



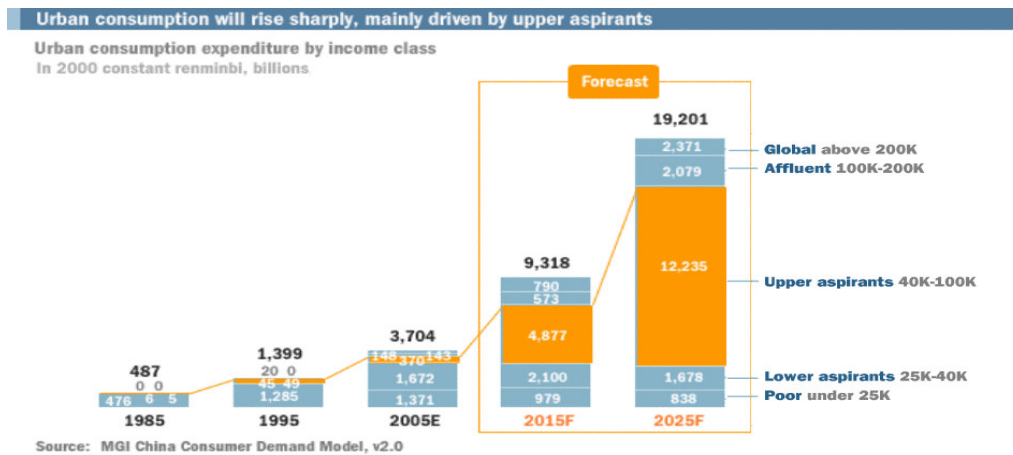
## 2011 Q3 Focus: Riding the China Consumer Boom Cycle

### Executive Summary

Investors should review their China related investments. Our investment team recommends investors to overweight consumption related investment themes, as these strategies benefit from:

1. Chinese government's pro-consumption policies
2. Increase in consumption due to lifestyle upgrades, as incomes continue to improve
3. Consumer related Chinese securities have outperformed the major China Indices since the beginning of the year

### Why China's Consumer Market?



Total urban consumption will increase from 2005 to 2025 at an annual rate of 8.6 percent, leading to a rise in private consumption expenditure over the same period of more than 16 trillion renminbi. This increase will be driven by rapid growth in real urban per capita consumption (at an annual rate of 6.5 percent) and urban population. The upper aspirant class will produce most of that growth, followed by the affluent and the global classes.

Source: McKinsey ([http://www.mckinsey.com/mgi/publications/china\\_consumer/slideshow/main.asp](http://www.mckinsey.com/mgi/publications/china_consumer/slideshow/main.asp))

- Consumption in China is expected to grow at a rate of 15-20% over the next decade, providing huge investment opportunities for investors
- China's 1.3 billion population will extend the consumption boom spreading from affluent to lower income groups
- Situated vastly below world average, penetration rates of China consumer sectors promotes enormous potential for growth

### What Supports this Market?

- Transitioning into a consumption-driven economy, the Chinese government's pro-consumption policies since 2009 seeks to stimulate domestic demand, supporting strong consumer growth
- Wages are expected to grow at 8-10% per annum as China declared large increases in minimum wages in September 2010. Expected upwards trend in wages indicates a rise in personal income and robust economic growth
- Improvement in living standards and wages significantly impacts the upgrade and changing consumption patterns of Chinese consumers in the urban sector. Discretionary spending increases as urbanization<sup>1</sup> accelerates the upgrade process

<sup>1</sup> The Chinese government forecasts the urbanization rate to reach 60% by 2020 (from 46.6% in 2009).

### Important Notice

The document has been prepared solely for informational purposes and does not constitute an offer or an invitation in any manner. The content of this document has not been reviewed by any regulatory authority in Hong Kong and prospective investors should obtain independent professional advice to determine the suitability and consequences in relation to any investment. Information and opinions are given without obligation and can be changed without notice. Investment involves risks and past performances are not indicative of current or future performance. The Information on this document may not be reproduced, distributed or published in whole or in part or otherwise made available without prior express written consent from TTG (HK) Ltd. All rights reserved..



## 2011 Q3 Focus: Riding the China Consumer Boom Cycle

### Related Recommended Funds

<HELP> for explanation.  
Hit 1<GO> for Options, Hit <Page> for table.

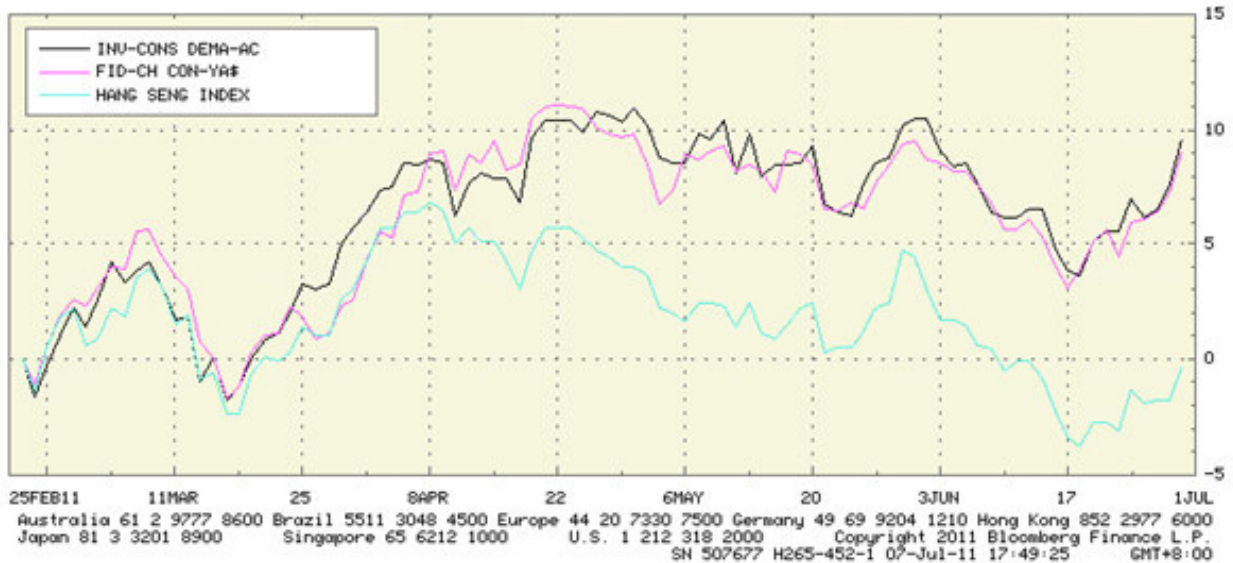
EquityCOMP

Page 1/ 8

**COMPARATIVE RETURNS**

Securities	Range	Crncy	Prc	Appr	Period	Daily	127 Day	Period
	2/23/11 - 6/30/11					Total Ret	Difference	Annual Eq
1 INVASAC LX Equity		USD	9.55 %			9.55 %	.45 %	29.96 %
2 FIDCYAU LX Equity		USD	9.10 %			9.10 %		28.44 %
3 HSI Index		HKD	-2.22 %			-.26 %	-9.36 %	-.73 %

(\* = No dividends or coupons)



- **Invesco Asia Consumer Demand Fund (INVASAC:LX)**
  - Less volatile due to diversity throughout Asia (Ex-Japan) consumer market
  - It has yielded +30.93% since inception (3/25/2008) while Hang Seng was +9.39%
- **Fidelity China Consumer Fund (FIDCYAU:LX)**
  - Directly benefits from this booming market having a 100% allocation to China consumer story
  - Includes tourism, airlines and travel companies which benefit from the China consumer market
  - This is a new fund, launched at the end of February this year
  - In 4 months since inception (2/23/2011) it has a yielded of +9.10% while Hang Seng was -2.22%

### Final Notes

- These funds are long term capital growth strategies

### Important Notice

The document has been prepared solely for informational purposes and does not constitute an offer or an invitation in any manner. The content of this document has not been reviewed by any regulatory authority in Hong Kong and prospective investors should obtain independent professional advice to determine the suitability and consequences in relation to any investment. Information and opinions are given without obligation and can be changed without notice. Investment involves risks and past performances are not indicative of current or future performance. The Information on this document may not be reproduced, distributed or published in whole or in part or otherwise made available without prior express written consent from TTG (HK) Ltd. All rights reserved..