China’s Mutual Fund Industry
Interim Report 2016

A Review of Activities and Trends in China’s Wealth Management and Mutual Fund Industry
V.Stone Financial Products Research Center

V.Stone Financial Products Research Center belongs to Shanghai V.Stone Capital Co., Ltd. V.Stone, with its headquarter located at Shanghai Bund, aims to build the first-class asset management platform in China. V.Stone Financial Products Research Center focuses on financial products research, especially on mutual fund products, and all the research results are used to support investment, sales and consulting.
China’s Mutual Fund Industry
Interim Report 2016

A Review of Activities and Trends in China’s Wealth Management
and Mutual Fund Industry
# Contents

## Chapter One

Review of Capital Market 4

- Review of Investment Environment 4
  - Economics: Stumbling Along the Bottom with No Recovery in Sight 5
  - Liquidity: Stable Overall but Little Incremental Capital in Stock Market 6
  - Policies: Prudent Monetary Policy and Proactive Fiscal Policy 8
  - International Market: FOMC and Brexit Influencing the Market 8
  - Exchange Rates: CNY Depreciation with Increasing Volatility 9

Review of Stock, Bond and Bulk Commodity Market 10

- A-Share Market: Circuit-Breaker Mechanism and Structural Market 10
- Bond Market: Rebound after Crash in April 13
- Bulk Commodities: Crude Oil and Gold Both Remarkable 14

## Chapter Two

Review of Mutual Fund Industry 15

- Industry Scale 16
- New Product Issuance 18
  - Fixed Income Products Taking the Leading Position 18
  - Hybrid Funds Popular while Equity Funds Leaving Out 19
  - Guaranteed Funds Almost Doubled 20
- Fund Performance 21
  - Equity Funds 21
  - Hybrid Funds 22
  - Bond Funds 22
  - Commodity Funds and Hedge Funds 23
  - Money Market Funds 23
  - QDII Funds 23
- New Policies and Trends 25
  - FOF On the Stage 25
  - First Foundation of Foreign Controlled Fund Management Company 26
  - Third-party Sales License Tightened up 27

## Chapter Three

Wealth Management Industry Dynamics 28

- Wealth Management Industry Scale 29
- Comparison among Diversified Financial Products 30
  - Private Placement Funds: Equity Investment Transcending Security Investment 30
  - Insurance: Increasing Stock Investment 31
  - Bank Financing Products: Downward Returns but Still Dominating the Industry 31
Trust: Declining Growth Rate

Brokerage Asset Management: Collective Asset Management Plans Exceeding One Trillion yuan

P2P: High Default Risk
Chapter One

Review of Capital Market

Review of Investment Environment:
In the first half of 2016, market economy was still stumbling along the bottom and there would be no obvious recovery in the near future. In terms of capital, the overall situation was comparatively stable but little incremental flowing into the stock market. In the aspect of policies, monetary policies kept prudent and fiscal policies kept proactive. At international level, the interest rate hike process of FOMC and the final result of Brexit influenced the international market a lot. In the aspect of exchange rates, CNY (Chinese Yuan) continued the way of depreciation with increasing volatility and decreasing shocks.

Review of Stock, Bond and Bulk Commodity Market
In A-share market, circuit-breaker mechanism locked up lots of capital and the structural market prevailed during the first half year. In bond market, PBOC increased frequency and intensity of open market operations and used a variety of liquidity tools to stabilize capital. After the crash and adjustment in April, the bond market started to rebind. In the market of bulk commodities, both the price of crude oil and gold rose remarkably.
Review of Investment Environment

Economics: Stumbling Along the Bottom with No Recovery in Sight

Reviewing the first half of 2016, economy came back to stability after the pulsed recovery early this year, but still stumbled along the bottom. At the beginning of this year, common forecast for Chinese economy was quite pessimistic. However, large quantity of loan and the loosening of home-purchase restrictions in January contributed a lot to the boom of real estate market, which extended from first-tier cities to second-tier cities and, to some extent, promoted the recovery of Chinese economy. With such a complex background, disagreements were generated on economic trend. Optimists thought that the economy had started to recover while pessimists held the opinion that the current recovery could not be sustainable.

In fact, with the stimulation of both fiscal and monetary policies, the price of upstream bulk commodities, particularly of black metals, rose significantly. Meanwhile, the prices of pork and vegetables have been forced up by the low level of pig breeding stock and the abnormal weather. Affected by those issues, CPI had been above 2% for three consecutive months, leading the market to anticipate a continuously high degree of inflation. However, the first-tier cities led by Shanghai started to tighten property policies and conduct stringent home-purchase restrictions on April, while banks started to tighten up on their credits simultaneously. Responded to those measures, the economy fell a bit and disagreements on whether economy is recovering began to diminish. Furthermore, authorities’ statement of L-shaped economy tends to be recognized and admitted by the market.

Overall, the economy still remains at the bottom and the prospect for economic recovery is quite bleak. At present, policymakers are very cautious in the implementation of quantitative easing to boost economy and they pay more attention on structural adjustment. Thus, the core missions for the government now are conducting supply-side reform, reducing excess production capacity, as well as encouraging and supporting emerging industries.
Liquidity: Stable Overall but Little Incremental Capital in Stock Market

At the macro level, liquidity was stable overall in the first half of 2016. Specifically speaking, in the second half of January, responding to Agricultural Bank of China’s Bill Case, regulators made great efforts to rectify and standardize banks’ note business. Through this series of initiatives, interest rate of bill discount business rose significantly, generating great worries about market liquidity. In March, The People's Bank of China (PBOC) firstly conducted Macro Prudential Assessment (MPA) on banks. Some banks concerned that interbank businesses might not meet the regulation of PBOC, so they reduced the quantity of interbank lending, generating a tighter capital market. However, the tightening at this time was only a short-duration impact, and the capital market returned to steady after a short while. After May, market started to concern about the potential impact brought by MPA in June, but thanks to the fact that banks had already gained some experience in dealing with MPA, their advanced preparation did help a lot in keeping capital market steady. PBOC’s attitude is to keep capital market stable, which is clarified in its statement that the impact of reducing commercial banks’ reserve requirements is quite big and that other monetary measures such as MLF and open market operations should be used. The PBOC’s specific use of monetary tools also showed this opinion. Except cutting the reserve requirement ratio by 0.5% on March 1st, PBOC used more measures of MLF,
PSL, SLF and open market operations to increase the amount of capital and to smooth fluctuations in capital market.

**At the stock market level, there is little incremental capital participating in the market.** Affected by the introduction of a Circuit-Breaker Mechanism in January, margin trading balance of stock market declined rapidly from above 1 trillion yuan. The balance continued to decline to around 830 billion yuan by the impact of the bear market and remained at this level (the same level as in early December 2014). As for turnover, all A shares’ daily turnover was averaged at 534 billion yuan in the first half year. Compared with 1.0386 trillion yuan in 2015, trading volume is substantially halved. As for new investors, growth of new investors was quite slow in the first half of 2016, with a weekly average of 370 thousand people. Compared with the highest point in 2015 of 1.4 million people, it fell by about 74%, reflecting investors’ low passion to stock market. As for Shanghai-Hong Kong Stock Connect, 61.462 billion yuan flew in to Shanghai stock market in the first half of 2016, but the volatility of capital was huge and keeping an inverse relationship with Shanghai Composite index. This means that when Shanghai Composite index falls a lot, the capital inflows rapidly, and vice versa. At the same time, 117.116 billion yuan flew into Hong Kong stock market in the first half of 2016, showing an accelerated trend of capital inflow especially in June. Besides, compared with the valuation of A-shares, the lower valuation of Hong Kong stocks might be more attractive for long-term investors.

**Figure 2**

Margin Accounts & Daily Turnover of A-shares
2015-2016, billion yuan (left axis), billion (right axis)

Sources: WIND, V.Stone
Policies: Prudent Monetary Policy and Proactive Fiscal Policy

PBOC implemented prudent monetary policy in the first half of 2016. In the first half year of 2016, the monetary policy of PBOC caught into dilemma as the depreciation of exchange rate and the prospect of potential inflation negatively affected the loosening monetary policy while the pressure of the economic downturn positively affected that. However, since the implementation of large quantity loan at the beginning of this year did not generate a desirable result, decision-makers turned to focus on structural adjustment, where reducing excess production capacity and conducting supply-side reform became main tasks. The goal of monetary policy currently is to stabilize the capital market, and to create a favorable environment for structural adjustment.

The proactive fiscal policy was the main tone of the first half year. In the first half of 2016, fiscal policy behaved actively, mainly in promoting supply-side reform and reducing excess production capacity. It also aimed at improving the implementation of PPP to promote private capital to participate into government projects, changing the form of tax from Business Tax to Value Added Tax to reduce tax burden for corporations, decentralizing audit authority and abolishing redundant approval process to simplify project application process, and promoting local government to conduct debt replacement to reduce government debt burden. Overall, the fiscal policy of 2016 maintained positive. And with the decline in real estate sales, fiscal policy needs to pay more attention in increasing investment in infrastructure and other public facilities to underpinning the economy in the near future.

International Market: FOMC and Brexit Influencing the Market

Differentiation of monetary policies among world's major economies increased, generating higher market risk. After December 2015 when the Fed raised interest rate, the market became very sensitive to Fed’s interest rate hike and the expectation of that changed dramatically. Early this year, an agreement was made that the Fed would not raise interest rate until June, which means no interest rate hike was expected in April’s FOMC. Some members of the Fed’s interest-rate committee issued a ‘hawkish’ speech in May, which disturbed market expectations and triggered financial market’s
volatility. However, because of the poor US economic data and concerns about the referendum of Brexit in June, FOMC announced the decision of keeping interest rates unchanged. Meanwhile, both Japan and the EU still adopted loosening monetary policy. Japan announced the implementation of negative interest rates at the beginning of this year, becoming the first Asian country of adopting negative interest rates which let the market shocked a lot. Besides, Europe continued its quantitative easing to expand the range of available debt, but with limited room for quantitative easing, the effect was not evident.

Brexit is out of expectation, generating significant market volatility on the ‘Black Friday’. On June 24th, the result of British referendum was announced that people who support to leave the EU won 51.9% to 48.1% and the European Parliament would start the relevant process. Before the announcement of the result, most people believed that Britain would not leave Europe, so the British pound, US and EU stock markets rose sharply at that time. The unexpected referendum led to great volatility in capital market, where the pound plummeted by 11% in a single day while most European stock markets fell by around 10% at the opening of trading. In addition to Brexit, Europe is still faced with terrorist attacks, refugee problems, strained diplomatic relations with Russia and other thorny issues.

Exchange Rates: CNY Depreciation with Increasing Volatility

In the first half of 2016, the main trend of CNY (Chinese Yuan) exchange rate was depreciation, with its volatility increased. Early this year, the CNY exchange rate depreciated significantly without any sign. USDCNH (exchange rate of US dollar to offshore traded Chinese Yuan) fell to 6.7608, while USDCNY (exchange rate of US dollar to Chinese Yuan) depreciated to 6.5956, causing great panic to A-share market. Later on, PBOC intervened and restricted the liquidity of CNH (offshore traded Chinese Yuan), making CNYHIBOR (Chinese Yuan Hongkong InterBank Offered Rate) soared to 66.82% overnight in Hong Kong market. PBOC’s a series of initiatives stabilized the exchange rate market, with both offshore and onshore exchange rate rising to the level of around 6.5. Although concerns of huge exchange rate volatility are temporarily lifted, a strong depreciation expectation in the exchange rate market in the long-term still exists.
Affected by the depreciation of exchange rate in early 2016, PBOC announced the central parity system that pricing exchange rate based on both closing exchange rate and a basket of currencies’ exchange rate. CFETS, which was launched by PBOC in late 2015, was gradually recognized by the market. CNY started to be stable against the US dollar and depreciated against the CFETS. The market accepted all these issues without panic, even when Brexit triggered large depreciation of USDCNY to the level of 6.66, indicating that communications between PBOC and the market played a significant role in stabilizing expectations.

![Figure 3](image-url)

**Figure 3**

CNY Exchange Rates
2015-2016

Sources: WIND, V.Stone

**Review of Stock, Bond and Bulk Commodity Market**

**A-Share Market: Circuit-Breaker Mechanism and Structural Market**

Early this Year, A-share market fell sharply because of both panic caused by unexpected depreciation of CNY and the lack of market liquidity caused by circuit-breaker mechanism. Later on, A-shares plummeted again in
mid-January due to the Bill Case. With these two successive shocks, investors in stock market became extremely depressed. CSI 300 fell by 21.04% and GEM index dropped by 26.53% in January. Since then the Shanghai Composite Index began to fluctuate at 3000. After three crashes respectively in April 20th, May 6th and 9th, Shanghai Composite Index slipped from 3000 to around 2800. It didn’t climb back to above 2900 until the last day of May. In June, the plunge of external market, the fail of MSCI inclusion, and the Brexit event all increased the volatility of the stock market. However, A-share market rebounded after all these negative effects, rising for three consecutive trading days and eventually closed at above 2900.

Although there was no clear trend for the whole market, some specific industries stayed heated. Initially, by the impact of the expectation of economic recovery, coal, steel and other cyclical stocks rebounded sharply and led the market. Then the expectation of inflation pushed some industries such as food and beverages, agriculture, forestry, animal husbandry and fishery up. In March, the overall market ushered in a wave of rebound especially rare-earth metals, OLED, new energy vehicles, lithium battery and sun-new stocks. The market showed a significant structural characteristic.

Most indexes were recorded as a fall, but there were still some bright spots in some sectors. Specifically, Shanghai Composite Index fell by 17.22% with an average daily volume of 199.156 billion yuan; CSI 500 fell by 19.61% with an average daily volume of 102.334 billion yuan; GEM Index fell by 17.92% with an average daily volume of 33.779 billion yuan; And Wind All A-shares fell by 17.04% with an average daily volume of 530.45 billion yuan. In terms of industries, the performances of food and beverages (2.38%), non-ferrous metals (-5.15%) and banks (-6.16%) stood out as the top three, while media (-29.78%), catering and tourism (-27.26%) and transportation (-27.00%) manifested the worst. In terms of themes, sub-new stocks, as new listing shares, gained a well performance of 118.67% increase. Among other themes, lithium battery index (10.51%), OLED index (9.23%), and rare-earth permanent magnet (REPM) index (8.61%) performed as the first three, whereas genetic testing index (-26.72%), Disney index (-26.68%), and dislodging IOE index (-26.09%) performed the worst.
Table 1
Stock Market Quotation
2016.01.01-2016.06.30

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Close Index</th>
<th>Changes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai Composite Index</td>
<td>2929.61</td>
<td>-17.22</td>
</tr>
<tr>
<td>CSI 300</td>
<td>3153.92</td>
<td>-15.47</td>
</tr>
<tr>
<td>Small and Medium-sized Board Index</td>
<td>6892.73</td>
<td>-17.88</td>
</tr>
<tr>
<td>Growth Enterprise Market Index</td>
<td>2227.79</td>
<td>-17.92</td>
</tr>
</tbody>
</table>

Sources: V.Stone, WIND

Figure 4
CITIC Primary Industry Ranking
2016.01.01-2016.06.30, %

Sources: WIND, V.Stone
Bond Market: Rebound after Crash in April

The overall situation of the capital supply changed from loose to tight and then to a steady state. From the beginning of this year, PBOC increased frequency and intensity of open market operations and used a variety of liquidity tools to stabilize capital. With the arrival of the day for deposit payment in the first quarter and with the implementation of macro-prudential assessment (MPA) system, bank financing experienced short-term tension when the willingness of funding reduced. In April, affected by maturity of MLF and changing of the tax form from Business Tax to Value Added Tax, the interest rate of currency went upward. This upward tendency started easing from late April and almost disappeared at the end of June. Moreover, PBOC continued to increase the frequency and intensity of open market operations to maintain the stability of capital.

After two-year bull market, the bond market began to adjust. For interest rate bonds, yields of treasury bonds and policy financial bonds rose sharply due to factors including capital supply, credit risk, tax system changes, rising commodity price and concerns about the impact of deleveraging. But yields of interest rate bond declined recently because of Brexit. As for credit debt, bond default events occurred in the first five months of 2016 have been far more than those of the whole year of 2015, no matter in terms of the number of enterprises, the number of bonds, or the amount involved. These bond default enterprises include DongBei Special Steel Group (the first local state-owned enterprise involved in this kind of events), China Coal Group ShanXi HuaYu Energy (the first coal state-owned enterprise involved in this kind of events), and China Railway Material Group (the first AA+ state-owned enterprise involved in this kind of events). The concentrated outbreak of these bond default events made credit risk the most concern in the bond market, and directly contributed to the negative situation for both stocks and bonds.

Overall, during the first half of 2016, ChinaBond Aggregate Index Net Price Index fell by 0.50%, ChinaBond Corporate Bond Index Net Price Index fell by 3.21%, ChinaBond Treasury Bond Aggregate Index Net Price Index fell by 0.21%, and CSI Convertible Bond Index fell by 11.90%.
### Table 2
**Bond Market Quotation**
*2016.01.01-2016.06.30*

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Close Index</th>
<th>Changes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Price Index</td>
<td>119.08</td>
<td>-0.5</td>
</tr>
<tr>
<td>Total Net Price Index of Corporate Bonds</td>
<td>91.39</td>
<td>-3.21</td>
</tr>
<tr>
<td>Total Net Price Index of Government Debts</td>
<td>120.03</td>
<td>-0.21</td>
</tr>
</tbody>
</table>

*Sources: V.Stone, WIND*

### Bulk Commodities: Crude Oil and Gold Both Remarkable

**NYMEX crude oil rose by 30.56% in the first half year.** From a historical point of view, the crude oil is still low, but has surged by nearly 50% since February. Although Doha freezing output agreement failed, decreasing drilling in the Middle East, Canada’s forest fires, and decreasing supply due to the political situation in the Middle East caused the overall oil prices showing an upward trend.

**In the first half of this year, gold’s performance was quite brisk, with COMEX gold rising by more than 24%.** Gold price rose mainly due to the fading expectation for Fed’s rate hike, with concerns of weak global growth and concerns for US’s political uncertainty. In May, led by a higher expectation of the Fed’s interest rate hike, the attraction of precious metal declined and the price of gold fell. However, due to the failure of the rate hike and the unexpected Brexit, the price of gold continued to rise. On the day of the Brexit, the ‘Crazy Friday’, the price of gold broke the mark of 1300.

### Table 3
**Commodity Market Quotation**
*2016.01.01-2016.06.30*

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Close Index</th>
<th>Changes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Dollar Index</td>
<td>95.95</td>
<td>-2.79</td>
</tr>
<tr>
<td>CNY Index</td>
<td>116.8</td>
<td>-3.47</td>
</tr>
<tr>
<td>COMEX Gold</td>
<td>1324.7</td>
<td>24.91</td>
</tr>
<tr>
<td>NYMEX WTI</td>
<td>48.4</td>
<td>30.56</td>
</tr>
</tbody>
</table>

*Sources: V.Stone, WIND*
Chapter Two

Review of Mutual Fund Industry

Industry Scale

After breaking through 8 trillion yuan at year-end 2015, the scale of mutual fund industry fell back in the first half of 2016. Specifically, money market funds maintained the first. Bond funds increased slightly, while hybrid funds shrunk slightly. Moreover, equity funds accounted for less than 10% of the whole market.

New Product Issuance

Fixed income products took the leading position no matter in terms of amount or scale. Hybrid funds were the most popular funds while equity funds left out. Moreover, during this first half year, guaranteed funds almost doubled.

Fund Performance

This part is going to illustrate the quotation and performance of various funds, including equity funds, hybrid funds, bond funds, commodity funds, hedge funds, money market funds and QDII funds.

New Policies and Trends

FOF gradually appeared on the stage with bright prospects. In addition, the approval process of establishing fund management company slowed down. Besides, the issuance of third-party sale license tightened up, and many companies were pending to be public offering fund management companies.
Industry Scale

After breaking through 8 trillion yuan at year-end 2015, the scale of mutual fund industry fell back in the first half of 2016. Weeding out the ETF feeder funds, we can roughly see a gradual increase in the size of mutual fund industry since 2014. In the second quarter of 2015, the scale of mutual fund industry reached 7 trillion yuan due to the bull market. However, as the deleveraging starting from June 15th and exchange rate reform starting from August 11th reduced the funds’ net value as well as investors’ risk preference, overall scale of mutual fund industry declined to 6.72 trillion yuan. Later on, together with the market rebound in fourth quarter of 2015 and fund companies’ intention to expansion, the scale of mutual fund industry finally broke through 8 trillion yuan. Affected by the poor performance of the stock market in the first half of 2016, investors preferred Guaranteed Funds and QDII funds rather than equity funds or equity-oriented hybrid funds. Thus, the scale of mutual fund industry fell back to lower than 8 trillion yuan in the first half of 2016.

Money market funds maintained the first. The scale of money market funds was 4.44 trillion yuan at year-end 2015, accounting for 52.93%. Although annual return of money market funds fell due to the declining of risk-free rate, asset shortage caused by bear market supported demand of cash management and thus the growth of money market funds. Therefore, the overall size of money market funds still accounts for 52.76% of the whole industry.

Bond funds increased slightly. Even though credit debt violation accidents happened frequently, asset shortage coupled with bear market strengthened the investment value of bond market where investors could still find band operation opportunities. Overall, the scale of bond funds increased from 0.70 trillion yuan at year-end 2015 (8.30%) to 0.92 trillion yuan at the end of June 2016(11.61%).

Hybrid funds shrank slightly. The internal structure of hybrid fund market changed in the first half of 2016. Equity-oriented hybrid funds with high stock positions plummeted, resulting in reduction of the fund scale. Meanwhile, bond-oriented hybrid funds, especially guaranteed funds, were popular, driving the fund scale up. Taken together, the scale of hybrid funds shrank
from 2.22 trillion yuan at year-end 2015 (26.54%) to 1.97 trillion yuan (24.84%) at the end of June 2016.

**Equity funds accounted for less than 10%**. New operation regulation limited stock position of equity fund to no less than 80%, leading many equity funds with flexible positions transformed to hybrid funds. Under this new regulation, many fund managers generally gave up position management, which made equity funds more like an instrument and caused the scale of equity funds fell sharply to less than 10%.

**Figure 5**
Scale of Mutual Fund Industry
2015-2016, billion yuan

**Figure 6**
Distribution of Mutual Fund Industry-1
2015Q4, %

**Figure 7**
Distribution of Mutual Fund Industry-2
2016Q2, %
### New Product Issuance

#### Fixed Income Products Taking the Leading Position

In the first half of 2016, 383 funds were set up, lower than 506 in the first half of 2015 but higher than 360 in the second half of 2015, showing continuous enthusiasm of new product issuance by institutions. However, the scale of new product issuance declined because investors’ passion for subscribing funds cooled down after stock market collapsed. Total number of shares of new fund issuance was 389.12 billion, much less than 1,107.17 billion in the first half of 2015 and 27% less than 531.05 billion in the second half of 2015.

Viewing issuance by category, 29 equity funds were set up, with 11.11 billion shares; 211 hybrid funds were set up, with 234.42 billion shares; 118 bond funds were set up, with 119.69 shares; 10 QDII funds were set up, with 6.11 billion shares; And 9 money market funds were set up, with 15.74 billion shares.

Of all 383 new issued products, 174 are equity products, with 83.94 billion shares (0.48 billion shares per product); and 202 are fixed income products, with 302.77 billion shares (1.50 billion shares per product). Alternative investment products are only 7, with 2.41 billion shares (0.34 billion shares per product). It shows clearly that fixed income products are more preferable to investors.
Hybrid Funds Popular while Equity Funds Leaving Out

The most popular type of new issued fund products in the first half of 2016 was hybrid funds, regardless of number or scale. Of all new issued fund products, hybrid funds accounted for 55.09% by number and 60.24% by scale. Bond funds took the second place, with a proportion of 30.81% by number and 30.76% by scale. Institutions’ enthusiasm for issuing and investors’ passion for subscribing are both high for these two products.

Equity funds only accounted for 7.57% by number and 2.85% by scale, indicating their low attractiveness to investors. QDII fund accounted for 2.61% by number and 1.57% by scale, while alternative investment funds accounted for 1.57% by number and 0.53% by scale. These two kinds of products remain scarce in mutual fund industry.
### Table 4
Overall Issuance of All Types of Funds, First Half Year of 2016
By 2016.06.30

<table>
<thead>
<tr>
<th>Fund Classification</th>
<th>Amount of New Funds</th>
<th>Amount of Issuance (Hundred Million)</th>
<th>Average Amount of Issuance (Hundred Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Index Funds</td>
<td>8</td>
<td>44.37</td>
<td>5.55</td>
</tr>
<tr>
<td>Normal Equity Funds</td>
<td>21</td>
<td>66.69</td>
<td>3.18</td>
</tr>
<tr>
<td><strong>Hybrid Funds</strong></td>
<td><strong>211</strong></td>
<td><strong>2344.15</strong></td>
<td><strong>11.11</strong></td>
</tr>
<tr>
<td>Flexible Hybrid Funds</td>
<td>131</td>
<td>673.87</td>
<td>5.14</td>
</tr>
<tr>
<td>Equity-Oriented Hybrid Funds</td>
<td>9</td>
<td>34.97</td>
<td>3.89</td>
</tr>
<tr>
<td>Bond-Oriented Hybrid Funds</td>
<td>70</td>
<td>1629.46</td>
<td>23.28</td>
</tr>
<tr>
<td>Core Hybrid Funds</td>
<td>1</td>
<td>5.85</td>
<td>5.85</td>
</tr>
<tr>
<td><strong>Bond Funds</strong></td>
<td><strong>118</strong></td>
<td><strong>1196.9</strong></td>
<td><strong>10.14</strong></td>
</tr>
<tr>
<td>Secondary Bond Funds</td>
<td>30</td>
<td>165.21</td>
<td>5.51</td>
</tr>
<tr>
<td>Primary Bond Funds</td>
<td>2</td>
<td>37.22</td>
<td>18.61</td>
</tr>
<tr>
<td>Middle and Long Term Pure-debt Funds</td>
<td>86</td>
<td>994.47</td>
<td>11.56</td>
</tr>
<tr>
<td><strong>QDII Funds</strong></td>
<td><strong>10</strong></td>
<td><strong>61.13</strong></td>
<td><strong>6.11</strong></td>
</tr>
<tr>
<td>QDII Equity Funds</td>
<td>3</td>
<td>9.34</td>
<td>3.11</td>
</tr>
<tr>
<td>QDII Hybrid Funds</td>
<td>1</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>QDII Alternative Investment Funds</td>
<td>1</td>
<td>3.48</td>
<td>3.48</td>
</tr>
<tr>
<td>QDII Bond Funds</td>
<td>5</td>
<td>44.01</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Money Market Funds</strong></td>
<td><strong>9</strong></td>
<td><strong>157.36</strong></td>
<td><strong>17.48</strong></td>
</tr>
<tr>
<td><strong>Alternative Investment Funds</strong></td>
<td><strong>6</strong></td>
<td><strong>20.59</strong></td>
<td><strong>3.43</strong></td>
</tr>
<tr>
<td>Long-short Hedge Funds</td>
<td>3</td>
<td>6.73</td>
<td>2.24</td>
</tr>
<tr>
<td>Commodity Funds</td>
<td>3</td>
<td>13.86</td>
<td>4.62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>383</strong></td>
<td><strong>3891.18</strong></td>
<td><strong>10.16</strong></td>
</tr>
</tbody>
</table>

Source: WIND, V.Stone

---

**Guaranteed Funds Almost Doubled**

The explosive growth of guaranteed funds was undoubtedly the biggest highlight in the first half of 2016. Total number of new issued guaranteed funds was 56 (28 in the first quarter and 28 in the second quarter). Compared to 40 funds set up before 2015 and 32 funds set up during 2015, the number of new issued guaranteed funds is historically high. Similarly, the scale of new issued guaranteed funds, which is 147.34 billion shares, is historically high, too. As there were only 61.21 billion shares of guaranteed funds issued before 2015 and 71.06 billion shares issued during 2015, guaranteed funds almost doubled in the first half of 2016.
Among the 56 new issued guaranteed fund products, 15 of them are more than 4 billion shares. The biggest one is GuangFa WenYu Guaranteed Fund (002622.OF), with 4.995 billion shares. The second biggest one is CCB Principal AnXin No.7 Guaranteed Fund (002585.OF), with 4.986 billion shares, followed by Lion HeXin Guaranteed Fund (002560.OF) with 4.981 billion shares.

33 Fund management companies participated in issuance of guaranteed funds. CCB Principal Asset Management and Great Wall Fund Management tied for the first place, both of which issued four. Bosera Asset Management, GuangFa Fund Management, HuaAn Fund Management, Lion Fund Management and PingAn-UOB Fund Management issued three guaranteed funds each. Companies above shows positive attitude towards guaranteed funds. In terms of shares issued, products from Bank of China Investment Management, CCB Principal Asset Management and China Universal Asset Management are the most popular ones to investors. BOC Investment Management set up 1 guaranteed fund with 4.954 billion shares. CCB Principal Asset Management had 4 new products with 4.798 billion shares on average. And China Universal Asset Management newly set up 2 products with 4.710 billion shares on average.

**Fund Performance**

**Equity Funds**

*Average return of equity funds in the first half of 2016 (excluding funds set up in 2016) was -13.82%*. Specifically, average return of normal equity funds was -11.90% with 7% products achieving positive returns, while average return of equity index funds was -14.49% with only 3% achieving positive returns.

The champion of normal equity funds is Harvest Environmental Protection and Low Carbon (001616.OF) with a return of 19.40%. As it was set up at the end of 2015 and built its position during the Circuit-Breaker Mechanism period, it was able to avoid the rapid decline and achieved excess return. The champion of equity index funds is China Merchants CSI Chinese Liquor
(161725.OF) with a return of 11.74%. Generally speaking, Chinese liquor theme funds outperformed other themes in the first half of 2016.

Hybrid Funds

Average return of hybrid funds in the first half of 2016 was -7.31%. Specifically, average return of equity-oriented hybrid funds was -13.49%; Bond-oriented hybrid funds had an average return of -0.59%; Flexible hybrid funds gained an average return of -4.55%; And average return of core hybrid funds was -9.30%.

3% of equity-oriented hybrid funds achieved positive returns, among which the winner was Fullgoal Low Carbon New Economy (001985.OF). The reason why it could reach a return of 6.67% was that it was set up at the end of 2015 and building its position during the Fusing Policy period. 61% of bond-oriented hybrid funds earned positive returns, the highest of which was 11.00% by GuangFa JuAn A (001115.OF). Manager of GuangFa JuAn A lowered its stock position to less than 4%, thus avoiding the sharp decline in January 2016. 47% of flexible hybrid funds gained positive returns, and the champion went to E Fund XinYi E with a return of 57.10%. The surprising return was contributed by large amount of redemption. Only 2 of 21 core hybrid funds had positive returns. Orient New Value (001495.OF) took the first place due to its extraordinary performance when the market rebounded.

Bond Funds

Average return of bond funds in the first half of 2016 was 0.09%. Specifically, average return of pure bond funds was 1.31%; Primary bond funds (allowed to invest in convertible bonds) had an average return of 0.85%; Secondary bond funds (allowed to invest in stocks) gained an average return of -2.11%; And average return of bond index funds was -0.52%.

95% of pure bond funds achieved positive returns, among which the winner was ZheShang HuiYing Pure Fund (002279.OF). 90% of primary bond funds earned positive returns, the highest of which was 4.63% by China Merchants ShuangZhai Enhanced (161716.OF). Manager of this fund took high position in corporate bonds and convertible bonds. 38% of secondary bond funds gained positive returns, and the champion went to ICBC Credit Suisse Double
Profit A (485111.OF) with a return of 4.99%. 85% of bond index funds had positive returns. Tebon Corporate Bond Structured (167701.OF) took the first place with a return of 3.95%.

Commodity Funds and Hedge Funds

Average return of commodity funds in the first half of 2016 was 24.76%. Bosera Gold ETF D (000929.OF) was the winner with a return of 26.85%. Unexpected accidents such as Brexit lowered down investors’ preference to risk assets, thus supported the rising of gold prices. Average return of hedge funds in the first half of 2016 was -1.34%, and the champion went to Fortune SG Quantitative Hedge Fund A (000753.OF) with a return of 1.80%.

Money Market Funds

Generally speaking, 7-day annualized return for money market funds went down compared to that at the beginning of 2016. As of June 30th, average 7-day annualized return of money market funds was 2.55%. The champion was BaoYing Money B (213909.OF) with a return of 4.95%, while the runner-up went to CDBS Cathay Money B (000902.OF) with a return of 4.06%.

QDII Funds

Average return of QDII funds in the first half of 2016 was 0.21%. Specifically, gold and precious metals as well as oil and gas resources theme QDII performed best, while Asia- or Hong Kong- related theme QDII performed worst. Bank of China Investment S&P Worldwide Selected (000049.OF) was the winner with a return of 28.64%, as it heavily invested in resources and raw materials.
<table>
<thead>
<tr>
<th>Type of Fund</th>
<th>Code</th>
<th>Name</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Equity Funds</td>
<td>001616</td>
<td>Harvest Environmental Protection &amp; Low-carbon</td>
<td>19.40</td>
</tr>
<tr>
<td></td>
<td>001736</td>
<td>GTS YouJia Life</td>
<td>11.94</td>
</tr>
<tr>
<td></td>
<td>001714</td>
<td>ICBC RuiXin Culture and Sports Industry</td>
<td>11.31</td>
</tr>
<tr>
<td>Equity Index Funds</td>
<td>161725</td>
<td>China Merchants CSI Liquor</td>
<td>11.74</td>
</tr>
<tr>
<td></td>
<td>161832</td>
<td>YinHua CSI National Defense Security</td>
<td>8.44</td>
</tr>
<tr>
<td></td>
<td>168202</td>
<td>ZhongRong CSI Liquor</td>
<td>7.04</td>
</tr>
<tr>
<td>Equity-oriented Hybrid Funds</td>
<td>001985</td>
<td>Fullgoal Low-carbon &amp; New Economy</td>
<td>6.67</td>
</tr>
<tr>
<td></td>
<td>240022</td>
<td>Fortune SG Resource Optimization Selection</td>
<td>5.70</td>
</tr>
<tr>
<td></td>
<td>420003</td>
<td>TianHong YongDing Growth</td>
<td>4.79</td>
</tr>
<tr>
<td>Bond-oriented Hybrid Funds</td>
<td>001115</td>
<td>GuangFa JuAn A</td>
<td>11.00</td>
</tr>
<tr>
<td></td>
<td>001448</td>
<td>HuaShang ShuangYi</td>
<td>4.18</td>
</tr>
<tr>
<td></td>
<td>202212</td>
<td>China Southern Break-even Investment</td>
<td>2.71</td>
</tr>
<tr>
<td>Flexible Hybrid Fund</td>
<td>001315</td>
<td>Efund XinYi E</td>
<td>57.10</td>
</tr>
<tr>
<td></td>
<td>001903</td>
<td>EverBright XinXin A</td>
<td>56.30</td>
</tr>
<tr>
<td></td>
<td>001380</td>
<td>PengHua HongSheng C</td>
<td>44.31</td>
</tr>
<tr>
<td>Core Hybrid Fund</td>
<td>001495</td>
<td>Orient New Value</td>
<td>6.23</td>
</tr>
<tr>
<td></td>
<td>519654</td>
<td>Galaxy ZeLi Break-even Investment</td>
<td>0.61</td>
</tr>
<tr>
<td></td>
<td>000749</td>
<td>Gfund XinAn Break-even Investment</td>
<td>-0.49</td>
</tr>
<tr>
<td>Pure Bond Funds</td>
<td>002279</td>
<td>ZheShang HuiYing Pure-debt Fund</td>
<td>5.70</td>
</tr>
<tr>
<td></td>
<td>519160</td>
<td>New China AnXiang HuiJin A</td>
<td>4.77</td>
</tr>
<tr>
<td></td>
<td>650001</td>
<td>YingDa Pure Debt A</td>
<td>4.13</td>
</tr>
<tr>
<td>Primary Bond Funds</td>
<td>161716</td>
<td>China Merchants Enhanced Double-debt Fund</td>
<td>4.63</td>
</tr>
<tr>
<td></td>
<td>164302</td>
<td>New China HuiXin Structured Fund</td>
<td>4.33</td>
</tr>
<tr>
<td></td>
<td>160621</td>
<td>PengHua Small and Middle Sized Enterprise Pure-debt Fund</td>
<td>3.38</td>
</tr>
<tr>
<td>Bond Index Funds</td>
<td>485111</td>
<td>ICBC RuiXin ShuangLi A</td>
<td>4.99</td>
</tr>
<tr>
<td></td>
<td>000377</td>
<td>China International Double-debt Enhanced-profit A</td>
<td>3.83</td>
</tr>
<tr>
<td></td>
<td>217023</td>
<td>China Merchants Enhanced Credit Fund</td>
<td>3.14</td>
</tr>
<tr>
<td>Secondary Bond Funds</td>
<td>167701</td>
<td>Tebon Structured Corporate-bond Fund</td>
<td>3.95</td>
</tr>
<tr>
<td></td>
<td>020036</td>
<td>GuoTai SSI Five-year National Debt ETF C</td>
<td>2.27</td>
</tr>
<tr>
<td></td>
<td>161821</td>
<td>YinHua CSI Medium Term Note 50</td>
<td>2.10</td>
</tr>
<tr>
<td>Money Market Funds (7 days)</td>
<td>213909</td>
<td>BaoYing Money Market Fund B</td>
<td>4.95</td>
</tr>
<tr>
<td></td>
<td>000902</td>
<td>China Development FuTai Money Market Fund B</td>
<td>4.06</td>
</tr>
<tr>
<td></td>
<td>001211</td>
<td>ZhongOu Treasure Gained Fund</td>
<td>3.99</td>
</tr>
<tr>
<td>Commodity Funds</td>
<td>009929</td>
<td>Bosera Gold ETF D</td>
<td>26.85</td>
</tr>
<tr>
<td></td>
<td>000049</td>
<td>BoC S&amp;P Global Selected Fund</td>
<td>28.64</td>
</tr>
<tr>
<td>QDII Funds</td>
<td>164701</td>
<td>China Universal Gold &amp; Precious Metal</td>
<td>24.37</td>
</tr>
<tr>
<td></td>
<td>320013</td>
<td>Lion Universal Gold</td>
<td>24.18</td>
</tr>
</tbody>
</table>

Sources: WIND, V.Stone
New Policies and Trends

FOF On the Stage

China Securities Regulatory Commission (CSRC) issued a draft on public offering FOF which officially broke the ice and brought FOF on the stage. On June 17th, CSRC issued ‘Public Offering of Securities Investment Fund Operational Guidelines No. 2 – Fund of Funds Guidelines (Draft)’ (hereinafter referred as the ‘Draft’), which means public offering FOF, the long-awaited product, will be published officially in the near future.

Some rules are worth noting in the Draft. Firstly, the Draft clarifies the definition of FOF. FOF refers to a fund that invests more than 80% of its assets in sub-funds that are approved or registered by CSRC. Secondly, the Draft sets restrictions on underlying fund investment. Market value of a single underlying fund cannot be higher than 20% of the net value of FOF; FOF cannot hold other FOF products; FOF cannot hold complex or derivative fund shares such as structured funds. Thirdly, the Draft mentions double charging problems. FOF managers cannot charge on underlying funds that are managed by them; FOF custodians cannot charge on underlying funds that are hosted by them. Further details are pending and may be different from the Draft.

With public offering FOF on the stage, fund management companies begin to actively adjust their product layout structures to meet investors’ needs. Public offering FOF has diversified management modes and product categories listed as follows:
### Table 6
Prospective types of FOF in Public Offering Funds

<table>
<thead>
<tr>
<th>Classification Criterion</th>
<th>Types of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Manager &amp; Investment Scope</td>
<td>Internal FOF Managers + Internal Funds</td>
</tr>
<tr>
<td></td>
<td>Internal FOF Managers + Funds in the Whole Market</td>
</tr>
<tr>
<td></td>
<td>External FOF Investment Advisors + Internal Funds</td>
</tr>
<tr>
<td></td>
<td>External FOF Investment Advisors + Funds in the Whole Market</td>
</tr>
<tr>
<td>Type of Investment Fund</td>
<td>FOF Investment in Open-ended Funds</td>
</tr>
<tr>
<td></td>
<td>FOF Investment in Exchange Traded Funds</td>
</tr>
<tr>
<td>Strategy of Investment</td>
<td>FOF investment in Well-selected Funds</td>
</tr>
<tr>
<td></td>
<td>FOF Investment in Allocation of Largest Category Assets</td>
</tr>
</tbody>
</table>

*Sources: V.Stone, Wind*

---

**First Foundation of Foreign Controlled Fund Management Company**

**Approval of foundation of fund management company slowed down.** According to Fund Management Company Directory disclosed by CSRC on June 30th, there are a total of 114 fund management companies. The total amount was only increased by four new fund management companies compared with last year, indicating that the approval of the public offering license has slowed down.

**First foreign controlled fund management company was founded.** China's first foreign controlled fund management company, Hang Seng Funds was approved by CSRC. Hang Seng Funds was registered in Shenzhen with the registered capital of 200 million yuan. Hang Seng Bank accounted for 70% of the shares, while ShenZhen Qianhai Financial Company accounted for 30%.

**Many companies are pending to be public offering fund management companies.** According to documents by CSRC on June 17th, there are currently 29 companies waiting for approval. The list includes private placement fund management companies such as ChongYang Investment and Shanghai V.Stone Capital, third-party sales companies such as Fund EastMoney, insurance related companies such as CPIC, futures related companies such as Nanhua Futures, and security firm related companies such as HuaTai Securities and XiangCai Securities.
Third-party Sales License Tightened up

Third-party sale license approval was tightened up. CSRC began to approve license for third-party fund sales since 2012 to boom the development of mutual fund industry. However, third-party sales license approval has been tightened up since 2016, as CSRC drafted new fund sales standards documents and set up new threshold. Under such a background, third-party fund sale license is worthy more than 15 million yuan in the market.

LU.com surpassed Fund.Eeatmoney.com to take the leading position in third-party fund sale field. Fund.Eastmoney.com was the biggest third-party sale institution at year-end 2015, when other four security firms ranked second to fifth. Huge changes happened in the third-party fund sale field this year. LU.com surpassed Fund.Eeatmoney.com to take the leading position, followed by How Buy and TongHuaShun. Only one security firm, China Securities, was ranked in the top 5. We can see that third-party fund sale may take more and more market share and get through fierce competition in the future.
Chapter Three

Wealth Management Industry Dynamics

Wealth Management Industry Scale
China's wealth management industry showed steady growth in scale, among which insurance developed most rapidly and private placement funds followed. Thus, the proportion of insurance increased while the rest decreased.

Comparison among Diversified Financial Products
The overall size of private placement funds rose at a steady speed, with equity investment transcending security investment. Insurance industry steadily approached forward, where the proportion of stock and fund investment increased gradually. Although there was a downward return in the scale of bank financing products, they still dominated the capital industry. Trust industry, with a declining growth rate, gradually exceeded 16 trillion yuan. The scale of collective asset management plans broke 1 trillion yuan. Among all collective asset management plans, bond products accounted for nearly 50%. In addition, with high default risk, the number of new founded platforms declined slightly.
Wealth Management Industry Scale

China's wealth management industry showed steady growth in scale. Insurance developed most rapidly, followed by private placement funds. According to the latest data, insurance increased from 12.4 trillion yuan to 14 trillion yuan, private placement funds increased from 4.2 trillion yuan to 4.6 trillion yuan, and trust increased from 16.3 trillion yuan to 16.6 trillion yuan. Affected by bear market, scale of public offering funds decreased slightly.

Proportion of insurance increased, while the rest decreased. As shown below, (inner ring on behalf of the proportion of 2014 and outer ring on behalf of that of the third quarter of 2015), only proportion of insurance rose from 19.10% to 20.98%. Although scale of private placement funds and trust increased, proportion of the two decreased with private placement funds rising from 6.42% to 6.39% and trust rising from 25.19% to 24.89%.

Figure 9
Changes in Sizes of All Financial Sectors
2015-2016, trillion yuan

Figure 10
Proportions of the Size of Each Sector
2014 Q4(inner ring) & 2015Q3 (outer ring), %
Comparison among Diversified Financial Products

Private Placement Funds: Equity Investment Transcending Security Investment

Overall size of private placement funds rose by 200% to more than 4 trillion yuan. The overall scale of private placement funds, as of the first quarter of 2016, was 4.6 trillion yuan, growing more than 200% compared to 1.5 trillion yuan at year-end 2014. The reason is that incentive system of private placement funds is excellent, which motivates public offering fund managers to create or join private placement funds, leading to the development of the whole industry.

Equity investment transcended security investment, with both accounting for 80% of the whole private placement fund industry. As of the first quarter of 2016, the proportion of equity investment was the highest (42.06%), followed by security investment (41.80%). Besides, the proportion of venture capital funds accounted for 4.23%, and commodity investment funds accounted for less than 0.1%.

Figure 11
Changes in the Sizes of Private Placement Funds
2007-2015, billion yuan (right axis)

Figure 12
Size and Distribution of the Private Placement Fund
15Q3, %

Sources: CHOICE, V.Stone

Sources: CHOICE, V.Stone
Insurance: Increasing Stock Investment

Insurance industry steadily approached to 14 trillion yuan, with an annual growth rate of about 20%. After ten years’ development, insurance industry grew from 1.19 trillion yuan at year-end 2014 to 13.98 trillion yuan by the end of May 2016. Annual growth rate was around 30% from 2004 to 2005, rising rapidly to 47% at 2007 and remaining stable at 20% since 2008.

As for insurance assets, deposits accounted for the same proportion, while the proportion of stock and fund investment increased gradually. Generally, 20%-30% of insurance assets are for deposits. This proportion fell from 30% in 2013 down to 20% at the end of 2015 and then to 18% in May 2016. There are three main investment targets for insurance: bonds, stocks and funds. As regulators ease the limitations of equity investment, proportion of stocks and funds accounted for a gradually increasing part. As of May 2016, asset invested in stocks and mutual funds was 1.94 trillion yuan, accounting for 16.05%.

Figure 13
Total Assets and Growth Rate in Insurance Industry
2015-2016, trillion yuan (left axis), % (right axis)

Sources: WIND, V.Stone
Bank Financing Products: Downward Returns but Still Dominating the Industry

Monthly issuance of new bank financing products maintained around 5000. A total of 57,508 products were issued in 2014, and 71,167 products were issued in the first 11 months on 2015. As of May 2016, 30,548 bank financing products were issued. **Scale of bank financing products broke through 20 trillion yuan.** Scale of bank financing products was 0.5 trillion yuan at the end of year 2007. Then it grew from 1.7 trillion yuan at year-end 2009 to 10.21 trillion yuan at year-end 2013, and finally broke through 20 trillion yuan in 2015.

**Expected rate of return declined gradually in recent three years.** Average expected rate of return for bank financing products peaked (9.87%) in 2007 when in the interest rate hiking cycle. With interest rate declining in the past three years, yield for bank financing products fell, too, from 5.19% in 2014 to 4.35% in 2015, and reached 4.90% in May 2016. **Non-Guaranteed products had highest average expected rate of return.** As of May 2016,
non-Guaranteed products had expected rate of return of 4.2%, much higher than that of guaranteed fixed income products (3.34%) and guaranteed floating income products (3.45%).

Table 7
Average Expected Rate of Return for Bank Financing Products

<table>
<thead>
<tr>
<th>Date</th>
<th>Average Expected Rate of Return</th>
<th>Guaranteed Fixed Income Products</th>
<th>Guaranteed Floating Income Products</th>
<th>Non-Guaranteed Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/12/01</td>
<td>4.08</td>
<td>3.95</td>
<td>5.78</td>
<td>-</td>
</tr>
<tr>
<td>2006/12/01</td>
<td>4.35</td>
<td>3.59</td>
<td>4.71</td>
<td>5.97</td>
</tr>
<tr>
<td>2007/12/01</td>
<td>9.87</td>
<td>4.36</td>
<td>9.64</td>
<td>14.69</td>
</tr>
<tr>
<td>2008/12/01</td>
<td>3.29</td>
<td>2.67</td>
<td>2.52</td>
<td>4.39</td>
</tr>
<tr>
<td>2009/12/01</td>
<td>3.10</td>
<td>1.89</td>
<td>3.22</td>
<td>3.46</td>
</tr>
<tr>
<td>2010/12/01</td>
<td>3.26</td>
<td>2.82</td>
<td>3.18</td>
<td>3.59</td>
</tr>
<tr>
<td>2011/12/01</td>
<td>5.09</td>
<td>4.29</td>
<td>4.65</td>
<td>5.46</td>
</tr>
<tr>
<td>2012/12/01</td>
<td>4.45</td>
<td>3.30</td>
<td>4.17</td>
<td>4.77</td>
</tr>
<tr>
<td>2013/12/01</td>
<td>5.67</td>
<td>4.85</td>
<td>5.27</td>
<td>5.98</td>
</tr>
<tr>
<td>2014/12/01</td>
<td>5.19</td>
<td>4.32</td>
<td>4.64</td>
<td>5.52</td>
</tr>
<tr>
<td>2015/12/01</td>
<td>4.35</td>
<td>3.67</td>
<td>3.71</td>
<td>4.71</td>
</tr>
<tr>
<td>2016/05/01</td>
<td>3.90</td>
<td>3.34</td>
<td>3.45</td>
<td>4.20</td>
</tr>
</tbody>
</table>

Source: CHOICE, V.Stone

Figure 15
Fund Balances of Bank Financing Products
2007-2015, trillion yuan

Figure 16
Issuance of New Bank Financing Products
2015-2016, thousand

Sources: WIND, V.Stone
Sources: CHOICE, V.Stone
Trust: Declining Growth Rate

Trust industry exceeded 16 trillion yuan with a declining growth rate. The size of the trust assets showed a steady growth overall and reached 15.62 trillion yuan as of the third quarter of 2015. Compared to the scale of year-end 2014 (13.98 trillion yuan), it climbed 12%. It is worth noting that the industry scale declined for the first time during the third quarter of 2015 due to the impact of asset shortage. In the fourth quarter of 2015, trust industry exceeded 16 trillion yuan for the first time, and reached 16.58 trillion yuan in the first quarter of 2016. Although the scale of trust industry reached peak, the growth rate declined.

Trust for financing, investment and transaction management showed a situation of tripartite confrontation. Classified total trust assets by functions, assets for financing, investment and transaction management were three pillars with 1/3 each. Classified trust assets by investment directions, most assets went to corporations (23.74%) and least went to real estate (8.71%).
Brokerage Asset Management: Collective Asset Management Plans Exceeding One Trillion yuan

The scale of collective asset management plans broke 1 trillion yuan. Brokerage asset management mainly has three categories: collective asset management plans, special account asset management plans and designated asset management plans. Special account asset management plans have a small scale, while designated asset management plans have specific sales channels. Collective asset management plans had a scale of 0.51 trillion yuan at year-end 2014, but reached 1.5 trillion yuan at the end of 2015, indicating its rapid growth.

Among all collective asset management plans, bond and money products accounted for over 70%. As of June 24th 2016, bond products and money products took 48.76% and 27.55%, respectively, followed by hybrid products which accounted for 14%. Different from mutual funds, brokerage collective asset management plans oriented at some specific investors rather than general investors.
P2P: High Default Risk

The number of new founded platforms declined slightly, with the number of problematic platforms accounting for nearly 40%. P2P is a heated topic recently due to accidents like ‘E Zu Bao’. As of June 2016, problematic platforms were more than 1600, reaching an unbelievably high percentage (41.27%). 383 platforms suffered cash difficulties and ran away, which raised the safety concerns about P2P. With the emergence of the problems, the number of new platforms per month also declined accordingly, dropping from 171 in November 2015 to 51 in May 2016. Investors must be careful to choose trust worthy platforms.
Figure 22
The Amount of Total Platforms and Cumulative Problematic Platforms
2015-2016

Figure 23
The Amount of Monthly New Added Platforms
2015-2016

Sources: iFinD, V.Stone, WIND

Sources: iFinD, V.Stone, WIND
China’s Mutual Fund Industry
Interim Report 2016
A Review of Activities and Trends in China’s Wealth Management
and Mutual Fund Industry
China’s Mutual Fund Industry
Interim Report 2016

A Review of Activities and Trends in China’s Wealth Management and Mutual Fund Industry