

Unit Link Products Monthly Report

2018-07

Category

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



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1. Macroeconomic

Overseas economy: U.S. Treasury Secretary Mnuchin said that additional U.S. sanctions are ready if Turkey refuses to release the detained American pastor. The Central Bank of the Argentine Republic raised the required reserve ratio of domestic large banks by 3%, which is the latest move by the bank to reduce short-term debts and curb high inflation.

Domestic economy : The domestic economy has slowed down significantly, CPI and PPI are diverging, social financing continued to decline, and fiscal revenue rebound. From the production perspective, the industrial growth rate in July was 6% as low as last month. From the demand perspective, the accumulated growth rate of fixed asset investment fell to 5.5%, and the growth rate YoY in July dropped to 3% at slowest pace since 2017. Among the three major categories of investment, the manufacturing sector saw a gradual pick-up, while the infrastructure sector saw a continued decline and real estate sector growth stayed high. In July, CPI rose 0.3% MoM, with YoY gained rising slightly to 2.1%. Since July, food prices continued to rise, which is the main reason for CPI growth. However, due to the economic downturn, PPI has a clear decline trend, CPI and PPI will continue to diverge in the short term. Newly added social financing in July was RMB1.04tn, down RMB1200bn YoY. Trust loans in July continued to increase, while off-balance-sheet financing continued to shrink sharply. In July, the fiscal revenue growth rate rebounded to 6.1%, of which the tax revenue growth rate rebounded to 11.4%, while the fiscal expenditure growth rate fell back to 3.3%. Although the fiscal expenditure in January-July completed 59.8% of the budget at the beginning of the year, the growth rate of fiscal revenue in January-July (10%) was significantly higher than that of last year (7.4%), while the growth rate of expenditure (7.3%) was less than last year (7.7%). Overall, fiscal policy is hard to say positive. The recent policy statement is that the positive fiscal policy should be more active and increase the strength of the infrastructure sector.

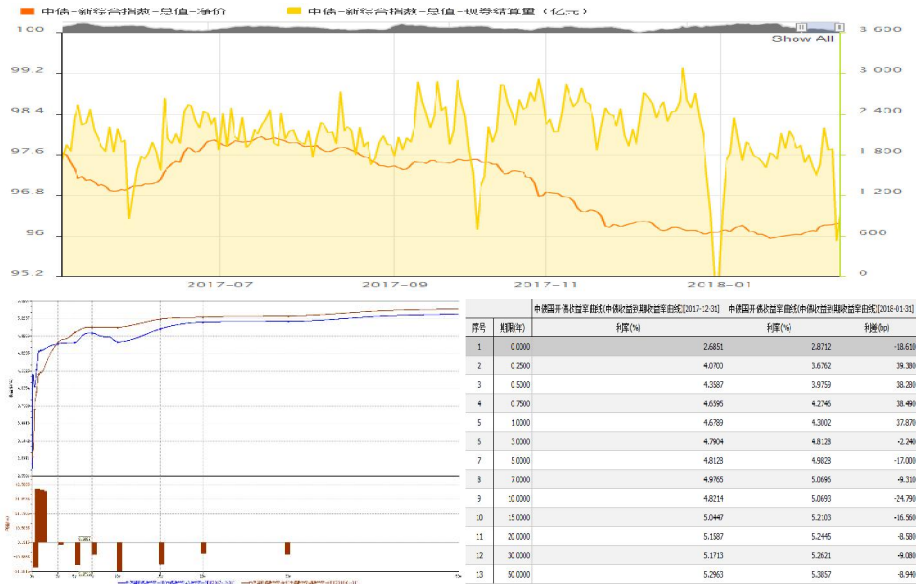
2. Stock Market

In July of 2018, stocks market fell slightly. By the end of the month, Shanghai Composite Index change 1.02%. Shenzhen Composite change -2.14% and Small stocks change by -1.40%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	1.02	304,909.51	3,259,242.88	36.00
SZ stocks	-2.14	403,062.72	4,491,197.01	69.73
HS300	0.19	186,056.54	2,309,083.07	8.72
Small stocks	-1.40	157,820.14	1,704,893.79	38.61



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 July, close-ended funds changed 0.70% on average. From the beginning of this year, close-ended funds changed -15.40% on average.

Open-ended funds:

In July, hybrid funds, equity funds, index funds changed by -0.22%、-0.16%、0.28%; respectively. From the beginning of 2018, hybrid funds, equity funds, index funds changed -4.77%、-10.30%、-11.23%, respectively.

Bond funds:

In July, bond funds changed 1.11% on average. From the beginning of 2018, the figure is 2.56%.

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	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.
Management Fee	1.5% per year	
Latest Price (7/31/2018)		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	2.9336	

Performance

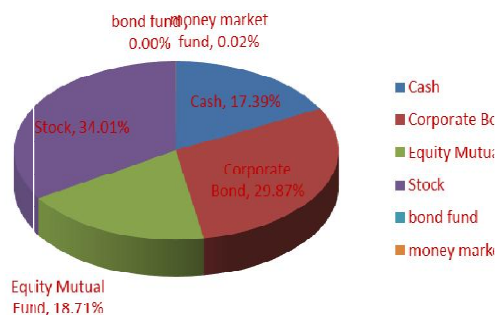
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	-0.48%	-2.05%	-3.79%	-4.26%	193.35%
Shanghai T-bond Index	0.59%	1.52%	3.77%	7.68%	
Shanghai & Shenzhen 300	0.19%	-6.37%	-5.89%	-5.72%	

Performance Chart and Allocation

Cumulated Return since 2008



Asset allocation



Market & Portfolio Comments

Portfolio review and outlook:

Since the trade war between China and American intensified, the stock market fell a lot. many good company are undervalued in stock market. 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 (7/31/2018)		Target Clients
Price	2.1165	This is a conservative account, suitable for clients with a low risk bearing ability and stable investment return needs.

Performance

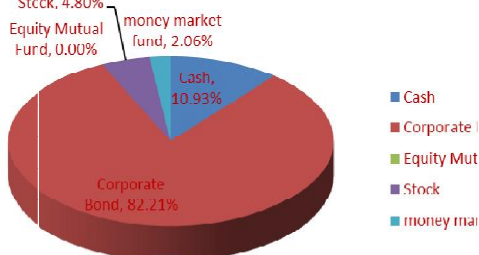
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.58%	0.19%	-1.00%	-0.88%	111.65%
Shanghai T-bond Index	0.59%	1.52%	3.77%	7.68%	
Shanghai & Shenzhen 300 Index	0.19%	-6.37%	-5.89%	-5.72%	

Performance Chart and Allocation

Cumulated Return since 2008



Asset allocation



Market & Portfolio Comments

Fixed income overview:

In July, bond market remained bullish during the month. The yield curve was downward steepened as the money market rate went down. With a large amount of liquidity offered by Central Bank, the financial institutions chose to invest in high-rated credit products and some of the infrastructure companies owned by local government on the secondary bond market, rather than directly plunge into real economy considering the credit default risk. Therefore, we observed a bullish market on credits as well. For our portfolio, 30% position on long-term interest rate bonds, and more than 50% of high-rated credit bonds managed to seize the Beta return during the month.

Fixed income outlook:

In next month, we believe that loosened monetary policy and credit instructions will be continued. Then it is probable that we may not see the short-term bond yield bounce dramatically, after it hits even lower than 3Mshibor rate. If we discover that the extra liquidity is successfully invested into the real economy, along with the potential inflation expectation from the manufacturing industries, the long-term interest rate bonds may experience a fluctuation. Therefore, based on our analysis, we may appropriately sell a certain amount of interest rate products in the coming future, and increase the credit bond allocation

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