

# Guotai Junan Greater China Growth Fund

Eligible Collective Investment Scheme under "Capital Investment Entrant Scheme"

Monthly Report - 31 Aug 2023



## Important Information

The Fund may invest in listed companies that derive a significant portion of their revenues from goods produced or sold, investments made or services performed in the Greater China region, which includes the People's Republic of China, the Hong Kong & Macau Special Administrative Regions and Taiwan.

The Fund may invest in the Greater China securities markets, which are emerging markets. As such, the Fund may involve a higher degree of risk and is usually more sensitive to price movements.

The value of the Fund can be volatile and could go down substantially within a short period of time.

The investment decision is yours. You should not invest unless the intermediary who sells this Fund to you has advised you that this Fund is suitable for you and has explained why, including how investing in it would be consistent with your investment objectives.

Investors should not make investment decisions based on this material alone. Please refer to the explanatory memorandum, including the risk factors involved.

The Manager may at its discretion pay dividends out of or effectively out of the capital of the Fund. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment and may result in an immediate reduction of the Net Asset Value per Unit of the Fund.

## Investment Objective

To achieve medium- to long-term capital appreciation by investing in listed companies which are domiciled in or have operating incomes from the Greater China region (Mainland China, Hong Kong, Macau and Taiwan).

## Fund Performance (Class A)

Calendar Year Performance	2009 <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
The Fund (%)	99.44	12.15	-33.37	18.42	12.02	1.37	-6.99	-8.66	27.53	-16.33	13.85	42.28	-6.00	-19.49
Hang Seng Total Return Index (%) <sup>3</sup>	56.65	8.57	-17.38	27.46	6.55	5.48	-3.92	4.30	41.29	-10.54	13.04	-0.29	-11.83	-12.54

1. Calculated since 1 Jan 2008 2. Measured as of 31 Aug 2023

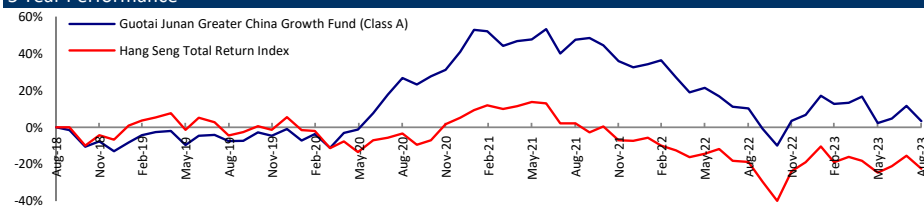
3. A reference index for comparative purposes only

Cumulative Performance	1 Mth	3 Mths	6 Mths	YTD <sup>2</sup>	1 Yrs	3 Yrs	5 Yrs
The Fund (%)	-7.41	1.00	-8.26	-3.11	-6.27	-18.46	3.37
Hang Seng Total Return Index (%) <sup>3</sup>	-8.23	2.78	-4.38	-4.36	-4.44	-19.79	-22.43

Last update: 31 Aug 2023

The performance is measured in NAV-to-NAV in fund currency with net income reinvested

## 5 Year Performance



Source: Guotai Junan Assets (Asia) Limited

Last update: 31 Aug 2023

The performance is measured in NAV-to-NAV in fund currency with net income reinvested

## Fund Facts

Manager	Guotai Junan Assets (Asia) Limited
Inception Date	19 Nov 2007
Domicile	Hong Kong
Trustee & Registrar	HSBC Institutional Trust Services (Asia) Limited
Auditor	Ernst & Young
Dealing Frequency	Daily
Base Currency	Hong Kong Dollar
NAV	HKD 92.68
Bloomberg Code	GJGCHGR HK Equity
ISIN Code	HK0000315355

## Subscription and Redemption

Min. Initial Subscription	HKD 10,000
Subscription Fee	Up to 5%
Annual Management Fee	1.5% p.a.
Redemption Fee*	
Less than 6 mths	1%
6 mths or more but less than 12 mths	0.75%
12 mths or more but less than 18 mths	0.50%
18 mths or more but less than 24 mths	0.25%
24 mths or more	Waived

\*Please refer to the Explanatory Memorandum for fee details

## Contact

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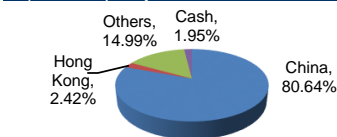
\*The Fund is approved as Eligible Collective Investment Scheme under "Capital Investment Entrant Scheme" of HK SAR

## Top Ten Holdings<sup>4</sup>

Company	%
Alibaba Group Holding Ltd	8.98
Baidu Inc-Class A	8.32
Meituan-Class B	5.40
China Oilfield Services-H	4.03
Kuaishou Technology	3.62
Swire Pacific Ltd-Cl B	3.43
Trip.Com Group Ltd	3.35
China Overseas Property Hold	3.32
China Bluechemical Ltd - H	3.23
Kunlun Energy Co Ltd	3.10

4. Sources: Bloomberg, Guotai Junan Assets (Asia) Ltd.

## Exposure by Major Revenue Source<sup>5</sup>



5. Sources: Bloomberg, Guotai Junan Assets (Asia) Ltd.

## Industry Allocation<sup>6</sup>

Consumer Discretionary	33.71%
Communication Services	14.61%
Real Estate	11.30%
Information Technology	8.81%
Consumer Staples	5.90%
Materials	5.47%
Health Care	5.02%
Financials	4.29%
Energy	4.03%
Utilities	3.10%
Industrials	1.83%

6. Sources: Bloomberg, Guotai Junan Assets (Asia) Ltd, based on the Global Industry Classification Standard.

## Market Outlook and Investment Strategy

US equity retreated in August, mainly due to higher US Treasury yield and mixed economic data. The S&P 500, the Nasdaq Composite and the Dow declined by 1.77%, 2.17% and 2.36%, respectively. The US annual inflation slightly accelerated to 3.2% in July from 3% in June, while core inflation (excluding volatile items such as food and energy) fell marginally to 4.7% in July. Fed Chair Powell highlighted that despite signals that inflation had moved down from its peak, inflation remained too high. The Fed would raise interest rates further if appropriate. The consensus is that the Fed will impose an additional 25bps rate hike before the end of the year (while not in September). Labor data was quite mixed. US Nonfarm Payrolls added 187K jobs in July, below consensus of 200K; the unemployment rate dropped 10bps to 3.5% in July, which was just below expectations; average hourly earnings rose 4.4% YoY, stronger than expectation of 4.2%. Going forward, we think inflation and softened demand will continue to weigh on the US economy. The outlook remains challenging, while a soft landing should be achievable.

A-share was quite weak in August amid mounting concerns about the economic slowdown. The CSI300 Index slumped by 6.21%, and the ChiNext Index tumbled by 6%. Recent economic data were largely disappointing. The official NBS Manufacturing PMI rose to 49.7 in August from 49.3 in July, exceeding market forecasts of 49.4 while still in negative territory. The official NBS Non-Manufacturing PMI declined to 51.0 in August from 51.5 in July, the softest increase in the service sector since December 2022. CPI declined 0.3% YoY in July, the first negative print since February 2021. Urban unemployment rate edged up to 5.3% from 5.2% in June, and the National Bureau of Statistics announced to stop publishing youth employment data after it hit a record level. The property sector was still struggling. Country Garden, one of the largest private property developers in mainland China, missed interest payments on two dollar-denominated bonds due to liquidity issues. In order to revive economy, the PBOC cut Medium-term lending facility rate by 15bps to 2.5%, the largest cut since April 2020, which led to expectation on LPR cut. However, the LPR cut was milder than expected: 1-yr was cut by 10bps from 3.55% to 3.45%, 5-yr was unchanged at 4.2%. Looking forward, the economic outlook will be bumpy as reflected by insufficient demand and lack of confidence. We believe the policy stance will stick to pro-growth and more measures will be announced to protect the downside of the economy. Considering internal uncertainties and external challenges, we are cautiously optimistic with the long-term development of Chinese economy.

For similar reasons, Hong Kong equity market retreated in August. The HSI and HSTECH nosedived by 8.45% and 8.14%, respectively. Local economic data were still disappointing. HK imports and exports declined 7.9%, 9.1% YoY in July, respectively. HK retail sales rose 14% YoY in July, slowing from a 17.4% growth in June. The annual inflation rate stood at 1.8% in August, staying at its lowest level in four months and below market expectations of 2%. The depreciating CNY against USD also weighed on the offshore equity market. Looking ahead, although the reopen and other supportive measures should bring some supports, we remain bearish on HK local economy in short term. It takes time for both the real economy and investors' confidence to restore. We have been patient and prudent to catch up opportunities from irrational selloffs. There should be more structural opportunities for long term investments.

## Disclaimer

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