

Hot on the plate – China Connect

❖ **Nonferrous Metals Industry Gold Theme Report: Dense risk events Bring Gradual Haven Demand Up for Gold**

Nonferrous Metals I As higher uncertainty of global economy growth and geopolitics drive risk-off sentiment up, the value of gold as the traditional haven asset is highlighted. US real interest rate level goes lower, becoming a support to gold price and large purchase from central banks supports demand for physical gold. This metal's price has obvious upside space after the fluctuations. We forecast gold price will reach US\$1,330.00 per ounce for the full year of 2019 or even up to the high level of US\$1,400.00.

❖ **2019Q1 Stock Index Funds Summary: New Index Funds Were Submitted Intensively and Top 10 ETFs AUM Size Account for 90%**

Quantification | 19 new stock index funds were launched in 2019Q1, with proceeds raised up to Rmb13.30bn. Another 83 stock index funds await approval, among which, 42 products were submitted in the first quarter, showing fund companies were positive in index instruments. Transactional passive index funds went up in full, with the AUM size of A-stock ETFs increasing Rmb51.20bn. The net value of ordinary OTC index funds added overall while index-enhanced funds mostly underperformed benchmarks.

❖ **Beijing Sinnet Technology (300383) Update: Team up with China Telecom to target Shanghai's IDC indicator control policy, as new license offers access to national fixed network data transmission and VPN business**

Telecommunications I As Shanghai imposes strict control over new IDC construction indicators, we believe that operators have a greater influence on the implementation of the indicators. By partnering up with Shanghai Telecom, the Company is expected to get the first-mover opportunity. Following the change of its Value-added Telecom Business License, we judge that the Company will quickly enter the cloud connectivity business, significantly deepen the businesses of its existing cloud customers and increase the gross margin of related businesses. We maintain our 2018/2019/2020 EPS forecasts of Rmb0.43/0.64/0.96 for the Company and give it a target EV/EBITDA of 22x for 2019, corresponding to a target price of Rmb23. We maintain our "BUY" rating.

Other recommendations

❖ **Shandong New Beiyang Information Technology (002376) 2018 Annual Report Commentary: High R&D input drives high earnings growth, and focus on high-end intelligent cabinet layout**

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Investment ratings are divided into stock rating and sector rating (unless stated otherwise). Rating standard is based on the relative performance with market in 6 to 12 months from the report issuance date, i.e. Performance of company stock price (or sector index) over the 6-to-12-month period from report issuance day is benchmarked against the change in market representative index in the same period. CSI 300 Index will be the benchmark index for A-share market; the NEEQ Component Index (stocks subject to negotiated transfer) or the NEEQ Market Making Index (stocks subject to market making) will be the benchmark index for the NNEQ board; MSCI-China Index will be the benchmark index for Hong Kong market; and NASDAQ Composite Index or Standard & Poor's 500 Index will be the benchmark indices for U.S. market.	BUY	Increase relative to market representative index over 20%
	OVERWEIGHT	Increase relative to market representative index between 5% and 20%
	HOLD	Increase relative to market representative index between -10% and 5%
	SELL	Decrease relative to market representative index over 10%
	OUTPERFORM	Increase relative to market representative index over 10%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

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