

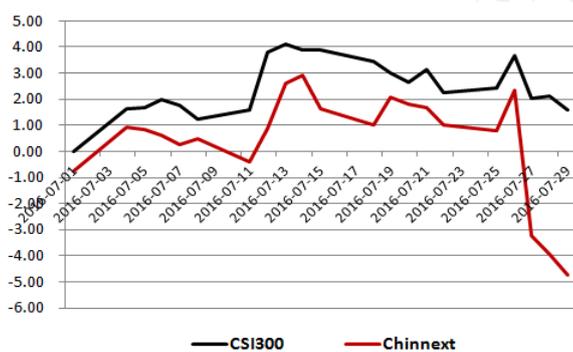
# China's Economic & Market Perspective

## Fundamentals

YoY growth of Industry added value (IAV) in June was 6.2%, showed a 0.2% improvement compared to last month. This is a result of two factors combined, which are the continuous improvement of industrial production price index, and a policy-motivated rebound in auto industry. Production of Industrials sector remains steady. Power generation has seen a 2.1% YoY growth. Meanwhile, the recovery of real estate investment has also driven the growth of relating industries such as cement and steel.

CPI slipped 0.1% QoQ and increased 1.9% YoY. Prices of vegetables, fruits and eggs continued to fall. There is no need to concern about the inflation pressure in the short run. As for the currency side, the fact that Federal Reserve holds the interest rate is well within expectation, yet the dollar index continued to gain momentum. RMB exchange rate dropped slightly, yet overall remained steady as expected. This is the result of the strong currency intervention from the central government. In terms of liquidity, newly issued credit remained at a relatively high level, partially boosted by a strong, continuous increase of mortgage credit in private sector, and will guarantee the liquidity of stock market.

Graph 1: Performance (%) of CSI 300 Index and ChiNext in July



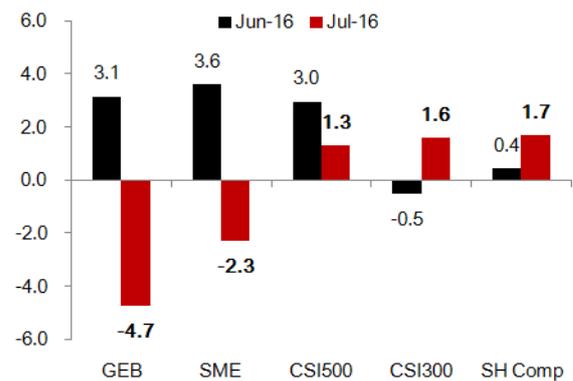
Source: Wind Info, ChinaAMC

## Markets

In terms of the market performance in July, performances of indices differentiated in terms of market cap as market became cautious at the end of July. Shanghai Composite index had reported a slight increase of 1.7%. On the contrary, small cap stocks had worse performance as ChiNext retreated 4.7%. As for the sector performance, Healthcare and Utilities were the two sectors with best performance and IT and Real

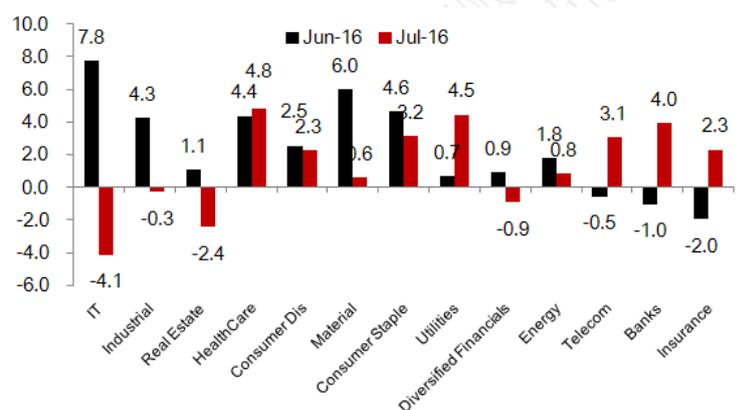
Estate had the worst performance among the other sectors.

Graph 2: Performance of Different Boards in July



Source: Wind Info, ChinaAMC

Graph 3: Performance of different sectors in July



## Outlook

The market experienced an adjustment in the end of July, and investors are now becoming more cautious. In addition to that, with limited fund inflows into the market, the acceleration of IPO and floatation of restricted shares held by industry capital and PEs intensified the concern of financing supply balance. At the end of last month, new regulation on commercial banks about limiting the equity investment of financial product triggered the concern that investors are out of the market.

## Disclaimer

### Important Information

This report is intended only for the use of our clients and prospects. Neither this report nor any of its contents may be reproduced or published for any other purpose without the prior written consent of China Asset Management Co. Ltd ("ChinaAMC"). All the investment strategy illustrated in this report was made on a preliminary basis only, no representation or warranty is made as to the efficacy of any particular strategy or the actual returns that may be achieved.

The information in this report reflects prevailing market conditions and our judgment as of this date, which are subject to change. In preparing this report, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources. We consider the information in this report to be reliable, but we do not represent that it is complete or accurate. ChinaAMC, its affiliates, directors, officers or employees accept no liability for any errors or omissions relating to information available in this report, and will not be liable for any damages or costs arising out of or in any way connected with the use of the information provided in this report.

Any information given or representation made by any dealer, salesman or other person and (in either case) not contained herein should be regarded as unauthorized and, accordingly, should not be relied upon. Accordingly, no person receiving a copy of this report in any territory may treat the same as constituting an invitation to him to purchase or subscribe for the participating shares of the Fund nor should he in any event use the Fund's subscription agreement unless in the relevant jurisdiction such invitation and distribution is lawfully made.

---

### Contact Information

China Asset Management Co. Ltd.

8/F, Tower 7, One Yuetan Street South, Xicheng District, Beijing 100045

IB@ChinaAMC.com

Tel: +86 10 8806 6688/ Fax: +86 10 8806 6330

---

