

# Unit Link Products Monthly Report

2018-01

## Category

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



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GENERALI CHINA



## 1. Macroeconomic

Overseas economy: US January inflation exceeded expectations, Powell delivers first speech. US January nominal CPI rose 0.5% MoM, and was up 2.1% YoY; January core CPI rose 0.3% MoM, and was up 1.8% YoY, the gains of nominal CPI and core CPI were both higher than expected, strengthening worries about the upward trend of inflation, and igniting worries the Fed may raise interest rates at a faster pace. Last Tuesday (February 13th), Fed Chairman Powell made his first public speech at the inauguration ceremony, affirming the gradual rate hike and contraction policy path in the "post Yellen era" and said the Federal Reserve will remain vigilant of any risks of financial stability. US new housing starts showed a significant recovery in January with construction permits rising to its highest level since 2007. It is expected to continue the strong housing construction since last year.

Domestic economy : In Jan 2018 , the macro-economy indicators still performed well. CPI and PPI growth rate decline a little, but which is better than expectations. Finance data performed much better than expectation. Loan growth rate rebounded strongly, and the monthly new loan was much higher than expectation (reach the historical high level). TSF(Total Social Financing) growth rate is still decline moderately, due to the trust financing channel tighten policies. Base on high frequency data of economy, the Chinese economy growth is still stable, and benefit from global economy recovery process the export demand is expecting to be strong in Q1. In a word, in short -term period, the economy will continue the recovery process which began since last Q1. The monetary policy will be neutral. We don't expect very strong fiscal policy in next 3 months. The financial system deleverage process will be continued and the government will put more effort on national owned corporation deleveraging process.

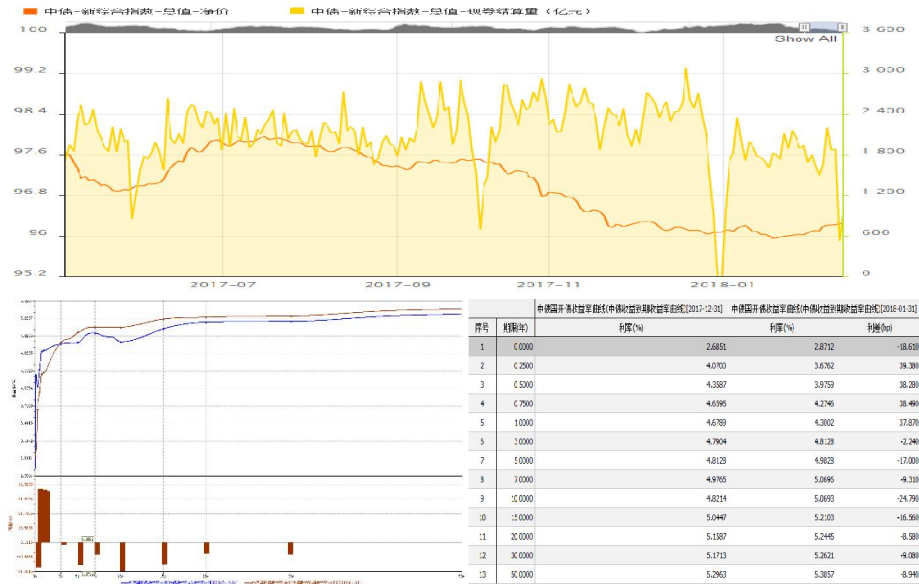
## 2. Stock Market

In January of 2018, stocks market performance is strong. By the end of the month, Shanghai Composite Index change 5.25%. Shenzhen Composite change 1.08% and Small stocks change by -2.22%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	5.25	479,777.12	5,772,056.28	12.00
SZ stocks	1.08	416,807.67	5,663,653.58	67.56
HS300	6.08	365,182.27	4,793,170.56	16.73
Small stocks	-2.22	159,224.36	2,269,995.56	36.95



### 3.Fixed-income market



#### Bond issuance increased YOY in Jan. 2018

In Jan., 565 new bonds were issued, increasing by 48.04% YOY with a total amount of 1084.157bln. Among which the central clearing and settlement company issued 92 new bonds, with a total amount of 584.327bln, accounting for 53.89% of the total; the ShangHai clearing and settlement company issued 318 new bonds, with a total amount of 336.494bln, accounting for 31.04% of the total; the Stock Exchange issued 155 new bonds this month, with a total amount of 163.336bln and accounting for 15.07% of the total.

#### Money market rate went down in Jan. 2018

Generally, money market rate went down in Jan.. The 1D repo was closed at 2.75%, increased by 1BP compared with last month, daily volume was 1798.25bln, increased 6.25% MoM; The 7D repo was closed at 3.31%, decreased by 48BP compared with last month, daily volume was 267.092bln, increased 1.23% MoM.

#### Bond trading increased YOY in Jan. 2018

In Jan., the trading volume of the bond and repo in 22 trading days was 95.01 trillion, increased 56.54% YoY. The volume in the central clearing and settlement company was 54.24 trillion, increased 62.11% YoY, accounting for 57.09% of the total. The volume in Shanghai clearing and settlement company was 18.86trillion, increased 106.33% YoY, accounting for 19.85% of the total; The volume in the Exchange was 21.90 trillion, increased 21.06% YoY, accounting for 23.06% of the total. There were 182,671 trading (excluding counter) in Jan., increased 25.27% YoY. There were average 8308 trading in Jan. each day, increased by 22.14% YoY.

Des 2017

Apr 2016



#### **4. Mutual Fund Market**

Close-ended funds:

In January, close-ended funds changed 1.78% on average. From the beginning of this year, close-ended funds changed 1.78% on average.

Open-ended funds:

In January, hybrid funds, equity funds, index funds changed by 1.81%、2.22%、2.43%; respectively. From the beginning of 2018, hybrid funds, equity funds, index funds changed 1.81%、2.22%、2.43%; , respectively.

Bond funds:

In January, bond funds changed 0.67% on average. From the beginning of 2018, the figure is 0.67%.

# Generali China – Unit Linked Growth



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## Fund Description

Fund Name	Growth	<b>Investment Objective</b> 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	<b>Investment Scope</b> 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.
Management Fee	1.5% per year	
<b>Latest Price (1/31/2018)</b>		<b>Target Clients</b> This account is a medium aggressive account. This fund may be quite volatile and it is only suitable for long-term investors.
Price	3.0668	

## Performance

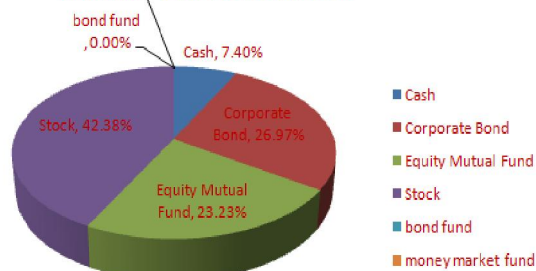
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.09%	-2.07%	6.08%	0.09%	206.68%
Shanghai T-bond Index	0.26%	0.29%	0.98%	4.35%	
Shanghai & Shenzhen 300	6.08%	6.72%	26.21%	14.60%	

## Performance Chart and Allocation

Cumulated Return since 2008



Asset allocation



## Market & Portfolio Comments

### Portfolio review and outlook:

Although the economy was steady at the moment, the pressures of going down will appear soon. We are not pessimistic at the moment and focusing on fundamental stocks.

For fixed income, we maintained neutral position.

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# Generali China – Unit Linked Stable



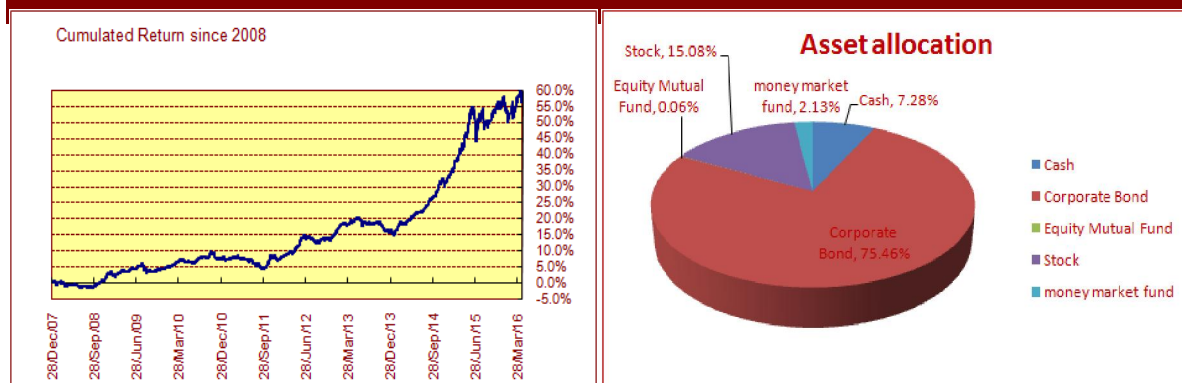
## Fund Description

<b>Fund Name</b>	Stable	<b>Investment Objective</b>
<b>Launch Date</b>	2004.9.30	Achieving the best match of stable investment return and good assets liquidity with a low risk level in the medium-long run.
<b>Currency</b>	RMB	<b>Investment Scope</b>
<b>Management Fee</b>	1.25% per year	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.
<b>Latest Price (1/31/2018)</b>		<b>Target Clients</b>
<b>Price</b>	2.1407	This is a conservative account, suitable for clients with a low risk bearing ability and stable investment return needs.

## Performance

	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.25%	0.09%	1.72%	0.25%	114.07%
Shanghai T-bond Index	0.26%	0.29%	0.98%	4.35%	
Shanghai & Shenzhen 300 Index	6.08%	6.72%	26.21%	14.60%	

## Performance Chart and Allocation



## Market & Portfolio Comments

**Overview:** In January, the overseas and domestic economic condition started to collide with each other. On the one hand, the rising oil price indicated a lifted inflation expectation worldwide, and Fed interest rate hikes during the year reinforced the market sentiment. On the other hand, a series of economic data from developed economies present a prosperous economic situation, so did China, who had over-expected total financing and well-structured PMI data. These factors drove up the risky asset prices globally, and at the same time, dragged down the risk-averse asset prices. Until the beginning of February, we experienced a stock market turmoil led by global investors. Based on the market performance, we sustained our short-term duration strategy on bond investment, and kept cautious on long-term interest rate bond trading.

**Outlook:** In February, the Spring-Festival effect is upcoming. It is reasonable to believe that market sentiment will be mitigated after the turmoil. However, before the supervision policy is brought up, the market may still be driven by the logic of global economic recovery, which means the risky assets will be favored more. Therefore, we may maintain the allocation and duration strategy we had in last month. The key time for a possible asset allocation adjustment may come up in early March.