



MARKET VECTORS®  
**ChinaAMC SME-ChiNext ETF**

## Independent companies driving China's growth.

### SME and ChiNext Boards: Powering the Future of China's Consumer-Driven Economy

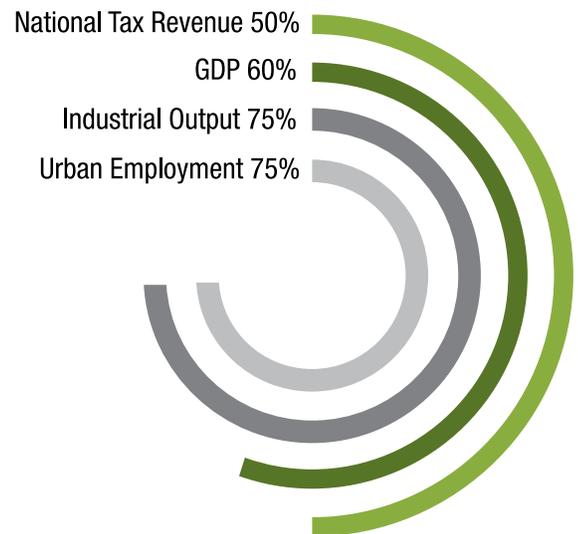
Often compared to NASDAQ by China's investors, the Small and Medium Enterprise (SME) Board was established in 2004 under the Shenzhen Stock Exchange (SZSE). The ChiNext Board, a wholly owned but independent arm of SZSE, began trading operations in 2009. Together, these two Boards have historically focused on SMEs – innovative start-up and growth companies, as well as maturing and mature firms – that have supported the majority of China's recent economic growth.<sup>1</sup>

SMEs in Mainland China have historically been denied ready financing from the country's state-owned banks.<sup>2</sup> Consequently, the SME Board and ChiNext Board have become key sources of capital for independent innovation in emerging industries.<sup>3</sup>

Additionally, the number of companies on these boards has continued to grow. As of March 31, 2016 over 1,200 companies were listed on the SME and ChiNext Boards with a combined market value of \$2.0T USD.<sup>4</sup>

**The SME-ChiNext 100 Index represents the 100 largest companies on the SME Board and ChiNext Board. Through a partnership between Market Vectors and ChinaAMC (one of China's largest asset managers<sup>5</sup>), the Market Vectors ChinaAMC SME-ChiNext ETF seeks to track this Index.**

#### Contributions of SMEs in China:<sup>1</sup>



<sup>1</sup>As of January 2014. Source: World Trade Organization.

<sup>2</sup>"China's Small Businesses Lose Out on Cheaper Loans." Wall Street Journal, 1 April 2015. Web. <http://www.wsj.com/articles/chinas-small-businesses-lose-out-on-cheaper-loans-1427860298>

<sup>3</sup>"About ChiNext." Shenzhen Stock Exchange, 2013. Web. <http://www.szse.cn/main/en/ChiNext/aboutchinext/>

<sup>4</sup>Shenzhen Stock Exchange

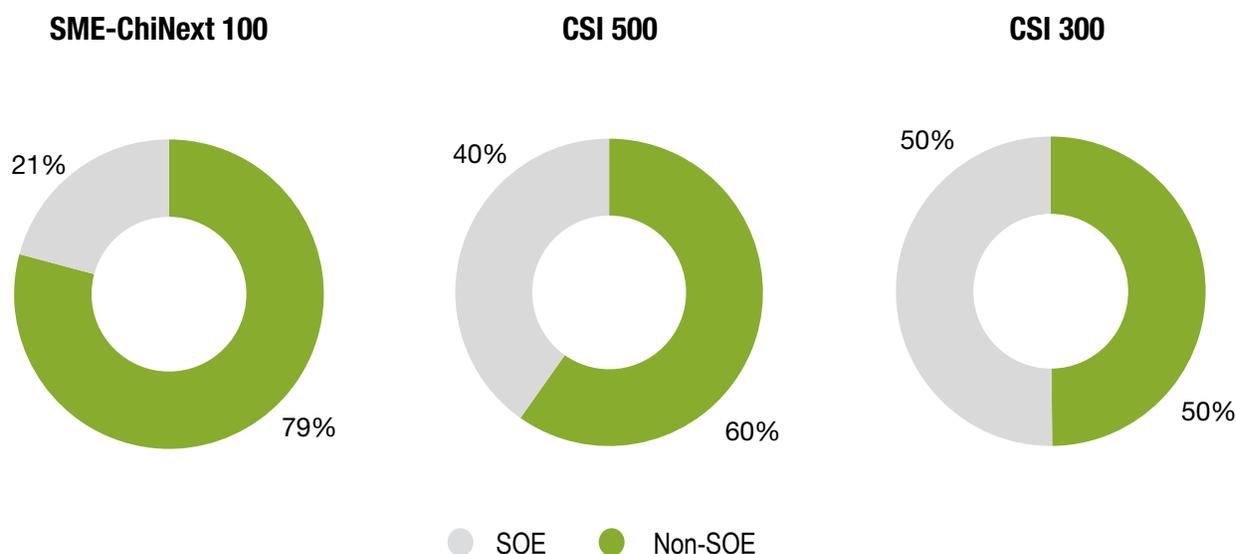
<sup>5</sup>By mutual fund and ETF assets under management as of March 31, 2016.



## SME and ChiNext-Listed Companies: Profitable from the Start?

Though there is no guarantee that they will remain profitable, the SME and ChiNext Boards require that issuers have produced net profits during the previous three or two years, respectively, prior to listing.<sup>6</sup> Further, as a majority of the companies in the SME-ChiNext 100 Index currently are private, or non-state owned enterprises (non-SOEs), there may be more of a focus on operational efficiency and profitability compared to state-owned enterprises (SOEs) that have generally benefited from subsidies and government protection from competition.<sup>7</sup>

### Ownership Structure of Companies Represented in the Main China A-Share Indices (as of March 31, 2016):



In addition, companies in the SME-ChiNext 100 Index have historically demonstrated high return on equity (ROE) compared to the CSI 500 Index, generally regarded as a small-cap A-share benchmark. While not necessarily indicative of future performance, ROE is used by some investors as a measure of a company's growth potential and efficient use of shareholder capital and company resources.

### ROE of the Main China A-Share Indices, Since 2011:<sup>8</sup>

ROE	2011	2012	2013	2014	2015
SME-ChiNext 100	15.91	15.44	13.78	13.13	13.18
CSI 500	9.14	9.38	8.25	8.42	8.14
CSI 300	15.51	15.88	15.03	15.00	13.70

<sup>6</sup>The SME Board requires issuers to be profitable during the three years prior to its listing with a minimum aggregate net profit of RMB 30 million, whereas a firm is eligible to be listed on ChiNext if it was profitable during the two years previous to an IPO with a minimum aggregate net profit of RMB 10 million.

<sup>7</sup>Zhang, Dong, and Owen Freestone. "China's Unfinished State-Owned Enterprise Reforms." Department of the Treasury of the Commonwealth of Australia, 2014. Web. <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Economic-Roundup-Issue-2/Economic-Roundup/Chinas-unfinished-SOE-reforms>

<sup>8</sup>Annually.

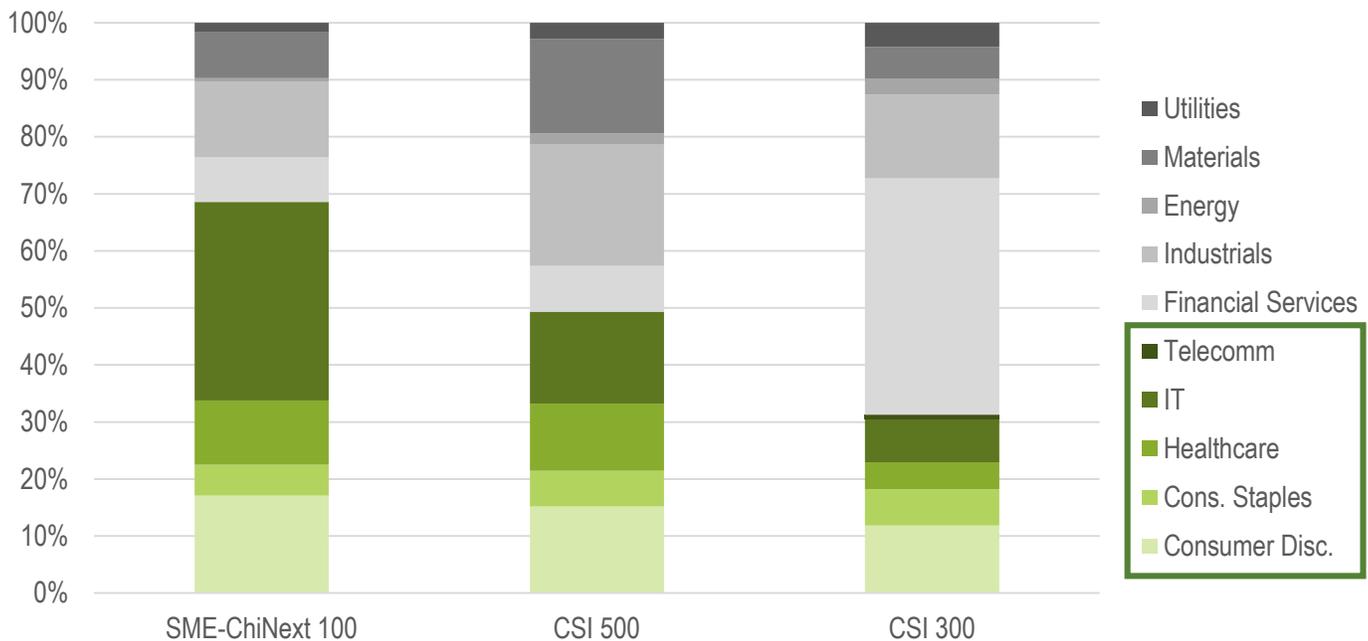
All data as of March 31, 2016. Source: Bloomberg, Shenzhen Securities Information Co, Ltd. See index definitions on last page.

## China's "New Economy"

As the world's largest emerging market, China continues to face a number of economic challenges, though it has grown tremendously. Over the next few decades, China's middle class is projected to further expand and become the primary driver behind consumer spending.<sup>9</sup> Consumer-focused sectors such as Information Technology, Consumer Discretionary, Consumer Staples, and Health Care are expected to power China's New Economy.

Formerly leading sectors of the country's Old Economy, e.g., Financials, Energy, and Materials, have been contributing less to China's growth.<sup>10</sup> These sectors tend to be dominated by state-owned enterprises as represented by the large-cap CSI 300 Index.

**The SME-ChiNext 100 Index provides greater exposure to New Economy sectors compared to some China A-Share indices such as CSI 500 and CSI 300.**



<sup>9</sup>Barton, Dominic, Yougang Chen, and Amy Jin. "Mapping China's Middle Class." *McKinsey Quarterly*. June 2013.

<sup>10</sup>Zhang, Dong, and Owen Freestone. "China's Unfinished State-Owned Enterprise Reforms." Department of the Treasury of the Commonwealth of Australia, 2014. Web. <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Economic-Roundup-Issue-2/Economic-Roundup/Chinas-unfinished-SOE-reforms>

All data as of March 31, 2016. Source: Shenzhen Securities Information Co, Ltd. See index definitions on last page.

## About Market Vectors ETFs

Market Vectors exchange-traded products have been offered by Van Eck Global since 2006 and span many asset classes, including domestic and international equities, fixed income (municipal and international bonds), and currency markets. Van Eck Global is one of the largest providers of ETFs in the U.S. and worldwide.

- Premier ETF provider with over \$21B in assets as of March 31, 2016
- Currently offers 19 international equity and fixed income ETFs, representing more than \$4.6B in assets

**Interested in including China-focused investments in your equity allocation strategy? Van Eck Global offers the following exchange-traded funds:**

**PEK**<sup>®</sup>

Market Vectors ChinaAMC A-Share ETF

**CNXT**<sup>™</sup>

Market Vectors ChinaAMC SME-ChiNext ETF

In addition to its considerable experience in passively managed Market Vectors ETFs, Van Eck Global has an extensive history in actively managed mutual funds focused on the emerging markets universe. To learn more about Van Eck Global's emerging markets capabilities and full product offerings, visit [www.vaneck.com](http://www.vaneck.com).

### DEFINITIONS:

Return on Equity: A metric that measures a company's profitability by dividing the previous year's earnings by the average shareholder equity for that year.

SME-ChiNext 100 Index: An index that tracks the performance of the 100 largest and most liquid stocks listed and trading on the Small and Medium Enterprise ("SME") Board and the ChiNext Board of the Shenzhen Stock Exchange.

CSI 300 Index: An index that consists of 300 stocks with the largest market capitalizations and liquidity among A-Shares listed on the Shanghai and Shenzhen Stock Exchanges.

CSI 500 Index: An index that consists of the next 500 largest A-Shares listed on the Shanghai and Shenzhen Stock Exchanges after the 300 largest securities represented by the CSI 300.

### IMPORTANT DISCLOSURE:

Indices are unmanaged and are not securities in which investments can be made.

Market Vectors ChinaAMC SME-ChiNext ETF and Market Vectors ChinaAMC A-Share ETF ("the Funds") are subject to risks, which include, among others, those associated with investments in Chinese securities, particularly A-Shares, adviser and sub-adviser risk, risk of the RQFII regime, political and economic instability, inflation, confiscatory taxation, nationalization, expropriation, and market volatility, all of which may adversely affect the Funds. Foreign and emerging markets investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, changes in currency exchange rates, unstable governments, and limited trading capacity, which may make these investments volatile in price or difficult to trade. Small- and medium-capitalization companies may be subject to elevated risks. The Funds' assets may be concentrated in a particular sector and may be subject to more risk than investments in a diverse group of sectors.

Fund shares are not individually redeemable and will be issued and redeemed at their NAV only through certain authorized broker-dealers in large, specified blocks of shares called "creation units" and otherwise can be bought and sold only through exchange trading. Creation units are issued and redeemed principally in kind. Shares may trade at a premium or discount to their NAV in the secondary market.

**Investing involves substantial risk and high volatility, including possible loss of principal. An investor should consider the investment objective, risks, charges and expenses of the Funds carefully before investing. To obtain a free prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit [vaneck.com](http://vaneck.com). Please read the prospectus and summary prospectus carefully before investing.**