京華山一

Core Pacific - Yamaichi

Fund Flow Monitor

March 30, 2020

Changes in fund flow vs market cap

Sector	Fund flow	Market cap
Pharm & Healthcare	(1.74%)	2.67%
China Banking	2.00%	2.07%
Securities Brokerage & Investment Banking	(1.98%)	2.93%
Textile, Clothing and Apparel	(1.62%)	2.91%
China Properties	(0.48%)	6.04%
Construction materials	(2.99%)	7.62%
Telecom Equipment & Services	(3.54%)	1.69%
HK Properties	(0.89%)	4.07%
Food & Beverage	(0.75%)	4.49%
Media	(1.49%)	4.42%
China Insurance	(2.81%)	5.31%
Internet and software	(0.02%)	3.44%
Micro Financing	(3.46%)	14.23%
Mining	(4.29%)	0.28%
Metal & Material	(1.35%)	4.50%
Capital Goods	(1.02%)	5.06%
REITS	2.15%	1.90%
Conglomerates	(0.47%)	2.58%
IT hardware, components and distribution	(0.82%)	2.04%
Ports & Logistics	(1.21%)	8.16%
Alternative Energy	(3.16%)	4.51%
Auto parts	(3.90%)	2.77%
Education	(0.84%)	7.01%
Coal	(1.65%)	1.59%
HSI	0.21%	3.34%
HSCEI	0.38%	4.75%
MARKET	(0.30%)	3.63%

Weekly recap:

- **HK market bounced from the recent low, Investors remain conscious.** HSI opened low but end higher last week as investors regained confidence after governments across the globe unveiled tremendous measures to tackle the coronavirus crisis. Eventually, HSI earned 3.0% or 679 points in last week. However, we see the rebound of HK market last week was not matched with the market fund flow. For the week, there was no sector signaled bullish. On the other hand, the number of bearish sectors slightly decreased to 12 from 15, all were in Overvalue zone. We noted investors remained cautious over the market outlook, signaling by the stronger fund flow for the constituent stocks of HSI and HSCEI.

Weekly investment themes:

- **China Banking.** China's state-owned commercial banks remain resilient in the recent market shock because of the Influx of mainland capita and the relatively visible earnings outlook. Sector fund flow last week was led by CCB (939). The bank's announced its FY19 results on Sunday that its net profit glow 4.8% to RMB 262.7bn in FY19, which was in-line with consensus. We also see fund flow into ABC (1288) before its annual result announcement on 30 March. Investors expected its net profit for FY19 to grow 4-5% YoY.
- **REITs.** Sector fund flow turned sharply into positive since early March. In addition to decent dividend yield, US Fed's aggressive rate cut to zero and relaunch of quantitative easing also pushed investors to seek rich dividend play. Sector fund flow last week was led by LINK REIT (823). The Counter earlier reported 7.5% growth in 1H20 (year end March) distributable income to HK$2.97 bn, with NAV per share up 1.2% to HK$90.58. Occupancy rate of rental premise maintained at 96.9%, while average monthly rent was up 2.3% h-o-h to HK$69.6 per sq ft. The rental portfolio of LINK REIT is more consumer staple oriented and hence is less exposed to the coronavirus outbreak. Investors still expected low-to-mid single digit dividend growth going forward and the Counter is trading at 4.5%/4.9% FY20F/21F dividend yield. Fund flow into Fortune REIT (778) also picked up strongly since mid-March. The Counter reported 0.8% growth in FY19 distributable income, and is now trading at 7.6%/7.8% FY20F/21F yield.

Sector Rotation

- **HK market bounced from the recent low.** HSI opened low but end higher last week as investors regained confidence after governments across the globe unveiled tremendous measures to tackle the coronavirus crisis. Eventually, HSI earned 3.0% or 679 points in last week.

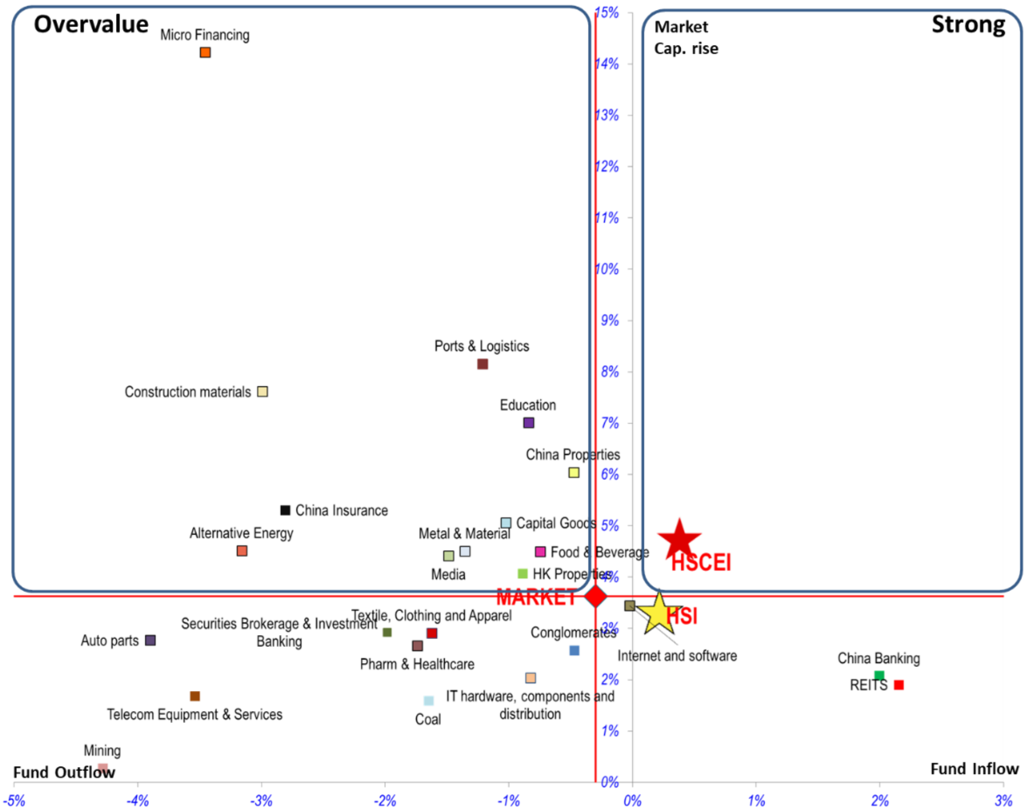
- **Investors remain conscious**. We see the rebound of HK market last week was not matched with the market fund flow. For the week, there was no sector signaled bullish. On the other hand, the number of bearish sectors slightly decreased to 12 from 15, all were in Overvalue zone. We noted investors remained cautious over the market outlook, signaling by the stronger fund flow for the constituent stocks of HSI and HSCEI.

Table 1: **Sector composition (as of 27 March, 2020)**

Zones	Sectors	No. of Sectors
Strong (bullish)		Remained 0
Undervalue (bullish)		To 0 from 2
Overvalue (bearish)	China Properties, Construction materials, HK Properties , Food & Beverage, Media, China Insurance, Micro Financing, Metal & Material, Capital Goods, Ports & Logistics, Alternative Energy, Education	To 12 from 1
Weak (bearish)		To 0 from 14

Sources: Bloomberg and Core Pacific Yamaichi

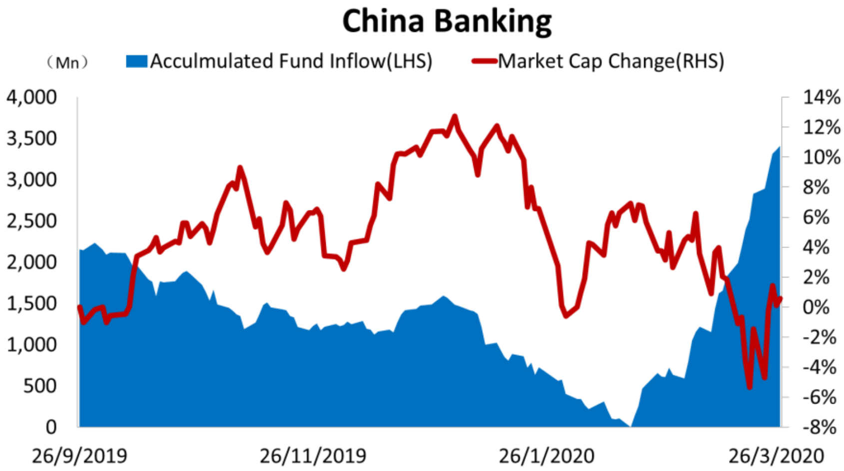
Figure 1: **Changes in fund flow vs market cap (27 March, 2020)**



Sources: Bloomberg and Core Pacific Yamaichi

China Banking: relatively visible earnings outlook

Figure 2: **Changes in fund flow vs market cap (27 March, 2020)**



Sources: Bloomberg and Core Pacific Yamaichi

China Banking sector reported fund inflow in the last few weeks. We see China's state-owned commercial banks remain resilient in the recent market shock because of the Influx of mainland capita and the relatively visible earnings outlook. Market expects the reduction in required reserve ratio can mitigate the negative impact of cutting LPR which lowers net interest margin. Also, investors expect risk of non-performing loans is not likely to rise significantly in the near future amid strong intervention from the China government.

Sector fund flow last week was led by CCB (939). The bank's announced its FY19 results on Sunday that its net profit glow 4.8% to RMB 262.7bn in FY19, which was in-line with consensus. We also see fund flow into ABC(1288) before its annual result announcement on 30 March. Investors expected its net profit to grow 4-5% YoY.

Figure 3: **Sector fund flow improved in the last few weeks**

Sources: Bloomberg and Core Pacific Yamaichi

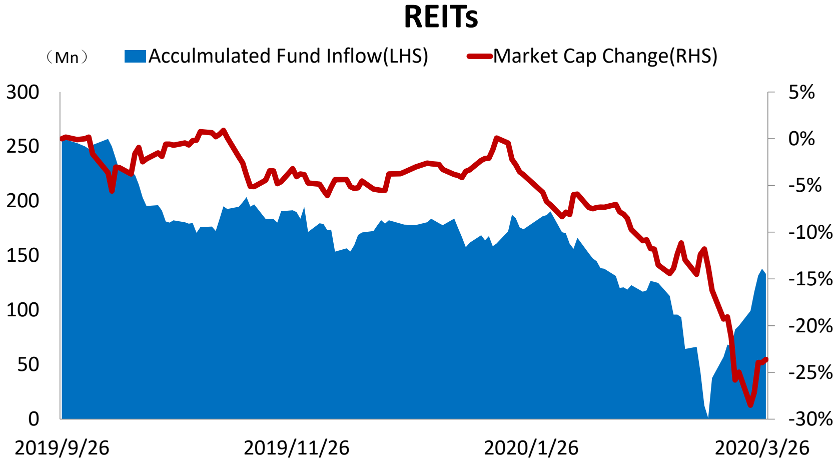
Table 2: **CCB (939) led sector fund flow**

Stock Name	Stock Code	HK Market Cap (HK$bn)	Weekly Net Inflow (HK$mn)	Weekly Return%
CCB	939	1,512.224	367.63	+2.9%
ABC	1288	91.909	94.64	+1.4%
Bank of China	3988	245.013	78.63	+0.7%

Sources: Bloomberg and Core Pacific Yamaichi

REITs: US Fed's aggressive easing policy favors dividend yield plays

Figure 4: **Changes in fund flow vs market cap (27 March, 2020)**

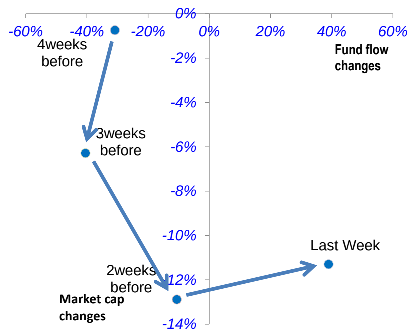


Sources: Bloomberg and Core Pacific Yamaichi

Sector fund flow turned sharply into positive since early March. In addition to decent dividend yield, US Fed's aggressive rate cut to zero and relaunch of quantitative easing also pushed investors to seek rich dividend play. In spite of continuing coronavirus outbreak, investors view many HK listed REITs are relatively less exposed as they are more consumer staple oriented.

Sector fund flow last week was led by LINK REIT (823). The Counter earlier reported 7.5% growth in 1H20 (year end March) distributable income to HK$2.97 bn, with NAV per share up 1.2% to HK$90.58. Occupancy rate of rental premise maintained at 96.9%, while average monthly rent was up 2.3% h-o-h to HK$69.6 per sq ft. The rental portfolio of LINK REIT is more consumer staple oriented and hence is less exposed to the coronavirus outbreak. Investors still expected low-to-mid single digit dividend growth going forward and the Counter is trading at 4.5%/4.9% FY20F/21F dividend yield. Fund flow into Fortune REIT (778) also picked up strongly since mid-March. The Counter reported 0.8% growth in FY19 distributable income, and is now trading at 7.6%/7.8% FY20F/21F yield.

Figure 5: **Sector fund flow improved in last week**



Sources: Bloomberg and Core Pacific Yamaichi

Table 3: **LINK REIT (823) led sector fund flow**

Stock Name	Stock Code	HK Market Cap (HK$bn)	Weekly Net Inflow (HK$mn)	Weekly Return%
LINK REIT	823	136.8	43.4	-0.4%
Fortune REIT	778	13.7	4.25	7.6%
Champion REIT	2778	26.6	2.6	9.5%

Sources: Bloomberg and Core Pacific Yamaichi