



Taiwan Stock Exchange

The 14th Japan Annual ETF Conference

Taiwan's ETP Market Landscape and Latest Developments

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Transparency · Fairness · Diversification



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I. ETF Market Highlights

Robust Growth in ETF Turnover and AUM

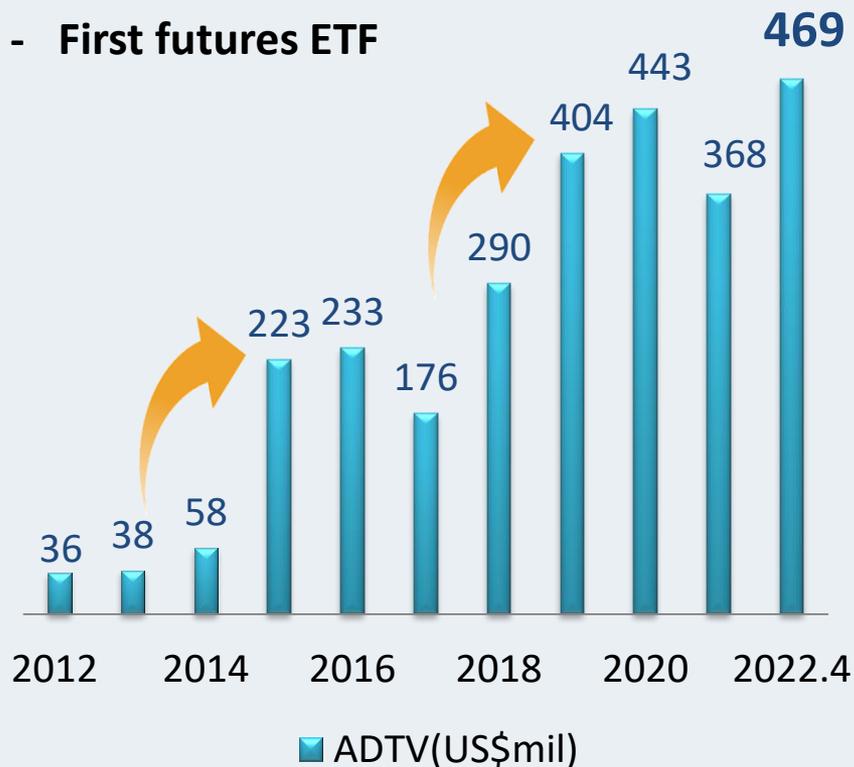
Average Daily Trading Value

2014

- Mandatory LP scheme
- L&I ETF debut

2015

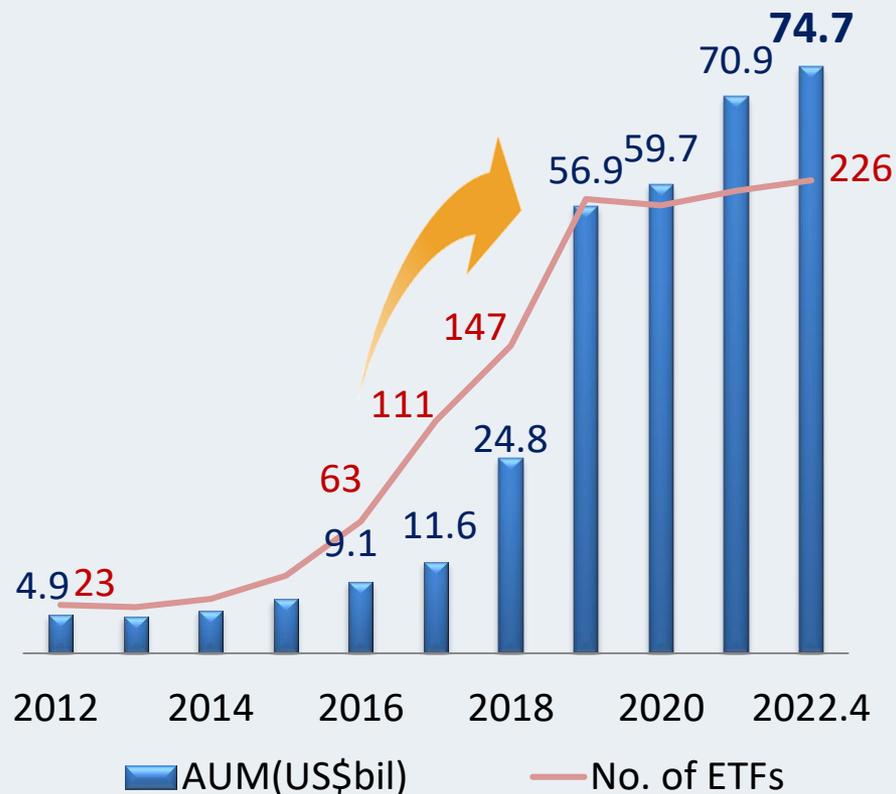
- First futures ETF



AUM & Listings

2017

- Bond ETF transaction tax exemption
- Dollar-cost averaging scheme

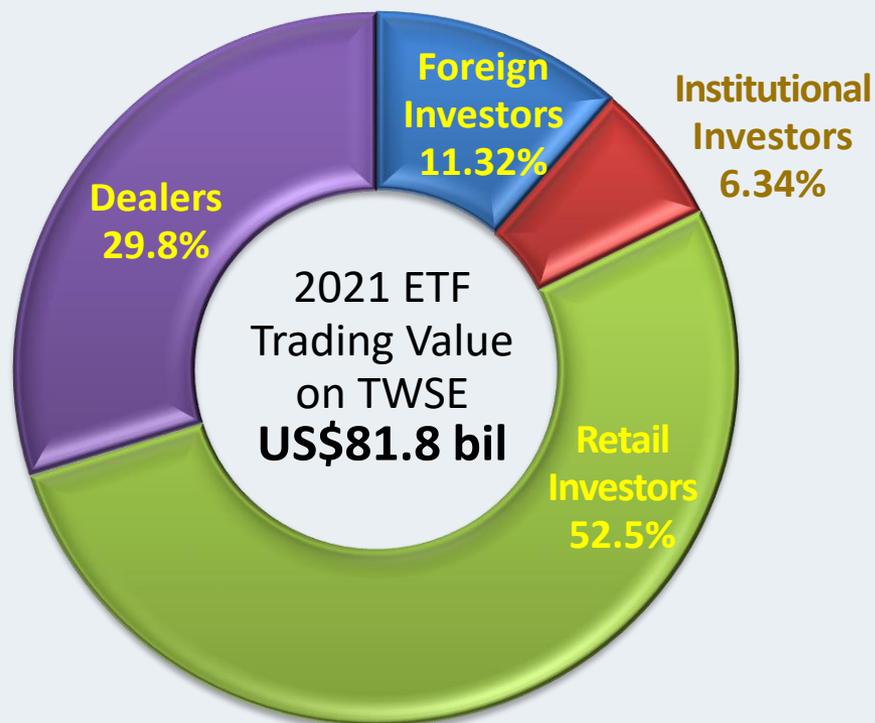


Strong Increase in Investor Participation

- The number of people that trade ETFs on TWSE has drastically increased.
- Retail investor participation stays vigorous, accounting for 52% of trading value.



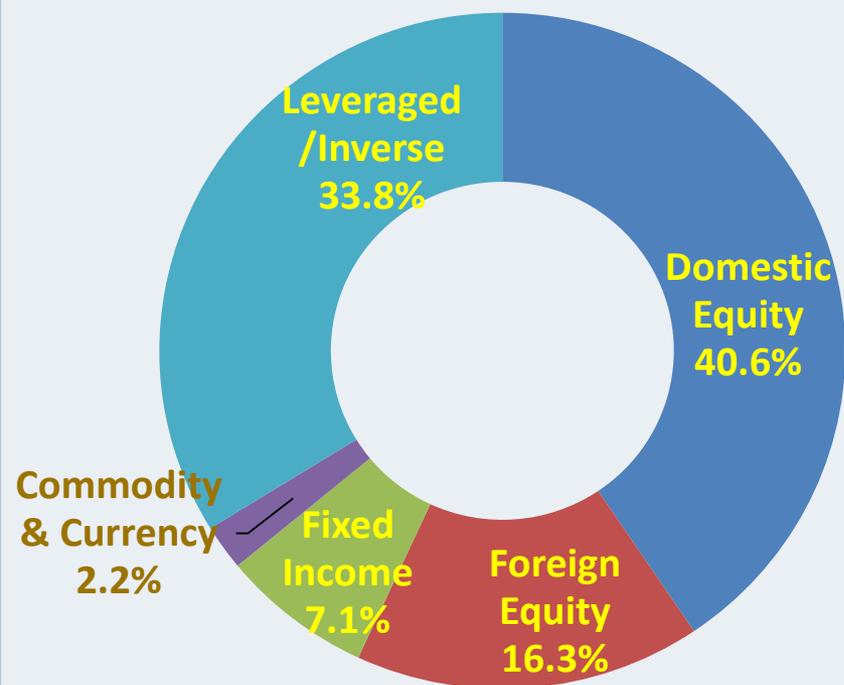
Trading Value by Investor Type



ETF ADTV by Product Type

- Investors gain interest in trading domestic equity ETFs; L/I ETFs, which used to take the largest share of trading value, now account for 34%.

ADTV Breakdown



Top 5 in Terms of ADTV

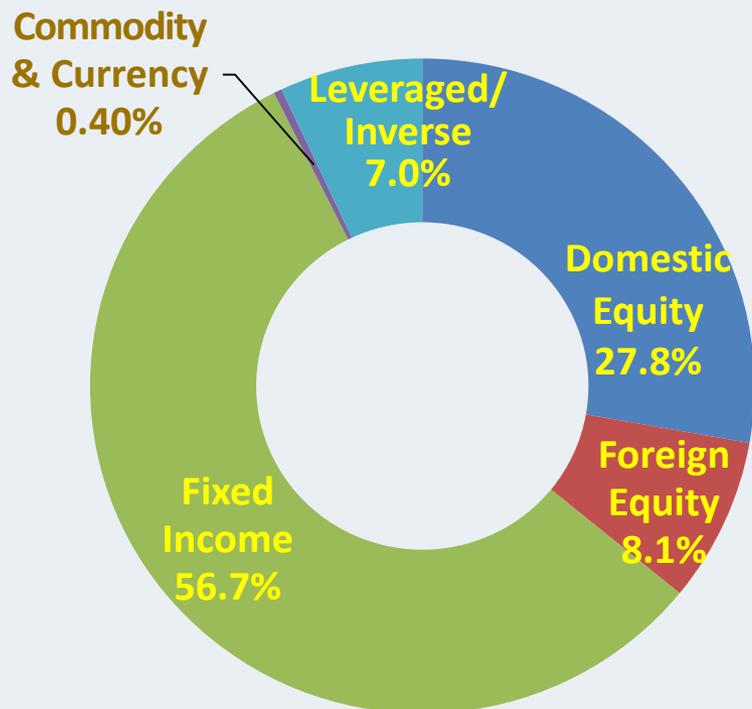
Name	ADTV (US\$mil)
1 Yuanta/P-shares Taiwan Top 50 ETF	63.7
2 Yuanta Daily CSI300 Bull 2X ETF	40.1
3 Yuanta Daily Taiwan 50 Bear -1X ETF	27.5
4 JKO S&P GSCI Brent Crude 2X Leveraged ER Futures ETF	25.1
5 Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	21.9

* For the first four months of 2022

ETF AUM by Product Type

- Significant flows into domestic equity ETFs, while bond ETFs still dominate.
Domestic equity 15% (2020) -> 28% (2022.4); fixed income 70% -> 57%

AUM Breakdown



Top 5 in Terms of AUM

Name	AUM (US\$ bil)
1 Yuanta/P-shares Taiwan Top 50 ETF	7.3
2 Yuanta/P-shares Taiwan Dividend Plus ETF	4.1
3 Capital ICE BofA 10+ Year US Banking and Brokerage Index ETF	2.7
4 Cathay Bloomberg Barclays US Corp A- and Above 10+ Years Liquid ETF	2.2
5 Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	2.1

* As of April 2022



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II. Latest Developments

Boom in Sector/Thematic ETFs

ICT/ Nascent Technology

Newly launched ETFs in the past 3 years includes:

- 4 new listings
- Total AUM:
US\$1.4bil



Semiconductor

- 4 new listings
- Total AUM:
US\$1.4bil



Electric Vehicles

- 4 new listings
- Total AUM:
US\$2.2bil



5G/Telecom

- Investors have a great appetite for tech themed ETFs
- Weight caps on individuals or top 5 constituents are applied to avoid over concentration on tech giants
- ETFs related to other emerging tech: robotics & AI, FAANG, network security, Metaverse, etc.

Other themes



Biotech



Clean energy



**Battery &
energy storage**

Rise of ETFs Focusing on ESG and Dividends

- ESG ETF growth accelerates as sustainable investing becomes mainstream.
- ETFs targeting high dividends continue to be in great demand due to the attractive cash dividend rate in Taiwan.

ETF name	Listing date	AUM (US\$mil) as of Apr. 2022	% change in AUM since listing
Fubon TWSE Corporate Governance 100 ETF	2017/5/17	476.1	+336%
Yuanta FTSE4Good TIP Taiwan ESG ETF	2019/8/23	374.9	+672%
Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	2020/7/20	2,136.5	+854%
SinoPac Taiwan Target Exposure ESG ETF	2021/3/31	229.2	+288%
Fubon TIP Customized Taiwan High Dividend 30 ETF	2021/12/22	1,010.9	+98%

Ongoing Endeavors

- **Expand product offering to meet diverse investment needs**
 - ETFs in the pipeline: digital payment services, aerospace, low carbon, infrastructure, etc.
 - Introduced ETN in 2019; now lists 30+ ETNs with a value of US\$1billion; look forward to the launch of ETNs with futures and options strategies (e.g. covered call).
- **Deepen partnership and keep up with global trends**
 - Study global dynamics (e.g. active ETF); stay open to potential international collaboration.
- **Constant market promotion and education**
 - Competitions/incentive schemes; education via short films, comics, etc.



Overview of TIP Indices



Taiwan Index Plus Corporation (TIP) was established in 2016.

TIP has launched

70+ (Indices)

>25%

of TWSE listed domestic equity ETFs linked to TIP customized indices, reflecting recent market demand and investing trends from TW Issuers and investors.

**Smart
Beta**

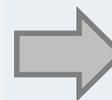
- **Single Factor:** High Dividend
- **Muti-factor:** High Dividend + Low Volatility, Quality + Value + Momentum etc.

Thematics

- **Tech-focused:** Semiconductor, 5G Communication, Electric Vehicles, IC Design, *PCB, Wafer Manufacture etc.

ESG

- **ESG, Environmental Sustainability**

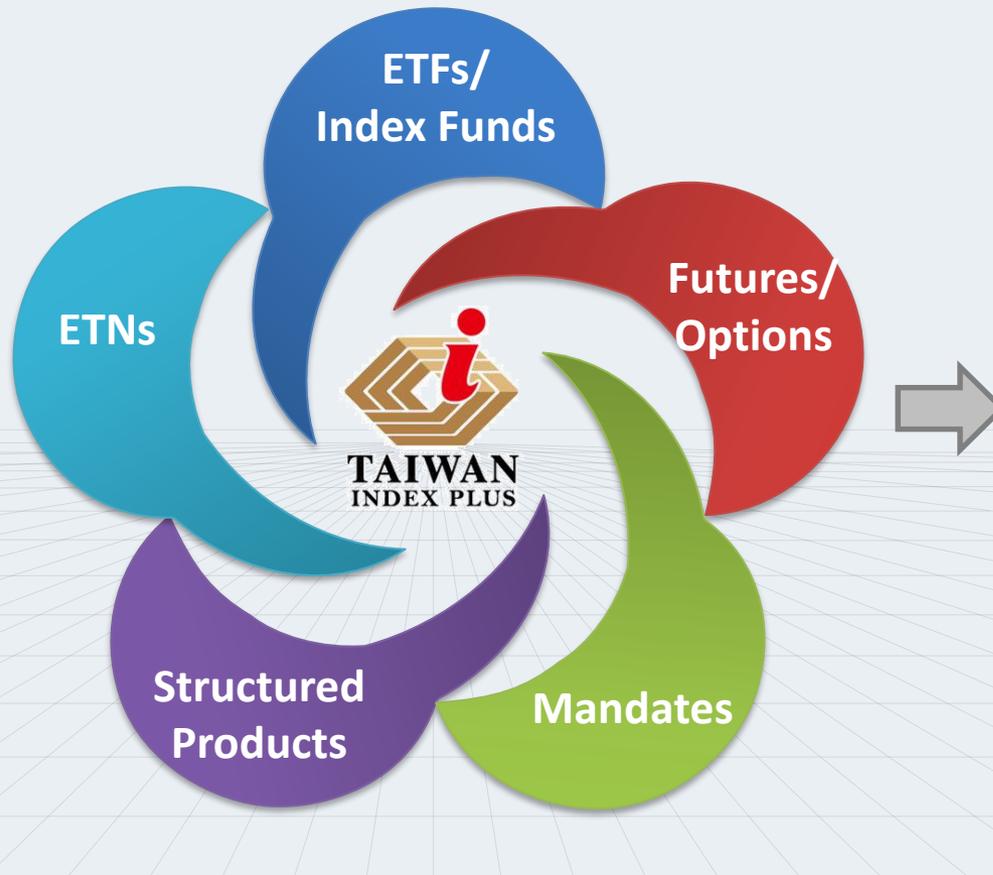


Dividend Yield: The annual cash dividend yield of TWSE listed stocks was 2.56% in 2021 (ranked 3rd worldwide)

Semiconductor: Taiwan semiconductor industry output value was 115 USD billions in 2020 (ranked 2nd worldwide)

*PCB: Printed Circuit Board

Diversification of Index Investing in Taiwan



16 ETFs

18 ETNs

2 Pension Fund
(BLF) Mandates

3 Futures

6.6 billion USD

AUM of the products and applications
linked to TIP Indices.



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Thank You

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