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Singapore investors can ride on China growth story but should tread cautiously: Experts

Experts say Singapore investors could go for a diversified portfolio of Chinese stocks or China-related plays. PHOTO: REUTERS

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UPDATED OCT 15, 2024, 07:04 PM

SINGAPORE – Foreign investors are reconsidering the Chinese share market after recent stimulus measures boosted hopes that the tide has turned positive after lacklustre returns in recent years.

APS Asset Management founder and co-chief investment officer Wong Kok Hoi believes that "this time, it is different".

"Many investors are still very sceptical about this rally. This is not a false dawn."

Mr Wong repositioned the firm as a China investment house and has been focused on investing only in markets there for the past four years.

Experts advise Singapore investors who are looking to ride on the China story to tread cautiously and go for a diversified portfolio of Chinese stocks or China-related plays.

The Sept 24 stimulus measures were the turning point for Mr Wong, who said that they sent a message that China's leaders now have a sense of the crisis.

The measures included cuts to interest rates, including home loans, and two new programmes to support stock markets.

Mr Wong added that in the past, Chinese leaders felt the economy was doing all right, growing at around 5 per cent.

It is now clear that they will do what must be done, he said, adding that "they will come up with more policies, or pull more levers, because they know that, if they do not do so, the economy will continue to decline".

Mr Jeffrey Lee, chief investment officer of Phillip Capital Management, said the stimulus measures focus more on boosting household consumption and stabilising the capital markets, a move that will help stem a deterioration in household balance sheets and, in turn, encourage people to spend again.

For now, the valuations of Chinese equities remain attractive, on the back of compelling earnings growth over the next two years, said Mr Yeang Cheng Ling, DBS Bank's chief investment officer for North Asia.

Mr Yeang noted that institutional investors are underweight in Chinese shares. The stimulus measures could inspire them to continue reducing their underweight positions as they await further policy moves and a revival in domestic consumption, he added.

Mr James Ooi, market strategist at online platform Tiger Brokers, said that global fund managers who have been underweight on China since the government's crackdown on tech companies in 2020 are now scrambling to play catch-up.

New money is also flowing into Chinese equities, said Mr Derrick Tan, group executive chairman of wealth management firm Wrise Group.

Mr Tan added that his firm opened a lot of new accounts in Hong Kong over the past three weeks, noting: "A lot of funds actually came in. Not from China, but from overseas."

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Investors who are bullish on China believe the fundamentals of its economy remain solid.

While trade tensions with the United States have affected China, Mr Tan said the country has repositioned itself to deal with the fallout. There are always new companies coming up with new ideas, he added, citing the example of electric cars in China.

APS' Mr Wong added that China has been restructuring its economy away from an investment-led property infrastructure model to a high value-add, high-tech innovation one from 10 years ago.

This transformation will take time, he said, adding that it was unfortunate that the move to restructure the economy happened amid other headwinds such as the stock market crash in 2015 and the 2021 property market correction.

Investors eyeing China will have to go in for the long term, said Mr Wong: "Take a one- to two-year view. I believe this is a multi-year bull market. In coming months and quarters, you should see stronger macro data. You should also see stronger earnings."

Earnings are expected to grow between 15 per cent and 20 per cent next year, from a low base.

Mr Wong thinks earnings will grow between 10 per cent and 15 per cent after 2025 for another two years.

There are many ways that retail investors can invest in China, including via exchange-traded funds (ETF), which offer a diversified range of investment opportunities across sectors, said Mr Lee of Phillip Capital.

This option is more suitable as it will be challenging for retail investors to move in and out of different sectors to capture emerging opportunities, especially in fast-moving markets like China.

Tiger Brokers' Mr Ooi added that such a diversified approach works because China is experiencing a broad rally driven by monetary stimulus.

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There are 12 China-focused ETFs on the Singapore Exchange (SGX) – two centred on bonds and 10 on equities.

Six of the 10 provide direct access to A shares of Chinese companies listed on the Shanghai and Shenzhen stock exchanges. They include the Phillip-China Universal MSCI China A 50 Connect ETF, the United SSE 50 China ETF and the CGS Fullgoal CSI 1000 ETF.

The SGX lists two other ETFs with broader exposure to Chinese markets. One tracks Chinese stocks listed in Hong Kong and China, while the other also tracks US and other foreign listings, on top of Hong Kong and China listings. The remaining two ETFs are thematic and geared towards the electric vehicle/future mobility and tech trends, which cover fintech companies, e-commerce plays and firms that can benefit from the move to the cloud.

Mr Ooi said retail investors with more risk appetite can consider the tech-focused Lion-OCBC Securities Hang Seng Tech ETF as Chinese tech companies are trading at attractive valuations and are poised to benefit from the artificial intelligence boom.

The SGX noted on Oct 10 that this fund has posted strong growth in assets under management in the second half of the year.

Mr Wong Kon How, managing director of Weipeda, which provides investment and trading courses, said investors could also buy into a well-diversified unit trust of Chinese stocks, a strategy he has employed over the past two years.

"I have all sorts of unit trusts, from the high-tech ones to a more general one. I would like to keep the focus on China itself, their growing story," he said, adding that his investments in China are for the long haul and part of his "longevity portfolio" that will be passed down to his children.

Mr Wong prefers this approach of buying unit trusts as opposed to picking individual stocks because it is quite complicated to invest in China.

However, for those investors who want to pick individual stocks, the SGX lists some China-related stocks, including CapitaLand China Trust, a shopping-mall real estate investment trust (Reit), outlet mall operator Sasseur Reit, electric vehicle manufacturer Nio and pharmaceutical company Tianjin Pharmaceutical Da Ren Tang Group.

They are among the 20 stocks that report at least half their revenue from Greater China and that have seen strong trading volumes over recent weeks on optimism over China's stimulus measures, the SGX noted.

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