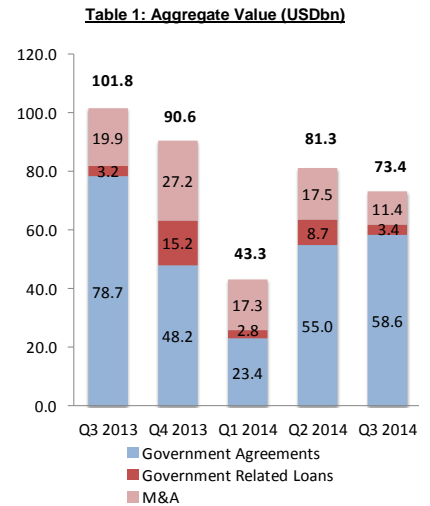


Overview

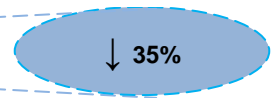
Q3 Chinese outbound investments were USD73.4bn, continuing the downward trend we have seen since the Q3 2013 peak of USD101.8bn (Table 1). Aggregate amounts in M&A/equity decreased by 35% from Q2, Government Related Loan Agreements declined by 62% and Government Agreements increased by 6%.

This trend is not surprising in a quarter when:

- Chinese GDP growth continues to slow
- the Chinese real estate market showed broad based declines
- \$81bn was infused into Chinese banks to help stimulate the economy
- management of many major SOEs are moving much more carefully in their expansion plans due to the Government’s anti-corruption programme



M&A / Equity Transactions



China outbound M&A / equity activity was USD11.4bn, down 35% versus Q2, and down 44% versus the average of the past five quarters. Volume increased by 11% versus Q2 2014 and was up 30% versus the average of the past five quarters. The increased volume and reduced aggregate values led to a 47% decrease in average transaction size from Q2.

As in the prior two quarters, Consumer Goods and Services led in volume again with total 18 transactions. The Technology sector ranked second with 10 transactions, followed by Financial Services and Industrials.

Utilities led with aggregate value of USD2.9bn, followed closely by Consumer Goods and Services with USD2.7bn.

Europe and North America led Q3 2014 in volume with 21 and 20 transactions respectively, representing 66% of total volume. Europe has now led in volume for 4 of the 6 quarters since Q2 2013.

Europe also ranked first with USD6.1bn in aggregate value, while North America ranked second with USD3.1bn in aggregate value.

M&A activity was once again strongly influenced by large and mid-sized transactions. There were five transactions over USD500m and three more over USD400m. Collectively, these 8 transactions represented 75% of aggregate amounts in Q3. Nearly 60% of the volume involved transactions under USD100m.

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**Government Related Loan Agreements**

↓ 62%

There were 6 Government Related Loans (not related to Government Agreements) in Q3 representing USD3.4bn aggregate value. This amount represents a 62% decrease in aggregate value from Q2 2014. There were 19 additional Government Related Loans that were part of the much larger and more comprehensive Government Agreements.

We discuss reasons for such decline below.

**Government Agreements**

↑ 6%

During Q3, there were Government Agreements signed between China and 16 other countries (only 10 of these actually involved specific investment amounts). Virtually all of these agreements involved extension of credit and / or aircraft purchases. However, 6 other countries experienced state visits without receiving any specific investment amounts. ***This is a first in the history of our research.***

This quarter saw USD58.6bn in aggregate amounts of Government Agreements. The largest of these agreements were focused in Venezuela, India, Brazil and Argentina, which collectively represented USD48.8bn or 83.2% of aggregate value.