

SARASIN
& PARTNERS

A WORLD WITH OPPORTUNITY

Spring Seminars 2023

If you are a private investor, you should not act or rely on this document but should contact your professional advisor.



LOOK EAST:

What good fortune may
the rabbit bring?



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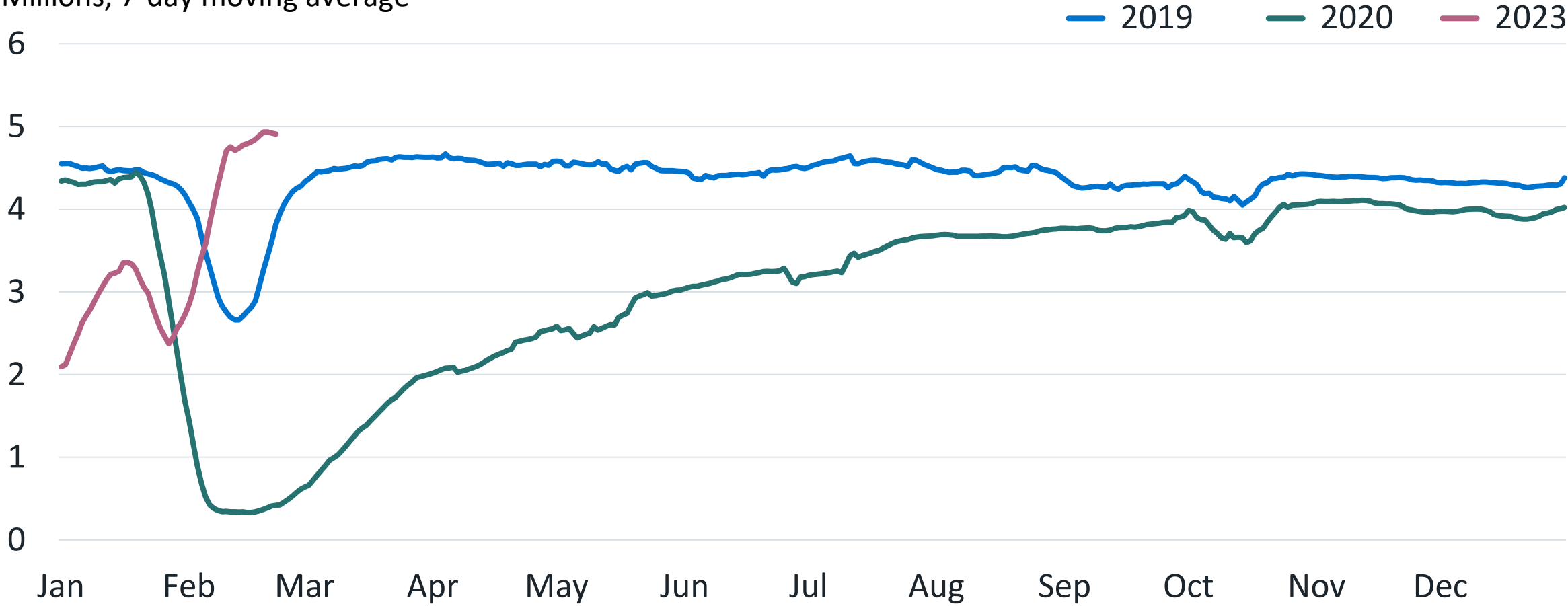
YEAR OF THE RABBIT

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China's mobility figures have bounced in the new year

Subway traffic across 8 cities in China

Millions, 7-day moving average



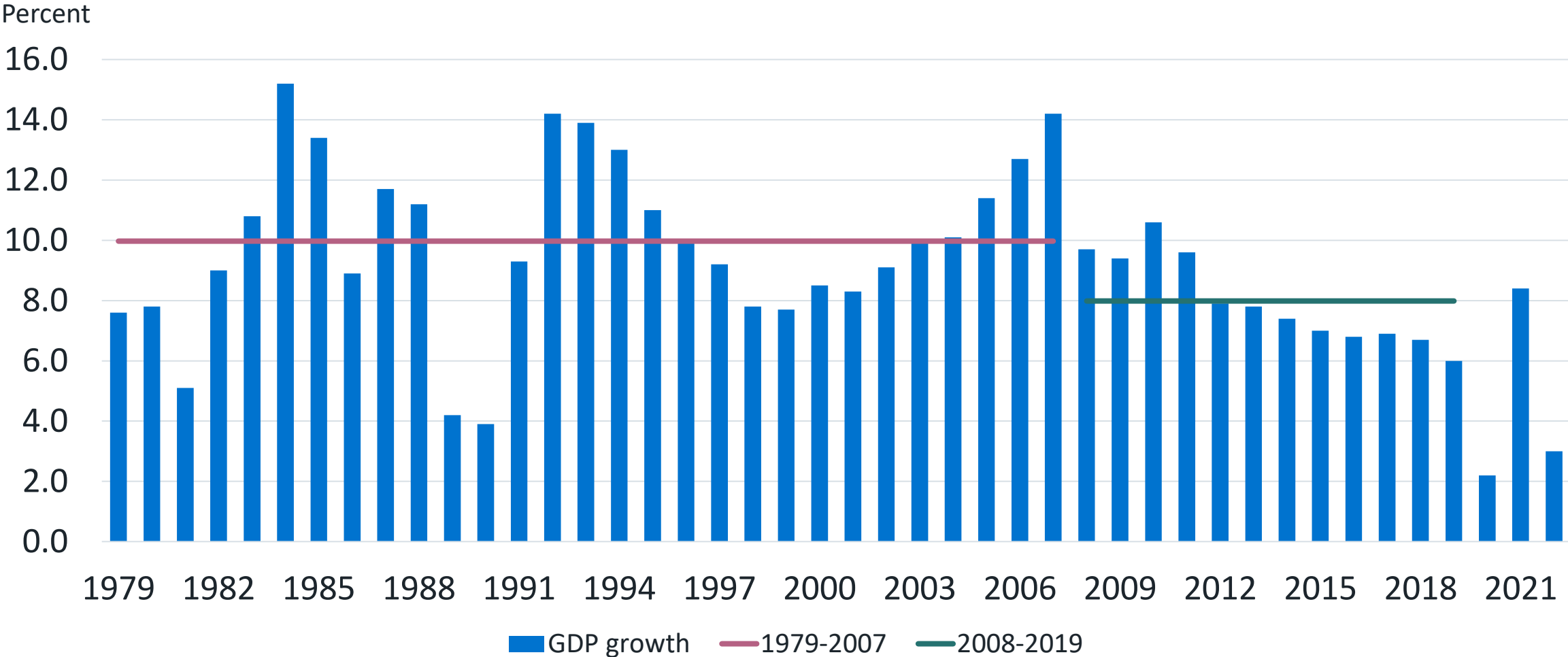
Source: Macrobond and Sarasin & Partners, March 2023

Services will
take longer
to recover,
but box office
hit already



Economic growth has stepped down over time, and 2020 represents another leg down

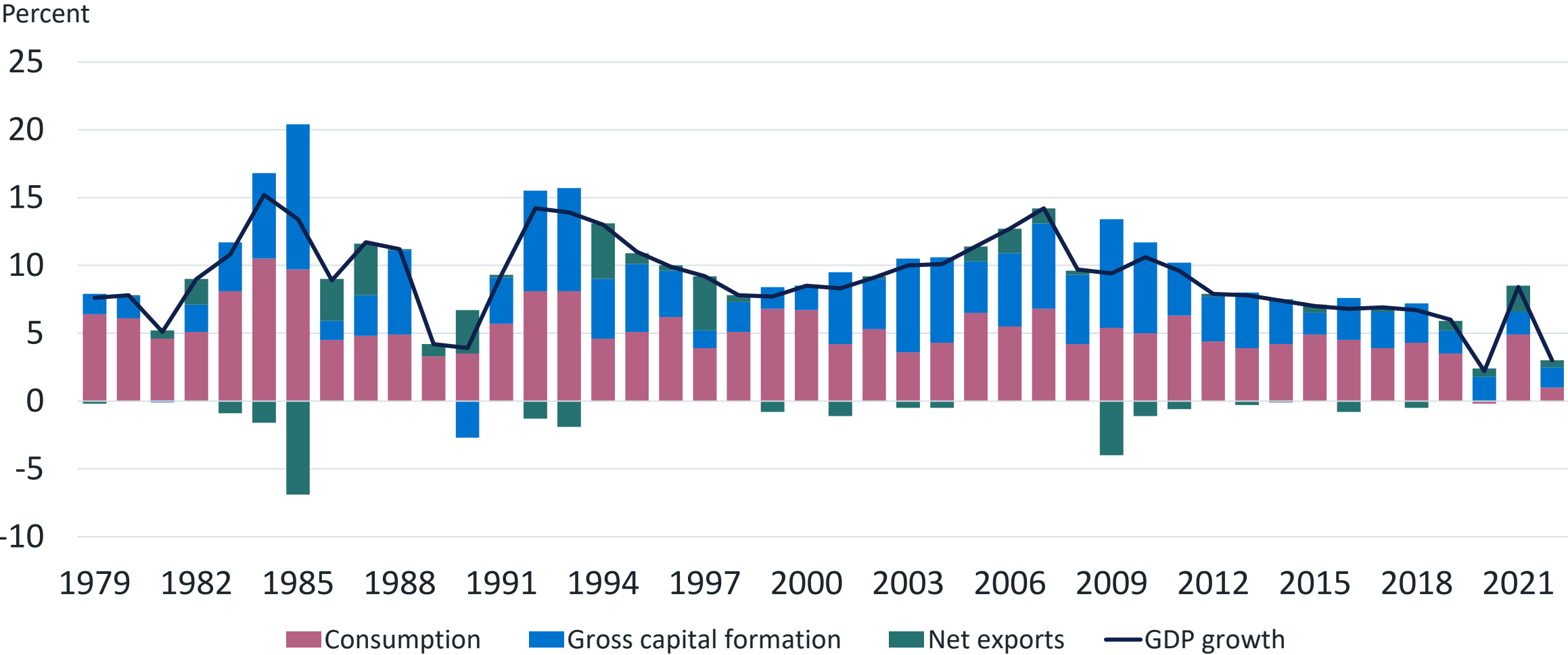
China's annual GDP growth



Source: Macrobond and Sarasin & Partners, March 2023. Past performance is not a guide to future returns and may not be repeated.

Growth historically driven by investment

China's GDP growth, decomposed into economic drivers

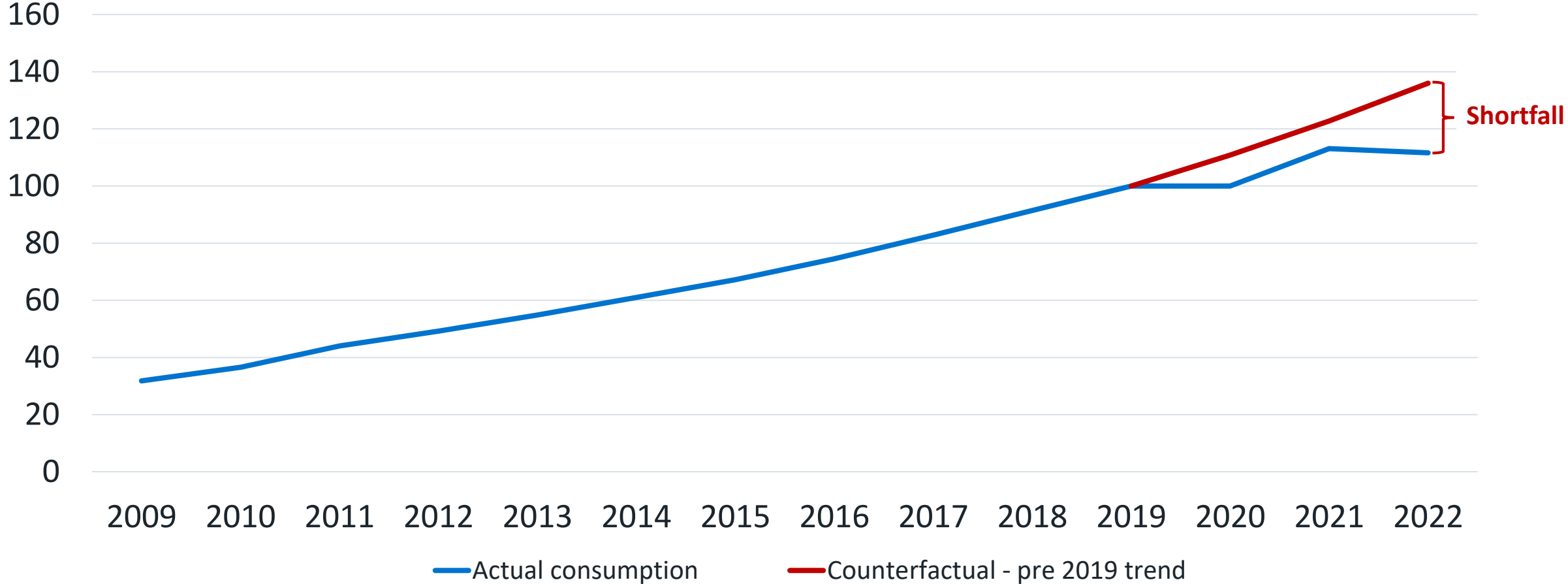


Source: Macrobond and Sarasin & Partners, March 2023. Past performance is not a guide to future returns and may not be repeated.

Consumption shortfall is significant and will drive the strong economic rebound

Nominal Consumption – gap between actual consumption and counter-factual with no pandemic

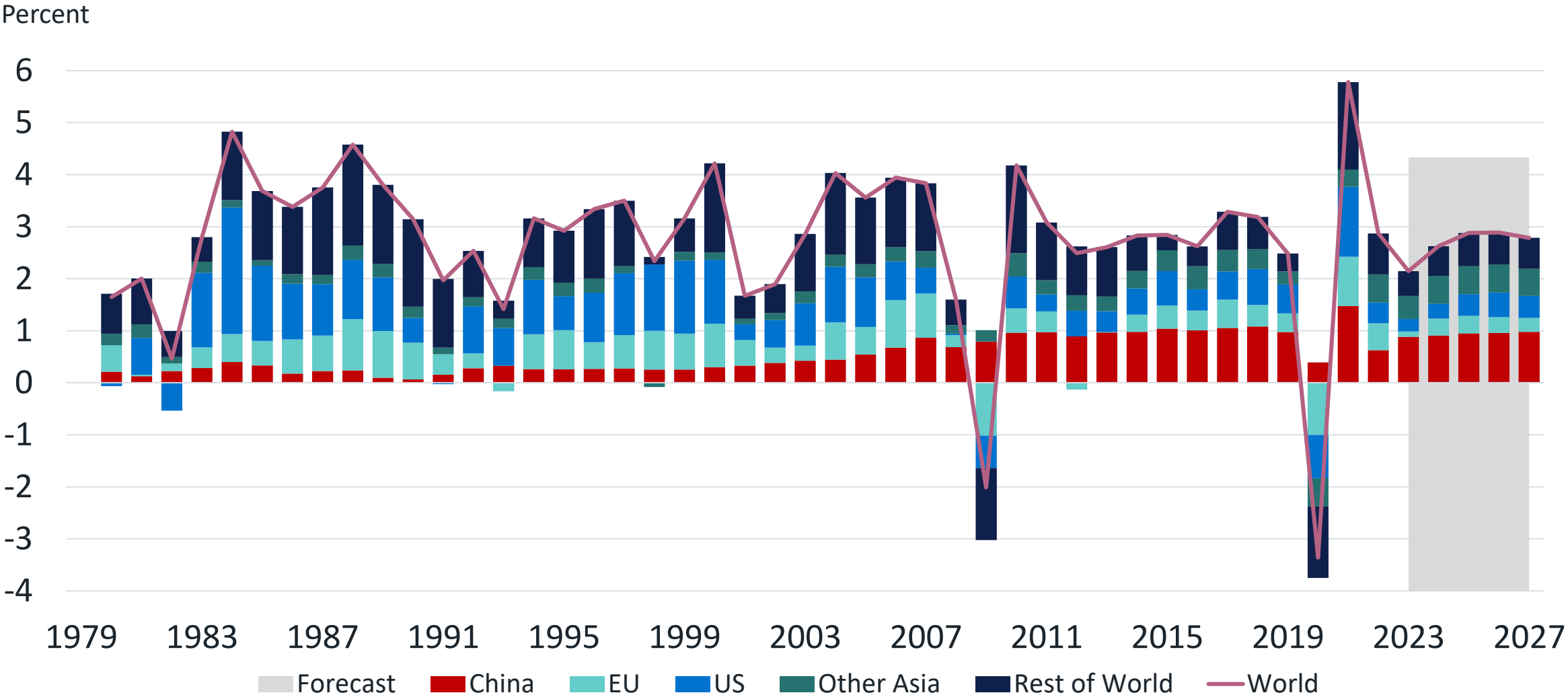
Index, Q4 2019 = 100



Source: Macrobond and Sarasin & Partners, March 2023

China's growth contribution to the global economy

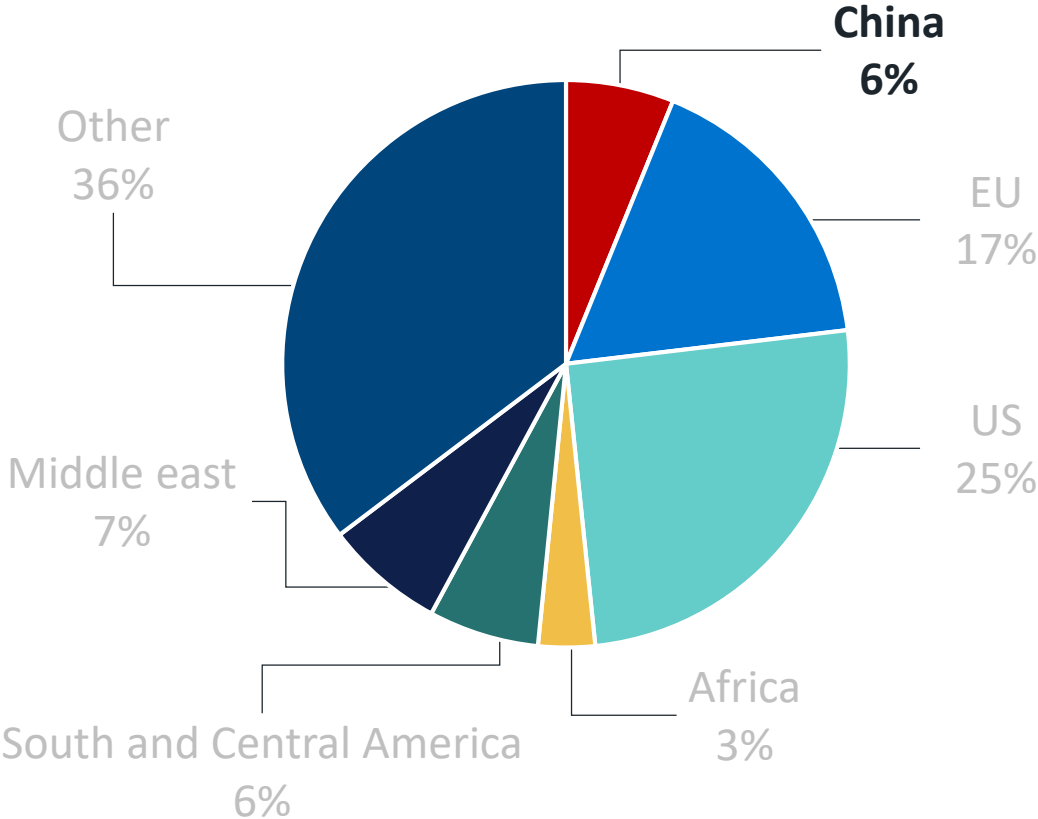
Global GDP growth, breakdown by region (USD shares)



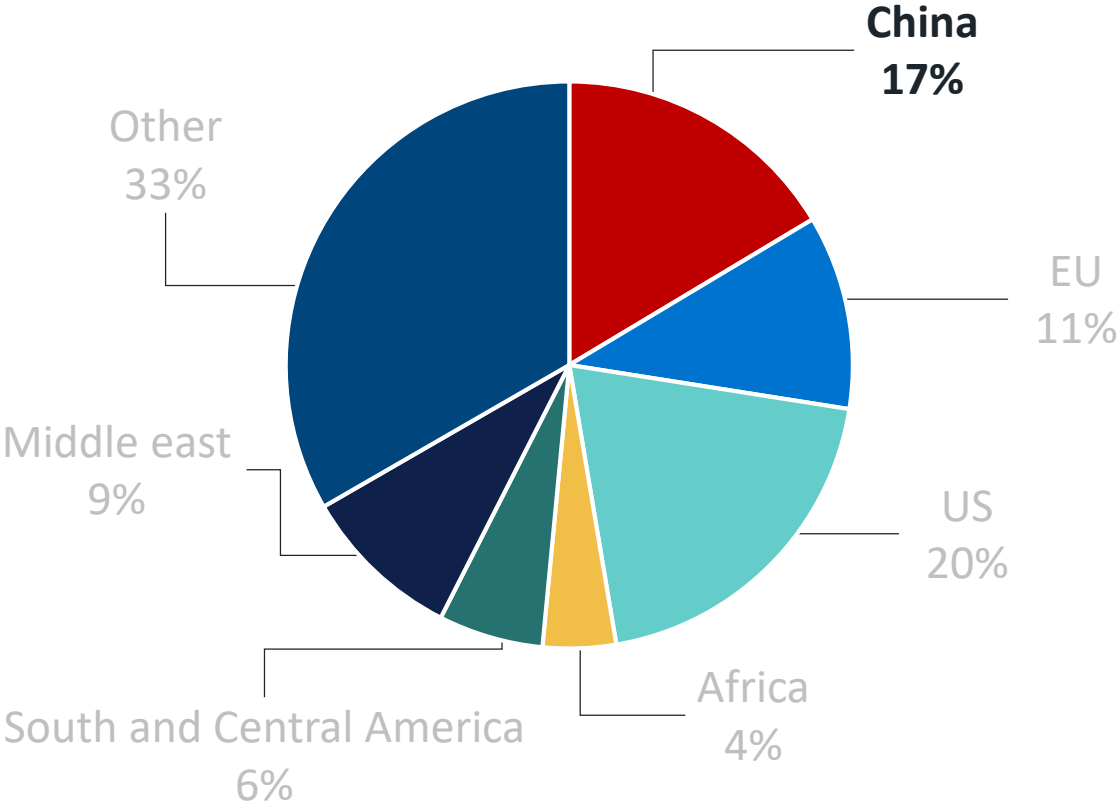
Source: Macrobond and Sarasin & Partners, March 2023

China's share of global oil consumption over the past 20 years

Oil consumption by region, 2001



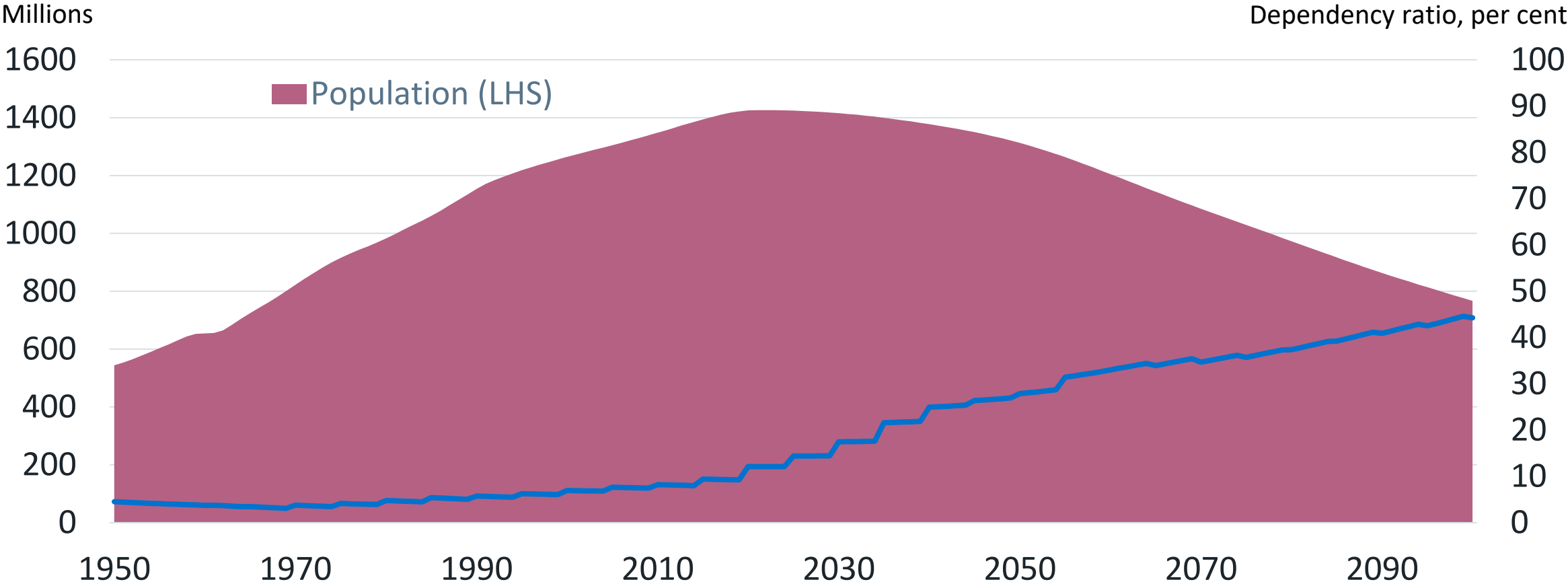
Oil consumption by region, 2021



Source: Macrobond and Sarasin & Partners, March 2023

Long-term economic outlook challenged by falling population and ageing

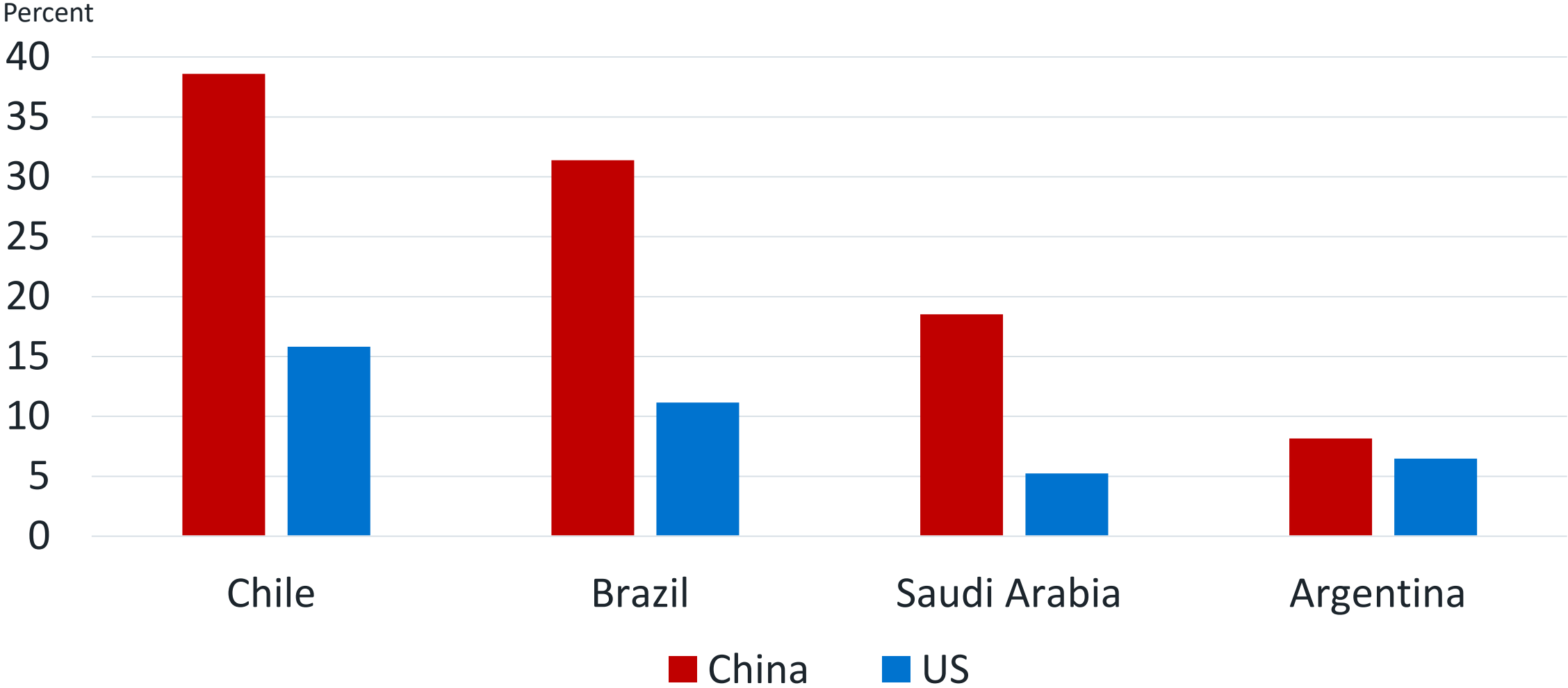
China's population and the old-age dependency ratio (share of those aged 65+)



Source: Macrobond and Sarasin & Partners, March 2023

China's rise is already evident in trading patterns

Share of country's exports to China compared to their exports to the US



Source: Macrobond and Sarasin & Partners, March 2023

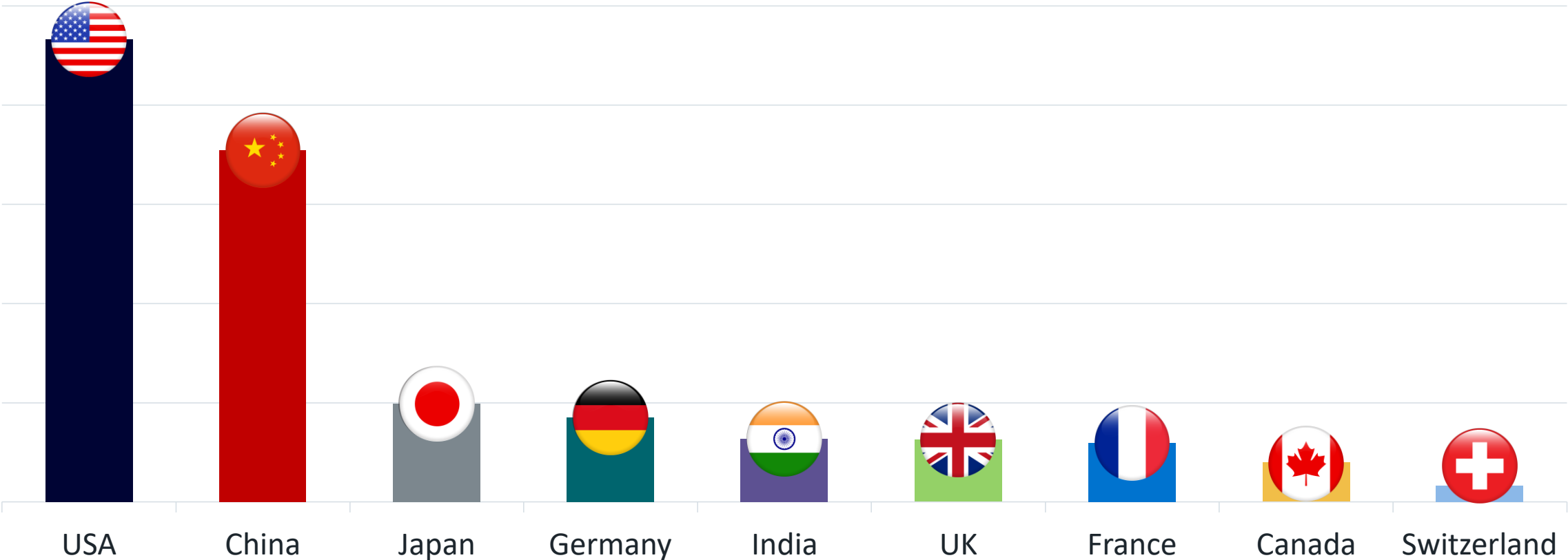
Concluding remarks

- China's economy will rebound strongly in 2023, led by consumption
- China's contribution to the global economy is large, particularly in a year of global weakness
- Falling population and ageing population pose long term challenges
- Great power politics



China is over 18% of the global economy...

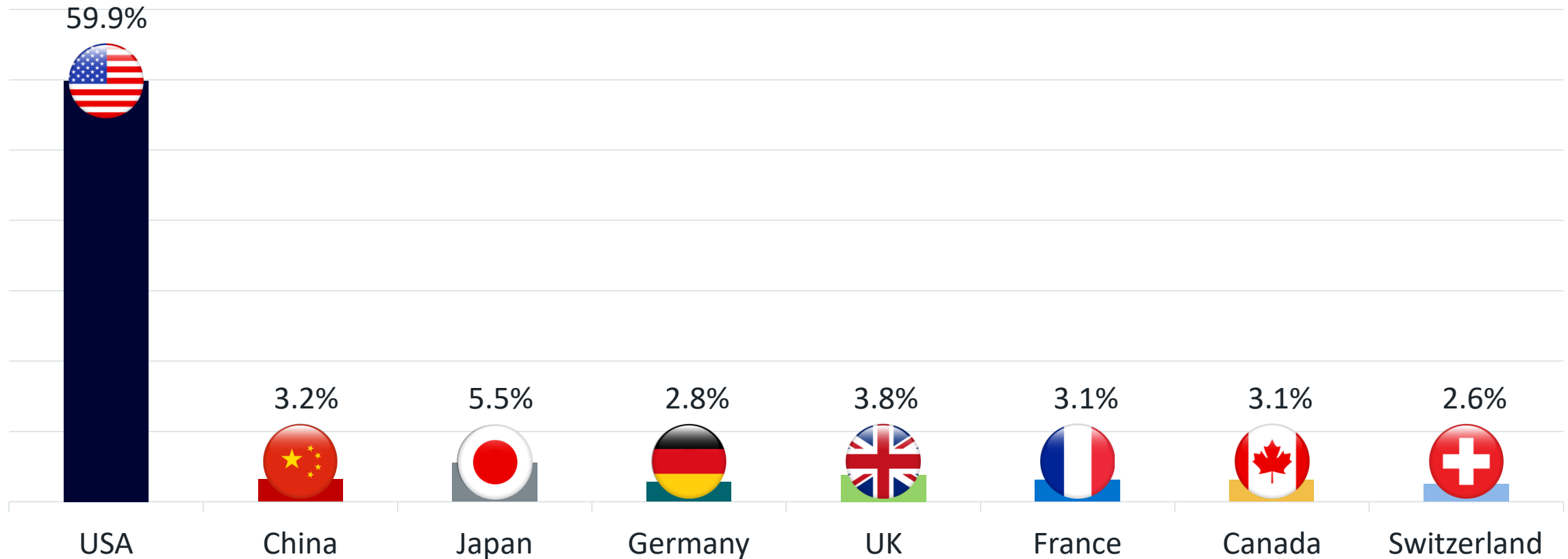
GDP recent value (millions)



Source: World Bank, Feb 2023

...but only a small part of the investment universe

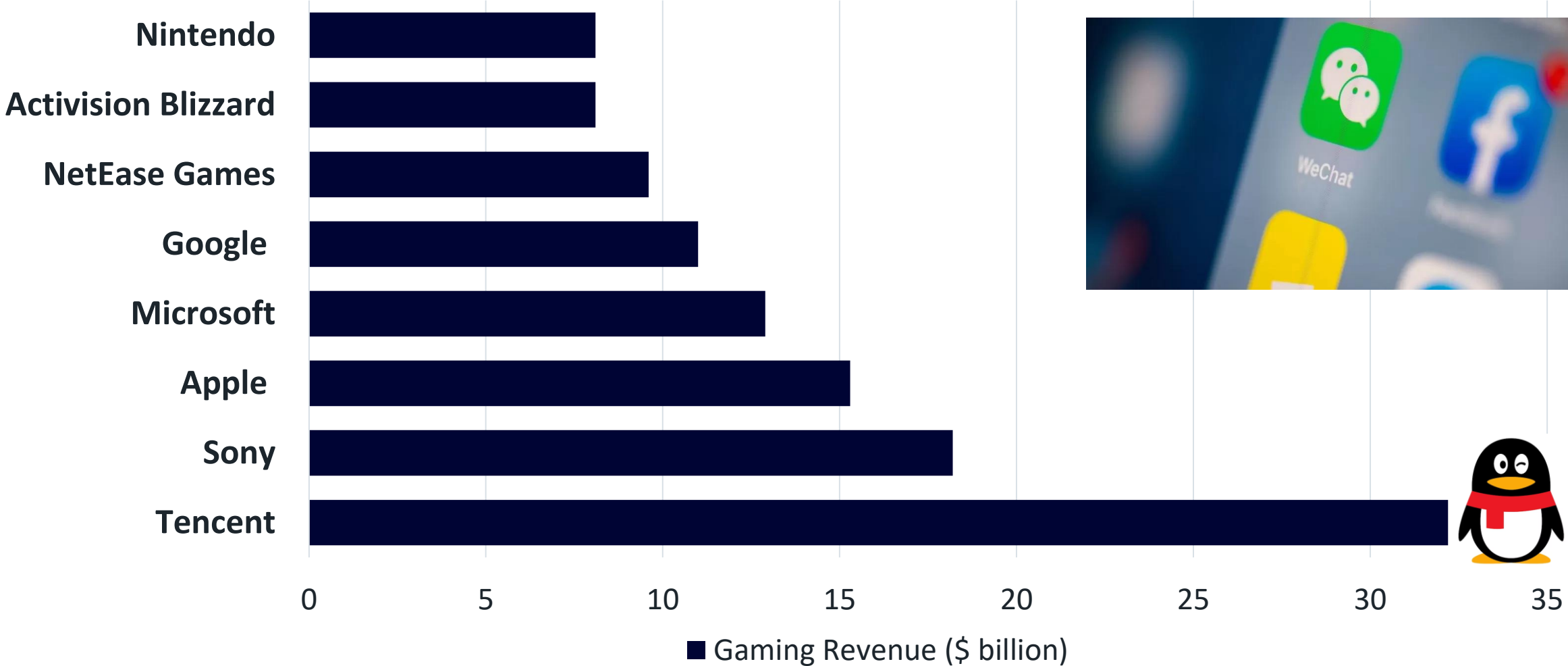
% weight of MSCI



Source: Sarasin & Partners, Feb 2023

Tencent

Public companies with highest games revenue 2021



Source: Statista, May 2022

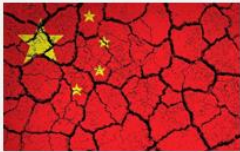
Regulatory intervention

Regulatory intervention and ESG concerns

Xi Jinping's Capitalist Smackdown Sparks a \$1 Trillion Reckoning

After 40 years of allowing the market to play an expanding role in driving prosperity, China's leaders have remembered something important – they're Communists.

Source: <https://www.bloomberg.com/news/features/2021-08-01/china-tech-crackdown-communist-party-policy-changes-behind-1-trillion-selloff>



Regulatory intervention and ESG concerns

China Targets News in Xi Jinping's Campaign to Expand Communist Party Control

Proposed new restrictions on investment and a former journalist's detention are part of Beijing's effort to tighten grip

Source: <https://www.wsj.com/articles/china-targets-news-media-in-xi-jinpings-campaign-to-expand-communist-party-control-11634054123>

Regulatory intervention and ESG concerns

Xi Jinping's crackdown on everything is remaking Chinese society

Source: https://www.washingtonpost.com/world/asia_pacific/china-crackdown-tech-celebrities-xi/2021/09/09/b4c2409c-0c66-11ec-a7c8-61bb7b3bf628_story.html

Regulatory intervention and ESG concerns

China warns of 'no mercy' in corruption and monopoly crackdown

Source: <https://timesofindia.indiatimes.com/world/china/china-warns-of-no-mercy-in-corruption-and-monopoly-crackdown/articleshow/89034486.cms>

Regulatory intervention and ESG concerns

Changing China: How Beijing's crackdown are impacting business

Source: <https://www.bbc.co.uk/news/business-58417234>



Regulatory intervention and ESG concerns

China's new digital crackdown will ensure 'Marxist internet' and fight 'online bullying and fake news' amid purge of top Chinese celebrities and fears of a second Cultural Revolution

Source: <https://www.wsj.com/articles/china-targets-news-media-in-xi-jinpings-campaign-to-expand-communist-party-control-11634054123>

Regulatory intervention

Changing China: How Beijing's crackdown are impacting business

Source:<https://www.bbc.co.uk/news/business-58417234>



Many examples of ESG concerns

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China: Mounting concerns over forced labour in Xinjiang

Source: <https://www.business-humanrights.org/en/latest-news/china-83-major-brands-implicated-in-report-on-forced-labour-of-ethnic-minorities-from-xinjiang-assigned-to-factories-across-provinces-includes-company-responses/>

Many examples of ESG concerns

How your favourite jeans might be fueling a human rights crisis



Cotton's connection to forced labor by Uyghurs in Xinjiang ought to have you rethinking fast fashion

Source: <https://www.vox.com/the-highlight/22632448/xinjiang-cotton-ban-china-uyghurs-fast-fashion>

Many examples of ESG concerns

China says crackdown on business to go on for years

Source: <https://www.bbc.co.uk/news/business-58182658>

Many examples of ESG concerns

How your favourite jeans might be fueling a human rights crisis

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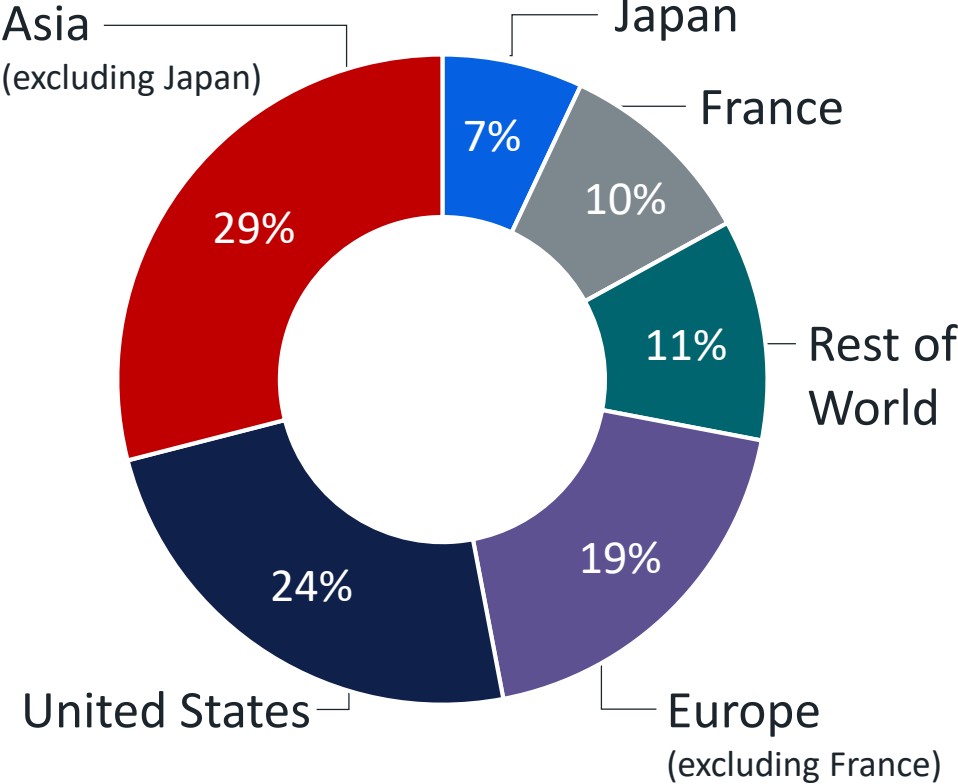


Source: <https://www.vox.com/the-highlight/22632448/xinjiang-cotton-ban-china-uyghurs-fast-fashion>

Evolving Consumption captures Chinese shopping habits



Geographic split of revenues (%)



Source: Bloomberg Feb 2023

Evolving Consumption

Shiseido

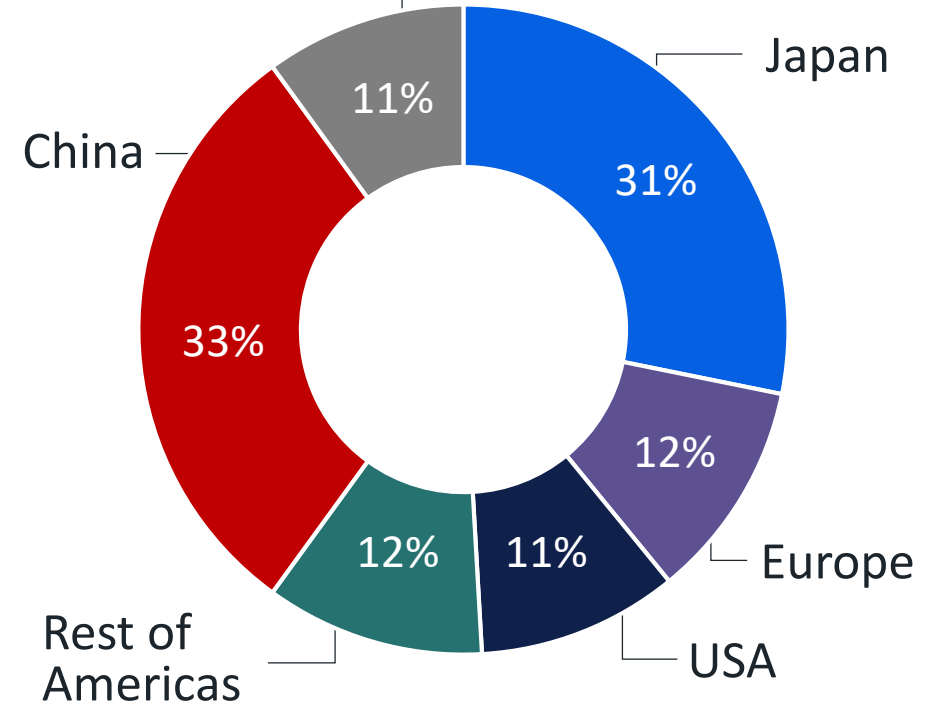


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Geographic split of revenues (%)

Rest of Asia & Oceania



Source: Bloomberg Feb 2023

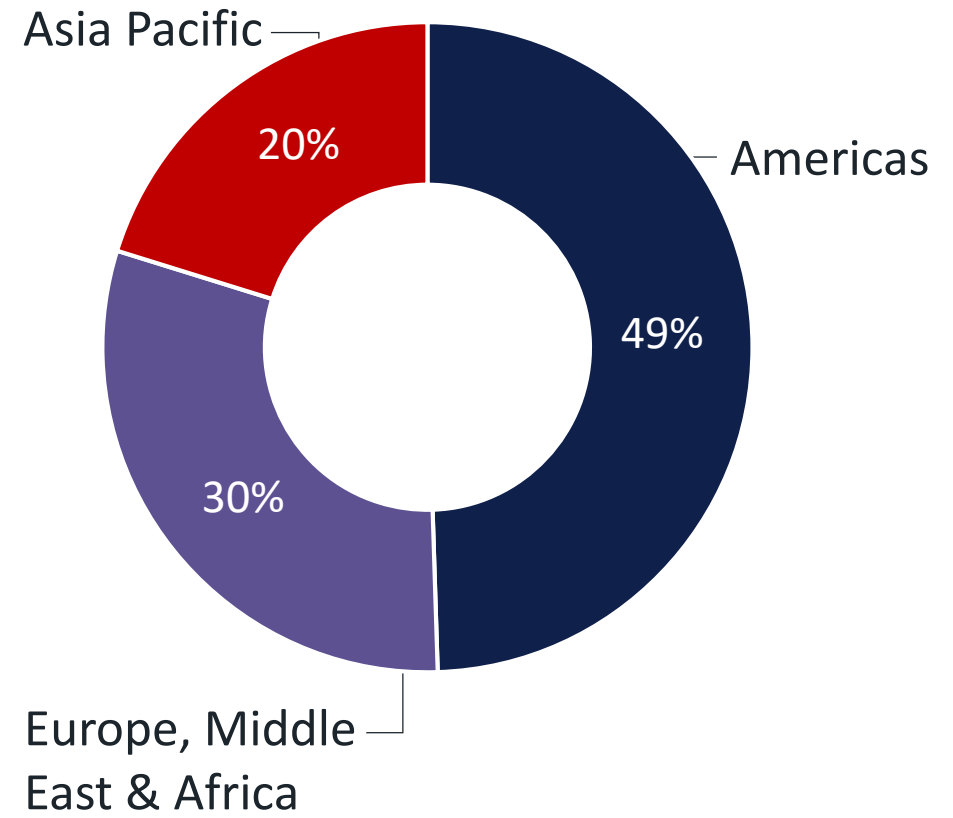
Chinese commodity demand



Rio Tinto



Geographic split of revenues (%)

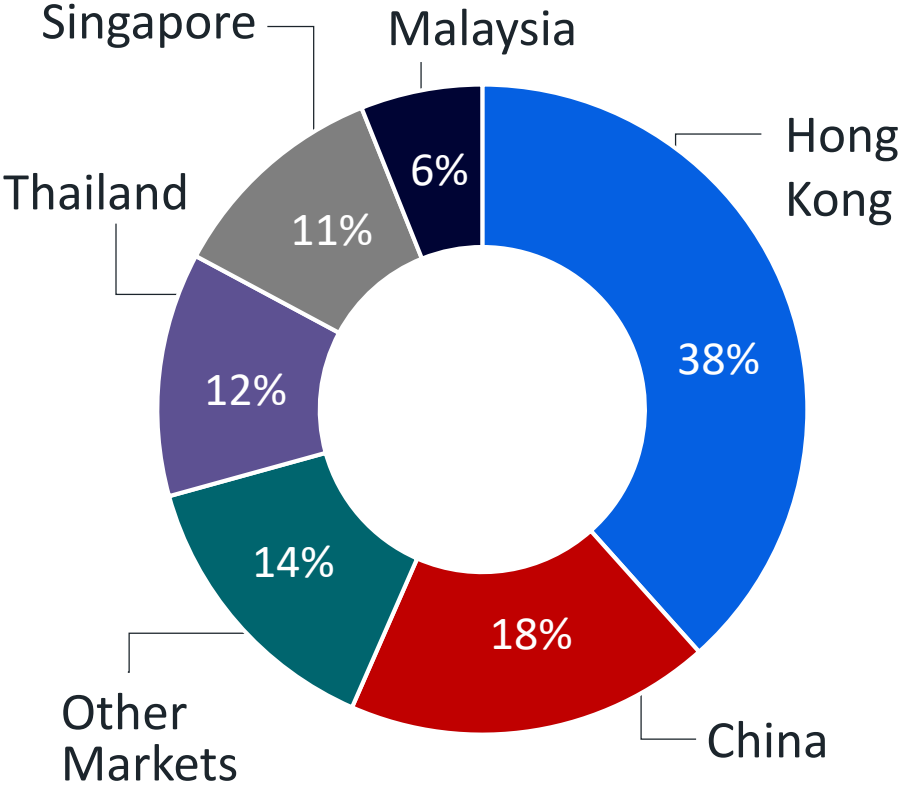


Source: Bloomberg Feb 2023

Ageing populations and rising wealth of middle classes



Geographic split of revenues (%)



Source: Bloomberg Feb 2023



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