Fund Manager Perspective

In February, the market saw a correction before rallying again. Indices had noticeable differences in performance. In particular, the Shanghai Composite Index rose 3.11%; the Shenzhen Component Index rose 5.44%; the Mid-Small Cap Index rallied 9.66%; the ChiNext Index soared 14.72%. In terms of sector performance, growth sectors like Computers, Media, and Telecommunications led gains while Banks, Mining, and Real Estate lagged.

Looking forward to March, the economy still looks to be in a slump on the macro level. Though credit continues to grow aggressively, total social financing is decreasing rapidly and may impact investment growth. At the same time, low consumer spending and continued weakness in exports exert a relatively large downward pressure on the economy. Regarding liquidity, the Central Bank decided on 1 March 2015 to lower the benchmark interest rate by 0.25%; continued lowering of the benchmark interest rate and reserve requirement ratio will further lower social financing costs. We expect liquidity to remain high in March. In terms of economic policies, we will pay close attention to the two March policy meetings from which we expect signals of aggressive policies focus on stable growth and deep reforms.

Aggregating the above analysis, we remain cautiously optimistic towards the market in March. Despite a weak macro economy, liquidity remains high and policy outlook is slightly positive. The market may maintain its volatile but upward trend. We will actively grasp structural opportunities of the market and pick stocks with fair value and growth potential that align with the direction of the transforming economy.