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BLUE
RATING

Advisor Dawid Krige explains the strategies of Banor SICAV Greater China Equity

The Dragon is a real bargain

The secret is to buy high-quality firms whose growth potential is underestimated by the market

by **Chiara Merico**

China's equity market is full of opportunities for investors, with growing businesses and interesting valuations. BLUERATING discussed the details with Dawid Krige (photo), advisor of the Banor SICAV Greater China Equity fund.

What is the fund's approach to investment?

At Banor we're value investors, which means that we only invest in companies that we know really well. The investment strategy followed by Banor Greater China Equity has a medium-to-long term vision: we buy high-quality firms when the market undervalues them and underestimates their capacity for growth. We may also bet on dropping odds on overvalued, poor quality companies. The Chinese market is ideal for our strategy: alongside excellent companies there are others without a future, often fraudulent, which we have learnt to recognise thanks to fundamental analysis and in-the-field research.

What were the main drivers of the fund's performance in 2018?

2017 was a brilliant year for Banor Greater China: the fund posted positive returns every month of the year and closed 2017 with a gain of +66% net of fees, compared with +44% for the MSCI Golden Dragon Total Return index. We bet on top-notch companies operating in the consumer goods, internet services and health sectors. We still believe that in 2018 these sectors will continue to be among the top performing, boosted by rising wages, which are growing by around 10% a year in China. When managing our portfolio we focus on well-known companies that are leaders in their sector. For example, we include Kweichow Moutai and Wuliangye, long-standing luxury liquor producers in the Chinese market and which will eventually be accessible to a growing number of consumers. We are also keeping a close eye on the internet sector: we really like Alibaba and Tencent, the social network on which the Chinese spend on average almost twice as much time as a US citizen spends on Facebook.

What's the outlook for China's stock market in the coming months?

We believe China's stock market will stay at a relative discount, particularly compared with the US stock market. For instance, although the MSCI index is growing faster, today it's trading at 15 times earnings, compared with S&P500 at 25 times earnings. We're also positive about the estimates of moderate growth for the Chinese economy, which is expected to hold stable for at least the next 3-5 years.

Why should China represent a good opportunity for Italian investors?

The answer is very simple: China should become a point of reference for all investors, given its global political and economic weight.

In China, today, we can still buy good companies with excellent prospects at half the price of stock on Western markets. These are the considerations that should prompt investors to bet on a country where it's possible to find considerable value at very attractive prices. Of course, risk management is an aspect that needs to be monitored: in our case, what sets us aside from other funds investing in China is the number of days my analysts and I spend visiting the factories, suppliers and clients of the companies we want to invest in, to make sure there is no fraud going on.