

Rosefinch Research | 2022 Series # 6

Focusing on Technology Innovators of “3060”



How to handle the economic slowing down? How to capture the investment opportunities in China this year? How to follow the key differentiators in the “3060” sector? These are questions investors think about as we enter into 2022. Given China’s 2030 Carbon-Peak and 2060 Carbon-Neutral commitments, we already saw substantial rally in new energy sector in 2021. How do we identify suitable opportunities in 2022? These are addressed by Rosefinch Fund Management’s CEO Mr. Yuejun LIANG in the latest 4Q manager comments for the China Equity Mutual Fund “Rosefinch Industrial ZhenXuan Equity Bias Fund” #A007493.

Since 4Q21, the equity market had range-trading with increased volatility. From investment perspective, we maintained relatively high exposures with focus on “3060” related stocks, which saw steady increase in NAV. Overall, the major equity market indices were relatively steady in 2021, but there were sharp differentiations among various sectors and themes with gaps of almost 70% between the top and bottom performers. It was important to invest in the right sectors in order to capture the outperformance. At Rosefinch, we focused on our research-first approach with industry-chain analysis at the center of our long-term investment strategy. The key benchmark for us is absolute return for the end investors. We saw some NAV retracement in 1Q21, and then full recovery after May 2021.

Looking forward to 2022, the economic slowdown is well noticed by the market. The government economic working group quickly announced major policy to support five key intermediary to long term

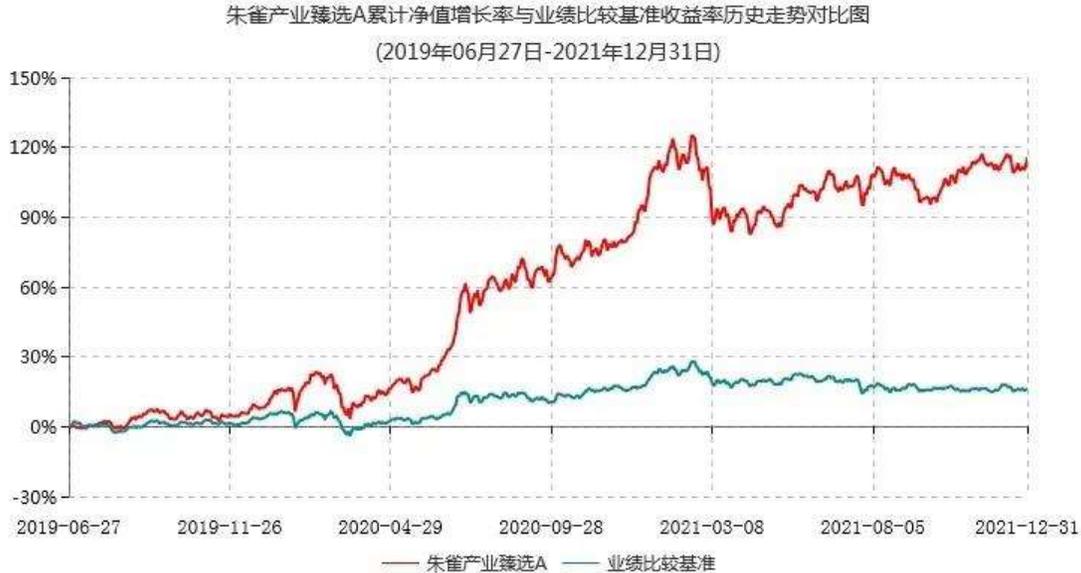
goals: common prosperity, capital regulation, basic goods supply, key risk mitigation, and Carbon-Peak/Carbon-Neutral or “3060”. We believe there’s no major macro systematic risk: under the broad policy of keeping economy steady, there already is sufficient liquidity to benefit the capital market.

In 4Q21, we updated the investors on our investment strategy of focusing on “3060”. There has been a lot of market attention on this sector in the past year – what opportunities remain for 2022? As we know, most of the “3060” related companies are in the manufacturing industry, which is what differentiates new energy from traditional fossil energy. The replacement of fossil energy by new energy depends on the continued cost-reductions of new energy that comes from technological innovations. Photovoltaic battery, new energy battery, and electrochemical energy storage are key areas to drive the future growth of new energy sector. Developments in these areas will have huge impacts on upstream resources, mid-stream materials, and the entire battery manufacturing supply chain. **The new investment opportunities will come from riding the developing trends in the battery technology and capturing the pulse of the industry growth.**

Following the 2021 rally in new energy stocks, the sector has relatively high valuation. How do we evaluate the risk return of focused investments in this sector? We believe valuation is a dynamic process. We favor “3060” related investments from a medium to long perspective. This sector has an extensive development horizon that will benefit from government policies and China’s relative advantages for decades to come. Because the “3060” sector is mostly manufacturing driven, those companies with technological advantages will expand continuously. To maintain such advantages, the companies must have strong technological innovations, which is a rare breed. Therefore while we are cautious about the overall high sector valuation, we remain focused in those companies who are technological innovators. In our mind, the core differentiator will be technological innovation for these manufacturing companies. **In the competitive manufacturing space, there are only a small minority of companies that can lead in technological innovation, embrace the changing market conditions, and build scalable capacity with the new technology. We will continue to zoom in on individual companies in the “3060” sector who demonstrate such behaviors.**

Below is a collection of published reports on the Rosefinch Equity Mutual Fund

Mutual Fund performance:



Red is Mutual Fund NAV since 2019 June inception; Blue is industry benchmark.

阶段	净值增长率	业绩比较基准收益率
过去三个月	8.88%	0.37%
过去六个月	3.39%	-4.06%
过去一年	8.20%	-2.92%
自基金合同生效至今	115.76%	16.30%

Return comparison on past 3 months, 6 months, 1 year, and since inception. The highlighted column is Fund NAV return, right column is benchmark return. Benchmark is composed of CSI300*50% + Stock Connect index * 10% + Debt index * 40%.

Asset Allocation

项目	金额 (元)	占基金总资产的比例 (%)
权益投资	6,193,563,287.49	93.13
固定收益投资	200,700,000.00	3.02
银行存款和结算 备付金合计	244,548,700.12	3.68
其他资产	11,987,869.00	0.18
合计	6,650,799,856.61	100.00

Allocation in equity, fixed income, deposit, others. Total is 6.65 bio RMB or about \$1 bio USD.

Top ten holdings:

股票代码	股票名称	占基金资产净值比例 (%)
002311	海大集团	6.21
603098	森特股份	4.86
603063	禾望电气	4.38
002352	顺丰控股	4.19
601012	隆基股份	4.01
300433	蓝思科技	3.90
000792	盐湖股份	3.67
300724	捷佳伟创	3.44
600893	航发动力	3.29
300124	汇川技术	3.16

Top holdings are: Guangdong Haid Group; Center International Group; Shenzhen Hopewind Electric; S.F Holding; LONGi Green Energy Tech; Lens Technology; Qinghai Salt Lake Potash; Shenzhen S.C. New Energy; AECC Aviation Power; Shenzhen Inovance Technology.

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