

China's New Growth Drivers Emerge, and A-Shares Show the Economy's True Backbone

On April 16, China released its first-quarter GDP data. Against a backdrop of a complex and changing international environment alongside domestic transformation pressures, China still recorded real GDP growth of 5%, marking a steady start to the year and laying a solid foundation for full-year economic performance.

The A-share market also lived up to expectations. On April 14, the Shanghai Composite Index regained the 4,000-point level, and had risen 2.96% as of April 27. Some say the stock market is a “barometer” of the economy. A more vivid metaphor may be that the stock market is a high-resolution CT scanner. It not only reveals the state of aggregate growth, but also penetrates the surface to illuminate the industrial structure and regional backbone behind economic expansion.

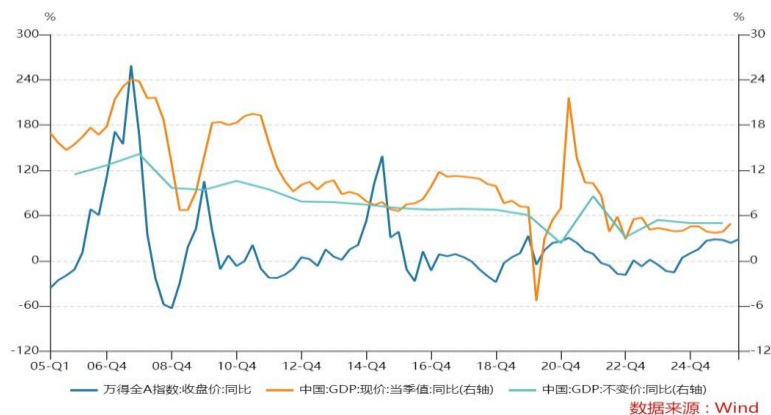
From “Quantity” to “Quality”: The Equity Market Is Returning to Fundamentals

As China's economy shifts from incremental expansion to optimization of existing resources, market pricing logic is also quietly changing: investors are no longer chasing overheated narratives, but instead focusing on valuation repair and the alpha generated by industrial upgrading.

The year 2026 marks the opening year of the 15th Five-Year Plan. In the Government Work Report, the GDP growth target was set at 4.5% to 5%, with a clear commitment to strive for even better outcomes in actual implementation.

In March, PPI turned positive year-on-year after 41 consecutive months of contraction, while CPI rose 1% year-on-year. Corporate revenues are also recovering. In the first quarter, revenues of above-scale industrial enterprises increased 5% year-on-year, nearly 4 percentage points higher than the full-year growth rate of last year. In other words, nominal growth is improving, corporate earnings are recovering, and the foundation of the capital market is becoming increasingly solid.

Figure 1: GDP Growth vs. Wind All A Index



Source: Wind

Sector Divergence: The CT Scanner Reveals the Skeleton of New and Old Growth Drivers

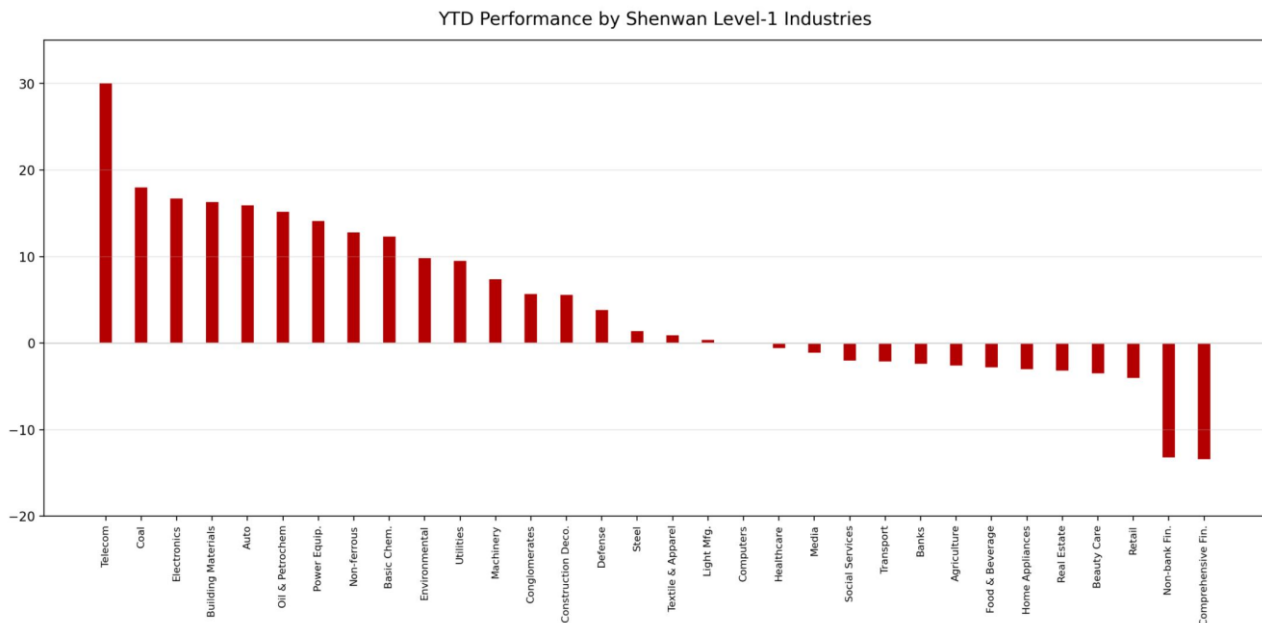
Scanning one layer deeper, the market clearly shows which sectors are accelerating and which are lagging behind.

Industries with first-quarter GDP growth above 5% were mainly concentrated in information transmission, software and information technology services, finance, and industry.

The sectors outperforming the broad A-share market are largely found within these categories as well. Corresponding to the 10.6% GDP growth in information transmission, software and IT services, A-share communications and electronics sectors ranked among the top performers. The strong showing of advanced manufacturing also reflects China's industrial competitiveness.

While sectors tied to new quality productive forces continue to attract strong capital market interest, traditional sectors have shown relatively weaker performance. This suggests that the growth acceleration of new economic drivers is significantly outpacing that of old drivers.

Figure 2: Performance of Shenwan Level-1 Industries Since the Beginning of 202



Source: Wind, as of April 24, 206

Regional Divergence: Qinghai, Tibet, Gansu, and Jiangxi in the Fast Lane

At the regional level, the CT scanner reveals a growth map in which each province moves to its own rhythm.

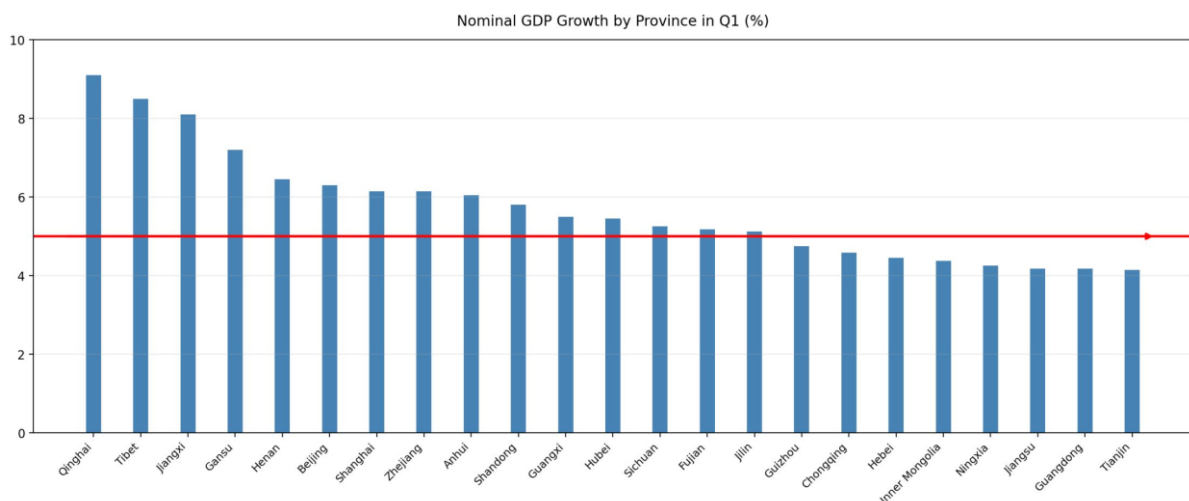
Qinghai, Tibet, Gansu, and Jiangxi led the nation in nominal GDP growth. Behind this are multiple overlapping tailwinds, including westward opening under the Belt and Road Initiative, construction of new energy bases, and industrial relocation. It also reflects the systematic revaluation of strategic resources amid global supply chain restructuring and geopolitical uncertainty. As provinces rich in key mineral resources such as non-ferrous metals, stabilization and recovery in commodity prices likely provided notable support to nominal GDP growth.

Shaanxi's total imports and exports surged 73.7% year-on-year, the fastest in the country. Exports jumped 91.5%, while integrated circuit exports soared 166%. Two overseas semiconductor giants became key growth engines. Global AI investment enthusiasm has fueled demand for memory chips, combined with a price upcycle, propelling Shaanxi's trade boom.

Meanwhile, eastern provinces are proactively transitioning toward innovation-driven growth, shifting from a speed-and-scale model to a quality-and-efficiency model. In the Yangtze River Delta region, strong internet and research capabilities are enabling deeper integration between the digital economy and the real economy, building new momentum for the future.

Reflected in the stock market, some western provinces may enjoy strong growth momentum but have relatively smaller economic scale and fewer listed companies, meaning valuation logic may lean more toward discounting high-growth potential. Eastern provinces, while growing at a steadier pace, are gradually demonstrating higher-quality development, and their valuation logic may favor stable growth.

Figure 3: Nominal GDP Growth of Provinces and Municipalities in Q1



Source: Wind Local Statistical Bureaus

Global Perspective: Why Has South Korea's Stock Market Overtaken the UK?

Boosted by a powerful rally in artificial intelligence-related technology stocks, South Korea's equity market has overtaken the UK to become the world's eighth-largest stock market. According to Cailian Press, the total market capitalization of South Korean listed companies has surged more than 45% this year to USD 4.04 trillion, while the UK market rose only around 3% to USD 3.99 trillion. At the end of 2024, the UK stock market had still been roughly twice the size of South Korea's.

The core driver behind South Korea's rally has been the continuous global inflow into AI-related companies, lifting the country's two major memory chip leaders sharply higher. Although the KOSPI index contains more than 800 constituents, these two companies account for over 40% of total market capitalization. In addition, President Lee Jae-myung's corporate governance reforms and pro-market policies have provided further support for the rally.

This demonstrates that the market's return from speculation to fundamentals is becoming a global consensus.

Fundamentals Continue to Strengthen, Quality Assets Remain the Ballast Stone

Looking ahead, trends in emerging industries and demand for strategic energy and resources are likely to continue shaping market performance.

As China's economic transformation and upgrading deepen, the divergence in GDP growth patterns may not fade quickly. Emerging industries are likely to continue leading growth and become the primary engine of expansion, while traditional sectors will remain in transition. In such an environment, we will continue to closely track industrial trends, position ahead of change, and strengthen our pricing capabilities within our circle of competence.

High-quality equity assets that meet the needs of the times and drive social progress are not only the ballast stone of asset allocation, but also the strategic core holdings for capturing long-term certainty in an era of dramatic change.

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