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METZLER

Asset Management



China Asset Management Industry Overview

March 29, 2022 in Frankfurt/Main

Contents

- 1 Metzler Asset Management – Asia strategy**
- 2 Chinese assets: attractive for international investors
- 3 Development of the asset management industry in China

Metzler concentrates on its strengths in four business areas

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Asset Management

- Portfolio management
- ESG strategies, advisory services & reporting
- Pension management
- Real estate advisory services
- Administrative services

Capital Markets

- Currency management
- Equities, foreign exchange and fixed income research
- Institutional sales services
- Trading in equities, foreign currencies and interest-rate products
- Transaction advisory and execution (ECM/DCM)

Corporate Finance

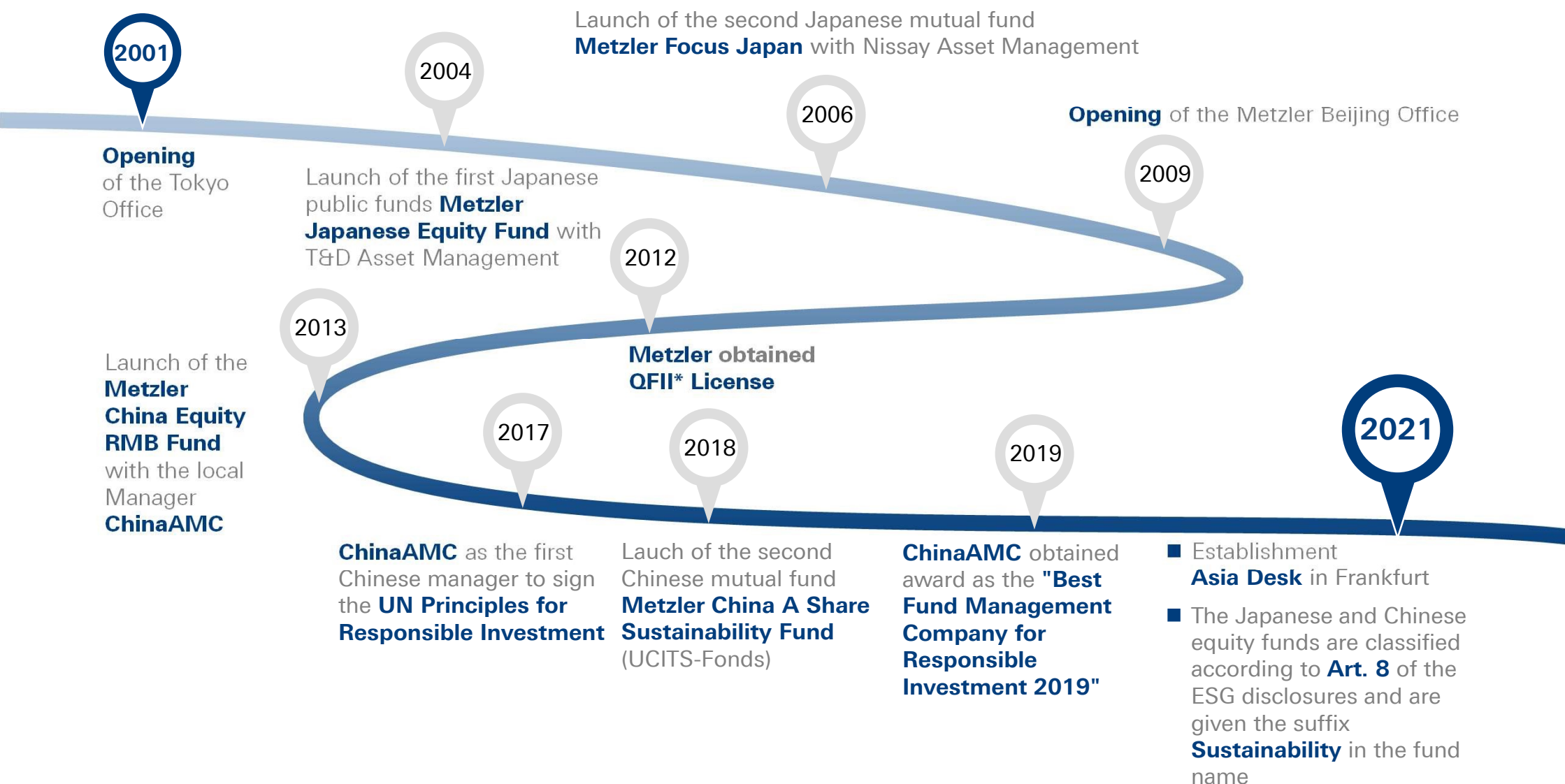
- Mergers & Acquisitions (M&A)
- Reorganization of shareholder structures
- Public transactions
- Distressed and special situations

Private Banking

- Discretionary portfolio management
- Trustee services ("Vermögensstreuhand")

Approximately 800 employees in Frankfurt/Main – Hamburg – Cologne/Düsseldorf – Munich – Stuttgart – Atlanta – Los Angeles – Seattle – Tokyo – Beijing

20 years experience in Asia business



*QFII: Qualified Foreign Institutional Investor

ChinaAMC: China Asset Management Company Co. Ltd.

Chinese equities: Experienced management in China, individual client support in Germany



- Individual client support in Germany
- Communication and documents in German or English
 - Reporting
 - ESG reporting
- Same time zone enables availability on short notice
- Your client relationship manager is available for appointments in person, via telephone or via video conference



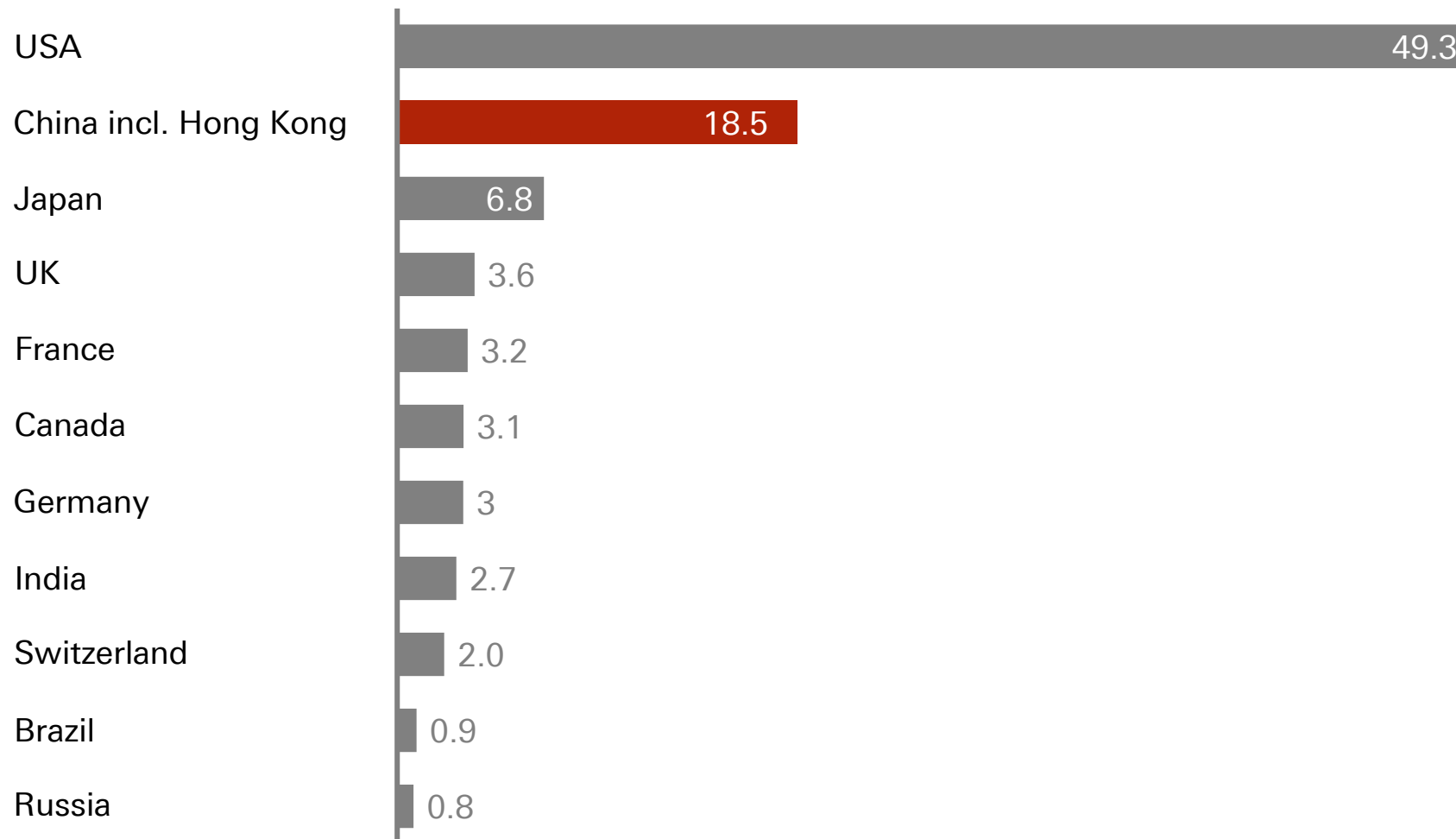
- One of the largest and most experienced asset managers in China
- Operates in local markets
- Visits and analyzes companies on site
- Integrates ESG criteria into the investment process
- Awarded as China's best ESG manager in 2019

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The Chinese stock market is number 2 in the world

Market capitalization in trillions USD (average of the past 12 months)



Source: Bloomberg, as of December 31, 2021

The risk warnings on the final pages apply to all information on this page.

MSCI China A Shares: Equity market reflects successful structural change

Market capitalization in %

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Difference 2012–2021
GICS Level 1											
Information technology	3	5	6	10	10	10	10	13	16	17	14
Consumer staples	8	7	5	5	6	8	9	12	15	13	5
Healthcare	6	9	6	7	7	7	7	8	11	9	3
Consumer discretionary	8	9	7	9	10	10	10	8	9	8	0
Communication services	2	3	2	3	3	3	2	2	2	2	0
Financials	28	28	33	24	24	25	30	27	20	17	-11
Utilities	3	3	3	3	3	3	3	2	1	2	-1
Real estate	7	6	6	7	6	6	6	5	3	2	-5
Energy	6	4	3	2	2	2	2	2	1	1	-5
Industrials	16	16	18	19	18	15	13	12	13	16	0
Materials	13	10	9	9	10	11	8	9	9	13	0

Sources: Refinitiv Datastream, MSCI

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Low correlation between Chinese A-shares and other equity markets

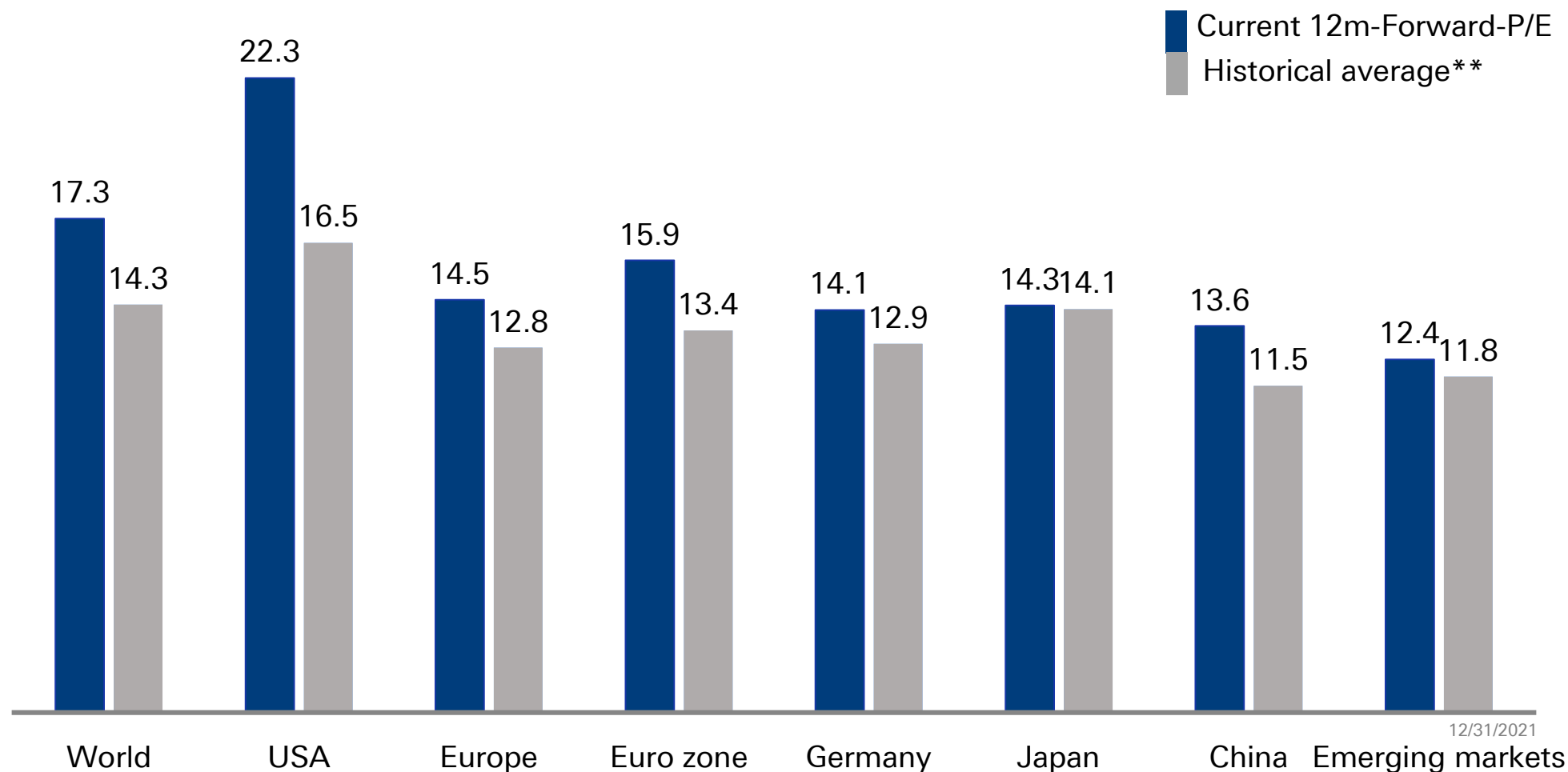
Compared to last week in %	China A-Shares	China H-Shares	Asia Pacific ex Japan	Global EM	Japan	USA	Europe	World
China A-Shares	1.00	0.72	0.51	0.65	0.39	0.37	0.39	0.41
China H-Shares	0.72	1.00	0.69	0.81	0.55	0.47	0.58	0.55
Asia Pacific ex Japan	0.51	0.69	1.00	0.83	0.69	0.71	0.79	0.80
Global EM	0.65	0.81	0.83	1.00	0.70	0.72	0.80	0.80
Japan	0.39	0.55	0.69	0.70	1.00	0.58	0.70	0.70
USA	0.37	0.47	0.71	0.72	0.58	1.00	0.78	0.98
Europe	0.39	0.58	0.79	0.80	0.70	0.78	1.00	0.89
World	0.41	0.55	0.80	0.80	0.70	0.98	0.89	1.00

Sources: MSCI Indices, Metzler, as of January 5, 2021. The correlation calculation is based on the historical weekly return in USD of the respective index for the last 5 years. There is no guarantee that the investment approach and process is effective under all market conditions. Investors should evaluate their ability to invest over the long term based on their individual risk profile, especially in times of market downturn

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Stock market valuation fairly favorable by international comparison

I/B/E/S estimates for the P/E* of Datastream stock indices for the next 12 months



* Price-Earnings ratio

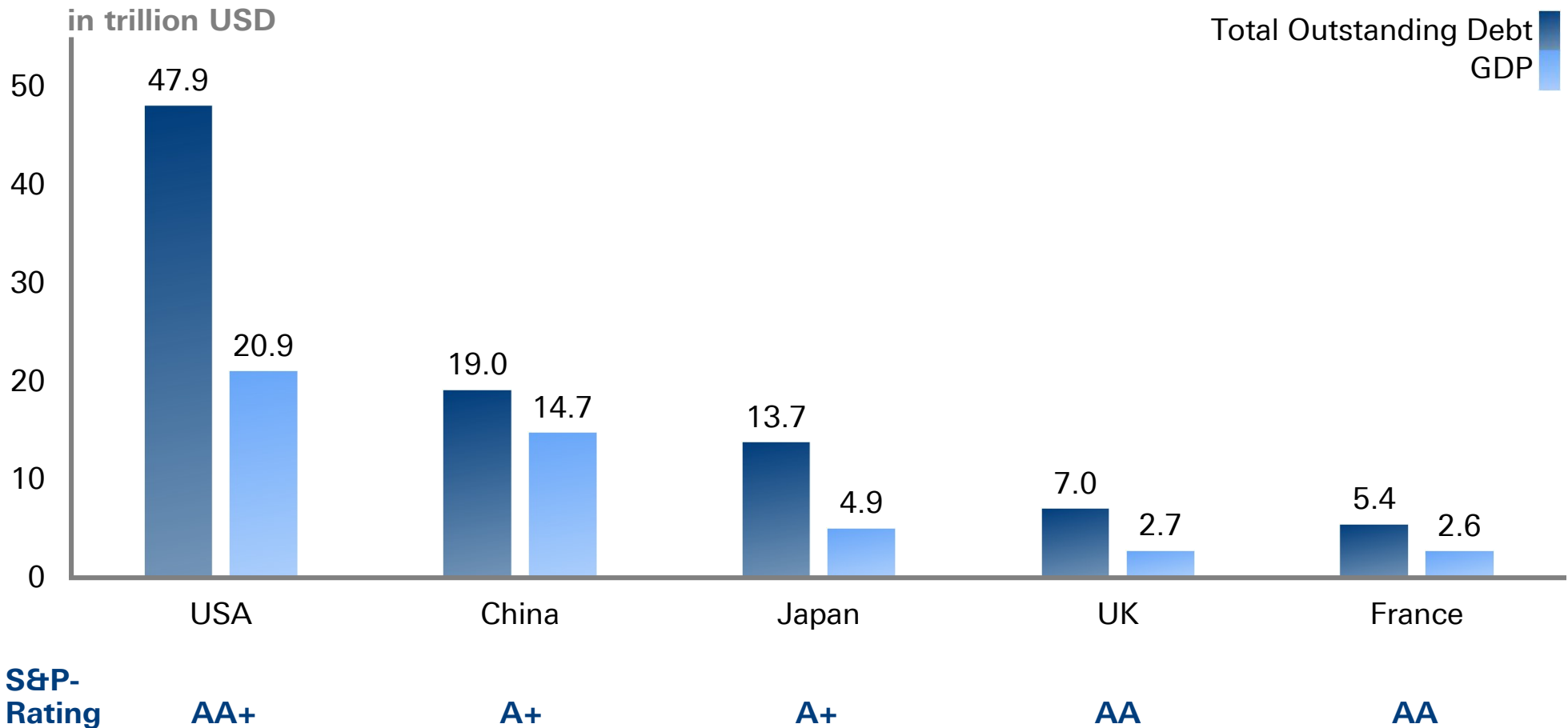
** Since January 2010

Sources: Refinitiv Datastream, Metzler

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China is the second largest bond market worldwide

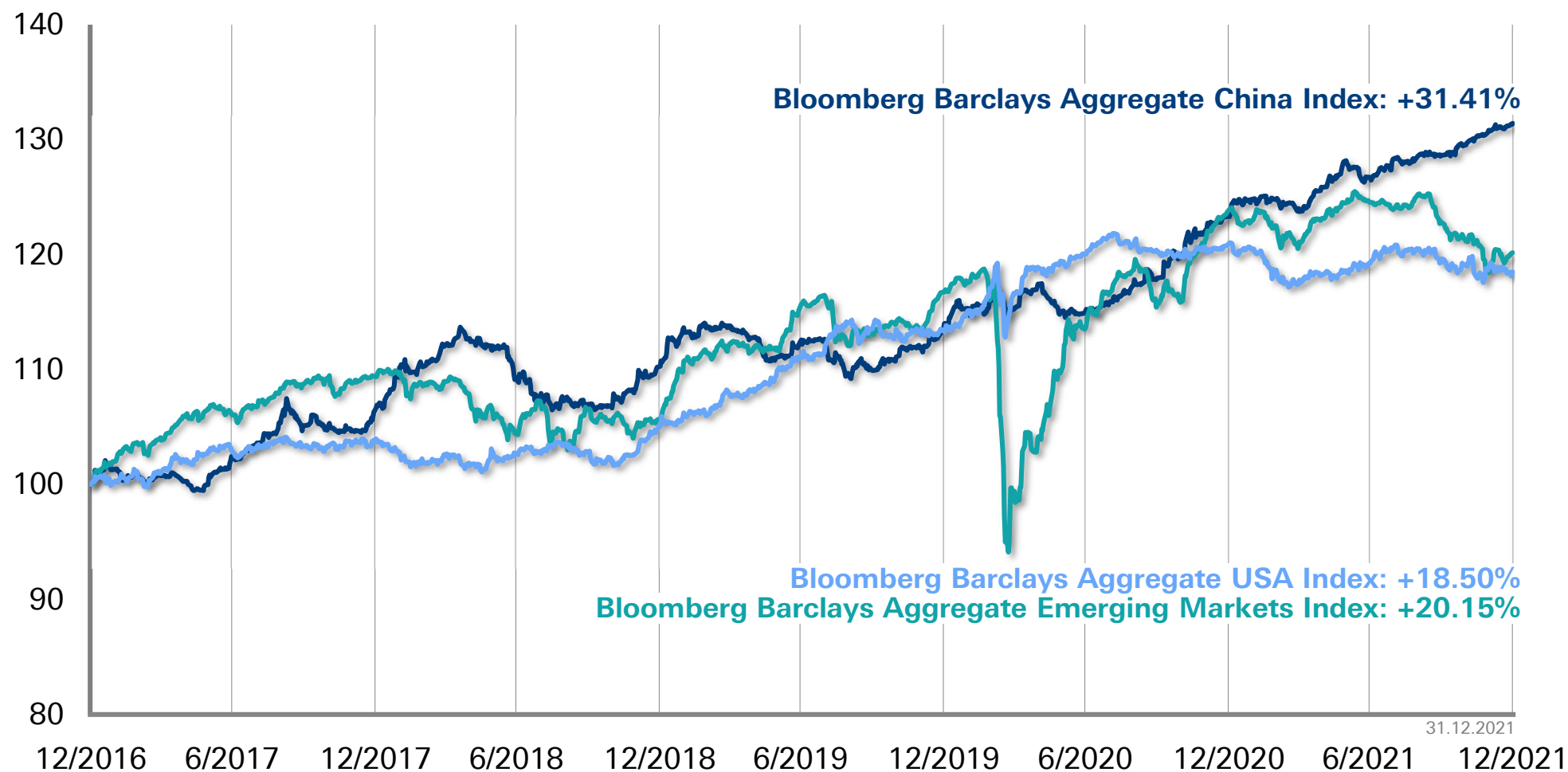
China's credit rating (A+) now matches Japan's and is only two notches below that of the UK and France



Sources: Refinitiv Datastream, GDP data as of the end of 2020 from the World Bank. BIS (Bank for International Settlements) debt data as of Q1 2021. Credit rating by S&P.
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Chinese bond market shows stability in the crisis

December 30, 2016 = 100, in USD



Sources: Refinitiv Datastream, Metzler

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Inclusion of Chinese bonds in the main global indices

Company/ Organisation	Bloomberg Barclays		JP Morgan		FTSE Russel		ICE BofA
Index	Global Aggregate Index Global Treasury Index	Emerging Local Currency Government Index	JPM Government Bond Index (GBI) series	JPM GBI-EM Diversified	World Government Bond Index	World Broad Investment-Grade Bond Index*	ICE BofA Diversified Emerging Markets Sovereign Bond Index & ICE BofA Local Debt Markets Plus Index
Time	April 2019, over 20 months		February - October 2020		October 2021		September 2020, over 10 months
Estimated Weighting	6.1%	–	10%	–	5.3%		10%
Estimated Inflows	150 bn. USD		20 bn. USD		160 bn. USD		20 bn. USD
Remark	Chinese Bonds already included in the indices "China Agg" (2004) and "+China" (2017).				Chinese bonds already included in Feb. 2018 in AGBI, APGBI, WGBI-extended (New Index) and EMGBI		

Sources: www.Bloomberg.com Report on March 13, 2019.; <https://insight.factset.com/the-index-inclusion-of-onshore-china-bonds>;
www.ftserussell.com Report on September 24, 2020;
<https://www.etfstrategy.com/ice-announces-china-inclusion-in-emerging-market-bond-indices-98547/>
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Low correlations between Chinese bond index and global indices

From November 2011 to December 2021

	US Equity	Global Equity	EM Bond	US High Yield	US Treasury	US Corporate	EU Govt	EU Corporate	China Corporate
China Corporate	0.04	0.00	0.08	-0.04	0.28	0.15	0.19	0.11	1.00
EU Corporate	0.50	0.56	0.70	0.71	0.14	0.82	0.66	1.00	
EU Govt	0.11	0.11	0.40	0.19	0.63	0.63	1.00		
US Corporate	0.34	0.41	0.79	0.68	0.48	1.00			
US Treasury	-0.26	-0.27	0.15	-0.18	1.00				
US High Yield	0.58	0.69	0.79	1.00					
EM Bond	0.34	0.48	1.00						
Global Equity	0.96	1.00							
US Equity	1.00								

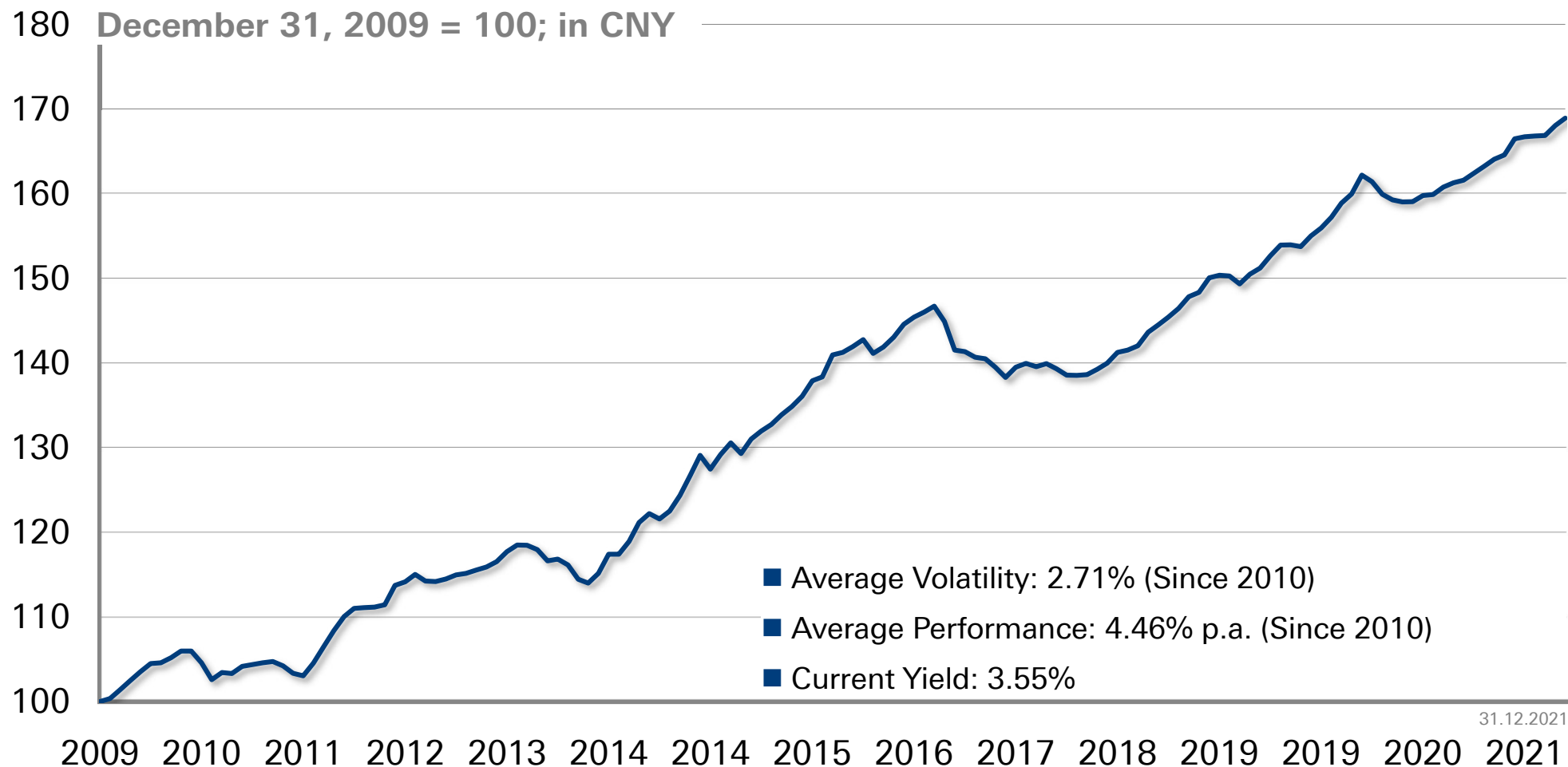
Sources: Refinitiv Datastream, Metzler.

Benchmarks: MSCI USA, MSCI All Country World, BoAML United States Emerging Markets External Sovereign, BoAML US High Yield, BoAML US Treasury, BoAML EU Government, BoAML Euro Corporate, ICE BofA China Corporate Index. Indizes von BoAML werden hedged in Euro berechnet.

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Chinese bonds offer attractive yields

Performance development of ICE BofA China Corporate (Total Return) Index



Sources: : Refinitiv Datastream, Metzler

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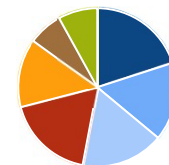
What does asset management mean in China?

Early understanding

Acquisition, management and disposal of non-performing loans, through 4 state-owned asset management companies (established in 1999)

Current cognition

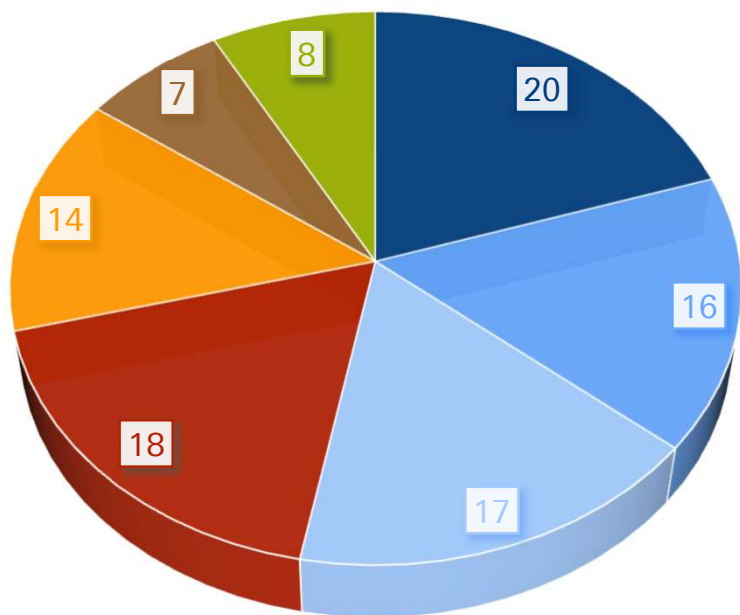
Wealth management: Financial services for securities and assets, based on the interests of investors and the achievement of investment objectives



Financial market products in China

In the first half of 2021, the total volume of asset management products increased to 130 T. CNY

in %



Bank Wealth Management Products

Trust Products

Insurance Products

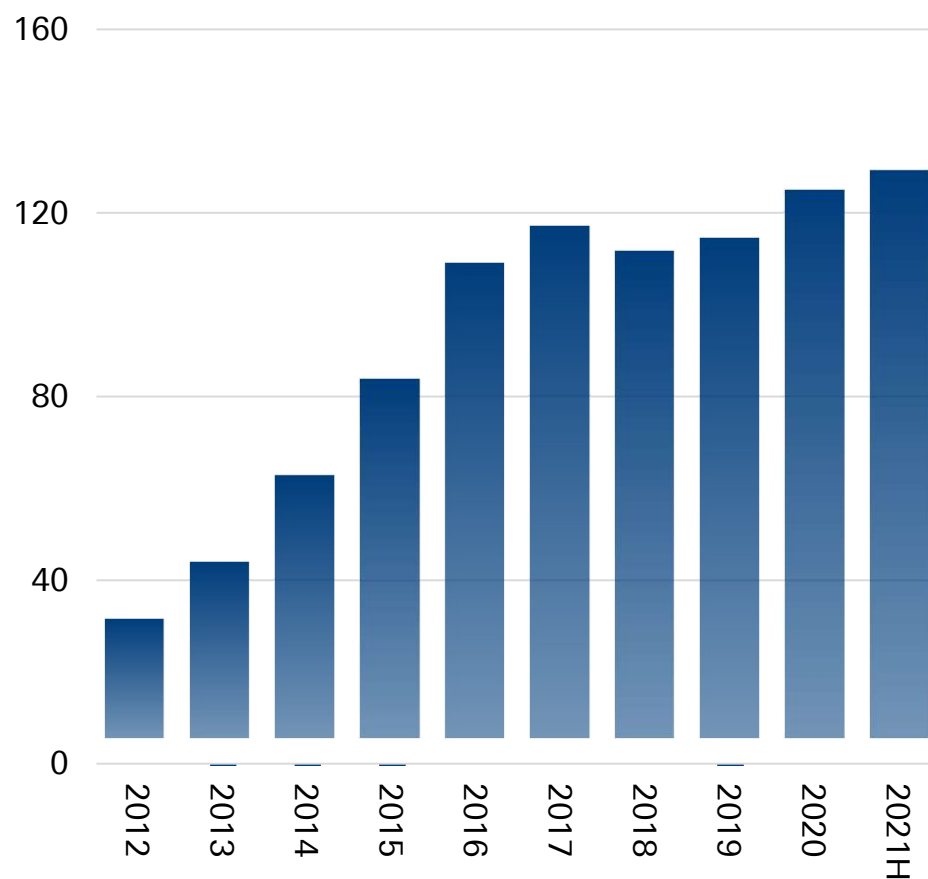
Mutual Funds

Private Equity Products

Segregated Accounts of Securiteis Companies

Segregated Account of Fund Companies

Development of total volume in trillion CNY



Sources: CITIC Securities, Wind, AMAC (Asset Management Association of China), China Trustee Association, <http://www.chinawealth.com.cn>

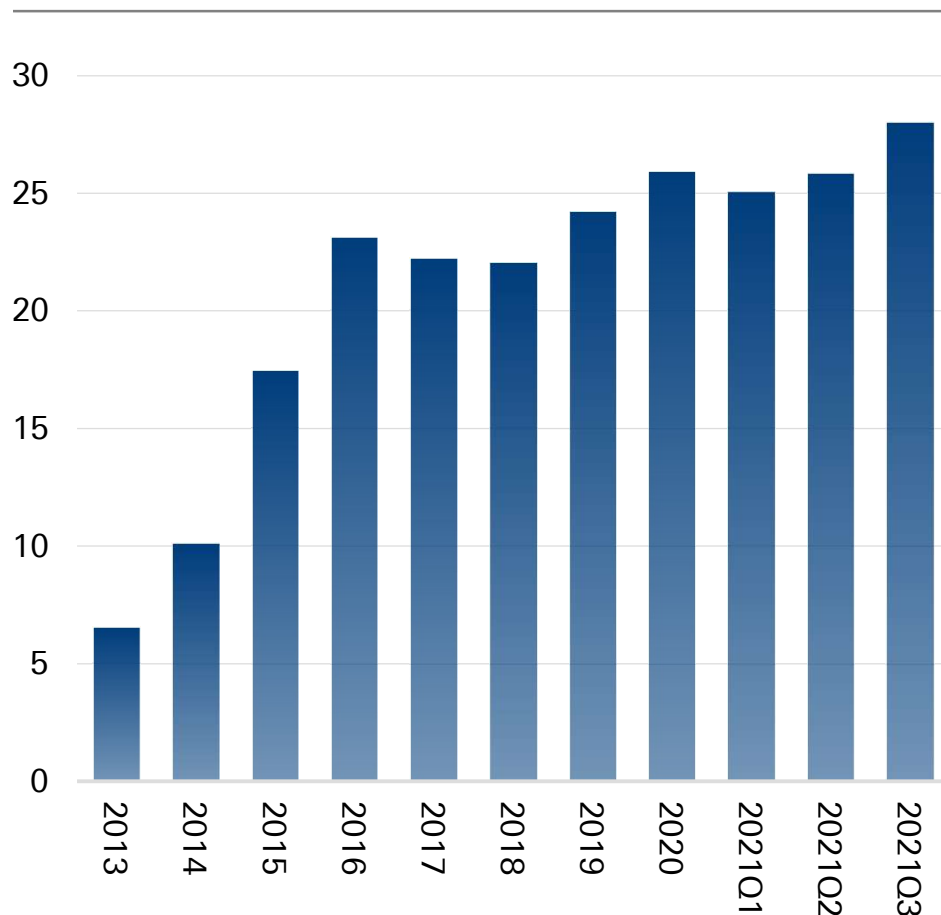
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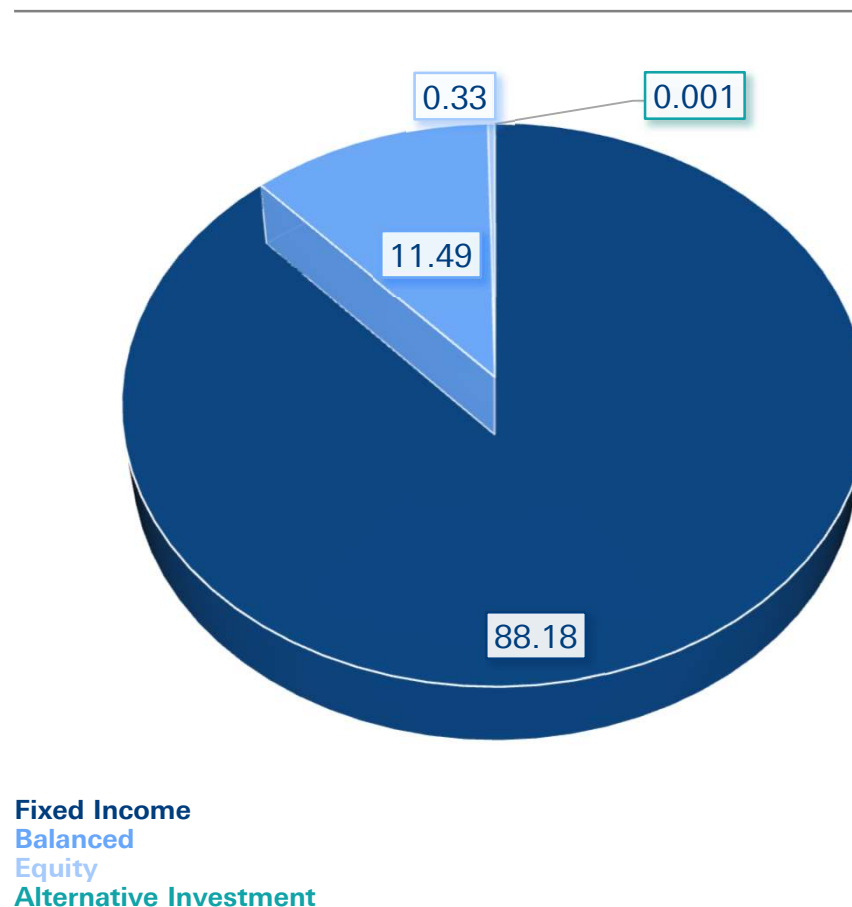
Bank Wealth Management Products

Predominantly fixed-income, open-end products with low to medium risks

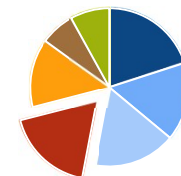
Total volume in trillion CNY



Product classification by asset class, in %*

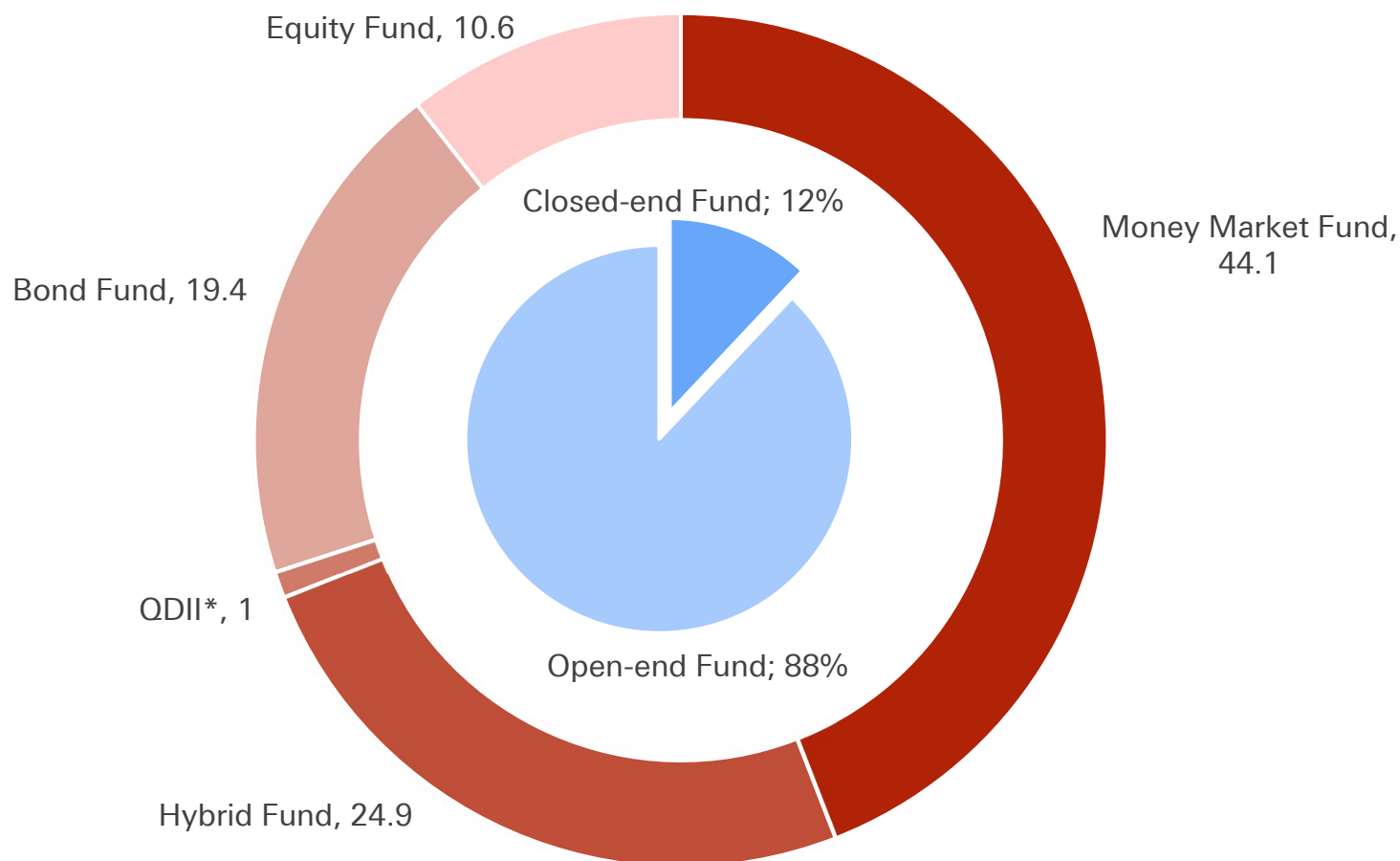


Sources: CITIC Securities, Wind, AMAC (Asset Management Association of China), China Trustee Association, <http://www.chinawealth.com.cn>
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Steady development of mutual fund business

Total volume 25.87 trillion CNY as of January 31, 2022, in %



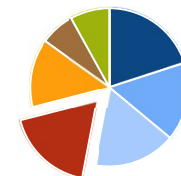
Source: AMAC

*QDII: Qualified Domestic Institutional Investor



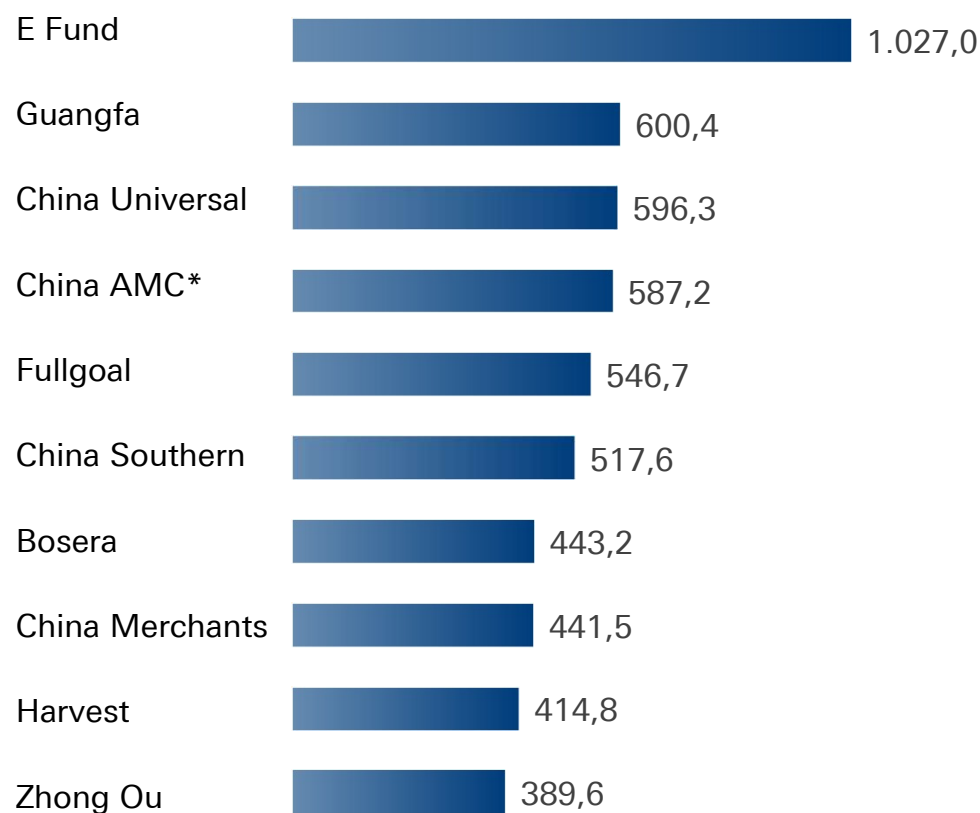
Money Market Fund (MMF)

- The first three MMFs were launched in December 2003
- The total AuM of MMF increased from 0.7 trillion CNY in 2013 to about 10 trillion CNY in 2021
- Among the investors in MMF, about 40% are institutions and 60% individuals
- Institutions' investment in MMF is mainly for the purpose of cash management
- The size of Tianhong Yu E Bao, the MMF provided on the Alipay platform reached RMB 749 billion by the end of 2021. It's the largest MMF in China and 99.99% of the investors are individuals
- Individuals choose to invest in MMFs due to the liquidity and at the same time higher return (<2.5%) comparing with current deposit (0.30%) or even 1-year deposit (1.75%)

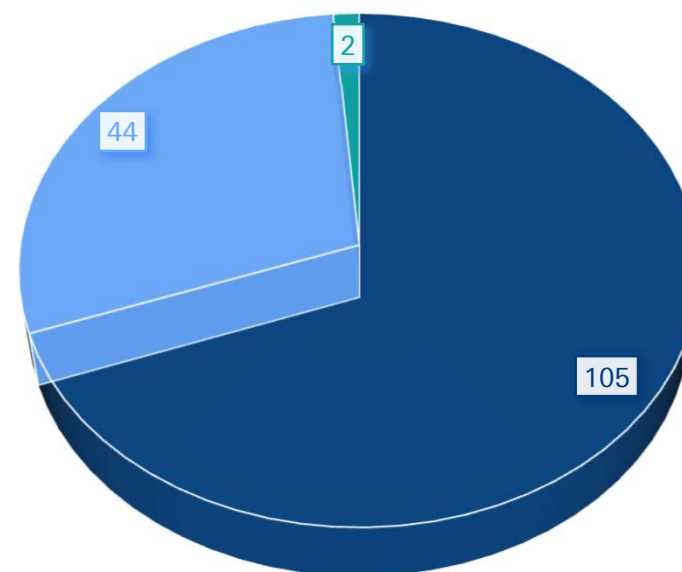


151 Fund Companies in China

Top-10-Asset-Manager with 40% market shares; as of Q4 2021 in billion CNY



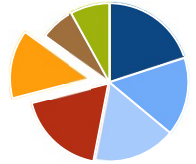
Number of Fund Companies in China; as of February 28, 2022



Chinese Fund Companies
Fund Companies with JV
Foreign Fund Companies

Source: AMAC, Wind

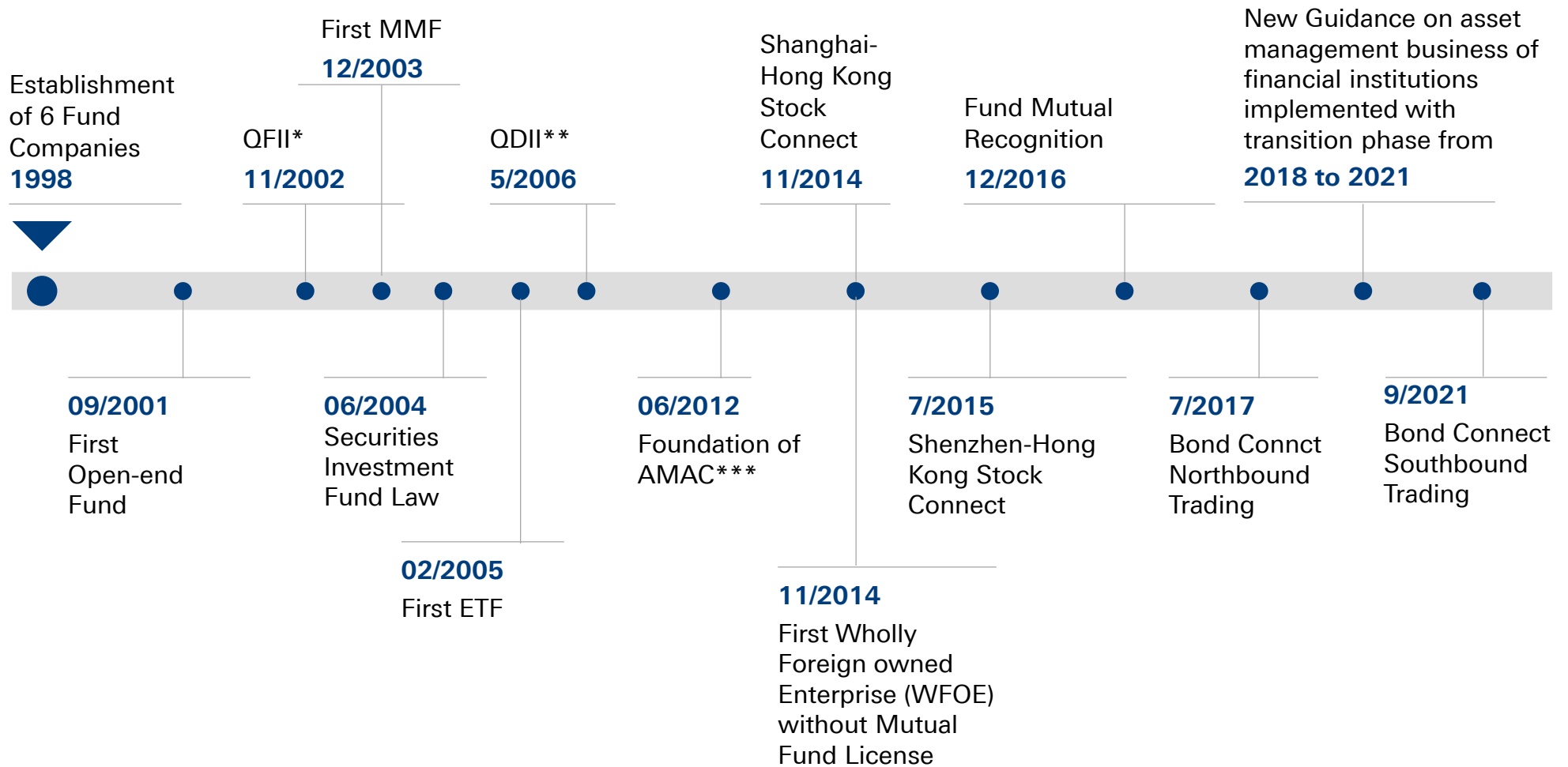
*China AMC: China Asset Management Co. Ltd.



Private Equity

- By the end of 2021, total AuM of PE products raised to about 20 trillion. CNY
- Currently over 24,000 PE companies with over 126,000 products
- No public distribution, PE company can invest in both primary and secondary markets
- Increasing demand for quant products and clear focus on sustainable alpha generation for PE products

25-year development of Chinese asset management industry



*QFII: Qualified Foreign Institutional Investor; **QDII: Qualified Domestic Institutional Investor; ***AMAC: Asset Management Association of China

Current development of the regulatory environment

Central Bank

China Securities
Regulatory Commission

China Banking & Insurance
Regulatory Commission

- Establishment of a pilot program for private pension products in September 2021: 4 bank's asset managers with each product size of CNY 10 billion
- Licensing for wealth management based on fund products to over 50 institutes (23 fund companies, 27 securities companies, 3 banks, etc.)
- Approval for innovative products such as infrastructure REITs funds with sustainability criteria, FOF-LOF*, FOF as pension products, etc.
- Further control and strengthening of oversight for private equity investments

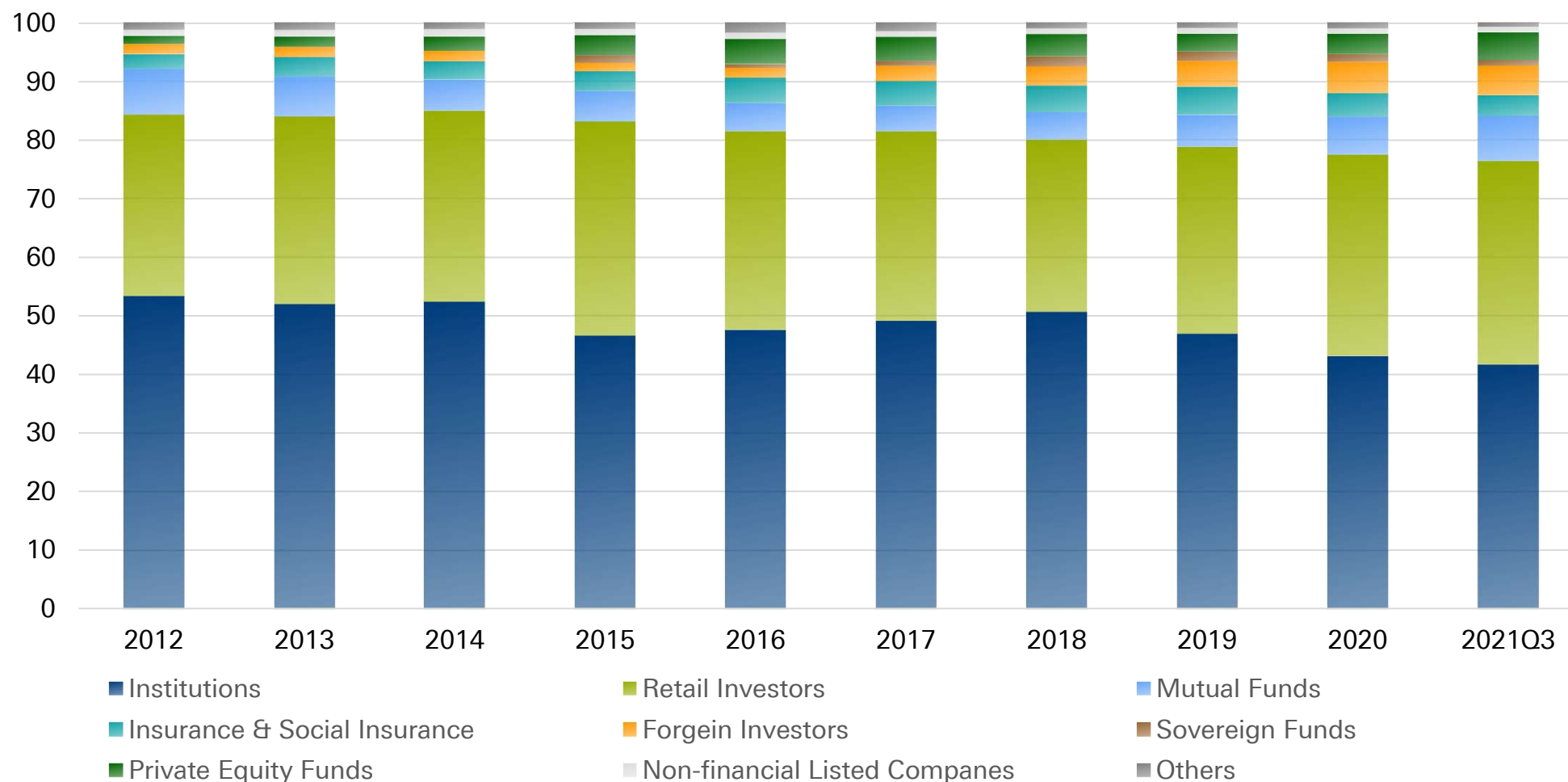
Sources: CITIC Securities, CSRC

*FOF-LOF: Fund of Fund-Listed Open-end Fund. Currently, FOF-LOF products have a lock-up period. It cannot be subscribed for or redeemed during the closed period, but fund shares can be transferred on the secondary market to meet the liquidity needs of some investors. After the closing period, FOF-LOF is often converted into a listed open-end fund (LOF) open for subscription and redemption and trading on the secondary market.

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Investors' structure in A share market

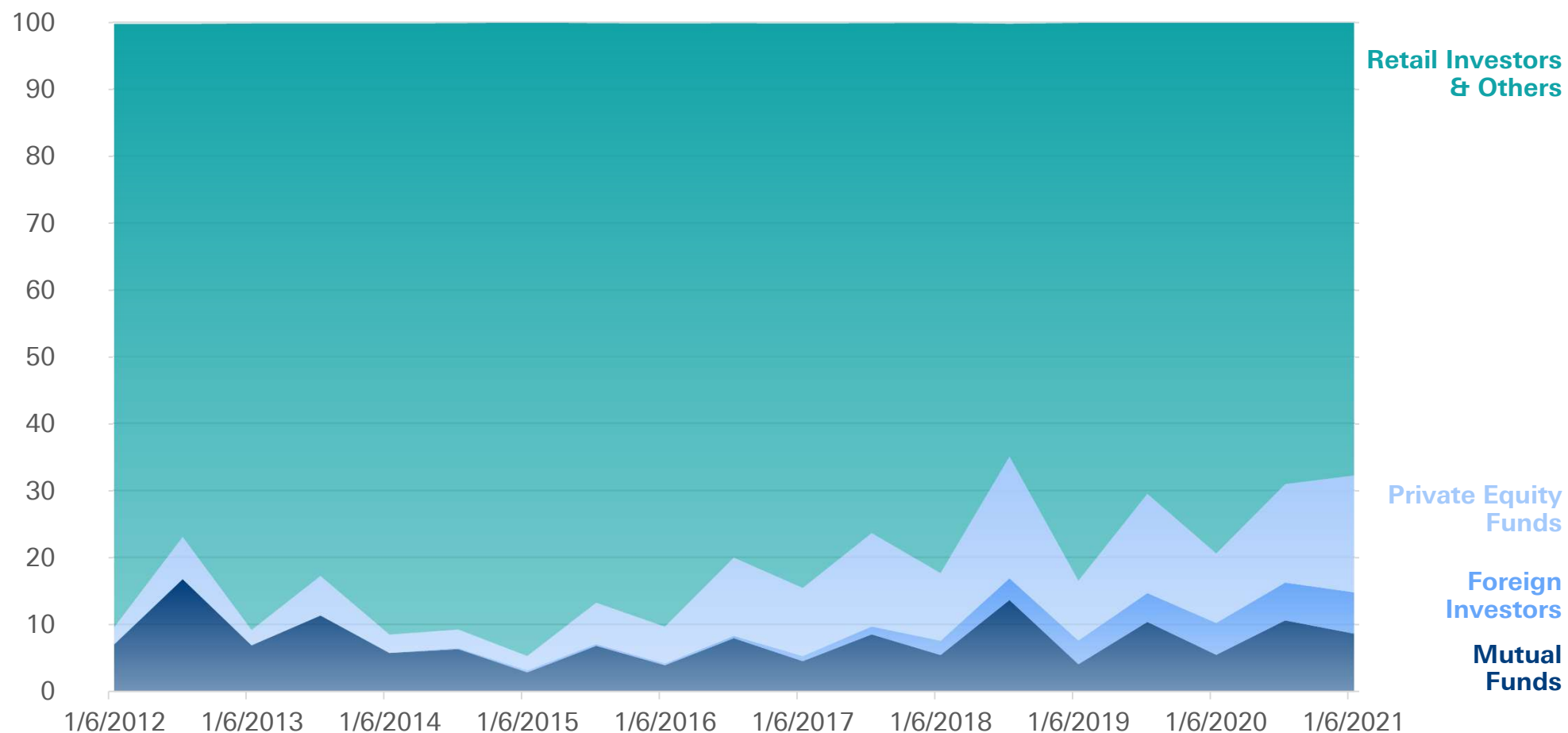
Based on holding volume, as of September 30, 2021, in %



Sources: CITIC Securities, Wind, AMAC, CBIRC, Quarterly reports of listed companies as of September 30, 2021

Investors' structure in A share market

Based on trading volume, as of June 1, 2021, in %



Source: CITIC Securities, Wind, AMAC, CBIRC, Semi annual reports of listed companies, as of June 1, 2021

Strongly growing demand for professional asset management

Characteristics

- Short history and fast development., including size, product type, market players etc.
- Market development is still policy-driven
- Matthew Effect: big players become bigger
- Fast developing financial technology, such as online business, AI and blockchain etc.

Opportunities

- Increasing attention and products for ESG investments
- The increase of mutual fund management companies, fast developing private fund management industry and the ongoing entrance of international players make the asset management industry in China become more competitive, while speeding up the innovation in products and specification
- From an asset allocation perspective, further growth potential for equities and mixed products
- Still with huge potential asset inflow, especially for high-net-worth individuals, institutions and pensions

Legal information (1/2)

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Back-up

Ways to invest in China's capital markets

Market	Equities	Bonds
Hongkong/ Offshore-Markets	H-Shares and Red Chips/ Offshore Chinese Equities	Offshore Chinese Bonds
Mainland China	Stock Connect	Bond Connect
	QFII	QFII/CIBM Direct
All China	ETFs, Funds	