VanEck®

Access the opportunities.

China portfolio allocation: 'more than zero'

Sydney, 28 November 2019 – Australian investors are chronically underexposed to China, the world's second largest economy and the largest single contributor to world growth since the global financial crisis of 2008.[1] Those investors who act now to invest in the nation's rapidly developing share market will potentially reap some of the greatest benefits over the long term.

The Chinese economy is predicted to grow 5.8% in 2020[2], more than three times faster than the average of advanced economies, according to IMF forecasts. Australia's economic growth is forecast at just 2.3% in 2020.

Rapid economic growth has seen the expansion of the Chinese share market. A simmering of trade tensions with the US has seen mainland Chinese shares, known as China A-shares, rally around 23% over the year to 25 November, as measured by the benchmark CSI 300 Index. That compares to 19% for the S&P/ASX 200 and 16% for the S&P 500.

Arian Neiron, VanEck's Managing Director and Head of Asia Pacific, said Australian investors were underexposed to China and needed to reconsider their allocations to be more than zero.

"China alone accounts for 39% of global growth and its share of economic activity is rising as the nation's population of around 1.5 billion people will keep growing and consuming. China will inevitably overtake the US as the world's largest economy.

"As this growth occurs, some of the most lucrative investment opportunities lie in China's 'new economy' sectors, technology, healthcare and consumer goods and services. These sectors are benefitting from the rise in incomes and living standards, and the expansion of China's middle and upper classes.

"Wealthier consumers will favour services such as education, travel and luxury goods. We are already seeing upmarket European fashion brands such as Prada and Gucci opening up shops in China at a rapid rate. The nation's wealth is beckoning offshore investment.

"At the same time, the technology sector is booming, underpinned by the China's huge level of research and development spending and government programs aimed at encouraging innovation. Separately, the aging population is leading to growth in healthcare goods and services and pharmaceutical consumption," said Neiron.

The opportunity to invest in China A-shares is limited to only a handful of Australian institutional investors, who have the necessary approvals from the Chinese Government authorities to invest directly in the domestic China markets. VanEck is one of those few and gives Australian investors the opportunity to invest in China via its exchange traded funds (ETFs) listed on ASX.

"These opportunities should not be missed. An investment in China A-shares gives investors access to China's technology, healthcare, consumer discretionary and consumer staples sectors which are growing in importance with local companies reaping greater earnings. We believe China's 'new economy' to be one of the greatest potential sources of investment returns over the medium to long term" said Neiron.

ENDS

[1] https://www.worldbank.org/en/country/china/overview
[2] https://www.imf.org/en/News/Articles/2019/10/18/na102319-prolonged-uncertainty-weighs-on-asias-economy

MEDIA CONTACTS

Nicki Bourlioufas
Director, Spot On Content & PR
nicki@spotoncpr.com
+61 411 786 933

Vanessa Marks
Head of Communications
vmarks@vaneck.com
+61 438 243 085

ABOUT VANECK

VanEck is one of the world's largest issuers of ETFs (Exchange Traded Funds), managing in excess of $50 billion globally for individual and institutional investors. Founded in New York in 1955, VanEck is a pioneer in international investing and in gold funds, launching the first gold equities fund and the first gold ETF in the US.

In Australia, VanEck is the fastest growing ETF provider in the country and a leader in 'smart beta' investment strategies. We have 19 ETFs on ASX that focus on delivering superior performance through beyond-the-usual approaches and providing access to asset classes typically unavailable to Australian investors.

vaneck.com.au