

Schroders



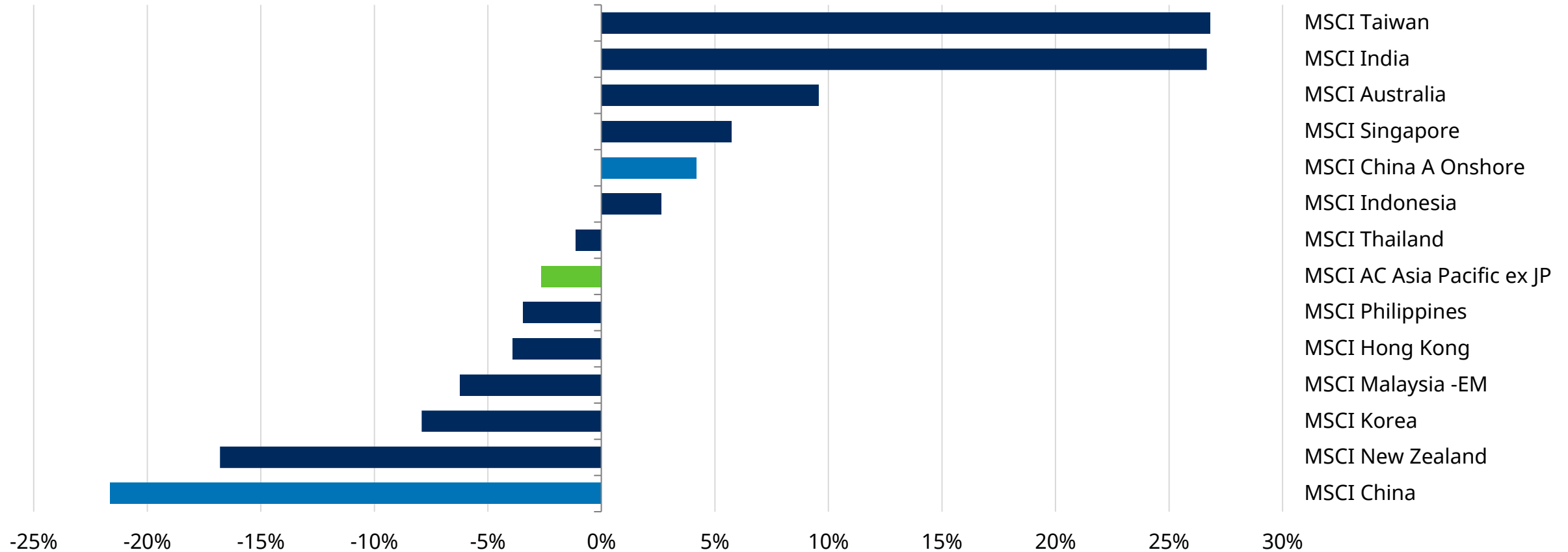
Investment Symposium 2022

Stephen Kam, Investment Director, Asia ex Japan
March 2022

Marketing material for professional investors or advisers only.

Cyclical markets led, while China lagged in 2021

2021 performance of major markets in Asia Pacific region



Past performance is not a guide to future performance and may not be repeated.

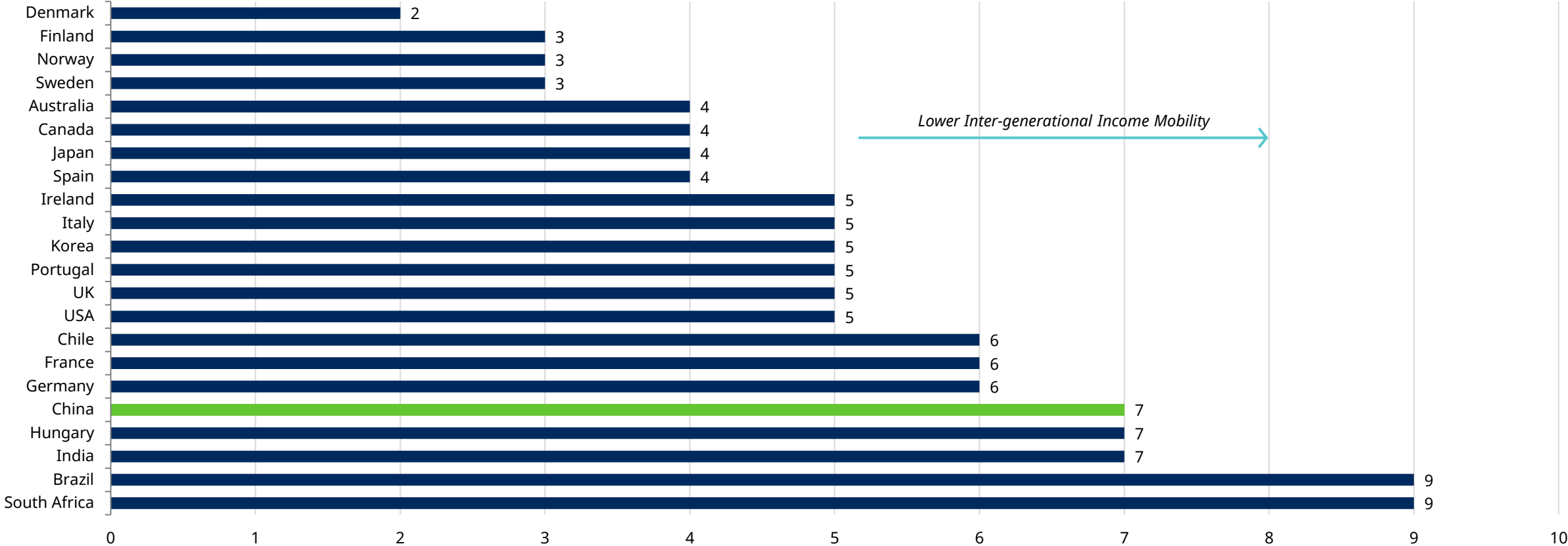
Source: FactSet, MSCI, Schroders, 31 December 2021.

'Common prosperity' – addressing growing income disparity

As in many countries, low social mobility is a big issue in China

The Social Mobility Hurdle

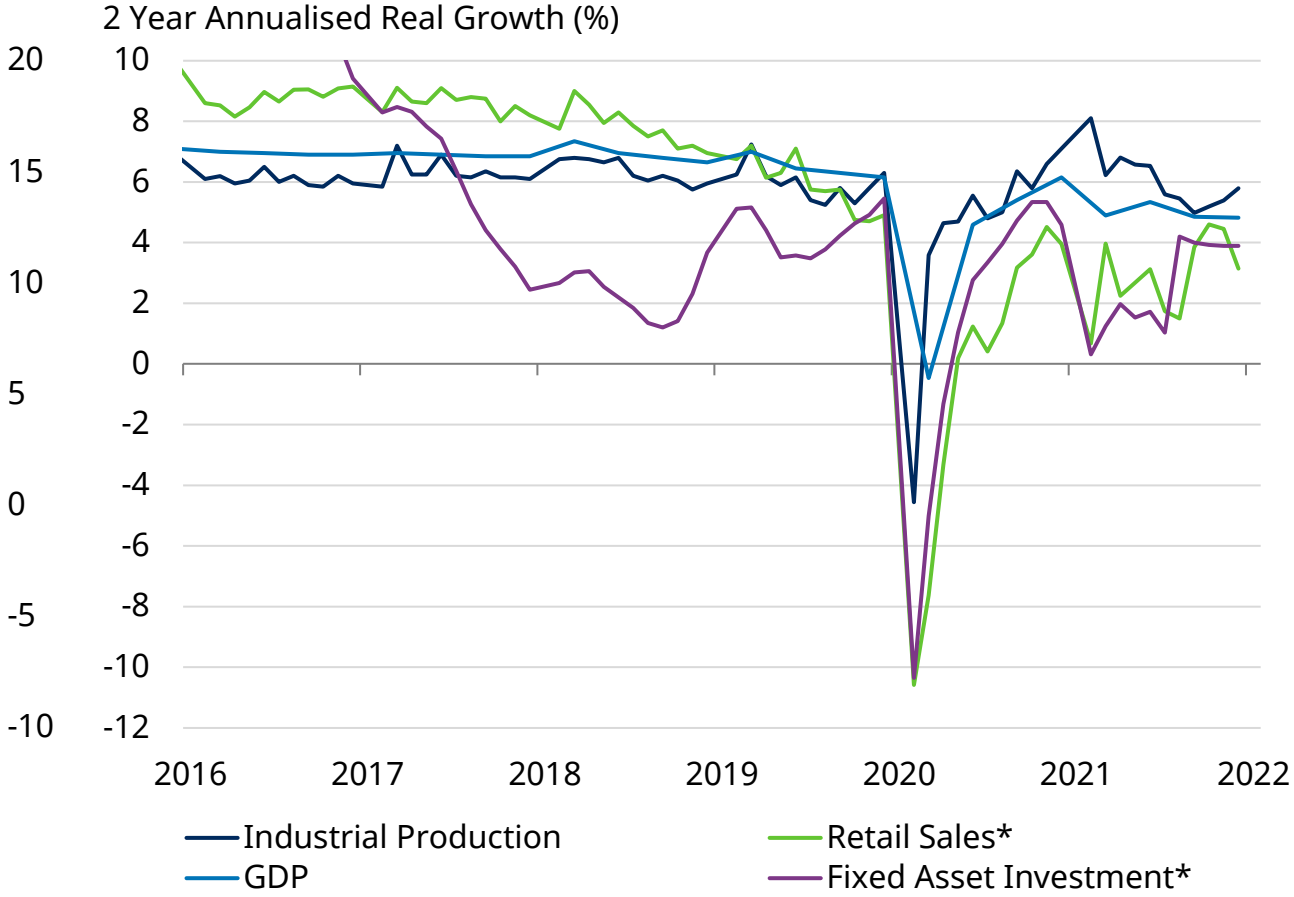
Number of generations it would take for those born in a low-income family to approach mean income



Source: Global Social Mobility Report 2020, World Economic Forum, BofA Global Research, August 2021.

China GDP growth slowed to 4% y/y in Q4 2021

Growth still unbalanced, manufacturing picked up in Q4 but retail sales were weak



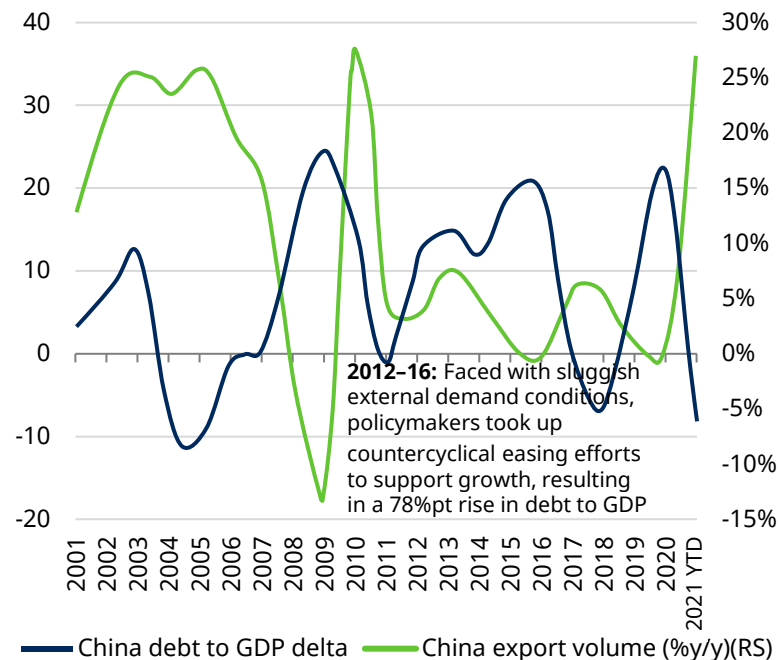
Source: Refinitiv, Schroders Economics Group. 17 January 2022.

China – policy easing on the way in 2022?

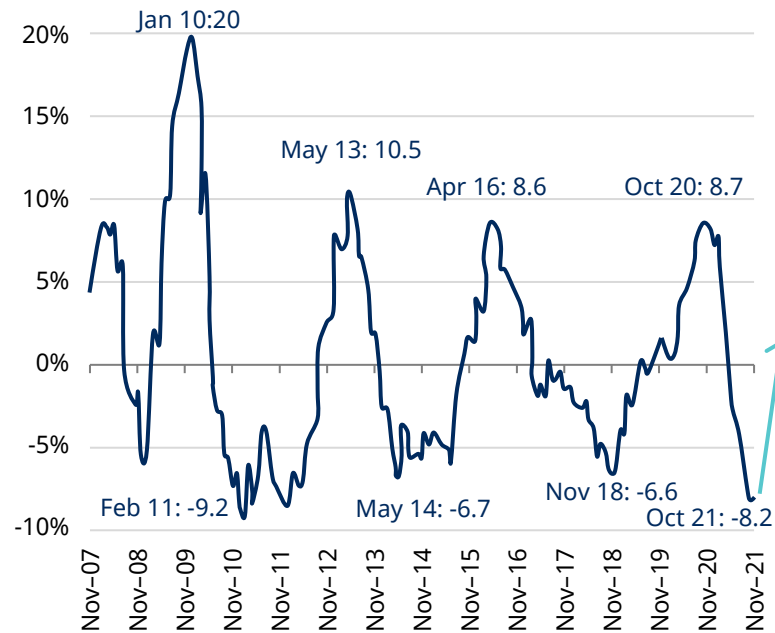
Strong export sector and post COVID rebound created room for policy tightening in 2021. Scope for relaxation in 2022 as economic momentum fades

2003–07: As global trade volume growth stayed strong in the period, China was able to take up countercyclical deleveraging and debt to GDP fell 21%pt

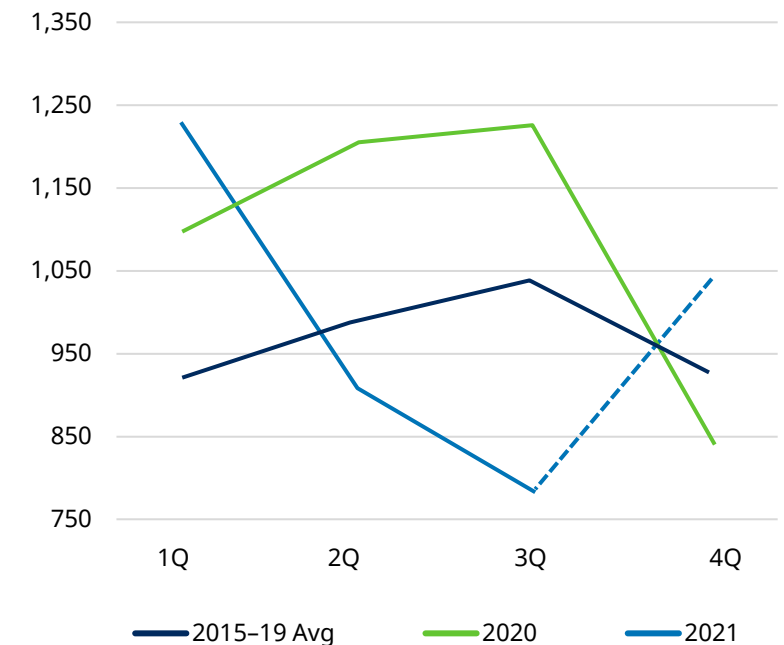
2021: Amid robust external demand conditions, policymakers have again taken up countercyclical tightening efforts, concentrated in the property sector



China's credit impulse, % of GDP



New residential mortgage debt, RMB Bn

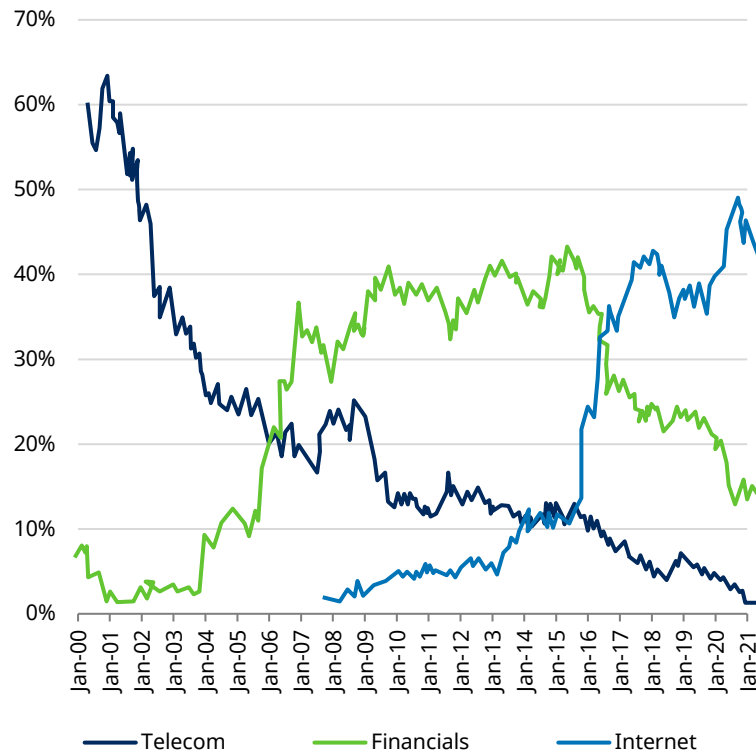


Source: Morgan Stanley, January 2022.

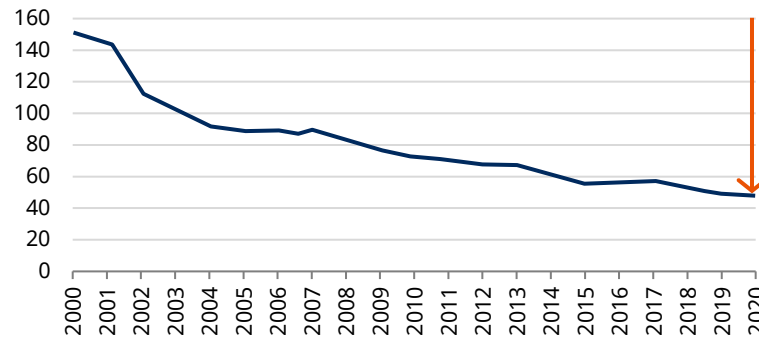
Why is the market so worried about the wave of new regulation?

If the government priority is shifting to a much greater focus on 'common prosperity' then revenues/margins/ROIC/capex may have to be sacrificed for the 'greater good'

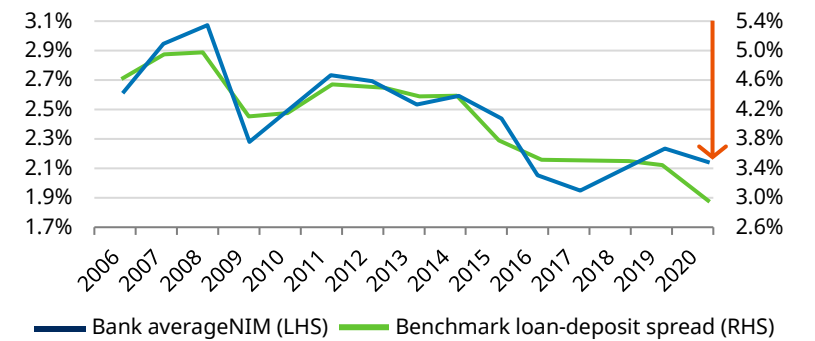
MSCI China index weighting



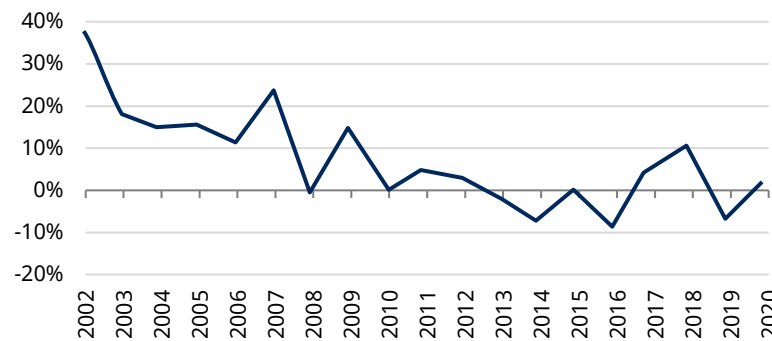
China mobile Average Revenue Per User (RMB)



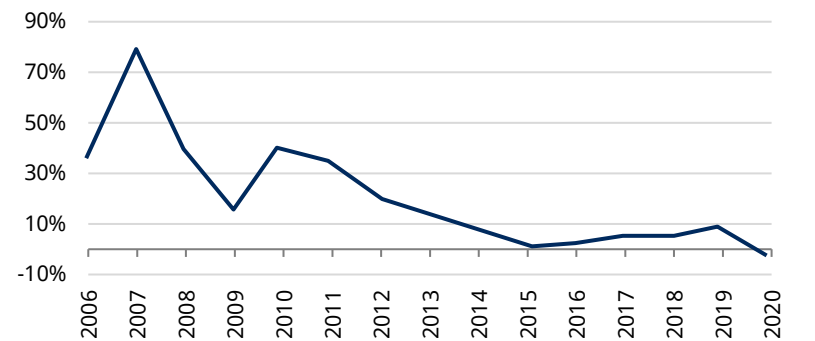
China banks' net interest margin



3 major Chinese telcos y/y earnings growth



Major Chinese banks' ave. y/y earnings growth

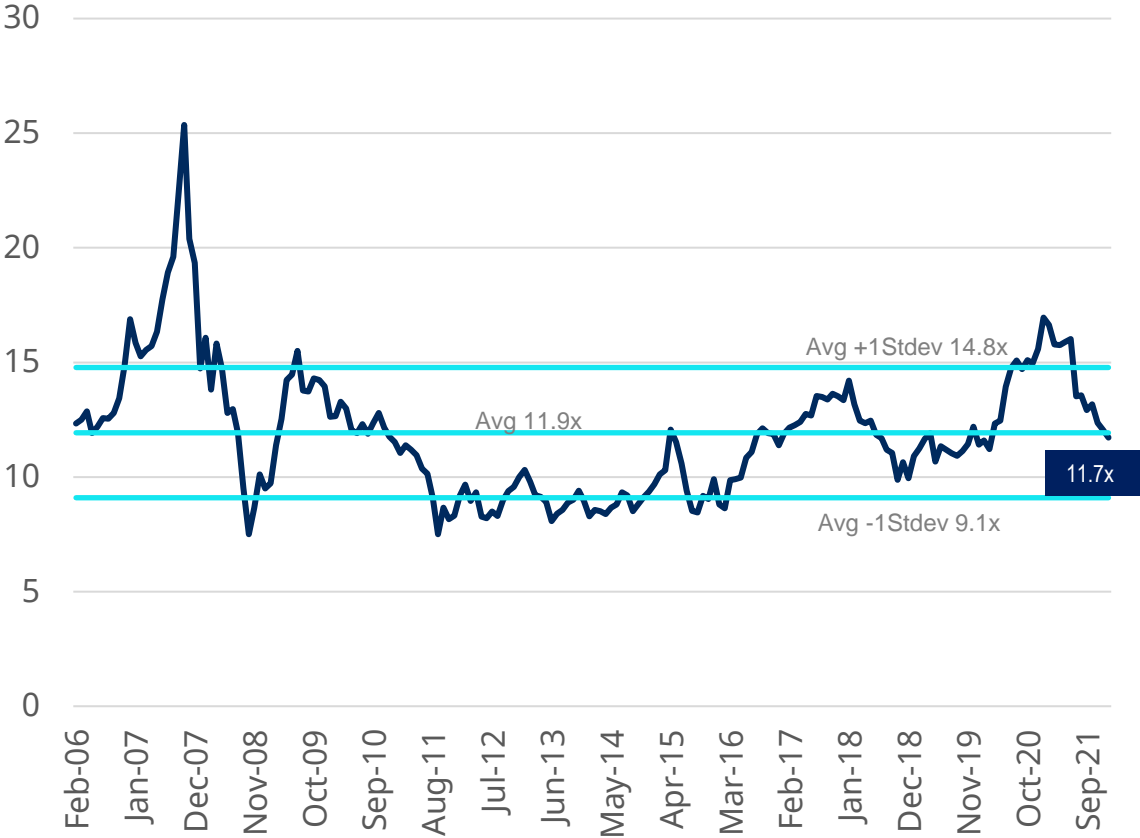


Source: BofA Research, Bloomberg, MSCI, Company data, August 2021.

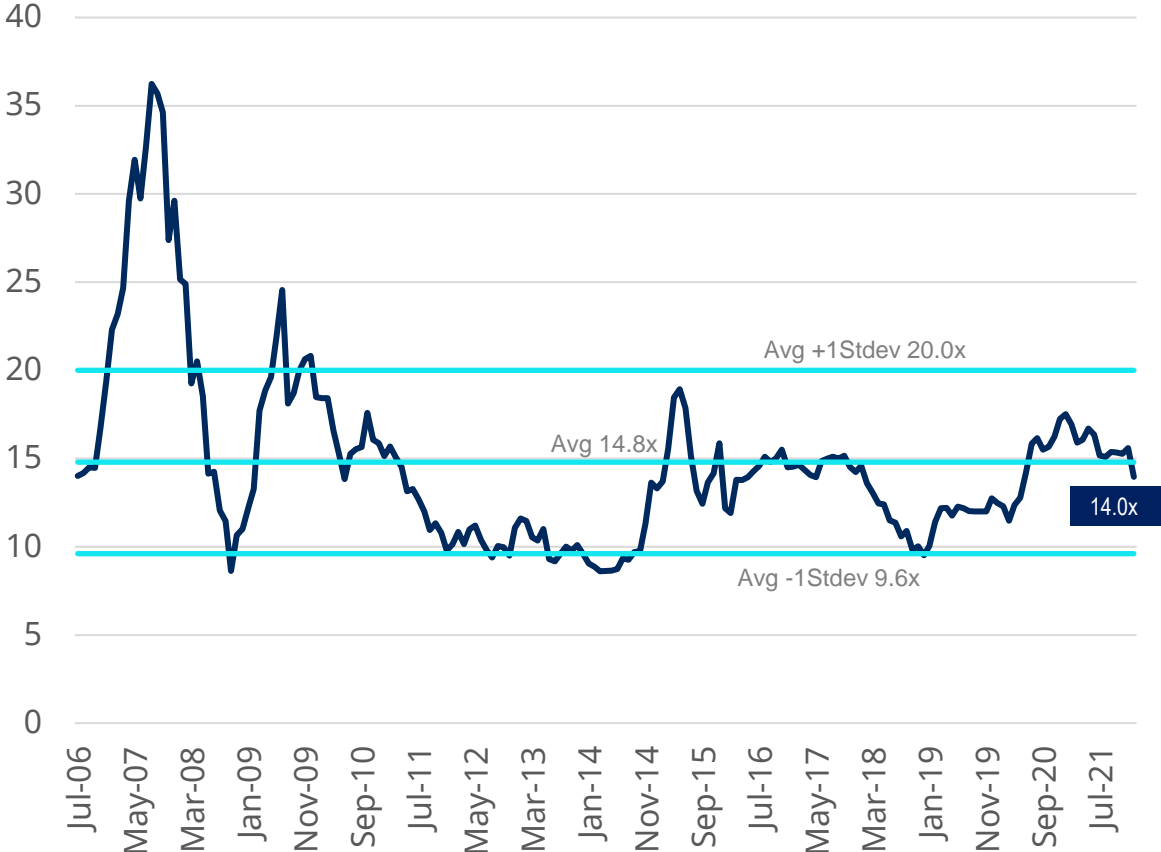
Valuations have pulled back to more reasonable levels

Both offshore and onshore markets now trading around long term average

MSCI China Forward PE (x)



MSCI China A Onshore Forward PE (x)



Source: Factset, as at 31 January 2022

Important information

For professional investors and advisers only. The material is not suitable for retail clients. We define "Professional Investors" as those who have the appropriate expertise and knowledge e.g. asset managers, distributors and financial intermediaries.

This information is a marketing communication. This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. Information herein is believed to be reliable but we do not warrant its completeness or accuracy.

Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither we, nor the data provider, will have any liability in connection with the third party data.

The material is not intended to provide, and should not be relied on for accounting, legal or tax advice. Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions.

Any references to securities, sectors, regions and/or countries are for illustrative purposes only. Schroders has expressed its own views and opinions in this document and these may change.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated.

The forecasts included are not guaranteed; they are provided only as at the date of issue and should not be relied upon. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Issued in March 2022 by Schroders Investment Management Ltd registration number: 01893220 (Incorporated in England and Wales) which is authorised and regulated in the UK by the Financial Conduct Authority and an authorised financial services provider in South Africa FSP No: 48998.

Schroders



Marketing material for professional investors or advisers only.