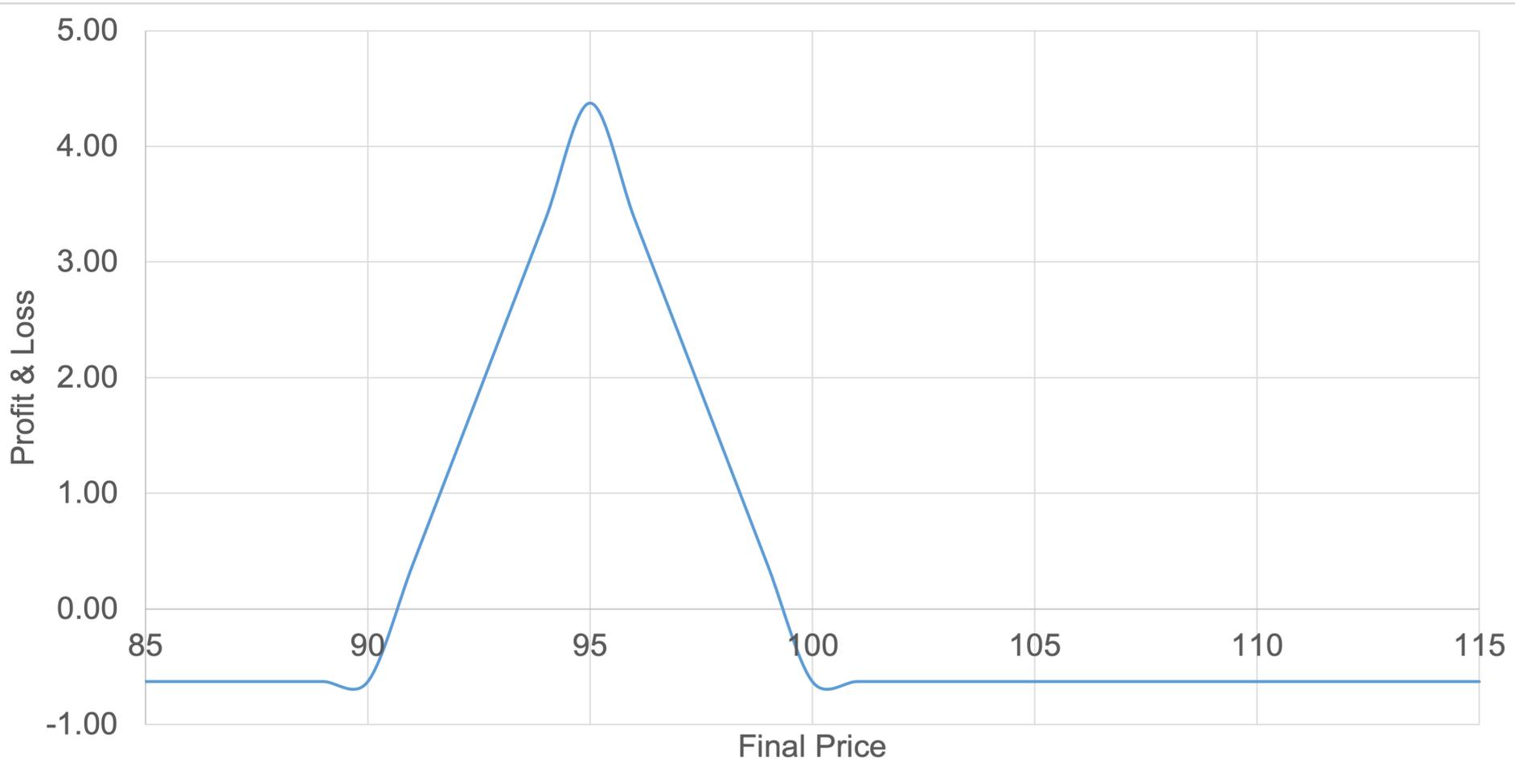
Strategy #4: "Risk Reversal"



Strategy #5: Buffer (featured in “defined outcome” ETFs)



Strategy #6: “Backspread” (sample 6x payoff)



IBKR has a powerful "Strategy Builder"

MHI INDEX Calls and Puts
C28497.00

MAR 30 '21 6 DAYS
APR 29 '21 36 DAYS
JUN 29 '21 97 DAYS
SEP 29 '21 189 DAYS
MORE

TABBED VIEW 3.5 SD HKFE MHI 10
IV: 20.2%

| CALLS | | | | | | PUTS | | | | | | |
|-------|--------|------|------|------|--------|-------|--------|-----|------|--------|--------|-------|
| OPTN | VOLUME | BID | SIZE | ASK | STRIKE | OPTN | VOLUME | BID | SIZE | ASK | STRIKE | |
| | | x | | | 0.743 | | 35 | 904 | x | 967 | -0.257 | |
| | | x | | | 0.728 | | 20 | 980 | x | 1018 | -0.272 | |
| 4 | | x | | | 0.712 | 28 | 4 | 20 | 1045 | x | 1084 | |
| | | x | | | 0.696 | | 24 | 5 | 20 | 1114 | x | 1153 |
| | | x | | | 0.679 | | 15 | 20 | 1189 | x | 1228 | |
| | | x | | | 0.662 | | 13 | 20 | 1266 | x | 1307 | |
| | 2 | x | | | 0.644 | | 12 | 20 | 1349 | x | 1392 | |
| 9 | | x | | | 0.625 | | 9 | 2 | 20 | 1435 | x | 1480 |
| | | x | | | 0.607 | | 4 | 20 | 1526 | x | 1573 | |
| | 20 | 1478 | x | 1530 | 0.588 | 19.7% | 20 | 11 | 7 | 1622 | x | 1696 |
| 6 | 1 | 20 | 1383 | x | 1433 | 0.569 | 19.7% | 20 | 7 | 1725 | x | 1799 |
| 6 | 6 | 20 | 1293 | x | 1340 | 0.549 | 19.5% | 20 | 14 | x | -0.451 | 20.3% |
| 9 | 20 | 1207 | x | 1252 | 0.528 | 19.5% | 20 | 12 | x | -0.472 | | |
| 7 | 20 | 1126 | x | 1169 | 0.508 | 19.5% | 20 | 9 | 2 | x | -0.492 | |
| 8 | 20 | 1051 | x | 1092 | 0.488 | 19.4% | 20 | 8 | x | -0.512 | | |
| 6 | 20 | 979 | x | 1009 | 0.467 | 19.2% | 20 | 3 | x | -0.533 | | |
| 15 | 20 | 911 | x | 950 | 0.448 | 19.4% | 20 | 2 | x | -0.552 | | |
| 8 | 7 | 839 | x | 908 | 0.428 | 19.5% | 35 | 3 | x | -0.572 | | |

Strategy Builder

| ACTN | RT | LST TRD DAY | STRIKE | TYPE | DELTA | THETA | BID/ASK | SIZE | PAYOFF |
|---------|------|--------------|--------|------|--------|--------|-------------|-------|--------|
| × Leg 1 | Sell | 1 SEP 29 '21 | 29800 | Call | 0.354 | -3.879 | 622 x 683 | 7x7 | |
| × Leg 2 | Buy | 1 SEP 29 '21 | 27600 | Put | -0.431 | -4.148 | 1725 x 1799 | 7x7 | |
| × Leg 3 | Sell | 1 SEP 29 '21 | 26000 | Put | -0.288 | -3.859 | 1045 x 1084 | 20x20 | |
| Total | | | | | -0.498 | 3.591 | -42 x 132 | 7x7 | |

Clear All Legs + PROFILE + Add to Watchlists

-42 132

BID MID ASK

Order Entry

LMT QTY 1 LMT ... 0.00 DAY advanced

Margin Impact: 26,995 HKD

Submit Order



Cross-Index Spreads

- For example, sell put on H50, buy put on A50
- Can offer far more precise risk/reward spread trades than outright futures or ETFs
- Nearly limitless combinations
- Easier between “less different” options (e.g. FX, hours, index vs physical).

Risks

- Being wrong
- Pushing margin limits
- HKD vs USD basis
- H50 futures liquidity may take time to develop (which is why I’m not yet sampling a momentum strategy)



GLOBAL FINANCIAL MARKETS
GROUP

Questions?



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Twitter: @QuantOfAsia

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Alternative “Official” Data

- Reports of listed Chinese companies
 - Usual red flag checks
- Reports of trading partners
- Reports of foreign companies doing business in China
 - Apple, Starbucks, etc.

Even More Alternative Data

- “On the ground” surveys
 - In person
 - Phone/WeChat network
- Overseas purchases by Chinese (e.g. Vancouver apartments)
- Satellite images

A-shares

Originally limited to
Mainland investors

Open to QFIIs in 2002

Open via Stock Connect
programs in 2014 (SH)
and 2016 (SZ)

See slide 20 premium
chart

H-shares, Red Chips and
P-Chips

China's own
“international offshore”
market

Open to Mainland via
QDII, then Stock
Connect

US ADRs also get much
attention