

Annual Review and Outlook by Beibei Guo, PM of CSI New Energy Vehicle Industry Index Fund (LOF)

From 2022 Annual Report

In 2023, we need to pay attention to the continuity of overseas inflation, the changes of domestic inflation during the economic recovery, and the extent of domestic economic recovery. These factors will determine the intensity of the internal and external liquidity environment we face, as well as the good and bad fundamentals of securities assets. One scenario is that overseas inflation cannot drop to a level within the policy target range, and an economic recession has already emerged. To continue to suppress inflation, overseas risk-free interest rates are likely to remain high and result in a compression of space for domestic interest rate. The rise in domestic interest rates will be adverse to the rebound of growth stocks and economic recovery. Another scenario is that if overseas inflation drops to a level within the policy target range, then the risk-free interest rate level may start to drop earlier than the market expectations, which will be conducive to the domestic liquidity environment. The first scenario is more likely to be a continuation of the expectations for 2022, and even if there is still pressure on the interest margin and exchange rate in 2023, this pressure will be significantly lower than in 2022. Therefore, in general, the global market environment is expected to be friendly for A-share investments in 2023.

The new energy vehicle industry has both opportunities and crises in 2023. The crisis arise from the price competition pressure of vehicles on the car companies that are not yet profitable after the withdrawal of state subsidies. The rule of "survival of the fittest" will apply among automobile manufacturers from 2023. The opportunity is that the consumers may be able to enjoy more cost-effective products and services in the price competition of car companies, and the sales of new energy vehicles may go beyond market expectations. The industry chain itself will also benefit from the overseas popularization of electrical vehicles and clean energies, and "going overseas" will be the key word for the industry chain from top to bottom to expand the market space. Therefore, there will still be investment space for it to rise up by seizing the opportunities in competitive advantages of the new energy vehicle industry through the new energy vehicle LOF when the valuation of the new energy vehicle sector is in a reasonable position, and to guide the Chinese manufacturers to go global and lead the global development.

As an index fund for passive investment, this fund strictly abides by the fund contract during its investment operations. It achieves investment goals by adhering firmly to the existing investment strategy, and actively adopting effective ways to control the tracking errors of the fund relative to the performance comparison base.