

Unit Link Products Monthly Report

2018-02

Category

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



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1. Macroeconomic

Overseas economy: In February, the US saw its inflation remain moderate. Trump ousted Tillerson from the position of the Secretary of State. The US' core CPI in February rose 1.8% YoY and 0.2% MoM, and is steadily moving towards the Fed's policy goals, but there is no acceleration in the pace. On last Tuesday, Trump ousted Tillerson from the position of the Secretary of State. During the 417 days after Trump took office, the White House had seen the leaving of 24 officials, including the national security adviser, the White House chief of staff, the chief strategist and the chief economic adviser. In February, the retail sales in the US fell 0.1% MoM, which was the third month of decline in a row, and was mainly due to less consumption in cars, gasoline and general merchandise. In March, the initial value of the consumer confidence index monitored by the University of Michigan stands at 102, a new high since January 2004.

Domestic economy: industrial rebound is in doubt. Industrial rebound is less likely to continue. The industrial growth for January-February rebounded to 7.2%, mainly driven by a small number of sectors such as power and steel. However, in the first half of March, the coal consumption for power generation has seen a sharp negative growth, and the steel inventory hit a new high in four years, pointing to a great likelihood of huge decline in industrial growth in March. For January-February, the investment growth rose slightly to 7.9%. To break down, the manufacturing investment growth fell slightly and was still in the doldrums, mainly dragged by the significant slowdown in the financing growth in the corporate sector; the infrastructure investment growth rebounded marginally but still stood at a low level, which was mainly due to the high base effect and the weakened proactive fiscal policies; The real estate investment growth picked up, but the sales showed a weak kickoff, and the housing starts and land acquisition growth both fell sharply, which will constrain the subsequent expansion in real estate investment. For January-February, although the growth of the retail sales of social consumer goods rebounded to 9.7%, the real growth hit a new low. Considering the high base effect and the falling prices, the subsequent consumption growth faces a risk of sharp decline. This also means that the crowding-out effect on consumption resulting from residents' heavy borrowing will emerge gradually.

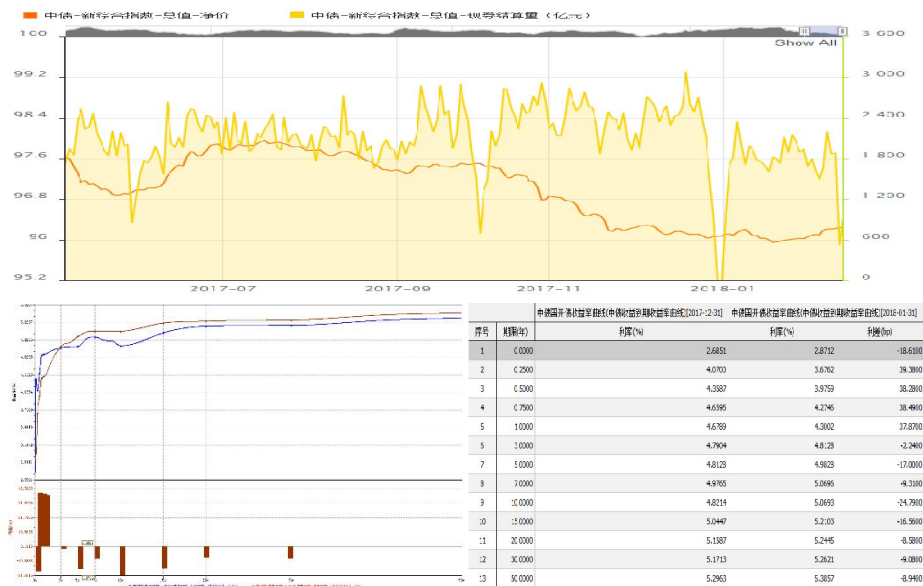
2. Stock Market

In February of 2018, stocks market performance is weak. By the end of the month, Shanghai Composite Index change -6.36%. Shenzhen Composite change -2.97% and Small stocks change by -2.02%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	-6.36	288,895.95	3,262,254.75	8.17
SZ stocks	-2.97	253,509.64	3,152,229.25	40.39
HS300	-5.90	215,933.46	2,789,688.72	9.95
Small stocks	-2.02	91,827.65	1,219,749.46	21.39



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.



4. Mutual Fund Market

Close-ended funds:

In February, close-ended funds changed -0.81% on average. From the beginning of this year, close-ended funds changed -0.34% on average.

Open-ended funds:

In February, hybrid funds, equity funds, index funds changed by -2.04%、-3.61%、-3.97%; respectively. From the beginning of 2018, hybrid funds, equity funds, index funds changed -0.39%、-1.64%、-1.86%, respectively.

Bond funds:

In February, bond funds changed 0.16% on average. From the beginning of 2017, the figure is 0.78%.

Generali China – Unit Linked Growth



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Fund Description

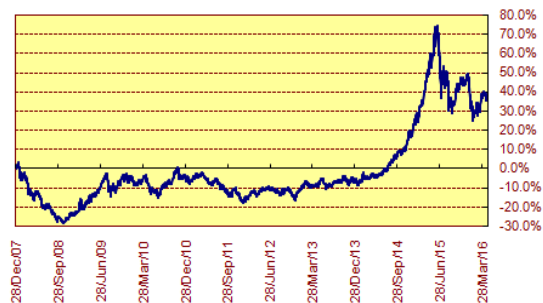
Fund Name	Growth	Investment Objective
Launch Date	2004.9.30	The objective is to maximize return in the medium-long run with a medium to high risk level.
Currency	RMB	Investment Scope
Management Fee	1.5% per year	This fund mainly invest in equities as open-end, close-end mutual fund, fixed income securities (government, financial and corporate bond and central bank notes, etc.) and other instruments approved by CIRC.
Latest Price (2/28/2018)		Target Clients
Price	3.0548	This account is a medium aggressive account. This fund may be quite volatile and it is only suitable for long-term investors.

Performance

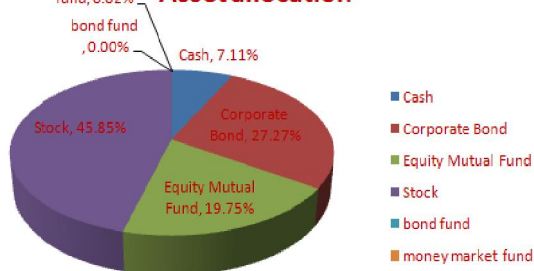
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	-0.39%	0.39%	3.39%	-0.30%	205.49%
Shanghai T-bond Index	0.48%	0.77%	1.27%	4.85%	
Shanghai & Shenzhen 300	-5.90%	0.44%	16.53%	7.84%	

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



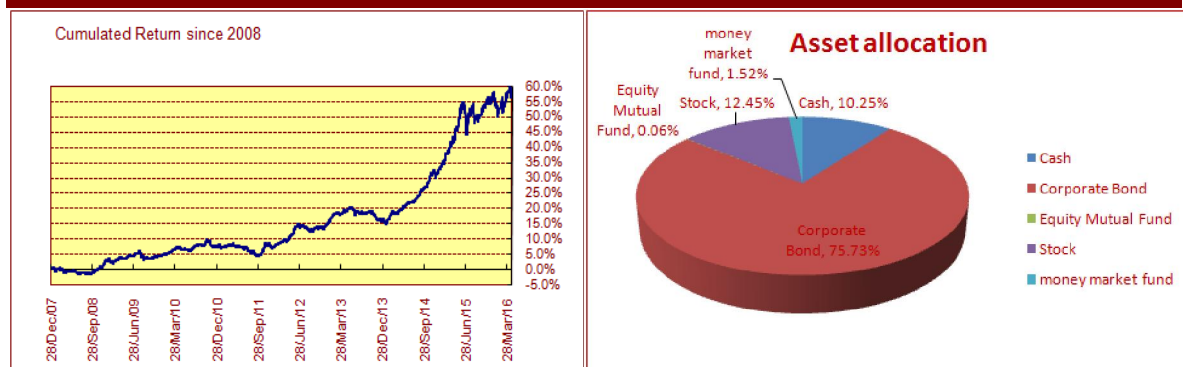
Fund Description

Fund Name	Stable	Investment Objective
Launch Date	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.
Currency	RMB	Investment Scope
Management Fee	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.
Latest Price (2/28/2018)		Target Clients
Price	2.1390	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	-0.08%	0.21%	1.03%	0.17%	113.90%
Shanghai T-bond Index	0.48%	0.77%	1.27%	4.85%	
Shanghai & Shenzhen 300 Index	-5.90%	0.44%	16.53%	7.84%	

Performance Chart and Allocation



Market & Portfolio Comments

Overview:

In February, the tightened liquidity environment led by global monetary policies was expected to make the overall asset price to change systematically. Meanwhile, the economic indicators performed well during the first two months, in which the overall growth rate including export, CPI, real-estate investment, etc. present an over-expected trend. From the policy perspective, the new regulation on asset management industry is still pending, with a series of articles released for final preparation. We believe that the capital market may continue to experience deleverage process and the bond market maintained cautious.

Outlook:

In March, the domestic economy enters into a manufacturing season, but the high-frequent released data showed otherwise. We discovered that the industrial sectors have begun to hoard inventory after the Spring Festival, but the down-stream demand is climbing up with a relatively slow pace. And this leads to a short-term mismatch between supply and demand, and results in a declining risk preference. We believe that this economic situation will be corrected soon by an eventually rising demand, which indicates a possibly bearish bond market by the end of the month. Therefore, we suggest to keep our credit bond holdings in a short duration strategy, and participate in interest rate bond trading if the opportunity shows up.