

China Select Fund

Citigroup First Investment Management

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

Sub-Managed by:



IMPORTANT RISK INFORMATION

Investment involves risk. Past performance is not indicative of future performance. The Fund will take equity exposure to companies which are headquartered in or have significant business exposure to China by investing, directly and indirectly, in their stocks listed both onshore and offshore China. Please refer to the offering document for details of the Fund, including the risk factors.

Investing in China-related companies and in Chinese markets involve certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risk. The concentration of the Fund's investments in China-related companies may result in greater volatility than portfolios which comprise broad-based global investments.

The Fund obtains access to the A Share market by investing into access products which are derivative instruments linked to A Shares issued by third parties, and via the Stock Connect (which comprises the Shanghai-Hong Kong Stock Connect and, when it becomes operational, the Shanghai-Hong Kong Stock Connect). The Fund is subject to the counterparty risk associated with the issuers of the access products and may suffer losses if any issuer defaults. 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 investments in 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.

Investment Objective

The Fund seeks to provide Unitholders with long term capital growth through exposure to China-related companies by investing in equities and equity related instruments traded both onshore and offshore China.

Fund Information

Manager:	Citigroup First Investment Management Ltd	
Sub-Manager:	China Asset Management (Hong Kong) Ltd	
Inception Date:	10 December 2010	
Base Currency:	USD	
Total Fund Size:	USD 85.05 million	
Fund Price (NAV):¹	Bloomberg Ticker:	ISIN Number:
USD 11.618	CHSLUSD KY	KYG2162H1395
AUD 13.766	CHSLAUD KY	KYG2162H1478
EUR 14.369	CHSLEUR KY	KYG2162H1544
HKD 11.700	CHSLHKD KY	KYG2162H1700
SGD 12.471	CHSLSGD KY	KYG2162H1882
GBP 8.250	CHSLGBP KY	KYG2162H1627
Dealing Day:	Daily	
Management Fee:	1.8% p.a.	
Initial Charge:	Up to 5%	
Realisation Charge:	Currently 0%	
Performance Fee:	10% of appreciation in the NAV per unit during a performance period above the high watermark of the relevant class of units	

¹ The GBP units were re-issued at GBP 10 on 29 May 2015

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

Performance (NAV-to-NAV with dividends reinvested)

	Cumulative Performance (%)					
	YTD	6mnths	1yr	3yrs	5yrs	Since Inception
Fund (USD)	11.73%	4.43%	13.11%	-0.51%	23.66%	16.18%
Fund (AUD)	6.05%	4.76%	14.05%	17.10%	54.07%	37.66%
Fund (EUR)	10.17%	9.72%	20.50%	27.33%	54.19%	43.69%
Fund (HKD)	11.99%	4.64%	13.33%	0.17%	24.60%	17.00%
Fund (SGD)	8.07%	7.02%	17.36%	10.53%	38.14%	24.71%
Fund (GBP)	10.41%	8.50%	30.02%	-	-	-17.50%

	Calendar Year Performance in USD (%)					
	2011	2012	2013	2014	2015	2016
Fund	-11.57%	15.83%	19.12%	8.67%	-12.37%	-11.45%

Performance (%)



Morningstar Rating™²

Overall	★★
3 Year	★★
5 Year	★★
10 Year	-



Overall Rating

As at 31 March 2017, out of 223 Funds in the Greater China Category.

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

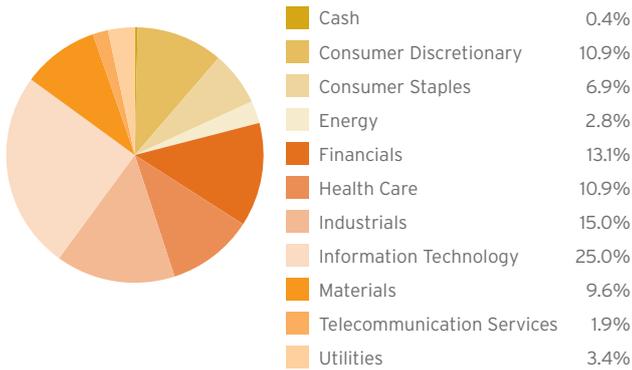
Top 5 Holdings

700 HK	Tencent Holdings Ltd	7.86%
BABA US	Alibaba Group Holding Ltd	7.10%
2318 HK	Ping An Insurance Group Co of China Ltd	4.25%
NTES US	NetEase Inc	3.77%
1093 HK	CSPC Pharmaceutical Group Ltd	3.68%

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

The Fund registered a positive return and underperformed the reference benchmark (80% MSCI China + 20% CSI 300) in March. Financials, consumer staples and consumer discretionary were the key contributors while information technology, materials and energy were the key detractors. Currently we have a higher exposure to industrials, healthcare and materials, as compared to financials, information technology and telecommunication services.

MSCI China gained 2.25% in the month of March, performed in line with MSCI Emerging Markets (2.54%) while outperforming S&P 500 and MSCI AC World indices. Economic activities continue to be strong. National Bureau of Statistics (NBS) March manufacturing Purchasing Managers Index was 51.8 (vs. 51.6 in February). The production sub-index posted the highest increase in March (54.2), suggesting stronger industrial activity. We saw broad-based improvement in both domestic and external demand. We believe that the Producer Price Index (PPI) have peaked and will soften from 2Q17 onwards due to higher base. The People's Bank of China has hiked interest rates on both reverse repo and medium-term lending facility by 10bps on March 16. Higher-than-expected economic growth at the year beginning has allowed for a faster pace of counter-cyclical tightening. China's March outflows eased for the third consecutive month and reached its lowest level since July 2015. Consistent southbound flows through Shenzhen-Hong Kong Stock Connect is an important driver of market performance in Hong Kong. We expect southbound inflow to continue given that Hong Kong market is still trading at a lower price than the A-share market. On the other hand, earning revisions also played an important role in the recent market performance. For instance, technical hardware, healthcare, auto & part and real estate saw the largest upward revision in earnings, resulting in better performance than the other sectors.

In the 2017 Chinese government working report, Premier Li highlighted "risk management" as one of the key tasks for financial sector this year aiming to control risk points and to prevent asset bubbles. We have witnessed the earlier property market cooling measures taken by the government. Recent announcement on the investigation of China Insurance Regulatory Commission (CIRC) chairman may lead to tightening of regulatory controls in the rapidly growing insurance sector. We believe that the appropriate implementation of these measures will promote the long term healthy growth of the insurance sector. Effective risk management is a challenging task and requires a fine balancing act. We will continue to monitor further development in this area.

Our portfolio retains exposure in some of the potential growth areas in China, including healthcare, auto and auto related sector, and industrials. We will continue to invest in stocks within the mid/small cap space as this is dominated by dynamic private enterprises whose growth is less dependent on the macroeconomic factors. We have partially adjusted positions last month and will be looking for opportunities to rebuild our stock positions.

Note: The Manager's Commentary is provided by China Asset Management (Hong Kong) Ltd, the Sub-Manager of the Fund.

Disclaimer

Investment involves risk. Past performance is not indicative of future performance. Please refer to the Explanatory Memorandum and Key Facts Statement of the Fund for details of the Fund, including the risk factors.

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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