



# The case for China

RisCura Research

May 2024

RISCURA

# The original case for China

Pre COVID



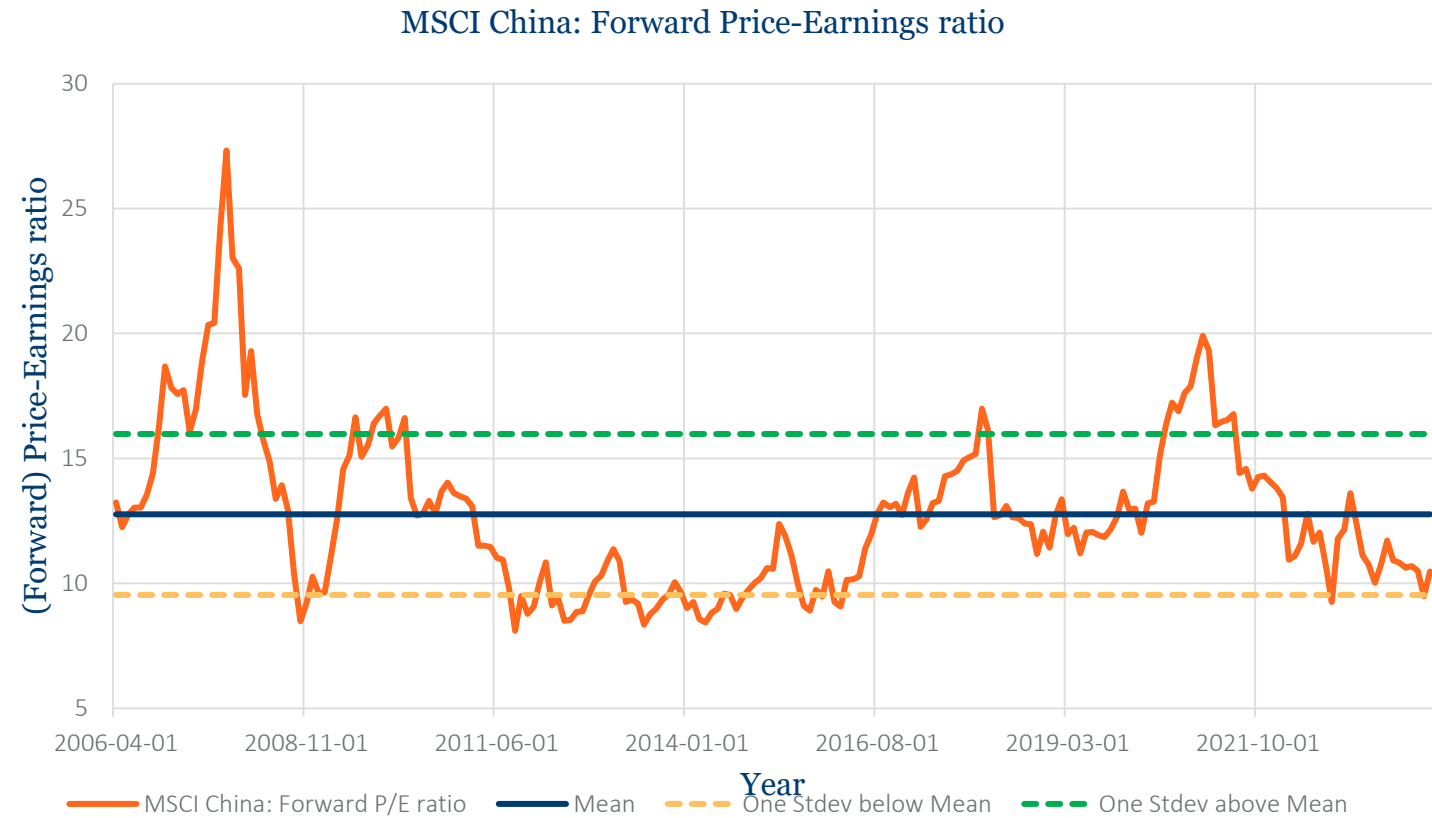
# The case for China

Now

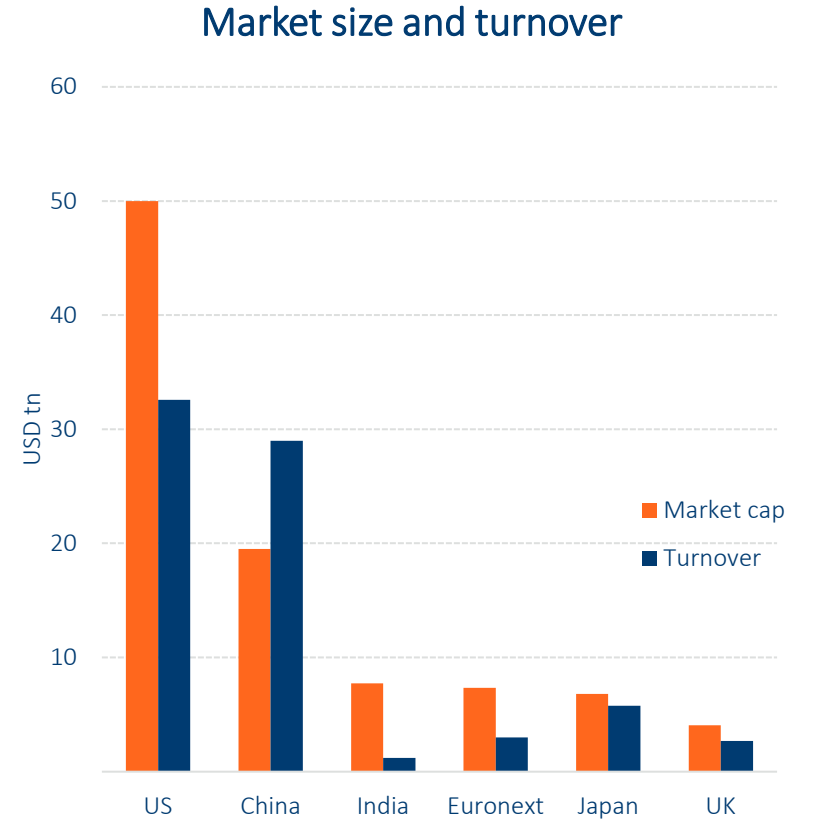
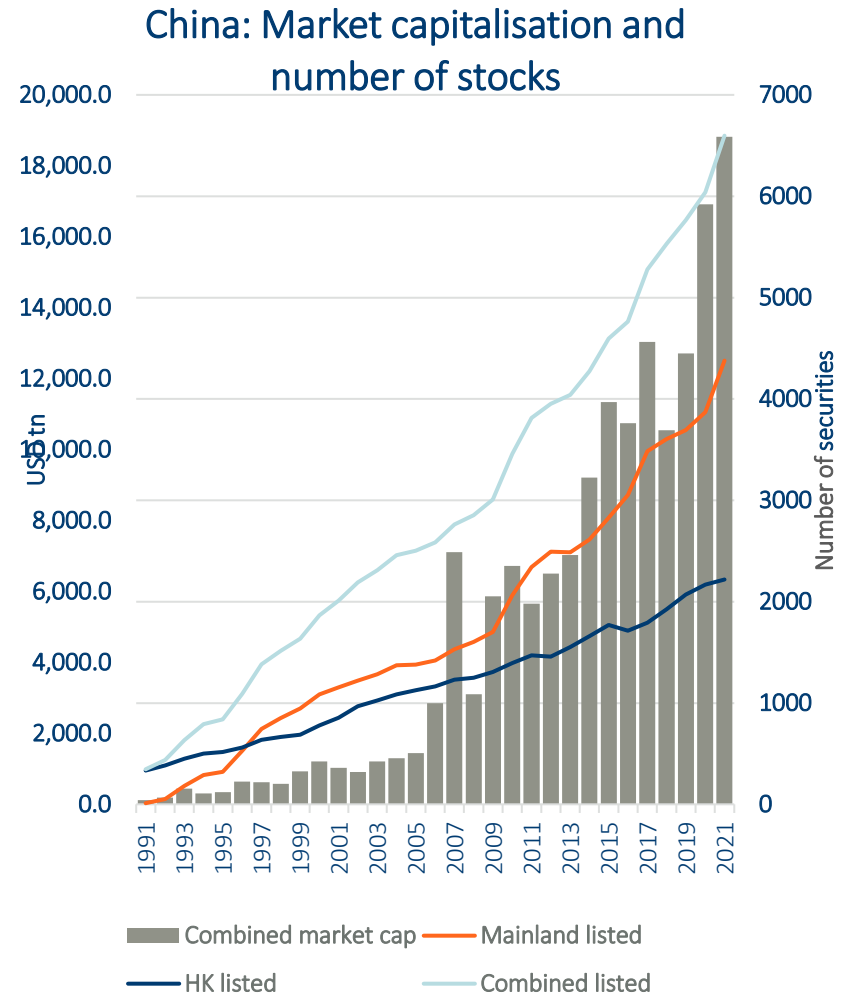


# China stockmarkets

Result: market that looks super cheap



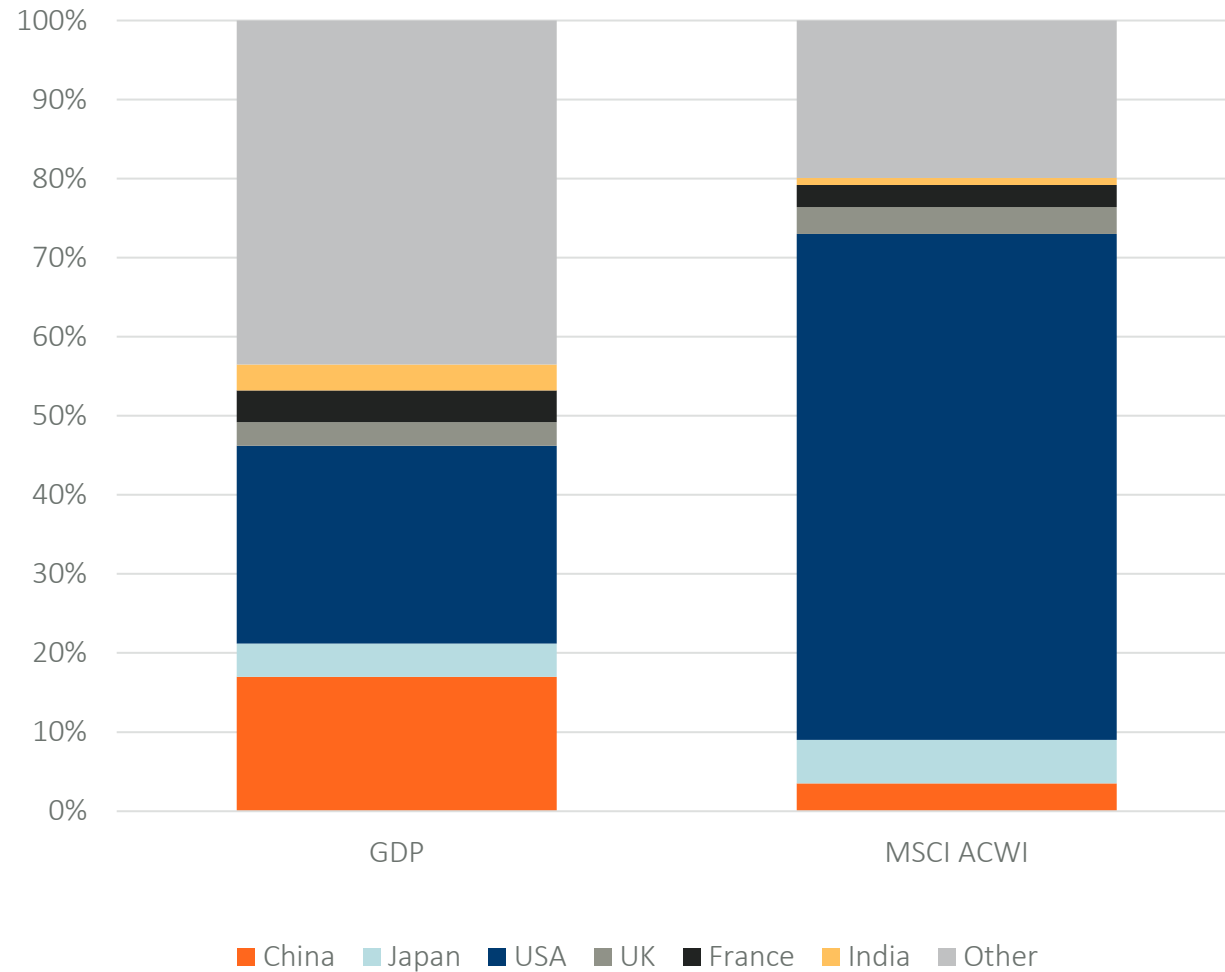
# Mainland China boasts a huge and active stock market



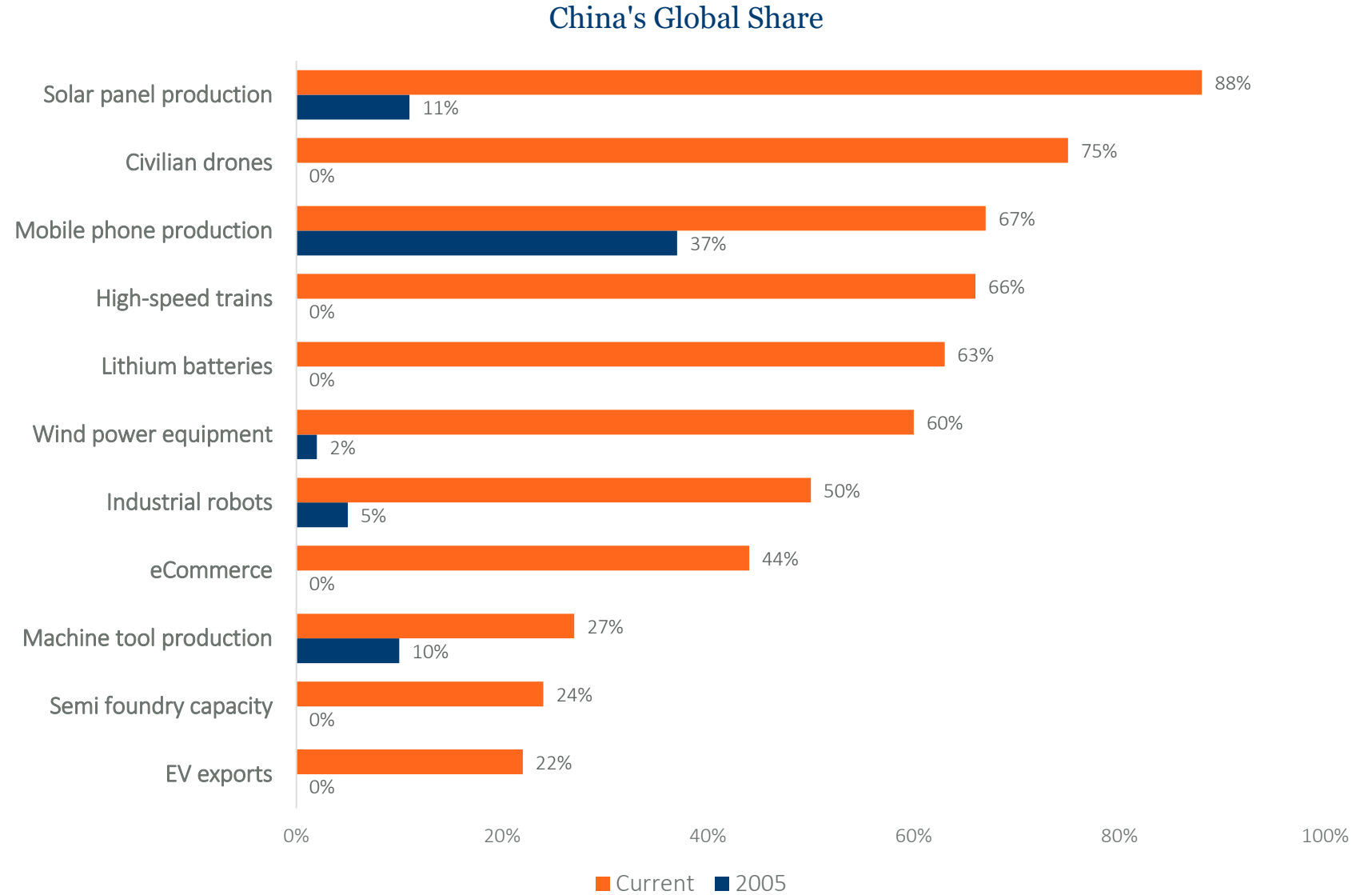
- ▶ Very high China turnover largely attributable to retail investors
- ▶ Many domestic mutual fund managers act like retail investors

... but Chinese equities under-represented in global portfolios

Comparing GDP against portfolio allocations























# China is leading in 4<sup>th</sup> industrial revolution



Source: KKR, Weijian Shan.

# Many top apps are by Chinese companies

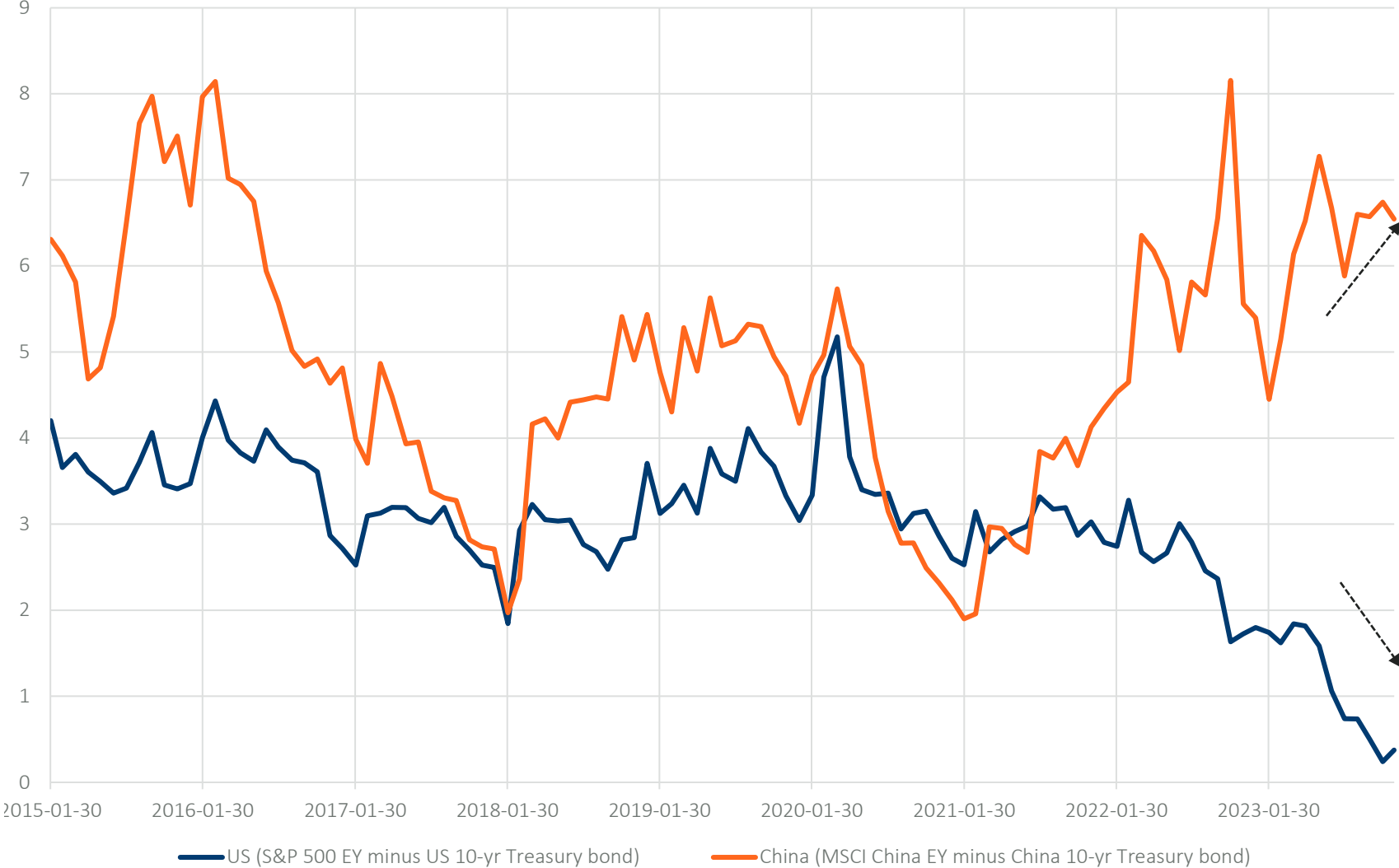
	Most downloaded apps			Most downloaded shopping apps		
1	TikTok	672m		Shein	229m	
2	Instagram	548m		Meesho	210m	
3	WhatsApp	424m		Shopee	203m	
4	CapCut	357m		Amazon	195m	
5	Snapchat	330m		Shopsy	141m	
6	Telegram	310m		Flipkart	115m	
7	Subway Surfers	304m		Pinduoduo	79m	
8	Facebook	298m		Alibaba	66m	
9	Stumble Guys	254m		Lazada	64m	
10	Spotify	238m		Mercado Libre	58m	

Source: apptopia, 2022 data



Chinese equities are attractively valued

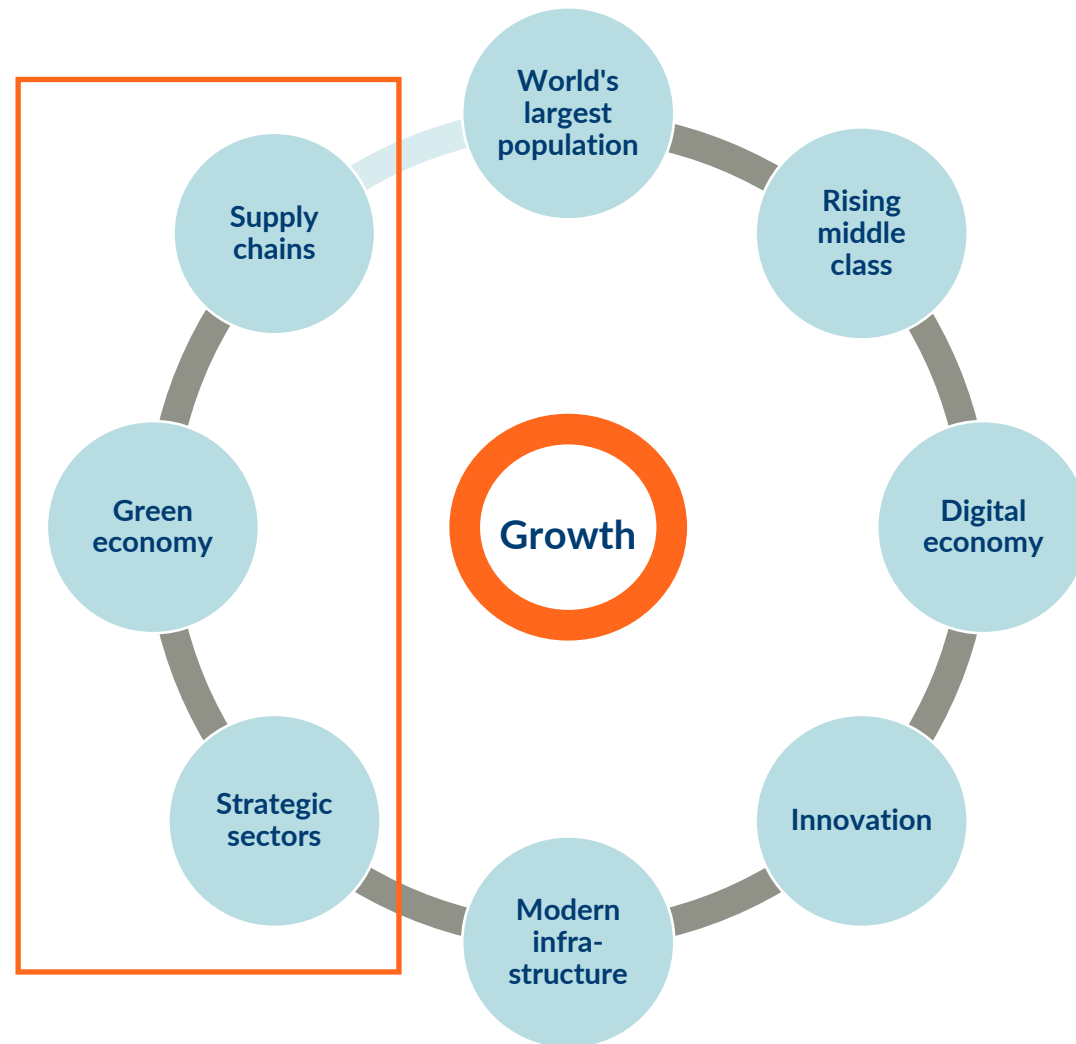
Equity risk premium (%): US vs. China



Source: Bloomberg and RisCura calculations (Monthly) | Janu2015 - Nov 2023.

Do you remain invested?

Has the fundamental story changed?



Significant economic opportunities when moving from

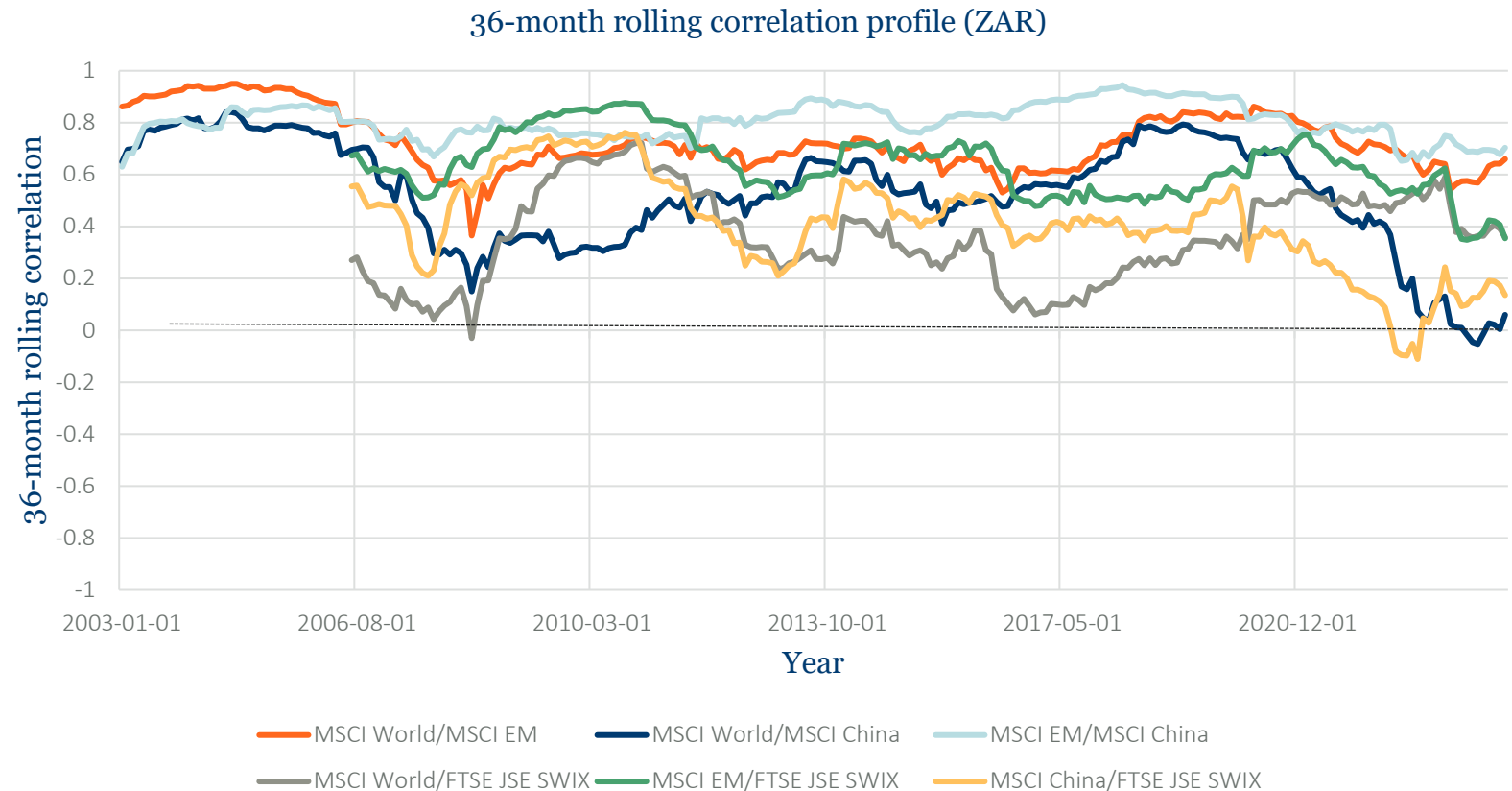


# Do you remain invested?

Great diversification benefits for SA/other investors:

**Low correlation**

**Even though SA is itself an EM, SA Inc. has little in common with China from an economic sector, industry or infrastructure point of view**



# Conclusion

China markets are oversold and underowned

Despite recent headwinds the opportunity for China remains robust

Modest allocation size reflects expected risk

Very cheap on valuation basis

Strategic sectors will continue to enjoy policy support

Not a time to sell! HOLD or BUY more

# Disclaimer

This document contains confidential information and is protected by copyright law. Copyright in all information, material and logos are protected by both national and international intellectual property laws. Accordingly, any unauthorised copying, reproduction, retransmission, distribution, dissemination, sale, publication, broadcast or other circulation, or exploitation of this material will constitute an infringement of such protection. The copyright in all material of RisCura Holdings (Pty) Ltd (“RisCura”) and all its subsidiaries shall continue to vest in RisCura. The information contained in this document is provided ‘as is’ without warranty of any kind. The entire risk as to the result and performance of the information supplied in this document is assumed by the user and in no event shall RisCura be liable for any direct, consequential, or incidental damages suffered in the course of using the information contained herein as a result of the use of, or the infringement of any copyright laws. RisCura Solutions (Pty) Ltd and RisCura Invest (Pty) Ltd are authorised financial services providers.

Boutique Collective Investments (RF) (Pty) Ltd (“BCI”) is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of ASISA. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. BCI does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge. Performance figures quoted for the portfolio are from Morningstar, as at the date of this minimum disclosure document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager’s charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. BCI retains full legal responsibility for the third party named portfolio. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI's products. Access the BCI Privacy Policy and the BCI Terms and Conditions on the BCI website ([www.bcis.co.za](http://www.bcis.co.za)). A feeder fund is a portfolio that invests in a single portfolio of collective investment schemes, which levies its own charges, and which could result in a higher fee structure for the feeder fund.