

ALL WEATHER

INVESTING IN POSITIVE OUTCOMES

BOUTIQUE COLLECTIVE INVESTMENTS

THE CHINA, GEMS AND SA EQUITY OPPORTUNITY

MAY 2024

CHINA...EVERYONE IS BEARISH

Reasons they could be wrong

China absolutely cheap

- ✦ Dividend yields > bond yields
- ✦ Earnings yields > bond yields
- ✦ Buybacks most attractive

China relatively cheap

- ✦ Relative valuation got to 1st percentile since 2011
- ✦ Positioning is lite, and Short China is the 2nd most crowded trade in BoFA Global Fund Manager Survey
- ✦ Sentiment is depressed
- ✦ The US economy is roughly 1.5x the Chinese economy while US equity market cap is 25x Chinese equity market cap. Seems excessive

The government wants equities higher

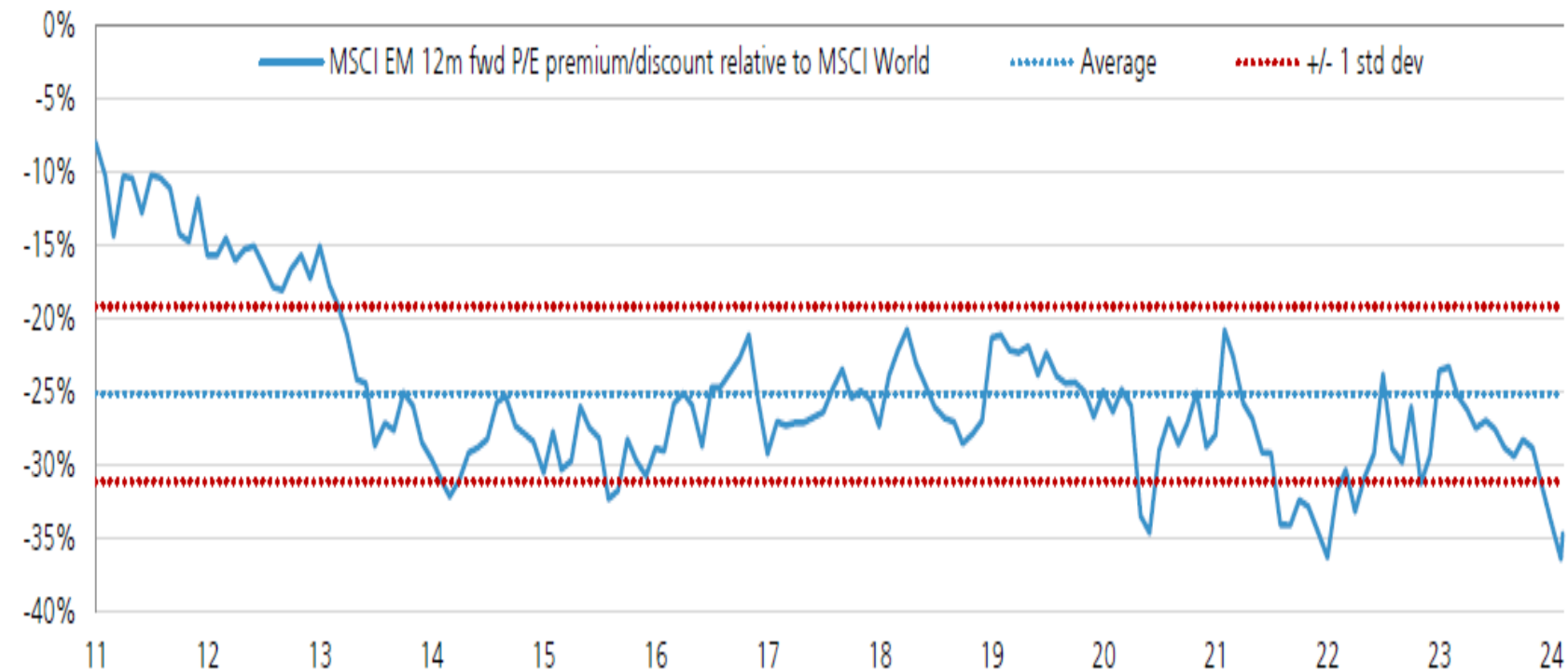
- ✦ The Equity Stabilization Plan is larger than perceived & cuts off the left tail
- ✦ It's the CCP'S 75th anniversary
- ✦ The A-share market valuation is the closest thing to a democratic vote or policy scorecard on Xi's policies
- ✦ Higher equities could replace the wealth effect of real estate

Economy possibly doing better than perceived

- ✦ Lunar New Year travel was well above expectations
- ✦ Global Manufacturing PMI seems to be bottoming which should be bullish goods exporters, like China

EM VALUATIONS LOOK INCREASINGLY CHEAP VS. DM

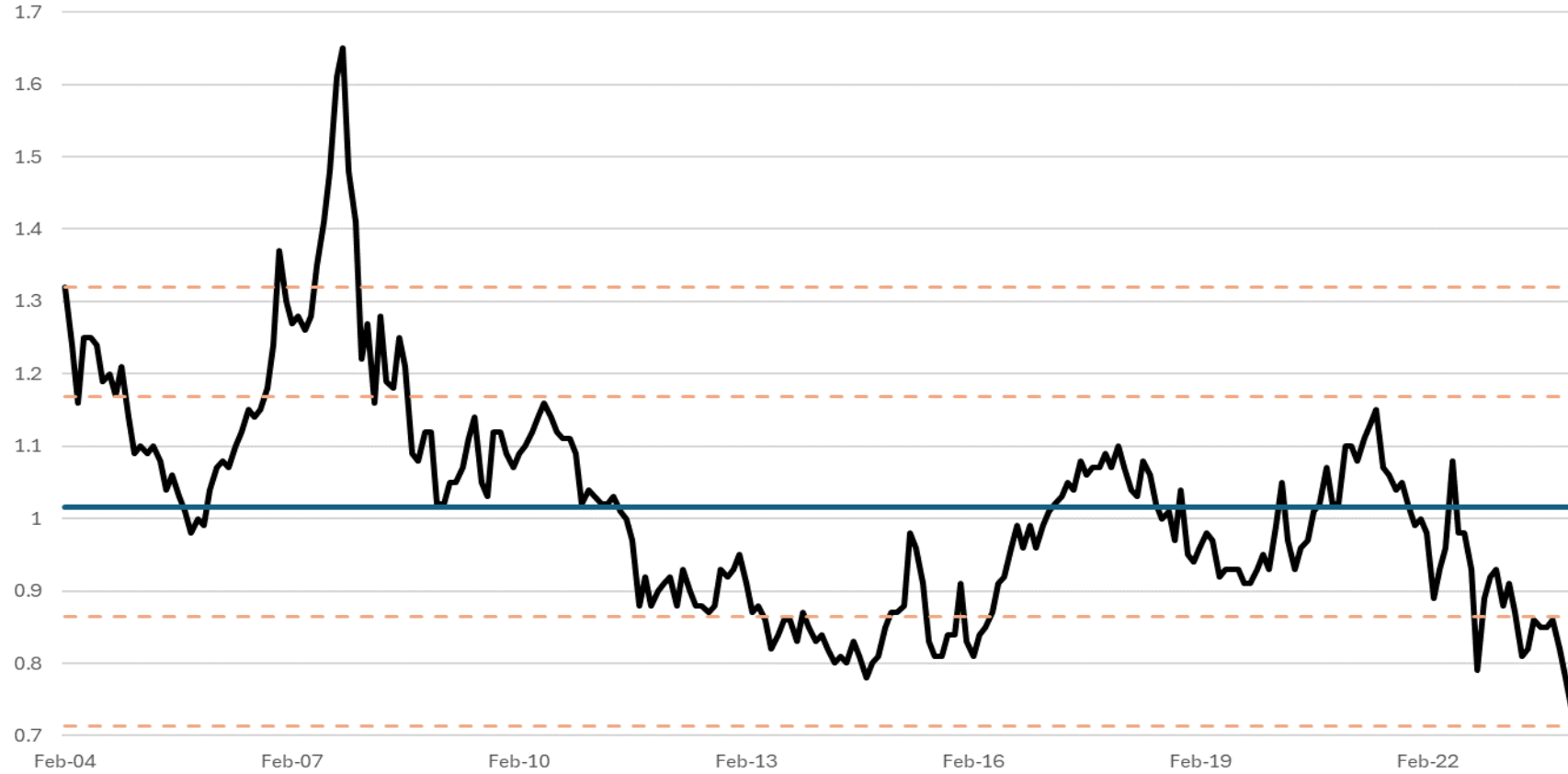
MSCI EM 12m fwd P/E relative to MSCI World



CHINA IS CHEAP RELATIVE TO EM

China has not been relatively cheaper over the last 20 years

NTM PE relative



WE THINK CHINA CARES ABOUT THE EQUITY MARKET

Actions so far

CSRC (China Securities Regulatory Commission):

- ✦ Instructed public funds to **lower fees** for actively managed equity funds (July 2023)
- ✦ **Halved stamp duty** on stock trading (Aug 2023)
- ✦ Urged insurers to **increase equity holdings from 12% up to 45%** based on firm solvency (Oct 2023)
- ✦ Urged companies to **boost dividends & buybacks** (Dec 2023)
- ✦ Reiterated commitment to get institutional investors to **increase equity holdings** and for companies to **boost buybacks** (Feb 2024)
- ✦ **Replaced securities regulator** (Feb 2024)

SASAC (Assets Supervision & Administration Commission):

- ✦ **Include market value management system (share price) in the performance appraisal of SOE executives** (Jan 2024)

Other

- ✦ **Fired regulatory official responsible for renewed gaming clampdown**

Government backstop in housing and stock markets

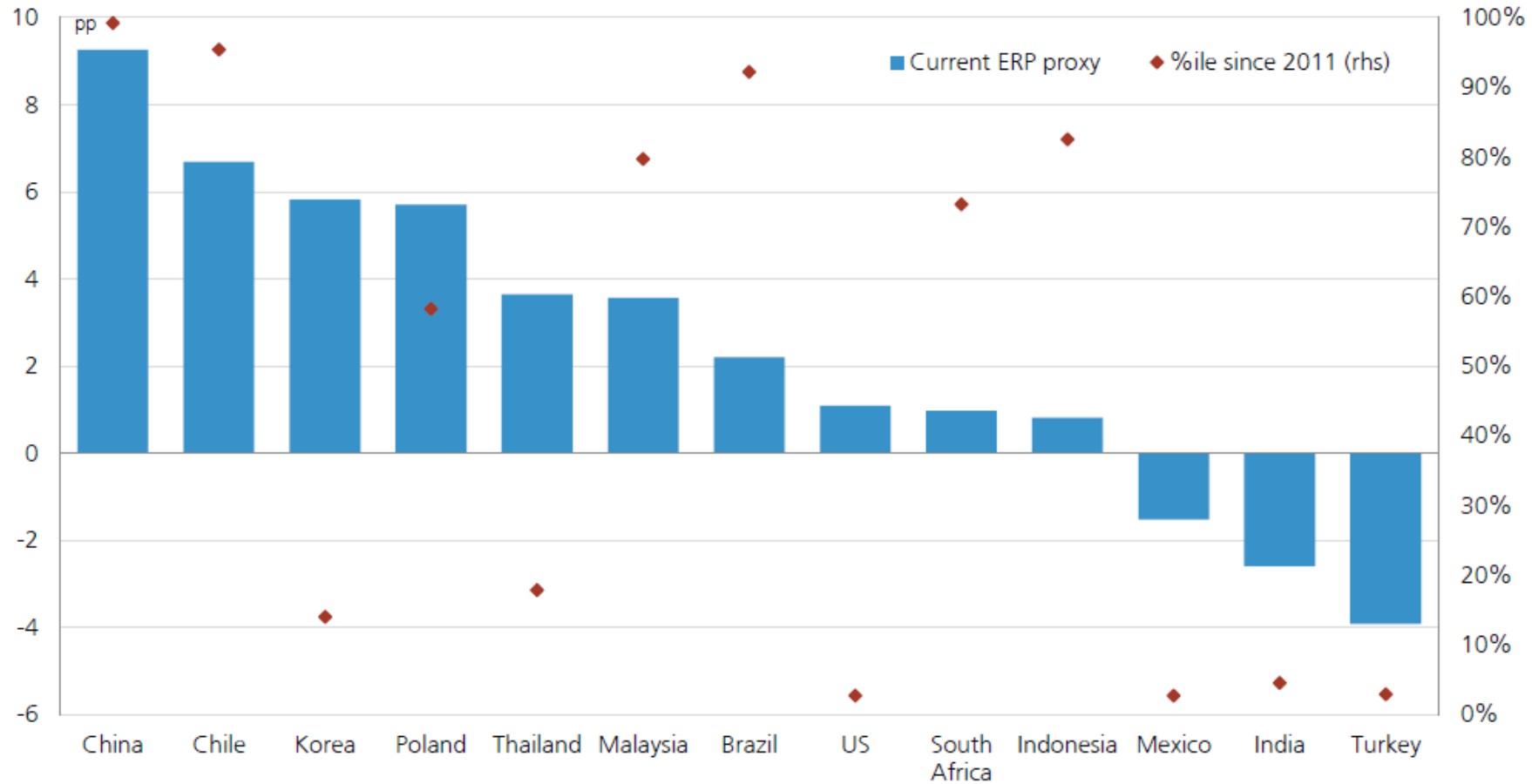
- ✦ Confirmation of Rmb2tn equity market stabilization fund (reported by Bloomberg 23 January 2024)
- ✦ Housing market developments ongoing

Confidence boosting policy targeting the private economy

- ✦ Bank support for select developers
- ✦ Hukou reform
- ✦ 3rd Plenum (expected June)

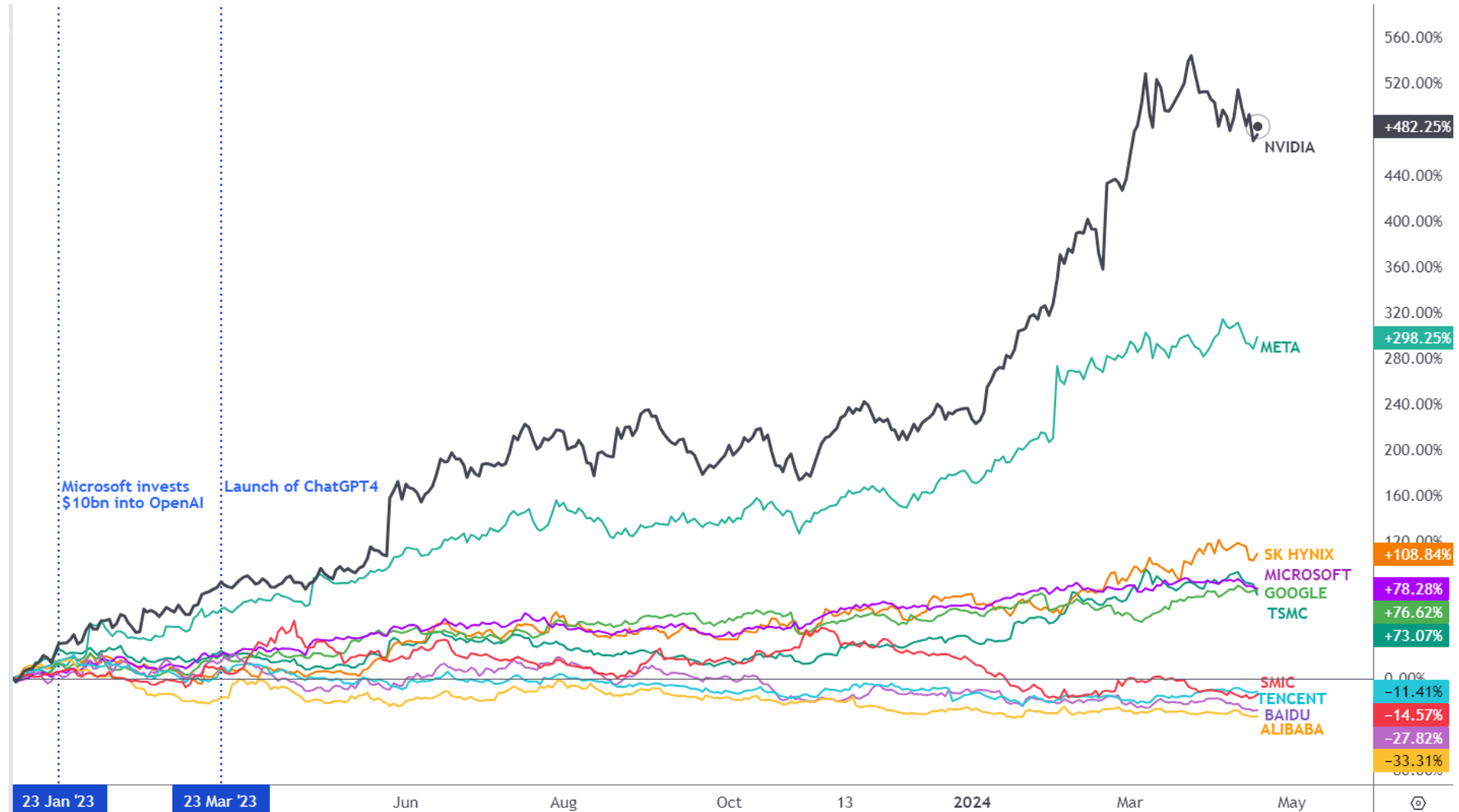
US-China relations stabilised

STOCK BUYBACKS ARE HIGHLY ATTRACTIVE



Some 1,294 Chinese companies listed onshore have announced plans this year to repurchase their stocks, Securities Times reported, citing exchange filings. BBG

AI WILL BE SMALLER IN CHINA, BUT PROBABLY NOT THIS SMALL



RISK INEQUALITY: IF SCARED OF TAIWAN, SELL NASDAQ

iShares MSCI ACWI ETF

as of Apr 17, 2024

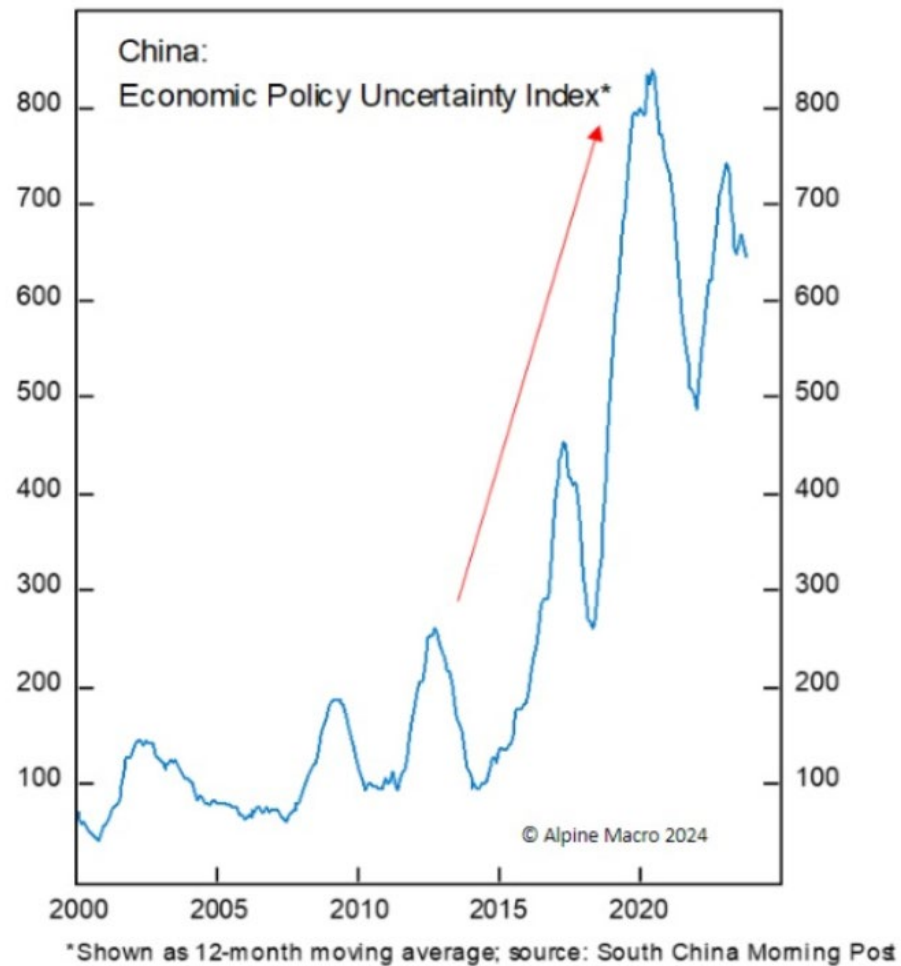
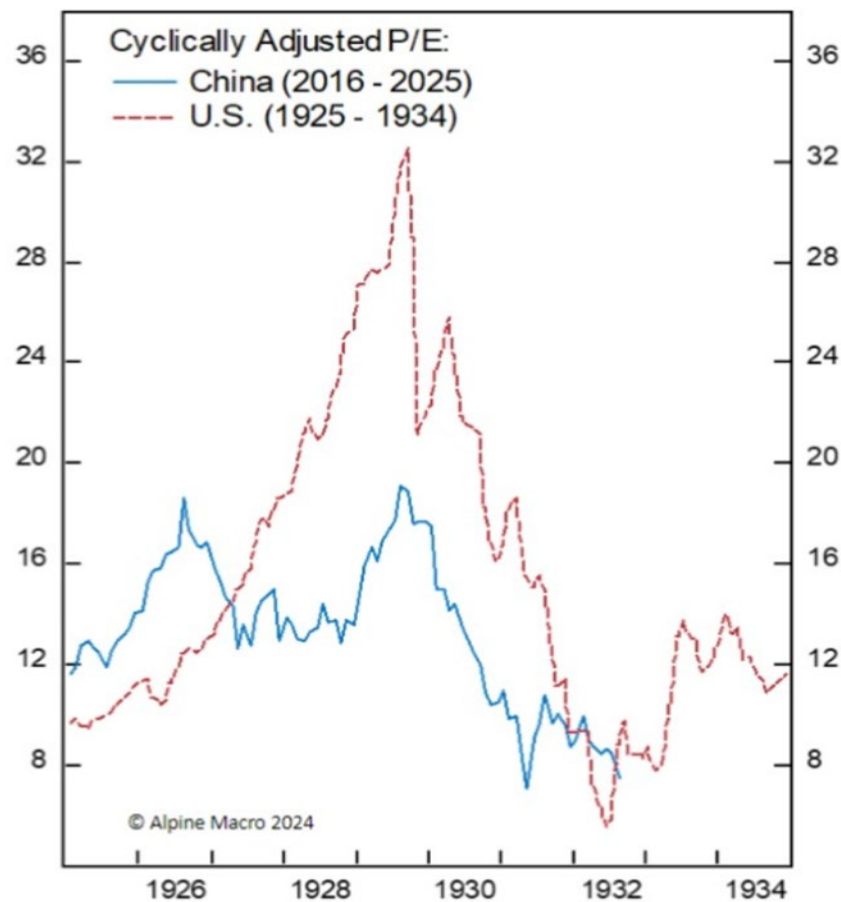
Type	▲	Fund ▶
United States	25x China	63.54
Japan		5.40
United Kingdom	Apple & Nvidia each roughly the size of the 3rd largest country	3.46
France		2.82
Canada	China is smaller than Canada?	2.75
China		2.59
Switzerland	A little larger than Switzerland	2.16
Germany		2.01
India		1.83
Taiwan		1.79

China Exposure

Name	Exposure	% of MSCI ACWI	China-Taiwan exposed
APPLE	90% of product produced in China (FT)	3.57%	2.57%
NVIDIA	100% of AI chips from TSMC in Taiwan	3.00%	3.00%
MSCI CHINA		2.59%	
MSCI TAIWAN		1.79%	

A MORE CONSISTENT MESSAGE CAN GO A LONG WAY

China equities pricing in a depression



REAL ESTATE IS STABILISING

China secondary property sales volume in 14 major cities



Note: Data up to the week ended 31 March 2024. Source: CRIC, Jefferies

SUMMARY

- ✦ **Global Manufacturing PMI** seems to be **bottoming** after a 2-year manufacturing contraction
 - ✦ **EM is cheap** vs DM and globally under-owned
 - ✦ **China is cheap** vs EM and under-owned within EM
 - ✦ We believe the **Chinese government wants Chinese equities higher**
 - ✦ **Chinese buybacks are ramping up fast**
 - ✦ The CCP has to follow through with more **real economy support** to make any rallies sustainable. We believe likely in 75th anniversary year
- Risks we are watching:**
- ✦ China Rest of world relations within export drive
 - ✦ Taiwan Presidential inauguration
 - ✦ Real estate market
 - ✦ Consumption related actions at third Plenum
 - ✦ China US relations during election year

ALL WEATHER

10 years
of delivering
positive outcomes

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ten years of delivering positive outcomes.**

All Weather Capital commemorates a decade of fostering favourable results. The inception of All Weather was fueled by our collective ardour for driving positive change. Our unwavering dedication lies in revolutionizing financial decision-making, uplifting the industry, and delivering superior value.



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AWC BCI Equity Unit Trust: Calendar year performance since inception: High 32.54% | Low: -9.21%. Inception date: September 2017. Annualised return is the weighted compound growth rate over the period measured. Actual annual figures are available to the investor on request. Cumulative performance figures include the relevant annualised figures for the same period and are reflected with equal prominence as the cumulative figures.

*AWC Long-Short Fund: Calendar year performance since inception: High 38.32% | Low: -5.87%. Inception date: May 2014. AWC Market Neutral Fund: Calendar year performance since inception: High 38.12% | Low: 2.99%. Inception date: September 2017. For full details on the HedgeNews Africa awards please contact us on info@allweather.co.za Returns are Net of fees *The Benchmark of the fund was changed from the Shareholder Weighted Index to the 10% capped Shareholder Weighted Index on the 01/12/2020 and as such is reflected in the performance table.*