

# BCI CONFERENCE

CIO Notes on China

APRIL 2025

RISCURA

# RISCURA AND OUR FOOTPRINT IN CHINA



**\$200bn**  
Under advice

**\$1bn+**

Allocated to China



**\$780m**

China pooled funds

## A dominant allocator over last 5 years



Trusted partner to Corporate  
state & multinational  
schemes



Investment processes & systems  
customized to emerging markets



Researching  
China since 2013



Staff in  
Hong Kong



Staff in  
Shanghai



**200+**

Managers  
researched



**100+**

Meetings  
in 2023

**14**

Manager  
allocations

SHANGHAI | HONG KONG | CAPE TOWN | GABORONE | JOHANNESBURG  
LONDON | NAIROBI | PORT LOUIS | WINDHOEK | WASHINGTON DC

# WHY CHINA?

# THE CHINA YOU HAVE READ ABOUT:



COMMUNIST STATE  
Xi Jinping rule  
third term  
AUTOCRATIC RULE



HOUSE PRICES  
-35%  
year-on-year  
DECLINE



POPULATION GROWTH  
0% p.a.  
last 8 years  
FLAT BUT WILL DECLINE



GEOPOLITICS  
Tech sanctions  
last 8 years  
WORSENING RHETORIC



PROPERTY SALES  
-20%  
year-on-year  
DECLINE



LABOUR COST INDEX  
+38%  
year-on-year  
INCREASE



GDP GROWTH  
Stagnating  
Last 8 years  
WORSENING



CONSUMPTION GROWTH  
Flat  
last 3 years  
SLOWING



WORKFORCE  
-6.5%  
last decade  
DECLINE

# CONVENTIONAL THEMES ABOUT THE REAL CHINA: POPULATION - LARGE & TECH SAVVY

## Market size

400m middle class

900m urban

Highest savings rate in the world

## Skills and entrepreneurs

240m graduates

10m new graduates p.a.

400m active businesses

23% global unicorns

## New technology adoption

>1bn people with internet access

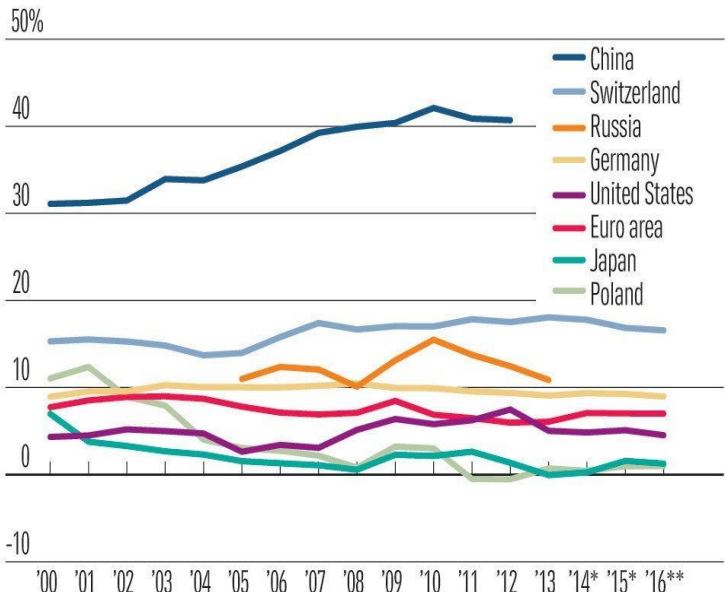
960m short video users

720m livestream users

300m online healthcare users

### Household Savings Rates

As a percentage of disposable income, by nation since 2000



Source: oecd.org

\*Estimate \*\*Forecast

### TOP 10 COUNTRIES WITH THE WORLD'S MOST UNICORN COMPANIES

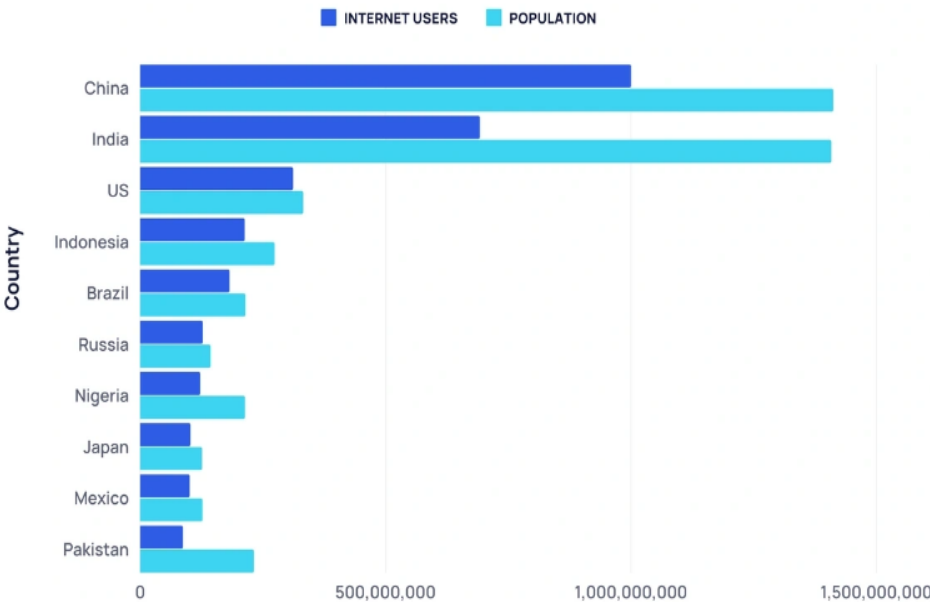


1	US	703
2	CHINA	340
3	INDIA	67
4	UK	53
5	GERMANY	36
6	FRANCE	27
7	ISRAEL	26
8	CANADA	25
9	S. KOREA	18
9	BRAZIL	18

Source: Hurun Global Unicorn Index 2024



### Countries with the most internet users



# CONVENTIONAL THEMES ABOUT THE REAL CHINA: LEADING PLATFORM FOR GROWTH

## Infrastructure

29% of global manufacturing graduates  
4G networks cover 99% of population  
largest 5G network  
6m km transport network



## Mechanisation

Productivity growth overcomes demographics  
Infrastructure, robotics, hardware and software  
Output growth



Source: Picture of Xpeng Motors' automated factory in Zhaqing, Guangdong.

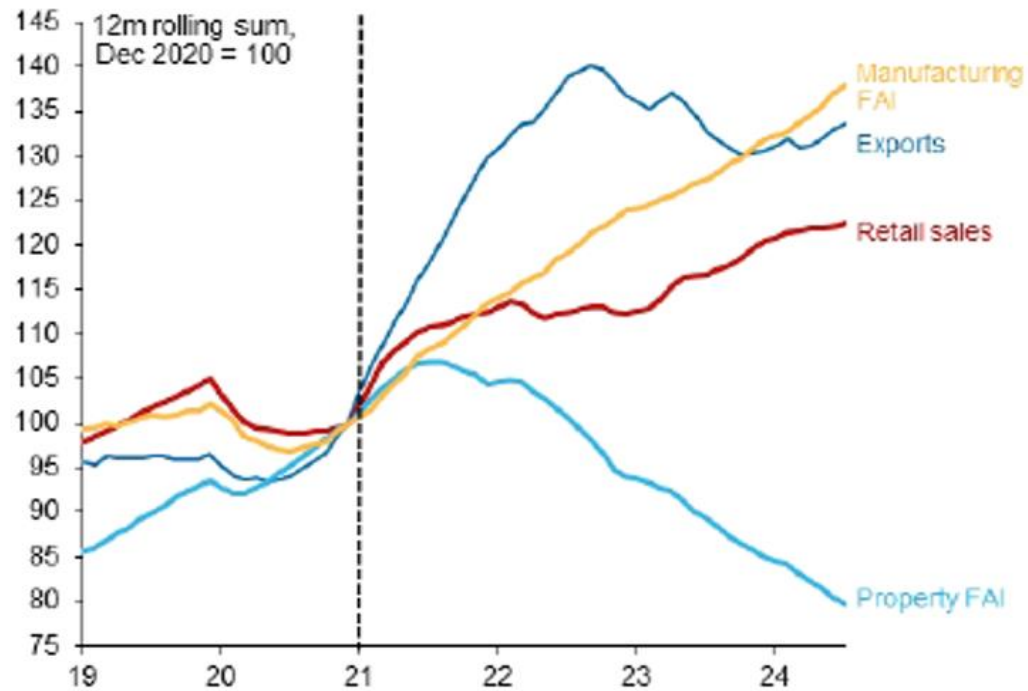
# CONVENTIONAL THEMES ABOUT THE REAL CHINA: ECONOMIC PIVOT

## STRENGTH OUTSIDE PROPERTY

Growth in many sectors despite rhetoric

Auto, advanced manufacturing, exports

CHINESE ECONOMY CONTINUES GROWING



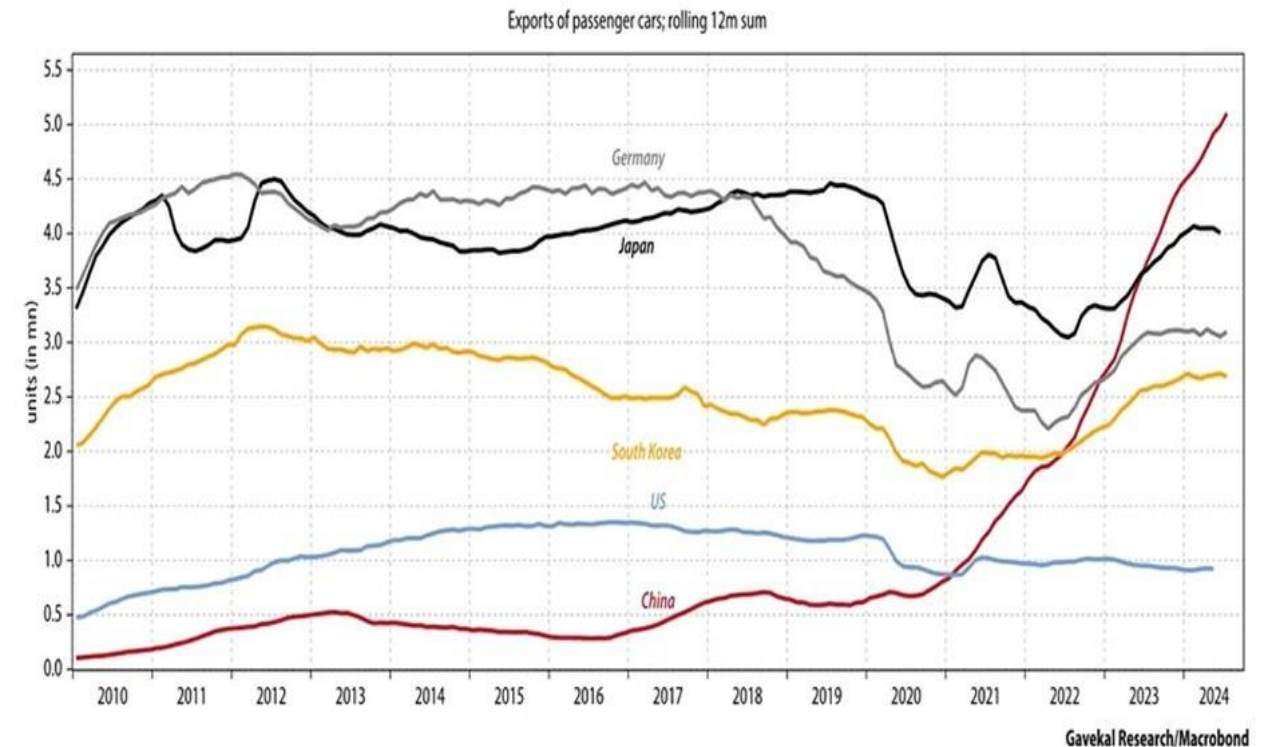
## INTEGRATED SUPPLY CHAINS

Rapid market share gains

Disrupting traditional industries

MANUFACTURING POWERHOUSE

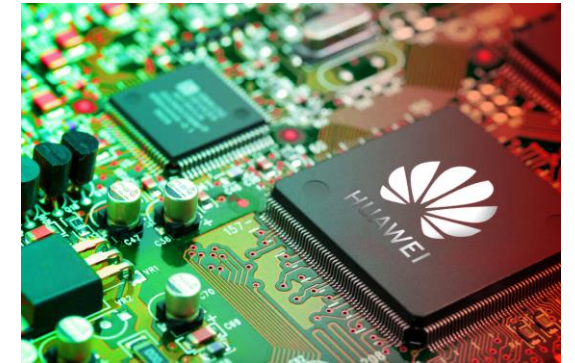
China has emerged from the pandemic as an auto export powerhouse



Source: NBS, WIND, Macquarie Macro Strategy, Right Chart – Gavekal Dragonomics/Macrobond.

# ELEPHANT IN THE ROOM: SEMI- CONDUCTORS

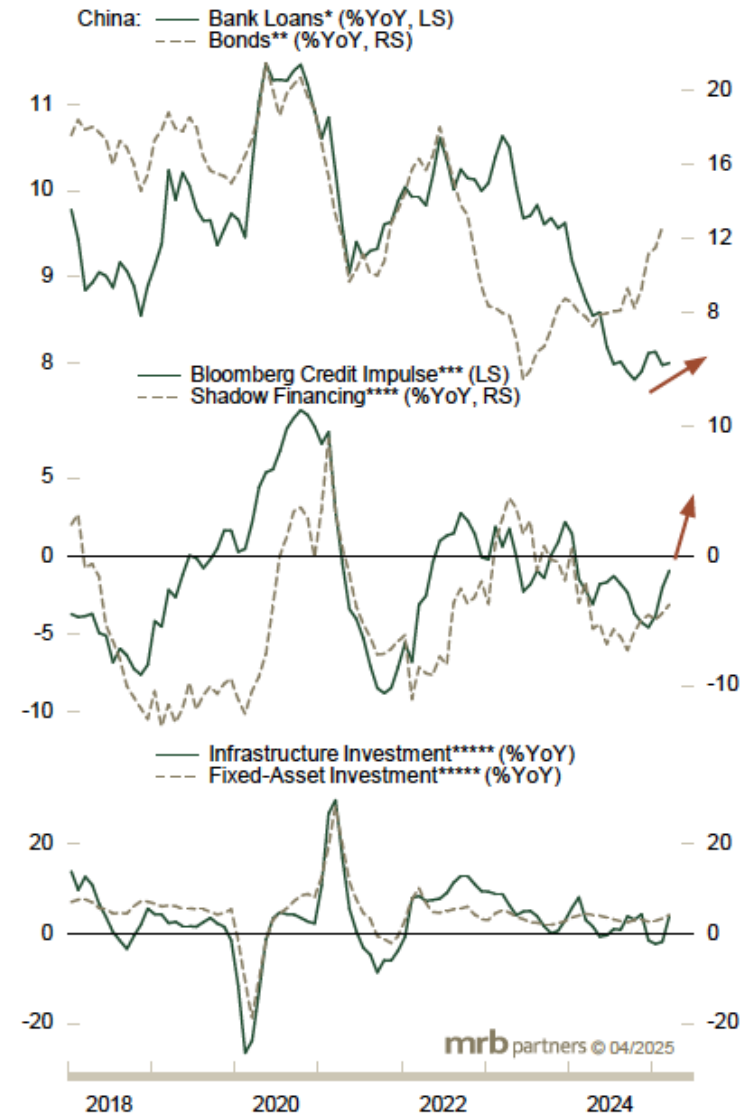
## HUAWEI: DEFYING US SANCTIONS



# WHAT HAS CHANGED – HARD INVESTMENT FACTS: RECENT STIMULUS

Loan expansion picks up on  
short-term corporate  
borrowing and household  
demand

Chart 6 Credit Impulse Is Improving

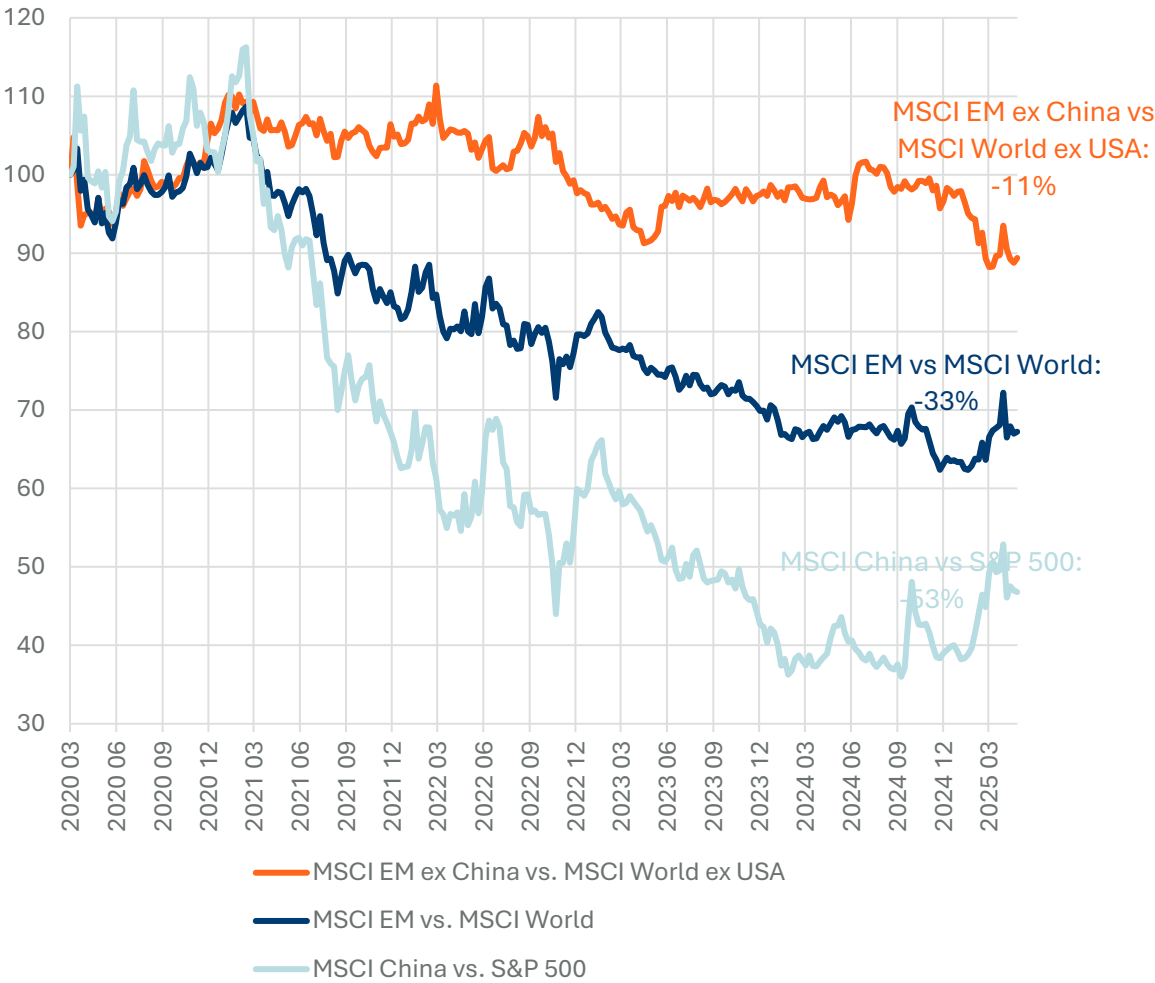


\* Includes local and foreign currency loans; source: PBoC  
\*\* Includes corporate and local government bond; source: PBoC and China Central Depository & Clearing Co.  
\*\*\* Source: Bloomberg  
\*\*\*\* Includes bankers' acceptances, entrusted loans, trust loans; source: PBoC  
\*\*\*\*\* Smoothed; source: China National Bureau of Statistics

# HARD INVESTMENT FACTS: YET STILL CHEAP VALUATIONS

RELATIVE MARKET RECOVERY  
Locals buying equities  
Still 50% underperformance vs USA over three years  
RISK AVERSION CHANGE

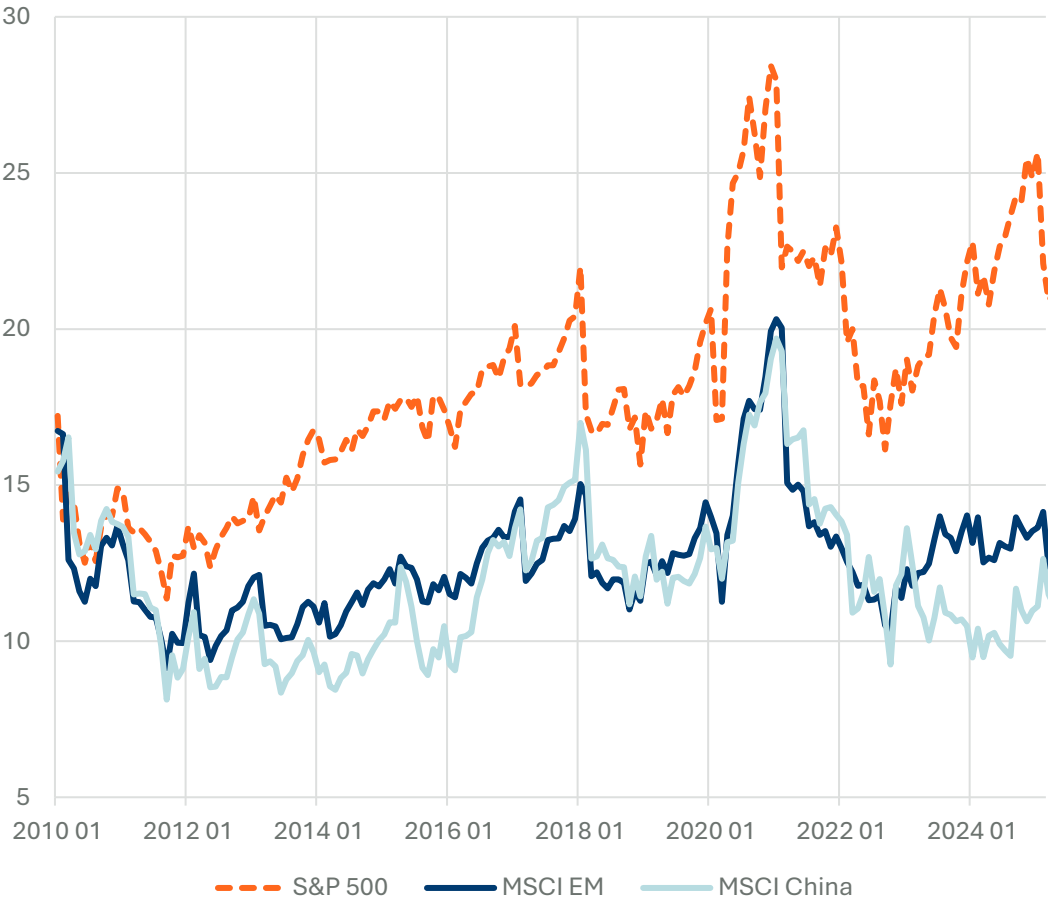
Relative performance



Source: Bloomberg and RisCura calculations (weekly) | 06 March 2020 until 02 May 2025

HUGE VALUATION DISCOUNTS  
Discount: 52% to USA, 16% to EM  
Despite higher earnings growth forecasts  
HIGH FUTURE RETURNS

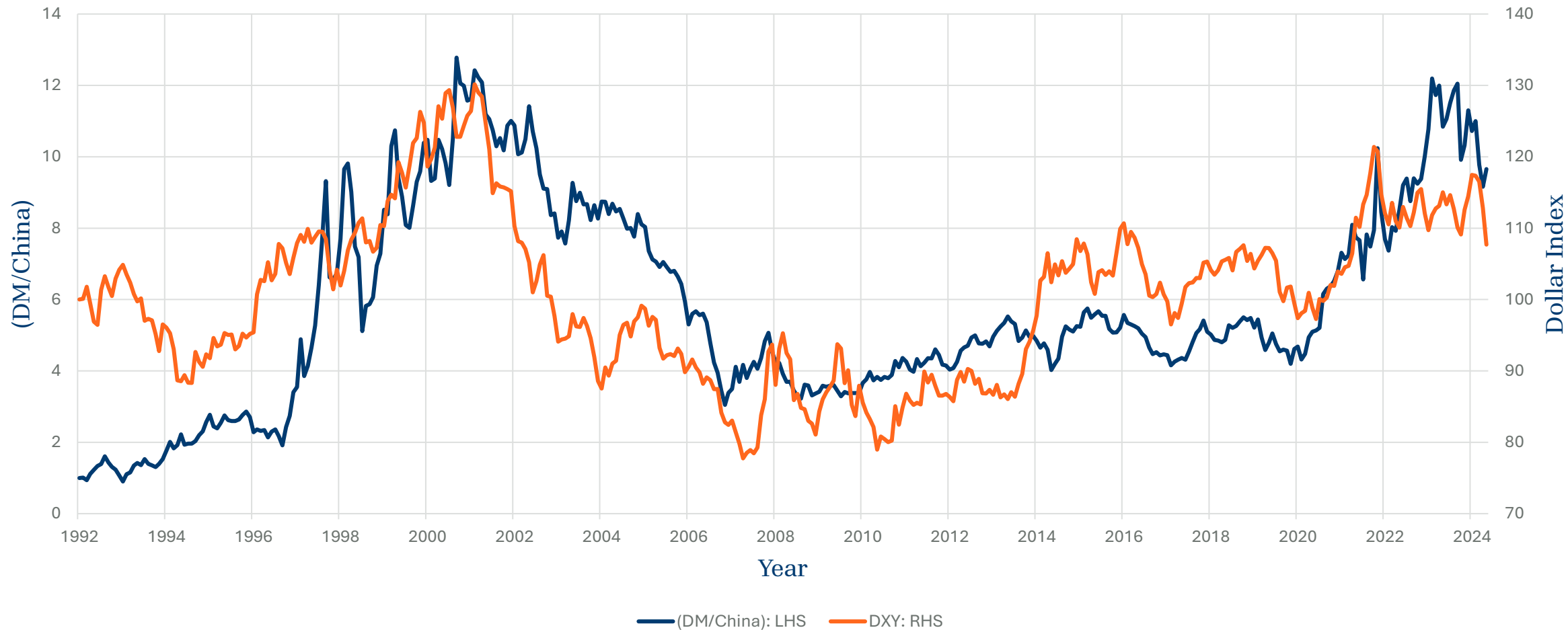
(Forward) price-earnings ratios



Source: Bloomberg (monthly) | 29 January 2010 until 02 May 2025

# DM/CHINA PERFORMANCE VS DXY (DOLLAR) INDEX

DM/China Performance vs DXY (Dollar) Index



Note: all indices rebased to 31 December 1992

Source: Bloomberg and RisCura calculations (monthly) | 31 December 1992 until 30 April 2025

# HARD INVESTMENT FACTS: SO...WHERE TO NOW?

## THE WEST HAS LOST THE SKILLS TO INVEST

US investors have moved to EM ex China

China now 30% of EM and growing

## CHINESE MARKETS CAN'T BE IGNORED

So the big question that CIOs must address is whether a supercharged stimulus package, as well as an official reversal in attitudes toward big consumer tech, might create a paradigm shift in Chinese equities again. If a re-rating occurs, it's not too late to build up positions.

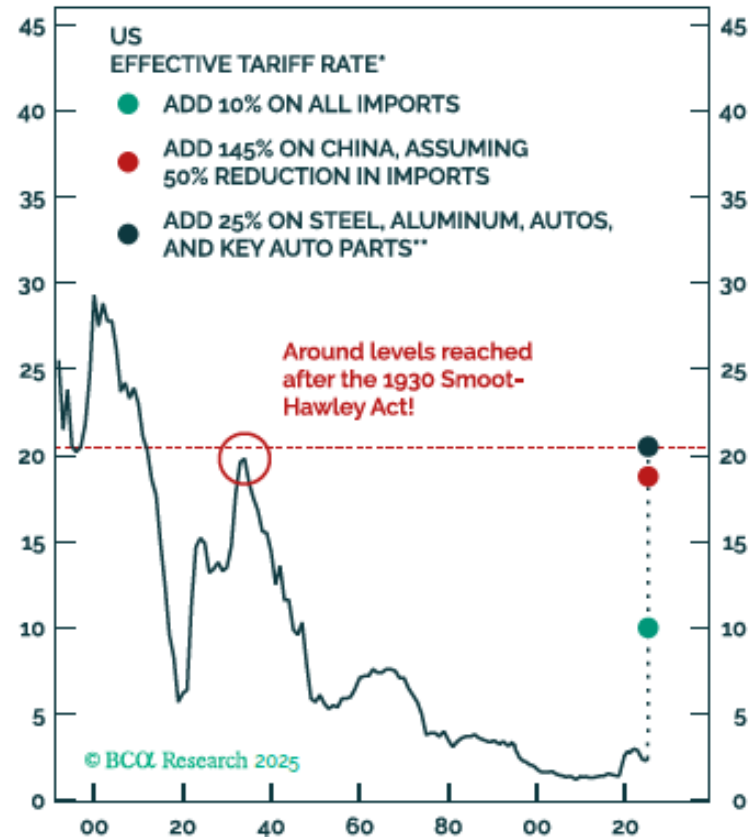
Unfortunately, by taking their eyes off China, many are no longer equipped to answer that. By the time they figure out what prompted President Xi Jinping's change of heart – an essential point in that it determines whether this is Beijing's “whatever-it-takes” moment – as well as how much stimulus domestic investors are expecting, the market would have moved beyond their recognition.

TARIFFS?

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# TARIFFS: WHERE ARE WE AT THIS STAGE?

CHART 1  
Even After Postponing Most Of  
The Reciprocal Tariffs, The US  
Tariff Rate Remains Extremely High



\* DUTIES COLLECTED AS A PERCENT OF IMPORTS. CALCULATED USING 12-MONTH MOVING TOTALS. SOURCE: UN INTERNATIONAL TRADE COMMISSION, IMF, AND BCA CALCULATIONS.

\*\* SOURCE: US INTERNATIONAL TRADE COMMISSION, GOLDMAN SACHS GLOBAL INVESTMENT RESEARCH, AND BCA CALCULATIONS.

NOTE: WITH THE EXCEPTION OF TARIFFS PLACED ON CHINA, CALCULATIONS USE SIMPLE ESTIMATES THAT HOLDS EXCHANGE RATES AND IMPORT SHARE CONSTANT.

You could fill multiple football fields with state-of-the-art tooling engineers in China, Cook said at the time. “In the US, you could have a meeting of tooling engineers and I’m not sure we could fill the room.”

“What city in America is going to put everything down and build only iPhones? Because there are millions of people employed by the Apple supply chain in China,” said Matthew Moore, the co-founder of a startup and a former Apple manufacturing engineer. “Boston is over 500,000 people. The whole city would need to stop everything and start assembling iPhones.”

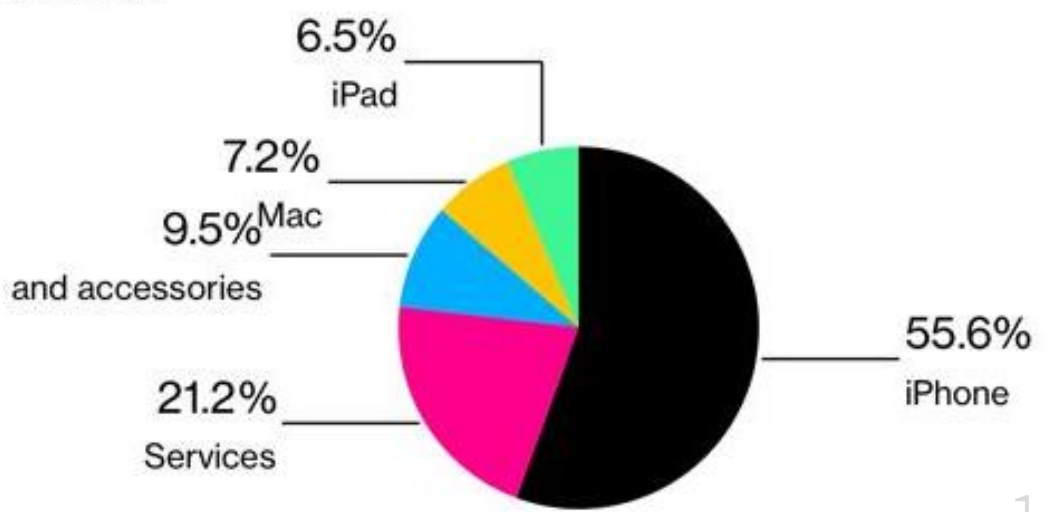
Apple’s Chief Executive Officer Tim Cook has often praised China’s high-level of skill in making its marquee devices. In 2022, Bloomberg Intelligence estimated it would take eight years to move just 10% of Apple’s production capacity out of China.

It’s possible for Apple Inc. to move iPhone production to America, but it would almost double the cost of making the device while creating logistical headaches, according to Bank of America.

“iPhone cost can increase 25% purely on higher labor cost in the US,” BofA analysts led by Wamsi Mohan wrote in a note to clients on Wednesday.

Trump’s latest exemptions cover almost \$390 billion in US imports based on official US 2024 trade statistics, including more than \$101 billion from China, according to data compiled by Gerard DiPippo, associate director of the Rand China Research Center.

Last year, the three biggest US imports from China were smartphones, laptops and lithium-ion batteries, while liquid petroleum gas, oil, soybeans, gas turbines, and machines to make semiconductors were some of the most valuable US exports to China.

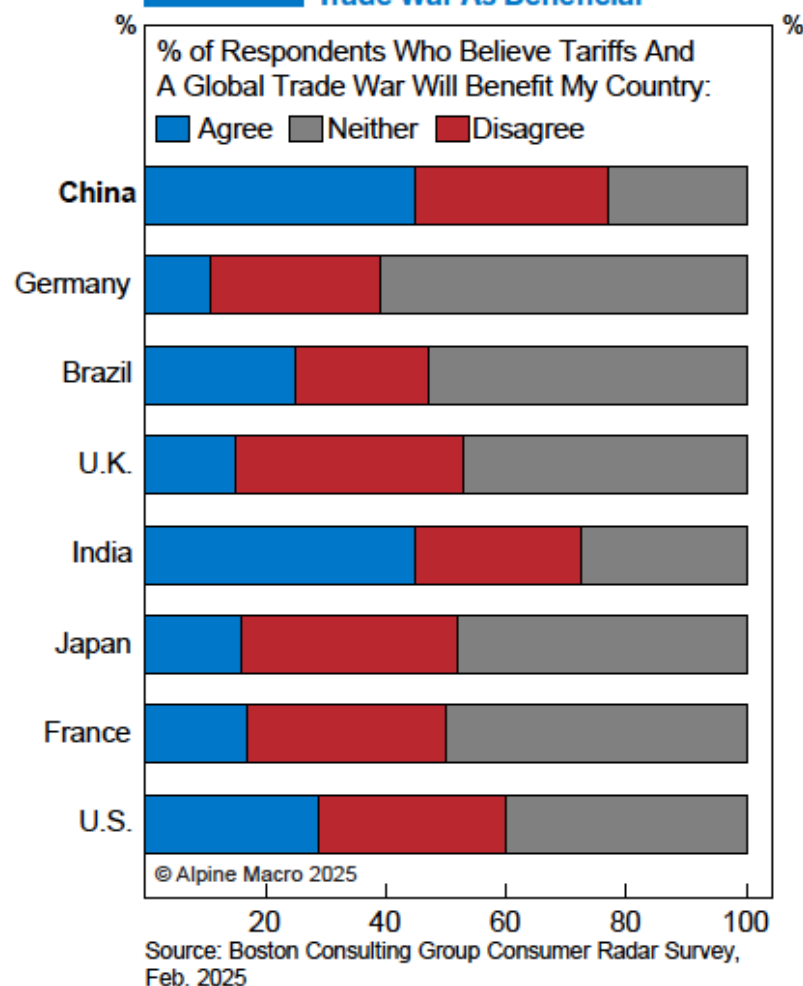


SOURCE: BLOOMBERG

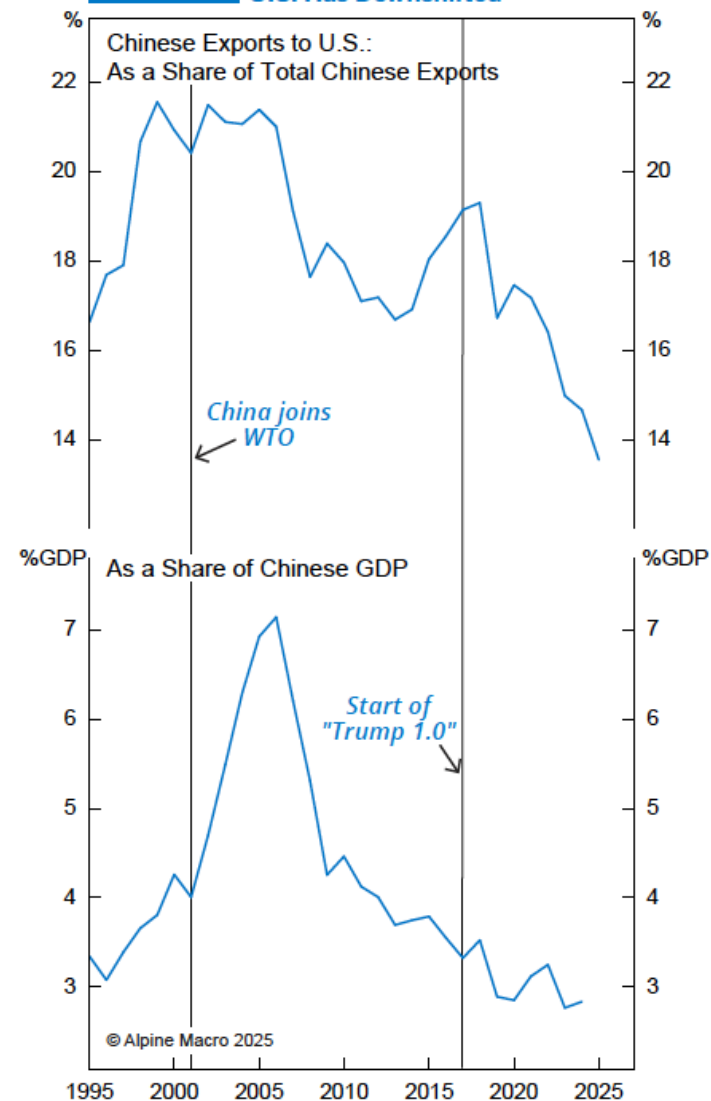
# MEANTIME IN CHINA: POTENTIAL IMPACT OF TRADE WAR?

Loan expansion picks up on short-term corporate borrowing and household demand

**Chart 14** Chinese Consumers See Trade War As Beneficial



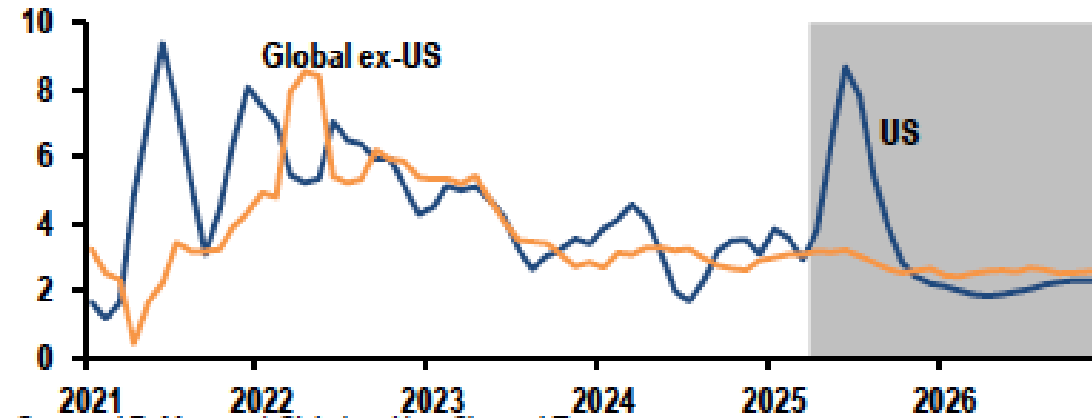
**Chart 15** Chinese Trade Dependence On U.S. Has Downshifted



## INTEREST RATE EXPECTATIONS: INFLATION EXPECTATIONS

### US and global ex-US\* core CPI

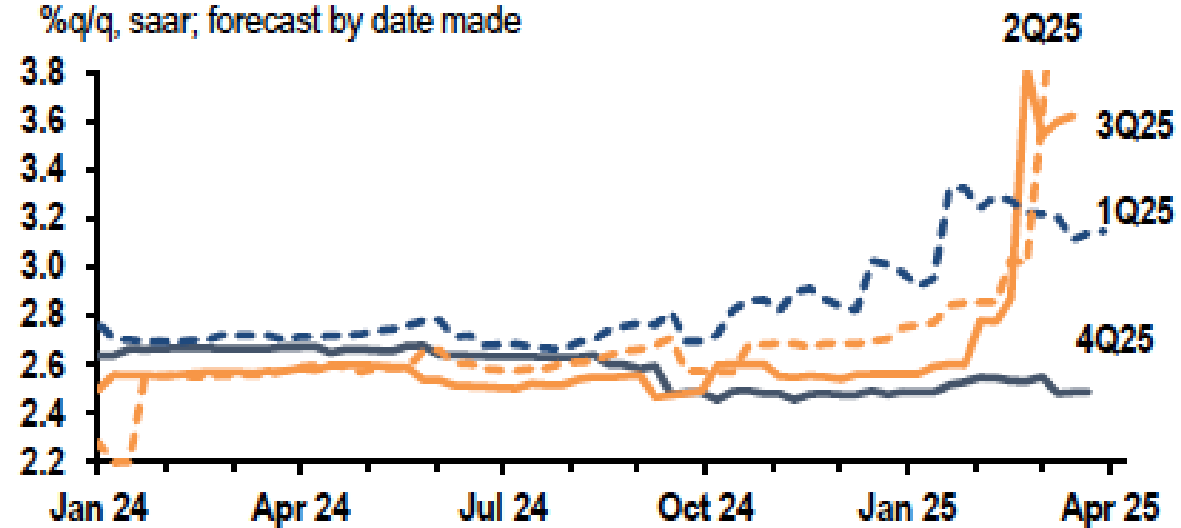
%3m saar, shading is J.P. Morgan forecast



Source: J.P. Morgan. \* Global ex-Usa, Chn and Tur.

### J.P. Morgan global core CPI forecast

%q/q, saar, forecast by date made

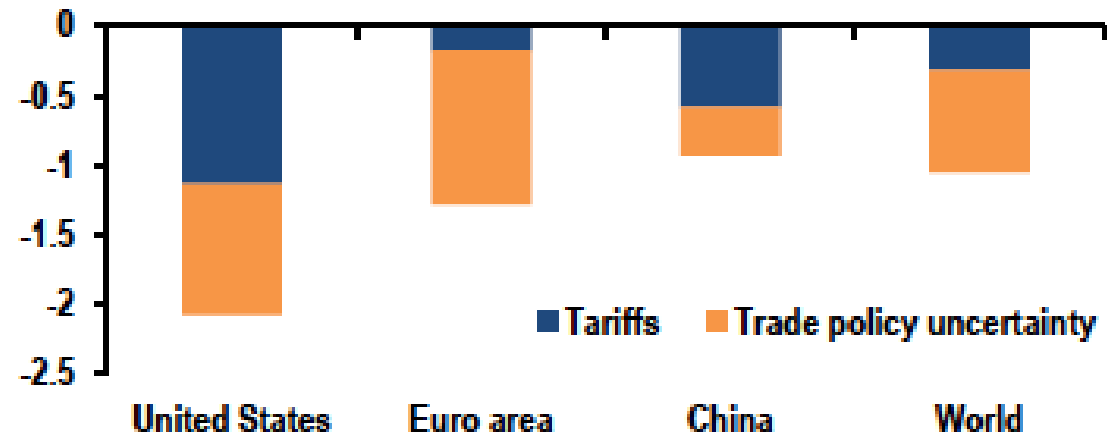


Source: J.P. Morgan Global Economics

## IMPLICATIONS ON GDP OF TARIFFS (3 APRIL ANALYSIS)

**Figure 4: IMF estimate of growth impact of 20% increase in US tariffs**

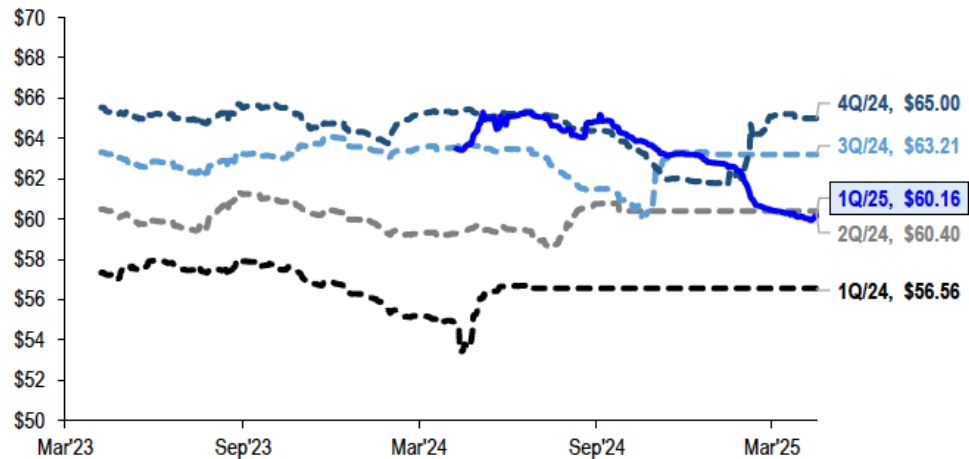
%-pt change in GDP through 2026



Source: IMF, J.P. Morgan

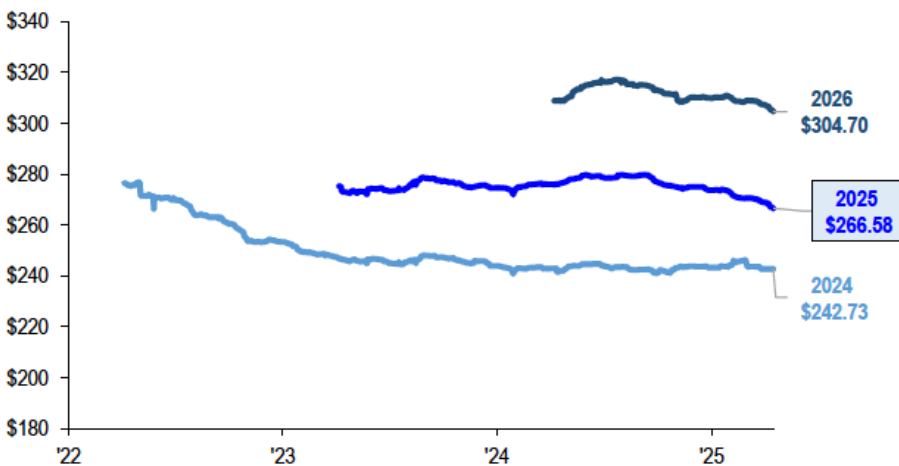
# EPS GROWTH ASSUMPTIONS – 3 APRIL

Figure 9: S&P 500 Consensus Quarterly EPS



Source: J.P. Morgan Equity Strategy & Quantitative Research

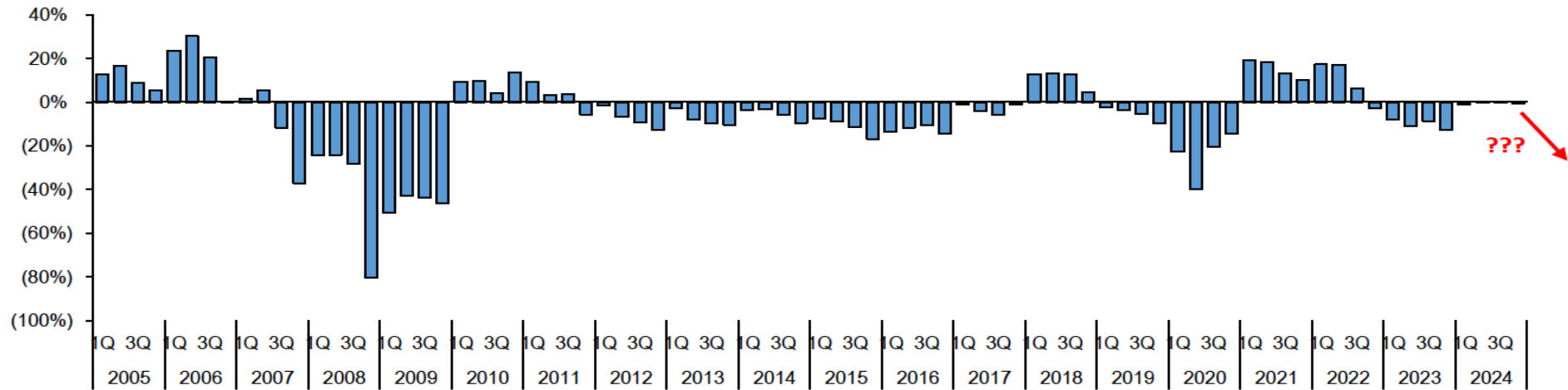
Figure 10: S&P 500 Consensus Annual EPS



Source: J.P. Morgan Equity Strategy & Quantitative Research

Figure 11: S&P 500 Quarterly Earnings Revision (Actual vs. Inception)

Since 2005



Source: J.P. Morgan Equity Strategy & Quantitative Research

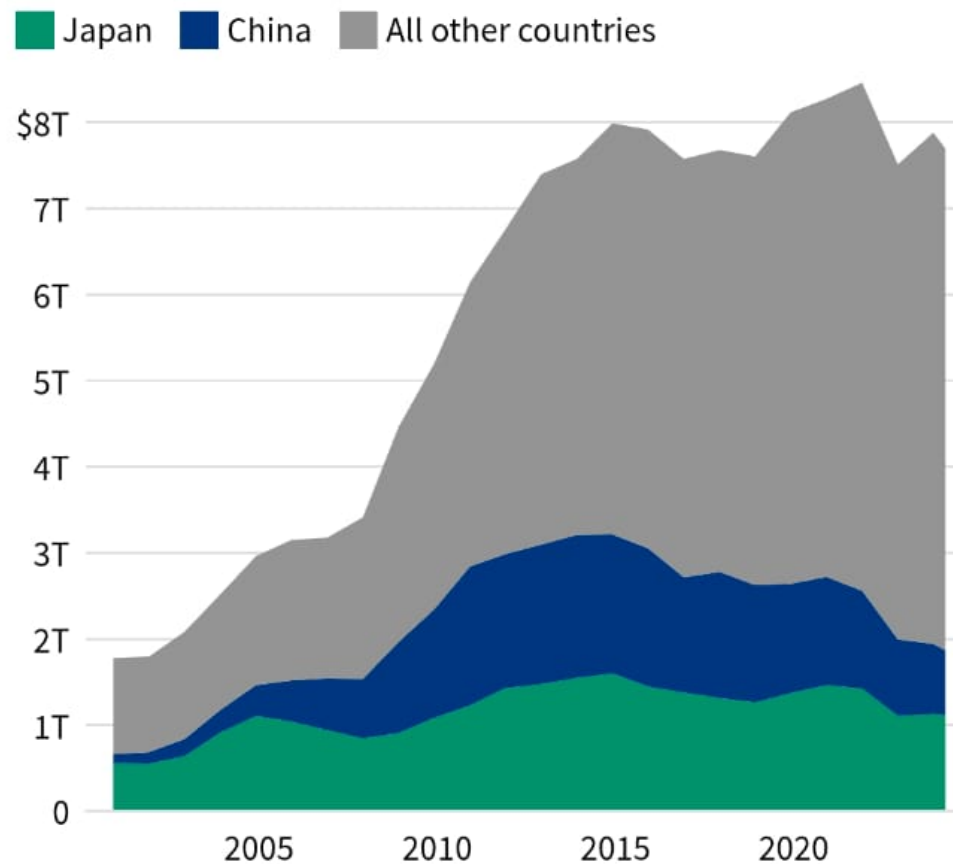
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# GEOPOLITICS

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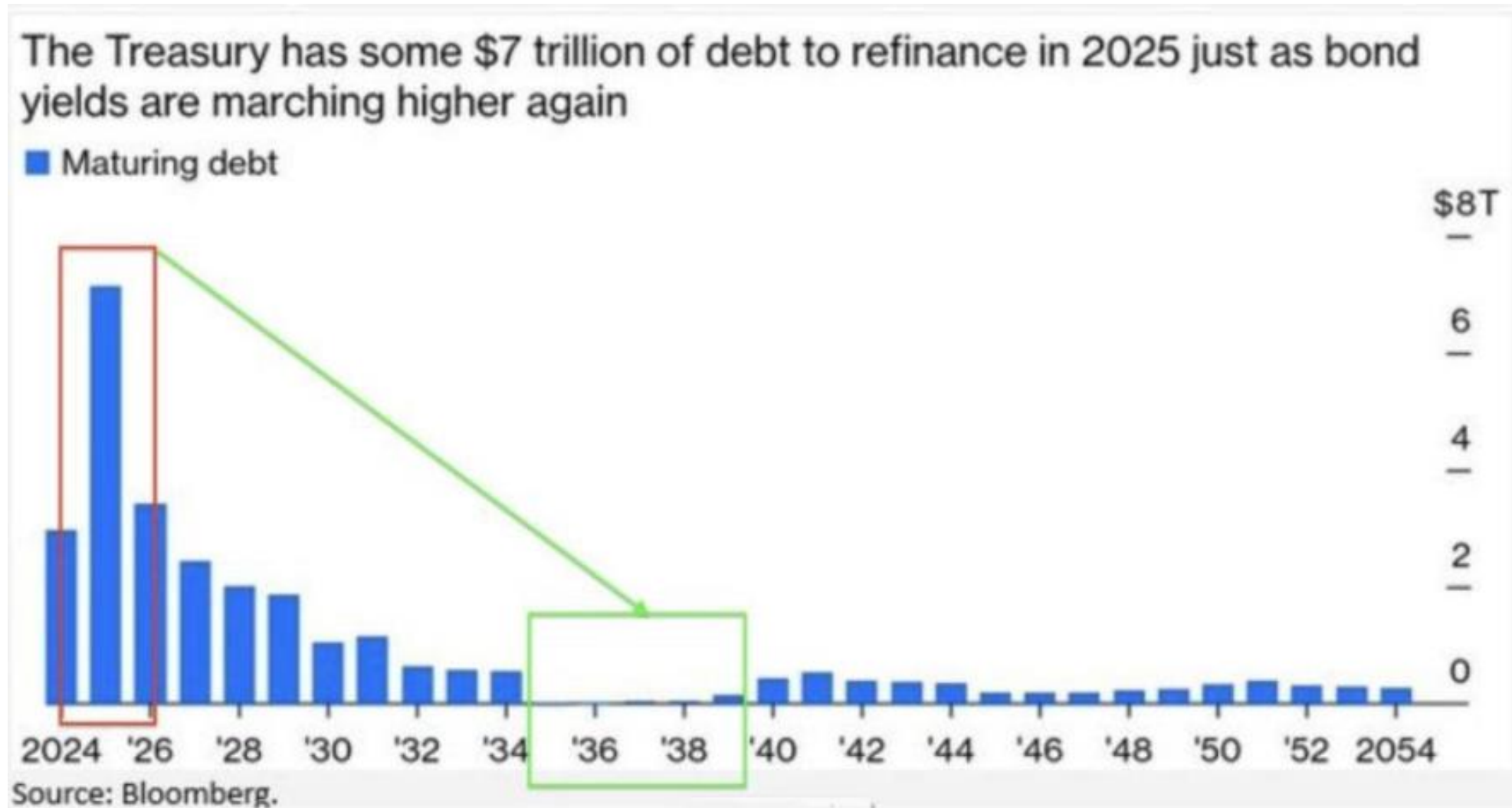
**JAPAN AND  
CHINA HAVE  
BEEN THE  
LARGEST  
FOREIGN  
HOLDERS OF US  
DEBT FOR THE  
LAST 2 DECADES**

Foreign-owned US debt, adjusted for inflation,  
December 2000–April 2024



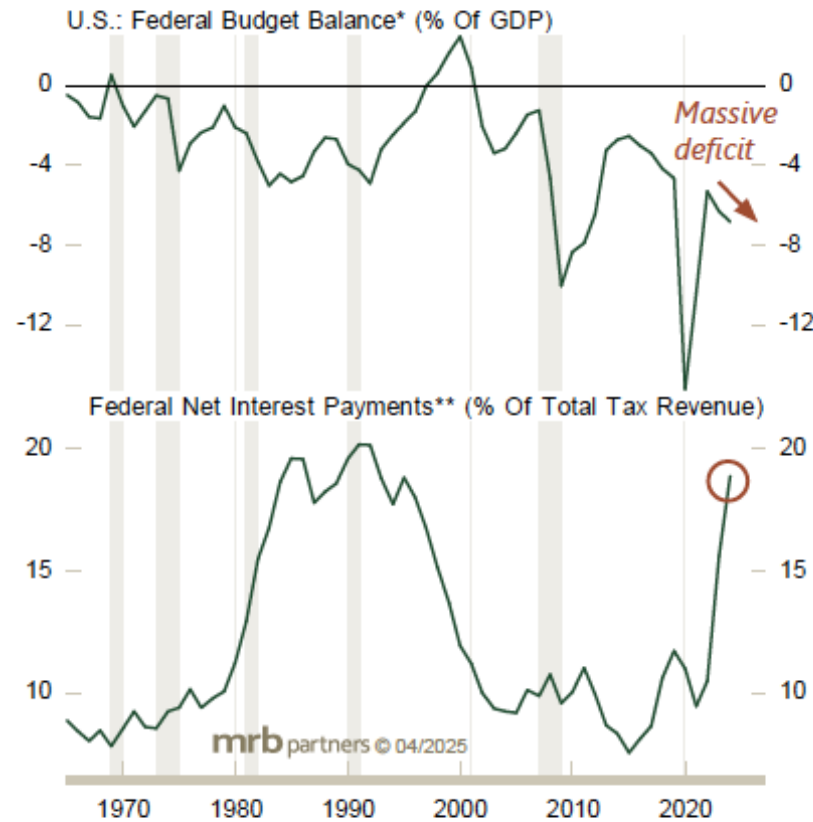
From 2000 to 2023, annual totals are based on data from December, while the 2024 data is updated through April. Inflation adjusted to the 2023 calendar year.

## TRUMP HAS TO REFINANCE THIS



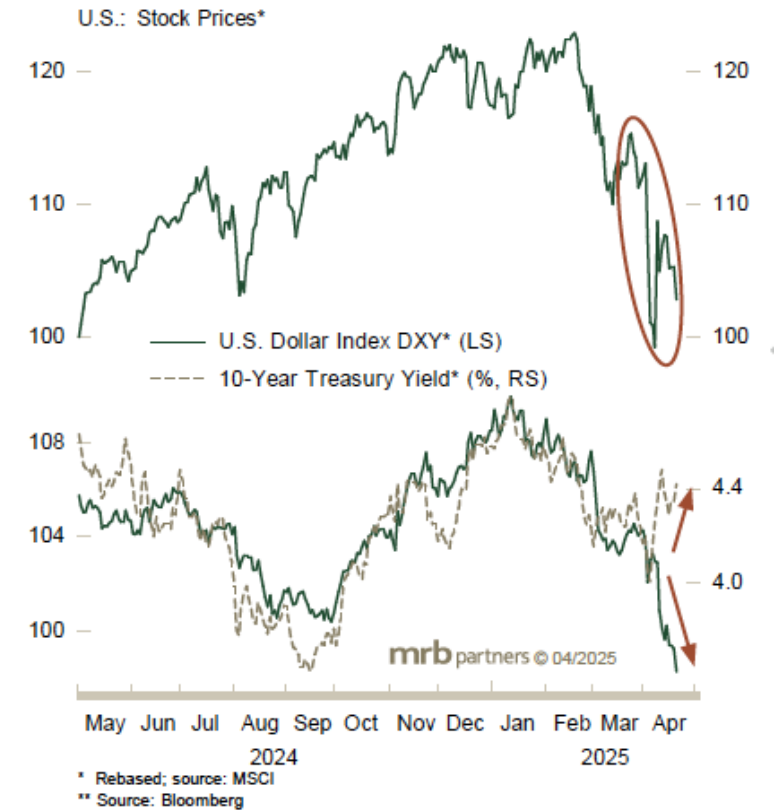
# WHO WILL FUND DEBT?

Chart 11 It Has Become More Costly To Fund The U.S. Government



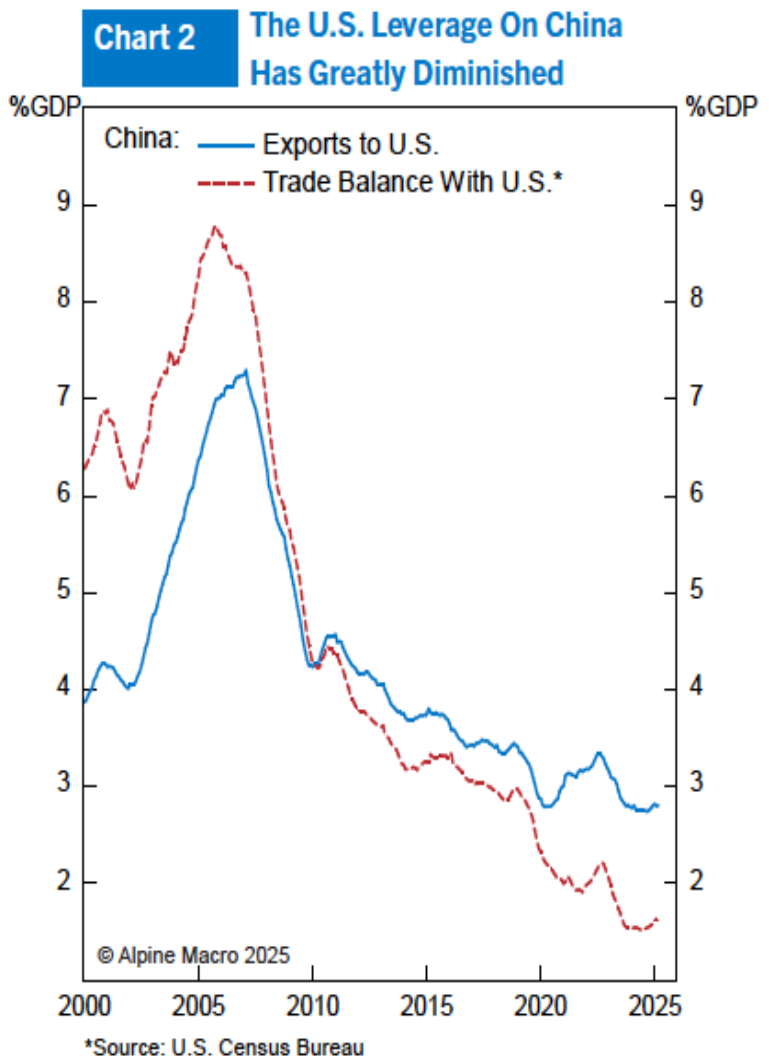
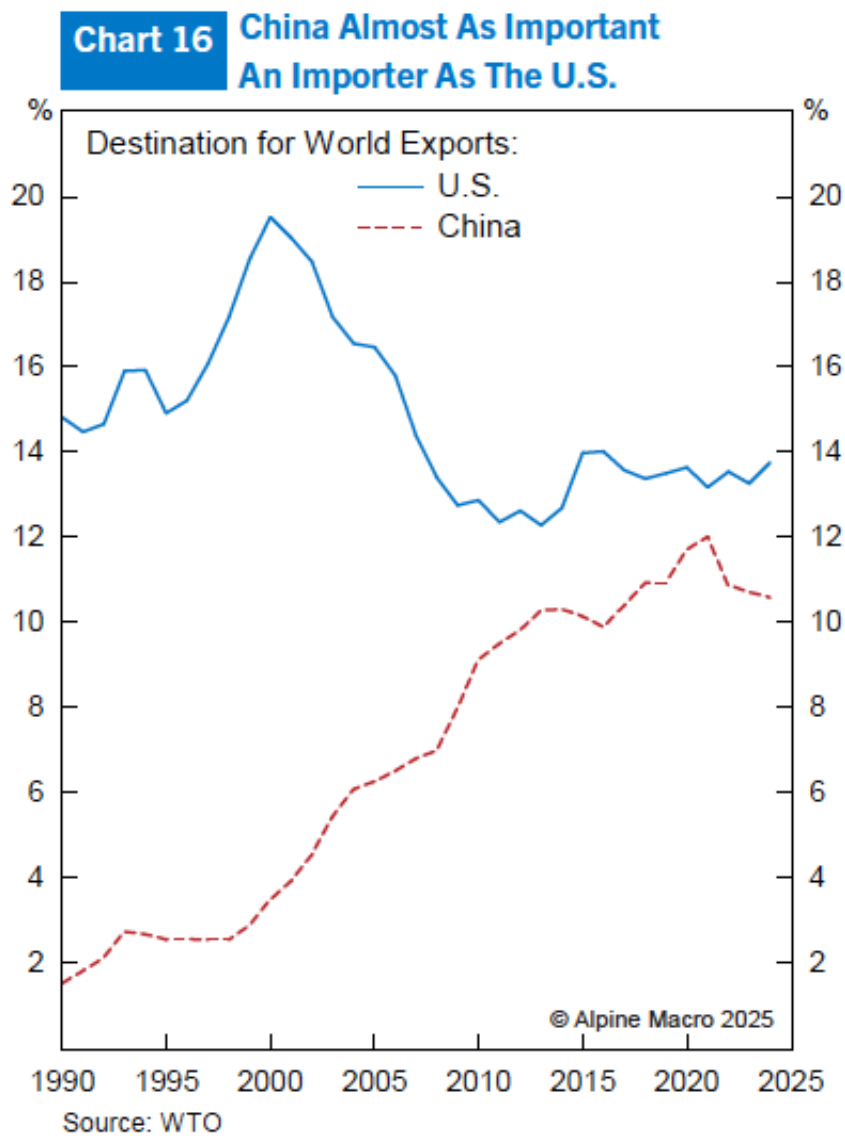
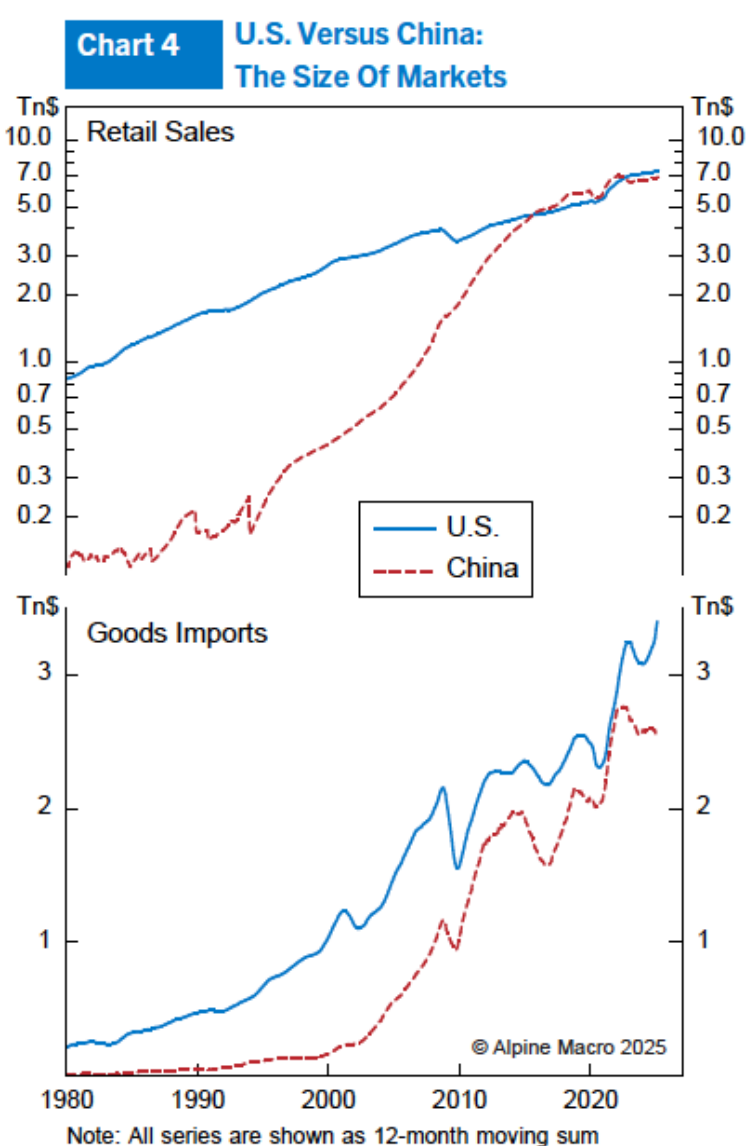
\* Source: U.S. Department of the Treasury  
 \*\* Source: Congressional Budget Office  
 Note: Shaded for NBER-designated U.S. recessions

Chart 16 U.S. Safe Haven Status Is Being Threatened



\* Rebased; source: MSCI  
 \*\* Source: Bloomberg

# MEANTIME IN CHINA: WILL GANGING UP BE SUCCESSFUL?

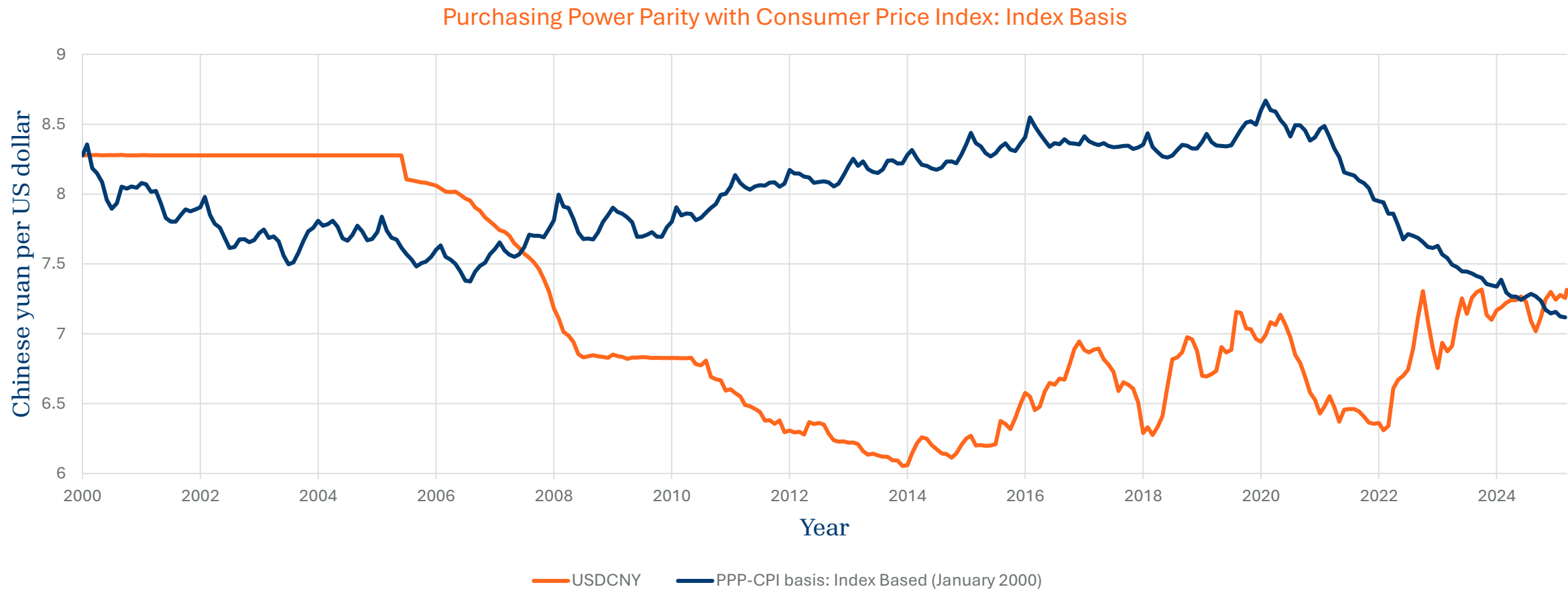


25

AND, SO....FINALLY

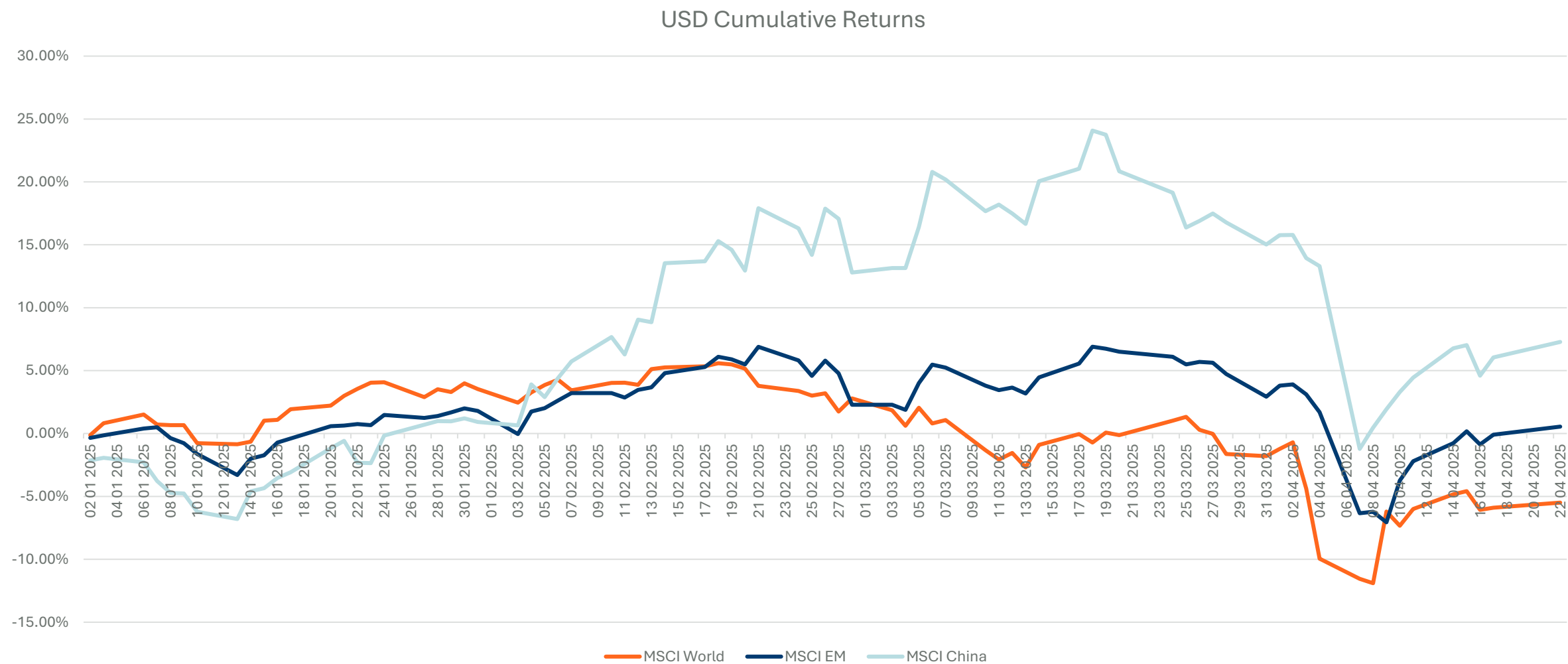
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# CHINA CURRENCY VALUATION | PURCHASING POWER PARITY



Source: Bloomberg and RisCura calculations (monthly) | US and China CPI from January 2000 until February 2025, USDCNY from January 2000 until 15 April 2025

# EQUITY PERFORMANCE YEAR TO DATE





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