

China - can you still ride the dragon?

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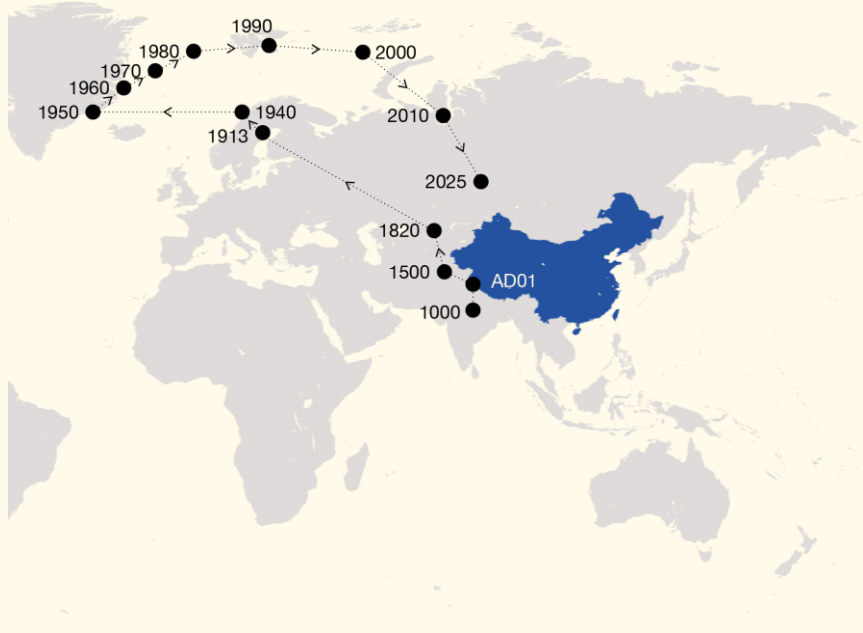
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Why China?

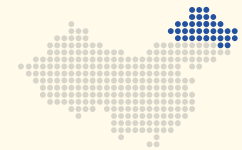


Source: McKinsey Global Institute.

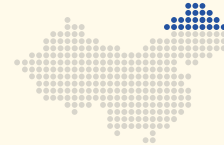
Calculated weighing national GDP by each nation's geographic centre of gravity; a line drawn from the centre of the earth through the economic centre of gravity locates it on the earth's surface.



17% of global market cap*



19% of global GDP by purchasing power



2.5% allocation in global funds**



13% of big winners†

ByteDance 字节跳动

CATL 宁德时代

美团 美团



Tencent 腾讯

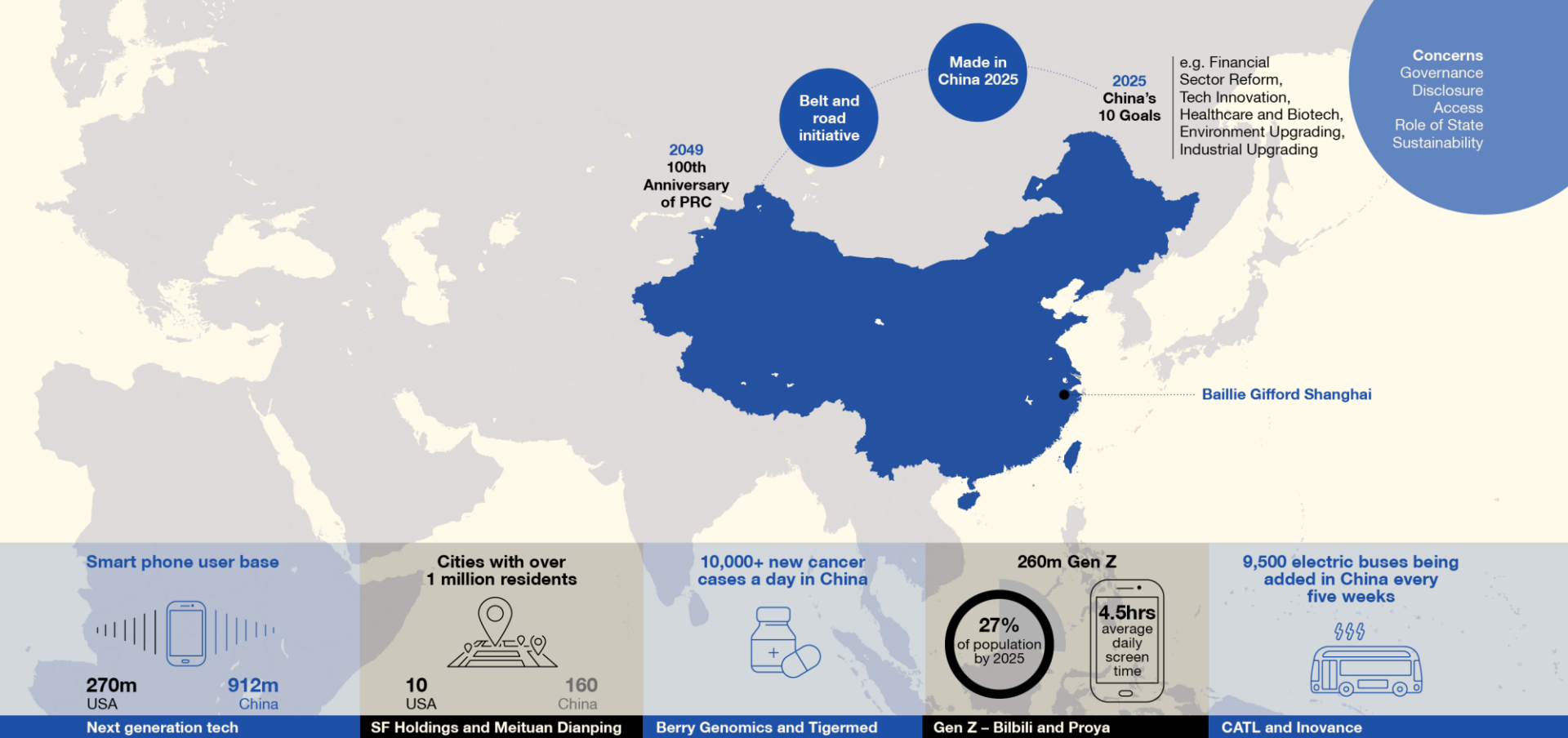


Source: MSCI 'China and the future of equity allocation' published in June 2019, FactSet, Worldscope.

*In MSCI investable indices. **Market capitalisation weight in China %.

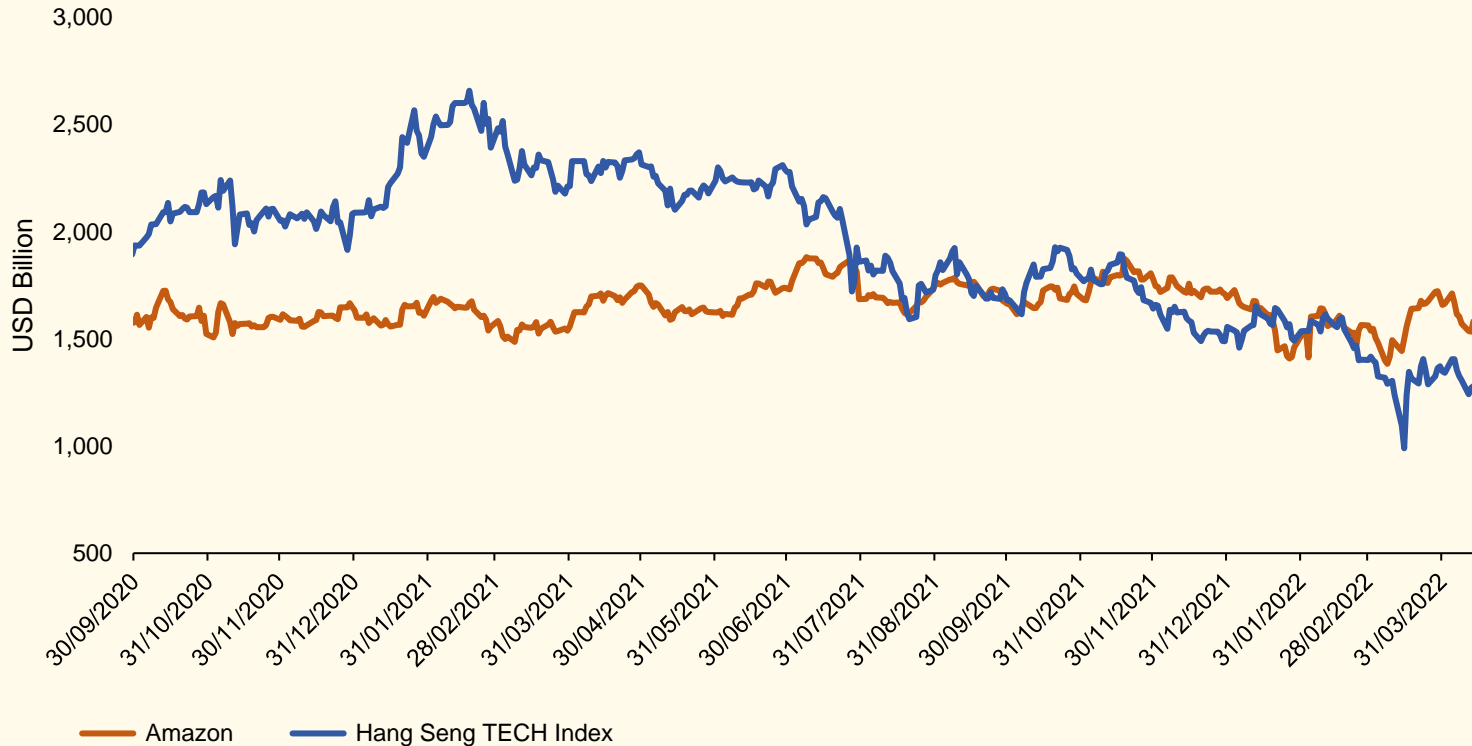
†Stocks delivering 15% p.a. or better on average for the 5 years to end 2020. US dollars. Based on a global universe filtered by 5 year cumulative return. Data includes secondary listings.

Logos courtesy of relevant companies.



Sources: 1: Newzoo, Global Mobile Market Report, smartphone users in 2020. 2: World Population Review. 3: Biomedcentral. Cancer Communications, 'Current cancer situation in China: good or bad news from the 2018 Global Cancer Statistics?'. 4: Thenextweb.com: The new Chinese digital consumers your business needs to target, Ashley Dudarenok, published 12 November 2020. 5: World Economics Form article, Alex Gray, published 26 April 2018.

Chinese tech sector worth less than Amazon



Source: Bloomberg. US dollars. Data 30 September 2020 to 18 April 2022.

What are the issues – common prosperity

Regulation

Demographics

Geopolitics



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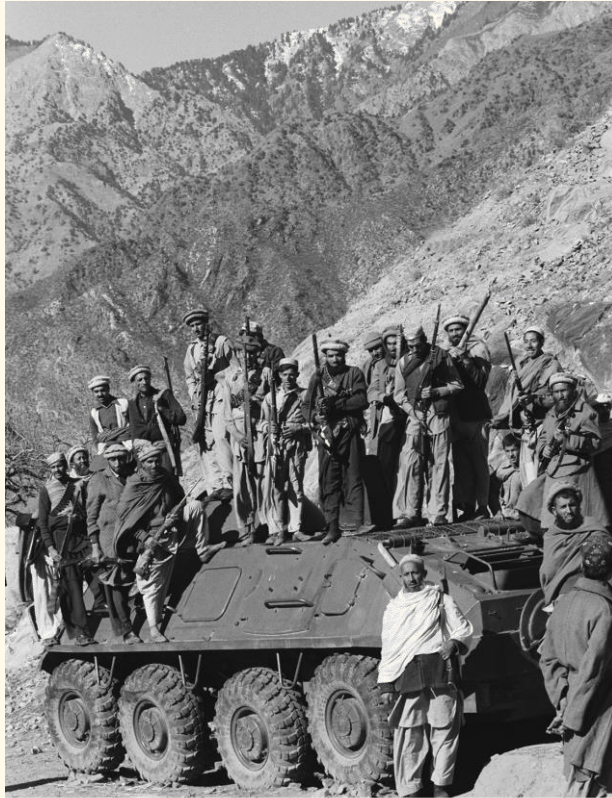
What does Xi want?



© Yadid Levy/Alamy Stock Photo



How do we know?



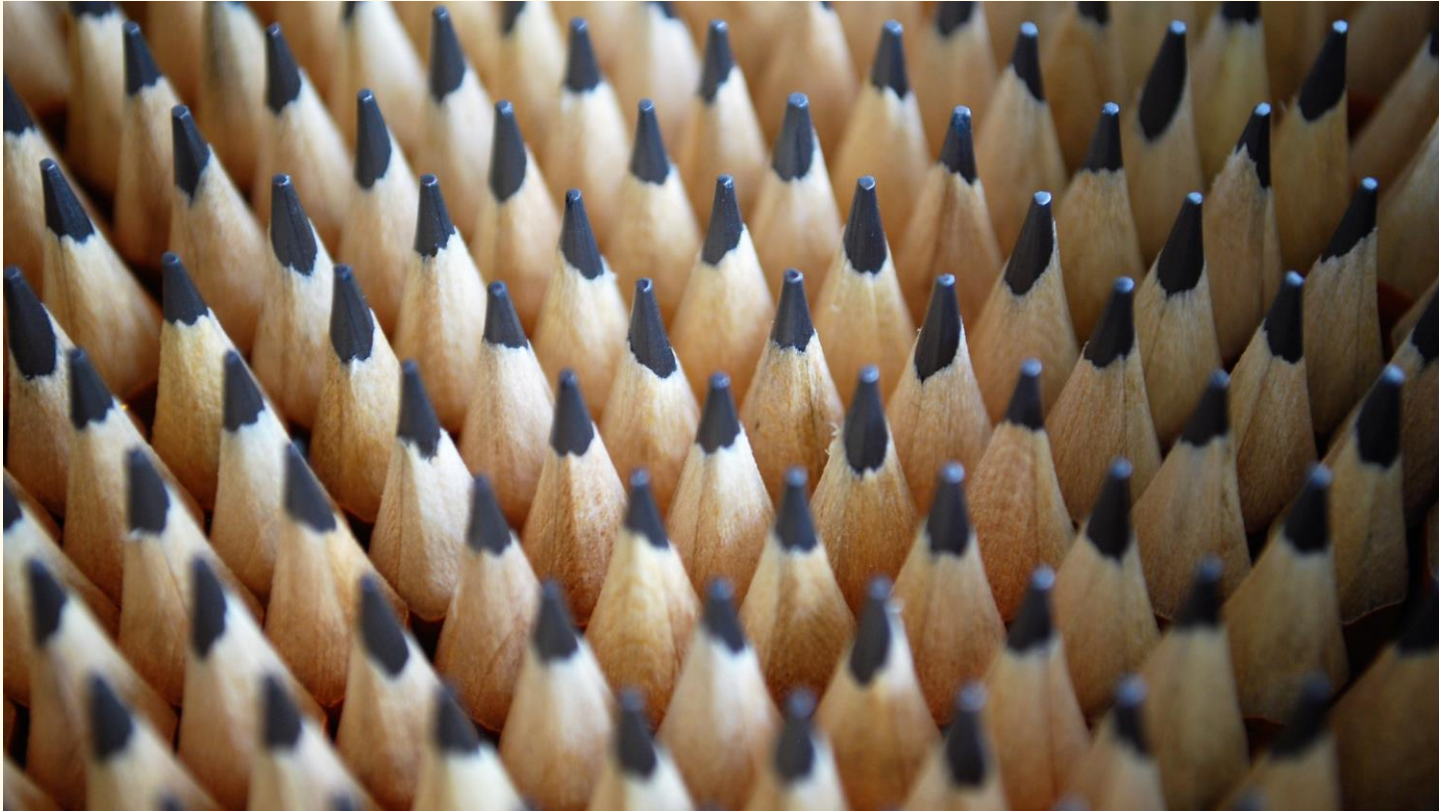
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Xi is after...



...But it is not just economical, it is societal



How does that play out for investors?

Short term tough

Long term position

But must be selective



But be careful...

Education

Property

Healthcare



Align yourself with policy

Environment

Semiconductors

Advanced manufacturing



How do we invest?

Market cap	“Leaders”				“Challengers”			
>£50bn 46%	Tencent	8.6	China Merchants Bank	3.2				
	ByteDance*	6.1	Ping An Insurance	3.2				
	Alibaba	5.7	JD.com	2.1				
	CATL	4.3	NetEase	1.8				
	Kweichow Moutai	4.1	Midea	1.7				
	Meituan	3.5	LONGi Green Energy Tech	1.1				
£10-50bn 32%	KE Holdings	0.5			Li Ning	3.1	WuXi AppTec	1.4
	Lufax Holding	0.5			Sunny Optical Technology	2.0	Huayu Auto Systems	1.4
					Asymchem Laboratories	1.8	Bilibili	1.3
					Zhejiang Sanhua Intelligent Controls	1.8	Yonyou	1.3
					Shenzhen Inovance Technology	1.7	Weichai Power	1.2
					Ping An Bank	1.7	Fuyao Glass Industry	1.1
					BeiGene	1.6	Hangzhou Tigermed Consulting	1.0
					Geely Automobile	1.6	Zijin Mining	1.0
					ENN Energy	1.6	Yunnan Energy New Material	0.9
					China Molybdenum	1.6	Luzhou Lao Jiao Company	0.2
<£10bn 22%	Tencent Music Entertainment	0.4			Shenzhen International	1.5		
					SG Micro	1.7	Hangzhou Robam Appliances	0.8
					Estun Automation	1.6	Sinocare	0.6
					PROYA Cosmetics	1.4	Brilliance China Automotive	0.6
					Guangzhou Kingmed Diagnostics Group	1.4	Yifeng Pharmacy Chain	0.5
					Kingdee International Software	1.3	BGI Genomics	0.5
					Shenzhen Megmeet Electrical	1.3	Shandong Sinocera Functional Material	0.5
					Glodon Company	1.0	Hutchison China MediTech Limited	0.5
					Zai Lab	1.0	Hua Medicine	0.5
					Kingsoft	0.9	Burning Rock Biotech	0.5
					Topchoice Medical Investment	0.9	Berry Genomics	0.3
					Minth Group	0.8	Dada Nexus	0.3
					Pop Mart International	0.8	New Horizon Health	0.2
					Medlive Technology	0.8	Yatsen	0.2
					Beijing United Information Technology	0.8		
	46.9%				52.2%			

Source: Baillie Gifford & Co, FactSet. Baillie Gifford China Growth Trust. As at 31 December 2021, sterling. Totals may not sum due to rounding. Excludes cash. *Private company.

Conclusion

China is not easy, there are many headwinds

China's long term planning is however very positive

Sentiment is extremely short term and negative - an opportunity?

Thank you

