RISCURA

*Press Release*

# *RisCura: Institutional investors see potential of Chinese equities*

## 15 November 2021

- RisCura's China equities strategy reaches almost $1bn in three years
- Becomes one of the largest institutional multi-managed China equity strategies globally

RisCura, a global investment firm, celebrated its third anniversary with almost $1bn under management of their China's equities strategy. This makes it one of the largest institutional multi-managed China equity strategies globally. The strategy allows institutional investors, such as retirement funds and insurers, to benefit from RisCura's expertise in emerging and frontier markets in accessing a portfolio of active Chinese investment managers, particularly those with investments in listed equity on the Chinese mainland exchanges in Shanghai and Shenzhen.

Since its inception, the strategy has delivered strong risk-adjusted returns for investors. Up to the end of October 2021, it produced an annualised return of 26.5%, 6.3% over its benchmark*.

"The potential to participate in longer-term Chinese growth is an exciting opportunity for institutional investors," says Andrew van Biljon, RisCura portfolio manager for the strategy. China is the world's second-largest stock market, with more than 4,000 companies on the mainland (A-shares) and 2,500 listed in Hong Kong and elsewhere. Mainland companies have a market capitalisation of about US$ 9 trillion but are underrepresented in global equity indices such as the MSCI Global Emerging Markets equity index. China is around 20% of global market capitalisation but less than 4% of global portfolios. "Some 60% of global equity investments are currently into the US, yet China is set to become the world's biggest economy by 2030," van Biljon says.

Turning to retirement funds, van Biljon adds, ”RisCura estimates that only a small percentage of pension funds have direct exposure to mainland China shares. Most funds either have indirect exposure via holdings in global companies that operate in China or comingled with other geographies via their emerging markets mandates. "We believe this is not optimal for their members as the universe of listed Chinese companies has some of the world's largest, most innovative and fastest growing companies, and even more interestingly many domestic

Chinese companies – largely unknown to western observers – providing products and services to local consumers."

Faisal Rafi, RisCura's head of investment research, mentions that the growth drivers of the Chinese economy have moved on from infrastructure and inexpensive production/export driven economy and are now broad-based. The world's largest population is maturing, urbanising, and embracing technology and e-commerce. Additionally, state support through fiscal packages and poverty reduction schemes are providing a material tailwind.

**Multi-management a must**

The sheer size of the Chinese market, the increasing complexity of the economy, and the uniqueness of Chinese business culture make it essential to have a range of analysts and managers on the ground, Rafi says. Add to this the fact that active Chinese asset managers tend to specialise by region or sector, and the benefits of a multi-manager approach become clear. Chinese managers often have a private equity mindset, and portfolios tend to be concentrated in a few companies that they know extremely well. RisCura's strategy currently includes 10 Chinese specialist managers, which may seem like a substantial number, but not when the size of the Chinese market is considered.

**Volatility provides opportunities for long term investors**

While the concentrated portfolio approach of Chinese managers can lead to strong performance over the long term, performance can be volatile. The predominance of retail investors in the market is another volatility factor as is the fact that the Chinese market is under-researched by professional investors. This leads to investors, who may be insufficiently informed, withdrawing from the market precipitously as happened in late July this year on the back of regulatory reforms affecting education and tech companies were passed. Over this period (July 2021), the MSCI China and the MSCI China A Onshore Index lost 13.84% and 5.1%, respectively.

"We believe significant dips in the market caused by large drawdowns can create a handsome opportunity for professional, active managers; nor are they uncommon in China given the preponderance of retail investors in the market," says Rafi. "This only serves to support a multi-manager approach in China further. Having a range of managers with different specialisations mitigates the impact of such events while allowing the fund to unlock opportunities and deliver portfolio returns whilst diversification reduces volatility."

RISCURA

*The strategy's benchmark: 65% MSCI China A Onshore Index + 35% MSCI China Index. Past performance is not necessarily a guide to future returns.

**-ENDS-**

**Notes to Editors**

**About Riscura**

RisCura is a purpose-driven investment firm that offers investors unique insights, guidance, and investments, whilst still achieving financial goals and delivering exceptional performance for its clients. A global leader in emerging and frontier markets, RisCura is known for its investment expertise and offers services to asset owners, investment managers and service providers across the industry. Through constantly exploring new ways to invest with care and meet the needs of clients, RisCura has helped to bring about impactful investment opportunities in the markets we operate in.

RisCura has won numerous industry awards. The firm has a footprint in South Africa, the United Kingdom, China, Hong Kong, Botswana, Kenya, Mauritius, Namibia, Nigeria, Zambia, the US and Ireland.

For more information about its investment services and approach, visit the RisCura website: www.riscura.com

## Media contacts

For all media enquiries please contact KBPR using the details below:

KBPR.
keeping you connected

Priti Dey
07305 842720 | priti@kbpr.agency

Andrew Pearson
07960 984228 | andrew@kbpr.agency