Live with Beonca Yip

Market volatility and China Asset Management

Mackenzie All China Equity Fund

On June 16, Mackenzie hosted a webinar featuring **Beonca Yip**, Head of Global Clients Group, Managing Director, International Business, China Asset Management.

Webinar highlights

Macroeconomic perspective

- Overall cases of COVID-19 are on sharp decline in China, much lower than countries like the U.S., Italy and Spain. The Chinese government is highly proactive about controlling the virus and tracking the health of citizens through advanced technology, such as strong data collection and personal health monitoring apps.
- Despite the pandemic, many attractive opportunities still exist in China. Much of China's economic activity and productivity are reverting to normal. As much of the economy reopens, employment levels have rebounded.
- A V-shaped economic/market recovery is still on track in China, driven by the infrastructure, real estate and automobile industries. E-commerce growth remains robust (e.g., market leader Alibaba Group), as do the entertainment, leisure and personal/business travel industries. Digital payments in China are roughly US$9 trillion annually, more than 10 times that of the U.S.
- China's economy continues to be open to foreign investment amid a strong focus on market reform. While there is significant foreign investment in China, particularly in high value-added manufacturing and import/export, onshore capital markets still have great potential to attract foreign investments.
- The long-term drivers of China's economy include considerable spending on research & development, innovation (new technology), commitment to higher education in STEM disciplines (rapid growth of intellectual capital) and technological development as a result of government policy initiatives.
- Estimated real GDP growth is expected to recover to 1% y-o-y in Q2 of 2020, with about 5% growth y-o-y in Q3 and approximately 2%-3% over the full calendar year.
- Over the past decade, the new economy has been generating significant returns versus the old economy. China is experiencing an economic shift, with a greater focus on health care, high technology and advanced manufacturing. Progressing from "emerging market" status, some of China's companies have become world leaders in internet and digital payment sales.
- China is also committed to being more eco-friendly. There has been much growth in new energy vehicles (e.g., electric cars) and utilizing solar and wind as renewable energy sources. The result has been significantly less pollution as the reliance on traditional fossil fuels is declining.
- In high value-added manufacturing, the focus has been largely on next-generation technology such as advanced telecommunications, artificial intelligence, aerospace, engineering, robotics and consumer/infrastructure technology.
- From a global perspective, health care spending per capita does not rank high relative to some countries, but is growing above 10% annually (as a percentage of GDP), with potential for more, especially as society continues to age.
- China's stock markets have been relatively resilient through the pandemic. Current valuations in Chinese markets are lower than other major developed markets. China's economy still represents approximately 15% of global GDP.
- A move toward de-globalization and persistent trade war rhetoric may have some negative impact on China, but we believe the world still values free trade and containing costs/prices through globalized capabilities. If globalization slows, China is prepared as it is committed to grow demand within the Chinese economy (referred to as "domestic replacement") to offset a potential decline in export activity. China is largely self-sufficient now and strong in most industrial areas (the semi-conductor industry still lags and relies on imports, although the situation is improving).

Mackenzie All China Equity Fund

- As one of China's first and biggest asset managers, we have strong local presence and specialized expertise. China Asset Management has been operating for 22 years and has approximately 1,100 employees and 250 investment professionals. As at December 31, 2019, we managed roughly C$220 billion in assets.

- The Fund launched in October 2017 and has outperformed its benchmark and the vast majority (well over 90%) of its peers year-to-date and over the one- and two-year periods. The portfolio is concentrated (about 40 holdings) yet well diversified, with a low turnover rate, and is composed of high-quality, high-conviction businesses.
- The Fund is primarily focused on new economy sectors. It has overweight exposure to the health care, consumer staples, consumer discretionary and information technology sectors. It has underweight exposure to the financials, utilities, communication services and energy sectors, which represent the old economy and have weaker or declining growth prospects over the long term.

Check out the webinar

This webinar is available on-demand! Access the playback through our website.