

# Unit Link Products Monthly Report

2018-03

## Category

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



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## 1. Macroeconomic

Overseas economy: European Central Bank expects that the economy is likely to top out. During the same week, Bloomberg reported that the ECB may postpone the decision of ending QE to July. Besides, The ECB governor Draghi said on last Friday that the economic growth in the Eurozone may top out, and adequate monetary stimulus is still necessary. Williams, who is about to become New York Fed's Chairman, said that the Fed needs to raise interest rates gradually on reasons of global and US economic growth, fiscal stimulus measures, strong labor market, better salary growth and stable inflation. The 10Y US treasury bond yield came close to 3% once again, which was due to the sell-off pressure of treasury bonds fueled by strong expectations of inflation amid the price rise of bulk commodities such as aluminum, copper and nickel etc since the Trump government has imposed a new round of economic sanctions on Russia.

Domestic economy: Consumer prices fell sharply. In March, the CPI dipped 1.1% MoM, and the YoY CPI growth slumped to 2.1%. Food and non-food prices all went down to normal levels as the effects of short-term factors such as the Spring Festival faded. The monetary and financing growth both declined. In March, the total amount of new social financing reached RMB1.33trn, down RMB786.3bn YoY. The social financing growth continued to slow down to 10.5%, mainly dragged by the persistently curbed off-balance-sheet non-standard financing under stronger financial regulation. In March, financial institutions' new loans reached RMB1.12trn, an increase of RMB93.4bn YoY. New residential short-term loans and mid- and -long-term loans had a decrease of nearly RMB240bn from the same period last year, pointing to a residential leverage decline and continued cooling in the property sector. New corporate mid- and long-term loans were RMB80bn less than the same period last year, which, coupled with slower non-standard financing growth, resulted in a continued sharp drop in the corporate financing growth.

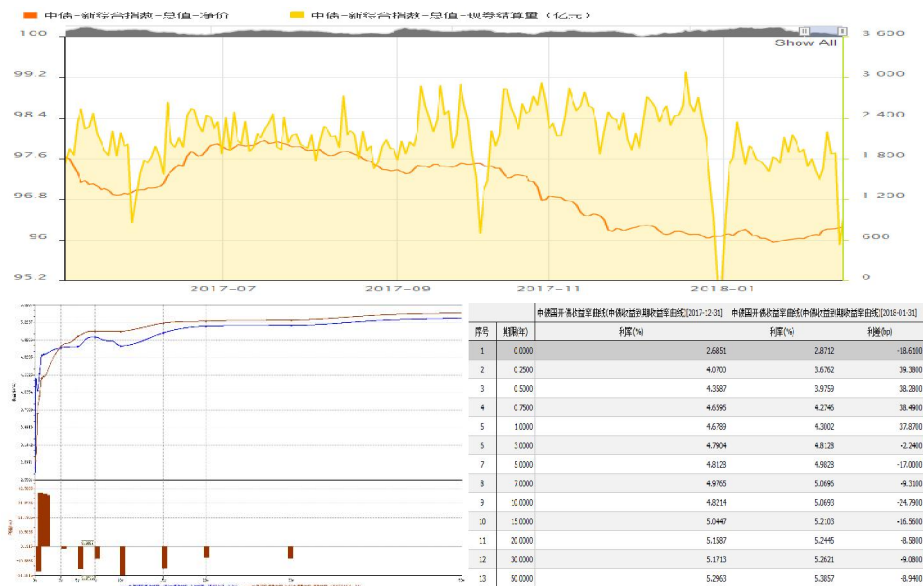
## 2. Stock Market

In March of 2018, stocks market performance is weak. By the end of the month, Shanghai Composite Index change -2.78%. Shenzhen Composite change 0.37% and Small stocks change by 0.88%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	-2. 78	370, 408. 41	4, 396, 936. 87	11. 00
SZ stocks	0. 37	439, 156. 42	5, 893, 918. 13	72. 56
HS300	-3. 11	234, 300. 33	3, 182, 586. 64	10. 84
Small stocks	0. 88	172, 158. 19	2, 404, 867. 59	40. 86



### 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 March, close-ended funds changed -0.31% on average. From the beginning of this year, close-ended funds changed -0.78% on average.

Open-ended funds:

In March, hybrid funds, equity funds, index funds changed by -0.24%、-0.24%、0.11%; respectively. From the beginning of 2018, hybrid funds, equity funds, index funds changed -0.66%、-1.87%、-1.39%, respectively.

Bond funds:

In March, bond funds changed 0.31% on average. From the beginning of 2018, the figure is 1.09%.

# Generali China – Unit Linked Growth



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## Fund Description

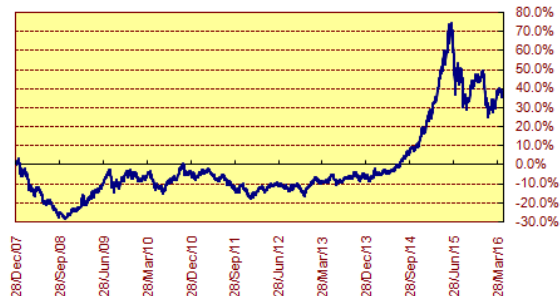
Fund Name	Growth	<b>Investment Objective</b> The objective is to maximize return in the medium-long run with a medium to high risk level.
Launch Date	2004.9.30	
Currency	RMB	<b>Investment Scope</b> This fund mainly invest in equities as open-end, close-end mutual fund, fixed income securities (government, financial and corporate bond and central bank notes, etc.) and other instruments approved by CIRC.
Management Fee	1.5% per year	
<b>Latest Price (3/30/2018)</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	3.0576	

## Performance

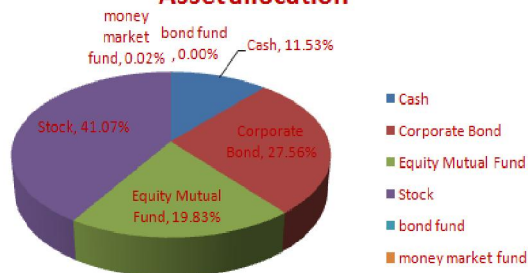
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.09%	-0.21%	3.62%	-0.21%	205.76%
Shanghai T-bond Index	0.57%	1.31%	1.74%	5.45%	
Shanghai & Shenzhen 300	-3.11%	-3.28%	12.80%	4.49%	

## 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.

Mar2018

# Generali China – Unit Linked Stable



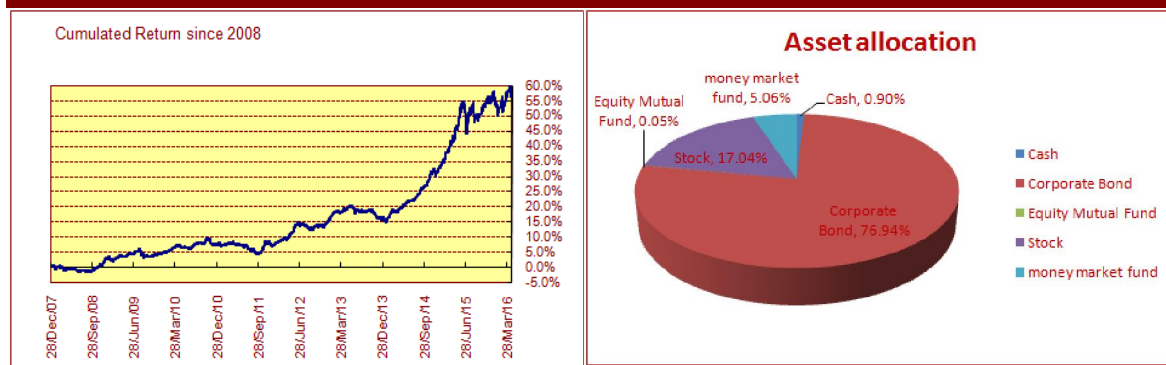
## Fund Description

<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 (3/30/2018)</b>		<b>Target Clients</b>
<b>Price</b>	2.1352	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	-0.18%	0.00%	0.88%	0.00%	113.51%
Shanghai T-bond Index	0.57%	1.31%	1.74%	5.45%	
Shanghai & Shenzhen 300 Index	-3.11%	-3.28%	12.80%	4.49%	

## Performance Chart and Allocation



## Market & Portfolio Comments

Overview:

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In March, Sino-US trade war was initiated by Trump Government, along with uncertainty on Middle-East geopolitical situation. The overseas economic environment was surrounded by risk-averse sentiment. Meanwhile, the manufacturing season was unexpectedly slowed down by industrial behavior, affected by negative growth of net export and unhealthy structural data in real-estate sector. Based on the economic development home and abroad, the bond market was boosted by all the optimistic factors. And we actively adjusted our long-term interest rate bond holdings and increased short-term high-rated credit bonds positions, for allocation purposes.

Outlook:

In April, the trade war is expected to be a longer factor to hinder the capital market, but possibly with a marginally declining effect. Domestically, the manufacturing sector begins to lift up production effectiveness based on industrial behaviors, which pushes up commodity prices and implies a recovering down-stream aggregate demand. In the meantime, Central Bank reassures the monetary policy to be stabilized by the way of RRR--MLF replacement. According to all the changes by our observation, the declining trend of interest rate will be sustained, but we need to be cautious about fluctuations in the short run. The investment opportunities on interest rate bonds still exist.

Mar 2018