THE DAILY CHECK-IN WITH GOLDMAN SACHS

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LIZ BOWYER: Hi Christina.

CHRISTINA MA: Hi Liz, how are you?

LIZ BOWYER: Good, thank you. Christina, you're head of the firm's Greater China Equities business, which includes Hong Kong, China, and Taiwan. Chinese on shore stocks have hit multi year highs this year. What do you think's driving that performance?

CHRISTINA MA: You know, when we talk about investing in China, I always like to define the markets that we're talking about. So, you can invest in China via the US, i.e. the ADRs that are listed there. You can invest in China via Hong Kong. And you can also invest in China directly in A-shares, i.e. on shore. And so, when we look at the, sort of, Hong Kong, as well as the A-share market, the Hong Kong market in terms of indices-wise is actually flattish versus the A-share market is up almost 30 percent year to date. But actually, I don't think those two markets or the index moves actually, really fully describes to underlying those.

So, if you look at some of the underlying stocks, there's been much more diversification and also big moves underneath the surface. So, for example, when we talk about some of the bellwether names, where they're in Hong Kong, bellwether Chinese names such as Tencent and Meituan, they're up, respectively, 50 percent plus and 180 percent plus. If you look at something like A-shares like Moutai, which is a liquor company, or CATL, a battery company, they're up about 55 percent and 180 percent respectively.

But whether we're talking about A-shares or Hong Kong, the themes that outperform and the stocks that have outperformed have all been similar. It's really been driven around the China domestic consumption story, EV, as well as renewable energy.

LIZ BOWYER: Let's talk about reforms for a minute. We've seen China push for greater reform in its financial markets. What are the key reforms that you're focused on right now?

CHRISTINA MA: As you mentioned, there have been a lot of reforms, both from an investor perspective as well as from an asset owner perspective. From an investor perspective, one of the most exciting things that has been launched in China over the last couple of years has been the launch of the STAR board, which is the tech and innovation board. And it is part of the Shanghai Stock Exchange. So, this board was really meant to be a venue for these new economy growth e-companies to have a place to list in China, versus having to go to US to list in ADR forms or to list in Hong Kong.

And, you know, part of this was just to address some of the regulation and rules that did not accommodate for these companies in China. And it's been a roaring success. We've had 200 companies now list year to date. And the STAR board recently had the largest IPO list in the last ten years. So, the largest IPO in ten years in China. That listed on the STAR board. And it was a semiconductor company. And obviously, it was supposed to be another big IPO that was supposed to come. But that's been delayed till later. But we expect there to be a lot more big tech, interesting companies to come and list on the STAR board in the near future.

LIZ BOWYER: So, what does all this mean for investors?

CHRISTINA MA: So, it has a couple of different implications. From an investor's point of view, it actually means more choice. So, now when investors are looking for access or exposure to the China market, they obviously can look to ADRs at US. They can look to Hong Kong. But they can also look to China. So, in particular, a board like STAR board, as well as the new economy board that's associated with the Shenzhen stock exchange [PH], the Chin-X board [PH], what you see in terms of listings in China is that there is a broader spectrum of stocks that investors are interested in, in particular consumer as well as healthcare. So, having more access and more choice for investors just allows them to build a better portfolio and exposure to China, which is the second largest market in the globe by market capitalization.

LIZ BOWYER: So, significant progress, but presumably still some challenges.

CHRISTINA MA: Sure, absolutely. China is definitely opening up and accelerating that pace. But there are still some regulatory and local challenges that reflects the composition of its market. China has its own sets of rules and regulation, largely because China is very much retail driven. So, if you look at the trading volume of the A-share market, whilst the ownership is 60 percent institutional, trading volume is 80 percent retail. And I think that's not dissimilar to some of the other Asian markets that we've seen in the region in its early development such as Korea in the '80s and '90s was, I think, similarly composed or was similarly structured.

So, as a result, I think China is very much looking to institutionalize this market. This is something that China is very focused on. One of my favorite stats for this is when you look at the composition of household wealth in China versus the US. So, looking at China, over 65 percent of China's household wealth is invested in physical assets, i.e. property. You have about 20 percent in cash and deposit. And only about 7 percent in the equities market. Now if you look at that versus the US, you have about 25 percent in physical assets or property, 15 percent in cash and deposits, and over 30 percent in equity markets. So, in terms of China being the second largest equity market globally by market capitalization versus the US, and where household wealth is invested, you can see the clear upside for further equity investment by the Chinese household. And this is why we are also excited about the furthering opening up of the China market.

LIZ BOWYER: So finally, Christina, looking into 2021, what are the biggest issues that you're focusing on with our investing clients?

CHRISTINA MA: So, looking into next year, one of the key trends that will be focused on will be how to invest in China. There are a couple of ways in which you can invest in the on shore A-share market. It is either via the QFII channel, which is the qualified foreign institutional investor channel, or via the Connect channel. The Connect channel has been the channel of choice for most of our institutional investors over the last few years because of the ease of use. However, because there have been some recent changes to the rules of QFII, QFII has become far more interesting and also is a topic that a lot of our clients are very focused on. So, this is the one area that we'll continue to spend a lot of time on, is to help our clients decide which channel is best for them to use for what time and what product.

LIZ BOWYER: Thanks Christina.

CHRISTINA MA: Thanks so much, Liz. It was a pleasure to speak with you today.

LIZ BOWYER: You too.

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