China Opportunity has a demonstrated track record of identifying long-term investment opportunities in sector leaders as China transitions to a 'new economy' driven by services and consumer demand.

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

China's transition is being underpinned by a series of fundamental, long-term investible trends, including urbanization, automation, innovation, demographic change, and increasing consumption.

And China Opportunity is wholly focused on these long-term secular trends and sees excellent prospects for sectors like IT, consumer, healthcare, and insurance which are closely linked to China's transition to a 'new economy.'

We take a highly selective approach to identifying 'new economy' companies that have the products, practices, and management quality to both lead their sectors and deliver growth over the long-term.

Poised to benefit from China's transition to a services-led economy

Why China Opportunity?
The China Equity Allocation strategy aims to achieve superior returns by investing in industry leaders, most notably sectors with structural growth drivers.

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

Strategy
China Opportunity is an actively managed strategy that is based on a concentrated equity portfolio invested in selected Chinese companies.

The strategy is unconstrained by a benchmark and that gives the team greater flexibility to take focused views on the most attractive stocks, creating opportunities for the strategy to outperform the reference index.

China 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.
Philosophy
We believe that the team believes it has 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.

Process
Our decision-making process is primarily driven by bottom-up proprietary research. Internally generated research focused on longer term value drivers at the industry, stock and country level, is used to estimate fundamental value for stocks.

Why UBS-AM?
We have a dedicated team of eight China specialists, with a strong track record of investing in Chinese equities. All members originate from China/Hong Kong. The team is supported by six additional investment professionals of the regional/Asian equity team, with an average of 16 years’ investment experience.

Bin Shi, Head of China Equities. As a member of the Global Emerging Market and Asia Pacific Equities team, located in Hong Kong, Bin Shi focuses on Chinese stocks listed on both the overseas and domestic Chinese stock exchanges.

Portfolio positioning

Source: UBS Asset Management. Data as of end July 2018.
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 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 40–70 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
- This requires an elevated risk tolerance and capacity

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 strategies’ 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
- The strategy can use derivatives, which may result in additional risks (particularly counterparty risk)
Glossary

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

B-shares: Shares in mainland China-based companies that trade in foreign currency. On the Shanghai Exchange, B-shares trade in USD, while on the Shenzhen Exchange, B-shares trade in HKD.

H-shares: Shares of companies incorporated in mainland China that are traded on the Hong Kong Stock Exchange.

Red Chips: Shares of companies based in China but incorporated internationally and listed on the Hong Kong Stock Exchange.

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