**Annual Review and Outlook by Jing Yang, PM of Culture Sports Entertainment Theme Fund**

From 2022 Annual Report

We expect that the end of the cycle of interest rate increase in overseas markets is drawing near. There is already little room for further interest rate increases, so the pressure brought by fiscal policy on the market will be effectively relieved; the US dollar index is expected to enter a period of decline or stabilization after a strong upward cycle, which will effectively reduce the operating pressure on US listed companies with global businesses; Indeed, the expected interest rate increases and geopolitical factors such as the Russia-Ukraine warfare have brought about a lack of confidence among consumers and market operators caused adverse effects on the business environment of the most of enterprises. However, the downward revision of listed companies' EPS is expected to come to an end (the core assumptions are conservative enough, coupled with the fall after the rise of the US dollar and the continuous reduction of staff for improvement of efficiency in enterprises). Against the backdrop of a sharp drop in stock prices and relatively pessimistic expectations, the possibility of listed companies having a performance beyond expectations is increasing quarter by quarter in 2023.

Compared with overseas markets, the policy of relaxation of COVID-19 epidemic control and prevention and other strong boosters stimulated the Chinese market to show an upward inflection point earlier, and it is expected that the state government may introduce more economic stimulus initiatives after the Two Sessions, and the business environment of most listed companies will be substantially improved. After three years of the COVID epidemic, most industries are struggling to maintain operation, but at the same time, it also promotes the improvement of the competitive environment and the “survival of the fittest” process in the industry. We believe that in the new growth cycle, the leading companies that survived the epidemic will gain more market share and accumulate stronger competitive advantages.

In the big picture where Chinese residents’ disposable income is growing and a younger generation of consumers are gradually becoming mainstream consumers, the consumption closely related to spiritual needs such as health, happiness, beauty and personalization will grow much faster than basic consumption such as clothing, food, housing and transportation. Although the three-year COVID-19 epidemic has significantly dampened the growth in industrial demands, we have strong confidence in the return of spiritual consumption and its continued growth as our economic life is gradually getting back to normal. We are bullish on leading consumer goods enterprises with unique competitive advantages and strong pricing power, as there is hope for them to raise prices continuously to hedge against long-term inflation. We are also bullish on the emerging consumer goods or modern service industries that currently have low penetration rates and are expected to continue to expand their target consumer base and raise consumption frequency in the future.