

Capturing onshore China growth opportunities

UBS China A Opportunity

China A Opportunity is an award-winning approach to capturing investment opportunities in China's onshore equity markets and has performed strongly since its inception in 2007.

The onshore opportunity

China is growing rapidly, driving the world economy, and transitioning to a 'new economy' dominated by services and consumer demand.

As China's growth story progresses, onshore equity markets are opening to overseas investors through programs like the Hong Kong-Shanghai and Shenzhen Stock Connects.

Investors now have unfettered access to China's onshore A-share markets, where there is a larger opportunity set of investible companies in 'new economy' sectors than on offshore markets in Hong Kong and the US.

China A exposure not only means access to a wider range of companies operating in a fast-growing economy but is also a good diversifier because A-share markets have low correlation with other regional markets.



Why China A Opportunity?

China A Opportunity is an actively managed strategy that is based on a concentrated equity portfolio invested in selected Chinese companies in onshore A-share markets.

Since the strategy is unconstrained by a benchmark, the team has flexibility to take focused views on the most attractive stocks, creating opportunities for the strategy to outperform the reference index.

China A Opportunity offers a tried and tested strategy that has delivered strong performance over time and is focused on identifying leading companies in fast growing 'new economy' sectors.

Correlations between global equity indices (TR USD)

February 2002 to September 2020

	MSCI North America	MSCI Europe	MSCI Pacific	MSCI China ex A-Shares	MSCI China A-Shares	MSCI EM Asia ex China	MSCI EM EMEA	MSCI EM LATAM
MSCI North America	1.00	0.88	0.76	0.63	0.36	0.77	0.74	0.70
MSCI Europe	0.88	1.00	0.80	0.68	0.36	0.80	0.83	0.76
MSCI Pacific	0.76	0.8	1.00	0.69	0.35	0.78	0.81	0.69
MSCI China ex A-Shares	0.63	0.68	0.69	1.00	0.60	0.77	0.71	0.66
MSCI China A-Shares	0.36	0.36	0.35	0.60	1.00	0.43	0.35	0.37
MSCI EM Asia ex China	0.77		0.78	0.77	0.43	1.00	0.82	0.77
MSCI EM EMEA	0.74	0.83	0.81	0.71	0.35	0.82	1.00	0.86
MSCI EM LATAM	0.70	0.76	0.69	0.66	0.37	0.77	0.86	1.00

Philosophy

We believe that a high-conviction portfolio, which exploits the inefficiencies uncovered through a long-term price to intrinsic value methodology, provides the opportunity to maximize alpha.

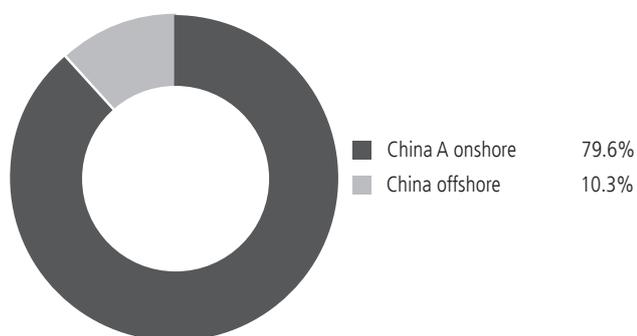
We're also focused on quality. We're highly selective about our investments and only invest in companies that meet our quality requirements.

Strategy

The strategy focuses on companies in 'new economy' sectors in A-share markets that have the potential to lead over the long-term.

We aim to achieve superior returns through active stock selection, tactical active cash allocation and strategic small and mid-cap allocation.

Portfolio positioning



Source: UBS Asset Management. Data as of end March 2021.

Note: This information should not be considered as a recommendation to purchase or sell any security

Opportunities

- Participate in China's growth story;
- Investors gain access to a wider range of opportunities on China's A-share markets compared to those on offshore markets;
- Focus on industry leaders that have true performance potential, resulting in 20–60 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 and an excellent track record.

Glossary

A-shares/China onshore

Shares in mainland China-based companies that trade on Chinese stock exchanges.

China onshore

Shares in mainland China-based companies that trade on overseas exchanges, like the Hong Kong, NYSE, and Nasdaq exchanges.

Process

Our China equities team applies a fundamentals-first approach to research and proprietary quality assessment. The team constructs portfolios using a highly-selective, bottom-up process, and the team's portfolios have a high active share with low turnover.

Why UBS-AM?

UBS Asset Management is a large-scale, global asset manager, with a long-established presence in China.

Our China Equities team operates some of the longest-running and most successful China-focused equity strategies in the world.

Staffed with China specialists, our team applies an active, bottom-up strategy to identify the best investment opportunities and leverages the expertise of UBS-SDIC our onshore joint venture.

Risks

- The strategy invests in equities and may therefore be subject to high fluctuations in value;
- An investment horizon of at least five years and corresponding risk tolerance and capacity are required;
- As these strategies pursue an active management style, each strategy's performance can deviate substantially from that of its reference index;
- All investments are subject to market fluctuations;
- Every strategy has specific risks, which can significantly increase under unusual market conditions;
- This Fund has specific risks related to Chinese investments, which can significantly increase given the specific market and market regulation.

MSCI China

An index that captures large and mid-cap representation of Chinese companies in both onshore and offshore exchanges.

Stock Connect

Investment channels linking the Shanghai and Shenzhen Stock Exchanges with the Hong Kong Stock Exchange. Investors in each market are able to trade shares on the other market using local brokers and clearing houses.

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