

Guotai Junan Greater China Growth Fund

Eligible Collective Investment Scheme under "Capital Investment Entrant Scheme"

Monthly Report - 31 May 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 ¹ | 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 (%) ³ | 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 May 2023

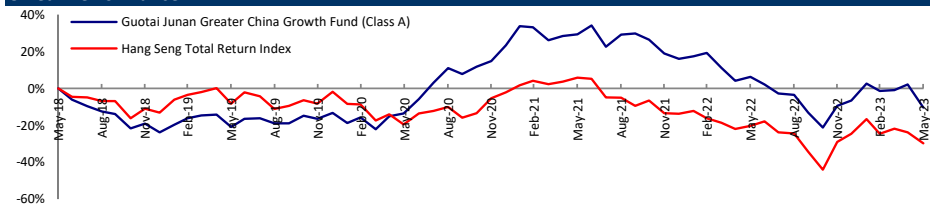
3. A reference index for comparative purposes only

| Cumulative Performance | 1 Mth | 3 Mths | 6 Mths | YTD ² | 1 Yrs | 3 Yrs | 5 Yrs |
|---|--------|--------|--------|------------------|--------|--------|--------|
| The Fund (%) | -12.27 | -9.17 | -1.06 | -4.07 | -15.66 | 3.67 | -10.43 |
| Hang Seng Total Return Index (%) ³ | -7.85 | -6.97 | -1.00 | -6.95 | -11.93 | -12.76 | -29.77 |

Last update: 31 May 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 May 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 91.76 |
| 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 | |

Top Ten Holdings⁴

| Company | % |
|------------------------------|------|
| China Life Insurance Co-H | 7.07 |
| Alibaba Group Holding Ltd | 6.25 |
| China Resources Power Holdin | 6.24 |
| China Power International | 5.18 |
| Kunlun Energy Co Ltd | 5.01 |
| Sands China Ltd | 4.63 |
| China State Construction Int | 4.14 |
| Swire Pacific Ltd-CI B | 4.01 |
| China Oilfield Services-H | 3.65 |
| Tsingtao Brewery Co Ltd-H | 3.60 |

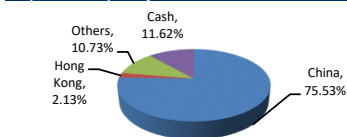
4. Sources: Bloomberg, Guotai Junan Assets (Asia) Ltd.

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*The Fund is approved as Eligible Collective Investment Scheme under "Capital Investment Entrant Scheme" of HKSAR

Exposure by Major Revenue Source⁵



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

Industry Allocation⁶

| | |
|------------------------|--------|
| Utilities | 21.93% |
| Consumer Discretionary | 19.36% |
| Industrials | 11.77% |
| Financials | 8.98% |
| Consumer Staples | 6.25% |
| Communication Services | 5.18% |
| Health Care | 4.37% |
| Real Estate | 4.01% |
| Energy | 3.65% |
| Materials | 2.87% |

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

Market Outlook and Investment Strategy

Driven by some earnings beats, moderate inflation, and investors' enthusiasm over AI, US equities overall continued to rally in May. The S&P 500 and the Nasdaq Composite rose by 0.25% and 5.80% respectively, while the Dow retreated by 3.49%. Investors were still digesting the aftermath of First Republic Bank's bankruptcy, which dampened the sentiment of the banking sector. The debt ceiling issue was another focus. As Democrats and Republicans compromised eventually, a deal was reached on the last week of May to raise the US debt limit. Data wise, the US annual inflation declined to 4.0% in May, the lowest since March 2021 and slightly below market expectation of 4.1%. In May's FOMC meeting, the Fed announced another 25 bps rate hike as expected. Several participants hinted the Fed was likely to pause rate-hike in June, while decision-making would be data-driven. Going forward, we think sustained inflation and softened demand will continue to weigh on the US economy. The outlook remains quite challenging, with a soft or hard landing largely depends on policy supports and sustained post-COVID disruption.

As ongoing geopolitical tensions, sluggish Chinese economy, and concerns over Local Government Financing Vehicles (LGFV) dampened market sentiment, A-share plummeted in May. The CSI300 Index went down by 5.72%, and the ChiNext Index slumped by 5.65%. Recent data suggested a slowdown post the first-quarter recovery. China retail sales increased by 12.7% YoY in May, below market forecasts of 13.6%; imports declined by 4.5% YoY in May, the 3rd straight month of decline; exports shrank 7.5% YoY in May, the first fall since February and below the market consensus of -0.4%; CPI edged up to 0.2% in May, below market estimates of 0.3%, indicating weak domestic demand. The PMI numbers also suggested that service remained relatively robust, while manufacturing was still quite weak. During the month, three ETFs tracking Guoxin Central-SOEs Shareholder Return Index were launched, with a total of 6 billion RMB. Meanwhile, a closed-door meeting was held by the Shanghai Stock Exchange and ICBC, discussing the revaluation of financial SOEs. The goal is to boost valuation in order to resume equity refinancing in the future. One of the official media later emphasized the SOE revaluation aims at a long-term restructuring of valuation mechanism rather than short-term speculation. 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 there will be stimulus if the recovery in the second quarter is below expectation. Considering internal uncertainties and external challengers, we expect a mild recovery in 2023 and we are cautiously optimistic with the long-term development of Chinese economy.

For similar reasons, Hong Kong equity market was quite weak in May. The HSI tumbled by 8.35%, and the HSTECH nosedived by 7.04%. Optimism faded away due to weaker-than-expected data. HK retail sales rose 13.3% YoY in April, easing sharply from +39.3% in March. Imports and exports shrank by 11.9% and 13% respectively in April, missing market expectations. The HK government emphasized that the revival of inbound tourism and local consumption would continue to help the retail sector performance, while disbursement of consumption vouchers would provide further support. Looking ahead, although HK local economy will still be affected by worsening external conditions, the comprehensive reopen and other supportive measures should bring some hope of recovery. 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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