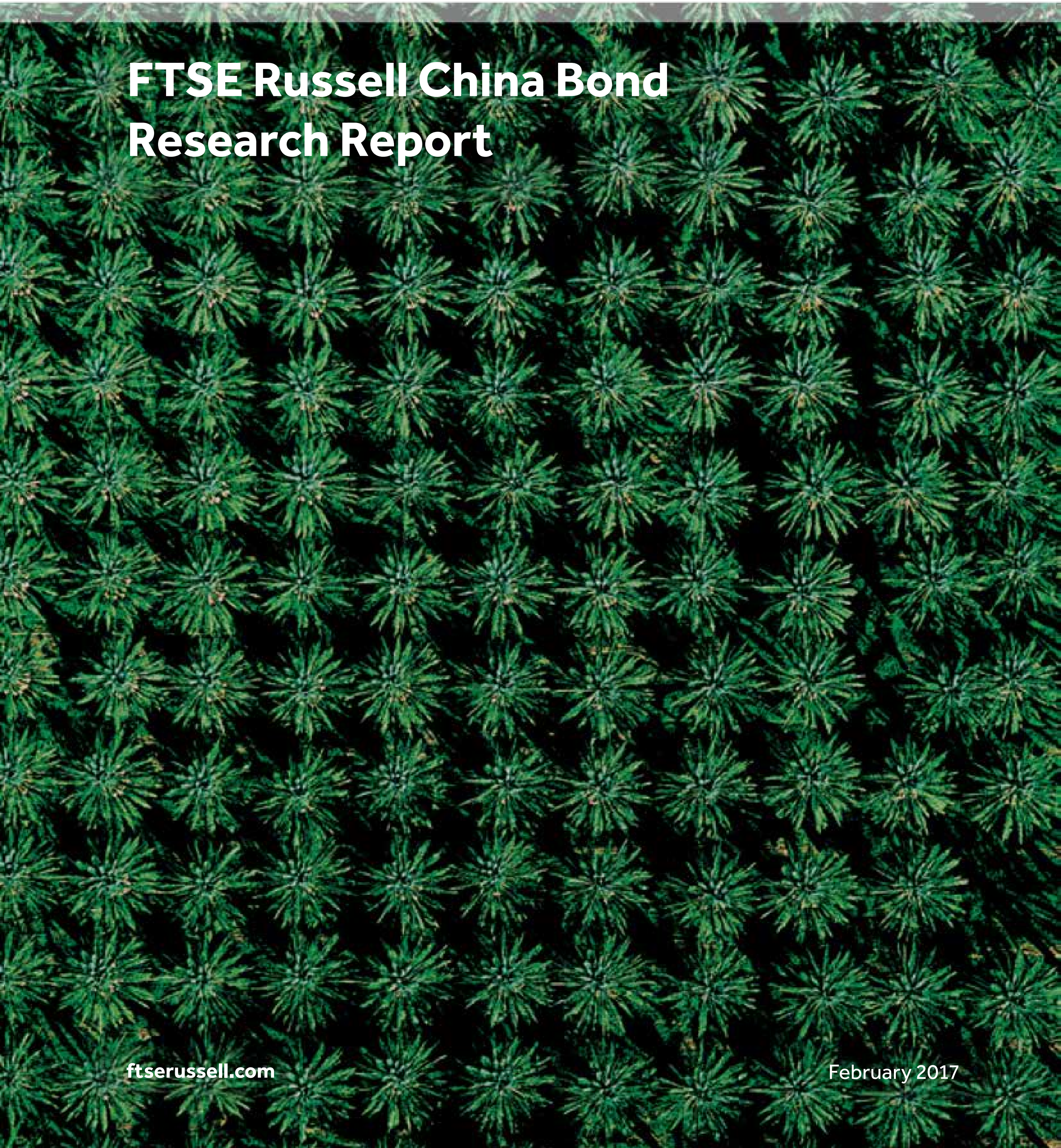
Research

FTSE Russell China Bond Research Report



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Highlights

- In 2016 the RMB declined 6.5 percent against the US dollar, marking its biggest fall since 1994 as a slowdown in macroeconomic growth took hold. At the same time, China saw a surge in capital outflows as companies and market participants sought protection from the declining currency. Roughly $760 billion left China in the first 11 months of 2016.[1]
- Domestic bond issuance is down due to the sliding RMB and tighter credit markets. China onshore bond issuance as of December 23 by Chinese companies and banks was 142 billion RMB ($20.4 billion) less than the amount of notes they were due to repay in December -- the biggest monthly gap on record.[2]
- Despite these developments, foreign institutions raised their holdings of all types of Chinese debt by 21.9 billion RMB in December to 778.85 billion RMB, according to data from the Central Depository and Clearing Co.[3]
- China's state banks and policymakers are trying to limit further outflows and alleviate pressure on the RMB. Bank of China, for example, is putting limits on corporate customers' ability to purchase foreign exchange in Shanghai; and the State Administration of Foreign Exchange (SAFE) is investigating transfers abroad of $5 million or more, down drastically from $50 million in the past.[4]

1 Bloomberg. January 2017.
2 Bloomberg. December 2016.
3 Reuters. January 2017.
4 Reuters. December 2016.

Chapter 1: Overview

China's bond markets face lending curbs and increased capital outflows in 2017

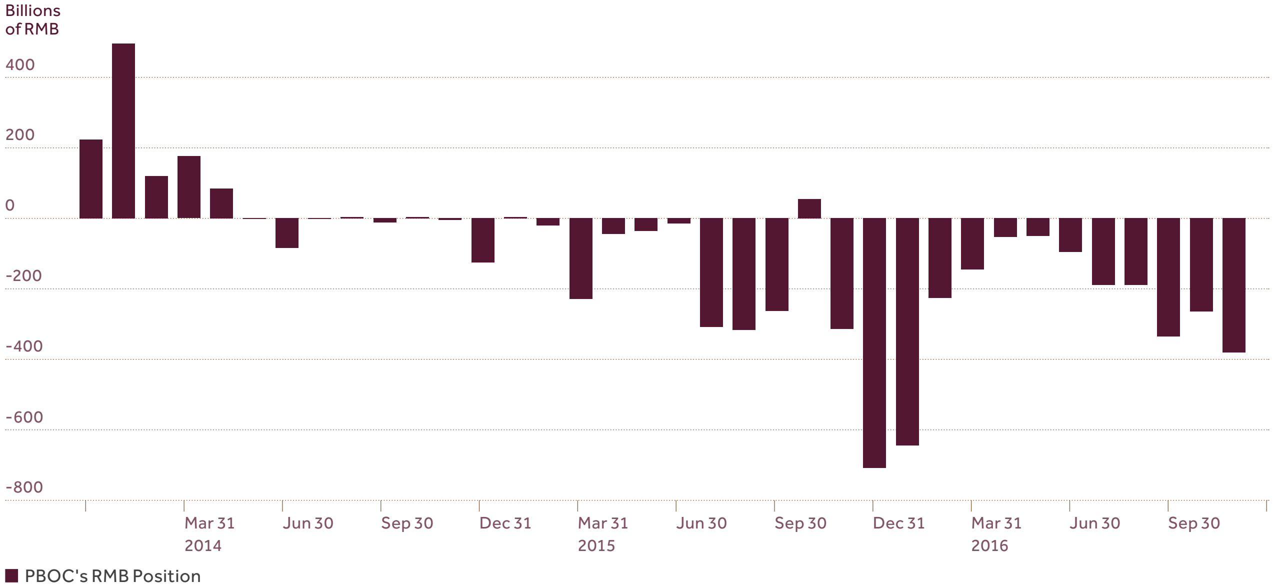
I. Plugging the Leak

While China's bond markets could offer myriad opportunities in 2017 as they open up further to foreign investment, issuers and market participants alike may face a shifting near-term outlook shaped by a continuing decline in the RMB, a surge in capital outflows, and a shifting geopolitical landscape in light of new fiscal, monetary and diplomatic policies following November's US presidential election.

In many ways, China's bond market is still riding the wave of positive reforms initiated in 2016. China's decision in February 2016 to open its $8 trillion domestic bond market to a wider range of international market participants opened up significant opportunities for those eager to gain another route of exposure to growth in the world's second-largest economy. Overall, foreign institutions raised holdings of all types of Chinese debt by 21.9 billion RMB in December 2016 to 778.85 billion RMB, according to data from the Central Depository and Clearing Co.[5]

Moving into the first quarter of 2017, China's policymakers and state banks are trying to sustain growth while also working to control the RMB's slide and plug the capital outflow leak. The numbers in the following chart illustrate why they're worried: capital outflows are accelerating again. About $760 billion left China in the first 11 months of 2016.[6]

Capital Outflows from China are Accelerating Again



Source: PBOC; Bloomberg. December 2016.

5 Reuters. January 2017.
6 Bloomberg. January 2017.

To achieve these aims, banks have introduced lending curbs and state bodies are keeping closer tabs on companies moving significant volumes of capital overseas. Bank of China, for example, is putting limits on corporate customers' ability to purchase foreign exchange in Shanghai; and the State Administration of Foreign Exchange (SAFE) is investigating transfers abroad of $5 million or more, down drastically from a limit of $50 million in the past.[7] Also, RMB loans to overseas entities must now first be registered with SAFE.[8]

In this atmosphere, a number of leveraged borrowers are inevitably facing a tighter fundraising environment. For example, the Shanghai Stock Exchange raised the threshold for property firms to sell bonds on their platform in October. According to media reports, building companies didn't sell any notes through mid-December in a market that hosted roughly 40 percent of their onshore debentures over the past two years.[9]

"The main policy theme in the last couple of years is deleveraging and the lending curbs will be one of the consequences from this policy," says FTSE Russell's Eddie Pong, Director of Research and Analytics. "Given this backdrop, new bond issuance may not be as active compared to two to three years ago. But having said that, some companies may consider using the offshore bond market for fundraising since the offshore market is not directly linked to the lending curbs."

II. Higher US Rates and a Shifting Geopolitical Paradigm

In addition to concerns of capital outflows and a sliding RMB, there is an uncertain outlook for global trade and the established geopolitical order following the recent US presidential election, and shifting political winds across Europe.

Many economists predict significant paradigm shifts in the year ahead as the world reacts to higher US interest rates, a strengthening US dollar, and a strong protectionist streak that may have contributed to Brexit and an uncertain outlook for the Eurozone. Some economists have predicted that trade wars could be the biggest risk,[10] given that the new US administration has already pulled out of the Trans-Pacific Partnership (TPP).[11]

Recently elected officials in the US are also expected to support changes to US monetary and fiscal policies as they finance a revitalisation of US infrastructure and lower corporate taxes.[12] In December, the Fed increased rates for the second time in a decade, raising the target federal funds rate by a quarter of a percentage point to between 0.5 percent and 0.75 percent – and also insinuated more rate rises may follow in 2017.[13]

Higher US rates and a stronger US dollar may put even more strain on the RMB and RMB-denominated assets. By some estimates higher interest rates in the US could make it harder for China to continue borrowing to finance the attainment of its announced 6 percent GDP growth target.[14]

7 Reuters. December 2016.
8 Reuters. December 2016.
9 Bloomberg. December 2016.
10 Wall Street Journal. November 2016.
11 Reuters. January 2017.
12 CNBC. February 2017.
13 Forbes. December 2016.
14 CNBC. December 2016.

"Higher US interest rates will naturally lead to a stronger dollar against the RMB, especially considering that the Chinese economy may not be in an ideal state to withstand any domestic interest rate rise," says Pong from FTSE Russell. "The interest rate differential between the US and China will likely have an impact on the exchange rate going forward."

Chapter 2: The RMB's Slow Slide

I. A New Normal

Although 2016 marked the RMB's worst year against the US dollar in over two decades,[15] all was not doom and gloom for the currency throughout the year. In fact, the RMB ended 2016 on a high note when it joined the IMF's SDR basket in October, officially obtaining reserve currency status – a significant milestone for China's policymakers.[16]

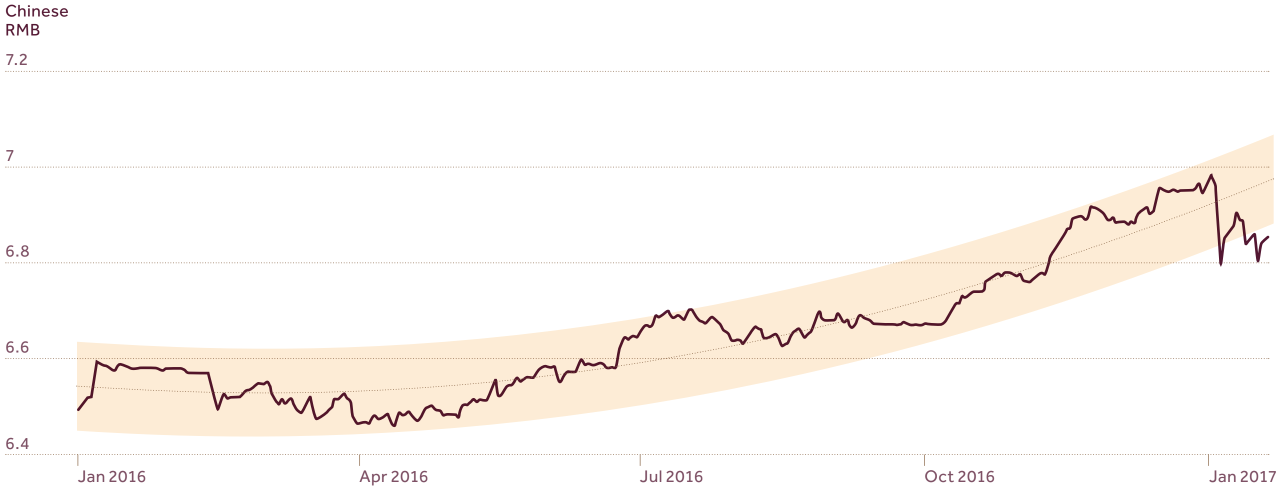
A weaker RMB could make China's exports more competitive at a time when China may move to fill the trade void left by countries embracing a renewed protectionist posture in 2017[17]. On the other side of the equation, China longs for a stronger currency to support its growing influence in the global economy and its ambitious political projects, such as the One Belt, One Road development initiative.

"A weaker RMB will benefit the economic segments linked to exports," says Pong. "It will increase the competitiveness of Chinese products in terms of pricing. However, it will also make the cost of the imports of materials higher and it may impact on the economy as a whole. Another concern would be that a weakening RMB could potentially lead to capital outflows and also impact the level of foreign reserves in China."

In fact, a view that the RMB will weaken further to trade more than 7 to the US dollar in the years ahead is now common as China settles into a more mature growth phase.[18] Some market watchers take an even more bearish view, with Asia-focused brokerage CLSA predicting the RMB will trade 8 to the US dollar by the end of 2017.[19]

15 Bloomberg. December 2016.
16 Reuters. October 2016.
17 Financial Times. November 2016.
18 Trading Economics. January 2017.
19 Bloomberg. April 2016.

The RMB's Performance Against the US Dollar



Source: Trading Economics. January 2017.

II. A Steady Hand?

Whether a currency war materialises on the back of changing US trade policies remains to be seen. However, China's policymakers continue to take a consistent approach to guide market expectations, managing the currency slowly downward and avoiding quick falls – such as the sudden devaluation of August 2015 – that would likely influence market confidence.

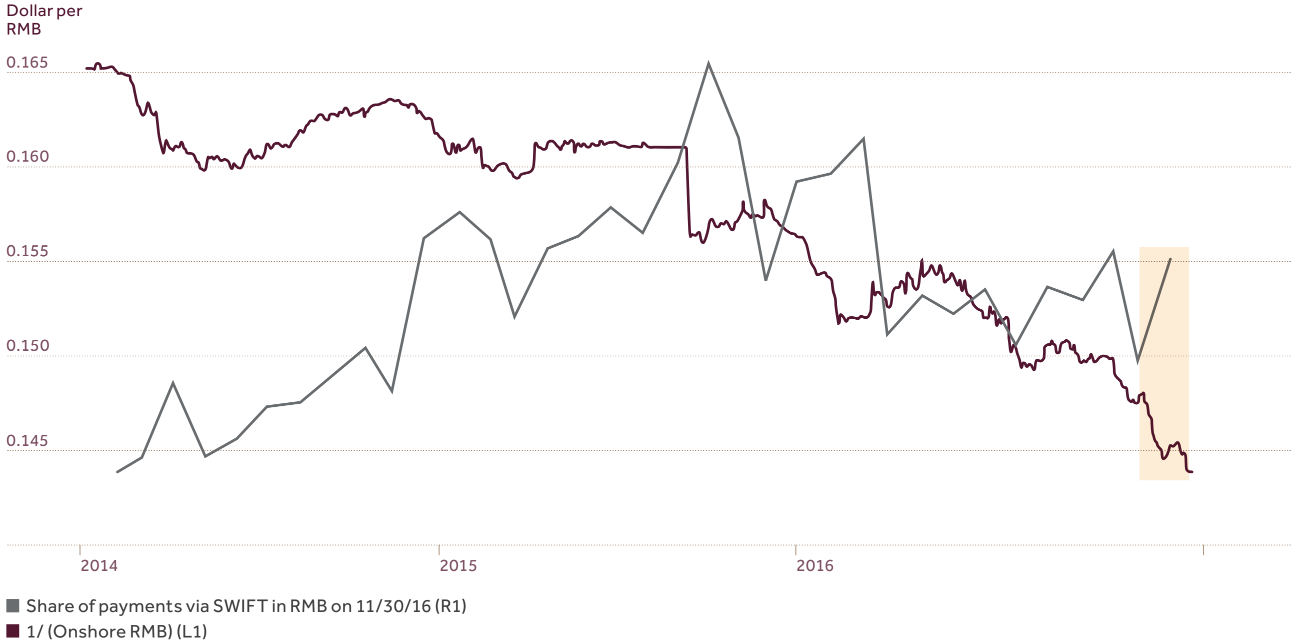
In a response to the uncertainty around the RMB, China's foreign exchange market operator recently changed the China Foreign Exchange Trade System (CFETS) basket – used to set the RMB's daily value - by nearly doubling the number of foreign currencies to 24 from 13.[20] At the same time, China recently announced a "prudent and neutral" monetary policy and a proactive fiscal policy, which could boost confidence and support more reforms.[21]

"China's policymakers could engage different approaches to respond to the RMB's downward trend," says FTSE Russell's Pong. "For example, on the one hand, they could manage the channel of capital outflows, which includes imposing a stringent process on checking money transfers and the prohibition of using Chinese credit cards to pay insurance policy premiums in Hong Kong. On the other hand, they could increase the cost of going short on CNH. By controlling the liquidity in the offshore money market, the overnight financing rates would fluctuate as a result."

While the RMB continues to slide, some analysts[22] also expect the rapid internationalisation of the currency to moderate in the coming years as China's macroeconomic growth slows and confidence in the market dips – despite the IMF's selection of the RMB for its SDR currency basket. The RMB's share of global payments hit an all-time high of 2.8 percent in August 2015, but has since slumped, dipping to 1.67 percent in October 2016, before edging up again toward the end of the year.[23]

20 Reuters. January 2017.
21 Bloomberg. December 2016.
22 Bloomberg. August 2016.
23 Bloomberg. December 2016.

RMB Payments Rise as Companies Reduce Holdings Amid Depreciation



Source: Bloomberg. November 2016.

Chapter 3: Where to for China's Domestic Bond Market?

I. Cancellations and Defaults

Despite the uncertain macroeconomic and geopolitical outlook for 2017, there is little dispute that 2016 was also an historic year for China's domestic bond market. It was only in February 2016 that China's policymakers loosened investment rules and allowed a much wider range of foreign investors to participate in the country's $8 trillion interbank bond market.[24]

This achievement aside, uncertainties linger around corporate governance and especially China's domestic credit rating standards. International rating agencies such as Moody's must own minority stakes in joint ventures to operate in China.[25] The numbers illustrate caution among international market participants: in early 2016 foreign investors held less than 2 percent of onshore Chinese debt. However, a Bloomberg News survey of 11 analysts toward the end of the year predicted foreign investment in Chinese bonds may increase four-fold in the coming years, with monetary authorities and supranational organisations buying about $48 billion worth each in 2017 and 2018.[26]

Looking ahead into 2017, the impact of potentially turbulent macroeconomic forces – rather than a lack of potential international demand – appears to be the biggest challenge facing the onshore market. Stalled issuances are accelerating as a slowdown in macroeconomic growth takes hold and the RMB continues its gradual slide: Chinese firms cancelled or postponed at least 117.5 billion RMB of bonds in December 2016, up from 29.7 billion RMB in November.[27]

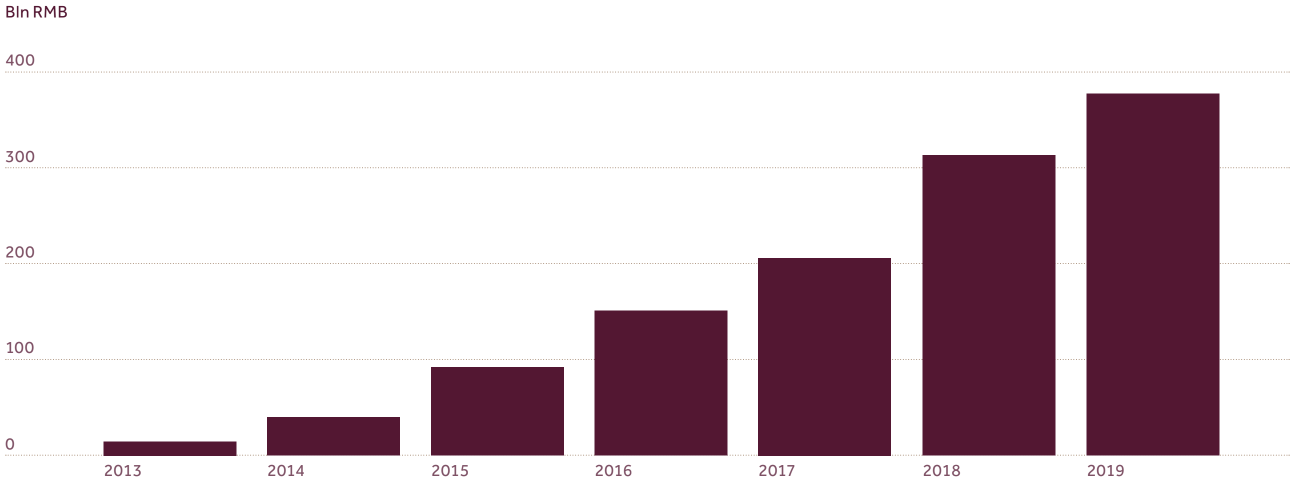
24 Financial Times. March 2016.
25 Reuters. December 2016.
26 Bloomberg. October 2016.
27 Bloomberg. December 2016.

"One of the challenges in the corporate sector could be the policy on deleveraging, which may impact the number of bond issuances," says Pong. "And the likelihood of rising US yields would be another challenge for the China domestic corporate bond market. The expectation on attractive yields in the US may affect the sentiment toward Chinese bonds."

While issuance cancellations send one message to the market, defaults send another. Since the first bond default by a Chinese corporate issuer in 2014, 85 defaults have occurred totaling more than 37 billion RMB.[28] More defaults are expected in 2017, despite the government's attempts to help state-owned companies finance their debts, according to China Chengxin Credit Management Co Chairman Mao Zhenhua.[29]

Upwards of 4.3 trillion RMB ($621.9 billion) worth of bonds will mature in 2017, according to some estimates.[30] In addition to expected short-term debt issuances, the total size of maturing bonds may reach 5.5 trillion RMB.[31] The road ahead might be even bumpier for firms with lower ratings. According to the Bloomberg chart below roughly 211 billion RMB ($31 billion) of so-called onshore 'junk notes' – rated AA or lower – will mature in 2017, up from 155 billion RMB last year.[32]

Yearly Amount Due on Notes Rated AA or Lower



Source: Bloomberg. January 2017.

II. Government Bonds – More Attractive?

While China's corporate bonds are still gaining traction with international market participants, government bonds are another story – seemingly offering a lower risk profile without the same fears of default. In December, foreign market participants increased holdings in China's government bonds for the 14th straight month, ending 2016 with a 70 percent increase in holdings year-on-year. [33]

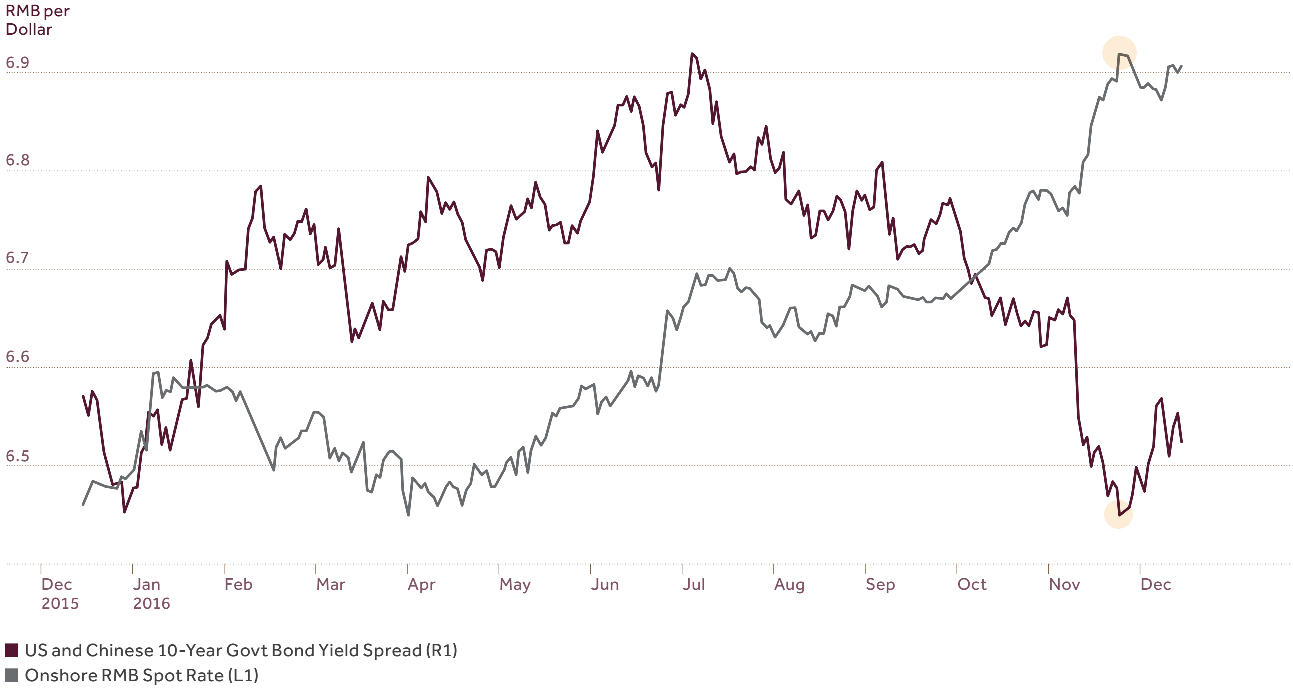
28 Reuters. December 2016.
29 Reuters. December 2016.
30 Reuters. December 2016.
31 Reuters. December 2016.
32 Bloomberg. January 2017.
33 Reuters. January 2017.

In a world where many governments are imposing negative rates to stimulate growth and their bonds carry negative yields, as of January 20, 2017, 10-year Chinese government bonds were yielding 3.29 percent.[34]

Yet China's government bonds may also be impacted by rising US rates, a strengthening dollar and a sliding RMB in 2017. Of particular concern is rising inflation. China's producer price index jumped 3.3 percent in November, the biggest rise since late 2011 and exceeding estimates, causing some market watchers to conclude that the economy has entered a new inflationary cycle.[35]

Meanwhile, toward the end of 2016 and following the Fed's interest rate increase, the gap between US and Chinese 10-year-yields narrowed to the least in the most recent five-year period, as shown in the following chart. This convergence might make China's government bonds less appealing to international market participants, who may be concerned about the risk-reward profile in comparison to US Treasuries.[36]

The Narrowing US-China Yield Spread Added to Pressure on the RMB



Source: Bloomberg. December 2016.

34 Trading Economics. January 2017.
35 Bloomberg. December 2016.
36 Bloomberg. December 2016.

Chapter 4: The Bright Spot – Panda Bonds

I. A New Opportunity

Despite the uncertain outlook, 2017 may still be the year that onshore RMB bonds issued by foreign entities – known colloquially as panda bonds – make a significant mark on China's bond markets. According to data provider Dealogic, panda bond issuance totalled $11.8 billion from January-September 2016, surpassing dim sum bonds for the first time, which totalled $7.2 billion for the same period.[37]

"In recent years, foreign corporations issued panda bonds to raise RMB onshore. But concerns about capital controls in China and the macroeconomic environment may be one of the important factors for their participation moving forward," says Pong. "A number of listed Chinese companies, which are either incorporated or have a subsidiary set up in Hong Kong, have started to reconsider issuing onshore bonds to raise RMB as foreign entities."

To date, panda bond issuers are mainly foreign corporations selling RMB debt to fund their businesses in mainland China. Given the need of many companies to raise RMB debt onshore, panda bonds are expected to become a $50 billion market by 2020, according to the IFC.[38] In November, National Bank of Canada (NBC) issued a 3.5 billion RMB ($517.7 million) panda bond – marking the first panda bond issuance by a North American financial institution.[39]

Of course, the panda bond market also has its own challenges: one persistent concern facing issuers evaluating the market is the difficulties they may face in trying to transfer the proceeds of the fundraising offshore, due to China's capital controls. In the current environment, some analysts predict this difficulty may be exacerbated in 2017.[40]

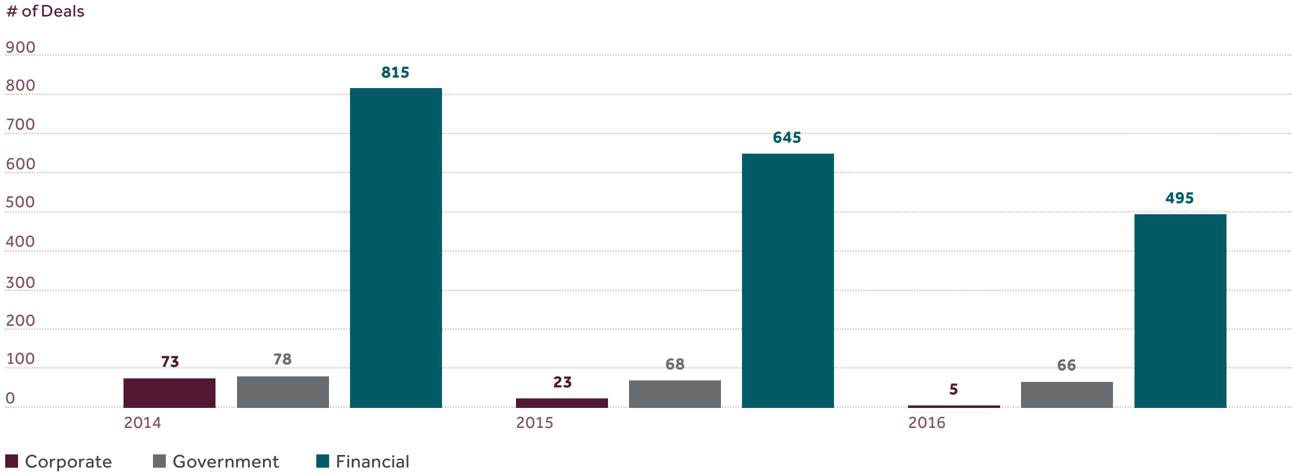
II. Wither Dim Sum?

The rise of panda bonds inevitably triggers a discussion of the role and relevance of offshore – or, dim sum – bonds. In recent years, the dim sum bond market – when compared to the onshore market – has benefited from ample CNH liquidity. International participants generally saw it as a relatively robust market governed by international standards that offered smooth access to the RMB appreciation trend of years past.

In the current environment, however, gradual RMB depreciation is causing a reduction in demand for dim sum bonds among some foreign market participants, pushing yields higher and, in turn, diverting issuers to panda bonds.[41] As shown in the graph below, in 2016, dim sum bond issuance fell across the board – whether by financial institutions, government bodies or corporations.[42]

37 Wall Street Journal. October 2016.
38 Reuters. February 2016.
39 Reuters. November 2016.
40 Reuters. March 2016.
41 Wall Street Journal. October 2016.
42 Bloomberg. December 2016.

Issuers Reduce Dim Sum Offerings as Demand Shrinks



Source: Bloomberg, December 2016.

Meanwhile, some dim sum issuers are raising US dollar or other foreign currency debt to finance existing dim sum debt due to China's attempts to stem capital outflows. One case in point is China Singyes Solar Technologies Holdings Ltd, which said in December 2016 it was considering selling US dollar-denominated debt to help pay back 560 million RMB ($81 million) worth of dim sum bonds due in November 2017, according to Bloomberg.[43] Such foreign currency issuances by Chinese companies could become common should the capital flight trend worsen.

"Issuance activity in the dim sum market has stabilised in the last couple of years," says Pong. "The liquidity or depth in the dim sum market is not as strong as that of the onshore market. The variety of tenors and sectors on offer may make the onshore market a more popular venue for bond investments. Nevertheless, from an investor point of view, the higher yields and the availability of international credit ratings in the dim sum market remain important features."

Chapter 5: Performance of FTSE Russell RMB Bond Index Series

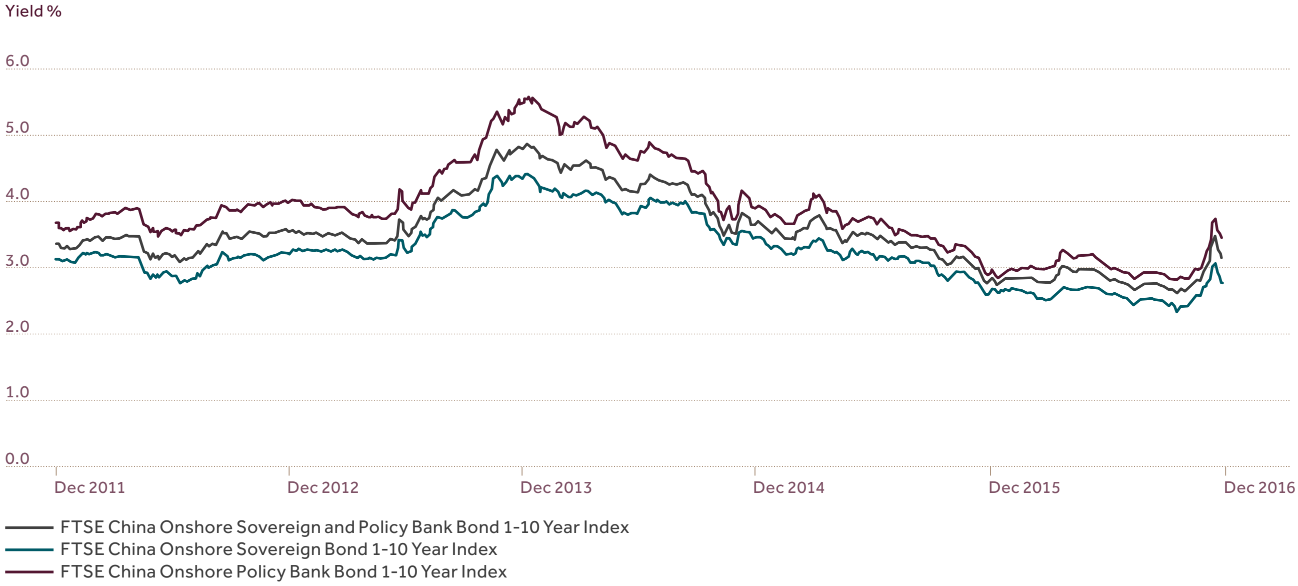
I. Onshore Report

Redemption Yield

The market value duration weighted average redemption yield of the FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index in December was at 3.25 percent. Among the 2 sub-indexes the FTSE China Onshore Sovereign Bond 1 - 10 Year Index was at 2.85 percent; the FTSE China Onshore Policy Bank Bond 1 - 10 Year Index was at 3.55 percent.

43 Bloomberg. December 2016.

Market Value Duration Weighted Average Redemption Yield %



Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document.

After September, the yield for the FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index rose 0.43 percent to 3.25 percent by the end of December. The yield rose 0.27 percent for the FTSE China Onshore Sovereign Bond 1 - 10 Year Index; and rose 0.56 percent for the FTSE China Onshore Policy Bank Bond 1 - 10 Year Index.

Total Return

The FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index finished down 1.33 percent during the last quarter (October - December), with the FTSE China Onshore Sovereign Bond 1 - 10 Year Index down 0.45 percent; and the FTSE China Onshore Policy Bank Bond 1 - 10 Year Index down 1.97 percent as shown in Table 1.

Table 1. Performance and Volatility – Total Return (CNY)

Index	Return %						Volatility %*		
	3M	6M	YTD	12M	3YR	Since Inception	1YR	3YR	Since Inception
FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index	-1.33	0.04	1.18	1.18	19.89	19.89	1.47	1.58	1.58
FTSE China Onshore Sovereign Bond 1 - 10 Year Index	-0.45	0.85	2.16	2.16	19.26	19.26	1.48	1.64	1.64
FTSE China Onshore Policy Bank Bond 1 - 10 Year Index	-1.97	-0.55	0.47	0.47	20.89	20.89	1.59	1.72	1.72

*Volatility - 1YR, 3YR, Since Inception based on daily data.
Source: FTSE Russell - total return data in CNY, as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document. The general position is that data charts should be used as a helpful way to present performance and assist readers in understanding the effects of different methodologies for different indexes. They should not be used as a way of suggesting that one index is better suited to a client than another.

Index Characteristics

	FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index	FTSE China Onshore Sovereign Bond 1 - 10 Year Index	FTSE China Onshore Policy Bank Bond 1 - 10 Year Index
Number of bonds	315	95	220
Nominal Amount (RMBm)	14,139,897	5,979,680	8,160,217
YTM %	3.25	2.85	3.55
Mod. Duration	4.02	4.11	3.95
Convexity	25.47	25.16	25.69

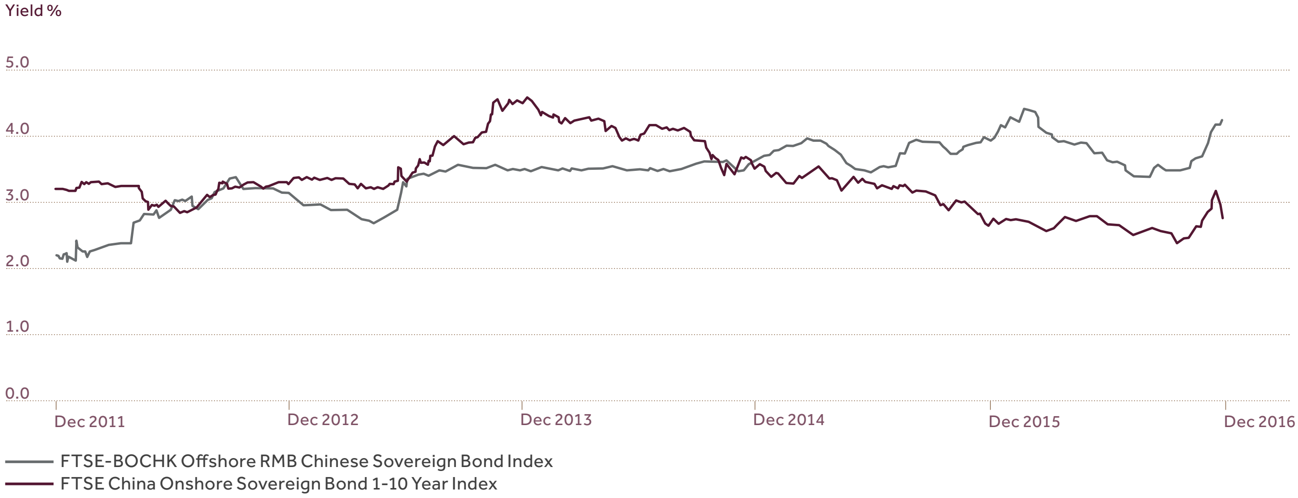
Source: FTSE Russell, data as at 30 December 2016. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document.

Index Changes in the Last Quarter

In the last quarter, the bond market value of the FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index increased by 1.56 percent from 14,379,918 to 14,604,302 RMBm just before the October and December rebalances.

The FTSE China Onshore Sovereign and Policy Bank Bond 1 - 10 Year Index modified duration was shortened from 4.09 years to 4.02 years, decreasing its sensitivity to the yield curve shift. On the other hand, the convexity of the index dropped by 0.51 since 30 September 2016.

Yield Comparison of Offshore Sovereign Bond and Onshore Sovereign Bond



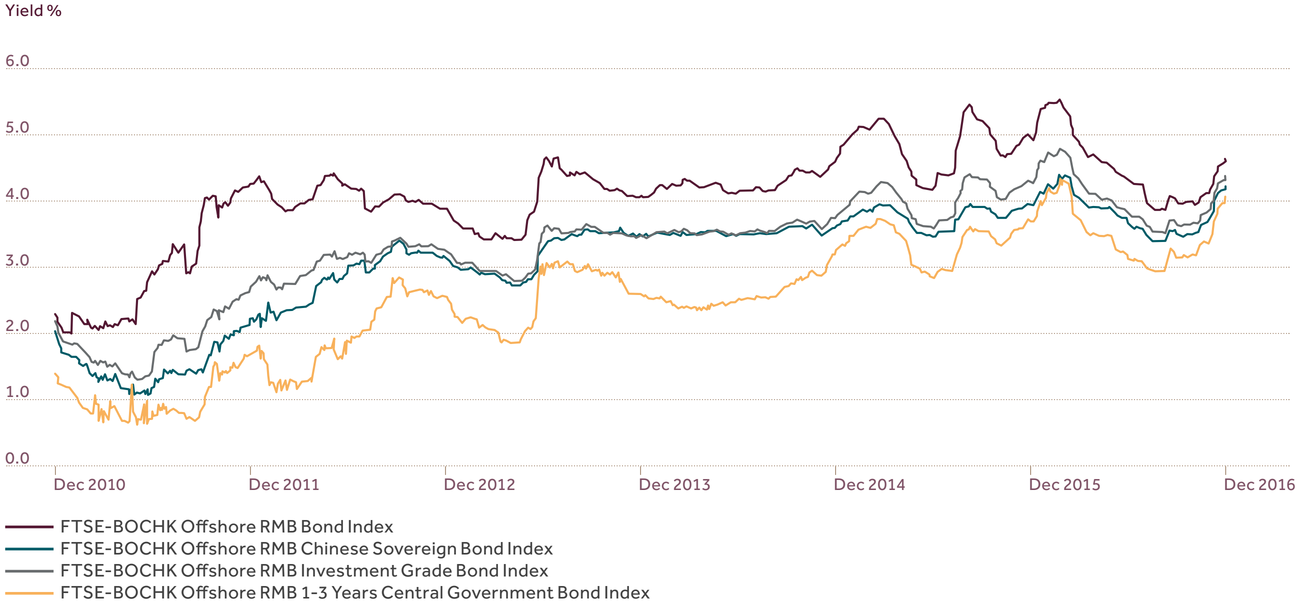
Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document.

II. Offshore Report

Redemption Yield

The market value duration weighted average redemption yield of the FTSE-BOCHK Offshore RMB Bond Index in December was at 4.62 percent. Among the 3 sub-indexes the FTSE-BOCHK Offshore RMB Investment Grade Index was at 4.36 percent; the FTSE Chinese Sovereign Bond Index was at 4.21 percent; the FTSE-BOCHK Offshore RMB 1-3 Years Central Government Bond Index was at 4.06 percent.

Market Value Duration Weighted Average Redemption Yield %



Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document.

After September, the yield for the FTSE-BOCHK Offshore RMB Chinese Sovereign Bond Index rose 0.73 percent to 4.21 percent by the end of December. The yield rose 0.63 percent for the FTSE-BOCHK Offshore RMB Bond Index; rose 0.72 percent for the FTSE-BOCHK Offshore RMB Investment Grade Bond Index; and rose 0.93 percent for the FTSE-BOCHK Offshore RMB 1-3 Years Central Government Bond Index.

Total Return

The FTSE-BOCHK Offshore RMB Bond Index finished down 1.07 percent during the last quarter (October - December), with the FTSE-BOCHK Offshore RMB Investment Grade Bond Index down 1.37 percent; the FTSE Chinese Sovereign bond Index down 1.96 percent; and the FTSE-BOCHK Offshore RMB 1-3 Years Central Government Bond Index down 0.88 percent as shown in Table 2.

Table 2. Performance and Volatility - Total Return (CNH)

Index	Return %						Volatility %*		
	3M	6M	YTD	12M	3YR	Since Inception	1YR	3YR	Since Inception
FTSE-BOCHK Offshore RMB Bond Index	-1.07	0.42	4.10	4.10	10.90	19.49	1.03	0.95	1.15
FTSE-BOCHK Offshore RMB Chinese Sovereign Bond Index	-1.96	-0.63	2.30	2.30	7.66	11.74	1.44	1.03	1.20
FTSE-BOCHK Offshore RMB Investment Grade Bond Index	-1.37	-0.09	3.32	3.32	8.45	14.72	1.11	0.85	0.91
FTSE-BOCHK Offshore RMB Investment Grade Bond Index	-0.88	-0.20	2.56	2.56	6.40	9.75	1.05	0.82	1.31

*Volatility - 1YR, 3YR, Since Inception based on daily data. Source: FTSE Russell - total return data in CNH, as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document. The general position is that data charts should be used as a helpful way to present performance and assist readers in understanding the effects of different methodologies for different indexes. They should not be used as a way of suggesting that one index is better suited to a client than another.

Index Characteristics

	FTSE-BOCHK Offshore RMB Bond Index	FTSE-BOCHK Offshore RMB Chinese Sovereign Bond Index	FTSE-BOCHK Offshore RMB Investment Grade Bond Index	FTSE-BOCHK Offshore RMB 1-3 Years Central Government Bond Index
Number of bonds	137	46	104	11
Nominal Amount (RMBm)	183,796	84,400	143,167	42,050
YTM %	4.62	4.21	4.36	4.06
Mod. Duration	2.93	4.01	3.27	1.91
Convexity	18.24	31.37	22.05	4.90

Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results. Returns shown may reflect hypothetical historical performance. Please see important legal disclosures at the end of this document. The general position is that data charts should be used as a helpful way to present performance and assist readers in understanding the effects of different methodologies for different indexes. They should not be used as a way of suggesting that one index is better suited to a client than another.

Index Changes in the Last Quarter

In the last quarter, the bond market value of the FTSE-BOCHK Offshore RMB Bond Index decreased by 15.02 percent from 214,233 to 182,049 RMBm just before the October and December rebalances.

As of 30 December 2016, corporate and enterprise bonds continued to have the largest weighting in the index at 42.32 percent, a 3.99 percent decrease since 30 September 2016. The number of constituents in this category decreased from 89 to 69.

Unlike corporate and enterprise bonds, the weight of the bonds issued by China's government increased by 1.62 percent compared to 3 months ago, arriving at 40.59 percent; and the weight of the bonds issued by policy banks increased by 1.90 percent, arriving at 12.84 percent after the latest review.

The percentage of investment grade bonds in the index increased to 77.26 percent compared to 72.71 percent on 30 September 2016. The FTSE-BOCHK Offshore RMB Bond Index modified duration was lengthened from 2.86 years to 2.93 years, increasing its sensitivity to the yield curve shift. On the other hand, the convexity of the index rose by 0.59 since 30 September 2016.

Table 3. New Additions in the Past 3 Reviews

Review	Bond	Nominal Amount (RMBm)	ICB Supersector
October 2016	Industrial & Commercial Bank of China Ltd/Singapore Sep-2018 3.20%	1,600,000,000	Banks
October 2016	Central American Bank for Economic Integration Sep-2019 3.95%	700,000,000	Supranational Organization
October 2016	Central American Bank for Economic Integration Sep-2021 4.20%	1,000,000,000	Supranational Organization
October 2016	Haikou Meilan International Airport Investment Ltd Jun-2018 7.25%	525,000,000	Industrial Goods & Services
October 2016	KFW Sep-2018 3.18%	1,100,000,000	Agency and Semi-Government

Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results.

Table 4. New Deletions in the Past 3 Reviews

Review	Bond	ICB Supersector
October 2016	Bohai General Capital Ltd Oct-2017 6.40%	Basic Resources
October 2016	United Kingdom Government International Bond Oct-2017 2.70%	Nation and Treasury
October 2016	Yunnan Energy Investment Overseas Co Ltd Oct-2017 5.50%	Utilities
October 2016	Shenzhen Qianhai Financial Holdings Co Ltd Oct-2017 4.55%	Canton, Region, Province and State
October 2016	Agricultural Bank of China Ltd Oct-2017 4.15%	Banks
October 2016	China Construction Bank Corp Oct-2017 4.30%	Banks
December 2016	China Merchants Bank Co Ltd/Hong Kong Dec-2017 3.95%	Banks
December 2016	Renault SA Dec-2017 4.375%	Automobiles & Parts
December 2016	Zhuhai Da Heng Qin Co Ltd Dec-2017 4.75%	Real Estate
December 2016	Jingneng Clean Energy Investment Holdings Ltd Dec-2017 4.30%	Utilities
December 2016	China Government Bond Dec-2017 3.45%	Nation and Treasury

Source: FTSE Russell, data as at 30 December 2016. Past performance is no guarantee of future results.

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