恒生投資
HANG SENG INVESTMENT

Exploring 3 Hong Kong Flagship Indexes in 3 Minutes 22/09/2023

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The Hang Seng Index, Hang Seng China Enterprises Index, and Hang Seng TECH Index are frequently mentioned in financial news, but do you know the differences among these three Hong Kong flagship indexes? Today, let' s use three beverages as an analogy to explain them further!

Let' s start with the Hang Seng Index (HSI). Just like a cup of Hong Kong-style milk tea, it represents the taste of Hong Kong by reflecting the overall performance of the Hong Kong stock market. HSI is the most widely quoted gauge of the Hong Kong stock market. It has been used by international investors for over 50 years to measure the performance of the Hong Kong stock market. It also has the highest market value and market coverage ratio, making it the most diversified index among the three indexes.

The Hang Seng China Enterprises Index (HSCEI) is more like a cup of Chinese tea that exemplifies Chinese culture. It is composed of 50 constituents and is the most representative index for reflecting the overall performance of mainland securities listed in Hong Kong. Among the three indexes, HSCEI has the highest weighting of Chinese State-Owned Enterprises (SOEs).

The Hang Seng Tech Index (HSTECH) is like an energy drink, which reflects the vitality of the technology sector. HSTECH includes the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes. The index covers six different technology themes.

Now, let's dive deeper into the differences among the three indexes.

Firstly, we can distinguish them based on the background of their constituents. Taking a deeper look into HSI, although most of the currently listed companies in Hong Kong are mainland enterprises, Hong Kong companies still account for about 37% weighting in the index, including local insurance companies, real estate developers, banks etc. While Hang

Seng Indexes Company Limited aims to have the HSI to reach 100 constituents, around 20 to 25 constituents will be Hong Kong companies, thereby maintaining the representativeness of Hong Kong companies.

On the other hand, all the constituents of HSCEI are mainland enterprises, while the major constituents of HSTECH are technology-themed companies. Therefore, we can see the positioning of these three indexes is very distinctive from each other.

Secondly, in terms of industry weightings. HSI has a relatively high proportion of financial companies, and its volatility is the lowest among the three indexes.

The HSCEI strikes a balance between traditional and "new economy" sectors, with a significant coverage of the Information Technology sector, accounting for about 35%. On the other hand, HSTECH has the highest weighting of the Information Technology sector, accounting for about 70%.

Thirdly, the three indexes have different methodologies of constituent selection and exclusion. HSI follows a broad set of principles in selecting constituents, considering market capitalization, turnover, financial performance, and representativeness. The selection process might involve a review by the Advisory Committee to finalize the selection. On the other hand, HSCEI and HSTECH strictly adhere to the predetermined criteria of constituent selection or exclusion.

In summary, each of the three indexes has its own merits. Through this video, I hope that everyone will have a deeper understanding of the three indexes!

Lastly, investors need to be mindful of the risks of investing in a single asset class and market. Investors need to manage risk, asset allocation and diversification according to their risk appetite. Please remember to read product-related sales documentation carefully before any investment.

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