

Domestic Public Offering Fund VS. Mutual Fund

- **Common features**

01

Publicly raised, and transparent

02

Investment channels are legal and supervised strictly.

03

Low purchase starting point – suitable for retail investors

04

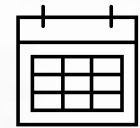
High liquidity – no locking period supporting daily purchase and redemption



• Distinct features



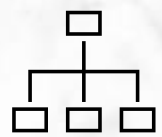
Overseas



Feature 1

Relatively mature

- with a history of over a hundred years



Feature 2

Rich variety and clear classification

- classified based on attribute, market value, and so on



Feature 3

Different marketing channel

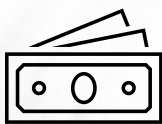
- mainly through Independent Financial Advisors



Feature 4

Lower turnover rates

- Investors put most of their investments in the hands of experienced fund managers.
- They pay more attention to long-term investment.



Feature 5

Exchange rate risk

- There is a risk of devaluation



Domestic

Short development

- with a history of around twenty years

Limited variety and broad classification

- without detailed classification according to market value or attribute

Different marketing channel

- mainly through banks

Higher turnover rates

- The investment operation tends to be retail. Also, fund managers are young and inexperienced.
- They keen on short speculation.

No exchange rate difference

- invest domestic public offering fund

Strengths of CICC

Obvious increases in public offering fund scales

01

Although the growth rate is unstable due to the immature domestic market, the public offering fund scales in CICC continuously increase.

02

The ability of proactive management is continuing to be improved.

03

High-quality service capability of investing and researching

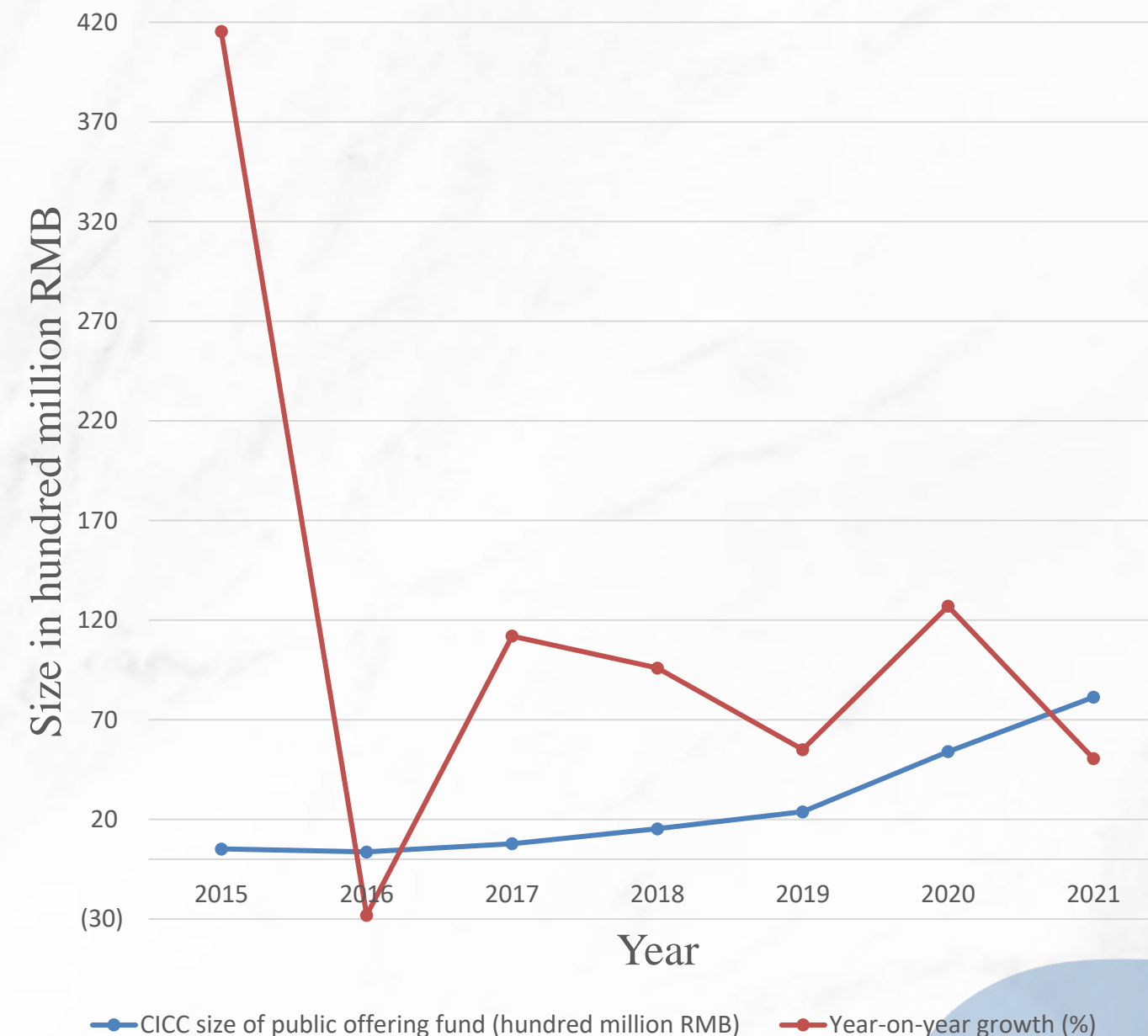
04

The latest business – REITs, which is advancing and promising

05

Good general risk preparation for public offering funds

Changes in CICC public offering fund scales VS. years



Challenges of CICC and suggestion

It can be seen from the annual reports that CICC has creative strategies and strong execution. However, CICC faces some challenges due to the unstable market.

Customer Concept

When researching the differences between the foreign mutual fund and the domestic public offering fund, I found that domestic investors treat the investment more as short speculation, which is caused by the customer concept. Nevertheless, appropriate long-term planning of investment can avoid risks and bring overall benefits. This is what many domestic investors have not realized.

For example, if investors invest money into proper REITs for the long term, they can receive the return with lower risks. Also, REITs help the financing channel of enterprises to be changed from debt financing to equity financing, which can reduce the financial cost brought by debt financing.

That's a challenge for CICC to make investors understand the benefits of REITs.

Creative funds

Compared with the mature fund market abroad, there are still some problems in the Chinese fund market, such as the similar funds, the indistinct characteristics of the newly raised funds, and the insufficient varieties.

In addition, the fund managers in the domestic market tend to commonly be young and with less experience. Some domestic investors may not want to rely too much on fund managers, but they are also not professionals in fund management.

As a result, how to launch innovative products for customers and tailor more suitable investment solutions to their needs is another challenge.

Suggestion

- **Customer Concept**

1. Propaganda

Design brochures or interactive activities for public offering funds to attract more users to have a deeper understanding of CICC's products. For example, the REITs are the major products so brochures can detail the advantages and prospects of this latest product.

2. Personal consultations

For target investors or potential customers, do a personal consultation to help them understand the product better



- **Creative funds**

1. **Cultivate quality teams**

Hire one or two professional fund managers at high salaries, if possible, in order to help establish an elite team for public offering funds;
Select highly potential employees to do training.

2. **Product research**

Investigate the strengths and weaknesses of past or existing overseas mutual funds to summarize a set of frameworks conducive to new product development

3. **Customized investment advice**

Create an AI analytical system based on personal information of individual customers like investments currently held, financial situation, and others, which can help fund managers and individuals make more appropriate decisions (portfolio).