

# iFAST-NAM China Equity Fund

## FUND DATA

### Investment Policy

The investment objective of the fund is to achieve capital appreciation in the medium to long term by investing in a diversified portfolio of equity and equity-related securities issued by entities listed/to be listed on stock exchanges of China, including Hong Kong; entities organised or domiciled in China or of entities which have significant assets, business, production activities, trading or business interest in China.

### Fund Information

Bloomberg	A(SGD) : DBCHIEA SP
	A(USD) : DBCHIEU SP
ISIN	SG9999004766
Management Fee	1.5% p.a.
Initial Charge	Up to 5%
Minimum Initial Investment	SGD 1,000
Fund Denomination	SGD
Dealing Currency	SGD / USD
Subscription Type	Cash / SRS
Total Fund Size	SGD 41.94 m
Unit Trust Hotline	(65) 6439 3821
Launch Date	04-Jan-2005

## PERFORMANCE

### Fund Performance A(SGD)



### Cumulative Return

A(SGD)	1m	YTD	1y	3y	5y	S. Launch	3y	5y	S. Launch	2023	2022	2021
NAV to NAV*	8.34	-4.34	-26.25	-55.24	-34.94	148.74	-23.50	-8.24	4.87	-20.84	-23.15	-18.76
Benchmark*	9.06	-1.24	-14.21	-48.13	-24.79	186.22	-19.65	-5.54	5.64	-12.66	-21.53	-18.54

### Cumulative Return

A(USD)	1m	YTD	1y	3y	5y	S. Launch	3y	5y	S. Launch	2023	2022	2021
NAV to NAV*	7.67	-6.16	-26.17	-55.73	-34.62	203.21	-23.79	-8.15	5.96	-19.51	-22.75	-20.35
Benchmark*	8.39	-3.11	-14.12	-48.71	-24.42	250.44	-19.95	-5.45	6.77	-11.20	-21.12	-20.14

\* Returns are calculated based on NAV to NAV basis (without adjustments).

# MSCI China Index (Net Total Return)

Past performance is not indicative of future returns.

## PORTFOLIO ANALYSIS

### Breakdown by Sector

(in % of fund volume)

Consumer Discretionary	9.35
Energy	4.04
Financials	13.58
Health Care	8.56
Industrials	20.68
Information Technology	28.90
Materials	1.46
Utilities	3.30
Others	7.62
Cash	2.51
<b>Total</b>	<b>100.00</b>

### Top 10 Holdings

(in % of fund volume)

Tencent Holdings Ltd.	9.27
China Construction Bank Corporation	6.95
Netease Inc	5.90
PDD Holdings Inc.	4.41
Alibaba Group Holding Limited	3.78
Kweichow Moutai Co., Ltd.	3.70
Weichai Power Co., Ltd.	3.30
COSCO SHIPPING Energy Transportation Co., Ltd.	3.27
Zoomlion Heavy Industry Science & Technology Co. Ltd.	3.15
PetroChina Company Limited	3.03
<b>Total</b>	<b>46.76</b>

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## iFAST-NAM China Equity Fund

## PORTFOLIO ANALYSIS

## Investment Ratio

(in % of fund volume)

Stocks	97.49
Cash	2.51
<b>Total</b>	<b>100.00</b>

## Breakdown by Share Class

(in % of fund volume)

Others*	41.56
H Shares	29.92
A Shares	17.09
US-Listed China Securities	7.01
Red Chips	1.91
Cash	2.51
<b>Total</b>	<b>100.00</b>

\* Overseas-incorporated companies with main operations in China but listed on the stock exchange of Hong Kong.

## PORTFOLIO MANAGER'S COMMENTARY

## Fund Performance Review

## The Fund underperforms its benchmark

In SGD terms, the Fund gained 8.34% on a NAV-NAV basis for the month, while the benchmark rose 9.06%. Stock selection in the healthcare and industrials sectors was the principal contributor in February, while detractor to relative performance mainly came from stock picking in the consumer discretionary and energy sectors.

## Market Review

## China shares rebound sharply in February

China stocks, as measured by the MSCI China Index, jumped 8.4% in USD terms in February. Chinese markets recovered some ground, responding positively to the new policy efforts aimed at shoring up ailing markets. Chinese lenders slashed their five-year loan prime rate—a benchmark for home loans—by 25 basis points to support the troubled property sector. The China Securities Regulatory Commission unveiled new trading curbs on short-selling, including barring brokerages from further expanding lending of stock certificates for that purpose. Yi Huiman was also removed by the Chinese cabinet as the chairman of the securities regulator, replacing him with Wu Qing. Central Huijin Investment, a Chinese sovereign fund that owns China's state-run banks, pledged more support including buying more exchange-traded funds.

## Limited activity data register mixed; deflationary pressures persist

Due to seasonality-related reasons to the dates of the Spring Festival Holidays, China releases some key economic data only as a combined January-February datapoint in March, hence there is more limited data during this period. There were positive indications of stabilisation in consumer spending, demonstrated by consumer activity during the Lunar New Year holidays. Separately, the Caixin manufacturing Purchasing Managers Index (PMI) diverged from the official PMI, increasing to 50.9 in February from 50.8 in January, its fourth straight monthly expansion. In contrast, the official manufacturing PMI signalled further contraction, dropping to 49.1 in February from 49.2 in January.

Deflationary pressures persisted. Consumer prices fell further in January, with the -0.8% YoY print marking the lowest level since September 2009, largely dragged down by food prices. Some of this is a seasonal effect due to the Spring Festival but we note that core inflation also dipped. Meanwhile, although Producer Price Index (PPI) inflation increased slightly, falling 2.5% YoY in January from a 2.7% contraction in December, it remained in deflationary territory, declining for the 16th straight month.

## PBOC lowers five-year loan prime rate; Premier calls for confidence boost

In a further move to bolster the struggling housing market and support the overall weak economy, the People's Bank of China (PBOC) lowered the five-year loan prime rate, to a new low of 3.95% from 4.2%. Meanwhile, Premier Li Qiang called for "pragmatic and forceful" action to boost people's confidence in the economy. According to Xinhua News Agency, the premier emphasised the importance of addressing practical issues encountered by individuals and businesses, stressing the need to earn people's trust "with real work and achievement". However, specific policies or actions to achieve these were not mentioned. Meanwhile, regulators also moved to further stabilise equity markets by cracking down on high-frequency trading.

## iFAST-NAM China Equity Fund

### PORTFOLIO MANAGER'S COMMENTARY (CONTINUED)

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#### Market Review (continued)

##### **Policymakers move to bolster economy anew**

During the month, policymakers moved to address the decline in the stock market and bolster the overall economy. Among other things, the State Council emphasized the necessity for more robust and efficient measures to stabilize markets and boost confidence. This included advocating for enhanced regulations, increased transparency, and initiatives to improve the quality of listed companies. To stimulate bank lending to households and businesses, the central bank lowered the reserve requirement ratio (RRR) for most banks by 50bps, effective 5 February. This move is expected to release approximately CNY 1 trillion. Additionally, the central bank announced plans to lower specific key rates linked to loans for small businesses and rural enterprises. Additionally, the National Financial Regulatory Administration mentioned the importance of the real estate sector and announced a policy change allowing commercial banks to extend new loans to developers, using their commercial property assets as collateral, not just for operational necessities but also for repaying loans and maturing bonds. That said, we see the measures aiming to stabilize the property sector rather than a change in the overall stance towards boosting it strongly.

#### Market Outlook and Strategy

##### **Prefer companies in the exporter and healthcare space amid lack of visibility in the domestic economy**

In China, we expect only a modest wave of counter-cyclical measures in the next few months. Despite investors' concerns that the country's deflationary pressure could become more entrenched, policymakers have been reluctant to act with any real urgency because headline growth in China is still within acceptable range. However, the risk is increasing that they could be behind the curve in arresting the decline in broader confidence in the economy. That said, with valuations in extreme oversold territory, there could be some short-term rebound. However, for the rally to be more sustainable, we are monitoring for a few drivers, such as supply-side measures that can resolve China's main housing issues. Significant fiscal stimulus and deflationary concerns inflecting could also help turnaround sentiments. Longer term, there needs to be reforms in the local government and state-owned enterprises space. Due to the lack of visibility in the domestic economy, there is a preference for companies in the exporter and healthcare space, where there is less cyclical and more idiosyncratic bottom-up alpha drivers.

Past performance is not indicative of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

## iFAST-NAM China Equity Fund

## KEY RISKS

The value of the fund and its distributions (if any) may rise or fall. You should consider the risks of investing in the fund as detailed in the Prospectus. Generally, some of the risk factors that should be considered are economic, interest rate, political, liquidity, default, foreign exchange, regulatory, repatriation and other risks. You may lose some or all of your investment.

## Market and Credit Risks

- **You are exposed to the risks of investing in a single country fund, particularly, the China market.**
  - o The fund is subject to higher risks as its investments are less diversified than a global portfolio.
  - o PRC's economy differs from most other countries in terms of its structure, growth rate, level of government involvement, control of capital flows and resource allocation. Its present reforms, policies and regulatory climate may change any time.
  - o Most PRC laws were introduced recently and are constantly changing. Tax law changes may apply retrospectively. Accounting and auditing standards, reporting practices and disclosure requirements may not meet accepted international standards. There are also restrictions on currency dealing.
  - o The PRC securities markets are emerging markets undergoing rapid growth and change. This may lead to volatilities, difficulties in settlement, recording of transactions and in interpreting and applying the regulations. There is a low level of regulation and enforcement activity in these markets.
- **You are exposed to the risk of investing in equity securities.**
  - o The value of equity securities are affected by general economic and market conditions, interest rates, political developments, etc.
  - o The value of the fund may fluctuate more strongly on a day-to-day basis compared to funds investing in fixed income securities.
- **You are exposed to the risk of fixed income instruments.**
  - o The prices of fixed income securities are subject to interest rate fluctuations and the maturities of the investments. When interest rates rise, the price of fixed income securities tends to fall and vice versa. Longer term bonds are typically more sensitive to changes in interest rates than other types of securities.
  - o The risk of issuer default cannot be eliminated and may arise at any time independent of market activity.
- **You are exposed to the risk of investing in unlisted securities.**
  - o Unlisted securities may involve a high degree of business and financial risks, and tend to be less liquid than listed securities.
- **You are exposed to Stock Connect risks.**
  - o The fund is exposed to quota limitation risks which may restrict its ability to invest in China "A" Shares through the Stock Connect on a timely basis.
  - o If China Securities Depository and Clearing Corporation Limited defaults in its clearing, settlement and stock holding operations, the fund may not fully recover its losses or recovery may be delayed.
  - o If the order-routing system fails to function properly, the fund's ability to access the China "A" shares market will be adversely affected.
  - o If the fund suffers pecuniary losses from Northbound trading via the Stock Connect, it is not covered by Hong Kong's Investor Compensation Fund; if the fund suffers pecuniary losses from Northbound trading through securities brokers in Hong Kong, it is not protected by the China Securities Investor Protection Fund.
  - o The Stock Connect is subject to regulations that may be subject to changes that adversely affect the fund. There is no certainty as to whether these regulations will be recognised by the courts of the PRC, or how they will be applied.

## Liquidity Risks

- The fund is not listed and you can redeem only on Dealing Days. There is no secondary market for the fund. All realisation requests should be made to the Managers or their authorised distributors.

## Product-Specific Risks

- **You are exposed to financial derivatives risks.**
  - o Due to regulatory restrictions, the fund may only invest in China "A" shares indirectly through equity linked products offered by institutions holding QFII status. It does not have legal, beneficial or proprietary interests in the underlying China "A" shares and the China "A" shares held on its account are not segregated from the QFII holder's other customers. This will entail greater risks (such as, market, liquidity, credit, political and foreign exchange risks) than direct investments.
  - o Use of financial derivatives may entail greater risks, which may arise from availability of a liquid market, credit risks and leveraging effect. There is no guarantee that such products will be employed or that they will work, and their use could cause lower returns or even losses to the fund.
- **You are exposed to foreign exchange control and currency risks.**
  - o The fund will be subject to fluctuations in exchange rate and exchange controls as its investments may be denominated in foreign currencies (e.g., Renminbi and Hong Kong Dollars).
- **You are exposed to other risks.**
  - o Actions of institutional investors substantially invested in the fund may adversely affect the NAV of the fund.
  - o Uncertainty in market conditions cannot be eliminated and could have an adverse impact on the fund's performance.

## iFAST-NAM China Equity Fund

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