

China New Vision Index



Digital Investing

June 14, 2021

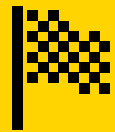
Chinas 14th Five-Year Plan

Masterplan for the future



Starting point

- 14th Five-Year Plan passed
- Includes: fundamental economic & social goals
- Guide, which direction China is heading towards



Goals

- Economic development – less dependence from foreign countries and increased domestic consumption
- Increase quality of life of the population
- Innovation and technology leadership
- Green energy



Solution?

- If the measures are successful, Chinese companies could benefit from subsidies. This could have a positive effect on the share prices of these companies
- Participation from the performance of Chinese A-Shares through a tracker-certificate
- Simple solution to participate from the wide universe of China A-Shares

民生相关产业

min sheng xiang guan chan ye

Society's Base

Sectors

Consumer Staples
Utility
Health Care
Financials
Real Estate



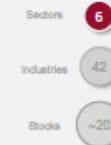
科技引领产业

ke ji yin ling chan ye

Society's Vision

Sectors

Consumer Discretionary
Information Technology
Communication Services
Energy
Material
Industry



Chinas 14th Five-Year Plan (2021 – 2025)

In a nutshell

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Constant, rising GDP-growth
Less dependency from abroad, less imports;
strengthen domestic consumption, promote exports



Investments in Research and Development (growth
rate > 7%)
Mostly production in China



Wealth & thus increase in quality of life



Reduction of fossil fuels & energy consumption



Independent agriculture and energy production
Ensure fulfilment of basic needs

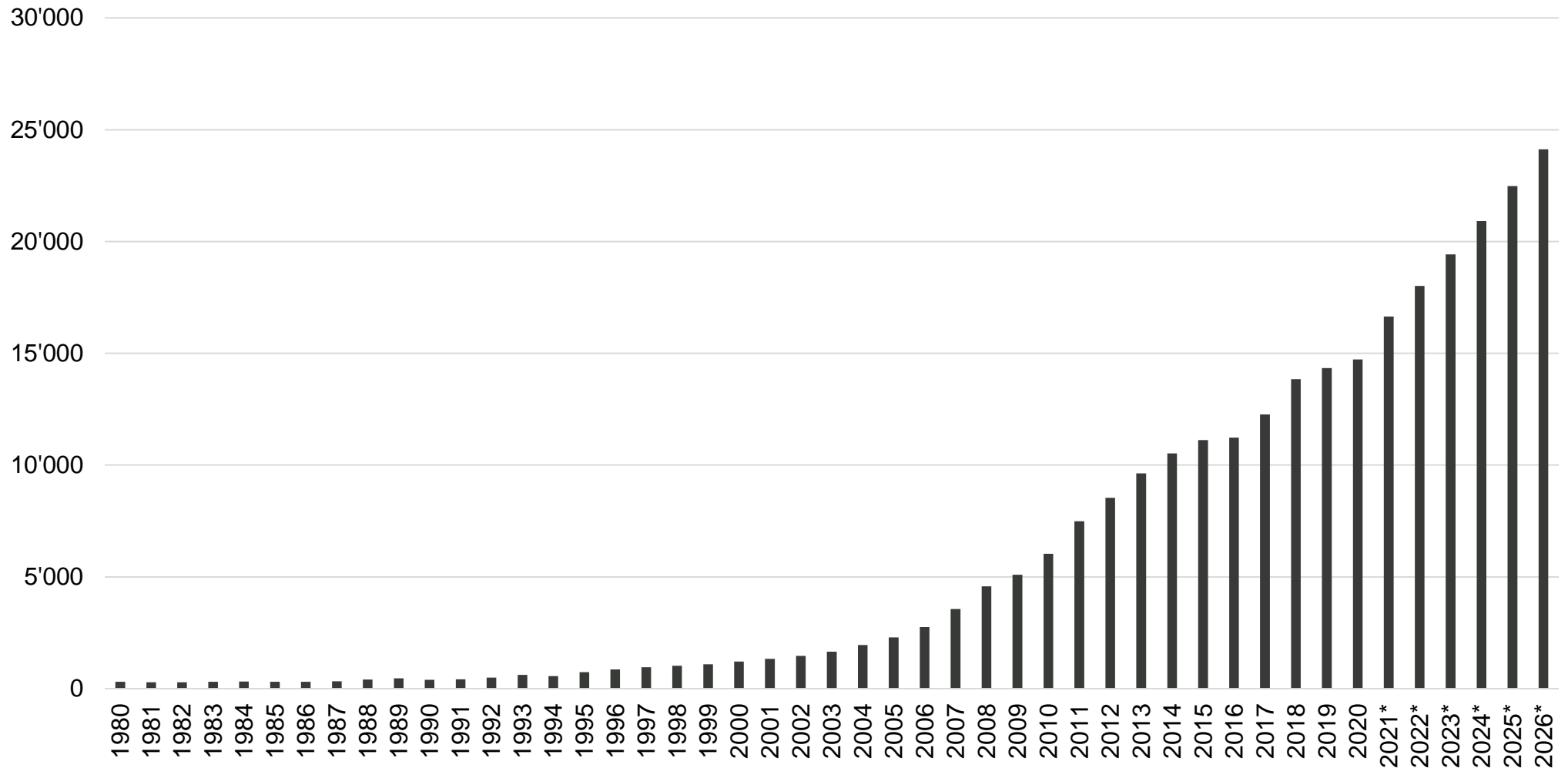
- Various sectors and companies and therefore their share prices could benefit from the considerable investments and reform intentions
- However, it is still uncertain whether and to what extent such benefits will materialize and who the beneficiaries will be

Prognosis: steady GDP-growth in the next years

(GDP) in respective prices from 1980 to 2020 and prognosis until 2026

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In bn. US-Dollars



Domestic consumption & increase quality of life

Self-sufficiency and increasing prosperity as an engine for growth

June 14, 2021

Self-sufficiency



- Achieve greater independence from abroad
- Reduce imports
- Manufacturing of basic goods such as agricultural products and energy production in China
- Boost exports

Increasing prosperity



- Ensuring a pension system for 95% of the population
- Reduction of unemployment rate
- Wage growth
- Improved healthcare
- Introduction of more day care centers
- Increase duration of compulsory education

→ «Dual circulation» shall be promoted: production and consumption at home shall increase

Innovation and Technology Leadership

Increased focus on own research and development

-
- Hand in hand with domestic consumption: Leading technologies as well as components are to be produced in-house
 - Research and development should primarily take place domestically
 - Yearly growth rate of R&D expenditures: > 7%
 - Own products should replace imports
 - Achieve independence
 - Chinese high-tech products are gaining market share internationally, especially among consumers
 - Many countries (e.g., the U.S. and also the EU) continue to have difficulty in awarding international contracts to Chinese companies
→ could slow down the international growth of Chinese companies in some segments
 - Among others, Big Data, Cloud Computing, 5G, artificial intelligence and electric cars are to be included in the scope of these support measures
 - Protection of the domestic market: foreign companies (such as Google or Facebook) are imposed severe caesurae
 - Not only government support measures but also U.S. sanctions (e.g., Huawei, Tencent) encourage companies to develop technologies and the necessary components themselves
 - As a result, Chinese companies are thereby strengthened

Green energy– climate neutral until 2060

First steps towards a green future

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CLIMATE NEUTRAL UNTIL 2060

UN-General assembly 2020: Goal to be climate neutral until 2060
Therefore, green energy is an important part of the Five-Year-Plan



REDUCTION OF ENERGY CONSUMPTION

Energy consumption shall decrease by 13.5% until 2025



REDUCTION OF CO₂-EMISSIONS

CO₂-Emissions shall be reduced dramatically: reduction of fossil fuels; increase of renewable energy



BETTER AIR AND WATER QUALITY

Improve air quality in cities and general water quality
More green spaces (forests)



INVESTMENTS NECESSARY

To reach the climate goals, substantial investments in new infrastructure as well as research and development are necessary

The question remains: Will China achieve these ambitious goals? Due to the rapid growth and the population's pent-up demand, the country is struggling with environmental concerns.

Reform intentions create opportunities - also for investors?

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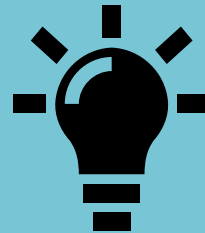


INVESTMENT STRATEGY

Reforms → interesting investment opportunities

Because: if measures show success, Chinese companies can benefit from subsidies

This could have a positive effect on the share prices of these companies



CHINA NEW VISION

Vontobel Asset Management's Multi Asset Team has developed an Index which covers companies that could benefit from the 14th Five-Year-Plan

→ Model to identify these companies



A-SHARES

Simple solution to participate from the wide universe of Chinese A-Shares

Foreign investors can only invest in A-Shares since a few years. Therefore, A-Shares are underrepresented in portfolios of non-Chinese investors

Index concept

Vontobel China New Vision Index

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*Excluded Industries, Thrifts & Mortgage Finance, Capital Markets, Diversified Financial Services, Mortgage Real Estate Investment Trusts (REITs), Equity Real Estate investment Trusts (REITs), Tobacco, Energy equipment & Services, Oil, Gas & Consumable Fuels

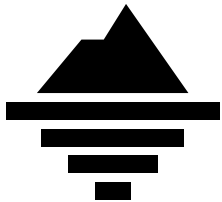
** ROE = Return on Investment, ROIC = Return on Invested Capital, R&D = Research and Development expenses

Source: Index Guide

Highlight: Segmentation in Society's Base and Vision

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Society's Base: Ensuring basic needs

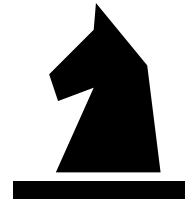


Focus: Ensuring basic needs of the Chinese population
Products and services to fulfil the most important basic needs must be of high quality

Companies are evaluated according to financial metrics

→ Basic needs: the top 10% of equities within an industry (measured by defined financials) are selected

Society's Vision: Investments for the future



Focus on sectors with leading research & technologies, which could further advance China in the future, for example: artificial intelligence, big data, semiconductors etc.

Besides the quality of the company (measured in terms of financials), the innovation capacity is important

→ Investments for the future: the top 20% of equities within an industry (measured by defined financials) are selected

Invest in «China New Vision» with only one transaction

TOP 20 of initial Index composition*

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COMPANY	SECTOR	INDUSTRY	WEIGHTING
China Tourism Group Duty Free Corporation Limited	Consumer Discretionary	Specialty Retail	4.00%
China East Education Holdings Limited	Consumer Discretionary	Diversified Consumer Services	4.00%
Changzhou Xingyu Automotive Lighting Systems Co., Ltd	Consumer Discretionary	Auto Components	4.00%
Tencent Holdings Ltd.	Communication Services	Interactive Media & Services	4.00%
Yadea Group Holdings Ltd.	Consumer Discretionary	Automobiles	4.00%
Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.	Communication Services	Entertainment	4.00%
Wuchan Zhongda Group Co., Ltd.	Consumer Discretionary	Distributors	4.00%
ANTA Sports Products Ltd.	Consumer Discretionary	Textiles, Apparel & Luxury Goods	4.00%
Xiamen Intretech Inc.	Consumer Discretionary	Household Durables	3.89%
China Life Insurance Co. Ltd. Class H	Financials	Insurance	3.76%
Yum China Holdings, Inc.	Consumer Discretionary	Hotels, Restaurants & Leisure	2.74%
Baozun Inc Sponsored ADR Class A Sponsored ADR	Consumer Discretionary	Internet & Direct Marketing Retail	2.53%
Alibaba Group Holding Ltd. Sponsored ADR	Consumer Discretionary	Internet & Direct Marketing Retail	2.53%
Oriental Pearl Group Co. Ltd.	Communication Services	Media	2.45%
China Literature Ltd.	Communication Services	Media	2.45%
Shenzhen Goodix Technology Co., Ltd.	Information Technology	Semiconductors & Semiconductor Equipment	2.43%
BYD Electronic (International) Co., Ltd.	Information Technology	Communications Equipment	2.35%
China Resources Gas Group Limited	Utilities	Gas Utilities	2.33%
Intco Medical Technology Co., Ltd.	Health Care	Health Care Equipment & Supplies	2.16%
Bank of Ningbo Co., Ltd.	Financials	Banks	2.09%

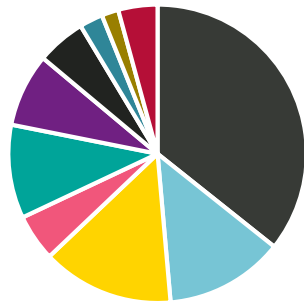
* Index composition & weighting at issuance in June 2021

Sector Composition

Compared to the MCSI China Sector Weighting

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Sector Composition China New Vision Index



- Consumer Discretionary
- Communication Services
- Information Technology
- Utilities
- Health Care
- Financials
- Consumer Staples
- Real Estate
- Materials
- Industrials

Comparison with MSCI China Sector weighting (Benchmark)

SEKTOR	VONTOBEL CHINA NEW VISION	BENCHMARK
Consumer Discretionary	35.70%	33.9%
Information Technology	14.31%	12.00%
Communication Services	12.90%	15.00%
Health Care	10.15%	8.00%
Financials	7.94%	10.00%
Consumer Staples	5.30%	7.00%
Utilities	5.07%	4.00%
Industrials	4.25%	4.7%
Real Estate	2.54%	2.00%
Materials	1.84%	2.3%
Energy	0.00%	1.20%

→ Sectors that Vontobel believes could benefit from the Five-Year Plan are overweighted in the Vontobel China New Vision Index.

Product details

Vontobel China New Vision Index

14. Juni 2021

Strategic Certificate







on the Vontobel China new Vision Index

PRODUCT DETAILS

In subscription until
July 2nd, 2021



SSPA	Tracker certifikate (1300)
Underlying	Vontobel China new Vision Index
Initial fixing / value date	05. July 2021 / 12. July 2021
Term	Open End
Index fee	1.25 % p.a.
Issuer	Bank Vontobel AG, Zurich (Moody's Aa3)
Guarantor	Vontobel Holding AG, Zurich (Moody's A3)

	 CHF	 USD
Currency	CHF	USD
ISIN / symbol	111760186 / PCHCVV	111760184 / PCHNVV
Strike price	CHF 101.50 (incl. CHF 1.50 issue markup)	USD 101.50 (incl. USD 1.50 issue markup)
Reference currency	USD	USD
	Details page  Term sheet 	Details page  Term sheet 

Key take-aways

Investments in research and development will be higher than in the past 5 years

Focus: artificial intelligence, quantum technology, big data, integrated semiconductors, brain research, life and medical sciences, space technology, etc.

The share of consumer goods in the population's salary will be higher. This indicates that demand in the Chinese domestic market will be stronger. Domestic consumption will be strongly supported by the plan

Green economy pushed forward with stricter regulation

The allocation and weighting of the Vontobel China New Vision Index is based on the focus of the five-year plan: IT, healthcare, staples and consumer goods are overweighted

In line with the Five-Year-Plan, a good ESG rating is essential for inclusion in the index

Nevertheless, when investing, investors should be aware of the particular risks in Chinese stocks, which may be heavily affected by potential trade and political conflicts as well as government intervention, both within China and in their international activities



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June 14, 2021

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