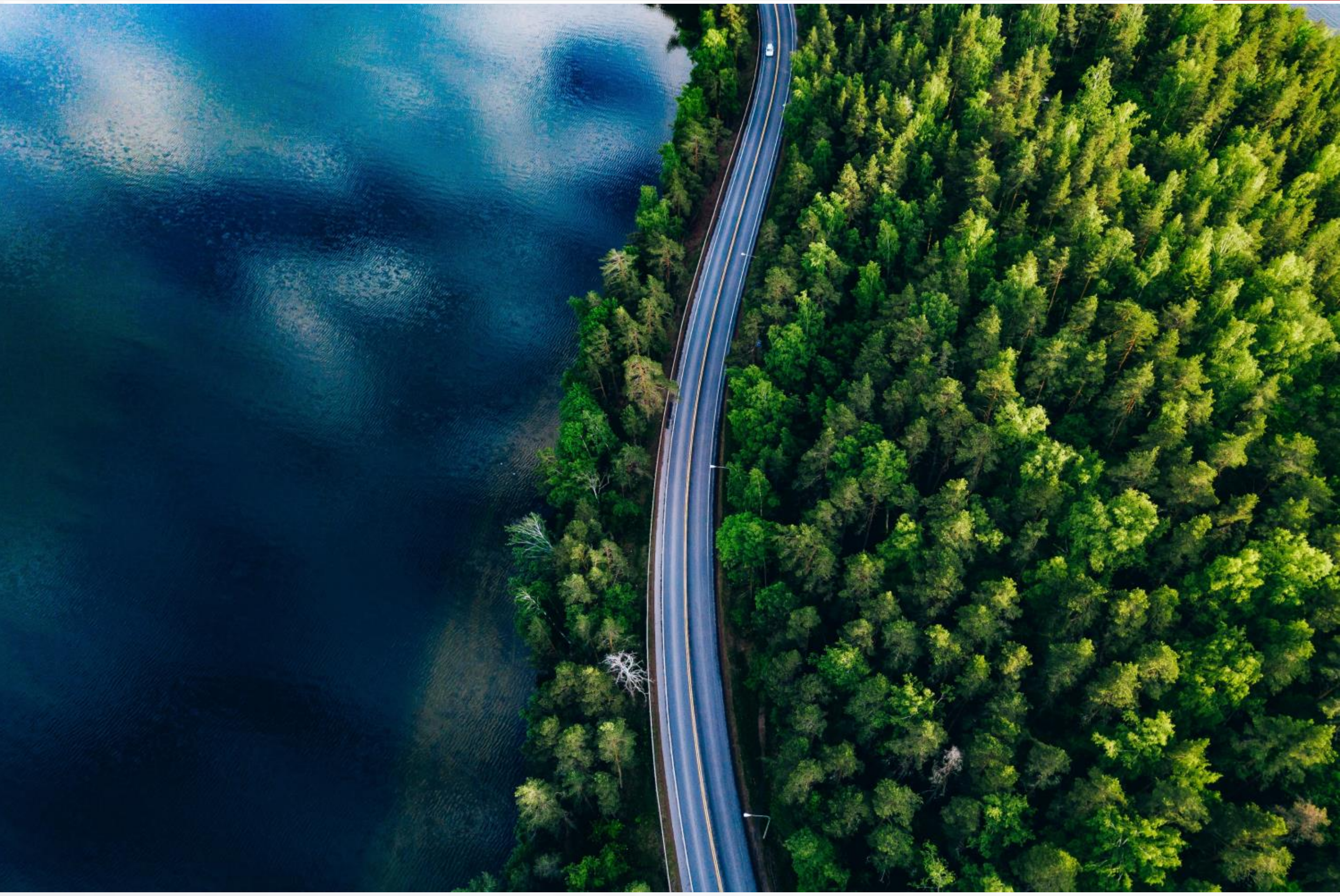


MARKET INSIGHTS

April 2024

Equity

The MSCI China Index rose 0.88% in March. China's consumer price index rose from -0.8% in January to +0.7% in February on a low base, with strong food price increases and an increase in service prices during the Spring Festival holiday marking the first time since October last year that the CPI The main driver of positive growth. During the two sessions, China announced a GDP growth target of approximately 5% and an inflation target of approximately 3% this year. In terms of fiscal policy, the central government decided to set the deficit ratio in 2024 at about 3%, with the corresponding deficit scale being 4.06 trillion yuan. In addition to this planned arrangement, there is also a proposal to issue 3.9 trillion yuan of special bonds to local governments. In terms of monetary policy, the scale of social financing and money supply are consistent with the goals of economic growth and expected price levels. The State Council released an action plan to promote the renewal of large equipment and replacement of consumer goods based on a document released on March 13. Looking ahead, we maintain a long-term positive view on China's stock market. The 3% deficit ratio target and the issuance of 1 trillion yuan of special government bonds are basically in line with market expectations. The overall tone of monetary policy continued the tone of the previous Central Economic Work Conference. People's Bank of China Governor Yi Gang also mentioned that there is still enough room for monetary policy, and it is possible to further reduce the deposit reserve ratio in the future. Equipment upgrade and replacement programs are expected to be important initiatives to drive consumption and investment.

Market Performance

MSCI China index rose by 0.88% in the month of March. China's CPI inflation rose to +0.7% yoy in February from -0.8% yoy in January, on both a sequential rise and a low base. Strong food price inflation, plus increased services prices given Lunar New Year holiday period, were the major drivers behind the first positive CPI numbers since last October. During the Two Sessions, it was announced that China's GDP growth target for this year is around 5%, and the inflation target is around 3%. In terms of fiscal policy, the central government has decided to target a deficit ratio of approximately 3% for the year 2024, corresponding to a deficit scale of 4.06 trillion yuan. In addition to this planned arrangement, there is also a proposal to allocate 3.9 trillion yuan of special bonds to local governments. In terms of monetary policy, the scale of social financing and the money supply are in line with the targets for economic growth and expected price levels. The State Council released an action plan to promote large-scale equipment renewals and trade-ins of consumer goods, according to a circular issued on March 13.

Greater China Indices	Mar Close	Monthly % Change	YTD %	52 Week Low	52 Week High
CSI 300	3537.48	0.61	3.10	3108.35	4169.67
MSCI China	54.82	0.88	-2.02	48.75	68.04
HSI	16541.42	0.18	-2.97	14794.16	20864.74
HSCEI	5810.79	2.34	0.73	4943.24	7092.24
Global Indices					
S&P 500	5254.35	3.10	10.16	4048.28	5264.85
Dow Jones Industrial Average	39807.37	2.08	5.62	32327.20	39889.05
Nasdaq Composite	16379.46	1.79	9.11	11798.77	16538.87
FTSE 100	7952.62	4.23	2.84	7215.76	8015.63
DAX 30	18492.49	4.61	10.39	14630.21	18567.16
Nikkei 225	40369.44	3.07	20.63	27456.25	41087.75

Data Source: unless otherwise specified, the data in this report extracted from Bloomberg and Wind, as of 29 March 2024. Data shown is for informational and reference purposes only, historical data does not represent future trend of development.

Economic Data

China's manufacturing PMI index rose to a stronger-than-expected 50.8 in Mar from 49.1 in Feb. Among major sub-indexes of NBS manufacturing PMI, the new orders sub-index improved to 53.0 from 49.0, the output sub-index increased to 52.2 from 49.8, and the employment sub-index inched up to 48.1 from 47.5. The non-manufacturing PMI rose to 53.0 in Mar from 51.4 in Feb, with activities in both the services and construction sectors accelerating in March. The services' PMI increased to 52.4 in Mar from 51.0 in Feb. According to the survey, the PMIs of transport service industries such as postal, telecommunication and satellite transmission services were above 60, while the PMIs of catering and real estate service industries were below 50 in March. The construction PMI rose to 56.2 in March from 53.5 in Feb. NBS noted that the construction progress of projects accelerated in March thanks to warmer weather and the intensive launching/resumption of construction projects post the LNY holiday.

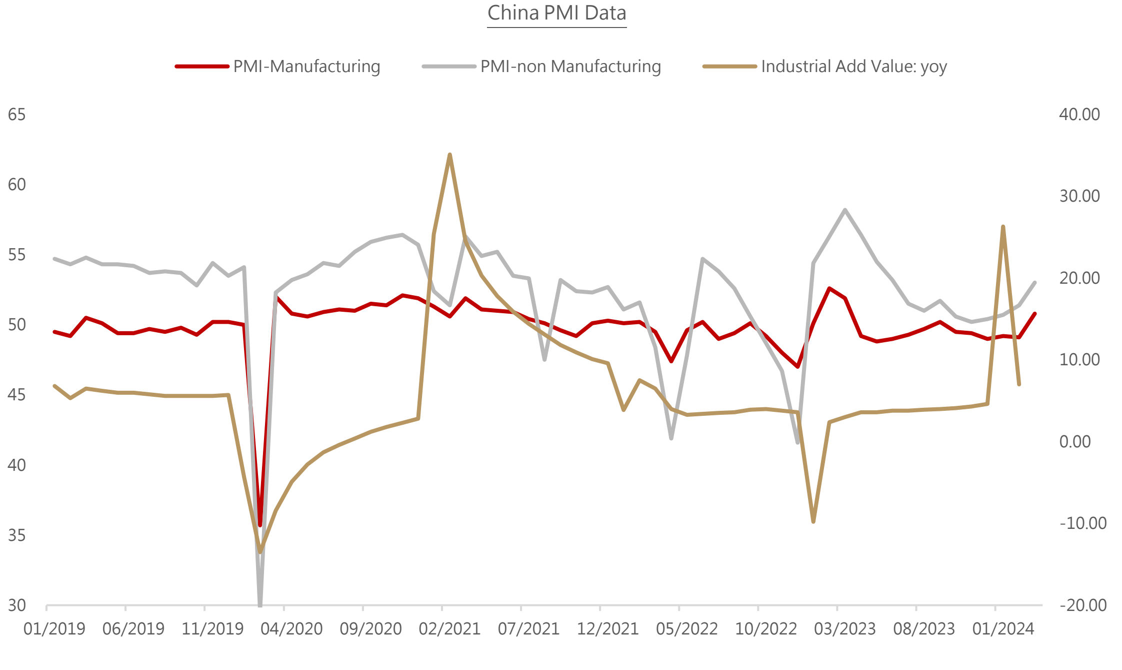
Outlook

Looking forward, we maintain our long-term positive view on the Chinese equity market. The target of the 3% deficit ratio, along with the issuance of 1 trillion yuan of special national bonds, is largely in line with market expectations. The overall tone of the monetary policy continues the tone set by the previous Central Economic Work Conference. People's Bank of China Governor Pan Gongsheng also mentioned that there is still sufficient room for monetary policy and that there is potential for further reserve requirement ratio cuts in the future. The equipment upgrade and trade-in plan is expected to Become an important measure to drive consumption and investment.

In terms of portfolio positioning, we will continue to seek a balance between value and growth. We continue to focus on the long-term policy beneficiaries (e.g. software localization and advanced manufacturing) and economic recovery-related opportunities (e.g. consumer, Internet, and financials). We will prudently pay attention to some thematic opportunities, including AI and SOE re-rating.

Risk

Sino-US relationship worsens than expectation. International geopolitics worsens than expectation; China's economy recovers less than expected.



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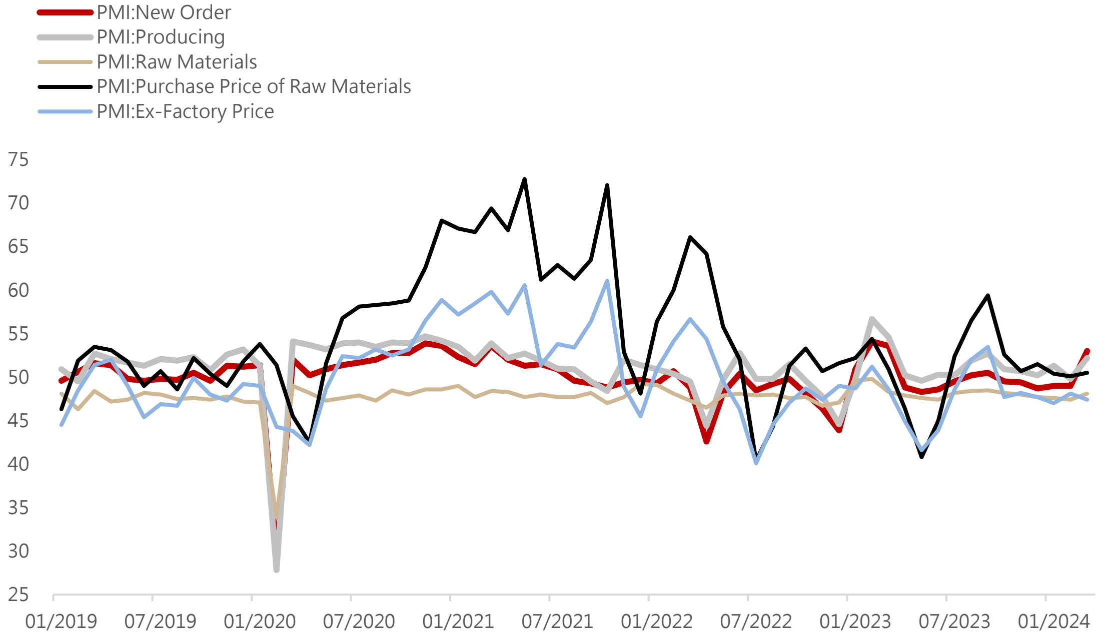
China PMI Data



China Economy Activities

The market was generally calm in March, and the decisions of many central bank meetings were basically in line with market expectations. The Federal Reserve's FOMC meeting was slightly dovish and raised economic forecasts and long-term neutral interest rates. However, it expressed a relatively optimistic stance on inflation and the dot plot remained at three times throughout the year. In terms of interest rate cut predictions, the market's pricing of the number of interest rate cuts throughout the year has fallen slightly, and U.S. bond interest rates have fluctuated within a narrow range throughout the month. U.S. economic data is still relatively tangled. In terms of employment, the unemployment rate is weaker than expected, while PMI, consumer confidence, durable goods orders and other data are basically in line with expectations and have not continued to weaken last month. In terms of inflation, CPI is higher than expected, and the trend of future economic data is still the core factor in determining the monetary policies of central banks. As for interest rates, we believe that the short term will still be dominated by shocks. The basic view is still to cut interest rates 3-4 times during the year. If the inflation data declines, the interest rate cut may come soon and drive interest rates back down. Otherwise, the trading range since the beginning of the year will continue. Seeing fluctuations, the overall outlook on interest rate duration is relatively optimistic.

Market Performance

The overall market in March remained relatively calm, with central bank decisions from various countries largely in line with market expectations. The FOMC meeting was slightly dovish stance by raising economic forecasts and long-term neutral interest rates. However, they maintained a relatively optimistic view on inflation and projected three interest rate cuts for the year in their dot plot. Market pricing for the total number of rate cuts in the year slightly decreased, resulting in narrow fluctuations in US Treasury yields throughout the month. The Bank of Japan ended negative interest rate policy, although the yen weakened. Overall market sentiment remained positive, with most major asset classes posting gains for the month. Commodities outperformed both stocks and bonds.

United States	Last Price %	1M chg bp	YTD chg bps	52W low%	52W high%
2Y	4.62	0	37	3.65	5.26
5Y	4.21	-3	37	3.20	4.99
7Y	4.21	-6	33	3.24	5.03
10Y	4.20	-5	32	3.29	5.02
30Y	4.34	-4	31	3.57	5.18

China	Last Price %	1M chg bp	YTD chg bps	52W low%	52W high%
3Y	2.07	-4	-23	2.01	2.53
5Y	2.20	-2	-19	2.15	2.69
7Y	2.34	-1	-20	2.26	2.82
10Y	2.31	-5	-26	2.26	2.86
30Y	2.47	0	-37	2.40	3.23

Japan	Last Price %	1M chg bp	YTD chg bps	52W low%	52W high%
2Y	0.19	1	14	-0.08	0.23
5Y	0.36	0	15	0.05	0.49
7Y	0.47	1	11	0.15	0.73
10Y	0.71	0	10	0.36	0.97
30Y	1.78	3	14	1.19	1.91

Germany	Last Price %	1M chg bp	YTD chg bps	52W low%	52W high%
2Y	2.85	-5	44	2.36	3.36
5Y	2.32	-11	37	1.86	2.93
7Y	2.27	-11	33	1.83	2.94
10Y	2.30	-11	27	1.89	3.03
30Y	2.46	-8	19	2.12	3.26

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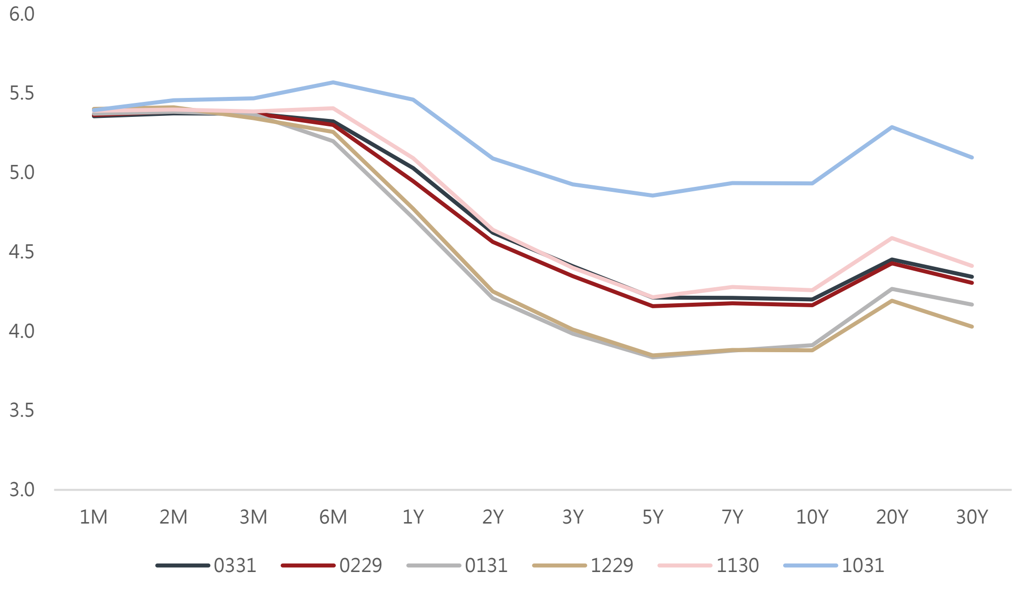
U.S. Treasury yield curve



10-year U.S. Treasury yield

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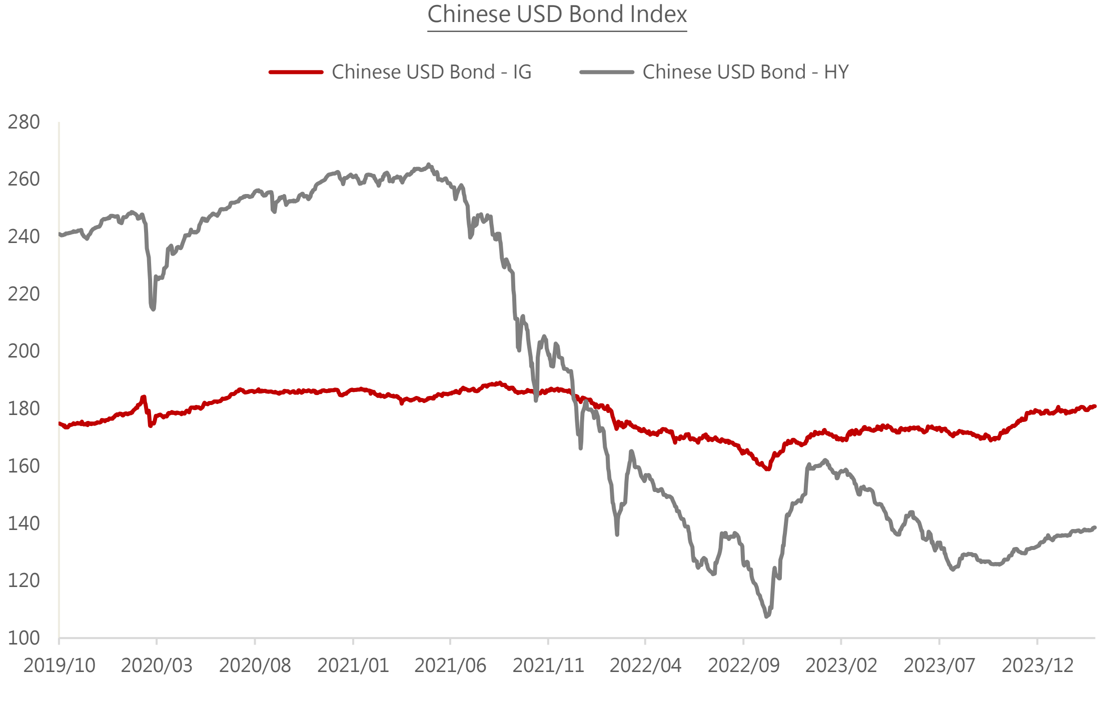
Fixed Income

Treasuries exhibited a generally volatile trend throughout the month, with Treasury yields moving upwards periodically, reflecting continued market speculation. In the credit market, primary supply remained robust, carrying forward the momentum seen since the beginning of the year. Credit spreads also continued tightening and resumed the conventional negative correlation with benchmark interest rates. Across industries, the global utilities sector performed relatively well, while financial subordinated bonds lagged behind. In the Chinese market, performance was strong throughout the month, as investment-grade credit spreads continued to compress, reaching new historical lows. Real estate bonds experienced high volatility, initially declining but later rebounding, driven by news and market sentiment.

CDX Index	Current Value	1M chg bp	YTD chg bps	52W low%	52W high%
IG CDX	51	(1)	(5)	48	85
HY CDX	330	(10)	(26)	309	533
EM CDX	169	3	17	159	264
Bond index					
ICE Asian Dollar Corporate	451	0.8%	1.3%	416	451
ICE China Issuers Dollar IG Corporate	212	0.8%	0.9%	198	212
ICE China Issuers Dollar HY Corporate	163	0.5%	6.4%	143	194
ICE US Corporate	3236	1.2%	-0.1%	2929	3259
ICE US High Yield	1614	1.2%	1.5%	1448	1614
ICE Emerging Markets Corporate	439	1.1%	1.3%	401	439
Bloomberg Global-Aggregate	462	0.6%	-2.1%	429	473
Bloomberg Global-Aggregate 1-3 Year	172	0.1%	-1.3%	166	175



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Economic Data

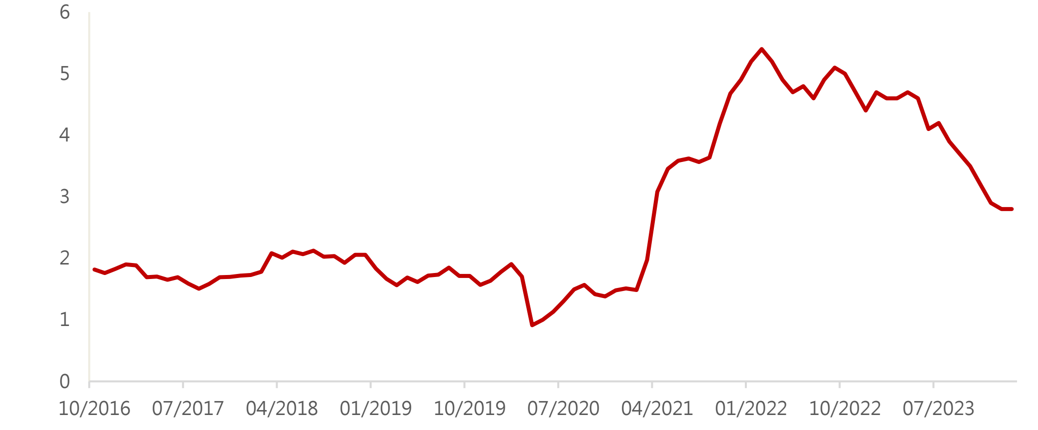
The US economic data remains mixed. In terms of employment, the unemployment rate was weaker than expected, and the previous month's job additions were revised downward. However, data such as PMI, consumer sentiment, and durable goods were generally in line with expectations and did not continue the weakening trend seen in the previous month. Inflation-wise, the CPI exceeded expectations, driven by a rebound in commodity and energy prices, while PCE measure performed better than market expectations. In contrast, Europe and Japan experienced a larger-than-expected slowdown in inflation, with economic data falling short of expectations. The future trajectory of economic data remains a key factor determining the monetary policy of central banks worldwide.

Outlook

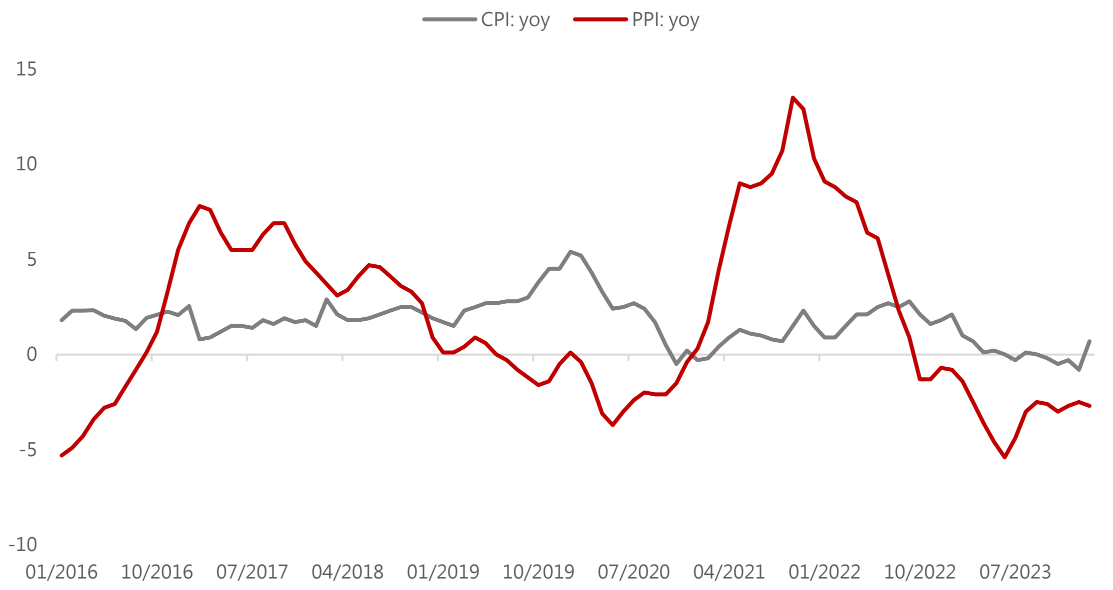
Expectations of rate cuts continue to be the key driver of major asset classes. Against this backdrop, stocks have shown strong performance, bond volatility has decreased, and gold has risen in response to declining real interest rates. If the US economy achieves a soft landing as expected by the market, and the Federal Reserve begins cutting rates in the second half of the year as planned, it is anticipated that market sentiment will remain stable, and risk assets will continue to fluctuate at relatively high valuations. Regarding the US economy, our view is that consumer data may gradually weaken, but investment-related data may exhibit resilience as the restocking process restarts. We expect employment data and core inflation to continue a slow decline, while the Fed maintains a wait-and-see approach to guiding market expectations. The main sources of uncertainty for the US are likely to come from domestic and international political risks. In other countries, Europe and Japan face greater fiscal pressures, which may lead to monetary policies that lean more dovish than market expectations. Emerging markets, on the other hand, are supported by gradually easing liquidity conditions.

Regarding interest rates, the short term will likely continue to be characterized by volatility. Our basic view remains that there will be 3-4 interest rate cuts within the year. If inflation data trend lower, rate cuts may come quickly, leading to a decline in interest rates. Otherwise, rates will continue to fluctuate within the trading range observed since the beginning of the year. Overall, we maintain a relatively optimistic stance on interest rate duration. In terms of credit, credit spread valuations in most sectors have become too expensive, even surpassing corresponding equity assets. Therefore, our main focus is on selectively allocating to securities with strong technical support that can resist downside pressure, while seeking opportunities in emerging market countries and industries with value disparities to achieve excess returns. We will continue to optimize our positions based on the risk preferences of different portfolios, adopting a relatively balanced approach to allocation. Moreover, by capturing trading opportunities amid market volatility, we aim to further enhance risk-adjusted returns for our portfolios.

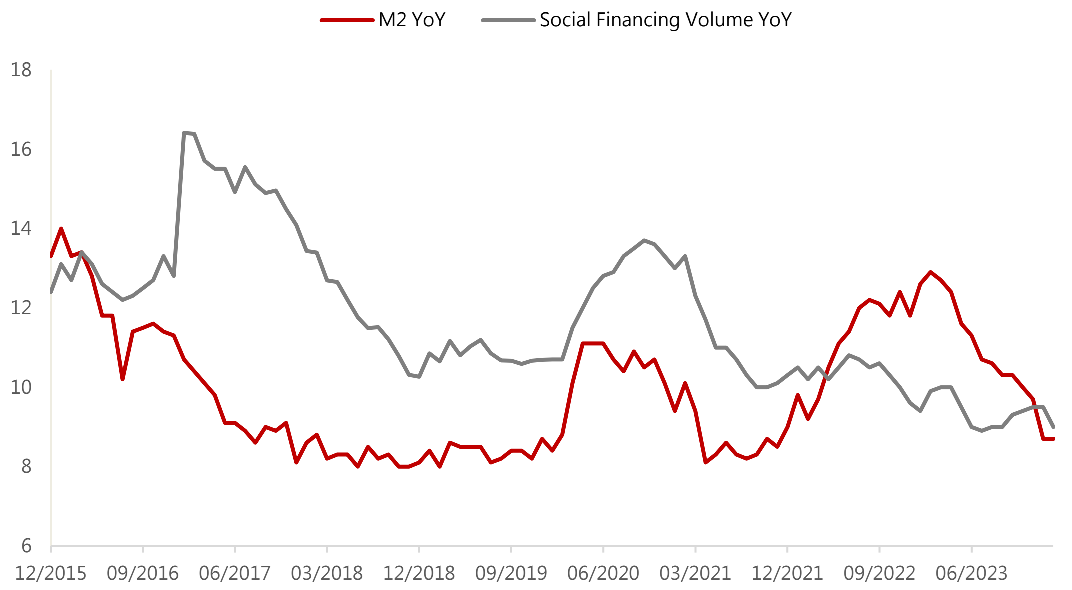
US PCE



China Inflation Indicators



China Monetary Volume Indicators



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