ETF Connect: Accessing China's AI value chain

November 2026



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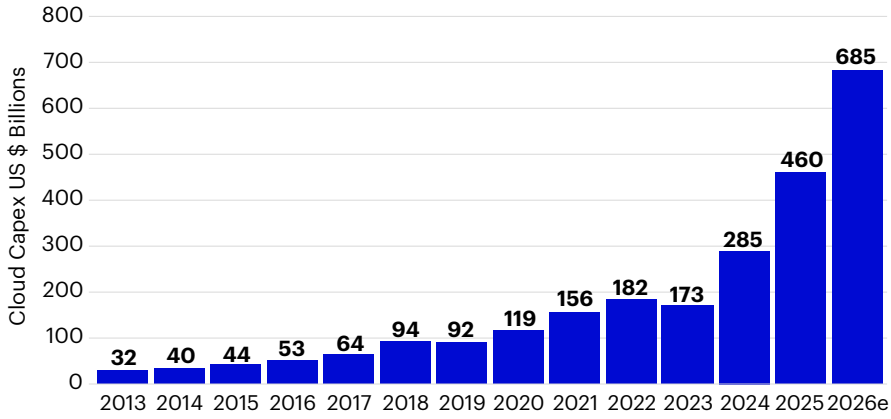
Key takeaways

- The AI opportunity is broadening beyond a handful of US technology platforms to span the value chain and markets, including Asia and China.
- Supportive policy, a large market for AI applications and growing demand for home-grown technology give China a distinct AI investment story.
- The CSI STAR & ChiNext Artificial Intelligence Index brings together 50 companies across both boards, and an ETF tracking this may offer a simple way to access the theme.

Artificial intelligence (AI) is becoming a key driver for global markets, and the opportunity reaches well beyond the technology giants that dominate the headlines. China is a vital part of this shift and may offer a distinctive AI investment story. The CSI STAR & ChiNext Artificial Intelligence Index brings that story together, connecting investors with companies across China's AI value chain.

Why is the global AI investment opportunity broadening?
The global AI build-out is gathering pace, supported by sustained capex investment from hyperscalers and growing adoption across industries. While the path is not expected to be linear and market volatility is part of the journey, we believe the long-term investment theme remains intact. Bloomberg projects the high-bandwidth memory (HBM) market could reach US $641 billion by 2030[1], while leading memory makers report that most of their 2027 supply is already committed[2]. This points to the scale of demand ahead as agentic AI expands.

Figure 1 - Top 10 cloud service provider capex spending



Source: Morgan Stanley Research, March 2026, estimates may not come to pass.

1. Blomberg L.P. data as of October 2026
2. 2027 memory capacity reportedly sold out as buyers quietly lock in supply, DigiTimes, August 2026

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The next chapter of AI is therefore about more than a handful of US technology platforms. Opportunities are spreading across the value chain, from chips and computing infrastructure to real-world applications, and across global markets. Asia, including China, is expected to play an integral part in this development. As more countries make AI a strategic priority, the investment opportunity appears broad and global.

What is driving China's AI investment story?
China may offer a distinct vantage point on the next wave of AI development. Three drivers stand out: supportive policy, a large market for AI applications and growing demand for home-grown technology. Together, they create opportunities both to develop AI capabilities and to deploy them at scale.

Policy initiatives are encouraging AI adoption and China's industrial base provides a wide range of potential uses. In September 2026, the Ministry of Industry and Information Technology issued three AI policies in quick succession, including the "AI + Software" action plan, while multiple regions released AI-related 15th Five-Year special plans.[3] The push for domestic alternatives is also supporting investment in semiconductors, computing infrastructure and software. China's AI opportunity is therefore more than just an extension of a global trend. It also reflects the growth of the domestic technology ecosystem, supported by local demand and industrial capabilities.

This evolving ecosystem brings the STAR and ChiNext boards into focus. China's largest DRAM maker, CXMT, debuted on the STAR Market in July 2026, while DeepSeek is reportedly preparing for a STAR Market IPO.[4] As more AI-related businesses seek access to public markets, new listings could broaden the investment universe across these two innovation boards, giving investors more ways to participate in China's AI development.

CSI STAR & ChiNext Artificial Intelligence Index: Two innovation boards, fifty companies, one AI focus
China's AI champions are spread across two innovation boards, each with its own strengths. STAR is home to core technology players in chips and equipment, while ChiNext hosts leaders in high-speed connectivity, such as optical modules that link computing systems inside AI data centers.

The CSI STAR & ChiNext Artificial Intelligence Index spans both boards, bringing 50 major AI companies together in a single portfolio. This dual-board design means the index covers different parts of the AI value chain, from semiconductors and computing infrastructure to enabling technologies and real-world applications, all backed by the scale of China's economy and manufacturing base. The index focuses on large companies, more than 60% of the companies have a market capitalization of above US $10 billion, and offers concentrated AI exposure, with around 95% of companies in the information technology sector.[5] Modified market-cap weighting and semi-annual rebalancing helps keep the portfolio balanced, providing investors with a structured way to follow this evolving investment theme.

AI creates different opportunities at different stages of its development. The index captures multiple parts of this ecosystem, rather than focusing on a single product or application, letting investors own both the "picks and shovels" that power AI and the applications that bring it to everyday users.

3. The Ministry of Industry and Information Technology holds a press conference on the "Implementation Plan for the 'Artificial Intelligence + Software' Special Action" (工业和信息化部举行《"人工智能+软件"专项行动实施方案》新闻发布会), September 2026
4. China's DeepSeek taps CITIC Securities for domestic IPO, sources say, Reuters, September 2026
5. WIND, data as of September 2026

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Figure 2 – CSI STAR & ChiNext Artificial Intelligence Index constituents

Value chain layer	Role in AI	Representative index constituents
Computing chips	Processing power to train and run AI models	Hygon
Chip design IP	The building blocks of specialised AI chips	VeriSilicon
Interconnect & memory	Moving and storing data at high speed`	Montage Technology, Ingenic
Optical modules	High-speed connections between computing systems, including 800G and 1.6T technologies.	Eoptolink, Zhongji Innolight
Data centres	Physical infrastructure supporting AI computing	Range Technology
Applications	AI-enabled devices and office software	Sharetronic, Kingsoft Office

Source: CSI, as of 30 June 2026. Holdings are subject to change and should not be taken as buy or sell recommendations.

How can investors access China's AI theme through an ETF?
Identifying individual winners across chips, networks and software can be challenging, and single stocks can be highly volatile. An ETF tracking the index could simplify access by bringing a basket of companies across both boards into a single investment, reducing reliance on any one stock.

Short-term swings come with any high-growth theme. For investors taking a longer-term view, however, we believe the index could offer a clear framework for exploring China's AI opportunity: not just the applications attracting attention today, but the connected businesses helping build what comes next.

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