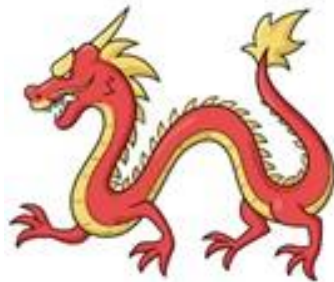


Never Laugh at Live Dragons

Dragons, a symbol of power and good fortune, have long been associated with China. Amid fears the post-Covid re-opening rally is over, foreign investors have been deserting Chinese equities. We believe this weakness will prove temporary, and the Dragon is still very much alive.



Trade Tensions are Thawing

US president Biden has indicated an improvement in relations is imminent. This week's visit to China by Jamie Dimon (CEO, JPMorgan) and Elon Musk (CEO, Tesla) could also be seen as a political statement, with Dimon specifically calling for "real engagement" between the world's two largest economies. In Australia, trade restrictions on timber have recently been relaxed, with other restrictions on products including barley and wine expected to follow.

Strength in Unity

In a recent speech, former President Obama commented that a strong Chinese (and Russian) economy is much better for the US. It means that their populations are generally happier and their leaders are less likely to do things in order to distract people from deteriorating living standards.

Low CPI

With annualised inflation running at 0.1%, China does not have an inflation problem. The bigger risk is deflation. Unlike western peers, this enables, if not forces, the PBOC to maintain interest rates at accommodating levels and introduce stimulus as required.

The Space Race 2.0

On Monday China officially announced their intentions to land a person on the moon by 2030. No human has walked on the moon since December 1972 making this a major milestone for China's space exploration program if successful.

"Conservative" GDP Growth Target

The Chinese government has set a GDP growth target of "around 5%" for 2023. According to Professor Yu Yongding, regarded by many as China's pre-eminent monetary economist, this target is "conservative" and "simply too low". He believes that "barring a black swan event, China can achieve



6% GDP growth this year.” China will need to provide infrastructure investment and fiscal stimulus to reach this level.

Support Package?

There have been widespread rumours of a 5tn Yuan (~US\$700m) special debt issuance to address emergencies and meet special needs. While details to date have been lacking, where there is smoke...

China is currently out-of-favour with many investors for good reasons. However, there are some bright spots emerging which will improve sentiment towards Chinese equities. We see similar parallels to Europe from 12 months ago, where investor sentiment rebounded sharply after economic performance exceeded initial expectations.

The Sintra Global Fund’s preferred exposure is via multi-national companies that export to China, including the major resources and luxury/premium goods manufacturers.