



China A Shares Growth strategy

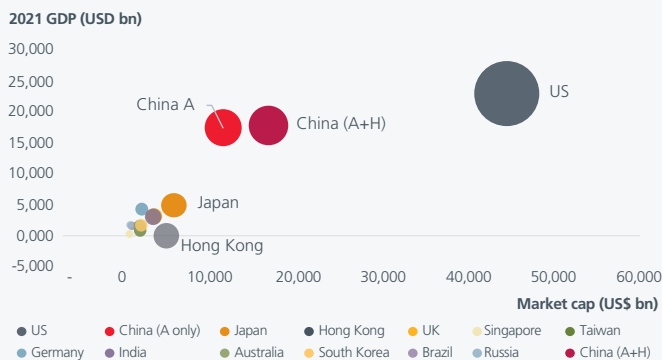
Why invest in China A shares

With China fully re-opening after going through a near 3 year lockdown, it is now full speed ahead once again with its economic developments as it continues to transition away from its traditional construction and manufacturing base towards an economy that is driven by consumption and service-focused industries. While this may create periods of economic and market volatility in the near term, the end result is likely to be better quality and more sustainable growth.

Rising geopolitical tensions are accelerating China's focus on technological self-reliance, domestic consumption, and energy security. Besides its ambition to become an economic superpower, China is also positioning to be a global technology leader. Its new growth priorities will boost the size of its middle class, in turn driving up consumption and lifting urbanization. Its goal to be carbon neutral by 2060 means that it will be making significant investments in renewable energy at a pace and scale that would have significant implications for the global energy market.

Yet despite China's tremendous growth potential, it is underrepresented in global equity indices and often under-invested by global investors (Fig 1).

Fig 1: China's GDP and equity market capitalization¹



The China A share market, compared to the offshore China markets (Hong Kong and US), provides a more comprehensive and diversified exposure to China's structural trends (Fig 2).

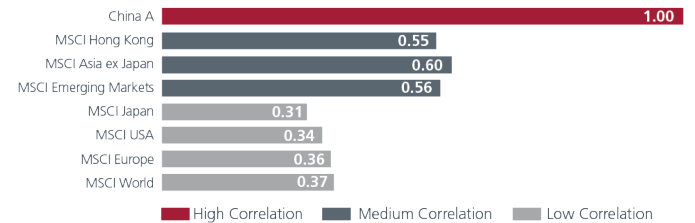
Fig 2: Differences in China onshore/offshore stocks²

Number of companies	Financials	Real Estate	Energy	Consumer staples	Utilities	Consumer Discretionary
A Shares	125	114	80	263	138	711
Offshore China	161	187	58	82	64	343

Number of companies	Industrials	Health Care	Materials	Communication Services	Information Technology
A Shares	1,296	471	753	9	983
Offshore China	250	141	145	10	229

Furthermore, China A shares are less correlated with other global markets (Fig 3), giving investors greater diversification and differentiated sources of alpha.

Fig 3: Correlation with China A shares³

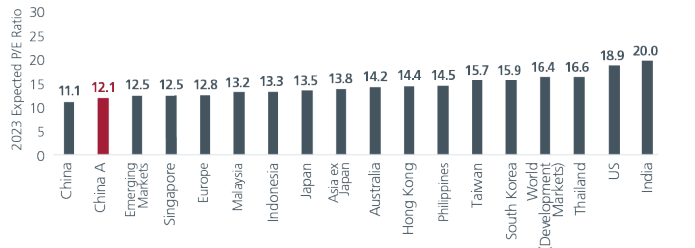


China A shares currently offer compelling valuations in absolute terms and relative to their international peers, presenting long term investors with an attractive entry point (Fig 4a and 4b).

Fig 4a: CSI 300 market valuation have rebounded⁴



Fig 4b: China A shares valuation in a global context⁵



Eastspring China A Shares Growth strategy

▶ Top-down and bottom-up fundamental investment approach

Top-down macro-economic analysis coupled with bottom-up fundamental company research drives high conviction stock selection across full market capitalization.

Through early identification of secular growth drives and key beneficiaries, seeks to outperform the benchmark over a full market cycle.

▶ Shanghai based investment advisor team

Shanghai based lead investment advisor with over 22 years of China equity research and portfolio management experience; supported by 6 dedicated sector research analysts.

Extensive on the ground company due diligence leveraging network of local management teams, sell side research and expert networks.

▶ Long term focus and commitment with an extensive supporting platform

Eastspring Shanghai established as wholly owned business (WFOE), not a JV-bringing a long-term focus and commitment to the China onshore market.

Eastspring Shanghai team leveraging on the support of our extensive Singapore equity platform, including trade execution, quantitative risk management and portfolio construction oversight.

▶ GARP investor capturing the ever-changing Chinese economy

A medium to long term investment horizon, "Growth at a Reasonable Price" valuation framework, and disciplined risk management are the key to generating consistent alpha and managing volatility.

Why Eastspring for China A shares

Eastspring Investments, a Prudential plc company, is a global asset manager with Asia at its core. Since 1994, we have built an unparalleled local presence in 11 Asian markets and distribution offices in North America and Europe.

We have a distinguished history in China. Our award-winning bond team* started investing in offshore China bonds as early as 2002, while the equity team has managed Greater China equities since 2005. Today, our investment teams oversee a total of USD 10.1 billion (as at 31 March 2023) in Chinese equities and bonds, which underlines Eastspring's commitment to one of the world's most active and progressive markets.

The complexity of the China A share market and its many unique characteristics mean that a detailed understanding of the market, its nuances and macro policies is needed to identify the best opportunities.

How we build the strategy



An ethical mantle

We believe that we make the best possible investment decisions by incorporating environmental, social and governance (ESG) factors into our investment process.

- ▶ We employ a proprietary fundamental research process to assess all material ESG factors. While we tap on third party ESG data and research providers, the team's local knowledge is key in interpreting corporate disclosures and guiding their investment decisions.
- ▶ We believe that engaging with investee companies on ESG issues is essential to understanding and protecting the portfolio from financial and non-financial risks. We vote on all resolutions (except when it is not in the best interests of our clients).

Ethical considerations are front and center throughout our decision-making process and during the entire holding period of an investment.



Investment philosophy

Market inefficiencies can be driven by various dynamics, including sparse company research; short-term, quick-win investor perspectives; and a significant level of retail participation in China's equity market.

Such inefficiencies create opportunities for longer-term investors who can look through the near-term noise.

We believe that a comprehensive understanding of macro factors coupled with in-depth fundamental analysis provides the team with a 360-degree perspective of growth, valuation, and sentiment indicators, which are key drivers for the China A share market. This allows us to deliver potentially market-beating repeatable returns.

*Refer to the list of awards on website.



Our stock selection process

We screen the China A share investment universe to identify potential investments.

Our analysts harness Eastspring's proprietary research tools to create scorecards for each potential investment. This helps prioritize our fundamental research efforts.

We refine the list further by examining potential catalysts for company growth, the quality of management teams and their business models, as well as their corporate governance frameworks.

Our final portfolio, which contains our highest conviction investment ideas, is driven by further in depth research that considers company growth drivers, earnings sustainability, valuation, and various risk factors including financial, downside, volatility, and material ESG challenges.

Investment team leads



Singapore Named Manager

Jie Lu

Portfolio Manager, Eastspring Singapore



Investment Advisor

Michelle Qi

Head of Equities, Eastspring Shanghai

Our 6 person Shanghai-based research team helmed by Michelle Qi provides extensive company knowledge and research experience, helping us to deliver differentiated investment performance to investors.

Strategy details

Product Style: GARP

Inception Date: 10 April 2019

Strategy AUM: USD 246 million (as of February 2023)

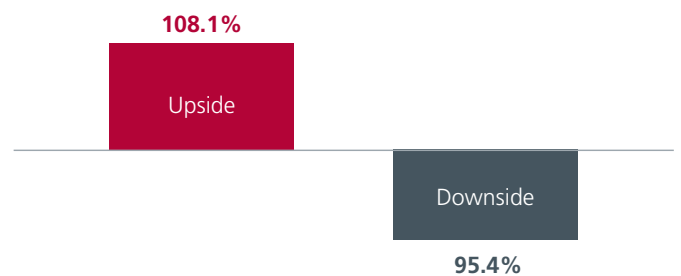
Benchmark: MSCI China A Index

Strategy characteristics

Portfolio characteristics (as of 28 February 2023)

Market Cap (USD)	Strategy	Benchmark
50 billion +	24.5	23.8
25 – 50 billion	20.7	18.2
15 – 25 billion	9.6	16.0
5 – 15 billion	24.3	31.0
< 5 billion	18.0	11.1

Upside/Downside Capture Ratio Since April 10, 2019



Strategy vs. Benchmark	Strategy	Benchmark
Weighted Market Cap (USD)	47.1B	50.7B
Median Market Cap (USD)	12.1B	6.8B
% in Top Ten	33.9	17.0
% Cash	2.8	-
Active Share (%)	78.1	-
Price to Earnings (F12M) (x)	17.1	12.9
Price to Book (x)	3.5	2.3
Return on Equity (%)	18.0	16.5
EPS Growth (FY1) (%)	40.8	37.3
Number of Holdings	56	812
Tracking Error (%)	6.2	-
Portfolio Risk (%)	17.4	15.0
Portfolio Beta	1.09	-

Eastspring Investments, as at 28 February 2023. The information provided herein is for illustrative purposes and is subject to change at the discretion of the Investment Manager without prior notice. Upside/downside capture ratio show you whether a given Strategy has outperformed – gained more or lost less than – the reference benchmark during periods of market strength and weakness, and if so, by how much.

Source: ¹Bloomberg, Wind, CICC, Eastspring Investments; market cap data as of 2021. ²Eastspring Investments, Bloomberg, Wind, CICC Research; as of February 2023. ³Eastspring Investments, FactSet, MSCI, UBS Quant Research; as of March 2023. Correlation data is calculated based on historical respective MSCI indices returns in USD since January 2015. ⁴Eastspring Investments, Go-goal; as of March 2023. Please note that there are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Strategy. ⁵MSCI, Institutional Brokers' Estimate System (IBES) estimates; as of March 2023. Please note that there are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Strategy.

Important information

The **MSCI China A Index** captures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

This Strategy Overview is to complement Eastspring capabilities. This Supplemental information provides additional analysis and summarizes an Eastspring strategy and is not an offer or solicitation for any specific securities or vehicles.

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Upside/downside capture ratio show you whether a given representative account strategy has outperformed-gained more or lost less than-a broad market benchmark during periods of market strength and weakness, and if so, by how much. Upside capture ratios are calculated by taking the representative account strategy monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the representative account strategy monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.

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