

PRESS RELEASE – 29 January 2025

CHINESE NEW YEAR: EMBRACING THE SNAKE'S SPIRIT OF TRANSFORMATION AND WISDOM

On 29 January 2025, China ushers in the Year of the Snake—a celebration of wisdom, transformation, and fresh beginnings. The snake, regarded as a symbol of wisdom, is believed to possess the agility and keen perception needed to navigate and thrive in diverse environments. In Chinese culture, the snake symbolises adaptability and resilience, qualities that resonate deeply within the dynamic landscape of the Chinese market. As we transition from the dynamic energy of the dragon to the transformative wisdom of the snake, investors are presented with a unique opportunity to harness growth potential and navigate volatility with the wisdom and resilience that define this transformative year.



From Deflation to Optimism

2024 was full of surprises for China's equity market. Consumer confidence faltered during the first half of the year, weighed down by deflationary sentiment and a weak property market. Although sectors such as electric vehicles and travel showed promising growth, low consumer confidence led to pricing and inventory pressures in many consumer categories. In late September 2024, the Chinese government announced a series of surprise stimulus measures that included rate cuts, trade-in policies for consumer goods and property market support, which boosted market sentiment. Retail demand has started to recover, particularly in home appliances and auto sales, alongside early signs of stabilisation in the property market. This proactive stance by the central government gives us cautious optimism that if these initiatives are effectively executed, they could potentially drive further improvement in market sentiment and enhance expectations for fundamental earnings.

China's Consumption Shift Amid a Changing Global Landscape

In response to global tariff tensions creating uncertainties for Chinese goods, we expect a proactive approach from China's government during President Donald Trump's first year of his re-election. Revitalising domestic consumption remains a top priority in Beijing's inward-focused growth plan, with the expanded trade-in program announced within the first 10 days of the new year. We believe domestic champions with strong brand equity such as Anta Sports, Moutai, Midea, Li Auto could benefit from growing consumer preferences for more individuality and emotional connections. As China's wealth grows, younger consumers are shifting consumption patterns and boosting demand for services. In local digital commerce, Meituan's 30-minute on-demand delivery services are leading the way and expanding its addressable market. After years of pirated DVDs, Tencent Music, China's leading music streaming platform, is now capitalising on Chinese consumers' growing willingness to pay for digital music subscriptions. As home-grown leaders in sectors such as skincare, pet food, beverages and electric vehicles gain more market share, we believe these trends could present significant opportunities for growth across a range of consumer segments.

Chinese Manufacturing: A New Era of Innovation and Local Leadership

China's manufacturing sector is undergoing a significant transformation, with advanced industries such as automotive and industrial equipment – with complex components – emerging as the new growth engines. The country's efforts to develop higher-value-add manufacturing through increased investment in R&D may strength its position as a leading innovation hub and support demand for advanced technologies. With strong government support, many local players are gradually gaining ground in sectors that are traditionally led by foreign companies, such as in the semiconductor industry where imports of integrated circuits have declined significantly. Chinese imports of integrated circuits fell to 55.6% in the first half of 2024, down from 71% in 2017.¹ These shifts are occurring across various sectors, with many emerging local leaders are now eyeing international markets.

China's Shifting Landscape: 2025 and Beyond

As the country juggles the complexities of geopolitical tensions with the US and pivots its economy towards consumption and industrialisation upgrades, uncertainty lingers for the year ahead. Both Chinese companies and policymakers face several challenges. However, as the latest news on the Chinese tech startup DeepSeek shows, the country's historical resilience is testament to their ability to work around trade barriers.² As we navigate 2025, we remain committed to identifying quality growth opportunities within China's equity market, guided by our on-the-ground research as well as the transformative wisdom and resilience of the Year of the Snake.

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¹ Page 47, Exhibit 15. Neil Beveridge et al., "China 2.0: Made in China...Beyond 2025", Bernstein Institutional Services, 21-Oct-2024.

² Matt O'Brien. "[What is DeepSeek, the Chinese AI company upending the stock market?](#)". AP, 28-Jan-2024.

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