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ADVISOR

THE BIGGEST MISTAKE? UNDERESTIMATING CHINA

Buying under-valued companies and keeping them for the long term are two key factors

by Davide Mosca

"China is still right off the radar for many investors. I think that's a mistake, given that it's the second biggest share market and the world's second economy". ADVISOR interviews Dawid Krige, advisor for the Banor Sicav – Greater China Long/Short Equity fund, to discuss one of this year's most underestimated topics.

"China", explains Krige, "is among this year's best performing markets. In addition, the Chinese economy has contributed over 25% to global GDP growth. We believe China should become a beacon for all investors, in view of its political and economic weight and the fact that it's still possible to buy into very high-quality companies there at interesting evaluations".

What are the principal determinants of the current Chinese economic situation?

The growth in domestic consumption in China is undoubtedly the main factor to monitor. The increase in domestic consumption is a story of long-term growth starting from low volumes. The growth in consumption was in part driven by urbanisation – Chinese consumers living in cities spend three times more than those living in non-urban areas. And in part it's underpinned by favourable government policies – for example, on public health – and, lastly, by the rapid growth in wages. Indeed, the entire portfolio of the Banor Greater China Fund is focused on companies that are benefiting from the growth in domestic consumption.



The Banor Sicav Greater China Long/Short Equity fund is set to end the year with excellent prospects. What's the reason for this result?

We're value investors. Our investment philosophy is to buy stocks of under-valued companies and keep them in our portfolio for the long term. Believing in companies with profits showing a strong rise and focusing on the growth in domestic consumption in China are most certainly the two factors that enabled us to generate performances of over 50% year-to-date with our Banor Greater China fund.

*Dawid Krige,
Banor Sicav*

What are the main characteristics of your portfolio right now?

We have a five-year investment horizon and for that period we see an excellent outlook for the main holdings in our portfolio. At present the fund has a 40% exposure on Chinese companies that are leaders in their sectors. One example is the long-established Kweichow Moutai, the world's biggest liqueur company. In addition, we have about 40% exposure on leading Chinese internet companies such as Alibaba and Tencent, which are among the world's best in their category. The remaining exposure is more diversified and includes companies operating in the health, investment management and tourism sectors.