



## Four major trends in China to keep an eye on in the future

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**Haiyan Li-Labbé, a Fund Manager specialising in China at Carmignac, illustrates the reasons for investing in the country; the long-term prospects for China's economy and its stock market; and the investment strategy of [Carmignac Portfolio China New Economy](#).**

### Why invest in Chinese equities, especially those of China's 'new economy'?

**Haiyan Li-Labbé:** Firstly, China is the second largest financial market in the world, and Chinese stocks are attractively priced. Now valued at over \$14 trillion, Chinese equities should continue to offer investment opportunities for the next 10 to 15 years, especially in China's 'new economy' stocks, which have great potential.

China's 'new economy' is the result of the current strategic plan to make China more technologically self-sufficient and of the Chinese Communist Party's 2021- 2035 development plan. Based on consumption, technological innovation, health, and urbanisation, it is the new driver of growth for a country whose economy used to depend on foreign investment and exports. It should enable China to generate more sustainable and environmentally friendly growth.

By being selective in our investment choices, we can exploit the potential of China's economy, which now accounts for over 40% of global economic growth, and of the long-term reforms that have been launched in terms of health insurance, retirement, and increased purchasing power etc. Innovation, in particular, will play a key role in driving the country's future growth, which is already a leader in many fields such as 5G, biotechnology, robotics, and online payments.

## Can you describe your outlook for China?

**HLL:** We expect the Chinese economy to grow by nearly 8.5% in 2021, as consumption recovers, but we will have to keep an eye on how the relationship with the new US government develops.

In the long-term, China's gross domestic product (GDP) is expected to double by 2035, making the country the world's largest economy ahead of the United States. We also expect China to remain politically stable, as President Xi Jinping is extremely popular.

Through its reforms, the Chinese government intends to increase the country's autonomy between now and 2025 by reducing its technological and economic dependence. We have identified four major trends arising from these reforms for the future: technological innovation, ecological transition, changing consumption patterns, and health and medical innovations.

## What is the investment strategy of the Fund you manage, Carmignac Portfolio China New Economy?

**HLL:** Primarily, we use a stock-picking approach. Rather than trying to replicate a stock market index, we seek out stocks that we believe offer the best potential, based on our country expertise. Carmignac has been investing in China for over thirty years and we believe that it is essential to go **out into the field, visit companies, meet and talk with their managers, and identify competitors and partners so that we can identify the best investment opportunities and reduce risk**. Therefore, we rely on our in-depth knowledge of Chinese companies, and each company is subject to rigorous analysis from both a financial (long-term growth, financial strength etc.) and an extra-financial perspective (environment, governance etc.). Even after selecting companies that we believe have long-term potential, we constantly review and analyse our choices and the size of our investments.

We focus on companies in the new Chinese economy whose long-term growth prospects look most promising, thanks to the economic transition and the structural reforms carried out in the country. Therefore, we focus on leaders in high-potential sectors such as internet services (e-commerce, home delivery), consumer goods, fintech (payments and cloud), 5G, clean energy development, education, healthcare, and biotechnology. This new economy reflects Carmignac's convictions and our pioneering role in environmental, social and governance (ESG) investment. Most of the companies in which the fund has already invested are companies with a high ESG rating anyway, according to [START](#), our own ESG rating tool.

[Learn more about opportunities in Chinese equities](#)

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<sup>1</sup>**Benchmark:** MSCI China (USD) calculated with net dividends reinvested and converted into EUR. (NDEUCHF). Source: Carmignac at 08/04/2021.

## Carmignac Portfolio China New Economy

← Lower risk Higher risk  
Potentially lower return Potentially  
higher return  
investment horizon

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- 2
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**LIQUIDITY:** The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

**EMERGING MARKETS:** Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

**CURRENCY:** Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments.

**LIQUIDITY:** Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

The Fund presents a risk of loss of capital.

\*Source: Carmignac, 08/04/2021. For the Carmignac Portfolio China New Economy A EUR Acc. unit KIID (Key Investor Information Document) risk scale Risk 1 does not mean a risk-free investment. This indicator may change over time.

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