

Unit Link Products Monthly Report

2016-09

Category

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



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1. Macroeconomic

The US unemployment rate increased to 5% in September, initial unemployment data decreased and non-farm payrolls employment increased. From the perspective of market sentiment, ISM PMIs rise up, consumer confidence index of University of Michigan also increased last month. The CPI was 1.5% year to year last month. In terms of Eurozone, the CPI was 0.4 % year to year, core CPI was 0.4% year to year.

In terms of domestic, according to the recent changes of high-frequency data, we believe that the short term real estate purchase limit and purchase credit policy is gradually infiltration, the developer's desire to take land has been decreased. As an important part of economic growth, real estate's impact on the middle and upper manufacturing industry should be observed. In the macroeconomic level, there is continued downward pressure on economic, the short-term monetary policy may maintain a neutral attitude.

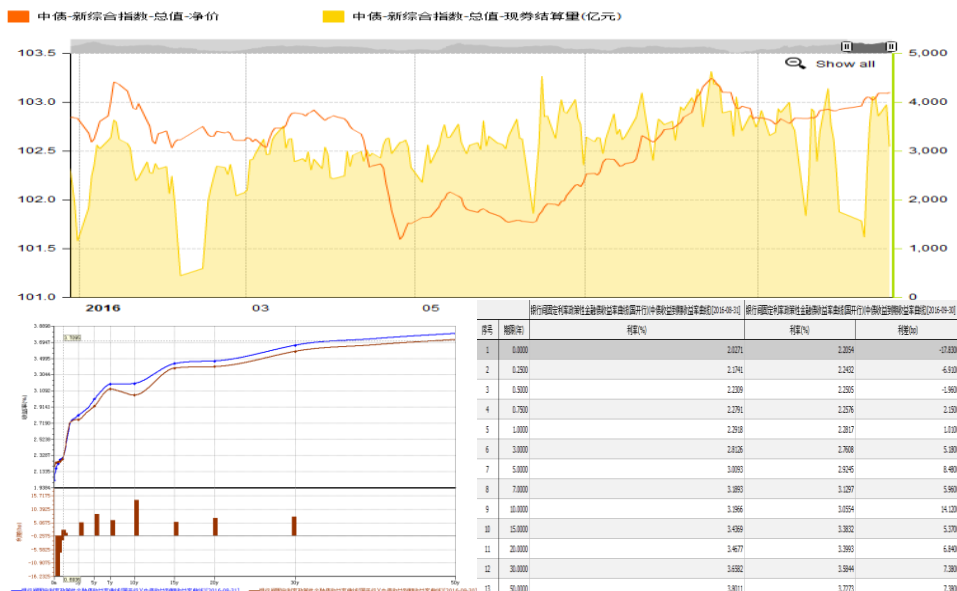
2. Stock Market

In September of 2016, SME and GEMs were rose modestly. By the end of the month, Shanghai Composite Index rise -2.62%. Shenzhen Composite fall -2.24% and Small stocks fall by -1.77%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	-2.62	279583	3140900	12.06
HS300	-2.24	144093	1660163	6.84
SZ stocks	-1.77	336360	5060173	66.06
Small stocks	-2.55	25387	441936	26.57



3.Fixed-income market



Bond issuance decreased YOY in Sept. 2016

In Sept., 873 new bonds were issued, decreasing by 9.4% YOY with a total amount of 1626.25bln. Among which the central clearing and settlement company issued 252 new bonds, with a total amount of 900.823bln, accounting for 55.39% of the total; the ShangHai clearing and settlement company issued 366 new bonds, with a total amount of 434.97bln, accounting for 26.75% of the total; the Stock Exchange issued 255 new bonds this month, with a total amount of 290.457bln and accounting for 17.86% of the total.

Money market rate went up in Sept. 2016

Generally, money market rate went up in Sept. The 1D repo was closed at 2.21%, increased by 13BP compared with last month, daily volume was 1687.755bln, decreased 13.14% MOM; The 7D repo was closed at 2.52%, increased by 1BP compared with last month, daily volume was 253.825bln, increased 29.86% MOM.

Bond trading increased YOY in Sept. 2016

In Sept., the trading volume of the bond and repo in 21 trading days was 84.98 trillion, increased 41.66% YOY. The volume in the central clearing and settlement company was 49.58 trillion, increased 18% YOY, accounting for 58.35% of the total. The volume in Shanghai clearing and settlement company was 13.21 trillion, increased 95.86% YOY, accounting for 15.54% of the total; The volume in the Exchange was 22.19 trillion, increased 97.68% YOY, accounting for 26.11% of the total.

There were 177,663 trading (excluding counter) in Sept., increased 42.1% YOY. Average daily trading volume was 2361.134bln and increased 18% YOY. There were average 8460 trading in Sept. each day, increased by 42.1% YOY.



4. Mutual Fund Market

Close-ended funds:

In September, close-ended funds changed -2.75% on average. From the beginning of this year, close-ended funds changed -14.46% on average.

Open-ended funds:

In September, hybrid funds, equity funds, index funds changed by -0.47%、-1.73%、-2.14% respectively. From the beginning of 2016, hybrid funds, equity funds, index funds changed -3.85%、-9.66%、-11.07%,respectively.

Bond funds:

In September, bond funds changed 0.32% on average. From the beginning of 2016, the figure is 1.88%.

Generali China - Unit Linked Growth



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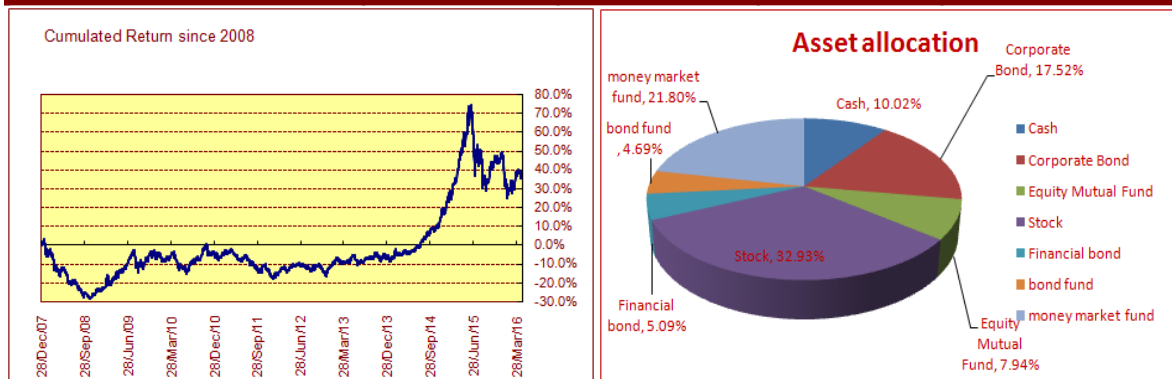
Fund Description

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 (09/30/2016)		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	2.9119	

Performance

	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	-0.86%	0.87%	4.32%	-4.83%	191.19%
Shanghai T-bond Index	0.32%	1.31%	5.35%	-95.72%	
Shanghai & Shenzhen 300 Index	-2.24%	3.15%	1.57%	-12.80%	

Performance Chart and Allocation



Market & Portfolio Comments

Portfolio review and outlook:

In September, after G20 meeting, major economies around the world began to slow down the pace of monetary policy easing. Market liquidity is expected to tighten. We will maintain low position and focus on structural opportunities.

For fixed income, we maintained neutral position.

Generali China - Unit Linked Stable



Fund Description

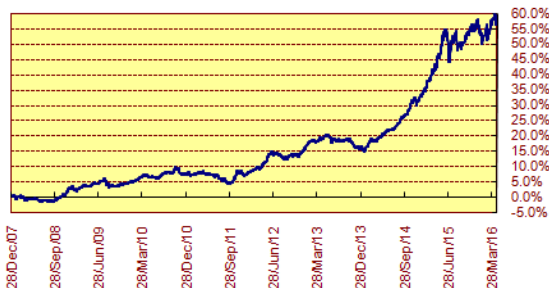
Fund Name	Stable	Investment Objective Achieving the best match of stable investment return and good assets liquidity with a low risk level in the medium-long run.
Launch Date	2004.9.30	
Currency	RMB	Investment Scope The investments focus on fixed income products and money market funds. A small percentage 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(09/30/2016)		Target Clients This is a conservative account, suitable for clients with a low risk bearing ability and stable investment return needs.
Price	2.1441	

Performance

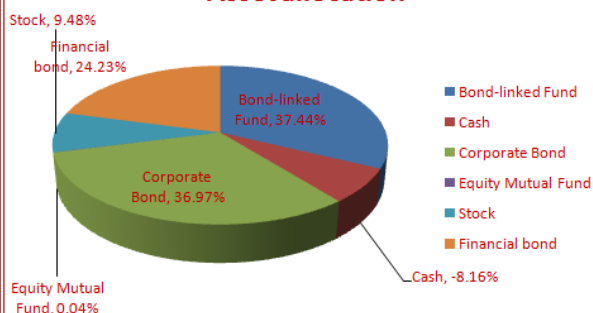
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.16%	2.63%	8.09%	2.75%	114.41%
Shanghai T-bond Index	0.32%	1.31%	5.35%	-95.72%	
Shanghai & Shenzhen 300 Index	-2.24%	3.15%	1.57%	-12.80%	

Performance Chart and Allocation

Cumulated Return since 2008



Asset allocation



Market & Portfolio Comments

Overview:

In September, the overseas market environment was affected by several uncertainties, including possible interest rate hike in the rest of 2016, the result of US presidential election, and the potential sentimental impact on Euro-zone economy made by Deutsche Bank, etc. Meanwhile, domestically, we had a market expectation of possible short-term economic stabilization with seasonal real estate rebound and continual push-forward on infrastructural investment. Based on the factors listed above, we believed the bond market may not outperform during the month, but with a declining trend on bond yield. Also, the inter-bank liquidity status could bother the short-end bond yield by the end of 3rd quarter. Therefore, we kept the position unchanged and put more effort on market observation.

Outlook:

In Q4, it is expected that some of the overseas uncertainties will come up with conclusions. Based on the market expectation, Fed interest rate hike may happen in December, and the black swan event on US presidential election still has a chance to hit the market. In the meantime, the concerns on European banking sector may rise up, which will transit to a relatively long-term problem. These factors may give RMB depreciation pressure and constrain the risk preference. In domestic economy, along with our expectation on slightly declining economic growth rate, decisive policy direction on supply-side reform, and affiliated role played by Central Bank, the bond yield may keep on current trend with possibly no significant decrease. Hence, strategically, we intend to shorten credit bond duration and maintain a long duration exposure on interest rate bond, while keeping the leverage in a relatively low position and waiting for swing trade opportunities with liquidity on hands.