MARKET EXPRESS

Quarter

03

2023

- Macroeconomic outlook
- Currencies
- Fixed Income
- Equities
- Commodities
- 360 Reference Portfolio
- Fund Showcase
- Fabulous Wealth Management Offers

中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

China CITIC Bank International brings you market updates and commentaries from renowned financial gurus across the globe, keeping you abreast of the latest market developments while helping you to make smart, informed investment decisions.

CNCBI'S EXPERTS

Tristan Zhuo, Chief Economist, China CITIC Bank International Limited
Kenneth Lee, Economist, China CITIC Bank International Limited
Peggy Huang, Economist, China CITIC Bank International Limited

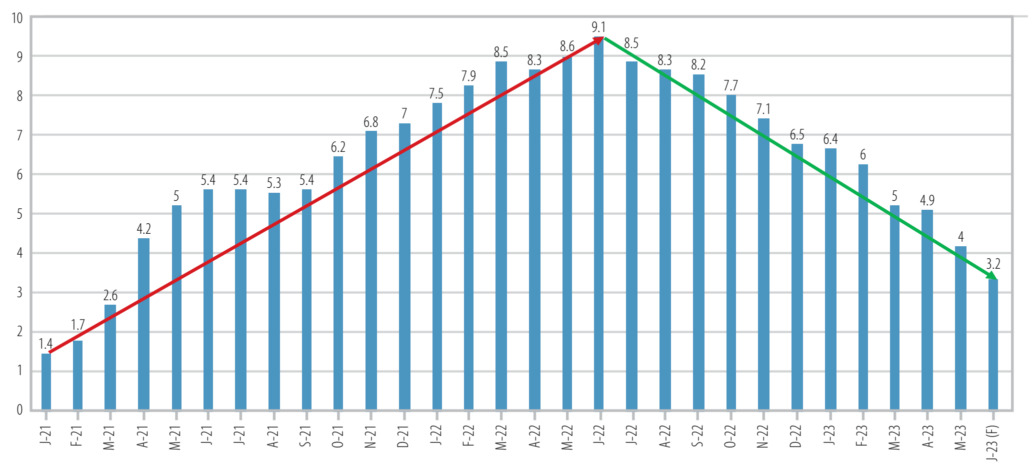
Macroeconomic outlook

The Global economy – Global GDP growth likely to slide to about an anemic 2%

Due to anemic growth and recession risks in advanced economies, global GDP growth will likely decelerate from 3.1% in 2022 to 2% in 2023. While the performance of developing economies is largely stable, growth in advanced economies will slow drastically from 2.6% to about 0.6%, with the Euro-zone being the weakest link. In the meantime, growth of international trade may plunge from 6% in 2022 to about 1%.

US — According to the latest dot plot of the Fed's federal open market committee responsible for setting monetary policy, in spite of a pause in June following 10 consecutive rate hikes, there will be two more increases totaling 50 basis points by the end of the year. However, the disinflation trend in the U.S. continues. The year-over-year change in the consumer price index in June could decelerate further to 3.2%, about two thirds lower than the peak of 9.1% in June, 2022 and inching towards the 2% inflation target. Therefore, the rationale for rate increases could become increasingly weak. The end of the current rate-hike cycle is very near.

Chart 1: Changes in the consumer price index in the U.S. (YOY; %)



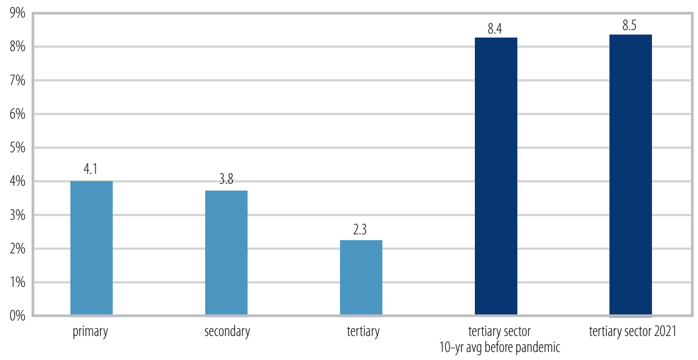
Source: Bloomberg, CNCBI Research

Europe — The Euro-zone fell into a technical recession after contracting 0.1% sequentially both in the fourth quarter of 2022 and the first quarter of 2023. With a shrinking manufacturing sector and slowing growth in services, the Euro-zone's economy is unlikely to improve noticeably in the second half of the year. While the ECB remains adamant in tightening monetary policy, the room for further rate hikes after the July meeting may be rather limited. By comparison, persistently elevated inflation in the UK could force the BOE to increase its benchmark interest rate to above 6%. The BOE's rate-hike cycle could continue even after those of its peers come to an end.

Japan — Underlying inflationary pressure continues to build in Japan. The so-called "core-core" inflation excluding fresh food and energy in May rose to 4.3%, the fastest increase since 1981. Rapid price increases and a dysfunctional bond market have been the main side effects of prolonged negative interest rates and yield curve control. Nevertheless, the BOJ has been keeping its ultra-loose monetary policy intact and refused to consider monetary policy normalization, while unconventional monetary policy continues to distort financial markets.

Mainland China — While China's economy has reopened, weakening global economic momentum and export demand will inevitably impact the manufacturing sector. Therefore, the services sector will be a decisive factor of GDP growth. If the primary and secondary sectors repeated their respective performance in 2022, the tertiary sector will need to grow at 6% to meet the official growth target of about 5%. In comparison, during the decade before the pandemic (2010 to 2019), services grew at an average rate of 8.4%. In 2021, service rebounded 8.5% from the first year of the pandemic. 6% growth for services is thus apparently not a tall order. Granted, due to tepid growth momentum in the second quarter, lukewarm market confidence, slumping real estate development investments, and mild inflation, hopes for monetary easing have intensified. However, in terms of frequency and magnitude, the PBOC's rate cuts have been very moderate. Since 2022, one-year LPR was reduced only twice, totaling 15 basis points. Monetary easing will likely remain restrained, with a prospective 25-basis point reduction in the reserved require ration in the second half of the year.

Chart 2: Sectoral performance of China's economy



Source: National Bureau of Statistics, CNCBI Research

Hong Kong — Hong Kong's re-exports sector have taken a heavy hit due to the weakening global economy and slowing international trade. However, thanks to full normalization of economic activities, retail sales should continue to recover, and a strong rebound in private consumption will keep lowering unemployment to "full-employment" levels. As for the interest rates environment, as the Fed's rate-hike cycle is approaching an end, Hong Kong dollar interbank rates have rather limited room for further increases. HK's GDP growth could reach 4.5% in 2023.

Currencies

US Dollar

The US dollar has been recovering since May as the banking industry turmoil in Europe and the US has been temporarily settled. The Fed hold off on hiking rate in June while hinted two more this year. At the same time, the slowdown in inflation and the unexpected jump in unemployment rate have strengthened expectations for the end of the rate hike cycle. On the other hand, the legislation on suspending the nation's $31.4 trillion debt limit till January 2025 has been passed. In such case, the flexibility for government to issue bonds could tighten the supply of US dollars in the market accordingly. Hence, the US dollar could be supported in a downward trend.

The Euro

The European Central Bank continued to interest rate hike in June. With the hawkish stance maintained, ECB saw the possibility for another hike in July. Sluggish global demand and safe-haven inflows supported the Euro as well. However, concerning the economic uncertainty, ECB lowered the forecast on economic growth for the Eurozone this year and coming year. In fact, the Eurozone, including Germany, its largest economy, sinks into technical recession. With continuously aggressive rate hikes, it is doubtfully that the Eurozone economy could remain resilience. The Euro is lack of momentum for appreciation.

British Pound

The UK economy grew by 0.1% in the first quarter, avoiding a technical recession. However, inflation remains high with spiking core inflation. The Energy Price Guarantee, which was postponed at the beginning of the year, ended in June. The inflation could be more stubborn since then. In the same month, the Bank of England raised interest rates by 0.5% beyond market expectations, indicating the determination to curb inflation. Expecting the pullback of US dollar, the British pound is meanwhile supported by the continuing hawkish actions of the Bank of England and relatively advanced.

Canadian Dollar

Previous data suggested that Canadian inflation bounced slightly. With an improving economy, tight housing and labor markets, the Bank of Canada resumed rate hike in June after leaving the rate unchanged since March. However, inflation fell to a two-year low in May. Rationale for the central bank to continue rate hike would be rather weak, compressing the appreciation of Canadian dollar. For the oil market, the news of OPEC+'s production cuts would support oil price and benefit the Canadian dollar. But the news may only provide short-term momentum given the sluggish global demand. The Canadian dollar is volatile in the downward channel.

Japanese Yen

Though remaining ultra-loose monetary policy, Japan's inflation managed to drop from 3.5% to 3.2% in May. The expectation on tweaking YYC policy is therefore weakened, which leads to Yen's further depreciation. It's noticed that the current rate is close to the level at which Japanese authorities intervened the currencies market in October 2022. This suggests that intervention could not be ruled out in the near future. With the monetary policy intact and expanding interest rate spread against other advanced economies, Yen is tremble and declining.

Renminbi

In the first quarter of this year, the volume of cross-border payment in RMB released by the People's Bank of China recorded rapid growth, although the external environment is challenging. Data suggests that both of the demand for RMB settlement and the degree of RMB internationalisation are improving. However, the trend of RMB against US dollar is mainly driven by China-US interest rate spread. With US interest rate dominating, RMB is under certain pressure unless the Fed ends the tightening cycle. Looking ahead, yield advantage of US dollar would be diminishing this year, suggesting a stablised RMB exchange rate.

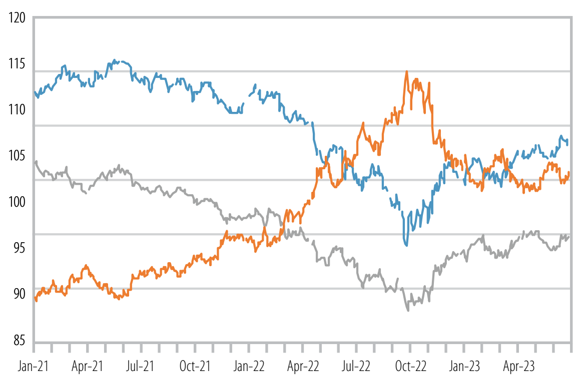
Australian Dollar

Australia's inflation dropped from 6.8% to 5.6% in May, recorded a 13-month low. Even though, it is possible for the RBA to keep on rate hiking due to the consumption higher than expectation and properties market rebounded. Meanwhile, Australian government announced an upward adjustment on national minimum wage to be effective in July. Intuitively, aiming at taming inflation, the RBA would need further rate hike, otherwise the inflation could be deteriorating. However, the 11-year high interest rate along with expensive borrowing cost is dragging the economic growth down. The economic growth rate in the first quarter hit the lowest level in a year and a half. The upside of the Australian dollar is blocked.

New Zealand Dollar

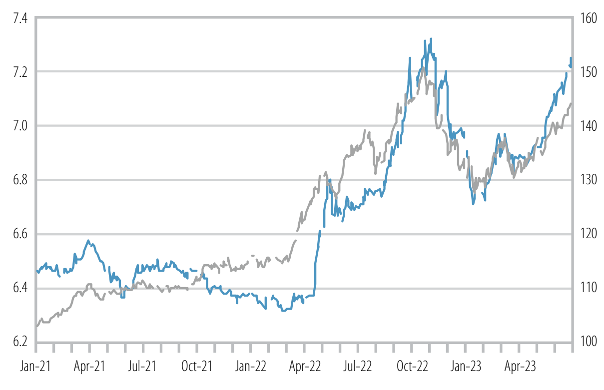
The New Zealand dollar yields the highest interest rate among major currencies at 5.5%. However, the New Zealand central bank previously referred the rate as the end of tightening cycle. While other major central banks have indicated that there is room for interest rate hikes, the upward movement of the New Zealand dollar would be restrained. On the other hand, New Zealand is in technical recession, with its economy contracted by 0.1% in the first quarter, though slightly better than the 0.7% contraction in the previous one. Coupled with the fact that commodity currencies are generally hit by global demand, the New Zealand dollar lacks upward momentum.

Chart 3: US Dollar Index, British Pound and Euro



Source: CEIC

Chart 4: Renminbi and Japanese Yen



Source: CEIC

Fixed Income

Macro interest rates environment

US economy has proven to be resilient after Fed hiking 500bps in past 14 months and even in the face of failure of multiple regional banks. As a result, Fed turned more hawkish in recent months and chair Powell indicated another two hikes within this year. Looking ahead, the 2-year rate, which is more sensitive to Fed rate hike, still has upside pressure at current level of below 5%, assuming that there would be one or two more hike and thus sending the lower bound of Fed Fund Target Rate to 5.25-5.5%. The movements of belly to long-dated treasuries would be affected by both rate-hike path and the probability of recession.

Credit

Carry, rather than capital appreciation, would be the main contributor of the returns of bond investment in the third quarter of 2023, given that the recent hawkish tone from Fed and market pricing in higher terminal rates.

Investment Grade — Investment grade bonds are a good investment target amid cloudy global economic outlook. Short tenor (1-3 years) investment grade bonds at 5-6% are now providing attractive safe return, given inverted yield curve and more than 100bps additional return over the yields of US government bonds and/or deposits. In addition to adding duration, intermediate duration investment grade bonds could be the outperformer once market expects that Fed is near the completion of rate-hike cycle.

High Yield — High yield corporate bonds in developed markets surprisingly outperformed as the remained resilient economic background and low near-term recession risks boosting investors' risk appetite. However, the current spreads of high yield corporate bonds (excluding China) are below their long-term average, which do not fully compensate for slower growth and tighter credit conditions. In terms of China high yield, there might be some buy-on-dip opportunities once the space dragged down by credit headlines as the space remains highly volatile.

Summary of fixed income returns as at July 6 2023

	YTD	2022	2021	2020	2019	2018	2017
US Treasuries	1.0%	-12.5%	-2.3%	8.0%	6.9%	0.9%	2.3%
US							
US IG	1.4%	-13.0%	-1.5%	7.5%	8.7%	0.0%	3.5%
US HY	5.2%	-15.8%	5.3%	7.1%	14.3%	-2.1%	7.5%
Europe							
European Credit	3.2%	-13.1%	-0.3%	4.4%	9.6%	1.6%	4.6%
Asia							
Asia Ex-Japan Credit	1.3%	-13.7%	-6.6%	7.2%	11.6%	-1.6%	5.0%
China	0.4%	-12.2%	-6.6%	6.7%	10.8%	-0.7%	4.9%
China IG	2.2%	-16.6%	-0.1%	6.6%	10.2%	0.5%	4.4%
China HY	-10.6%	-12.2%	-26.3%	7.5%	12.7%	-4.2%	6.5%
Hong Kong	3.0%	-10.1%	1.7%	7.2%	9.2%	1.1%	2.8%
Japan	2.1%	-22.5%	-0.5%	6.5%	7.3%	1.7%	3.0%
South Korea	1.9%	-10.2%	-0.3%	6.9%	7.7%	1.8%	2.6%
Singapore	2.3%	-8.3%	0.5%	6.9%	10.1%	-0.5%	4.4%

Source: Bloomberg

Index

U.S. Treasuries
Global Aggregate - Credit
US Aggregate Bond Index - Investment Grade
U.S. Corporate Investment Grade
U.S. Corporate High Yield
Bloomberg Global Credit - European Euro Total Return Index Hedged USD
Bloomberg Asia Ex-Japan USD Credit Corporate
Bloomberg Asia Ex-Japan USD Credit Corporate IG
Bloomberg Asia Ex-Japan USD Credit Corporate HY
Bloomberg Asia Ex-Japan USD Credit China
Bloomberg Asia Ex-Japan USD Credit China IG
Bloomberg Asia Ex-Japan USD Credit China HY
Bloomberg Asia Ex-Japan USD Credit Hong Kong
Non-Japan Asia USD Credit Index South Korea
Non-Japan Asia USD Credit Index Singapore

Equities

US equities

US equities fared better and recorded solid gains in the second quarter, after leading global stock markets to a sell down in mid-March. The Dow Jones Industrial Average Index (DJIA) trended up and reached a new high this year in mid-June, concluding the first half with a modest rise. The US stock market was buoyed by several favorable developments in recent months, including the alleviated concerns of US banking collapses, the successful lift of US government debt ceiling, the continued easing of inflationary pressures, as well as the Fed pausing the interest rate hike in its June meeting.

The outlook for the US stock market is largely mixed heading into the second half. While the US banking sector troubles appear to have settled, the resulting tighter credit conditions have yet to materialize on the broader economy. On the other hand, even though the Fed turned hawkish and signaled for two more rate hikes before the year end in its June meeting, market expectations of an imminent end to the current US interest rate hike cycle remain unchanged. In particular, a lesser-than-expected rate hike by the Fed would be constructive for the US stock market. All things considered, we anticipate the US equities to see heightening volatilities around this year high in the coming months.

European equities

European equities were largely steady with a narrow range throughout the second quarter, after a surprisingly strong performance in the quarter earlier. The Euro Stoxx 50 Index hovered a touch below this year high throughout the quarter while finished with a marginal loss. The European stock markets managed to recover from the hit caused by worries over the region's banking system stability, but faced the headwinds of worsening economic environment. Note that the region already entered a technical recession amid the ongoing monetary policy tightening by the ECB.

Similar to the Fed, the ECB maintained a hawkish stance indicating further interest rate hikes are needed to bring down the still elevated inflation rate in the region, following a 25bps interest rate hike in its June meeting. Any additional rate hikes would inevitably hamper the already weak economic conditions in the region, and the ECB is likely to be cautious with each subsequent rate hike in order to avoid a deep economic recession. Meanwhile, there are growing market expectations that the rate hike cycle by ECB is nearing an end, which should provide some supports to the European stock markets. In view of the above, we hold a neutral stance on European equities with risks tilted to the downside.

Japan equities

Japanese equities staged a strong rally in the second quarter, outperforming equities in other major markets. The Nikkei 225 Index was on an uptrend throughout the quarter, breaking above the 33,000 mark for the first time in 33 years, accruing to a surge of almost 30% in the first half. The remarkable performance was attributed to the BOJ continued with its ultra-loose monetary policies under new governor Kazuo Ueda, the resumed depreciation of Japanese Yen, as well as the Japan economy picking up at a solid pace.

In spite of the deteriorating global economic environment, the Japan economy is expected to stay resilient in the second half, sustaining corporate earnings growth. Meanwhile, the ultra-accommodative monetary policy is unlikely to change anytime soon as the BOJ emphasized to be patient with the exit of monetary easing. The ensuring ample liquidity conditions and the weak Japanese Yen should mitigate any negative shocks to the stock market, keeping the Japanese shares afloat. Hence, we are constructive on Japanese equities even after the upsurge in the previous quarter.

Mainland China equities

Mainland China A-shares lacked momentum of extending the upturn and pared losses in the second quarter. The Shanghai Composite Index continued to edge up and hit this year high in May, but followed by a notable fall that more than wiped out the gain in the quarter. The improved investor confidence on A-shares markets gradually waned as Mainland China's economic recovery showed signs of losing strength, accompanied by a sharp depreciation of Renminbi against the US dollar.

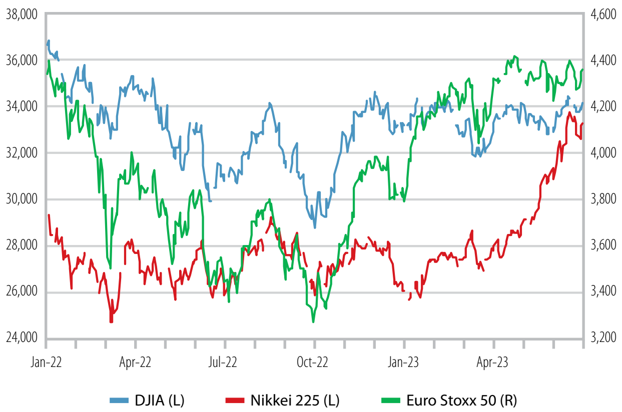
In an effort to sustain economic recovery and prop up growth, the PBOC cut the key interest rates by 10bps in June. Besides, Chinese policymakers are anticipated to introduce new stimulus measures after the Politburo meeting in July. With the Chinese authorities stepping up and signaling to support the economy, investor confidence on A-shares markets should improve sooner rather than later. Renminbi is also likely to benefit and strengthen against the US dollar accordingly, easing the pressures on the A-shares. Against the above background, the A-shares markets are foreseen to remain resilient, with the upside pending a new round of supportive measures by the Chinese authorities.

Hong Kong equities

Hong Kong equities struggled to gain tractions and underperformed equities in other major markets in the second quarter. The Hang Seng Index continued to move ups and downs in the quarter, albeit at a lesser extent, concluding the first half with a decline. Hong Kong stock market was dragged down by mounting external challenges, including the slowdown of global economy, the flagging economic recovery in Mainland China, the Fed signaled for additional rate hikes, as well as the Renminbi weakened against the US dollar.

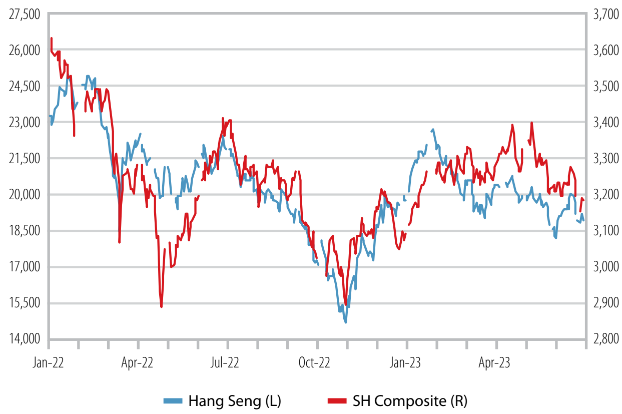
The abovementioned headwinds are poised to continue clouding the near-term outlook of Hong Kong stock market. In particular, Hong Kong equities movements will greatly hinge on the performance of Mainland China economy and the Renminbi. Mainland investors have also become more cautious on Hong Kong shares, as reflected in the decreasing net capital inflows through the southbound stock-connect channels for three straight months. But net capital inflows from Mainland investors is set to rebound if there is a further correction in Hong Kong stock market, thereby limiting its downside. As such, we expect Hong Kong equities to track the A-shares and with larger fluctuations in the months ahead.

Chart 5: Major equity market index



Source: CEIC

Chart 6: Stock market index in China & HK



Source: CEIC

Commodities

Gold

Gold price continued to stay buoyant and nearly hit a new record high during the second quarter. Gold price promptly advanced above US$2,000/troy oz heading into Q2, hovering just below the record high for a majority of the quarter, but slipped to around US$1,900/troy oz by quarter end. The non-interest bearing precious metal price faced increasing downside pressures on the back of the gradually rising US government bond yields, particularly after a hawkish stance by the Fed in its June meeting.

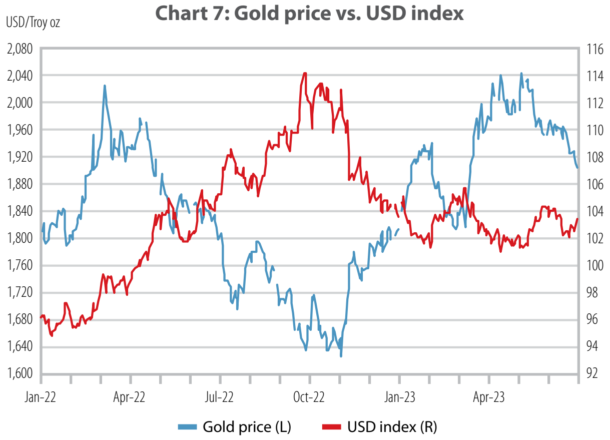
The near-term movement of gold price will largely hinge on the path of US monetary tightening policy going forward. Given that the Fed signaled for more interest rate hikes in the second half of this year, the US government bond yields are likely to edge higher but lack a significant upside as the current US interest rate hike cycle is at the tail end. While higher US government bond yields will continue to weigh on gold price, it should find support from the ongoing weakness of the US dollar amid a decelerating US economy. Therefore, we hold a neutral stance on gold and anticipate more volatile price swings over the next few months with growing uncertainty of the US monetary policy.

Crude Oil

Crude oil remained under considerable pressures as prices trended down while with shrinking fluctuations in the second quarter. After a rebound to nearly US$90/barrel in April, the Brent crude oil prices have been on a decline and consolidated around a narrow range of US$71-78/barrel. Worries over weak oil demand due to the slowing Western economies and signs of Mainland China's economic recovery losing steam, together with the stronger-than-expected Russia's oil exports despite the Western sanctions, more than offset the announcement of a volunteer output cut by some OPEC+ members in April and keep international oil prices at recent lows.

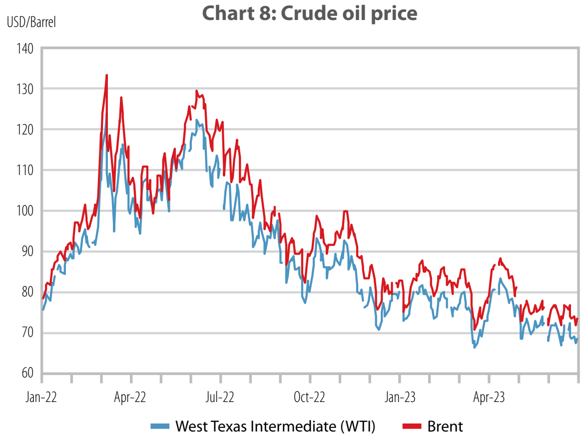
Looking into the second half, the global oil market is foreseen to tighten somewhat. On the demand side, oil consumption in Mainland China is likely to pick up with the Chinese authorities seeking to revive economic momentum. As for the supply side, the OPEC+ made no changes to its planned oil production targets for this year in its meeting in early-June, but there will be an additional volunteer output cut by Saudi Arabia starting in July. Indeed, the OPEC+ would without a doubt reduce its oil output if crude oil prices continue to trend down and drop below a certain level. On the whole, Brent crude oil prices are expected to stay range-bound around current levels while with limited downside.

Chart 7: Gold price vs. USD index



Source: CEIC

Chart 8: Crude oil price



Source: CEIC

Asset class outlook

Foreign exchanges	Outlook
US Dollar	O
The Euro	O
Bristish Pound	+
Canadian Dollar	O
Japanese Yen	-
Renminbi	O
Australia Dollar	O
New Zealand Dollar	O
Fixed income	**Outlook**
US Treasuries	O
European Sovereign	O
Chinese Sovereign	+
Investment Grade Credit	
US IG	+
European IG	O
Asia IG	+
High Yield Credit	
US HY	O
European HY	O
Asia HY	O
Equities	**Outlook**
United States	O
Europe	O
Japan	+
Asia (ex-Japan)	+
China A-share	O
Hong Kong	O
Commodities	**Outlook**
Gold	O
Crude Oil	O

Note: "+" Positive, "-" Negative; "O" Neutral

360 REFERENCE PORTFOLIOS

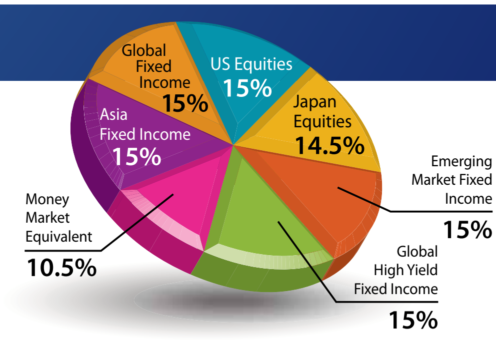
2023 | Quarter 3

The 360 Reference Portfolios use algorithms, quantitative methods and finance model to generate reference portfolios provide asset allocation ideas with reference portfolios based on the difference risk profile.

Risk Profile : Moderate

Annualized Expected Return: 5.2%

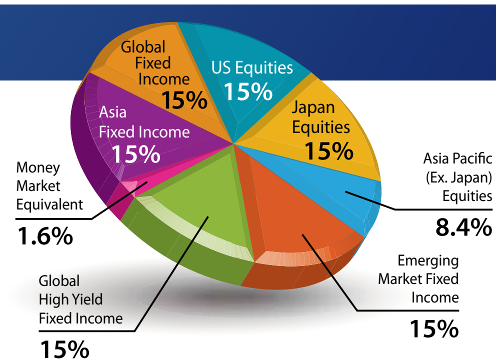
Annualized Expected Volatility: 8.3%



Risk Profile : Balanced

Annualized Expected Return: 5.6%

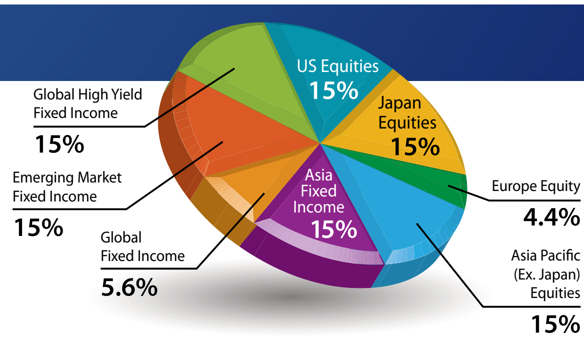
Annualized Expected Volatility: 10.1%



Risk Profile : Growth

Annualized Expected Return: 6.0%

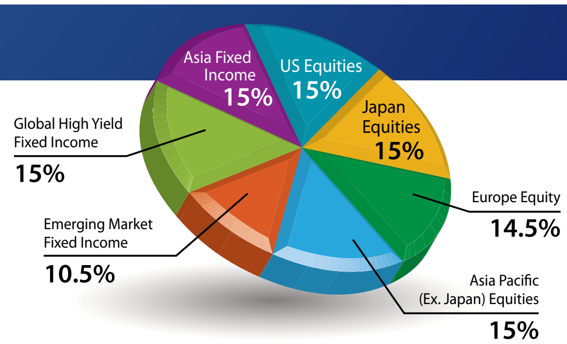
Annualized Expected Volatility: 12.0%



Risk Profile : Aggressive

Annualized Expected Return: 6.2%

Annualized Expected Volatility: 13.5%



The annualized expected return and annualized expected volatility are calculated based on performance and volatility of each asset class benchmark during the data period (30 Dec 2005 – 16 Jun 2023), which are for reference only. The benchmarks of each subsidiary category asset class are: (a) Money Market Equivalent: Barclays US 3-month LIBOR Cash Index; (b) Global Fixed Income: Bloomberg Barclays Global-Aggregate Total Return Index Value Unhedged USD; (c) Asia Fixed Income: J.P. Morgan Asia Credit Index Core; (d) US Equities: S&P 500 Total Return Index; (e) Europe Equities: STOXX 600 Total Return Index; (f) Emerging Markets Fixed Income: JPMorgan Emerging Market Bond Index; (g) Asia Pacific (Ex. Japan) Equities: MSCI AC Asia Pacific Ex. Japan Index; (h) Japan Equities: NIKKEI 225 Total Return Index; and (i) Global High Yield Fixed income: Bloomberg Barclays Global High Yield Total Return Index Value Unhedged. Data is sourced from Bloomberg.

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360 Reference Portfolios

1. The 360 Portfolios are backed by the Bank's algorithms, quantitative methods, finance model and also by applying Modern Portfolio Theory ("MPT") to generate reference portfolios to provide asset allocation ideas with reference portfolios profile. The MPT is a practical and mathematical method for selecting investments to build a portfolio in order to maximize their overall returns within an acceptable level of risk. American economist Harry Markowitz pioneered this theory in his paper "Portfolio Selection," which was published in the Journal of Finance in 1952. He was later awarded a Nobel Prize for his work on modern portfolio theory.
2. The Reference Portfolios are provided according to 4 investor Risk Tolerance Levels ("RTL"), namely Moderate (RTL 2), Balanced (RTL 3), Growth (RTL 4) and Aggressive (RTL 5), which are for reference only and subject to change from time to time without prior notice. A Moderate Reference Portfolio (RTL 2) is a portfolio which volatility is low-to-medium. The likelihood that the portfolio value may fall below the original investment amount is low. A Balanced Reference Portfolio (RTL 3) is a portfolio which volatility is medium. The likelihood that the portfolio value may fall in a great extent below the original investment amount is medium. A Growth Reference Portfolio (RTL 4) is a portfolio which volatility is medium-to-high. The likelihood that the portfolio value may fall substantially below the original investment amount is high. An Aggressive Reference Portfolio (RTL 5) is a portfolio which volatility is high. It is very likely that the portfolio value may fall substantially below the original investment amount.
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4. The Annualized Expected Return and Annualized Expected Volatility are forecasts and calculated based on performance and volatility of each asset class benchmark data during the specified data period, which are for reference only. Investment product performance can deviate significantly from benchmarks and past performance is not an indicator of future returns. Any forecast contained herein constitutes an opinion only and is not indicative of actual future returns, events or occurrences. Further, where performance information is presented this does not take into account the effect of fees, commissions or other charges.

Risk Disclosure Statement

1. Investment involves risks. The prices of investment products fluctuate, sometimes dramatically and the worst case may result in loss of your entire investment amount. Past performance is no guide to its future performance. Investors should consider their own investment objectives, investment experience, financial situation and risk tolerance level before making any investment decision. Investors should carefully read the relevant offering documents, in particular the investment policies and the risk factors and latest financial results information and are advised to seek independent professional advice before making any investment decision.
2. China CITIC Bank International Limited is an authorized institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority. The contents of this material have not been reviewed by the Securities and Futures Commission in Hong Kong.

Fund Showcase

Important Note:

- Funds are investment products and some may involve derivatives. The investment decision is yours, but you should not invest in Funds unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.
- Investment involves risks. The price of a fund may go down as well as up, you could lose some or the entire principal amount invested. Past performance of fund is not indicative or guarantee of its future performance. The "Fund Showcase" is for information and reference only. You should not invest in this product based on this section alone. Before making any investment decision, you should read and understand the relevant offering documents (including the product details and the risk factors provided therein) and carefully consider your financial situation and investment experience and objective. You should seek independent professional advice if needed.
- Fund(s) marked with "*" below may invest extensively in financial derivative instruments. Risks associated with financial derivative instruments include counterparty risk, credit risk, liquidity risk and high possibility of loss of the capital invested. Thus, investing in funds involved financial derivative instruments may lead to higher risk of capital loss.

China CITIC Bank International partners with international fund houses in order to provide various fund choices for your different investment strategies and for your reference.

The funds listed in "Fund Showcase" are based on the existing fund screening procedures of our Bank. Funds will be first classified into different categories by regions and asset classes invested and ranked by their 1 Year Sharpe Ratio[3] in the category. Subsequently, 2 to 4 funds will be shortlisted from each category based on ranking and other criteria, including but not limited to fund's net asset value[1], fund's past performance[2], fund house, number of share classes available, invested market, product risk level[4] and Morningstar Overall Rating[5], etc. Please note that "Fund Showcase" covers only the Securities and Futures Commission of Hong Kong ("SFC") authorized funds distributed by our Bank but does not include funds that have been established for less than six months.

Fund Category	Fund Name	Launch Date (MM/DD/YYYY)	Fund's Net Asset Value (in Million)[1]	Fund's Past Performance %[2] (as of 31 May 2023)							1 Year Sharpe Ratio[3]	Product Risk Level[4]	Morningstar Overall Rating[5]
				YTD	2022	2021	2020	2019	2018	Since Launch Date			
Equity Fund - Global Equities	NINETY ONE GSF GLOBAL EQUITY A - INCOME SHARES	1/25/1985	USD 799	7.97	-17.24	17.58	16.68	24.65	-14.10	9.06	0.01	4	★★★
	ALLIANZ GLOBAL SUSTAINABILITY CLASS A (EUR) DIS	1/2/2003	EUR 2,874	10.77	-17.29	33.75	5.80	32.95	-5.72	7.44	-0.04	4	★★★★
	SCHRODER ISF GLOBAL CLIMATE CHANGE EQUITY FUND A ACC (USD)	6/29/2007	USD 3,728	8.16	-24.99	10.32	50.49	24.50	-11.38	5.11	-0.05	4	★★★★
Equity Fund - US Equities	JPM AMERICA EQUITY A (DIST) - USD	11/16/1988	USD 4,114	12.80	-19.17	25.77	21.10	27.90	-6.04	10.54	-0.06	4	★★★★
	AB SICAV I - Sustainable US Thematic Portfolio A USD#	4/24/2001	USD 1,154	4.63	-24.04	23.95	37.35	33.16	-6.41	6.11	-0.10	4	★★★★
Equity Fund - Europe Equities	FIDELITY FUNDS - EURO STOXX 50TM FUND	10/8/1996	EUR 322	13.74	-9.15	24.16	-3.41	28.25	-11.45	3.91	0.40	4	★★★★
	JPM EUROPE DYNAMIC A (ACC) - USD (HEDGED)	11/22/2013	USD 500	7.12	-7.69	23.96	2.01	24.91	-13.42	6.47	0.31	4	Not Rated
	JPM EUROLAND EQUITY A (DIST) - USD	6/1/2001	USD 989	10.68	-16.59	15.51	6.01	21.16	-18.37	4.47	0.29	4	★★★★
Equity Fund - Japan Equities	SCHRODER ISF JAPANESE OPPORTUNITIES A DIS	12/1/2006	JPY 314	11.75	1.40	12.04	-0.25	16.03	-23.64	2.99	0.04	4	★★★
	FIDELITY FUNDS - JAPAN VALUE FUND#	1/30/2003	JPY 834	14.51	0.43	20.57	4.12	23.24	-19.76	8.70	0.01	4	★★★★★
Equity Fund - Emerging Market Equities	BlackRock Latin American Fund A2 - ACC USD	1/9/1997	USD 909	10.01	7.27	-15.55	-17.88	16.86	-3.57	5.94	0.04	5	★★★
	TEMPLETON EMERGING MARKETS A ACC	5/14/2001	USD 714	3.51	-21.83	-6.27	16.54	25.13	-17.09	5.80	-0.10	4	★★★
	FIDELITY EMERGING ASIA FUND ACC USD	4/21/2008	USD 531	0.63	-11.79	-5.03	17.10	17.09	-11.93	4.44	-0.16	4	★★★★
Equity Fund - Asia Pacific ex Japan Equities	INVESCO INDIA EQ FD A	12/11/2006	UDS 233	5.74	-9.09	22.96	10.24	7.69	-15.55	8.17	0.16	5	★★★
	INVESCO PACIFIC EQUITY FUND A	9/7/2018	USD 152	6.34	-11.99	0.40	16.73	16.90	-15.75	9.62	-0.06	4	★★★★★
	VP HIGH-DIVIDEND STOCKS FUND A1 USD	9/2/2002	USD 1,594	6.67	-18.88	4.12	13.35	14.27	-14.00	5.46	-0.15	4	Not Rated
Equity Fund - Greater China Equities	SCHRODER ISF TAIWANESE EQUITY A ACC	1/18/2008	USD 243	17.13	-31.14	29.78	29.08	29.88	-11.40	6.41	-0.03	4	★★★
	FIDELITY FUNDS - CHINA FOCUS FUND	8/18/2003	USD 3,497	-4.46	-2.82	-4.16	-1.85	14.50	-12.24	10.06	-0.06	5	★★★★★
	BOCIP CHINA VALUE FUND A HKD	1/21/2011	HKD 102	2.27	-5.68	0.72	-8.63	9.40	-11.91	0.17	-0.12	5	★★★
Equity Fund - Specific Sectors	FRANKLIN BIOTECHNOLOGY DISCOVERY A ACC USD	4/3/2000	USD 1,792	0.71	-12.51	-17.37	27.52	33.53	-16.31	5.27	0.69	4	★★★
	JPM US TECHNOLOGY A (DIST) - USD	12/5/1997	USD 6,097	37.45	-44.89	12.75	86.94	41.25	3.63	5.41	0.48	5	★★★★
	FIDELITY FUNDS - SUSTAINABLE CONSUMER BRANDS FUND A ACC USD#	3/27/2013	USD 1,236	14.13	-28.24	8.42	31.19	25.74	-7.94	7.76	0.29	4	★★★★
Balanced / Mixed Asset Fund	ALLIANZ ORIENTAL INCOME AT ACC	12/12/2005	USD 1,042	3.70	-22.49	9.20	47.68	39.37	-19.53	6.76	0.05	5	★★★★★
	ALLIANZ INCOME AND GROWTH FUND CLASS AT (USD) ACC	11/18/2011	USD 42,857	6.11	-19.68	11.64	21.91	19.60	-4.88	6.93	-0.23	3	★★★★★
	UBS EUROPEAN GROWTH AND INCOME (EUR) P-ACC	3/31/2014	EUR 506	4.27	-13.45	8.89	3.24	13.81	-6.05	2.73	-0.23	3	★★★
Fixed Income Fund - High Yield Bonds	FRANKLIN FLOATING RATE FUND - CLASS A USD (DIS)	10/15/2002	USD 397	5.28	-2.13	7.67	-5.77	1.71	-0.13	2.79	0.20	5	Not Rated
	FRANKLIN EURO HIGH YIELD A YDIS	4/17/2000	EUR 254	3.54	-10.37	1.69	1.14	8.40	-3.99	2.88	-0.17	5	★★★
	FIDELITY FUNDS - ASIAN HIGH YIELD A ACC USD	4/2/2007	USD 2,015	-3.06	-23.97	-14.22	6.99	11.95	-4.67	1.48	-0.25	5	★★★
Fixed Income Fund - Global Bonds	AB FCP I - MORTGAGE INCOME PORTFOLIO A2 USD	2/20/2014	USD 737	4.73	-3.22	2.69	-3.82	5.93	1.10	2.34	0.46	4	★★★
	AB FCP I - AMERICAN INCOME PORTFOLIO A2 USD	10/26/1998	USD 20,298	2.17	-13.08	-0.37	4.67	12.28	-1.11	4.89	-0.56	2	★★★
	SCHRODER ISF GLOBAL CORPORATE BOND A DIS	9/20/1994	USD 1,944	2.51	-15.69	-1.07	9.13	12.99	-2.25	3.99	-0.59	2	★★★

Fund Category	Fund Name	Launch Date (MM/DD/YYYY)	Fund's Net Asset Value (in Million)[1]	Fund's Past Performance %[2] (as of 31 May 2023) YTD	2022	2021	2020	2019	2018	Since Launch Date	1 Year Sharpe Ratio[3]	Product Risk Level[4]	Morningstar Overall Rating[5]
Fixed Income Fund - Emerging Market Bonds	SCHRODER ISF EMERGING MARKETS DEBT ABSOLUTE RETURN A ACC	1/17/2000	USD 1,276	3.39	-9.88	-7.94	5.69	4.66	-4.17	4.26	-0.12	3	★★★★
	GOLDMAN SACHS EMERGING MARKETS CORPORATE BOND PORTFOLIO BASE (ACC)	5/17/2011	USD 2,974	1.41	-13.17	-0.69	7.31	13.00	-3.00	3.34	-0.29	3	★★★★
Fixed Income Fund - Asian Bonds	Manulife Global Fund - Asia Total Return Fund AA (YDIS) USD	10/17/2014	USD 101	0.70	-10.00	-2.53	8.41	8.11	-1.53	1.35	-0.20	3	★★★
	FIRST SENTIER ASIAN QUALITY BOND FUND CLASS I ACC USD	7/14/2003	USD 1,561	2.54	-10.87	-1.78	5.90	10.89	-1.33	2.77	-0.37	2	★★★★
	AB SICAV - ASIA INCOME OPPORTUNITIES PORTFOLIO A2 USD	9/29/2016	USD 563	1.20	-14.81	-4.05	7.84	10.06	-2.41	0.13	-0.54	2	★★★

Sources: Fund information in the "Fund Showcase" is provided by Morningstar Asia Limited, as of 31 May 2023. For details of Fund and the performance, please refer to the relevant Fund Factsheet and Offering Documents.

Remarks:

1. This figure is presented in millions of base currency and represents the fund's total asset base.
2. Past performances of the funds were calculated in the relevant fund currency, based on the principle of NAV-to-NAV, with reinvestment of all dividends (if any) received from the relevant funds.
3. Sharpe ratio uses standard deviation to measure a fund's risk-adjusted returns. The higher a fund's Sharpe ratio, the better a fund's returns have been relative to the risk it has taken on. Developed by its namesake, Nobel Laureate William Sharpe, this measure quantifies a fund's return in excess of a risk-free investment (Morningstar Asia currently uses a risk-free rate of zero) relative to its risk (or standard deviation). Sharpe ratio is calculated using standard deviation and excess return to determine reward per unit of risk. First, the risk-free rate is subtracted from the fund's average monthly return. The difference in total return represents the fund's excess return beyond that of the risk-free rate. An arithmetic annualized excess return is then calculated by multiplying this monthly return by 12. To show a relationship between excess return and risk, this number is then divided by the standard deviation of the fund's annualized excess returns. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance is.
4. Product risk levels of the funds are determined by the Bank, data as of 30 June 2023. The above product risk level is the risk level of the respective funds as determined by the Bank for reference only, where 1 being the lowest risk level and 5 being the highest risk level. Such product risk levels as determined by the Bank may be different from those provided by respective fund houses. The information is valid as at the date specified above and subject to change from time to time without prior notice. Please contact us for the latest product risk level of the funds.
5. Morningstar Overall Rating: Morningstar rates mutual funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds. In other words, stars are assigned to funds in the Hong Kong / Taiwan / Singapore universe based on relative performance. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds with at least 36 months of history are also rated for up to three time periods--three-, five-, and ten-year --and these ratings are combined to produce an overall rating. In short, no rating will be assigned for funds with less than three years of history. Ratings are objective, based entirely on a mathematical evaluation of past performance. They are a useful tool for identifying funds worthy of further research, but should not be considered buy or sell recommendations.

^ Since inception to the year end of the calendar year

On 10/31/2018, AB FCP I — US Thematic Research Portfolio was renamed as AB FCP I – Sustainable US Thematic Portfolio, and the Portfolio's investment objectives and policies have been updated. Effective 1/28/2022, AB – Sustainable US Thematic Portfolio has been restructured from AB FCP I into AB SICAV I. Effective from 07/14/2022, "Fidelity Funds – Japan Advantage Fund" is renamed to "Fidelity Funds – Japan Value Fund". Effective from 10/04/2021, "Fidelity Funds – Global Consumer Industries Fund" is renamed to "Fidelity Funds – Sustainable Consumer Brands Fund". Performance prior to 10/04/2021 was achieved under circumstances that may no longer apply as the investment objective was changed.

The funds listed in the "Fund Showcase" section have been authorized by SFC. SFC authorization is not a recommendation or endorsement of a fund, nor does it guarantee the commercial merits of a fund or its performance. It does not mean that the fund is suitable for all investors, nor it is an endorsement of its suitability for any particular investor or class of investors.

Market Express - Risk Disclosure Statement and Disclaimers:

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purpose only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase or sell or acquire or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank did not modify or otherwise exercise control over its contents, do not take responsibility for it nor do they endorse the accuracy of such information. Investors should not make any investment decision purely based on this document. Nothing contained in this document should be construed as guidance to the suitability of the markets mentioned. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary. The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein.

Investment involves risks. Investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred as well as profits made as a result of investing in investment product. Investment in emerging markets involves above-average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. Some funds are entitled to use financial derivative instruments to meet its investment objective and may therefore lead to higher volatility to its net asset value. Investors investing in these funds may result in loss of some or the whole amount of the capital invested. Investors should read the offering documents of the relevant investment product (including the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in details before making any investment decision.

The Bank is an authorized institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority.

This document is issued by the Bank and its contents have not been reviewed by the SFC or any regulatory authority in Hong Kong.

(This document is issued on 7 July 2023)

Fabulous Wealth Management Offers#

1. Investment Rewards Offer – up to HK$20,000 Cash Rewards

- CITIC*diamond* customers can enjoy HK$1,000 (Maximum: HK$20,000) Cash Rewards for every accumulated Eligible Transaction Amount of HK$500,000 (or equivalent) during the Promotion Period
- CITIC*first* customers can enjoy HK$200 (Maximum: HK$5,000) Cash Rewards for every accumulated Eligible Transaction Amount of HK$200,000 (or equivalent) during the Promotion Period

2. Securities Trading Offer – 6 months $0 brokerage commission to buy HK, U.S. Stocks and China A-Shares

Open a new One Account during the Promotion Period to enjoy 12 months $0 brokerage commission for unlimited BUY trades of Hong Kong and U.S. stocks as well as China A-shares via **inVest and inMotion**.

In addition, all One Account customers can enjoy fabulous offers on a series of securities services:

- $0 brokerage commission to buy/sell newly listed HK stocks on its first trade day
- $0 IPO Application Handling Fee via Automated channels
- Unlimited free real time quotes for Hong Kong stocks, U.S. stocks and China A-shares

3. Investment Funds Offers

- Enjoy 0% subscription fee offer for subscription via online channels (including inMotion and Internet Banking)
- Enjoy HK$300 (Maximum: HK$12,000) Cash Rewards for every cumulative fund transfer-in of HK$100,000

4. Equity Linked Product(s) Offer – Enjoy Extra Coupon up to HK$8,888

Eligible Customers[1] successfully complete the subscription of Eligible Equity-Linked Investments ("ELI") with the Bank within the Promotion Period can enjoy extra coupon as follow:

For every accumulated Eligible Transaction Amount of	Extra Coupon	Maximum Extra Coupon
HK$500,000 or equivalent	HK$1,888	HK$8,888

1) Eligible Customers are customers of China CITIC Bank International Limited who have not subscribed any eligible Equity Linked Products with the Bank from 18 June 2022 to 17 June 2023.

5. Foreign Exchange Offer – Enjoy up to HK$ 2,500 Cash Reward for inMotion FX Transaction

From now till 30 Sep 2023, Eligible Customers[2] can grab "inMotion Exclusive FX Offer" mission at inMotion "Rewards Go!", and enjoy instant cash rewards up to HK$2,500 after mission completion!

Mission Level	Accumulated FX Amount (HKD equivalent)	Mission Rewards	Cash Rewards
1	HK$100,000 to below HK$300,000	HK$100	HK$100
2	HK$300,000 to below HK$500,000	Extra HK$100	HK$200
3	HK$500,000 to below HK$1,000,000	Extra HK$100	HK$300
4	HK$1,000,000 to below HK$3,000,000	Extra HK$500	HK$800
5	HK$3,000,000 to below HK$5,000,000	Extra HK$700	HK$1,500
6	HK$5,000,000 or above	Extra HK$1,000	HK$2,500

2) Eligible Customers refers to customers who did not trade any FX transactions via inMotion during past 12 months.

6. Currency Linked Deposit Offer – up to HK$15,800 Bonus Interest Rewards

Eligible Customers[3] who have successfully subscribed Currency Linked Deposit via any channels and reached the designated accumulated transaction amount will be entitled to the extra 2% p.a. Bonus Interest Rewards:

Accumulated CLD Transaction Amount (HKD equivalent)	Maximum Rewards
HK$1,000,000 to below HK$2,500,000	HK$300
HK$2,500,000 to below HK$5,000,000	HK$800
HK$5,000,000 to below HK$10,000,000	HK$1,800
HK$10,000,000 to below HK$20,000,000	HK$3,800
HK$20,000,000 to below HK$35,000,000	HK$8,800
HK$35,000,000 or above	HK$15,800

3) Eligible Customers refers to CITICfirst and CITICdiamond customers who have not subscribed any Currency Linked Deposit with the Bank during 1 January 2023 to 30 June 2023.

\# Unless otherwise indicated, promotion period: 1 July 2023 to 30 September 2023. Terms and conditions apply. Please visit branches for details or browse the following website for the promotional materials and terms and conditions:
Details for "Investment Rewards Offer – up to HK$20,000 cash rewards " https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#aum
Details for "Securities Trading Offer" https://www.cncbinternational.com/personal/promotions/securities_trading/en/index.html
Details for "Investment Funds Offers" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#investmentfunds
Details for "Equity Linked Product(s) Offer" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#elp
Details for "Foreign Exchange Offer" and "Currency Linked Deposit Offer" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#fx

Important Notes

Some of the investment products are structured products involving derivatives. The investment decision is yours but you should not invest in the product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives. You should not invest in this product based on this promotional material alone.

Risk Disclosure Statements for Securities Trading

(1) Investment involves risks. (2) The price of securities fluctuates, sometimes dramatically. The price of securities may move down or up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of buying or selling securities. (3) Investors should seek advice from own professional advisors as to particular tax position, including but not limited to estate duty and withholding tax that might arise from investing in overseas products. (4) If investors investing in investment products denominated in non-local currency, one should be aware of the risk of exchange rate fluctuations that may cause a loss of principal. (5) Before making any investment decision, investors should refer to the terms and conditions of relevant Securities Trading Services and risk disclosure statements and seek professional advice where needed. (6) Renminbi (RMB) is subject to exchange rate risk. The Hong Kong dollar value of investment will decrease if the RMB depreciates against Hong Kong dollar. Conversion between RMB and other currencies (including Hong Kong dollar) is subject to policy restrictions relating to Renminbi and consequently the relevant regulatory requirements in Hong Kong. Such requirements may be amended subject to changes in the policy restrictions relating to RMB. RMB is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

Risk Disclosure Statements for Investment Funds

(1) Investment Funds are not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. (2) Investors should note that investment involves risk and past performance is not indicative of future performance. The price of the Investment Funds may go down as well as up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of investing in Investment Funds. In the worst case scenario, the value of the Investment Funds may be substantially less than your investment amount. (3) Investors should consider their own investment objectives, financial resources and relevant circumstances, and read the relevant offering document, terms and conditions and risk disclosure statement before making any investment decision. (4) Investors should carefully read the relevant fund's offering documents (including the investment policy and risk factors stated therein) in details before making any investment decision. If needed, investors should seek independent professional advice.

Risk Disclosure Statements relating to the Robo 360 Advisory Services

(1) Using Robo 360 Advisory Services involve investment risks, market risks, partial execution risks, termination / suspension of Robo 360 Advisory Services, regulatory risks, investment strategy risks, diversification risks, performance risks and limitation of historical data. (2) Whilst the Bank may provide Rebalancing Alerts as it may determine appropriate after its review or upon occurrence of specific events, the Bank will not execute any Rebalancing Instruction automatically. If the investor does not provide Rebalancing Instructions to the Bank or there is any delay in providing such Rebalancing Instructions, the Selected Portfolio may become no longer suitable for the investor and the investor shall bear such consequences. (3) Portfolios construction and rebalancing are generated by a model-driven process according to the portfolio construction and methodologies set out by the Bank. The model is algorithm- and rule-based instead of attempting to recommend positon taking with respect to the direction of markets. Please refer to Robo 360 Advisory Service Supplemental Terms and Conditions for more details about important information and risk disclosures.

Risk Disclosure Statements for Bonds

(1) Investment involves risk. The prices of bonds can fluctuate, sometimes dramatically. The price of bonds may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling bonds. (2) Investing in this product is not equivalent to time deposit. This product is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong. (3) Default/ Credit risk - There is a risk that the issuer may fail to pay you the interest or principal as scheduled. In the worst case scenario, you may not be able to receive back the interest and principal if the issuer defaults on the bond. (4) Interest rate risk - When the interest rate rises, the price of a fixed rate bond will normally drop. (5) Exchange rate risk - If your bond is denominated in a foreign currency, you may face an exchange rate risk if you choose to convert payments made on bond to your home currency. (6) Liquidity risk - If you need to sell the bonds before maturity for an urgent cash-flow need or use the capital for other investments, you may not be able to do this since the liquidity of the secondary bond market could be low. If you choose to sell your bond before it matures, you may lose part or all of your investment. (7) Reinvestment risk - If you hold a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens and you have to re-invest the proceeds, you may not be able to enjoy the same rates of return. (8) Equity risk - If your bond is "convertible" or "exchangeable", you also face equity risk associated with the stock. A fall in the stock price will usually follow by a fall in the bond price.

Risk Disclosure Statements for Equity-Linked Investments ("ELI")

(1) Equity-linked Investment (ELI) is a structured product and complex investment products involving derivatives. You should exercise caution in relation to this product. (2) ELI is not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (3) ELI is NOT principal protected and is NOT secured by any asset or collateral. In the worst case scenario, you could lose all of your investment. (4) The maximum potential gain may be limited. It is possible that you may not receive any potential distribution amount for the entire scheduled tenor of this product. You may, at settlement, receive physical delivery of reference asset(s). (5) Investing in ELI is not the same as investing in the reference assets. During the investment period, you have no rights in the reference asset(s). Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout of the product. (6) If you invest in ELI, they are relying upon the creditworthiness of the issuer and, as the case may be, the guarantor and no other person. You may get nothing back if the issuer and/or the guarantor becomes insolvent or defaults in performing its obligations in relation to the product. (7) ELI involves risks, including but not limited to re-investment risk, risks of early termination, limited market making arrangements, conflict of interest, market risk, liquidity risk, currency/ exchange rate risk and risks relating to Renminbi. (8) The price or value of the ELIs may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing for, buying and selling the ELIs. Past performance is not indicative of future performance. (9) If the ELI is linked to US underlyings, you should also take note on the relevant risks, such as risks relating to difference in trading days and hours and their implications, taxation risks and certain information about the linked stocks may be available in English only. (10) Before making any investment decision, you should read and understand the relevant offering documents for details and the risks involved and carefully consider your financial situation, investment experience and investment objectives. You should seek independent professional advice if needed. (11) ELI is unlisted and not covered by the Hong Kong Investor Compensation Fund. (12) SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. (13) Limited market making arrangements are available and you may suffer a loss if you sell your ELIs before expiry - ELIs are designed to be held until expiry. If you try to sell your ELIs before expiry, the amount you receive for each ELI may be substantially less than your original investment amount. (14) Potential and actual conflicts of interest may arise from the different roles played by the issuer and its subsidiaries and affiliates in connection with the Product, which may be adverse to your interest in the Product.

Risk Disclosure Statement for Structured Notes ("SN", also known as Private Placement Note, "PPN")

(1) Structured Notes (SN) are structured products and complex investment products involving derivatives. You should exercise caution in relation to this product and seek independent professional advice when necessary before making investment decisions. (2) SN is unauthorized by any regulatory authority in Hong Kong. Relevant offering documents have not been reviewed by the SFC and you are advised to exercise caution on this product. (3) SN is only available to professional investors. (4) SN is not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (5) SN is NOT principal protected and is NOT secured by any asset or collateral. In the worst case scenario, you could lose all of your investment. (6) If you invest in SN, they are relying upon the creditworthiness of the issuer and, as the case may be, the guarantor and no other person. Investors may get nothing back if the issuer and/or the guarantor becomes insolvent or defaults in performing its obligations in relation to the product. (7) Limited market making arrangements are available and you may suffer a loss if you sell your SNs before expiry - SNs are designed to be held until expiry. If you try to sell your SNs before expiry, the amount you receive for each SN may be substantially less than your original investment amount. (8) Before making any investment decision, you should read and understand the relevant offering documents for details and the risks involved and carefully consider your financial situation, investment experience and investment objectives. You should seek independent professional advice if needed. (9) SN is unlisted and not covered by the Investor Compensation Fund. (10) The maximum potential gain may be limited. It is possible that you may not receive any potential distribution amount for the entire scheduled tenor of this product. You may, at settlement, receive physical delivery of reference asset(s). (11) Investing in SN is not the same as investing in the reference assets. During the investment period, you have no rights in the reference asset(s). Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout of the product. (12) Potential and actual conflicts of interest may arise from the different roles played by the issuer and its subsidiaries and affiliates in connection with the Product, which may be adverse to your interest in the Product. (13) SN involves risks, including but not limited to, liquidity risk, market risk, exposure to market price movements in case of physical delivery of underlying stock, currency/exchange rate risk, risks relating to RMB, discretion of the calculation agent, potential conflict of interest, settlement disruption, early termination/redemption, hedging risk, no claim against any reference item and extraordinary events. (14) The price or value of the SN may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing for, buying and selling the SN. Past performance is not indicative of future performance.

Risk Disclosure Statements for Foreign Exchange

Foreign currency investments are subject to exchange rate risk which may result in gain or loss. The fluctuation in the exchange rate of foreign currency may result in losses in the event that customer converts the foreign currency into HKD or other foreign currencies. Renminbi is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

Risk Disclosure Statements for Currency Linked Deposit ("CLD")

(1) CLD is NOT equivalent to time deposit. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (2) Investing in CLD is not the same as buying the Linked Currency directly. During the Deposit Period, you have no rights in the Linked Currency, and movements in the exchange rate of the Linked Currency may not lead to any corresponding change in your return on CLD. (3) CLD involves risks, including but not limited to derivatives risk, market risk, liquidity risk, credit risk of the Bank, currency risk, risks relating to Renminbi and risks of early termination by the Bank. (4) The maximum potential gain is limited. (5) CLD is NOT principal protected and you could lose all of your deposit amount. (6) Currency-Linked Deposit is not covered by the Hong Kong Investor Compensation Fund.

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