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LA STAMPA
mercati e gestori

“China is still full of opportunities”

5 questions for Dawid Krige, Banor Greater China

“Today in China you can find the best companies in the world at under-valued prices. In other words, if you look at the S&P 500, you’ll see that it’s hitting all-time highs, while the Chinese indexes are about 25% below their 2007 peak. The valuations of Chinese stocks are similar to those of US products but Chinese companies are growing at three times the US rate”.

What’s your investment strategy?

“We only invest in companies we know well. The investment strategy of the Banor Greater China Long Short Equity fund is long/short. That means we buy under-valued companies with a higher-than average growth potential and go low in the the case of over-valued, low-quality companies. The Chinese market lends itself very well to this strategy. In addition to very high-quality companies there are also businesses that have no future and are often fraudulent. We’ve learned to recognise them by analysing their fundamentals”.

So which sectors should investors be focusing on?

“Consumer goods, Internet services and healthcare are the sectors that will grow most. They’re being driven by rising wages, which are increasing at 10% per year. We’re concentrating on well-known companies that are leaders in their sector. For example, our portfolio includes Kweichow Moutai and Wuliangye, historic liquor companies in the Chinese market. Even though they’re still out of reach for some pockets, they’ll become accessible to growing numbers of consumers. We’re also keen on Alibaba and Tencent, the social network on which Chinese users spend, on average, double the time spent by US citizens on Facebook”.

What are the biggest risk factors that need to be monitored?

“The Chinese stock markets are volatile. For us, that isn’t a problem because we’re long-term investors. In the medium term, we’ll be keeping an eye on indebtedness. The longer-term risk that we have on our radar is linked to the uncertainty and instability arising from the slow and gradual process of opening up the country to a system founded on the full recognition of civil and social rights”.

Will investment in China continue?

"China's economic development is progressing as planned. The policy guidelines that emerged from the latest congress will encourage domestic consumption while the campaign to stamp out corruption will increase the sustainability of the system. If you have patience, China is an excellent investment".