Rosefinch Outlook 2021-07

On Macro-policy front, the Chinese government has been calling for more "inter-cyclical adjustment" to manage the medium to long term outlook. Indeed, in 2nd half of 2020, when other major economies are all pumping liquidity, China had already withdrawn some pandemic stimulus liquidity via less Reverse Repos. The June PMI came off slightly to 50.9% which was the one-year low - if we ignore the Chinese New Year reading in Feb. The June PMI saw significant contributions from global demand due to regional capacity constraints from rebounding pandemic. This therefore signals weak domestic demand and unsteady recovery. If we see further weakness in domestic economy, we may see additional "inter-cyclical adjustment" to maintain economic growth within reasonable range.

The current round of inflationary pressure in China is less acute than the previous round following the massive stimulus following 2008-2009. From a domestic point of view, May PPI rose +9.0% YoY, which is probably the peak for coming months. Pork price constitutes about 2.5% of the CPI basket and has dropped over 50% from last year, thus reducing inflationary pressure on the CPI. As for global inflation watch, US 10-year T bill rate declines recently, which is a signal of weak US economy recovery. The current major concerns in US are its economic growth and unemployment countermeasures.

Overall, we believe government's inter-cyclical adjustments will maintain the stability of Chinese economy and provide a steady macro environment. Given this backdrop, our investment strategy will focus more on bottom-up research and industrial analysis.

Specifically, for photovoltaic industry, we are optimistic on the upstream raw material and the downstream new application segments. New Energy Vehicle performed very well during Q2 and we expect a marginal weakening in demand going forward. While we like the sector overall, the high valuation means we'll hold back from heavy positioning for now. We are still optimistic on electronic manufacturing because of its high certainty in future growth and reasonable valuations. Though internet platform companies are under pressure from antitrust regulations, we still see the scarcity value of leading internet platform companies and certainty of their growth prospects. We're also optimistic on the aviation sector outlook because of the more wide-spread vaccination and improvement in pandemic controls. In addition, we have done some in-depth research and due diligence preparations on some promising companies in vehicle intelligence, commercial aerospace, semi-conductor, and brand consumption sectors.

In conclusion, we believe the market has returned to a gradual bull market after the post-Chinese New Year correction. Our main investment theme is therefore uncovering structural investment opportunities through focused fundamental research.

To better illustrate our strategy at work, we will include the performance data on our Greater China Equity Strategy SMA which has a four-year track record. You can find more details about the SMA in a separate attachment. Please find below the chart and some performance information for your reference:

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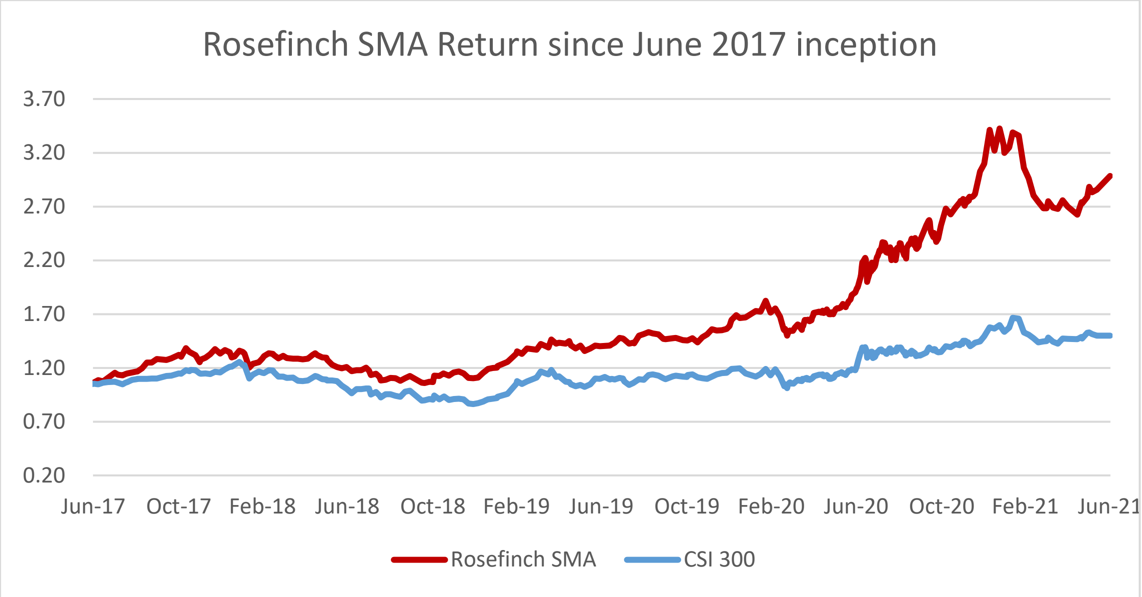
Performance



Source： Rosefinch, Wind as of 2021/6/30

	Rosefinch SMA	CSI 300
Annualized Return since inception[1]	31.7%	10.6%
3 Year Return	147.2%	48.8%
1 Year Return	55.9%	25.5%
6M Return	-3.6%	0.2%
3M Return	11.2%	3.5%
1M Return	3.6%	-2.0%
Maximum Drawdown	-23.4%	-32.5%
Return since inception	198.5%	49.8%
Annualized Volatility	20.9%	17.2%
Annualized Sharpe	1.15	0.49
Annualized Sortino	2.23	0.76

Source: Rosefinch, Wind as of 2021/6/30

[1] Inception since 2017/6/2

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