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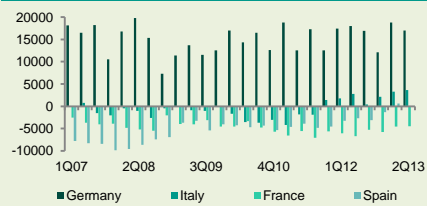
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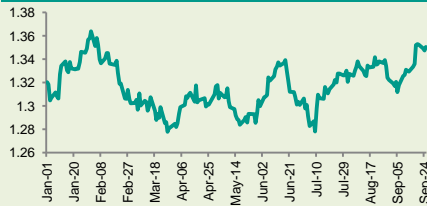
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Exhibit 1: Germany's trade balance compared to other major Eurozone countries (Euro mn)



Source(s): Bloomberg

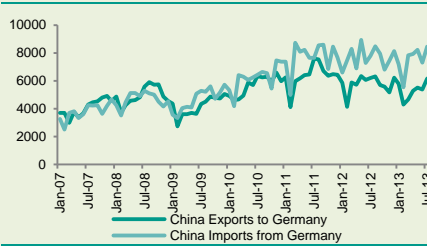
Exhibit 2: Confidence in Eurozone's recovery as reflected by the rising Euro against USD



*Data in 2013

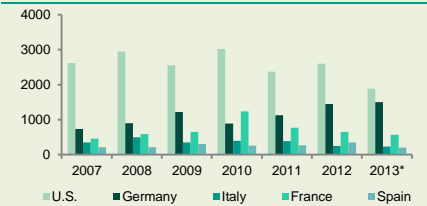
Source(s): Bloomberg

Exhibit 3: Export amount between China and Germany (US\$ mn)



Source(s): Bloomberg

Exhibit 4: China's FDI from Germany gradually increased (US\$ mn)



*January - July accumulative

Source(s): Bloomberg

Sino-German ties to fasten

Chancellor Angela Merkel won the national election again with her Christian Democratic bloc. Yet, Merkel had to pursue a new coalition government right away since the desired coalition partner – Free Democratic party could not get enough vote to enter the parliament. Potential impacts of a grand coalition government would include moderations of Germany's austere policy stance, facilitation of supervision and resolution of the European Banking Union, and strengthening of Germany's international trade ties. We believe that Germany and China will form a closer relationship through enhanced trade and investment links.

The new coalition government may affect Germany's position on certain domestic and European issues. Germany has been challenged by problems such as the lack of private and public investments, widening gap between the rich and poor, and the alarming percentage of low earners (~25% of German workers). As German and Eurozone economy are showing signs of recovery, we believe the new government will favor growth-stimulating policies in lieu of extreme austerity, which in turn will help improve the domestic situations and provide some relief to the fiscally troubled countries in Southern Europe. We also anticipate progress to be made on the supervision and resolution scheme of the European Banking Union. The new German government, however, will not easily budge on major European issues such as its opposition against debt mutualization; necessity of a Eurozone political /fiscal union will remain the point of contention, as structural factors of the German political system will a key barrier to the formation of such union. Nonetheless, we believe Merkel's coalition government will promote cohesion within the Eurozone.

Germany to facilitate expansion of international trade partnerships. Germany's economic success has been driven by the high demand for its exports. In our view, Germany will further expand its role in international trade by pursuing partnerships with other countries. We believe the Transatlantic Trade and Investment Partnership (TTIP) with the U.S. is very likely to enter into force, as Merkel and the potential coalition partner, Social Democrats Party, are supportive of such arrangement. Moreover, Germany's exports to China have been rising over the years. Germany's machineries and automobiles products have strong comparative advantages in the China's consumer and industrial markets, where demand has increased on the recent economic recovery. We expect Germany and China will form closer ties in international trade going forward, facilitating favorable tax and tariff policies that would benefit both countries.

China to benefit from Germany's investment. China and Germany have established a strong relationship in investment. China desires Germany's managerial and technical expertise, while Germany wants to gain solid footing in China's market. Since 2010, foreign direct investment (FDI) from Germany to China has been accelerating. The cumulative FDI from Germany for the first seven months this year has already surpassed last year's total. With the new developments in the Shanghai free-trade zone, reforms in the Chinese market, and anticipation for the loosening austerity measures, we believe Germany's investment in China will climb further in the future.



China Economic Indicators

	2012					2013							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Real GDP (YoY%)	---	7.4	---	---	7.9	---	---	7.7	---	---	7.5	---	---
Export Growth (YoY%)	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7	1.0	(3.1)	5.1	7.2
Import Growth (YoY%)	(2.6)	2.4	2.4	0	6	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)	10.9	7.0
Trade Balance (USD/bn)	26.43	27.45	32.11	19.63	31.6	29.2	15.3	(0.9)	18.2	20.4	27.1	17.8	28.5
Retail Sales Growth (YoY%)	13.2	14.2	14.5	14.9	15.2	12.3	12.6	12.8	12.9	13.3	13.2	13.2	13.4
Industrial Production (YoY%)	8.9	9.2	9.6	10.1	10.3	9.9	8.9	9.3	9.2	8.9	9.7	10.4	10.4
PMI - Manufacturing (%)	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6	50.8	50.1	50.3	51.0
PMI - Non-manufacturing (%)	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5	54.3	53.9	54.1	53.9
FAI(YTD) (YoY%)	20.2	20.5	20.7	20.7	20.6	21.2	20.9	20.6	20.4	20.1	20.1	20.1	20.3
CPI (YoY%)	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4	2.1	2.7	2.7	2.6
PPI (YoY%)	(3.5)	(3.6)	(2.8)	(2.2)	(1.9)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)
M2 (YoY%)	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	16.1	15.8	14.0	14.5	14.7
New Lending (RMB/bn)	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	792.9	667.4	860.5	699.9	711.3

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key Interest Rates				
	Closing price	Chg. WTD (%)	P/E	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)	Yield (%)	Chg. WTD (%)			
U.S.				Energy				US Fed Fund Rate				
DJIA	15,328.30	(0.79)	14.84	NYMEX WTI	USD/bbl	102.60	(1.98)	185,943	0.25	0.00		
S&P 500	1,698.67	(0.66)	16.29	ICE Brent Oil	USD/bbl	108.92	(0.27)	176,496	US Prime Rate	3.25	0.00	
NASDAQ	3,787.43	0.34	23.03	NYMEX Natural Gas	USD/MMBtu	3.58	(3.04)	57,658	US Discount Window	0.75	0.00	
MSCI US	1,627.63	(0.58)	16.52	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	78.25	N/A	N/A	US Treasury (1 Mth)	0.0304	496.1	
Europe				Basic Metals				US Treasury (5 Yr)				
FTSE 100	6,565.59	(0.47)	19.61	LME Aluminum Cash	USD/MT	1,775.75	1.21	17,635	US Treasury (10 Yr)	2.6553	(2.87)	
DAX	8,664.10	(0.13)	14.82	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,822.00	1.22	24,406	Japan 10-Yr Gov. Bond	0.6880	(1.01)	
CAC40	4,186.72	(0.40)	17.97	CMX Copper Active	USD/lb.	329.85	(0.66)	39,808	China 10-Yr Gov. Bond	4.0700	0.74	
IBEX 35	9,272.40	1.10	58.36	LME Copper 3- mth Rolling Fwd.	USD/MT	7,251.00	(0.40)	39,408	ECB Rate (Refinancing)	0.50	0.00	
FTSE MIB	17,872.53	(0.54)	243.0	TSI CFR China Iron Ore Fines Index ³	USD	133.80	1.52	N/A	1-Month LIBOR	0.1821	0.00	
Stoxx 600	313.02	(0.38)	21.01	Precious Metals				3 Month LIBOR				
MSCI UK	1,941.24	(0.47)	19.45	CMX Gold	USD/T. oz	1,322.30	(0.77)	154,967	O/N SHIBOR	3.1120	(12.5)	
MSCI France	116.55	(0.44)	21.38	CMX Silver	USD/T. oz	21.66	(1.22)	44,616	3-Month HIBOR	0.3850	(0.18)	
MSCI Germany	118.79	(0.08)	13.91	NYMEX Platinum	USD/T. oz	1,404.30	(1.98)	14,157	Corporate Bonds (Moody's)			
MSCI Italy	51.30	(0.77)	88.56	Agricultural Products				Aaa				
Asia				CBOT Corn	USD/bu	455.75	1.05	98,101	Baa			
NIKKEI 225	14,770.09	0.19	24.53	CBOT Wheat	USD/bu	678.50	4.99	54,362				
S&P/ASX 200	5,309.50	0.62	22.98	NYB-ICE Sugar	USD/lb.	17.51	1.92	46,968				
HSI	23,125.03	(1.61)	10.71	CBOT Soybeans	USD/bu.	1,312.50	(0.21)	89,287				
HSCEI	10,541.03	(2.12)	8.32									
CSI300	2,384.44	(1.98)	11.58									
SSE Composite	2,155.81	(1.64)	11.28									
SZSE Composite	1,039.86	0.32	29.63									
MSCI China	61.75	(1.42)	10.01									
MSCI Hong Kong	11,971.31	(1.11)	10.85									
MSCI Japan	754.52	0.17	19.64									

Note:

- Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)
- Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey
- TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.3487	1.6038	0.9363	98.86	0.9103	6.1206	7.7542	6.1976
Chg. WTD (%)	(0.27)	0.20	(0.33)	0.51	0.00	(0.00)	(0.01)	(0.06)



Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return – 6% \leq Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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