

China

2.0 Stars – Not Attractive ★★



Macro Outlook

- China has doubled down on its zero-COVID stance, leading to an uncertain economic environment which could dampen business and consumer confidence.
- China's shift towards a state-controlled economy will likely lead to a period of low growth within China, with the balance of priorities shifting towards security.

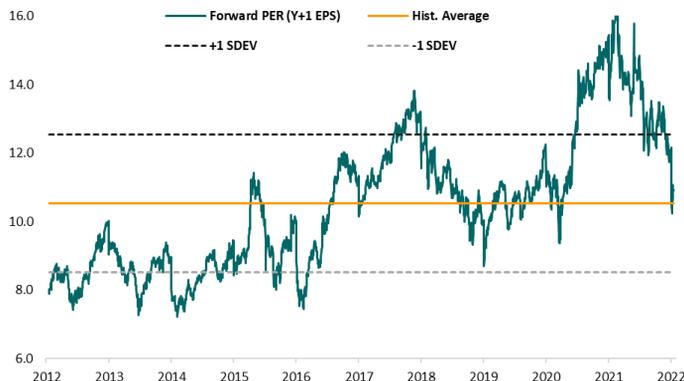
What we like about

- We prefer companies aligned with China's priorities, such as SOEs and companies in favoured industries like green energy.
- Many of these companies are found in A-shares, which should see policy support given President Xi's desire to develop a robust onshore capital market.

Investment Risks

- Worsening geopolitical tensions, especially with the US, could lead to China becoming more isolated from the world.
- China's movements away from a free market economy towards a state-controlled economy could lead to a permanent deterioration of Chinese company fundamentals.

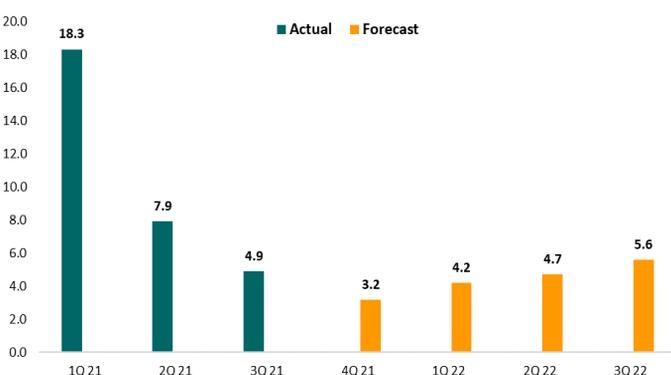
MSCI China Index Forward PE Ratio (x)



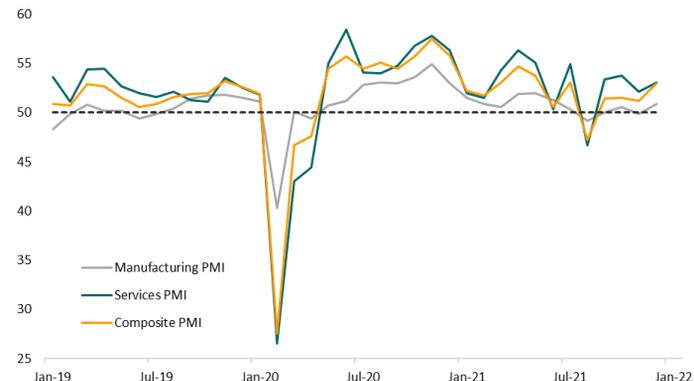
China Equity (MXCN Index) Price vs EPS



Real Quarterly GDP - Actual and Forecast (YoY %)



China Market PMI



Source : Bloomberg Finance L.P, iFAST compilations. Data as of Jan 2022.

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