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Cut-price Chinese stocks present opportunities for consumer goods

ACCORDING TO DAWID KRIGE, BANOR FUND ADVISOR, THE LATEST DIP IS AN INVESTMENT OPPORTUNITY, ESPECIALLY FOR "VALUE INVESTING"



**Dawid Krige, advisor for Banor
Capital's Greater China
Long Short fund**

Rome

"Rarely have we been so enthusiastic about the outlook for our portfolio, in spite of the bad news in the press about the Chinese economy". Dawid Krige, advisor for Banor Capital's Greater China Long Short fund, speaks with conviction: the dip in the Chinese stock markets is an investment opportunity, especially for managers adopting the "value investing" approach. "Value investing" is a strategy inspired by Warren Buffet, with a portfolio focused on no more than 30 long positions.

"A growth rate of 5.6% for the economy is more favourable to investment in shares than two-digit growth. Companies are no longer forced to make massive investments and deal with strong competition. You can find companies with an interesting evaluation. And lastly, you have the chance to exploit the inefficiencies of a market dominated by small investors and by emotion-driven decisions, and not yet fully covered by the analysts".

What companies have you been focusing on?

"We have stocks in the consumer goods sector, where prices were particularly depressed by fears that anti-corruption policies would have penalised sales. Companies like Kweichow Moutai, the group that produces Maotai, an up-market alcoholic drink. Or stocks linked to the internet and domestic consumption, like NetEase, for online gaming, the Baidu search engine or JD.com, the Chinese Amazon. And, lastly, niche stocks in the financial services sector, of which Noah Wealth Management is an example".

But are the figures published by Chinese companies reliable, or should they be taken with a pinch of salt, like certain macroeconomic indicators?

"There are two categories of company in China: companies that are blatantly fraudulent and whose numbers you just can't believe, and companies with a good business and credible figures. The former, and, more generally, poorly governed firms, represent our 'short' positions". (*m.man.*)