

China Balanced Fund

Citigroup First Investment Management

Monthly Performance Report | As at 31 March 2017
HONG KONG - For retail investors

IMPORTANT RISK INFORMATION

Investment involves risk. Past performance is not indicative of future performance. Please refer to the offering document for details of the Fund, including the risk factors.

The Fund invests in equity and fixed income securities issued by companies which are headquartered in or have significant business exposure to China. Investing in China-related companies involves certain risks and considerations not typically associated with investment in more developed markets. The concentration of the Fund's investments in China-related companies may result in greater volatility than portfolios which comprise global investments.

The Fund primarily obtains access to the A Share market by investing into access products which are derivative instruments linked to A Shares, and via the Shanghai-Hong Kong Stock Connect (the "Stock Connect"). The Fund is subject to the counterparty risk associated with the issuers of the access products. Access products are issued on the basis of China's QFII system. The current QFII policy and rules are subject to change and any such change could adversely impact the Fund's investment into access products. The Stock Connect is novel in nature and the relevant regulations are untested and subject to change and any such change could adversely impact the Fund's investment in A Shares via the Stock Connect. The Fund may also invest in A Share ETFs (both physical and synthetic) so will be subject to the fees and costs charged by, and may be affected by tracking error of, such ETFs.

Fixed income instruments are subject to the credit risk of the issuers. The Fund may invest in non-investment grade or unrated instruments, which are generally subject to a higher degree of credit risk. The quantity of offshore RMB bonds is currently limited which may impact the allocation within and/or the performance of the Fund, and as there may not be an active secondary market for offshore RMB bonds there may be some liquidity constraints.

RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that RMB will not depreciate.

Investment Objective

The investment objective of the Fund is to provide Unitholders with moderate long term capital appreciation and potential income stream by primarily investing in equity and fixed income securities that are available both onshore and offshore China, and are related to the growth or development of the Chinese economy.

Fund Information

Manager:	Citigroup First Investment Management Ltd	
Sub-Manager:	Bosera Asset Management (International) Co. Ltd	
Inception Date:	9 December 2011	
Base Currency:	USD	
Total Fund Size:	USD 7.72 million	
Fund Price (NAV):	Bloomberg Ticker:	ISIN Number:
USD 10.596	CBALUSD KY	KYG2162M1042
HKD 10.579	CBALHKD KY	KYG2162M1125
Dealing Day:	Daily	
Management Fee:	1.5% p.a.	
Initial Charge:	Up to 5%	
Realisation Charge:	Currently 0%	
Dividend Policy:	Currently on a quarterly basis (i.e. March, June, September and December each year), subject to the Sub-Manager's discretion and the Manager's consent. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. No distribution will be paid out of the Fund's capital.	
Last Dividend	Dividend per Unit	Ex-dividend Date
USD Units	USD 0.100	2 July 2015
HKD Units	HKD 0.100	2 July 2015

Performance (NAV-to-NAV with dividends reinvested)

	Cumulative Performance (%)					
	YTD	6mths	1yr	3yrs	5yrs	Since Inception
Fund (USD)	15.82%	11.61%	19.06%	2.75%	17.15%	19.29%
Fund (HKD)	16.10%	11.84%	19.29%	2.95%	17.27%	19.15%

	Calendar Year Performance in USD (%)					
	2011 ¹	2012	2013	2014	2015	2016
Fund	-0.03%	7.09%	10.16%	4.66%	-16.64%	0.10%

Performance (%)



Morningstar Rating™²

Overall	★★
3 Year	★★
5 Year	★★
10 Year	–



As at 31 March 2017, out of 151 Funds in the Asia Allocation Category.

¹ Represents performance figures since inception date (9 December 2011) to 31 December 2011 for the USD units.

² See Morningstar rating disclosures and explanation on the last page.

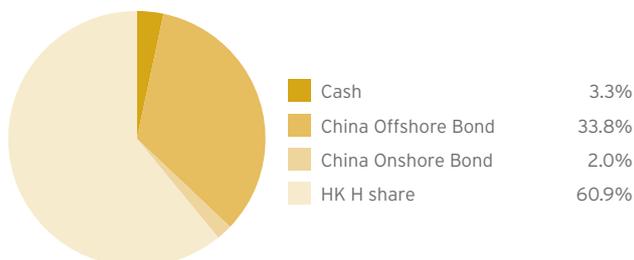
Source for all Charts and Tables: Citigroup First Investment Management Ltd, as of 31 March 2017.

INVESTMENT PRODUCT: NOT A DEPOSIT | NOT INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

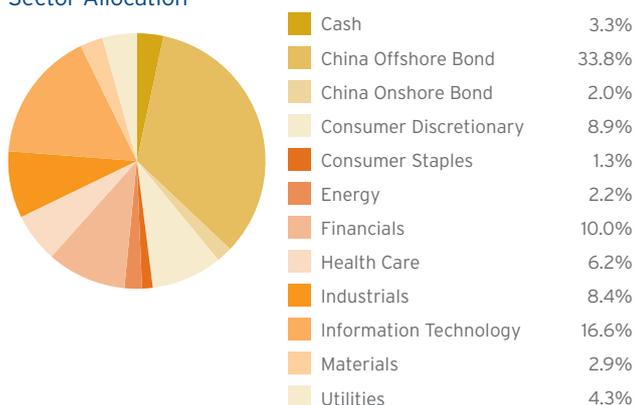
Top 5 Holdings

XS1068221230	LONGFOR PROPERTI LNGFOR 6 3/4 05/28/18	4.90%
1233 HK	Times Property Holdings Ltd	4.70%
XS1241497384	CHINA SCE PROPER CHINSC 10 07/02/20	4.43%
371 HK	Beijing Enterprises Water Group Ltd	4.32%
3669 HK	China Yongda Automobiles Services Holdings Ltd	4.14%

Asset Allocation³



Sector Allocation³



Source for all Charts and Tables: Citigroup First Investment Management Ltd, as of 31 March 2017.

³ Due to rounding, the sum of total may not equal to 100%.

Manager's Commentary

During the month, the Chinese equity market was relatively volatile and the bond market performed well. The fund posted a positive return. Real Estate, Information Technology, Consumer Discretionary and Utilities stocks performed relatively well while the performance of Materials and Consumer Staples was comparatively weaker.

The Hong Kong stock market was driven by following factors: 1) The cautious outlook taken by the market before the Federal Open market Committee (FOMC) meeting and the eventual decision by the Fed to increase the interest rate by 0.25% in line with market expectation. 2) Failure to repeal Obamacare by the Trump's administration which demonstrated the uncertainty on the future implementation of Trump's policies 3) Improving China's economic data together with the upturn in economic growth and corporate earnings have boosted the market sentiment. 4) The Hong Kong stock market has been supported by southbound capital inflow since the beginning of the year.

Asia bond market continued to be well supported with high-yield bond outperforming in March. The interest rate market was volatile during the month, with the 10 year US Treasury yield rallied to the recent high of 2.62% in mid of March after hawkish speeches by the FOMC members. The yield dropped to 2.40% level later this month as the FOMC meeting minutes were deemed as more dovish as compared to market expectation. The failure of Trump's administration to push forward the changes in Obamacare further weakened the market hopes for reflation. Overall, the yields in Asia credit bonds were largely flat month over month (+3bp for the index), which continued to be near the historical low level, especially for the high yield sector.

Asia investment grade and high-yield bonds returned 0.11% and 0.53% respectively in March. Offshore RMB bond returned 0.28% during the month. In China, the manufacturing and non-manufacturing Purchasing Managers' Index (PMI) were 51.8 and 55.1 respectively. The 10-year China government bond yield dropped to 3.28% from 3.32% on previous month end.

Note: The Manager's Commentary is provided by Bosera Asset Management (International) Co. Ltd, the Sub-Manager of the Fund.

Disclaimer

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Investors should note that although the Fund's portfolio will always be invested directly or indirectly in assets that best reflect the Fund's investment strategy, the views and process that influence the selection of assets in the investment strategy could be contrary to other views or opinions contained in research reports or notes published by Citigroup or its affiliates.

The Fund has been authorised by the Securities and Futures Commission (SFC) but such authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. This material has not been reviewed by the Securities and Futures Commission.

Morningstar Rating Disclosures

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Morningstar Rating for Funds

Morningstar rates mutual funds from one to five stars based on how well they have performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods - three-, five- and ten- years - and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They are a useful tool for identifying funds worthy of further research, but should not be considered buy or sell recommendations.

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