

## Q3 public mutual funds: Jack be nimble, Jack be quick

Growing 10.7% over the quarter to RMB8.75tr (USD1.3tr), China's public mutual fund industry shows no sign of slowing down this year. Active equity funds continued to leak AUM whereas fixed income attracted strong flows, a dynamic reflected in balanced funds. Institutional capital inflows meant that fixed income funds continued to dominate, totaling over 71% of industry AUM. MMFs made up just over half of that, while pure bond funds' slice of the industry grew marginally over the quarter and almost 7% YoY to make up over 16% of the entire industry.

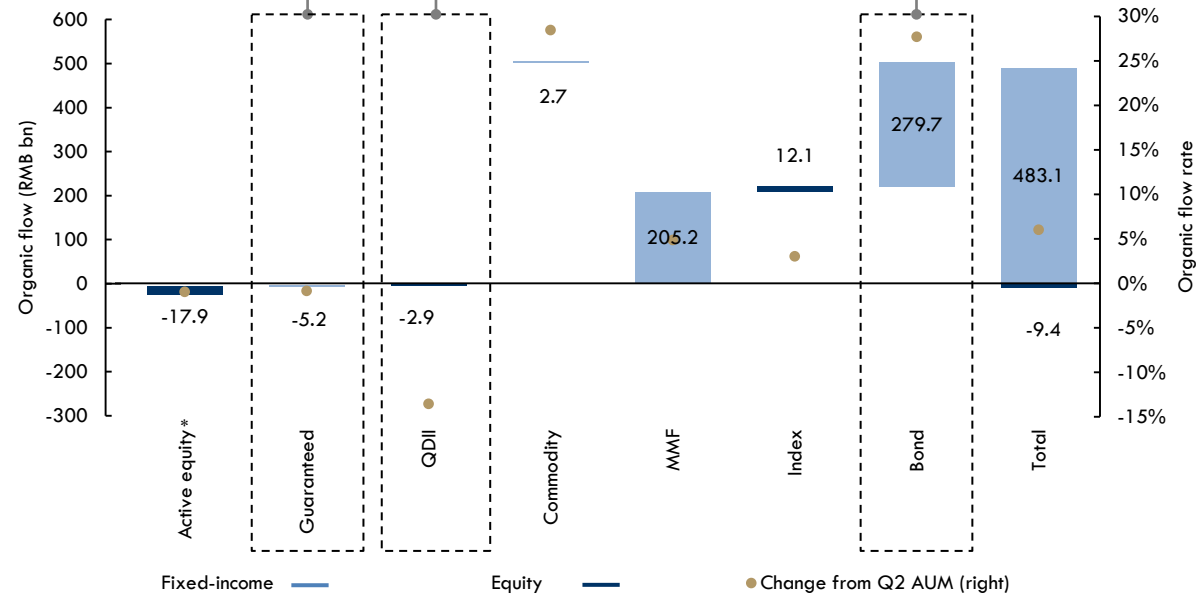
### Organic fund flows by product category, 3Q16 (RMB bn)

New draft regulations on launching guaranteed funds have already taken a toll on inflows during the third quarter as launches all but disappeared. We expect this trend to continue.

QDII equity products suffered large outflows due to profit taking, but QDII fixed income funds saw continuous inflows.

Bond funds continued to dominate inflows as some managers are finding ways to accommodate institutional investors' growing taste for fixed income, driving flows into both new and existing products.

Product type	% of 3Q16 industry AUM
Balanced	20.0%
Bond	16.2%
Equity	2.4%
Commodity	0.1%
Guaranteed	3.9%
Index	5.1%
MMF	51.3%
QDII	1.0%



Source: Z-Ben Advisors

\*Active equity fund totals include organic flows for balanced funds