

PREMIER SPONSOR ARTICLE SERIES



Why now is the time to reconsider China

China is changing. Its economic growth is increasingly driven by innovations in technology, data and science. Its capital markets are developing with a similar energy, on their way to becoming an integrated part of the global financial system.

Now is the time to get ahead of the opportunities as an investor.

Innovation and transformation: key drivers of China's growth

Advanced-manufacturing sectors have the potential to add more value to China's economy than traditional manufacturing. China's leadership role in these areas (examples in infographic below) ensures that it will no longer be seen as a country that imitates others' success.

Innovation and R&D activities in China



35x increase
in R&D spending
in last 30 years (1)

45x increase
in patent filings
2009 – 2019 (2)



USD 2.1 trillion
infrastructure investment
through 2025 (3)

200x increase
in fuel-cell electric vehicles
by 2030 (4)



Source:

(1) OECD, AllianzGI Global Economics & Strategy. Data as of 2018

(2) World Intellectual Property Organization, December 2019

(3) Goldman Sachs, July 2020

(4) Belfer Center for Science & International Affairs, July 2020

What will the "China of the future" look like?

Some of China's most significant transformational efforts include the success of domestic brands, a growing emphasis on sustainability and a commitment to leadership in advanced technologies.

The rise of domestic brands

- Improvement in product quality is boosting dominance of local brands
- In 2010, only 10% of smartphones sold in China were domestic brands; now it's close to 90%

Becoming a green pioneer


- China plans to achieve carbon neutrality by 2060 (and peak CO2 before 2030)
- China has been the largest investor in renewable energy over the last decade

From imitation to innovation


- China's healthcare sector presents potential growth opportunities, with a surge in biotech spending over the last decade. China is building a globally competitive biotechnology industry.
- China's plan places a greater focus on self-sufficiency in strategically important sectors like 5G and semiconductors.

The importance of the private-sector development was reinforced in the first week of September 2021 with the announcement that China will create a new stock exchange in Beijing, designed to become a primary platform for serving innovation-oriented small and medium-sized enterprises.

Are you taking the right approach to investing in China?




Already invested?

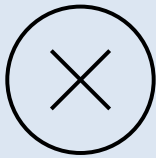


If you are investing in China, ...

you may already know that some of the biggest global benchmarks have steadily increased their China allocations in recent years. These are the indices such as global equity or emerging markets indices against which many portfolios are measured. But given how important China is to the global economy, the benchmarks may not be investing enough in China. You may want to **consider allocating more to China than the benchmarks do.**




Not invested?

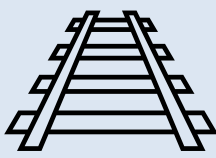


If you are not already investing in China, ...

it may be time to view China as its own asset class – one that may warrant a dedicated, standalone allocation. You can even **start by making small changes to what you have.** Moreover, our research has shown that China’s markets have historically exhibited low correlations to other major markets – meaning they frequently move in different directions. Holding China A-shares in a global equity portfolio may therefore bring different exposures.



Passively invested?



If only using passive, index-tracking vehicles, ...

the Chinese exposure within global equity indices such as MSCI Emerging Markets Index is highly biased towards mega- and large-cap stocks. We believe that a direct allocation to China A-shares – especially when done through non-passive instruments – may provide investors a more well-adjusted exposure to the Chinese market. Also the passive, index-tracking approach may be **missing out on the value that active management can add while managing the risks in the case of China equities.**

Explore further

For more insights about China equities, download and read the April issue of Premier Sponsor article contributed by Allianz Global Investors, [Quick Facts About China Equities](#).



Important Information

Data is sourced from Allianz Global Investors, as of **1 September 2021**, unless otherwise stated.

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Active is: Allianz Global Investors

Source: Allianz Global Investors, data as at 31 December 2020

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