

Fund Manager Perspective

Both the Shanghai and Shenzhen stock markets remained strong last week, with the SSE Composite Index and Shenzhen Component Index gaining 4.41% and 3.84% respectively while the ChiNext Index rose 1.7%. In terms of industry performances, the biggest gainers were real estate, banking, and non-banking financials while defense, automobiles, and leisure services lagged behind.

From policy and liquidity perspective, government policies such as “one belt one road”, “Internet+” and “Made in China 2025” will enhance market risk appetite. Also, continued easing will help improve market expectations for fundamentals and accelerate capital inflows. The strongest drivers for the A-share market this week include 30 new IPOs, the official introduction of SSE 50 and CSI 500, and the release of economic data for March and the first quarter. The new IPOs will split away some market capital, but we believe its impact will be limited due to average daily turnover of over RMB 100 billion.

Overall, we think the market still has strong momentum due to government support and abundant capital. We continue to hold an optimistic view on growth stocks with clear business models and stable growth in earnings, and will focus on industries that benefit significantly from new government policies.