

China: New Policy Cycle Amid Global Slowdown

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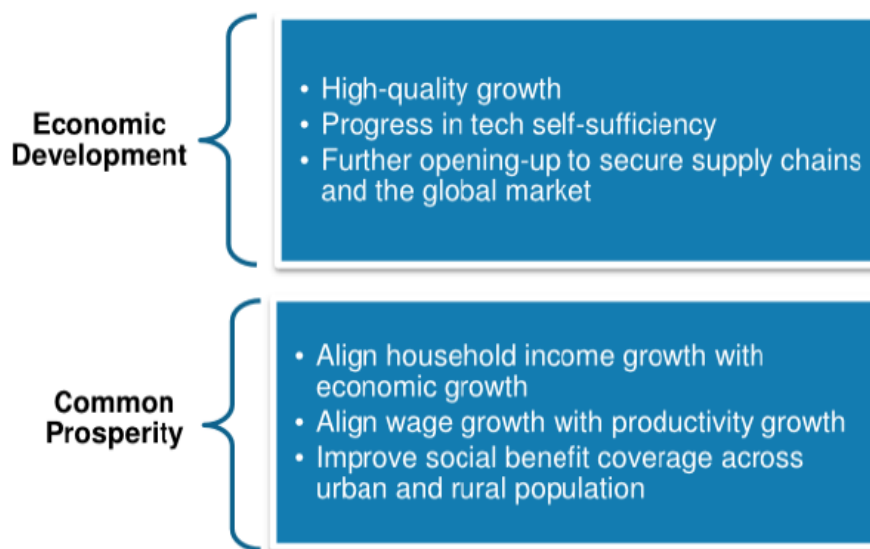
November 2022

1. China Macro Update

Reading Between the Tea Leaves of China's 20th Party Congress

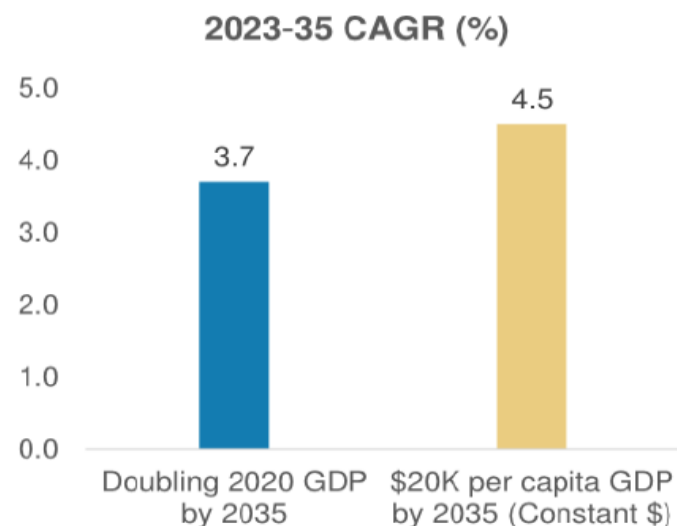
- Market concerned about lack of checks and balances with the new Politburo Standing Committee and that the new government might turn more towards ideology (rather than market-oriented approach)
- However, solidarity at the highest level could lead to better policy coordination and execution
- The CPC report kept long term development (growth) target unchanged, while security was elevated to a higher priority
- The key security (self-sufficiency) includes manufacturing and supply chain, energy, and agriculture security

Economic Development Remains a Top Priority



Source: Morgan Stanley Research, October 2022

4.5% CAGR Required for China's GDP Per Capita to Reach "Medium-Level Developed Country" by 2035



Source: Morgan Stanley Research, October 2022

Reading Between the Tea Leaves of China's 20th Party Congress

- As we've passed the political climax and leader reshuffling is done, next year is likely to focus on the economy
- We expect a more aggressive fiscal push to offset macro headwinds and policy coordination should also improve
- CEWC at end of the year and the Two Session in 1Q23 are the two key meetings to watch

Upcoming Key Political and Policy Events

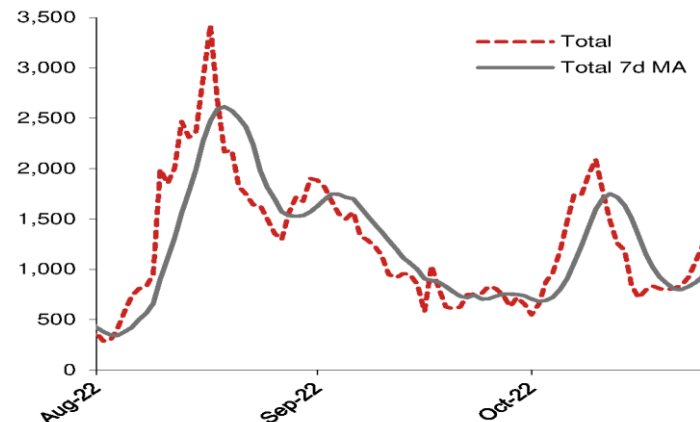
Dates (possible)	Key political and policy events
Early Dec 2022	Politburo meeting on 2023 economic policy outlook, preparation for CEWC
Mid Dec 2022	Central Economic Work Conference (CEWC)
Jan/Feb 2023	Second Plenum of the 20th CPC Central Committee
Mar 2023	Two Sessions - NPC and CPPCC
Oct/Nov 2023	Third Plenum of the 20th CPC Central Committee

Source: Government websites, Goldman Sachs, October 2022

Lockdowns Continue Amid Recent Spike in Cases

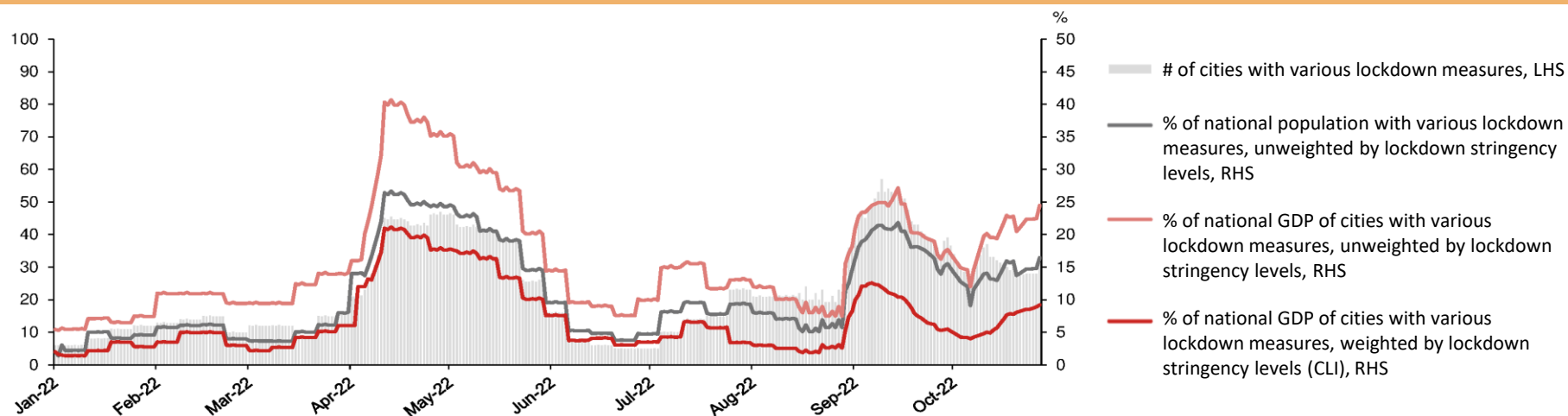
- Market was disappointed to see no signs of an easing to the zero-Covid policy
- Execution of the zero-Covid strategy has been stepped in recent weeks, as cases spiked in a number of cities/provinces
- However, we think measures will be a lot less draconian than 2Q and, hence, less likely to lead to widespread economic impact

Aggregate Daily Covid Cases in China



Source: Wind, Nomura Global Economics, October 2022

Impact of Local Lockdowns – Nomura China Covid Lockdown Index has Risen in Recent Weeks

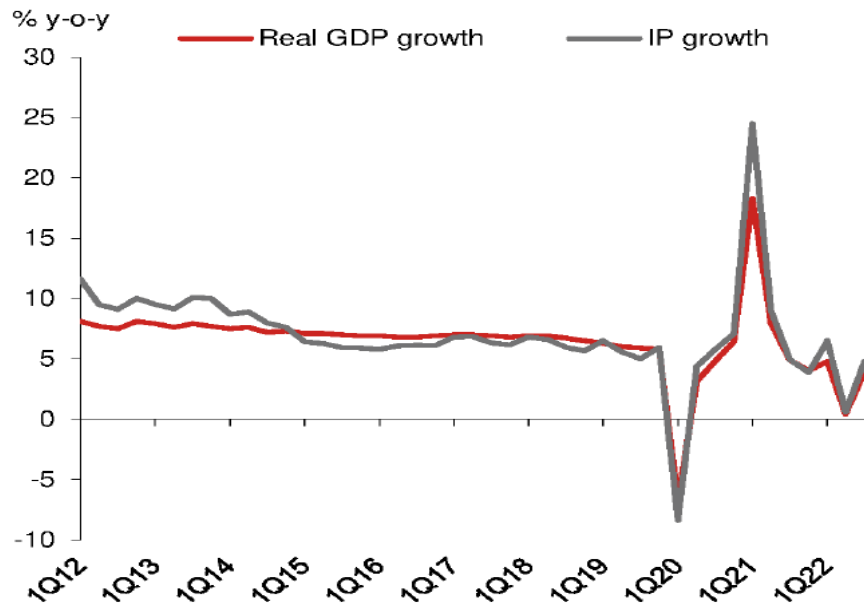


Source: State Council, National Health Commission, NBS, Nomura Global Economics, October 2022. Note: Latest data as of 27 October.

The Worst is Behind Us

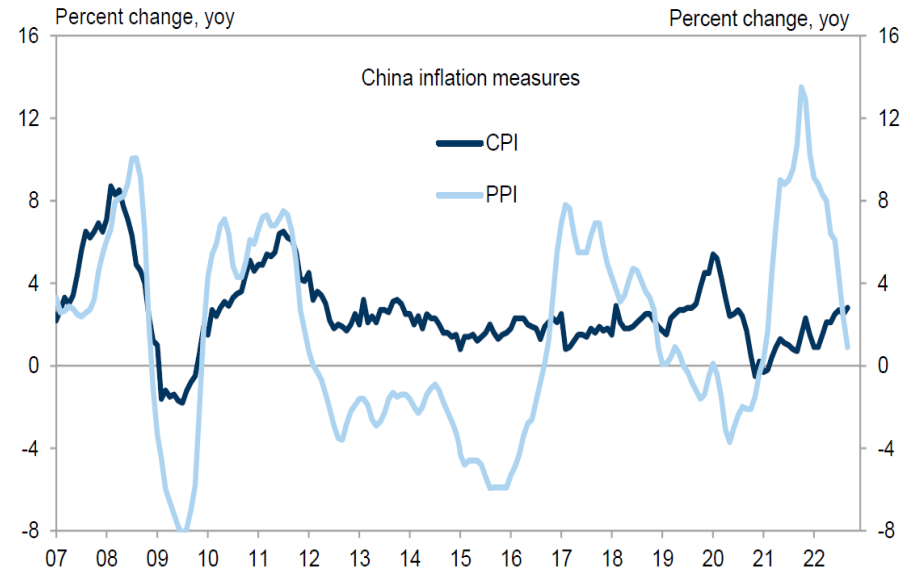
- Despite of Covid resurgence and restriction measures, China's GDP growth still recovered from 2Q22 lows
- The new government has room and could become more aggressive in fiscal policies to address the economic headwinds, as China doesn't have such high inflation pressured in other major economies

Real GDP Growth and IP Growth Still Recovering Since 2Q22



Source: Wind, Nomura Global Economics, October 2022

CPI Inflation Rose While PPI Inflation Moderated in September

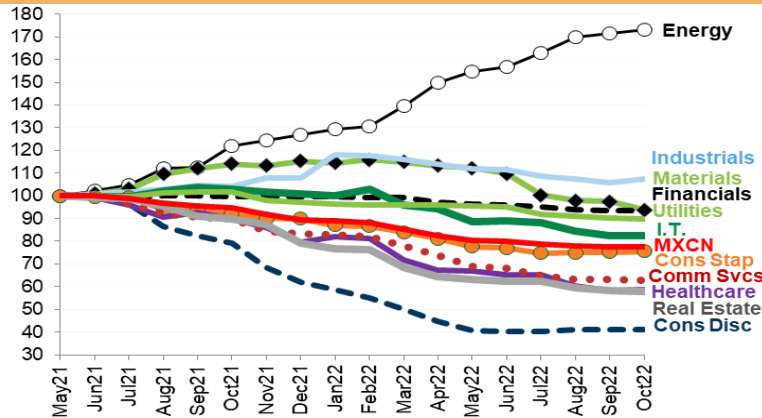


Source: Goldman Sachs, October 2022

Valuations: Likely on the Last Leg of Downward Earnings Revisions

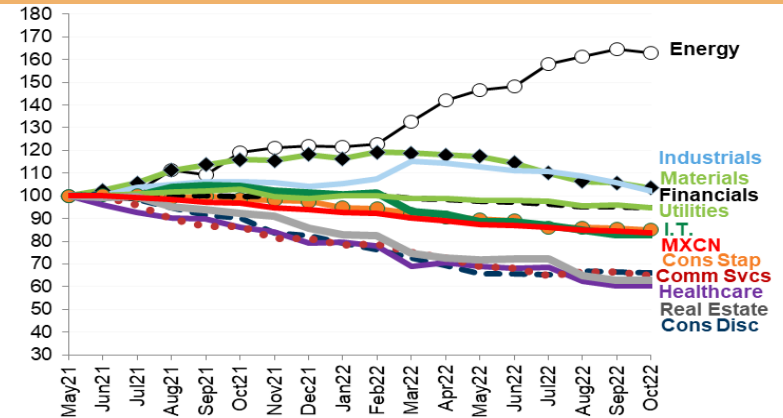
- 2022 earnings revision is mostly done while 2023 downward revisions are starting to price in
- We may see more catalysts in 2023 as the new government turns its focus onto the economy

2022E Sector EPS Revision, MSCI China (USD)



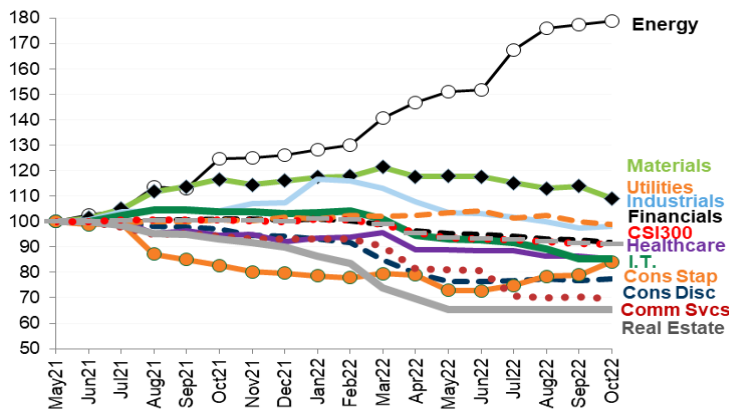
Source: Goldman Sachs, October 2022

2023E Sector EPS Revision, MSCI China (USD)



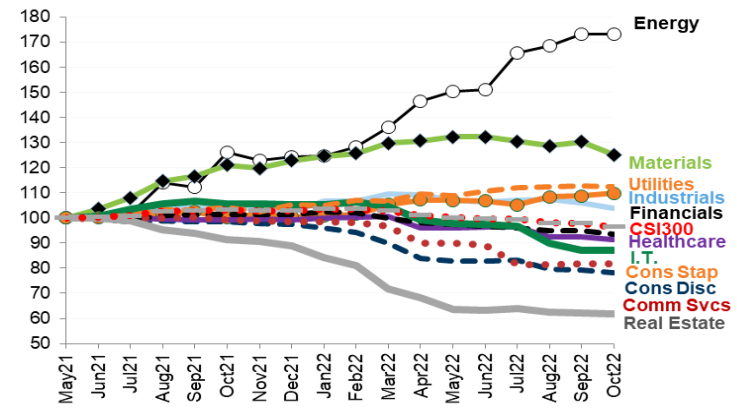
Source: Goldman Sachs, October 2022

2022E Sector EPS Revision, CSI300 (CNY)



Source: Goldman Sachs, October 2022

2023E Sector EPS Revision, CSI300 (CNY)

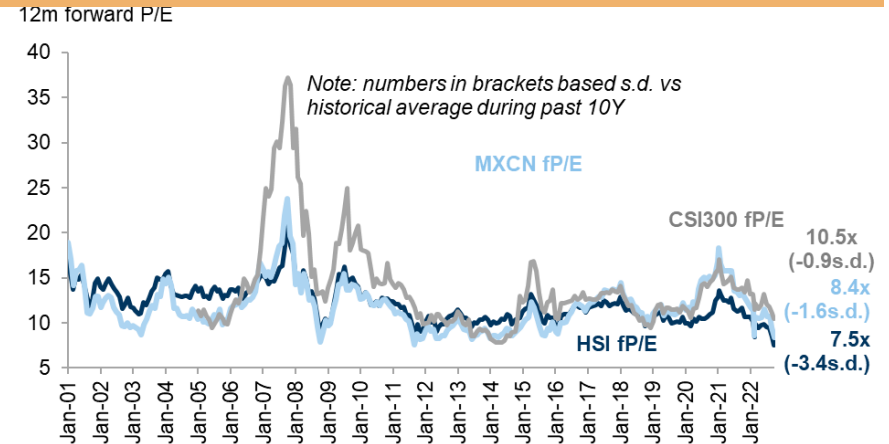


Source: Goldman Sachs, October 2022

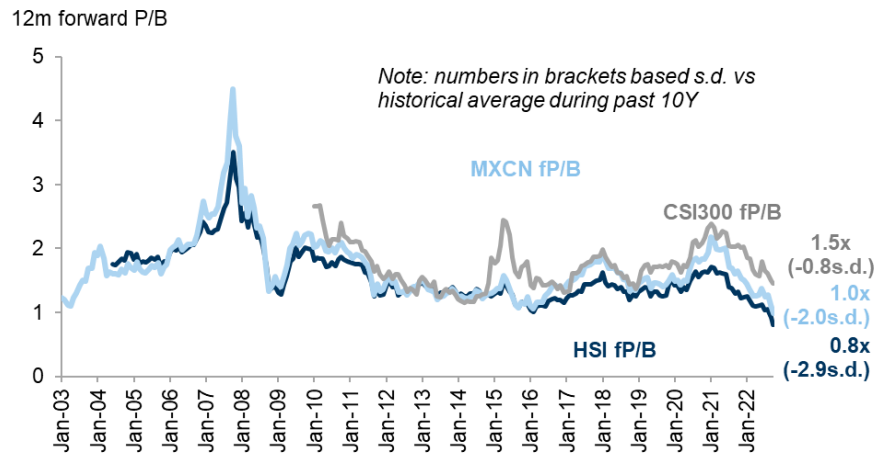
Valuations: Attractive Levels Compared to Historical Average

- Chinese equity valuations are trading near historical lows
- Domestic A-share stocks have shown the most resilience, with CSI300 falling less than MSCI China and HSI when compared against their historical averages

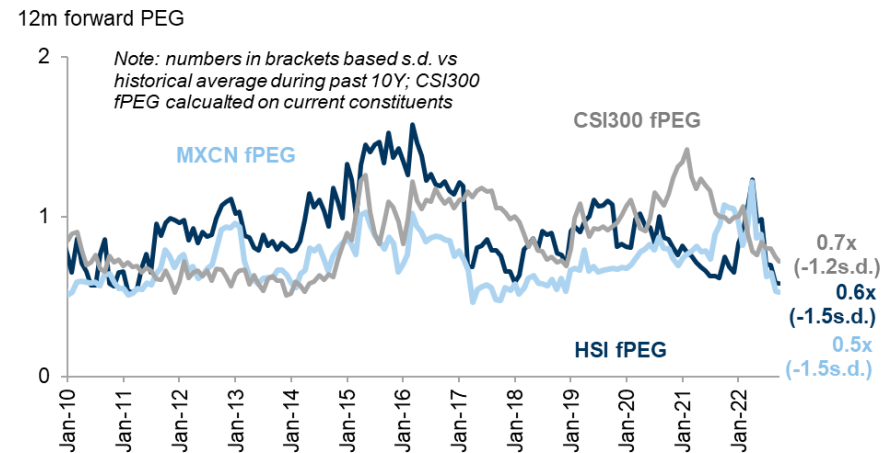
12 Month Forward P/E



12 Month Forward P/B



12 Month Forward Price Earnings to Growth



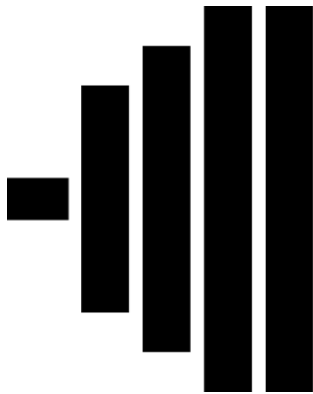
2. Investment Themes

Current Positioning Takes on New Strategy

- Using barbell approach to focus on:
 1. Policy supportive secular growth opportunities, and
 2. Beaten-up sectors that have exited regulatory cycle, plus potential beneficiaries of post-Covid reopening

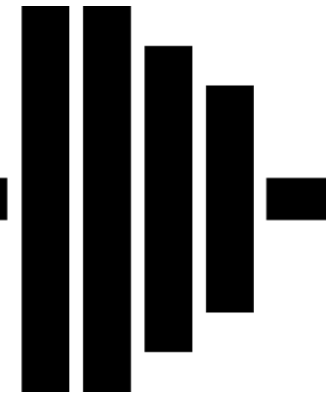
Secular Growth Opportunities

e.g. EV & Battery, Renewable Energy



Post-Regulation Sectors & Reopening Plays

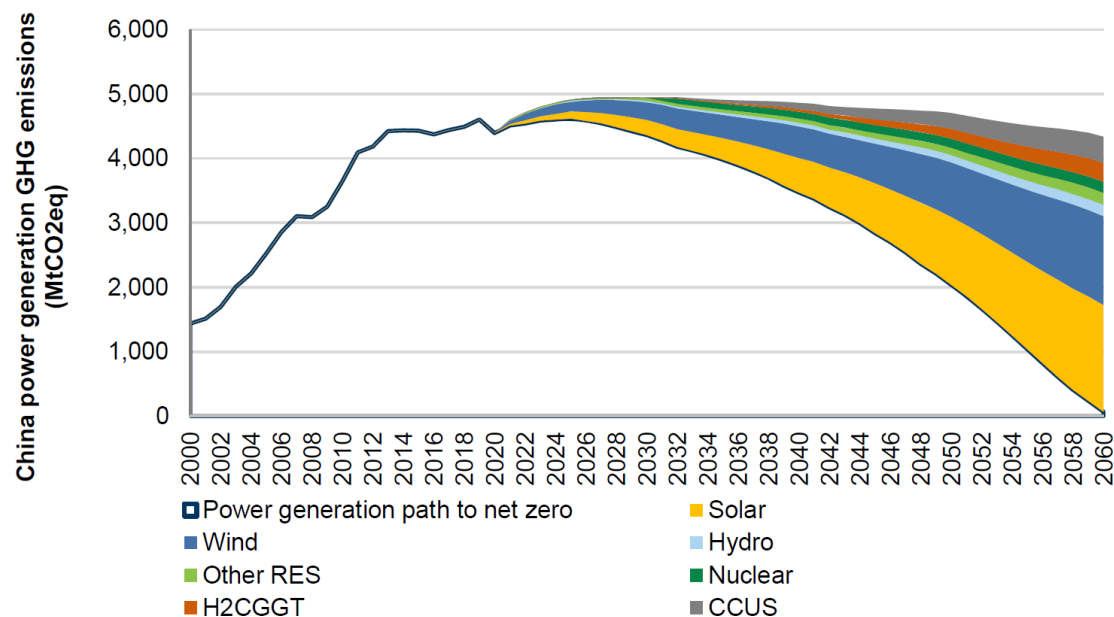
e.g. Internet, Property, Travel & Tourism



Carbon Neutrality

- China, the world's largest carbon emitter (representing two-thirds of global emissions), has set a clear course to achieving carbon neutrality by 2060
- This requires enormous investments in the infrastructure in order to achieve a net zero economy within four decades
- We see opportunities, not only in sectors such as renewable energy, but also in electric vehicles and energy storage
- A radical change in the China's energy mix and current energy ecosystems will be imminent
- Solar and wind are likely to be the biggest beneficiaries

China Power Generation GHG Emissions Path to Net Zero by 2060



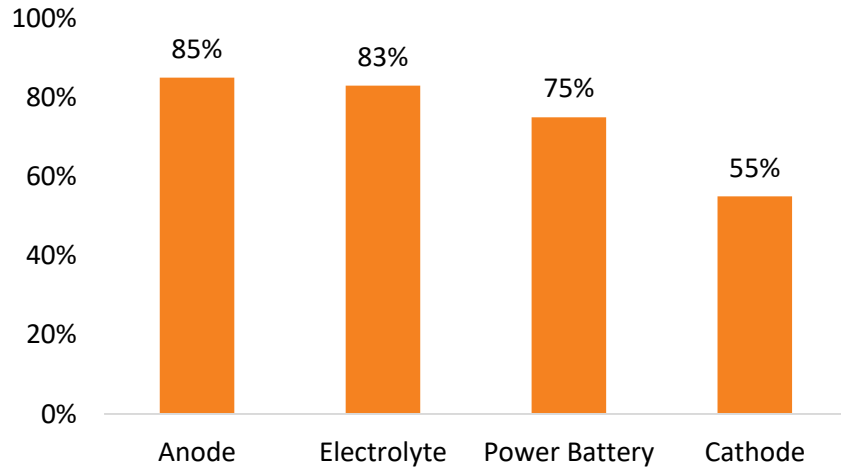
Source: Goldman Sachs, 2021



EV and Battery

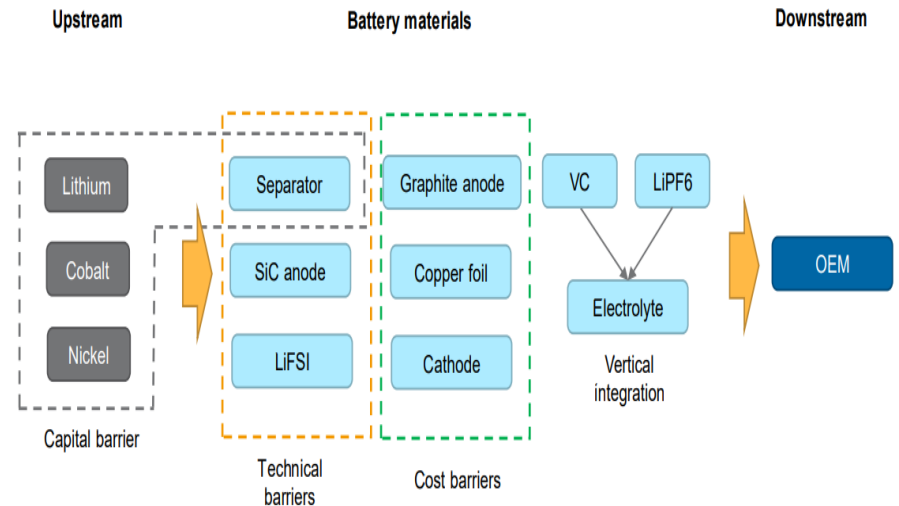
- China's dominance in the EV supply chain
 - China is highly dominant in the supply chain of EV Battery manufacturing
 - Major car makers like VW, Tesla, and Toyota are making EV models from Chinese factories
- Wuxi Lead, CATL: Leaders in the battery supply chain

China's Global Share in Battery Supply Chain



Source: ICCSINO, Macquarie Research, 2021

Entry Barrier on Battery Supply Chain



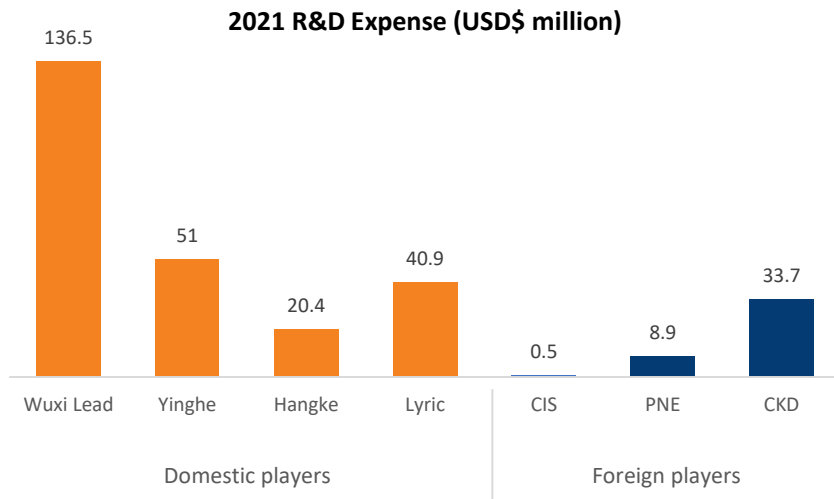
Source: Company data, 2021



EV and Battery

- **Wuxi Lead: Best proxy for the new lithium battery capacity cycle**
 - Top battery equipment solution provider covering all three stages of the battery production process (i.e. electrode manufacturing, cell assembly, and cell finishing)
 - Key beneficiary of the top battery maker’s aggressive capacity expansion plans
 - Actively expanding customer base and capturing overseas battery expansion opportunity
 - Strong R&D extending their leading equipment technologies and knowhow

R&D Investment by Chinese Equipment Suppliers Significantly Higher Than Foreign Peers



Domestic Players Enjoy Higher Gross Margins Thanks to Lower Labor and Raw Material Costs



Source: Morgan Stanley, April 2022

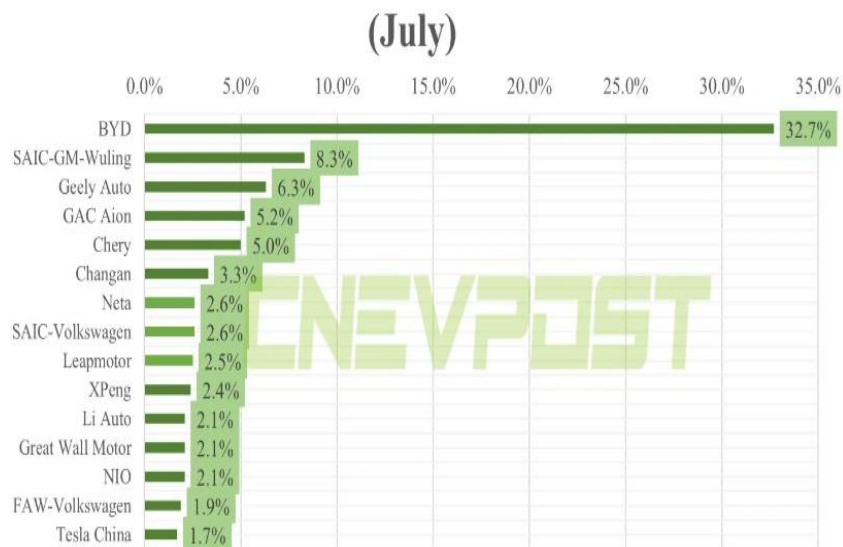
Source: Company Data, Morgan Stanley Research, June 2022



EV and Battery

- **BYD: The most compelling EV maker, par with Tesla**
 - Vertical integration: BYD internally develops batteries, motors, inverters, semiconductors, and has an EV-dedicated platform. This vertical integration helps the company move more quickly and efficiently
 - BYD's world-leading battery technology improves the cost competitiveness of its models compared to internal combustion engine (ICE) models

BYD's Latest EV Share Exceeding 30% in China



Source: CPCA, CnEVPost, August 2022

BYD's Best Selling and Upcoming Models

Models	Segment	MSRP Rmb k	3Q21	4Q21	1Q22	2Q22
Yuan BEV	Compact BEV	93-113	14,409	21,605	30,430	48,232
E2 BEV	Compact BEV	96-145	10,581	10,999	6,951	8,631
Dolphin BEV	Compact BEV	103-131	4,755	24,843	29,668	28,846
Qin BEV	Compact BEV	139-176	26,967	30,874	28,888	35,225
Song BEV	Midsize BEV	181-198	10,686	13,249	12,358	16,016
Han BEV	Midsize BEV	215-330	19,901	28,609	29,170	35,854
Qin PHEV	Compact PHEV	112-152	39,437	52,843	46,953	35,671
Destroyer 05 PHEV	Compact PHEV	120-136			1,476	14,062
Song PHEV	Midsize PHEV	153-217	26,268	41,923	57,849	73,158
Han PHEV	Midsize PHEV	216-290	7,904	9,020	5,260	26,940
Tang PHEV	Midsize PHEV	240-290	15,147	23,475	27,929	20,783

Upcoming NEV models	Energy type	Segment	Est official launch time	Est MSRP (Rmb k)
Seal	BEV	Sedan	3Q22	200-250
Destroyer 07 DMi	PHEV	Sedan	2H22	150-200
Seagull	BEV	Sedan	2023	50-100
Cruiser 07 DMi	PHEV	SUV	2023	180-230
MPV model under Warship series	PHEV	MPV	2023	200-300
Tang Max	BEV	SUV	2023	200-250
Tang Max DMi	PHEV	SUV	2023	200-250
Xia DMi	PHEV	MPV	2023	200-300
Sea lion	BEV	SUV	2023	250-300
Models under a new high-end brand	BEV/PHEV	SUV/Sedan	2023	> 500

Source: Company data, Macquarie, August 2022

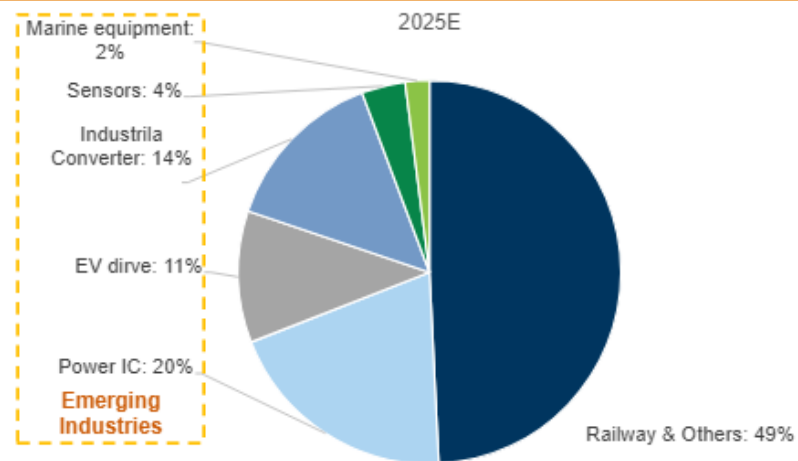


EV and Battery

Zhuzhou CRRC

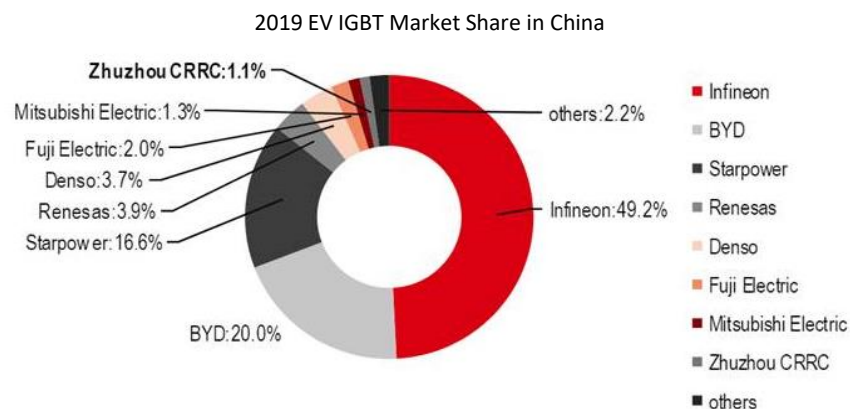
- ZCRRC diversifying from its traditional business in railway equipment to emerging businesses, including IGBT, inverters and EV drive
- ZCRRC has proven their IGBT production capability by consistently gaining market share in China thanks to the domestic substitution trend, as well as winning contract with French leading auto components manufacturer Valeo
- We believe ZCRRC could be the best and largest IGBT producer in China
- Their traditional business in railway is also bottoming out with improving new locomotive orders

ZCRRC's Business is Becoming More Diversified



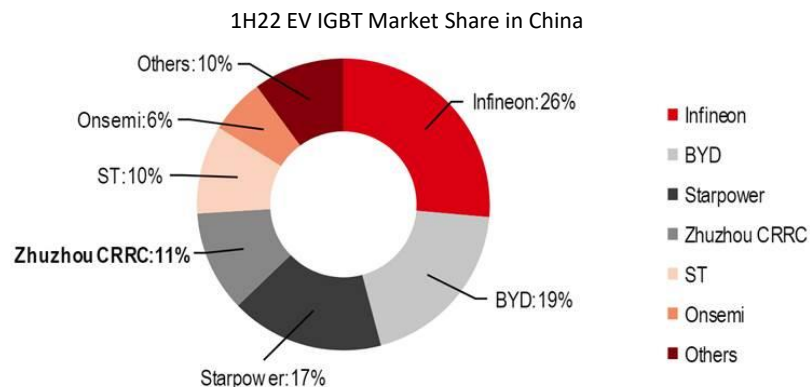
Source: Global Sachs, September 2022

ZCRRC's China EV IGBT Market Share Was 1% in 2019...



Source: Shujubang and HSBC calculations, 2019

...By 1H22, ZCRRC's Share Has Grown to 11%

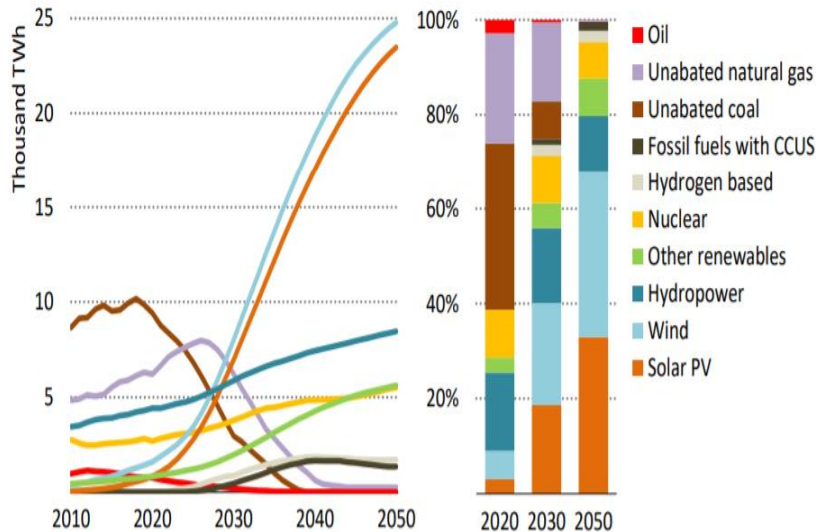


Source: Shujubang and HSBC calculations, August 2022

Clean Energy

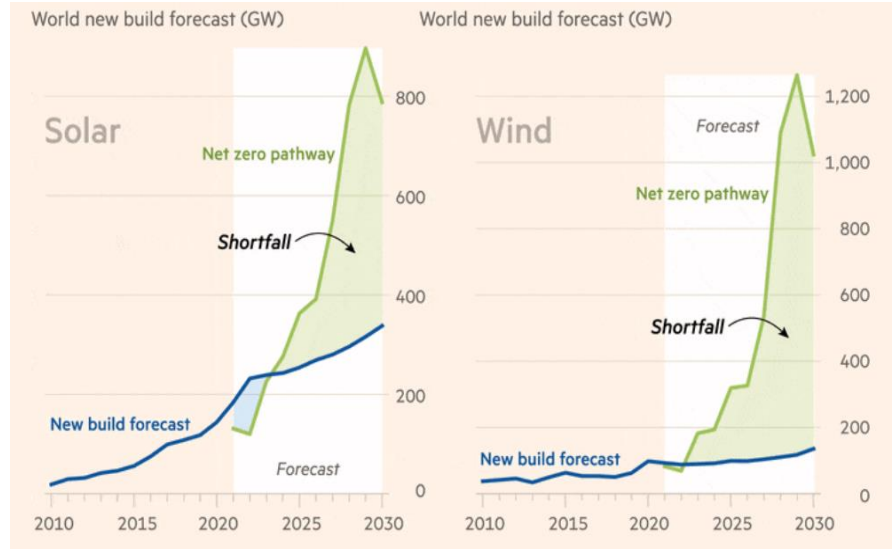
- To achieve carbon neutrality, solar's share of the global power market should grow from 4% in 2020 to 18% in 2030, and annual solar installations should grow from 150 GW in 2021 to 800 GW in 2030 (5x), which is hard to reach given current capacity
- Annual wind power installations will also need to increase from 114 GW in 2020 to 1,000 GW by 2030
- This makes the clean energy sector one of the most outstanding growth potentials until 2030
- Falling commodity prices (polysilicon prices for solar and metal prices for wind) will also further boost installations next year

Solar and Wind to Satisfy 50% Of Global Energy Demand by 2050



Source: International Energy Agency, October 2021

Future Solar and Wind Requirements to Reach Net Zero

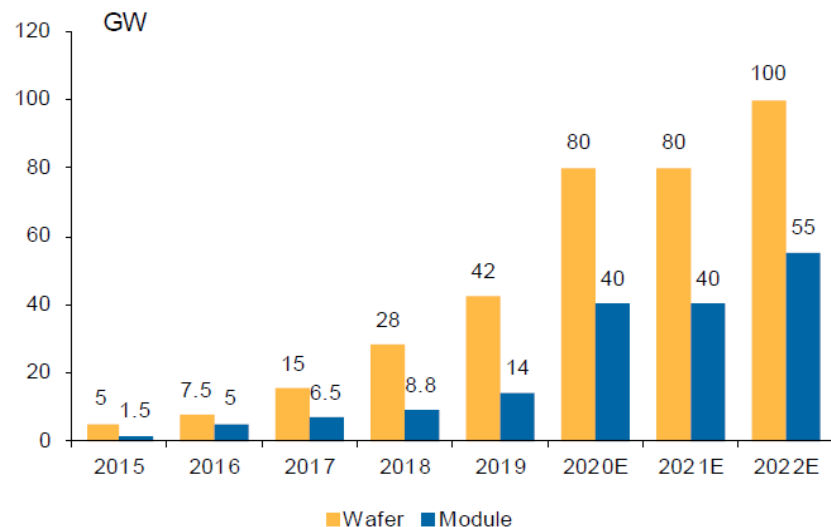


Source: BNEF, FT, 2022

LONGi: Solar innovator & integrator

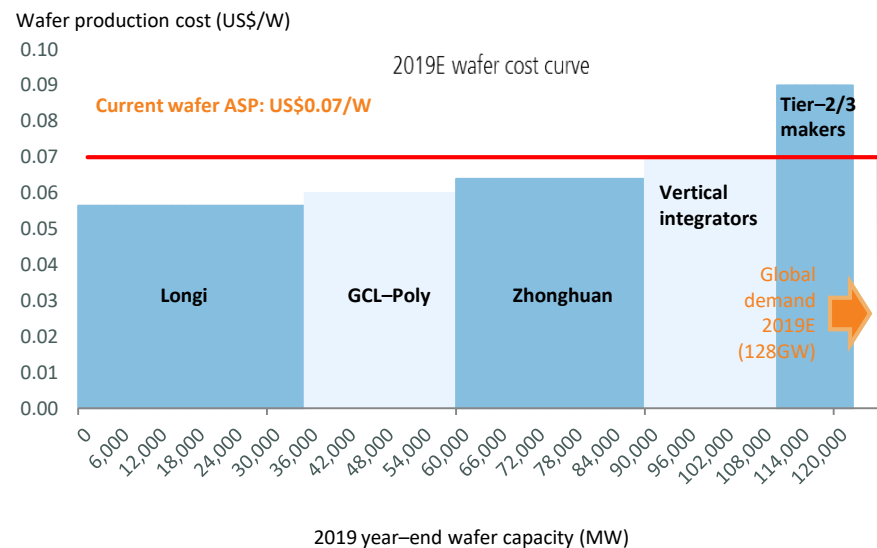
- LONGi leads innovation in solar mono wafers, with its market share increasing from 20% in 2016 to 75% in 2020
- The company has 10%+ cost competitiveness vs. other mono wafer competitors

LONGi's Capacity Build Up in Wafer and Module



Source: LONGi New Energy, Macquarie, 2020

... Thanks to Its Cost Advantage

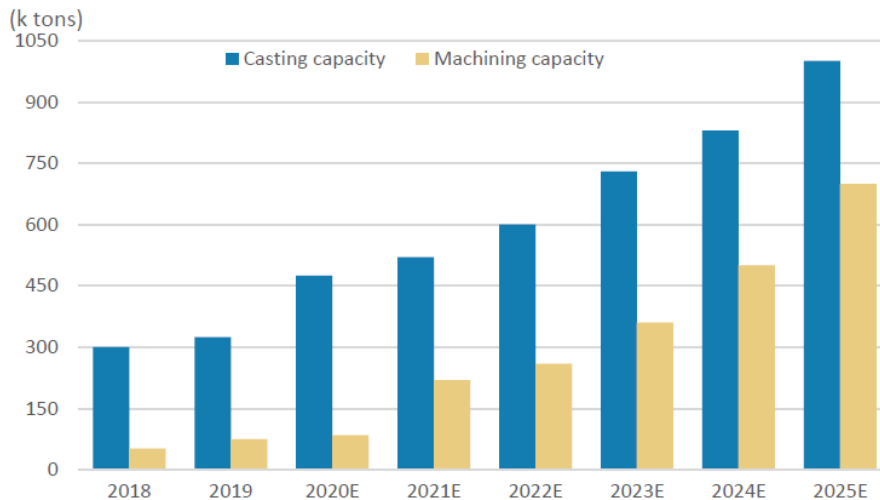


Source: UBS, 2019

Clean Energy

- **Riyue: Emerging key supplier of global wind turbine casting parts**
 - Clear global cost leadership in wind casting production to stay
 - Tailwind to GPM expansion as peak commodities prices and shipping freight rates are now behind us
 - Wind power installations should accelerate after reaching grid parity
 - Better product mix (from larger wind turbines, offshore wind, and overseas wind demand) should bring better margins and returns

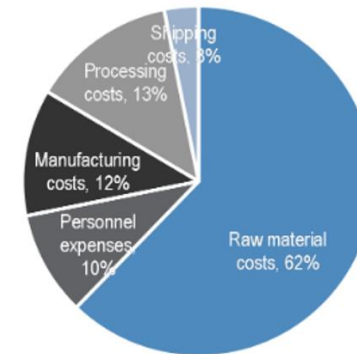
Riyue's Operational Production Capacity to Increase Over 2x and 8x by 2025 vs. 2020



Source: Company Data, Morgan Stanley Research, 2021

Riyue Demonstrates Clear Global Cost Leadership

Cost structure of Riyue's wind turbine castings (2021)



Source: Company Data, JP Morgan, 2022

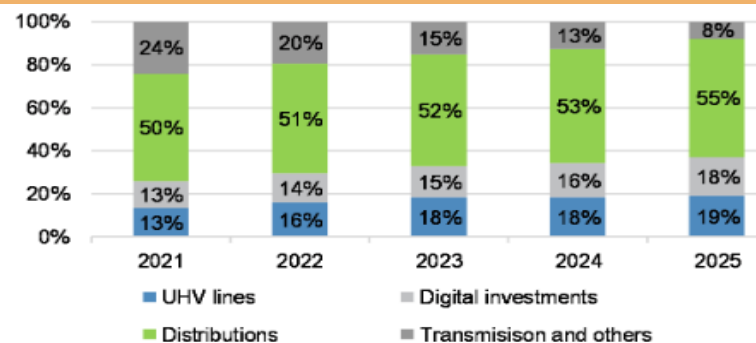
Wind turbine castings' cost breakdown

Cost breakdown	% of total cost of goods sold
Cast iron and steel scrap	45-55%
Resin	8-15%
Coke	5-8%
Total raw material costs	58-65%
Personnel expenses	10-12%
Manufacturing costs	7%
Depreciation	5%
Energy costs	8%
Processing costs	7%
Shipping costs	2%

Smart Grid

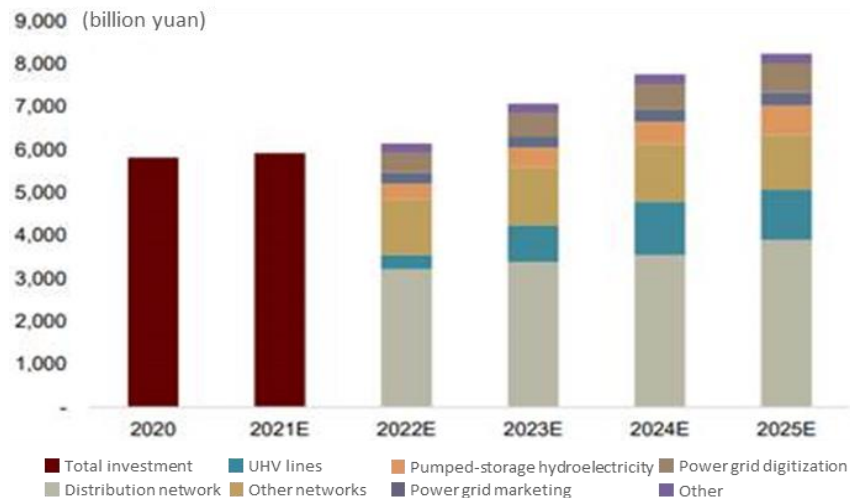
- **Nari: play for China grid transformation**
 - Strong grid investment to cater for growing electrification demand and renewable transformation in China
 - Beneficiary of micro grid network with higher penetration from clean energy and energy storage
 - State grid's main subsidiary for distribution and distribution investment

China's 14th 5-Year Plan: Grid Capex Breakdown



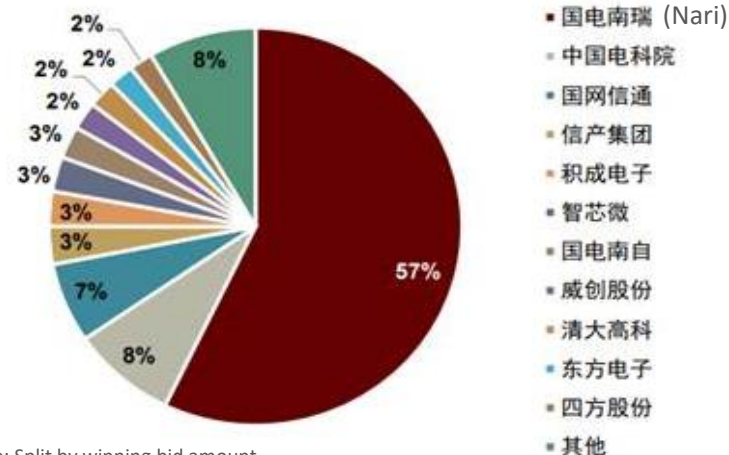
Source: State Grid, Southern Grid, JP Morgan, April 2022

China's 14th 5-Year Plan: Grid Capex Breakdown



Source: China Electricity Council, CICC, June 2022

Companies in Digital Investments by State Grid in 2022



Note: Split by winning bid amount

Source: CICC, July 2022



Property – Holistic Policy Solutions Are Needed

- We agree with policymakers that the property market and **land-centric fiscal model has reached an inflection point**. However, COVID restrictions are exacerbating the impact of property downturn.
- Since August, we've **started to see more decisive and holistic policy approach** from policymakers. Regulators are starting to provide credit enhancement to selected developers to support their bond issuance, and policy banks have launched special funds of RMB 200 Billion to help ongoing construction of stalled projects.
- We welcome the policy direction and believe that **ensuring housing completions, stabilizing credit support** for high-quality developers, **restoring confidence** in the system, and further **stimulating demand** to stabilize housing sales, are key to averting the current vicious cycle.

Health Care – Improving Policy Landscape

Improving policy landscape should benefit the sector in the long run

- NHSA Center for Drug Evaluation (CDE) implemented a new clinical trial policy for oncology drugs in December 2021, encouraging R&D on first-in-class (FIC) and best-in-class (BIC) drugs, while discouraging R&D on “metoo” new drugs. As such, latecomers may need to conduct head-to-head clinical trials comparing their products with launched drugs with the same target and indication.
- Such new policy could extend to other therapeutic areas, and could significantly contain destructive competition and improve the overall new drug R&D competition landscape in China
- On the medical budget control front, DIP, a more market-driven method, has become the mainstream instead of DRG. Unlike DRG under which NHSA can control the procurement, DIP gives hospitals and doctors more flexibility and independency as hospitals could decide the procurement volume

Comparison of DRG and DIP						
	Main Difference		Outcome		Effect of cost controlling	
DRG	Regional total payment amount replacing institutional total amount. Allocation of medical insurance fund will be based on the volume of service provided by the hospital.	Settlement by disease group: diseases are categorised into 600-1000 groups. NHSA conduct payment based on medical disease group.	Lower management cost: the number of disease groups is reduced to 600-1,000. Active management: each DRG disease group reflects the demand of a certain types of patients. Medical insurance are changed to value based purchasing.	Rights to set the price: NHSA can set the procurement price of each DRG disease group. NHSA can control the procurement volume by adjust the rights and the willingness of DRG provided by hospital.	Cost competition: All diagnosis projects become cost project after implementation of DRG.	Effective cost control: The hospital will be responsible for the over-expensed part, which could avoid over diagnosis.
DIP	Same as above.	Settlement by group of disease: Big data DRG categorised 10,000+ disease groups. NHSA conduct payment based on medical disease group. Comparing to DRG, DIP groupings are more detailed and more suitable to the actual clinical trial treatment demand.	Management cost higher than DRG: DIP has a larger number of groups, leading to higher management cost. Active management: same as DRG.	NHSA’s right to set the price via DIP is weaker than DRG: the rights to decide the volume are in hospital/doctors.	Cost and technology competition: Same as above, but DIP has included some technology that DRG abandoned. Top hospitals have more control on the decision on the technology and operation for disease groups. Lower-tier hospital do not have the resources to develop certain DIP disease group; top tier hospitals might dominate in some group of disease.	Effective cost control: Same mechanism as DRG Room for guiding medical: as the groups of disease are more separated, the differences are smaller and the clinical trial choice are wider.

Source: CLSA, July 2022



Internet Platforms – Extensive Regulation Rollout Largely Behind Us

- Heavy regulation roll-outs and investigations on the sector should be largely behind. The government is refocusing on stabilizing the economy amid resurgence of Covid
- At April trough valuations, net cash represented on average >30% of China Internet market cap
- With more disciplined spending driving improving FCF and increased buybacks/commencing of dividend payouts, the sector is becoming increasingly attractive

Net Cash Position of Chinese Internet Names

Ticker	Company	Mkt Cap (US\$m)	Net cash CY21 (US\$ mn)	Net cash CY21 as % market cap	FCF CY21 (US\$ mn)	FCF CY22E (US\$ mn)	FCF CY23E (US\$ mn)	P/FCF CY21	P/FCF CY22	P/FCF CY23
0700.HK	Tencent Holdings	471,436	(5,450)	-1%	21,983	27,480	38,517	21x	17x	12x
BABA	Alibaba Group	301,310	56,823	19%	16,309	18,059	23,458	18x	17x	13x
3690.HK	Meituan	123,987	16,791	13%	(1,892)	(1,488)	5,366	NM	NM	23x
JD	JD.com	94,752	29,524	31%	5,673	793	6,054	17x	119x	16x
NTES	NetEase Inc.	63,964	12,746	20%	2,941	3,184	4,722	22x	20x	14x
PDD	Pinduoduo Inc.	67,278	22,239	33%	4,317	4,876	5,510	16x	14x	12x
BIDU	Baidu.com Inc.	50,219	18,987	38%	1,228	2,234	3,735	41x	22x	13x
1810.HK	Xiaomi Corp.	43,694	11,913	27%	737	3,089	3,254	59x	14x	13x
BEKE	KE Holdings	18,319	10,495	57%	257	(295)	889	71x	NM	21x
TCOM	Trip.com	14,927	2,076	14%	615	772	1,401	24x	19x	11x
LU	Lufax	14,552	(118)	-1%	726	2,011	3,567	20x	7x	4x
BZ	Kanzhun	12,294	1,882	15%	226	451	733	54x	27x	17x
BILI	Bilibili Inc.	11,700	1,769	15%	(1,233)	(593)	(522)	NM	NM	NM
300413.SZ	Mango	8,923	1,426	16%	(82)	(97)	(69)	NM	NM	NM
TME	Tencent Music	8,661	3,641	42%	557	276	567	16x	31x	15x
YMM	Full Truck Alliance	8,634	4,104	47%	(61)	205	531	NM	42x	16x
VIPS	Vipshop	6,360	2,263	35%	392	724	845	16x	9x	8x
WB	Weibo Corp.	6,311	700	11%	(598)	697	757	NM	9x	8x
3888.HK	Kingsoft Corp.	4,513	2,123	47%	253	338	455	18x	13x	10x
0780.HK	Tongcheng	3,962	314	8%	229	(172)	311	17x	NM	13x
IQ	iQIYI Inc.	4,281	(1,937)	-45%	(983)	(316)	(107)	NM	NM	NM
1833.HK	Ping An Healthcare	3,250	1,701	52%	(220)	4	54	NM	866x	60x
DADA	Dada Nexus	2,269	263	12%	(492)	(124)	95	NM	NM	24x
9959.HK	Linklogis Inc.	2,271	590	26%	99	161	53	23x	14x	43x
ZH	Zhihu Inc.	1,618	1,139	70%	(75)	(137)	(54)	NM	NM	NM
KC	Kingsoft Cloud	1,552	847	54%	(224)	(255)	(221)	NM	NM	NM
RERE	ATRenew	917	355	39%	(113)	(68)	39	NM	NM	23x
OCFT	OneConnect	569	435	76%	(213)	(174)	(80)	NM	NM	NM
EM	Energy Monster	355	717	201%	10	(30)	33	37x	NM	11x

Source: Goldman Sachs, April 2022

Chinese Internet Companies Have Increased Buybacks in 2021

Company	Ticker	Mkt cap (US\$ bn)	Share purchase in 2021 (US\$ bn)	% Mkt cap	Share purchase 2018-21 (US\$ bn)	% Mkt cap
Tencent	0700.HK	463	0.3	0.1%	0.6	0.1%
Alibaba	BABA	292	8.0	2.7%	9.8	3.3%
Meituan	3690.HK	124	-	0.0%	0.1	0.1%
JD.com	JD	92	0.9	1.0%	1.0	1.1%
NetEase	NTES	63	1.8	2.9%	4.8	7.6%
Baidu	BIDU	49	1.2	2.5%	4.5	9.3%
Xiaomi	1810.HK	43	1.1	2.5%	1.6	3.8%
Total		1,126	13.3	1.2%	22.5	2.0%
Apple Inc.	AAPL	2,817	88.3	3.1%	325.7	11.6%
Microsoft Corporation	MSFT	2,263	29.2	1.3%	91.2	4.0%
Alphabet Inc.	GOOGL	1,837	60.4	3.3%	134.5	7.3%
Amazon.com, Inc.	AMZN	1,638	-	0.0%	-	0.0%
NVIDIA Corporation	NVDA	611	1.1	0.2%	5.2	0.8%
Meta Platforms Inc.	FB	625	50.1	8.0%	82.5	13.2%
Netflix, Inc.	NFLX	168	0.8	0.5%	0.8	0.5%
Total		9,958	229.9	2.3%	639.9	6.4%

Source: Goldman Sachs, April 2022

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A Prospectus is available for the Mirae Asset Global Discovery Fund (the “Company”) a *société d’investissement à capital variable* (SICAV) domiciled in Luxembourg structured as an umbrella with a number of sub-funds. Key Investor Information Documents (“KIIDs”) are available for each share class of each of the sub-funds of the Company.

The Company’s Prospectus and the KIIDs can be obtained from www.am.miraeasset.eu/fund-literature. The Prospectus is available in English, French, German, and Danish, while the KIIDs are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the “UCITS Directive”).

A summary of investor rights is available in English from www.am.miraeasset.eu/investor-rights-summary.

The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. FundRock Management Company can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

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