

Unit Link Products Monthly Report

2016-03

Category

- 1. Macro economy**
- 2. Stock market**
- 3. Fixed income market**
- 4. Mutual fund market**



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1. Macroeconomic

The US employment data performed unsoundly recently, with unemployment rate back to 5%, and initial unemployment data increased continually in the last three weeks in March. From the perspective of market sentiment, ISM PMIs were slightly going up, yet the Michigan consumer index dropped, which indicated a rise sentiment in the manufacturing sector and a fall in consumption sector. Based on the data, it is reasonable to believe that US economy is still in a recovery trend, but with a moderate stall. Therefore, the interest rate hike in April may be unlikely to occur, according to Fed officials and market expectation. Meanwhile, the manufacturing data in Euro-zone showed an average performance. The industrial capacity maintained at 81-82%, and industrial output was held above zero, which implied a moderate increase on the y-o-y basis. Also, the deflation and unemployment pressure is still high.

In terms of domestic economy, according to economic data released for 2016Q1, we believe that the manufacturing industries began their production in advance of seasonal effect, resulted from government support on the sectors of real estate and infrastructural construction. And the upstream and mid-stream industries grew along with the these sectors. The marginal increase in the aggregate demand lifted up the potential inflation rate. It is expected that CPI y-o-y will be kept 2% and above and PPI y-o-y will be narrowed at its negative range. Based on the marginal movement on economic growth and inflation rate, our monetary policy is restrained, in case of an economic overheat after a further liquidity release.

It is worth to be aware of the fact that there has been a shift on tier-1 city real estate price by the end of 2016Q1, after an overwhelming price speculation earlier this year. The cool-down on real estate market may drag down the relevant industries. Hence, it is possible that the recovery of economic growth in the short term will be released in the second quarter, and eventually back to mid-term downward pressure.

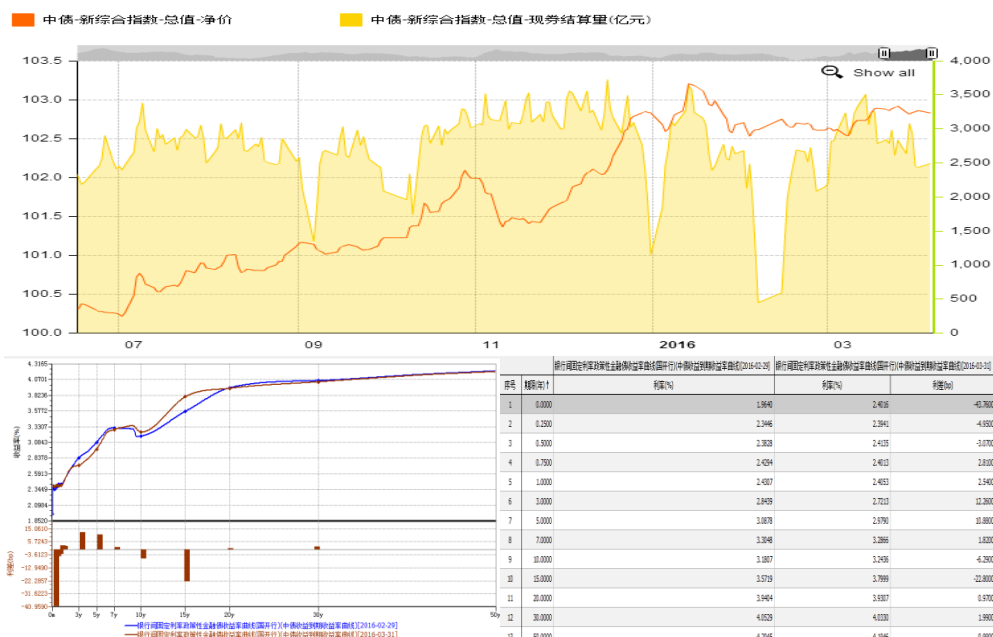
2. Stock Market

In March of 2016, SME and GEMs were rebounded. By the end of the month, Shanghai Composite Index rose 11.75%. Shenzhen Composite rose 14.93 % and Small stocks rose by - 17.24%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	11. 75	508460	5340000	20
HS300	11. 84	306300	3260000	16
SZ stocks	14. 93	527800	7990000	50
Small stocks	17. 24	214200	354000	70



3.Fixed-income market



Bond issuance increased YOY in Mar. 2016

In Mar., 1241 new bonds were issued, increasing by 133.96% YOY with a total amount of 2554.132bln. Among which the central clearing and settlement company issued 341 new bonds, with a total amount of 1597.444bln, accounting for 62.54% of the total; the ShangHai clearing and settlement company issued 654 new bonds, with a total amount of 755.805bln, accounting for 29.59% of the total; the Stock Exchange issued 246 new bonds this month, with a total amount of 200.883bln and accounting for 7.87% of the total.

Money market rate went down slightly in Mar. 2016

Generally, money market rate went down slightly in Mar.. The 1D repo was closed at 2.04%, increased by 3BP compared with last month, daily volume was 1606.731bln, increased 15.69% MOM; The 7D repo was closed at 2.51%, decreased by 4BP compared with last month, daily volume was 166.83bln, increased 20% MOM.

Bond trading increased YOY in Mar. 2016

In Mar., the trading volume of the bond and repo in 23 trading days was 83.87 trillion, increased 98.12% YOY. The volume in the central clearing and settlement company was 51.56 trillion, increased 83.98% YOY, accounting for 61.48% of the total. The volume in Shanghai clearing and settlement company was 14.59 trillion, increased 255.3% YOY, accounting for 17.40% of the total; The volume in the Exchange was 17.72 trillion, increased 73.68% YOY, accounting for 21.12% of the total.

There were 182,761 trading (excluding counter) in Mar., increased 71.3% YOY. Average daily trading volume was 2241.768bln and increased 75.98% YOY. There were average 7946 trading in Mar. each day, increased by 61.96% YOY.



4. Mutual Fund Market

Close-ended funds:

In March, close-ended funds changed 11.4% on average. From the beginning of this year, close-ended funds changed -11.19% on average.

Open-ended funds:

In March, hybrid funds, equity funds, index funds changed by 7.79%、12.98%、13.33 % respectively. From the beginning of 2016, hybrid funds, equity funds, index funds changed -8.23%、-13.56%、-14.42% ,respectively.

Bond funds:

In March, bond funds changed 1.14% on average. From the beginning of 2016, the figure is -0.03%.

Generali China - Unit Linked Growth



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Fund Description

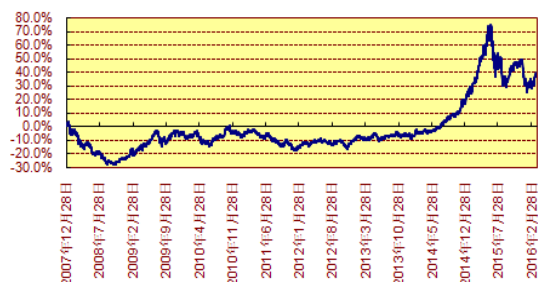
Fund Name	Growth	Investment Objective The objective is to maximize return in the medium-long run with a medium to high risk level.
Launch Date	2004.9.30	
Currency	RMB	
Management Fee	1.5% per year	Investment Scope This fund mainly invest in equities as open-end, close-end mutual fund, fixed income securities (government, financial and corporate bond and central bank notes, etc.) and other instruments approved by CIRC.
Latest Price (03/31/2016)		Target Clients This account is a medium aggressive account. This fund may be quite volatile and it is only suitable for long-term investors.
Price	2.8886	

Performance

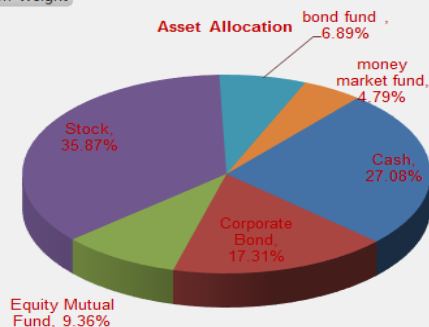
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	8.78%	-5.59%	-4.59%	-5.59%	188.86%
Shanghai T-bond Index	0.58%	1.35%	5.72%	1.35%	
Shanghai & Shenzhen 300 Index	11.84%	-13.75%	-21.96%	-13.75%	

Performance Chart and Allocation

自2008年起累计收益



求和项:M-Weight



Market & Portfolio Comments

Portfolio review and outlook:

In March, since the Fed didn't increase interest rate, A shares market rebounded. Despite the short-term economic recovery, but inflation is expected to rise, monetary policy will be conservative. Most investor are bullish and their positions were increased. We will be cautious and decrease our position.

For fixed income, we maintained neutral position and keep our liquidity.

Feb 2016

Generali China - Unit Linked Stable



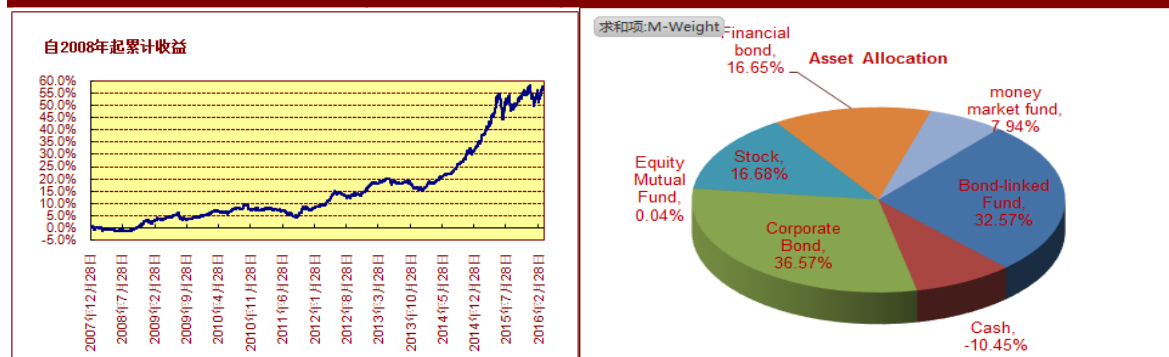
Fund Description

Fund Name	Stable	Investment Objective Achieving the best match of stable investment return and good assets liquidity with a low risk level in the medium-long run.
Launch Date	2004.9.30	
Currency	RMB	Investment Scope The investments focus on fixed income products and money market funds. A small percentage may be invested in equity exposed instruments as mutual funds. Other CIRC approved instruments investment is allowed.
Management Fee	1.25% per year	
Latest Price(03/31/2016)		Target Clients This is a conservative account, suitable for clients with a low risk bearing ability and stable investment return needs.
Price	2.0874	

Performance

	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	4.47%	0.03%	11.82%	0.03%	108.74%
Shanghai T-bond Index	0.58%	1.35%	5.85%	1.35%	
Shanghai & Shenzhen 300 Index	11.84%	-13.75%	-20.56%	-13.75%	

Performance Chart and Allocation



Market & Portfolio Comments

Portfolio review and outlook:

Review: Since we have been cautious on bond market performance after Spring Festival, the fixed income position was intentionally kept low, with 85-90%. And we continued to invest in some of the corporate bonds with short-term duration and possibly mis-priced feature, for alpha return.

Outlook: In April, with the economic data in 2016Q1 successively released, the earlier expectation of economic growth and inflation rate has been confirmed, which continues to provide a higher market sentiment on risky assets. Meanwhile, the annual reports on individual enterprises have been published, with a worsened fundamentals on cyclical industries, which indicates higher credit risk exposure. Hence, the continuously worsened corporate fundamentals and short-term market sentiment are likely to hit both the interest rate bond and credit bond in this month. We choose to keep low fixed income exposure and shorten the duration, while closely monitoring the trading opportunity on interest rate bond.

Feb 2016