Greater China Equity

Investment profile | UBS Asset Management—Americas Institutional

Objective

The Greater China Equity strategy is a pure equity portfolio, built with a distinctive investment philosophy that focuses on intrinsic value. Our goal is to provide access to the Chinese equity market in a sustainable and risk-controlled manner. The strategy invests for the long term, with a focus in Hong Kong, Taiwan and offshore-listed China equities.

Investment philosophy and process

With the Greater China Equity strategy, we combine the secular growth story with a relentless focus on value. Each analyst focuses on specific sector(s) and identifies stocks with a significant discount to their intrinsic values, winnowing down the investment universe in several steps. Portfolio candidates are debated and discussed between analysts and portfolio manager through a peer review process. This results in a tightly controlled yet diversified portfolio of 60 to 100 high-conviction plays, opening up a source of true alpha for investors in China.

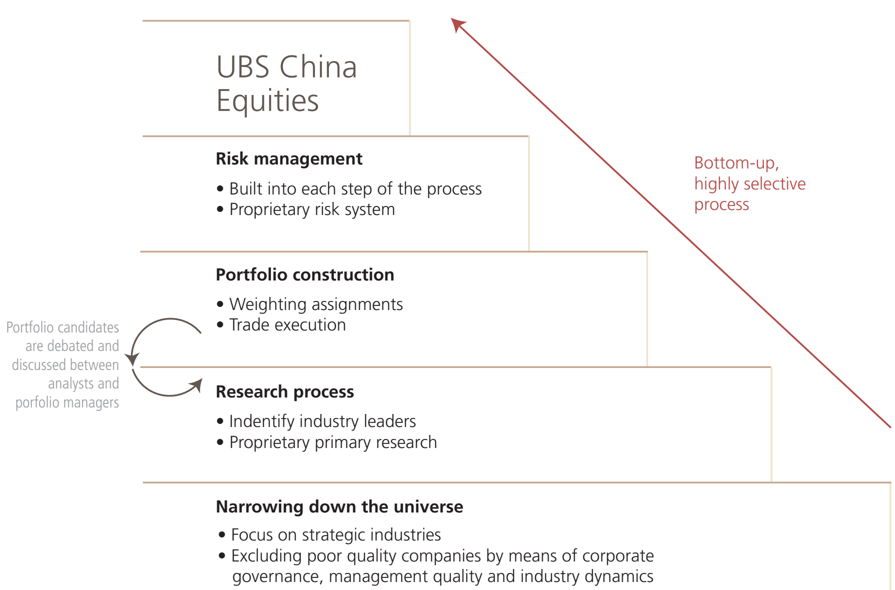
Risk is integral to the process and all portfolios are monitored to avoid uncompensated risks.

Key points

- Participate in China's growth story: Investors gain access to all classes of shares in China, such as A, B and H shares and ADRs
- Focus on industry leaders that have true performance potential, resulting in 60 to 100 high-conviction investments for the portfolio
- Multi-tiered investment process focuses on fundamental research, unconstrained by benchmark
- Dedicated China equity team with extensive local experience

China equities investment process

Disciplined application of fundamental research



For illustrative purposes only.

For institutional investors only.

Why China?

A few years ago China inherited Japan's place as the number two global economy. This basic growth trajectory is likely to continue in the long term, even as it waxes and wanes due to a number of factors, not least economic reforms, which tend to come in distinct phases. This trajectory has translated into a bull market and investors are looking for a way to profit from this dynamism in the Chinese equity market. Key items to keep in mind:

- Reform drives sustainable growth. Structural reform is beneficial to long-term sustainable growth, and remains a central theme for the country. Reforms are targeted at development of the domestic economy, and providing greater access to foreign investors, increasing demand. Both factors are positive for Chinese stocks.
- Secular opportunities are an outgrowth of underpenetrated domestic consumption in growth sectors such as healthcare, consumer staples and IT. Healthcare profits from increasing demand, coming from a population that is getting both older and richer. Consumer staples benefit from reform efforts aimed at increasing the living standards across the country. IT, in turn, is already established to a very high level in the first and second tier cities. Increasingly, IT firms are seeking penetration inland, an area of vast potential growth.
- China has a sound financial system backed by sizeable reserves, high saving rates and regulated financial markets.
- Currency is relatively stable with China's ample foreign reserves, and depreciation is under-control. Internationalization of the Chinese renminbi creates a positive currency outlook.

Team leadership

Geoffrey Wong, CFA

- Managing Director, Head of Global Emerging Markets and Asia Pacific equities
- 31 years of investing experience

Bin Shi, CFA

- Managing Director, Portfolio Manager and Research Analyst
- 24 years of investing experience

Vehicle availability[1]

- Segregated account

[1] Certain vehicles may not be available to all investors. Please contact your local representative for more information.

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