AS AT 28.03.2024

Market Review

Chinese equities ended the month flat after February's rally, with offshore and onshore equities returning 0.9% and -0.2%, respectively. Positive sentiment from resilient macroeconomic data and solid corporate earnings with improving shareholder return plans were partly offset by a pickup in US-China tensions. Materials outperformed mostly on non-ferrous metals which saw supply rationalisation and robust global demand (e.g., for Electric Vehicles (EVs) and semiconductors). Gold rose amid lingering geopolitical tensions and expectations of US rate cuts. Healthcare was the main laggard, due to geopolitical risks from the US Biosecure Act, which led to notable pullbacks in Chinese biotech and CXO names.

On the macroeconomic front, the first available hard data after the Chinese New Year disruptions for January-February look encouraging. Industrial production (IP) grew by 7% year-on-year (YoY) and retail sales by 5.5%. Real estate investment and sales have remained depressed. The official manufacturing Purchasing Managers Index (PMI) increased noticeably to 50.8 in March, returning to expansionary territory. The services PMI picked up to 52.4 and the construction PMI rose to 56.2, sending the non-manufacturing PMI to 53.0 in March from 51.4 in February. The Caixin manufacturing PMI ticked up to 51.1, led by export orders, while input prices declined.

Industrial profits continued to recover, rising by 10.2% YoY in Jan-Feb on strong industrial activity, a low base, and growth-supportive policies. New aggregate financing (AF) came in at RMB 1 558 bn in February, and growth of outstanding AF slowed notably to 9.0% YoY in February from 9.5% in January. Weaker-than-expected new RMB loans and bond financing were a major drag on AF growth.

February's inflation came in well above expectations at 0.7% YoY. At this time of the year, inflation figures tend to be skewed by volatility related to the fact that the Chinese New Year holiday can occur in January or February and can lead to higher prices of specific products (food, as well as transport and leisure). PPI inflation moderated further to -2.7% from -2.5%.

The main conclusions of the National People's Congress that met in early March were reassuring. The Gross Domestic Product (GDP) growth target at 'around 5%' was renewed for 2024, with plans for expansionary fiscal targets and a widening augmented fiscal deficit. Policymakers pledged to issue ultra-long central government special bonds over the next few years, starting from RMB 1 trillion this year. The central bank governor reiterated his supportive stance on monetary easing and indicated there was further room for reserve ratio requirements cuts.

Over the month, the China State Council pledged central government funds to encourage consumers and businesses to 'replace old equipment and consumption goods' and 'trade in old for new'. The aim is to increase spending on equipment in sectors such as industrials, agriculture, transport, education, and healthcare by at least 25% by 2027 compared with last year.

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.

Fund Performance & Portfolio Activity

Fund Performance

The fund BNP Paribas China Equity detracted by -0.11% in March underperformed the benchmark by 45bps (Classic, Capitalisation share class, net of fees, NAV-to-NAV with dividends reinvested, in USD). From a sectorial perspective, sector allocation contributed positively whilst our stock selection detracted from relative performance.

Main Contributors

Our overweight in information technology and communication services contributed to the relative performance, along with our stock picks in industrials.

Information technology rallied amid optimism around Artificial Intelligence (AI), expectations on the memory sector's cyclical turnaround as well as dovish statements by US Fed Chair Powell. The AI theme remained a strong driver on the back of Micron's robust earnings as well as Nvidia's GPU Technology Conference. Within our portfolio, Taiwan Semiconductor Manufacturing Company (TSMC) was one of the top contributors in March.

Within industrials, Zhuzhou CRRC Times Electric (CRRC Times), an emerging leader in IGBT (Insulated Gate Bipolar Transistor) and China's leading locomotive propulsion and control system supplier, was among the top contributors in March. The company used to be seen as an old industrial name but has been actively expanding their business segment from railway equipment to other areas such as vehicles and solar inverter. We believe the company will continue to benefit from the ongoing EV IGBT shortage and local substitution driven by China's robust EV adoption. By leveraging on its IDM (integrated design and manufacturing) model, capacity expansion and proven manufacturing expertise, CRRC Times moves fast in product iterations and has been gaining market share from global competitors within the EV IGBT space over the past a few years. We continue to like this name, which fits our long-term investment focus on technology innovation and industry consolidation.

Main Detractors

Stock picks in consumer discretionary, communication services, and materials held back some return.

Within communication services, NetEase, one of the top online game producers in China, detracted the relative performance in March. Following the 2023 Q4 earnings miss due to seasonality, lack of new launches, and competition from Tencent, the company's share price remained subdued over the month. However, over the longer term, NetEase is still a strong counter-cyclical pick as it has been one of the few companies that managed to deliver growth amid a challenging domestic macro backdrop, also with a reasonable valuation after the 2022 regulation shock. Despite the near-term market noises, we continue to like the company in the longer term, for its strong game launch record and increasing revenue exposure from international markets.

Materials outperformed in March mostly on non-ferrous metals (e.g., copper) which saw supply rationalisation

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.

and robust global demand (e.g., for EVs and semiconductors). Our underweight in Zijin Mining by nature of responsible business conduct therefore detracted from the relative performance. Meanwhile, Shandong Sinocera Functional Material, one of our holdings within materials space, saw some pullback over the month. The company specializes in multilayer ceramic capacitors (MLCC) formula powder and nano-scale barium titanate powder etc, which are the materials widely used in electronic and EV sector (i.e. dielectric materials, ceramic coating for EV battery separator). Despite near-term volatility, we continue to like the company in the long run for further market share expansion as the industry leader as well as growth prospects of its new business (dental material business and new energy materials etc).

Portfolio Activity

Over the month, we introduced Meituan and Akeso to our portfolio.

Fund Outlook and Positioning

Market sentiment towards Chinese equities remains cautious despite a more encouraging outlook and more supportive economic policies. China's weak macroeconomic momentum is partly cyclical (patchy and uneven recovery after long Covid), partly structural (local government debt, property). With the government's actions of late, policymakers are putting a floor under the cyclical issues. While the structural issues are still works in progress, China has the tools to manoeuvre and be more proactive in managing the risk (e.g., central government leveraging up, innovation and upgrade of its industrial sectors).

Structural transformation is renewing investment growth in high-value manufacturing and high-tech industries. The most exciting aspect of investing in China in the mid to long term is the upgrade in the industry value chain. Once the macroeconomic environment stabilises, structural growth drivers like industry upgrades are expected to recover and be sustained. The new infrastructure sector (e.g., IT, artificial intelligence, data hub, hard tech development, environmental projects, electric vehicles, transport etc.) are likely to benefit more than traditional infrastructure from future investment growth. We expect to see increasing opportunities to pick up fundamentally solid long-term market winners at more reasonable valuations.

To help stabilise China's GDP growth and ultimately restore market confidence, fiscal stimulus may play a more significant role. In our view, potential positive catalysts for China include: 1) central government leverages up and takes on a larger share of the fiscal burden; 2) relaxation of household registration system and further accelerate urbanization; 3) reviving 'animal spirits' and restoring private sector confidence with more concrete plans to further protect private owned enterprises' (POEs) assets and rights. China's headline inflation remains low. Compared to the developed markets and the other emerging economies, the central bank has more leeway for further liquidity stimulus.

Resolving structural issues require decisive, forceful, and predictable policies. Looking ahead, the regulatory environment is stabilising in China (compared to 2020-2021) as the government reiterated its focus on taking a pro-growth and pro-business policy stance. Over the long run, debt reduction, reducing carbon emissions and implementing further reforms remain key priorities on the policy agenda.

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.

We believe China's relationship with the US will remain challenging in 2024 and beyond, with geopolitical risks remaining high as both economies increasingly see each other as competitors. In some areas where both parties have common interests worth compromising on, we are seeing progress. However, risks remain, especially in specific technology areas such as semiconductors. Over recent years, western

multinational companies have been diversifying their supply chain to southeast Asia and India to mitigate Sino-US trade tensions. That said, the diversification and/or relocation of supply chains is a slow process, given China's scale, capacity, and efficiency as well as its strong manufacturing ecosystem. This can be seen from the increased market share of China's global exports in the past few years despite tariffs, as well as from the increased intra-regional trade between China and other Asian countries.

For 2024, we believe the risk-reward is turning more positive even though China is not fully out of the woods yet. The divergence in stock performance looks set to continue to widen, and the recovery in China will likely remain patchy and uneven. Modest valuations, light investor positioning, good fundamentals and structural long-term growth opportunities should help Chinese assets withstand near-term volatility. Our China equities team prefers to focus on names likely to benefit from policy moves and domestically focused names and avoid those that are subject to higher geopolitical risk. We believe China's equity markets are increasingly led more by structural growth factors than cyclical factors. We identify long-term investment opportunities in the themes that are well positioned to benefit from structural changes: 1) technology & green innovation; 2) consumption upgrading; and 3) industry consolidation. These themes are the guiding stars in our long-term portfolio strategy.

At the stock level, we remain opportunistic, and we rebalanced our portfolio with a focus of 'next generation' champions benefiting from the technology & innovation boom, and a mix of steady growth & turnaround tactical opportunities from the valuation angle to balance the portfolio risk. More targeted easing measures to support property and more investment on infrastructure and manufacturing are critical to achieve the growth target. On the consumption side, the trend of changing consumption priority is likely to continue with travel, leisure, and services-related purchasing outperforming durable goods consumption.

We continue to focus on our bottom-up stock selection approach, identifying the highest-quality growth companies delivering sustainable earnings growth in the long run and with sound or improving environmental, social and governance (ESG) profiles. The divergence in stock performance looks set to continue to widen. We continue to be selective, and we are closely monitoring the Chinese macroeconomic outlook and the latest developments.

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.

DISCLAIMER

This material is issued and has been prepared by BNP PARIBAS ASSET MANAGEMENT Singapore Limited ("the Company"), with its registered office at 20 Collyer Quay, #01-01, 20 Collyer Quay, Singapore 049319, Company Registration No. 199308471D. Its contents have not been reviewed by the Monetary Authority of Singapore. It is produced for information purposes only and does not constitute: 1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or 2. investment advice. The information contained in this material is provided without prior knowledge of your circumstances, including your financial position, risk profile and investment objectives. Investors are recommended to seek the advice of their usual financial adviser(s) in order to assess the suitability of the product or strategy mentioned herein as an investment. In the event that an investor chooses not to seek advice from a financial adviser, he/she should consider whether the financial instrument is suitable for him/her. This material makes reference to certain financial instruments authorised and regulated in their jurisdiction(s) of incorporation. No action has been taken which would permit the public offering of the financial instrument(s) in any other jurisdiction, except as indicated in the most recent prospectus, offering document or any other information material, as applicable of the relevant financial instrument(s) where such action would be required, in particular, in the United States, to US persons (as such term is defined in Regulation S of the United States Securities Act of 1933). Prior to any subscription in a country in which such financial instrument(s) is/are registered, investors should verify any legal constraints or restrictions there may be in connection with the subscription, purchase, possession or sale of the financial instrument(s). Investors considering subscribing to the financial instrument(s) should read carefully the most recent prospectus, offering documents or other information material for further details including the risk factors and consult the financial instrument(s') most recent financial reports, available at the Company or its authorised distributors. Opinions included in this material constitute the judgement of the Company at the time specified and may be subject to change without notice. The Company is not obliged to update or alter the information or opinions contained within this material. While all efforts are taken to ensure the accuracy of the information and data included in this material, no warranty is given and no liability shall be accepted in the event of any error, inaccuracy or discrepancy of such information and data. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the financial instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for an investor's investment portfolio. Investments involve risks. Investments in emerging markets involve above-average risk. Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.

by investment strategies or objectives, markets and economic conditions. The different strategies applied to financial instruments may have a significant effect on the results presented in this material. Past performance and any economic and market trends/forecasts are not a guide to future performance and the value of the investments in financial instrument(s) may go down as well as up. Investors may not get back the amount they originally invested. The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

Source: BNP Paribas Asset Management as at 28 March 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: -19.53%, 2022: -28.41%, 2021: -18.86%, 2020: 51.03%, 2019: 35.02%. Classic Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in USD.