The next generation of China ETFs has arrived.

China is too big to ignore, which is why Rayliant has launched the world’s first active China ETF.
Chinese firms contribute nearly 30% to global economic growth\textsuperscript{1}

China’s growing startup sector is home to 39% of the world’s unicorns\textsuperscript{2}

Chinese consumers made up an estimated 36% of global spending on luxury goods\textsuperscript{3}

China’s mainland stock market totals $11 trillion market cap\textsuperscript{4}

China’s middle class expected to reach 1.2 billion people by 2027\textsuperscript{5}

The typical global equity portfolio consists of 0.65% weighted to Chinese A shares\textsuperscript{6}

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\textsuperscript{1}International Monetary Fund (2019)

\textsuperscript{2}Hurun Research Institute (2020). A "unicorn" is a privately held startup valued at >1B USD.

\textsuperscript{3}McKinsey (2017)

\textsuperscript{4}World Federation of Exchanges (2020)

\textsuperscript{5}The Brookings Institution (2020)

\textsuperscript{6}The typical global equity portfolio is assumed to track the MSCI All Country World Index, as of October 2020.
WHY CHINA?

China’s economy is big and getting bigger, but that rapid growth is not the only thing drawing investors to the world’s second-largest stock market. China’s onshore stocks¹ provide investors a unique opportunity to capture alpha² and reduce overall portfolio risk.³ These features strengthen the case for an active allocation to Chinese A shares.

Opportunity 1 Accessing Growth

China’s economic expansion has translated to rapid earnings growth for onshore-listed companies. Don’t miss out on the market.

![Annualized growth rates, January 2005 – December 2019](chart)

Source: Rayliant Research, Bloomberg, as of Mar. 31, 2020. U.S. data references the S&P 500 Index; Dev. ex-U.S. references MSCI World Ex-USA Index; China Onshore references the CSI 300 Index; China Offshore references the MSCI China Index, which primarily trades H shares, B shares, Red chips, P chips, and foreign listings, including ADRs; EM ex-China references the MSCI EM ex-China Index. It is not possible to invest directly in an index. Past performance is not indicative of future performance.

¹ “Onshore stocks” refer to those Chinese stocks, like A-shares, that are traded exclusively on exchanges in Mainland China.
² “Alpha” is defined herein as an investment’s performance in excess of fair compensation for risk.
³ Diversification does not ensure a profit or guarantee against a loss.

Investing involves risk. See important information at the end of this document about the risks of investing in China.
Opportunity 2 Capturing Alpha

Amateur investors account for 80%-90% of trading onshore in China. In this retail environment, there is opportunity for professionals to outperform the market and obtain “alpha.”

![Retail trading as a percentage of overall trading volume](chart)

Source: Rayliant Research, as of Jun. 30, 2020. Data on retail trading come from stock exchange website, factbooks, academic literature, and industry reports.

Opportunity 3 Reducing Risk

Chinese A shares have low correlation with global developed equities and other emerging markets. Diversifying into A shares reduces overall portfolio risk.

![Global equity market correlations, April 2005 — March 2020](chart)

Source: See Chart 1, with the exception that MSCI EM Index is used in lieu of MSCI World ex-China Index. “China Offshore” are Chinese stocks listed outside of Mainland China. It is not possible to invest directly in an index. Past performance is not indicative of future performance.
WHY RAYC

THE NEXT GENERATION OF CHINA ETFs.

Rayliant’s Quantamental China Equity ETF RAYC is the world’s first active China ETF.¹ It was crafted by the team who also designed China’s first Smart Beta strategy in 2009², and who built the investment strategy behind the Hong Kong-listed Premia CSI Caixin China New Economy ETF³ and the China-listed China AMC ChiNext Momentum Growth ETF⁴.

Click RAYC to learn more.

Be Active.
Chinese A shares are over 80% retail traded.⁵ China is one of the few markets where active management has consistently outperformed a passive approach.⁶ Rayliant has been delivering active alpha in China since 2009.

Be Local.
Rayliant’s strategies are localized—tailored to the features that make China unique. We employ novel data sources and local fundamental insights to address China-specific risks and opportunities, including Chinese accounting, regulations, market structure, state ownership, and investor behavior.

Be Onshore.
Most investors access China through offshore listings in Hong Kong and the United States. RAYC invests primarily in onshore A shares, which offer exposure to the primary growth engine of the Chinese economy.⁷

Be Scientific.
RAYC applies systematic, data-driven strategies based on rigorous research into investor behavior to seek outperformance in China’s retail-dominated market. Our diversified multi-factor approach incorporates machine learning and robust optimization is designed to maximize the likelihood of reliable outperformance.

¹ Source: New York Stock Exchange, utilizing FactSet ETF Screener data (23 December 2020)
² Source: China Securities Index Data (28 December 2020)
³ Premia CSI Caixin China New Economy ETF (Tickers: 3173 HK / 9173 HK)
⁴ ChinaAMC ChiNext Momentum Growth ETF (Ticker: 159967 CH Equity)
Shanghai and Shenzhen exchanges established...1990

First B shares listed for sale to foreign investors...1992

Foreign investors gain access to A shares through the Qualified Foreign Institutional Investor program...2002

Reforms make large blocks of state-owned shares eligible for trading...2005

China complies with International Financial Reporting Standards...2007

2009...Launches CSI Fundamental Index Family, the first China A shares smart beta

2010...Partners with Harvest Funds, AXA SPD, ICBC Prudential to launch Smart Beta strategies in China

Stock Connect program makes accessing A shares easier for offshore investors...2014

2018...Exclusive Quant Multi-factor ETF partnership with China AMC

MSCI adds China A shares to its benchmarks for the first time...2018

Rayliant teams with largest independent wealth platform, Gopher Asset Management, to offer quantitative active China equities

2019...Rayliant New Economy A Shares strategy for offshore investors made widely available.

China A shares market exceeds $10T in total market cap...2020

Rayliant-developed China AMC ChiNext Momentum Growth ETF made available to investors in Mainland China.

2020...Rayliant launches RAYC, the world’s first active China equity ETF

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7 Hsu et al at 4, establishing that earnings-per-share growth is higher for Chinese companies that are listed onshore.
Jason Hsu, PhD
Portfolio Manager

Jason Hsu is the founder and chairman of Rayliant Global Advisors. Jason was at the forefront of the smart beta revolution before turning his sole attention to China. Building on his pioneering work on the RAFI™ series of indices, he has partnered with many of China’s leading institutions to develop and distribute cutting-edge China ETFs. Jason has authored more than 40 peer-reviewed articles and is on the Board of Directors at the Anderson School of Management at UCLA, where he is also an adjunct professor in finance. He has also held visiting professorships at Tsinghua University, Kyoto University and Taiwan National Chengchi University.

Phillip Wool, PhD
Portfolio Manager

Phillip Wool conducts research with a focus on quantitative approaches to asset allocation and return predictability within asset classes. He plays a pivotal role in tailoring Rayliant’s Chinese A shares strategies to the unique characteristics of the Chinese market.

Mark Schlarbaum
Head of Trading & Capital Markets

Mark Schlarbaum has nearly 30 years of investment experience, and over the past five years he has supported the launch of nearly 20 ETFs trading primarily in China. At Rayliant, Mark oversees trading and capital markets, ensuring effective portfolio implementation and optimal execution.
CHINA STRATEGIES FROM PEOPLE WHO KNOW CHINA.
This document is for informational purposes only. It is not a recommendation to buy or sell any financial instrument and should not be construed as investment advice. No offer may be made without also providing the Prospectus, and the information in the Prospectus is controlling.

Before investing in any ETF, it is critical for investors to carefully consider the fund’s investment objectives, risks, charges and expenses. To obtain a full or summary Prospectus for the Rayliant Quantamental China Equity ETF, which contains this and other information, please visit funds.rayliant.com. Please read the Prospectus carefully and consider contacting a financial professional before investing.

The Rayliant Quantamental China Equity ETF is distributed by SEI Investments Distribution Company (SIDCO), which is not affiliated with Rayliant Asset Management, the Investment Adviser.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Information on funds other than RAYC is for informational purposes only and should not be deemed an offer to sell or a solicitation of an offer to buy shares of any other funds.
Risk of Investing
Investing involves risk, including the risk of total loss of principal. Please consider the following risks before investing in the ETF or any other investment strategy or product.

Investment Objectives
There can be no assurance that an ETF will achieve its stated objectives.

Quantitative Investments
Investments that are managed according to a quantitative model can perform differently from the market as a whole.

International and Emerging Markets
International markets involve political, social, economic and currency risks. These risks are heightened in emerging markets, which also include the risk of increased volatility and lower trading volume. Securities focusing on a single country may also be subject to higher volatility. Investments in smaller companies typically exhibit higher volatility.

Local Rules and Regulations
Trading through Stock Connect is subject to a number of restrictions that may affect an ETF’s investments and returns. China A Shares purchased by the ETF through Stock Connect are generally subject to Chinese securities regulations and listing rules, among other restrictions.

Reasonable Care
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Diversification
The ETF is not diversified.

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