

Opportunities and challenges of innovative ETFs development in Malaysia

Yuanta Securities Investment Trust
June, 2019

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Kenanga Investors

Development of innovative L/I ETFs

2006 America

The first L/I ETF was listed in the U.S.
ETF trading volume is from 15% to 27.1% ; almost Double.(From 2006~2017)

2009 Korea

The first Inverse ETF was listed in Korea.

2012 Japan

The first L/I ETF was listed in Japan.

2014 Taiwan

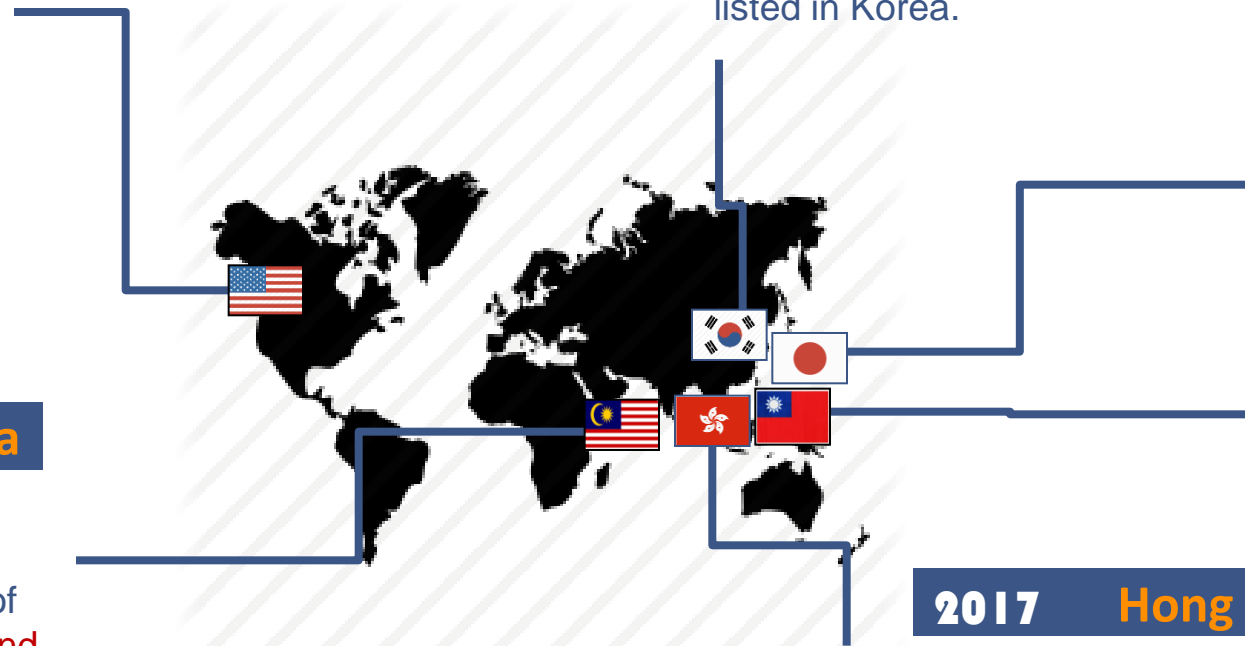
The first L/I ETF was listed in Taiwan.

2019 Malaysia

The first L/I ETF will be listed in Malaysia.
Following the regulation of HK and asked issuer to find an advisor for developing L/I ETFs.

2017 Hong Kong

The first L/I ETF was listed in Hong Kong and asked issuer to find an advisor for developing L/I ETFs.

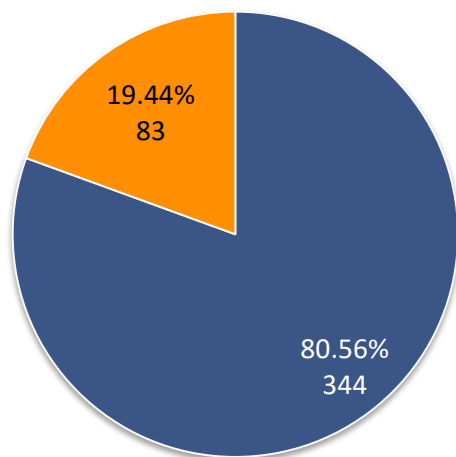


Case study : S. Korea (1st mover in Asia)

- The first Inverse ETF was listed in South Korea in 2009.
- As of May, 2019, there are 83 L/I ETFs with 6.7tr. KRW.
- The ratio of L/I ETFs trading volume to all ETFs trading volume is 56.6%.

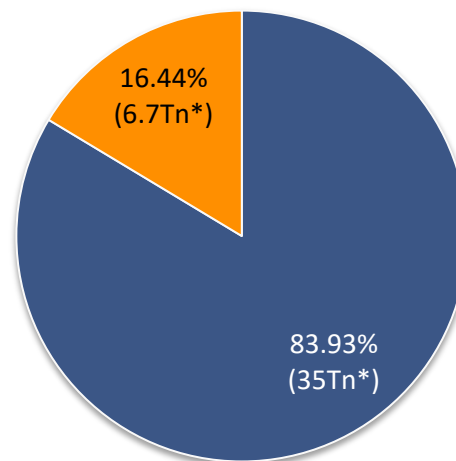
Korean L/I ETF Numbers V.S. β 1 ETF Numbers

■ β 1 ETF ■ L/I ETF



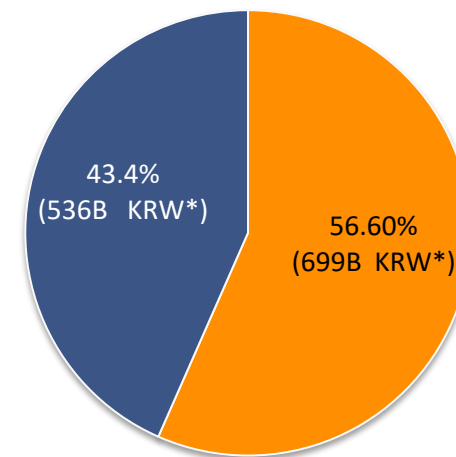
Korean L/I ETF AUM V.S. Korean β 1 ETF AUM

■ β 1 ETF ■ L/I ETF



Korean L/I ETF Trading Value V.S. β 1 ETF Trading Value

■ β 1 ETF ■ L/I ETF



Data Date:2019/5/7; KRW*

L/I ETFs overwhelmingly accepted by retail investors in S. Korea

No.	Product name	Listing Time	AUM (Billion KRW)	Trading Value (Billion KRW)	Underlying Index	L/I/ β	Management Company
1	KODEX LEVERAGE	2010/2/22	2,264	204	KOSPI 200	Leveraged	SAMSUNG AM
2	KODEX 200 Futures Inverse 2X	2016/9/22	620	159	F-KOSPI 200	Inverse2X	SAMSUNG AM
3	KODEX 200	2002/10/14	6,433	133	KOSPI 200	β 1	SAMSUNG AM
4	KODEX KOSDAQ150 LEVERAGE	2015/12/17	1,088	116	KOSDAQ 150	Leveraged	SAMSUNG AM
5	KODEX KOSDAQ150 INVERSE	2016/08/10	209	88	F-KOSDAQ150	Inverse	SAMSUNG AM
6	KODEX INVERSE	2009/09/16	529	70	F-KOSPI 200	Inverse	SAMSUNG AM
7	TIGER 200	2008/4/3	3,025	64	KOSPI 200	β 1	Mirae AM
8	KODEX KOSDAQ 150	2015/10/1	862	58	KOSDAQ 150	β 2	SAMSUNG AM
9	KOSEF 200 TR	2018/4/23	202	38	KOSPI 200 TR	β 3	KIWOOM AM
10	KODEX KRW CASH	2012/2/22	1,122	31	KRW Cash (TR)	β 4	SAMSUNG AM

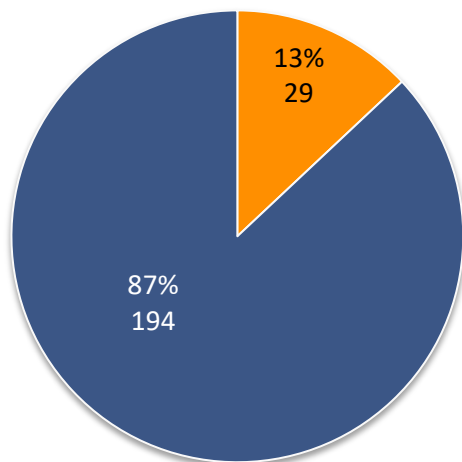
*Trading Value Data Date:2019/5/7 ; **AUM Data Date:2019/5/7 ; Data Source : KRX

Case study : Japan (Power player in Asia)

- The first Leveraged and Inverse ETFs were listed in 2012 in Japan.
- At the end of 2018, there are 29 L/I ETFs listed in Japan with 881bn JPY in terms of AUM.
- The ratio of L/I ETFs trading volume to all ETFs trading volume is 89.76%.

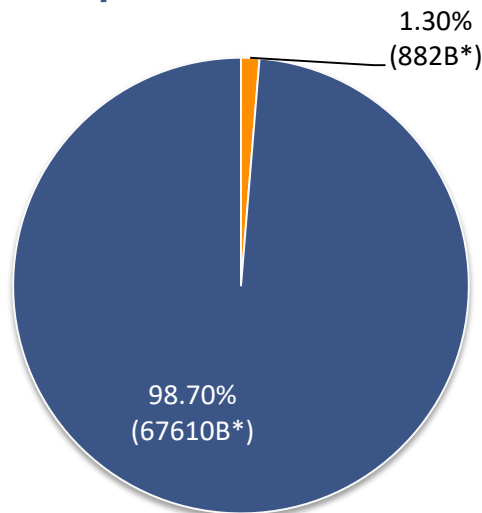
Japan L/I ETF Numbers V.S. β 1 ETF Numbers

■ β 1 ETF ■ L/I ETF



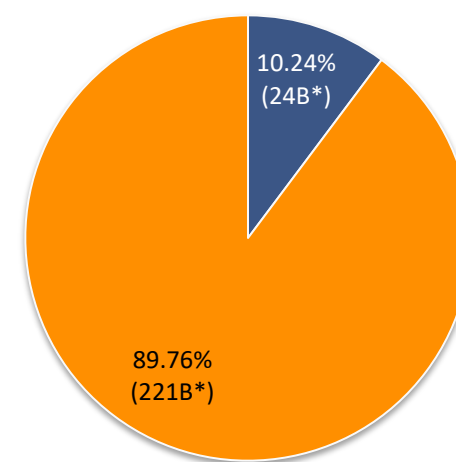
Japan L/I ETF AUM V.S. β 1 ETF AUM

■ β 1 ETF ■ L/I ETF



Japan L/I ETF Trading Value V.S. β 1 ETF Trading Value

■ β 1 ETF ■ L/I ETF



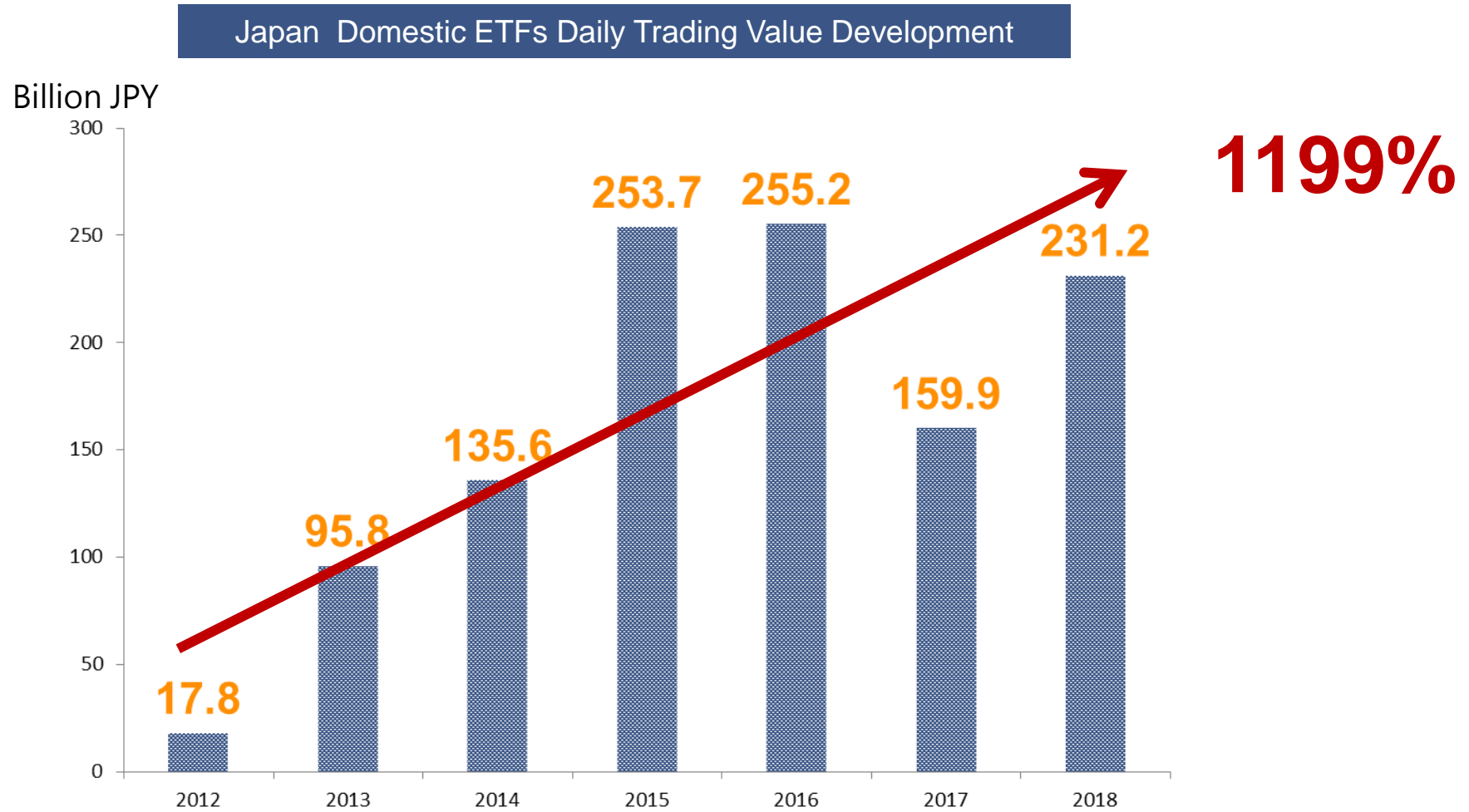
Date:2019/5/7 ; *JPY

Top 10 ranking by turnover, 7 are L/I ETFs

N0.	Name of ETF	Tracking Index	L/I/ β 1	Trading Value (Million JPY)	AUM (Billion JPY)	Company	Listing Date
1	NEXT FUNDS Nikkei 225 Leveraged	Nikkei 225 Leveraged	Leveraged	153,911	593	Nomura AM	4.12.2012
2	NEXT FUNDS Nikkei 225 Double Inverse	Nikkei 225 Double Inverse	Inverse	32,731	82	Nomura AM	7.16,2014
3	Nikkei 225 Bull 2x	Nikkei 225 Leveraged	Leveraged	9,610	37	Simplex AM	5.9,2013
4	Nikkei 225	Nikkei 225	β 1	8,400	5,484	Nomura AM	7.13,2001
5	Nikkei225 Bear -2x	Nikkei 225 Double Inverse	Inverse 2X	4,538	21	Simplex AM	11. 11,2014
6	TOPIX	TOPIX	β 1	3,358	7,802	Nomura AM	7. 13,2001
7	MAXIS NIKKEI225	Nikkei 225	β 1	2,864	1,289	Mitsubishi UFJ AM	2. 25,2009
8	Rakuten ETF - Nikkei 225 Leveraged	Nikkei 225 Leveraged	Leveraged	2,321	15	Rakuten	7. 15,2015
9	TOPIX Bull 2x	TOPIX Leveraged (2x)	Leveraged	1,889	19	Simplex AM	4. 05,2012
10	Rakuten ETF - Nikkei 225 Double Inverse	Nikkei 225 Double Inverse	Inverse 2X	1,821	9	Rakuten	7. 15,2015

*Trading Value Data Date: 2019/5/7 ; **AUM data Date:2018/12/28 ; Data Source: Japan Exchange Group

ETFs trading volume grow significantly after 1st L/I ETFs in Japan



Data Source: Japan Exchange Group ; Data Tate:2018/12/28

Ecosystem and Landscape among asset managers, Financial futures and Securities companies

Synergy and win-win scenarios and strategies of new ecosystem

New Ecosystem

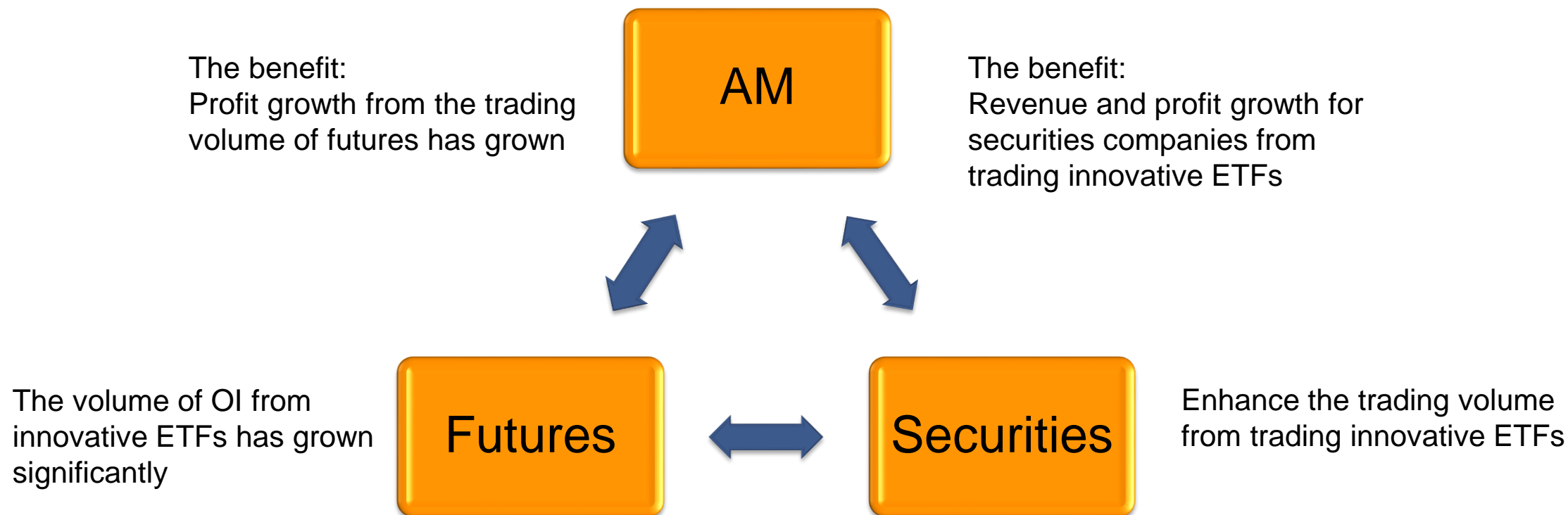


Illustration of Malaysia innovative ETFs ecosystem Suggestion

- ETF is the catalyst to stimulate the existing trading environment.

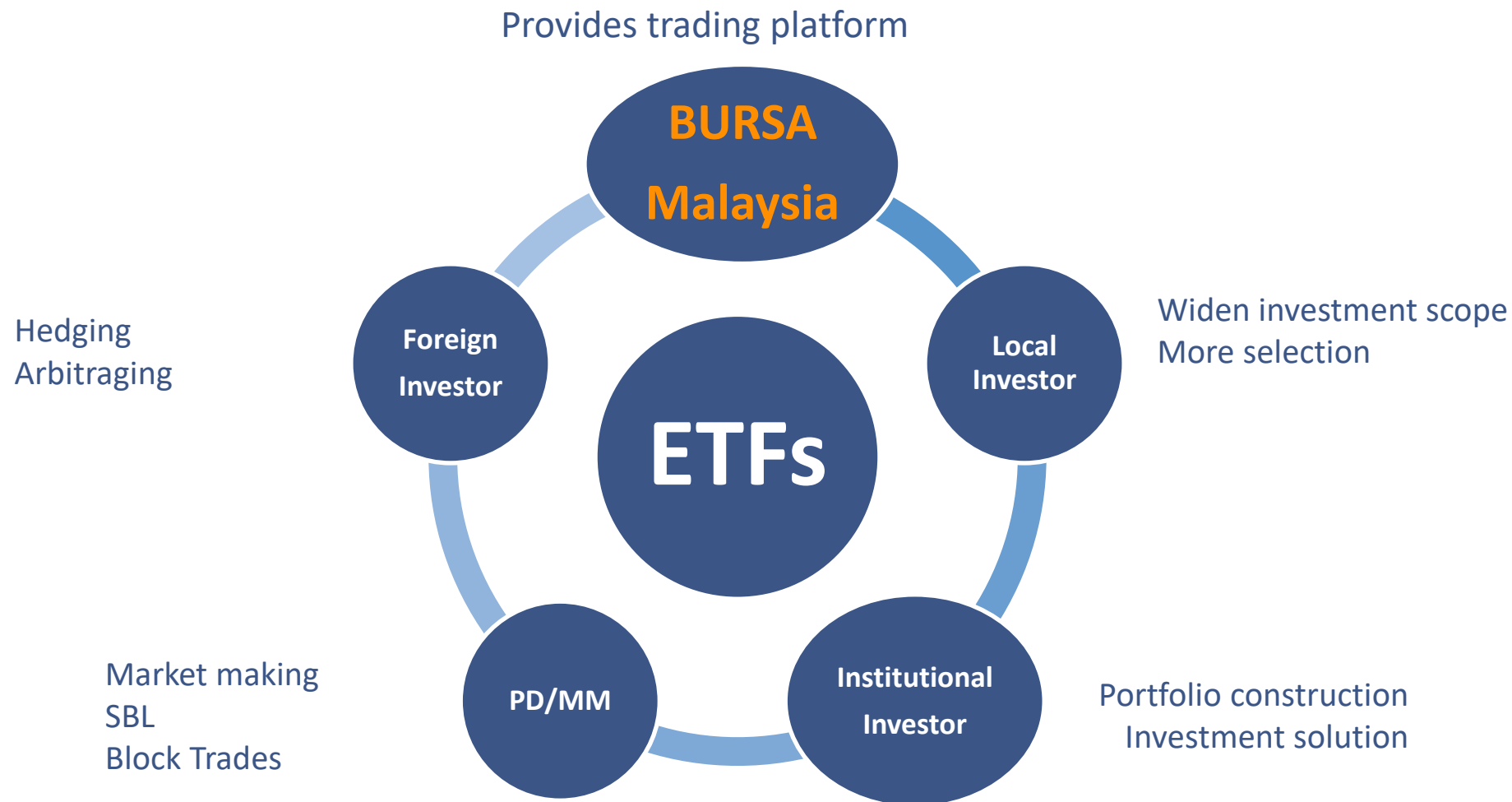
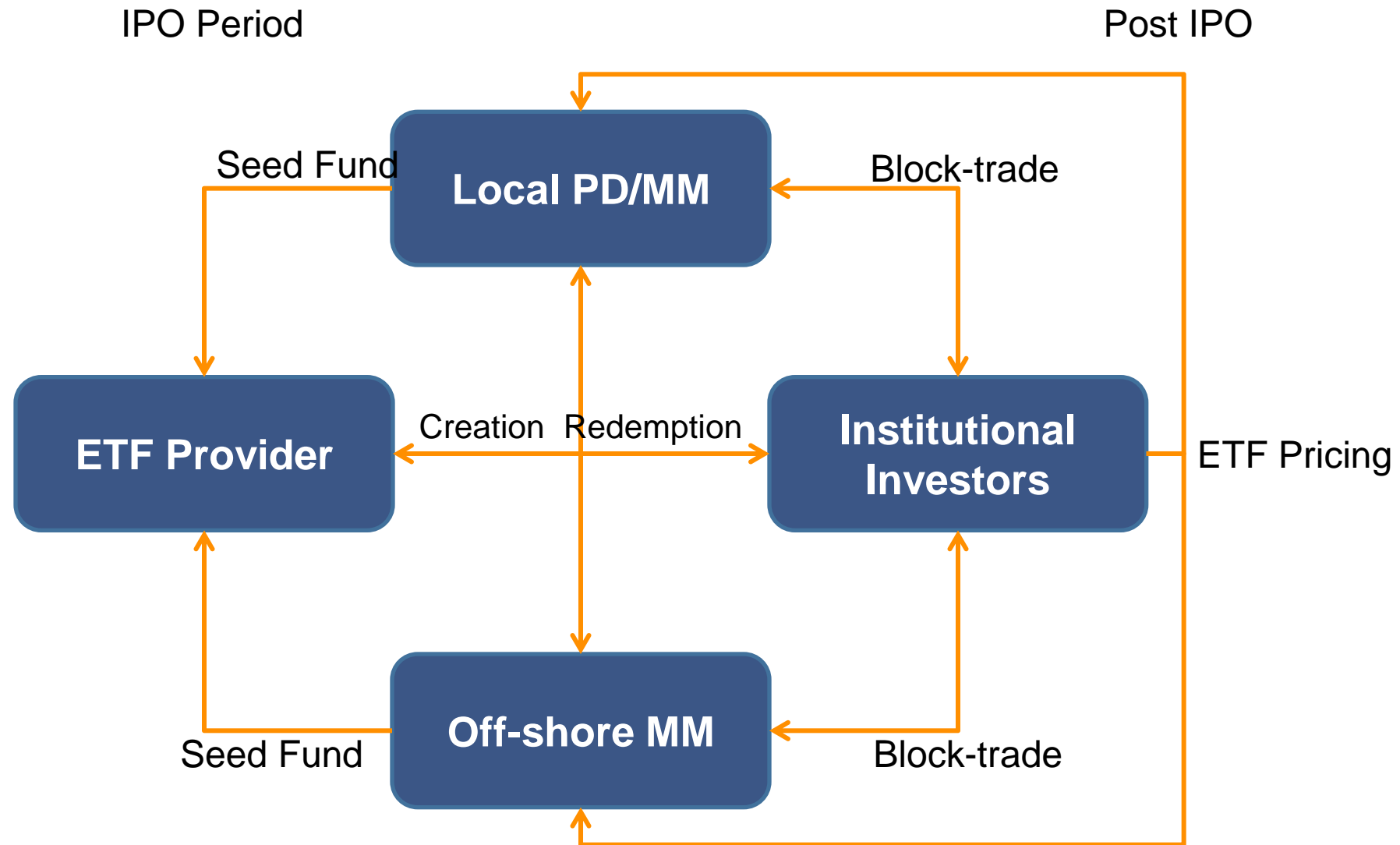
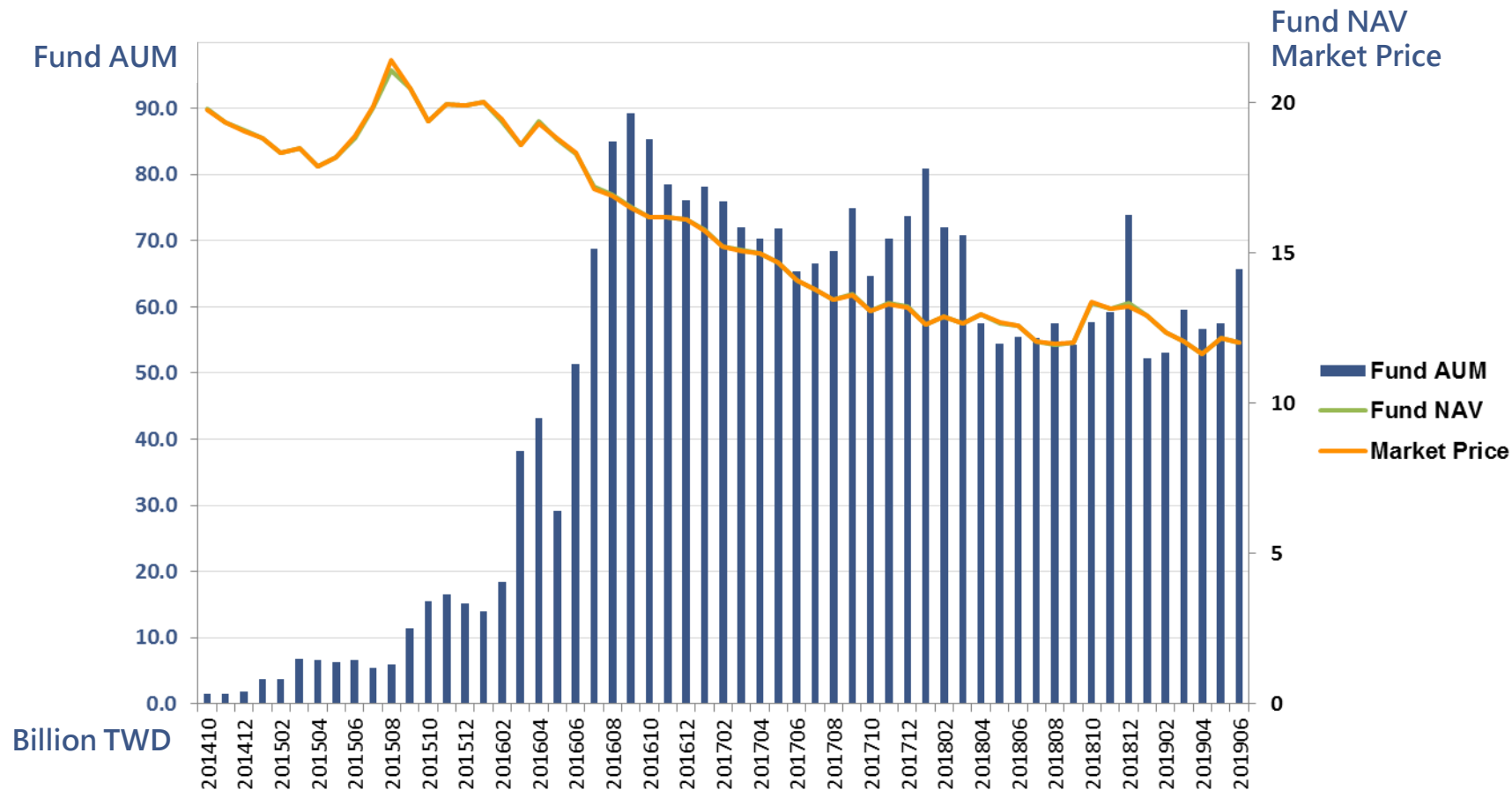


Diagram of innovative ETFs work flows operation



Case study : TW50 Inverse 1X (00632R) during market uptrend (heavily participated by foreign investors)

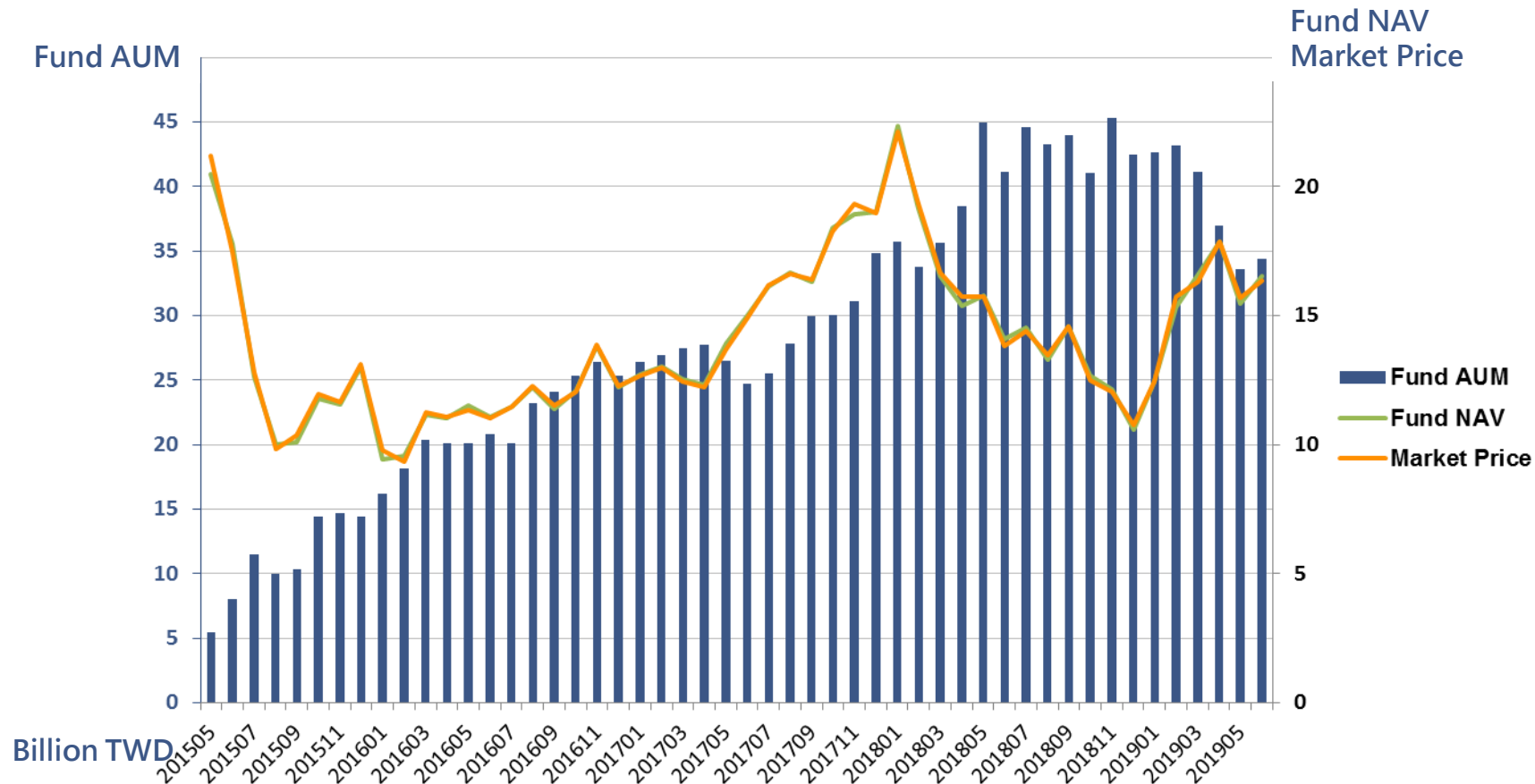
- The first leveraged & inverse ETF was listed in Taiwan on 2014/10/31 , TW50 Leveraged 2X and TW50 Inverse 1X.
- TW50 Inverse ETF became the largest L/ IETF in the world because investors needs a hedging tool.



Source: Yuanta SITC June 2019

Case study : Yuanta CSI300 2X ETF (the largest China leverage product, invested by Taiwanese)

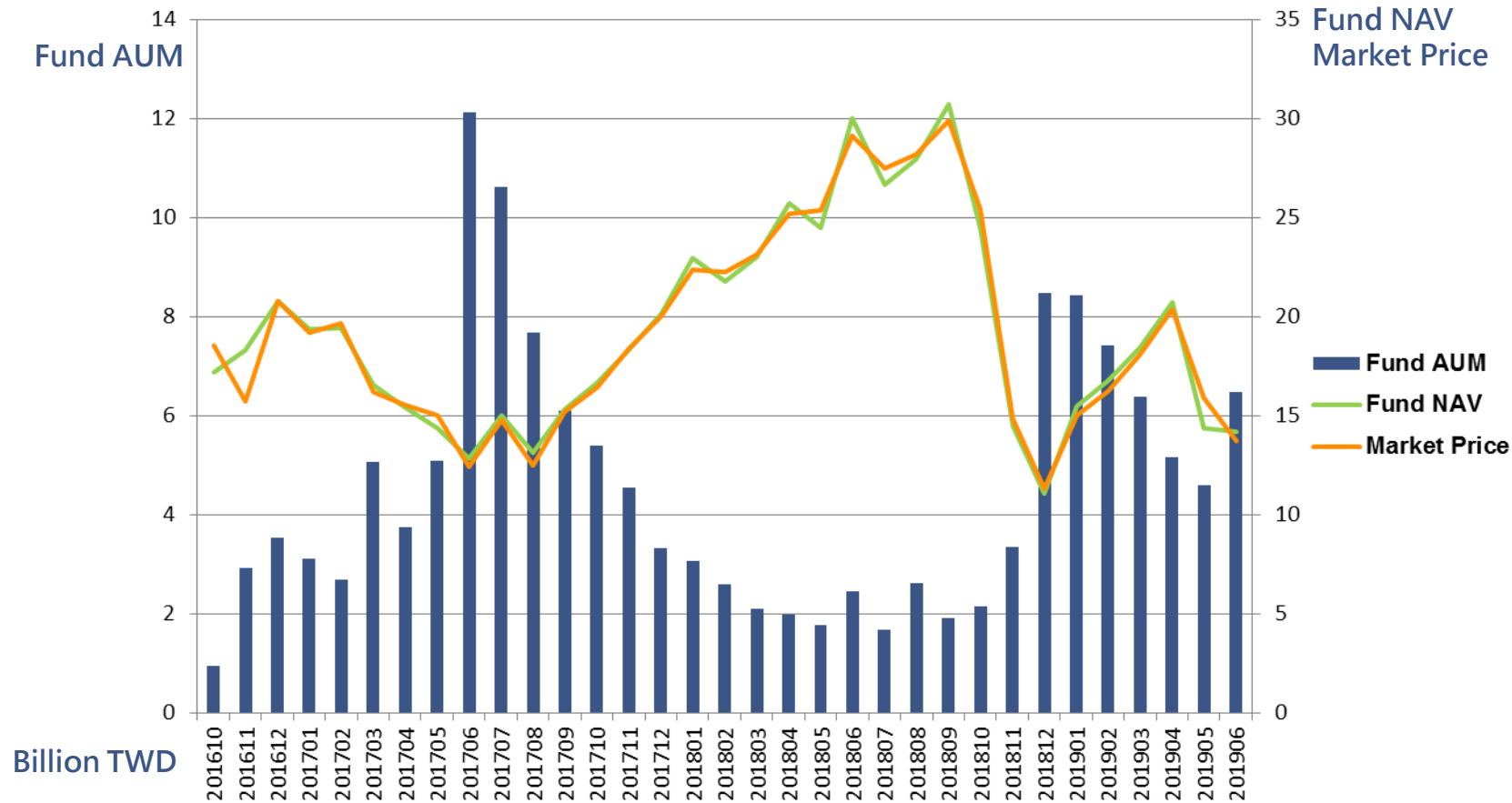
- Listed on May 18, 2015, top traded ETF with the highest turnover.
- Since SSE index is at relatively low, investors are more willing to buy into Yuanta CSI300 2X leveraged ETF.



Source: Yuanta SITC June 2019

Case study : Yuanta Oil Leveraged 2X (the most volatile and dynamic driven underlying)

- Yuanta Oil leveraged 2X listed in Oct 2016, immediately became the most popular investment underlying for risk taking investors.



Source: Yuanta SITC June 2019

The landscape of Malaysia ETF market

- There are 11 ETFs in Malaysia with 484 mn USD.

ETF	AUM (mn USD)
ABF Malaysia Bond	363.81
MyETF Dow Jones Islamic Market	71.66
MyETF MSCI SEA Islamic Dividen	17.18
TradePlus Shariah Gold Tracker	10.89
MyETF MSCI Malaysia Islamic Di	11.43
MyETF Thomson Reuters Asia Pac	4.21
CIMB FTSE China 50	2.89
CIMB FTSE ASEAN 40 Malaysia	1.24
FTSE BURSA MALAYSIA KLCI ETF F	0.70
Tradeplus S&P New China Tracke	2.60
MYETF Dow Jones U.S Titans 50	--

Total

484.00

Opportunities and challenges of ETF development in Malaysia

Opportunities

- Innovation of Products
- Deregulation
- AUM growth
- Trading volume increase
- Enlargement of investor participation
- More vehicles for foreign investors in terms of hedging and arbitraging

Challenges

- Participation of PD/Market Maker
- Investor Protection
- Education and Service
- Infrastructure
- IT/risk management
- Talents

Malaysia to become the innovative ETFs hub in ASEAN.

The Challenges of innovative ETFs development in Malaysia

Regulation & Investor Protection

Taiwan

- **Investor Qualifications:** investors must meet at least one of four criteria*, **this will protect the regulator and investors**
- First time investors in L/I ETFs must sign a risk disclosure statement

Hong Kong

- Asset management needs to find an advisor to help developing L/I ETFs
- **No investor qualifications**

Malaysia

- Asset management needs to find an advisor to help developing L/I ETFs
- **No investor qualifications**
- **Investor education will be conducted by Bursa and AMs**

*Four criteria: 1.has opened a margin account; 2.has had at least 10 trading orders for call (put) warrants executed within the most recent one year; 3. has had at least 10 trading orders for futures trading contracts listed on the TAIFEX executed within the most recent one year; 4. has a record of executed purchase of leveraged or inverse ETF or leveraged or inverse futures ETF.

Kenanga Investors - most innovative AM work with Taiwan market leader

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Yuanta

- Yuanta Funds was invited as an advisor by Bursa Malaysia and Kenanga in 2018
- There will be the first L/I ETFs launched in Malaysia in the mid of this year
- Kenanga also plan to launch future based commodity ETFs

- Yuanta Funds is the first mover in L/I & Commodity ETFs and is extremely successful
- Yuanta Securities benefit from market making and brokerage in ETFs
- **New Ecosystem & Vigorous** : Stocks, Futures, Options

Taiwan Experiences: ETF education, promotion and marketing campaign

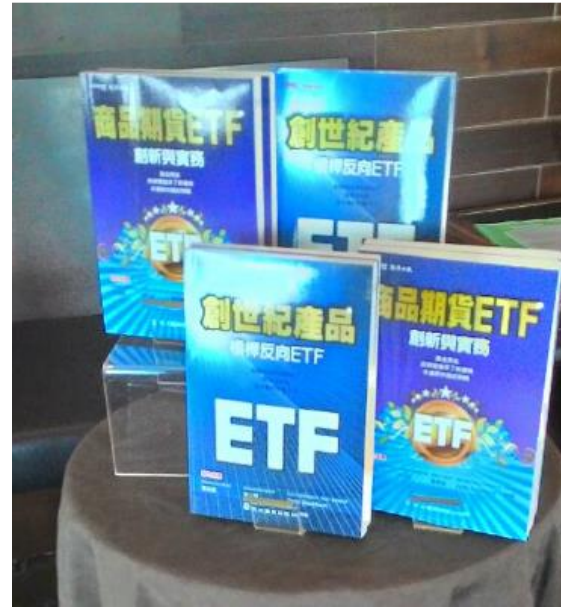
2019

Yuanta published a L/I ETF book in English.



2014

Yuanta published a L/I ETF book and a commodity future based ETF book for the debut of new ETFs



ETFs marketing for retails in Taiwan

newspaper



元大寶來投信 得獎紀錄太厲害！

ETF 登台 看漲看跌？

看對方向，就有機會賺！

元大寶來ETF傘型基金
元大寶來台灣50單日正向2倍ETF
元大寶來台灣50單日反向1倍ETF



看漲看跌？
看對方向，就有機會賺！

元大寶來ETF傘型基金
10/31上市掛牌

元大寶來台灣50單日正向2倍ETF
股票代碼：00631L

元大寶來台灣50單日反向1倍ETF
股票代碼：00632R

元大寶來槓桿/反向ETF 16 開幕

大中華區首檔，以台灣50指數為追蹤標的

槓桿反向ETF 登台

元大寶來投資信託總經理劉宗聖表示，放眼大中華市場，兩岸三地ETF百花齊放，近年來中港台三地ETF急速發展，在監管機關的開放下，大中華市場ETF成為國

2014.10.13工商時報C4

Bus



世界潮流，台股首發
10/16~10/21 熱烈銷售

看漲看跌？

看對方向，就有機會賺！

元大寶來ETF傘型基金
元大寶來台灣50單日正向2倍ETF / 元大寶來台灣50單日反向1倍ETF

元大寶來槓桿及反向ETF上市

黃弘慈／台北報導

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Investor education and protection

Video for L/I ETF



世界潮流 台灣首發
元大寶來ETF傘型基金
元大寶來台灣50單日正向2倍基金
元大寶來台灣50單日反向1倍基金

看漲看跌?
看對方向，就有機會賺！

元大寶來投信 Yuanta

元大寶來投信
ETF
系列
基金

看漲看跌?
看對方向，就有機會賺！

世界潮流 台股首發 元大寶來ETF傘型基金
元大寶來台灣50單日正向2倍ETF/若指數上漲1%，該ETF追求漲2%之槓桿效果。
元大寶來台灣50單日反向1倍ETF/若指數下跌1%，該ETF追求漲1%之避險效果。
新種ETF三大特性：每日重設、複利效果、掌握市場多空趨勢，顛覆投資新概念！
三大優勢：不怕選錯標的、放大波動、避險不只是避險！

10/16~10/21 熱烈銷售

元大寶來投信 Yuanta

1000+ campaigns and seminars held annually



The only one in Asia with 6 countries ETF development experiences

元大投信ETF 亞洲區優等生

財資雜誌Asset ETF Awards亞洲及台灣最佳發行公司雙項大獎連莊 展現國際化發展優勢

【台北訊】元大投信在《財資雜誌》(Asset ETF Awards)頒獎典禮大放異彩，連續二年蟬聯香港知名期刊之「亞洲區最佳ETF發行公司」及「台灣區最佳ETF發行公司」兩大獎項。

元大投信自2009年起陸續在亞洲多個國家有ETF策略合作經驗，近幾年更攜手歐、美國國際指數與顧問公司合作，擁有多國ETF發行經驗，更建構起橫跨歐、美、亞之ETF合作橋樑，相較國際大型ETF發行公司發展不遑多讓，也因此不斷獲得國際大獎高度肯定。

元大投信總經理劉宗聖表示，元大投信自2003年推動台灣發行第一檔ETF：元大台灣50ETF(0050)，15年以來元大投信不斷運用領先市場優勢，發展核心競爭優勢，因此除了能夠奠定並穩固身為台灣ETF市場龍頭公司之外，並

將台灣發展經驗拓展至亞洲市場，重視國際化發展的精神，讓元大投信邁向國際級的資產管理公司，四度獲得《財資雜誌》評選為台灣最佳資產管理公司。

劉宗聖指出，元大投信近幾年在亞洲市場已經擁有6國ETF的發行經驗，並積極深化與歐、美國國際指數公司合作，包含美國國際交易所(ICE)與旗下紐交所(NYSE)合作發展債券ETF，標普道瓊斯指數公司合作發展商品與另類資產ETF，歐洲STOXX指數公司發展智選(Smart Beta)產品，未來將攜手指數公司拓展亞洲ETF市場，期盼建構一橫跨歐美亞ETF發展之新生態系統，共創多贏，這也是元大投信能夠連續二年榮獲亞洲區最佳ETF發行公司獎項之關鍵。

元大投信也因應金融科技的發展



元大投信獲The Asset獎項，總經理劉宗聖(左)與副總經理黃昭棠代表領獎。

元大投信 / 提供
趨勢，邁向智能化投資發展，近二年走訪歐美機器人理財與人工智能投資公司，掌握全球發展趨勢，去年底已經推出台灣第一的機器人理財服務：元大ETF AI智能投資平台。未來更將運用人工智慧技術，

(黃英傑)



Malaysia

Thailand



Hong Kong



Korea



China





元大投信

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