

## Rosefinch Research | Three Year Review: How Our Vision Determines Our Values

It's been three years since Rosefinch Fund Management received the coveted Mutual Fund License in China. **At Rosefinch, our vision is to “continuously create value.”** How's Rosefinch been doing in the last three years? Who does it collaborate with? What kind of values does Rosefinch have? These questions are simple yet crucial in understanding Rosefinch.

- **Seven Funds**

In the past three years, China's 171 Mutual Fund managers have launched a total of 3997 new mutual funds. Rosefinch did not join the wave of frequent issuances, and only launched 6 equity mutual fund and 1 secondary debt fund with total launch size of 15.1 billion RMB. Subsequently, through investment returns and new capital subscriptions, the total AUM size of our Mutual Fund products is 26.6 billion RMB as of end of 3Q21.

Instead of focusing on attracting new investments, we care more about absolute returns because this is the core value-add and intrinsic motivation of the asset management industry. In the asset management business, it's important to have high qualities for both the liabilities and the assets. Our investors include industry capital, education endowments, long-term financial institutional funds, whose long-term fund investment horizons match our long-term investment philosophy and therefore share the long-term portfolio returns. On the performance front, in recent Haitong Security's industry report, as of end of Sep 2021, Rosefinch's two-year equity investment return was +91.15% which is in the top 1/3 of the industry. We often say: care not about the daily returns, but the long-term profits. Chasing the short-term gains is like watching for meteors: the meteors may shine brightly, but they also disappear very quickly. **We want to achieve medium- to long-term absolute returns, and not to chase the seasonal league tables.** Instead of chasing the next hot stock, we'd invest in long-term positions and hold onto good stocks even if they are not “flavor-of-the-day.”

### 40% “research”-density

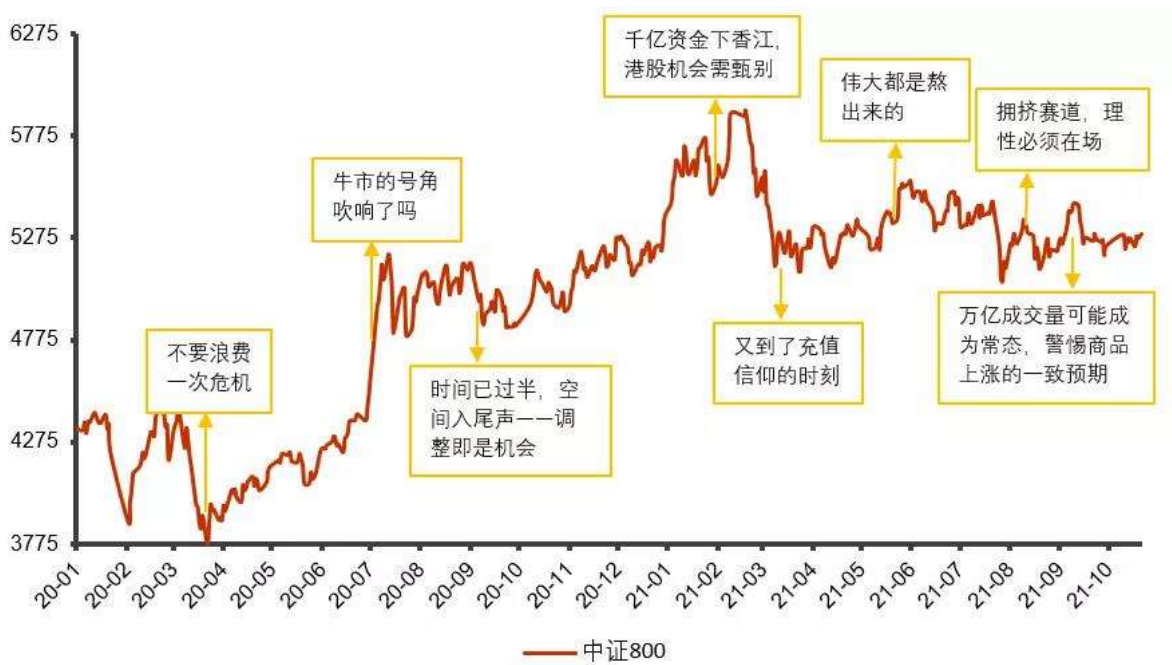
At Rosefinch, professional expertise is highly respected. Our “Rosefinch Cultural Pact” include: 1) authority belongs to the past, and 2) respect professionalism, let data speaks first. Financial market is a risk management industry with the capital valuation ability at its core. Rosefinch doesn't seek blind unchecked AUM expansions and instead emphasizes “**build investment research capacity first before the AUM**”. Throughout our historical team expansions, our investment research staff ratio is kept at about 40%. With over 100 staff at Rosefinch Fund Management today, this means we have over 40 investment and research staff. To further attract outstanding research talents, over 60% of our employee shareholders are investment research staff.

When it comes to developing our investment research capabilities, we aim to **“become industry experts, and understand the company like you are its CEO”**. For Rosefinch, the most important part of our value-add is research. We encourage all research staff to strengthen their core competencies, and even portfolio managers are doing frontline company research. Our incentive system also reflects this research-driven priority: 70% of our bonus pool is allocated to research activities, so that our senior research analysts can have higher compensation than portfolio managers. Rosefinch is establishing a stable and sustainable investment research platform, so that our collective research team - rather than individual star - will deliver long-term growth for the investors, for the company, and for themselves.

### 850,000 words and counting

China’s wealth management market is changing. According to China Merchant Bank’s “2021 China Private Wealth Report”, the high-net-worth individual investors’ investment patterns are shifting. Their allocations for mutual fund products increased by 21% in 2019-2021 from 2017-2019; during the same period their real estate investments dropped by 17%; trust, bank wealth management products, and bonds dropped by 4%, 3% and 2% respectively. China’s Mutual Fund management industry’s active management capabilities are being recognized by the investors. According to China Asset Management Association, between 2005 to 2020, the equity-biased mutual funds’ annualized historical return was 17.04%, in other words, they’ve increased 10 times during that period.

On the other hand, even though Mutual Funds are performing well, many Mutual Fund investors are under-performing. In the recent analysis by Eastmoney, a Mutual Fund investment platform, in 2020 equity Mutual Funds returned an average of 42.15%. But among Eastmoney’s registered retail investors, the average equity accounts’ return in 2020 was only 19.19%, or less than half of the mutual fund performance. The retail investors tend to chase hot ideas, and unfortunately buy high and sell low more often than not. **As the asset manager, we have the responsibility to guide investors through their emotional roller-coaster, to highlight the risks when market is greedy, and identify the opportunities when market is fearful.** Please see below graph that shows some titles of our published pieces since 2020.



\*These are recent articles we published with titles including (from left to right): don't waste the crisis; has the bull market horn sounded; halftime has passed, adjustments remain opportunities; one hundred billion funds flow south, time to screen HK shares; time to top-up investment philosophy; greatness comes from perseverance; rationality must remain in the crowded race; trillion RMB volume may be the new norm, watch for commodity rally expectations.

Rosefinch has launched regular publications to share with investors our observations about the market environment. There is the “Rosefinch Monthly” which includes longer pieces on macro, policy, and industry views. There is the “Rosefinch Research” that looks at thematic research with deeper industry-specific analysis. We have five industry research teams who share their expert views, including their annual industry outlook thought-pieces. **In the past three years, we’ve published over 850,000 words, or on average of over one page per day.** To enhance the readers’ experience, we’ve also added video contents including analyst sharing sessions.

To summarize, Rosefinch’s vision is to “continuously create value”. This vision leads to our three core values: stay true to our vision; deepen our expertise; and act responsibly. **It’s our vision and how we live it that determine our value to the investors.** We look forward to continuously create value for you in the next three years!

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