

FWD : THINK

ARE WE READY FOR CHINA?

Jeff Shen

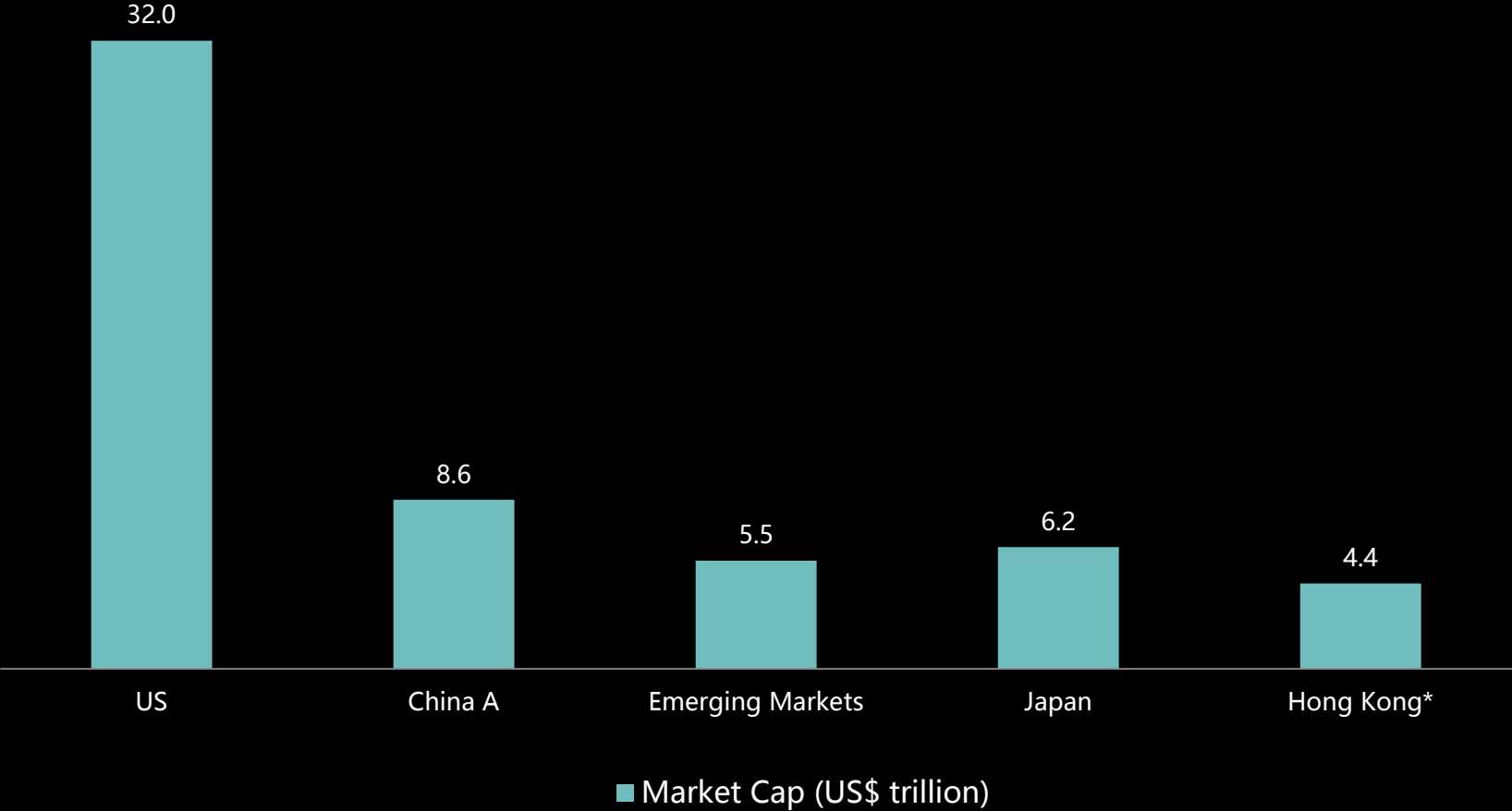
Co-CIO, Systematic Active Equity (SAE)

BIG MARKET

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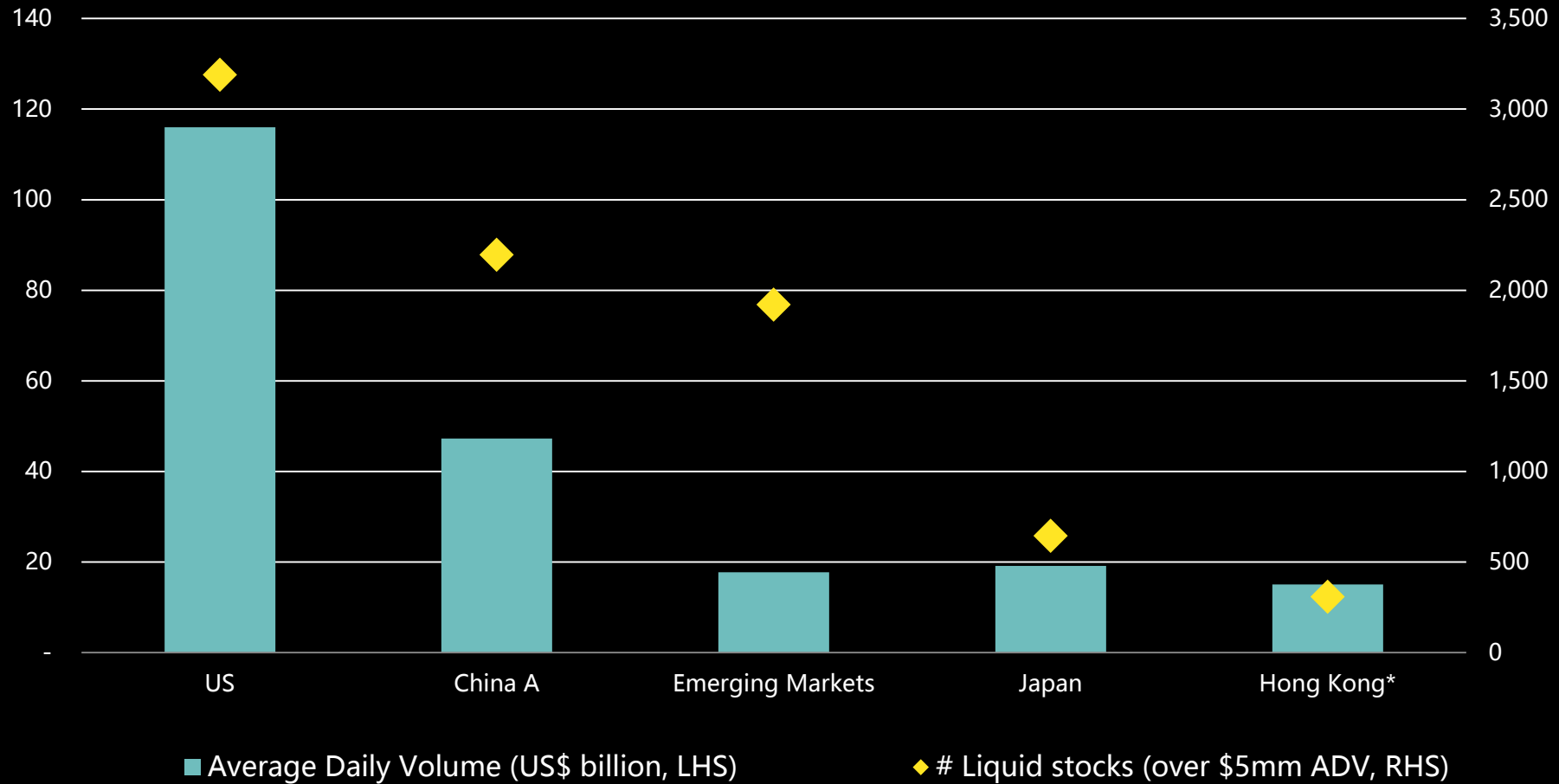
CHINA A: LARGE & LIQUID MARKET



Source: BlackRock, as of 31 March 2018

* Hong Kong represents all equities traded on the Hong Kong Exchange (including H-shares, Red Chips) Main Board

CHINA A: LARGE & LIQUID MARKET

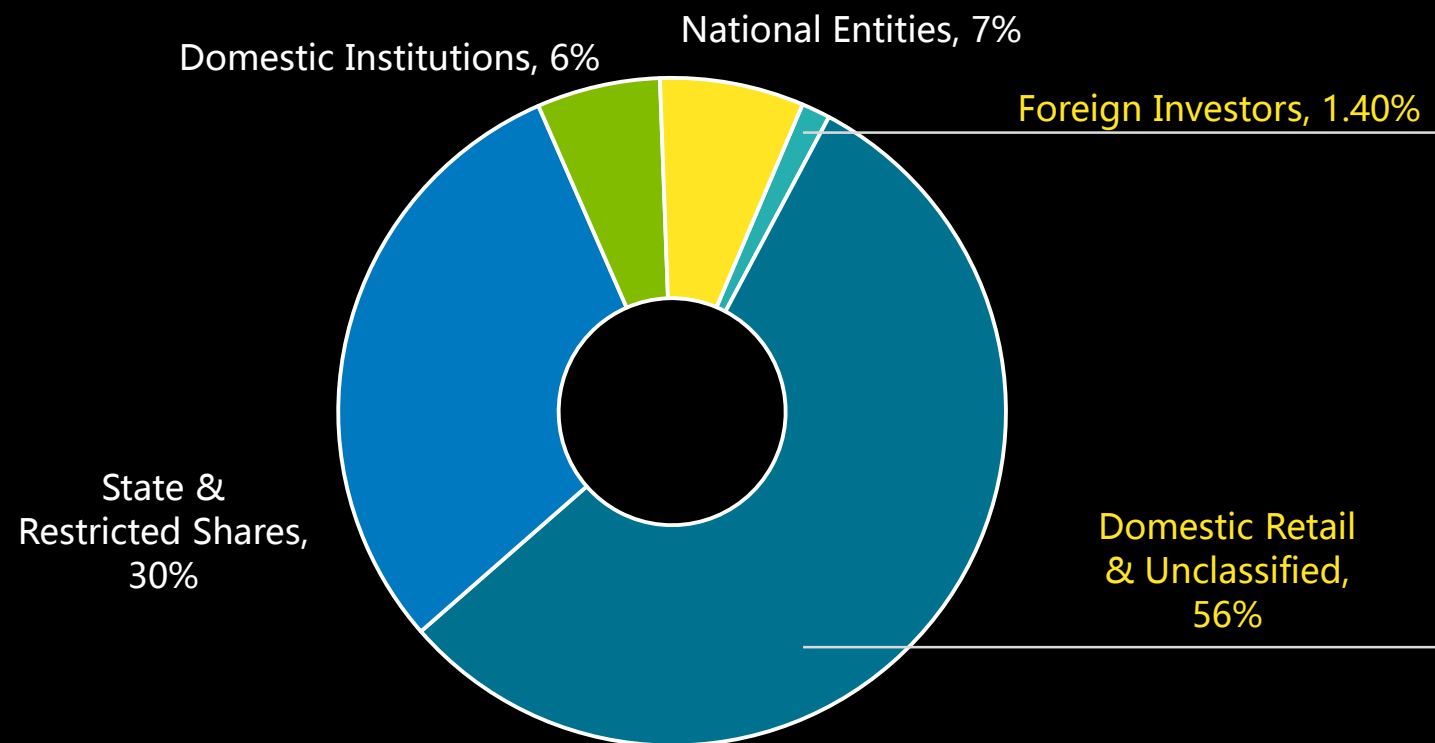


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A KINGDOM OF ITS OWN

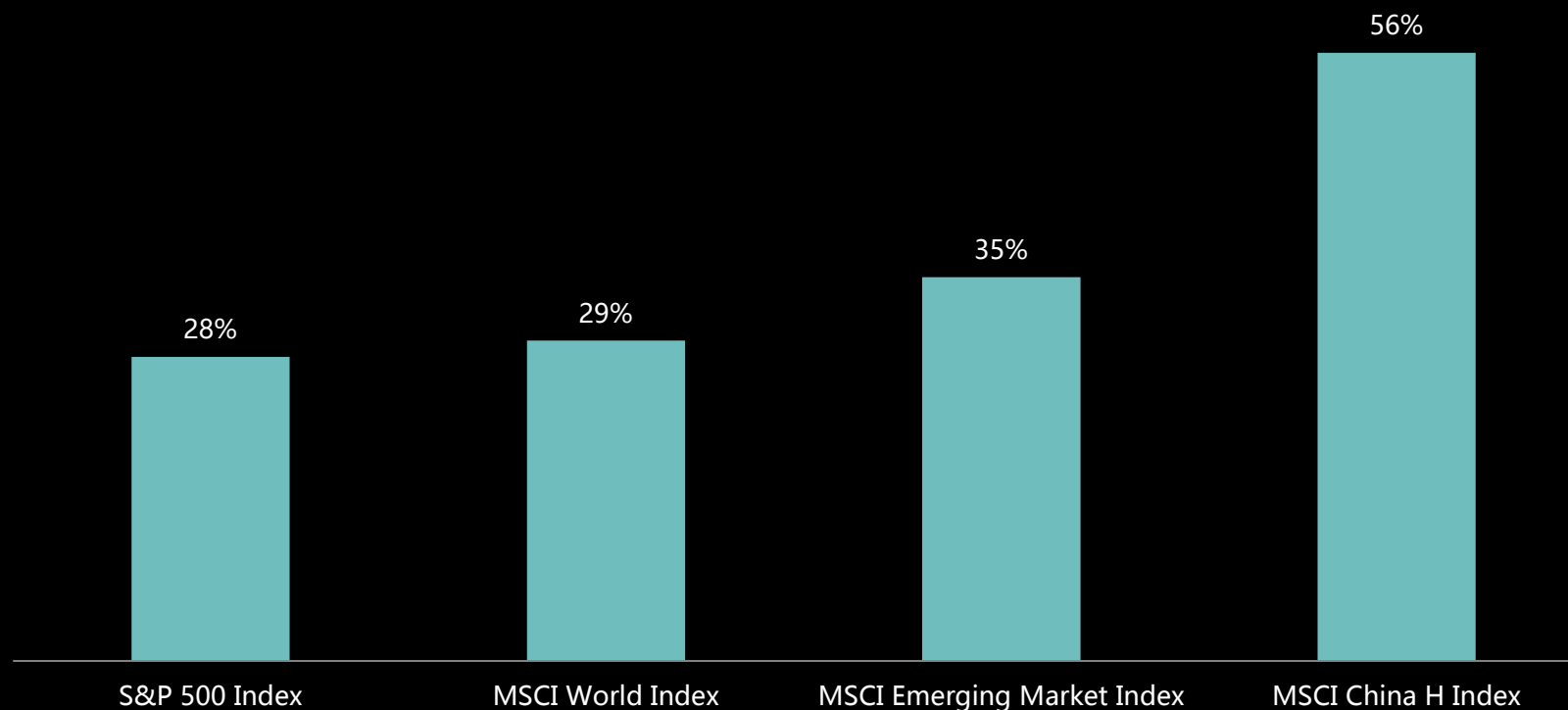
China A-shares market ownership structure



Source: BlackRock estimates, as of 30 June 2017

A KINGDOM OF ITS OWN

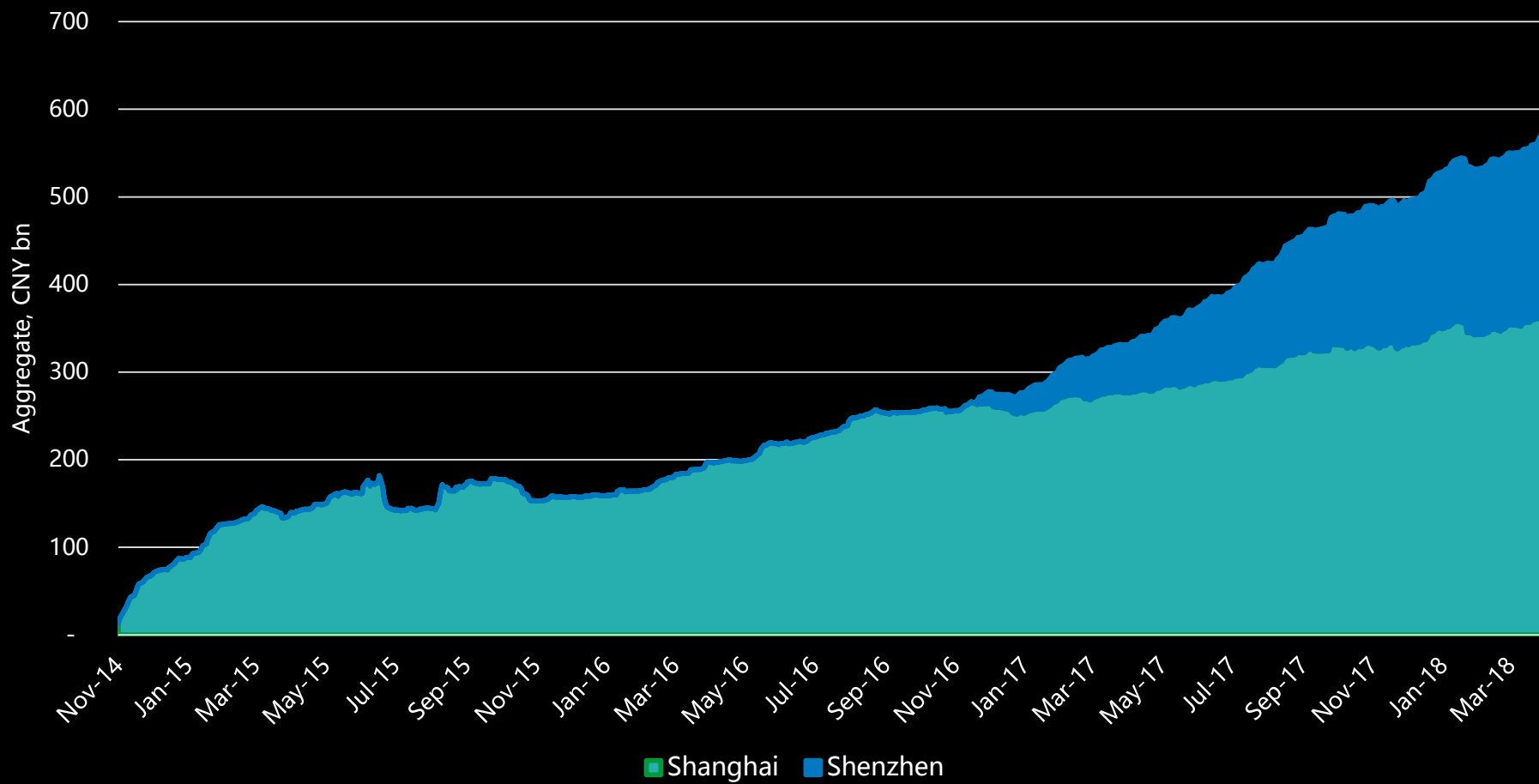
Low correlation with the rest of the world



Source: BlackRock, Bloomberg, 5Y 20-day correlation as of 31 March 2018. It is not possible to invest directly in an index

MARKET OPENING IS IMMINENT

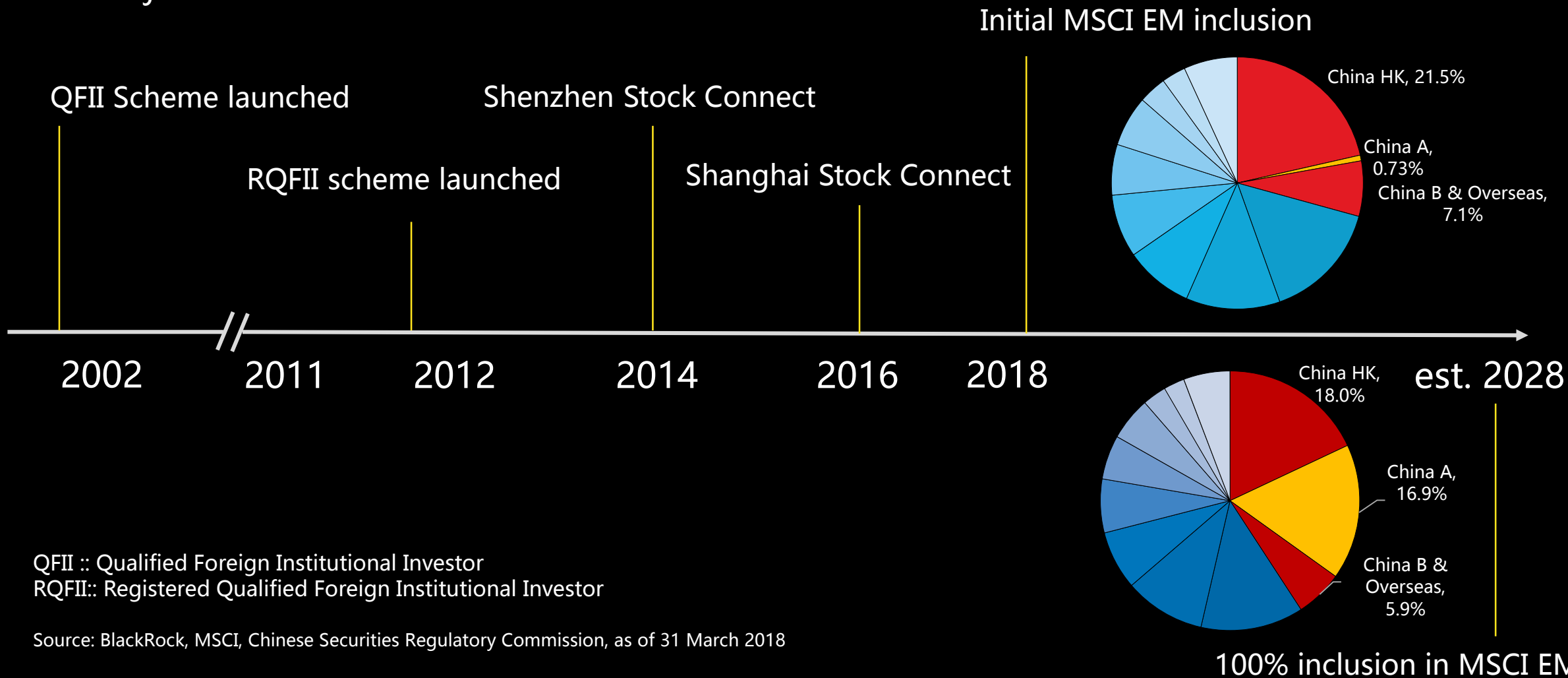
Northbound flows from the Stock Connect Program



Source: BlackRock, HKEX, as of 30 April 2018

MARKET OPENING IS IMMINENT

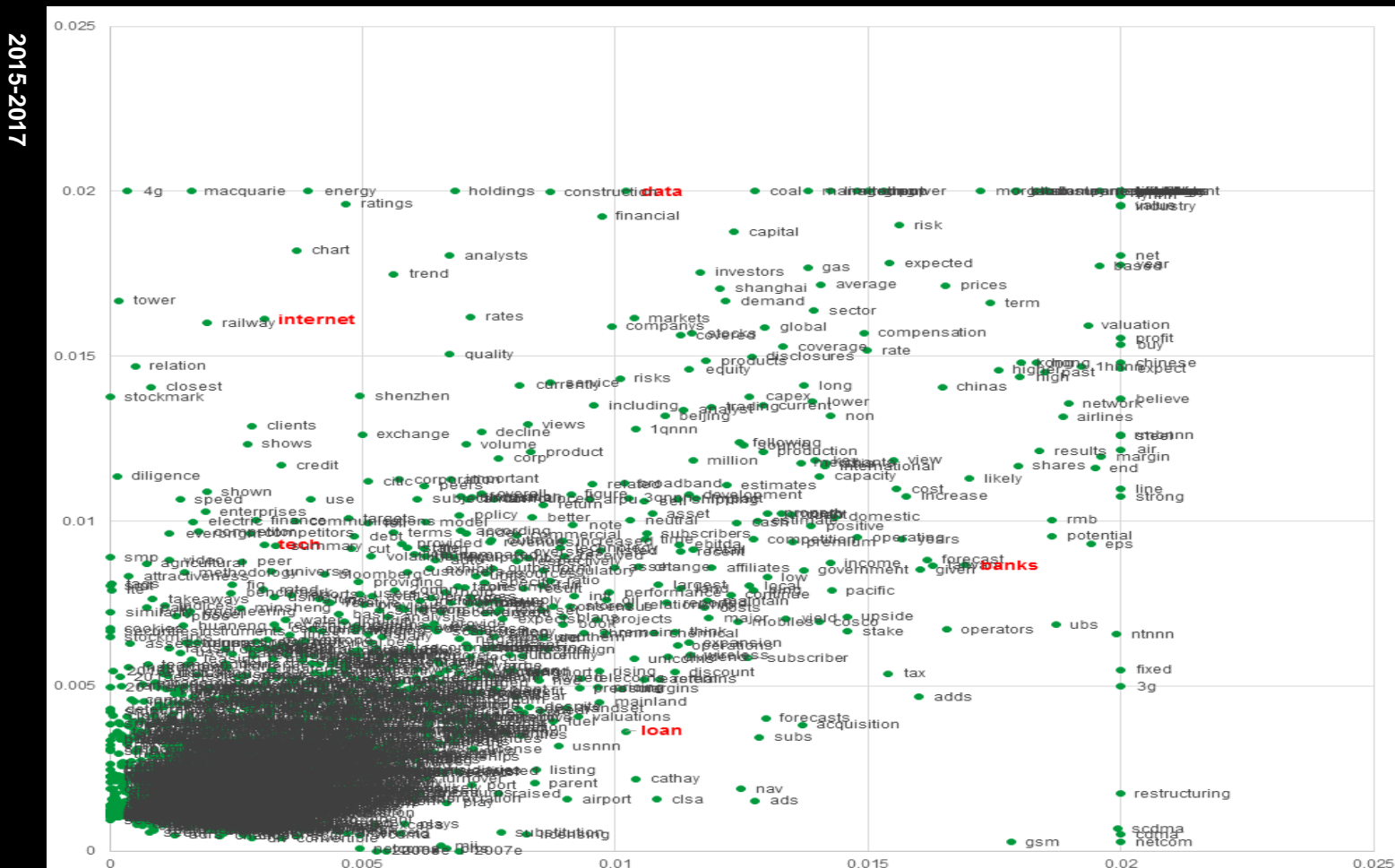
Major milestones for China A access



QFII :: Qualified Foreign Institutional Investor
 RQFII:: Registered Qualified Foreign Institutional Investor

Source: BlackRock, MSCI, Chinese Securities Regulatory Commission, as of 31 March 2018

OUTLOOK WITH NLP



Source: BlackRock, for illustration purposes only

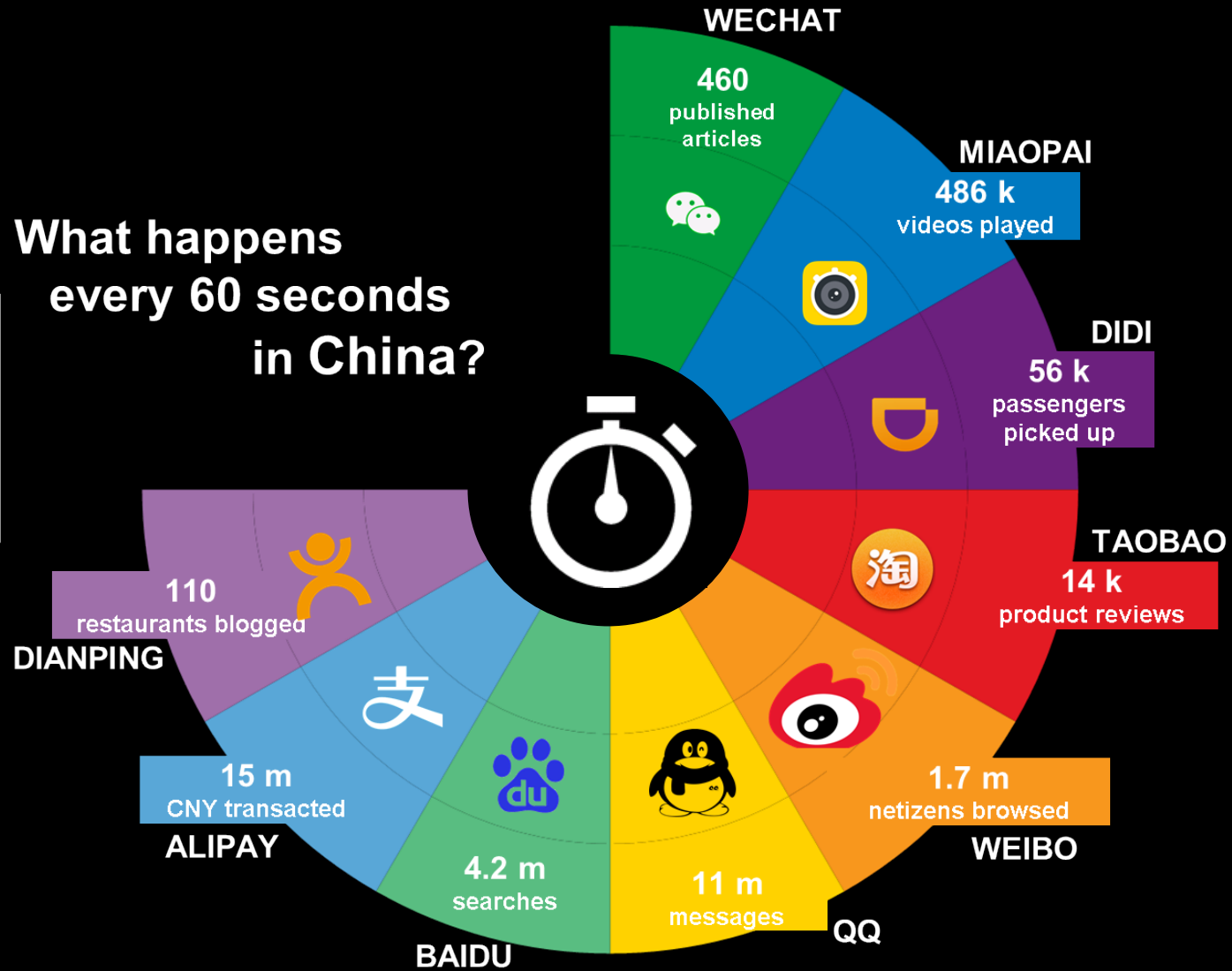
2005-2007

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BIG DATA

What happens every 60 seconds in China?

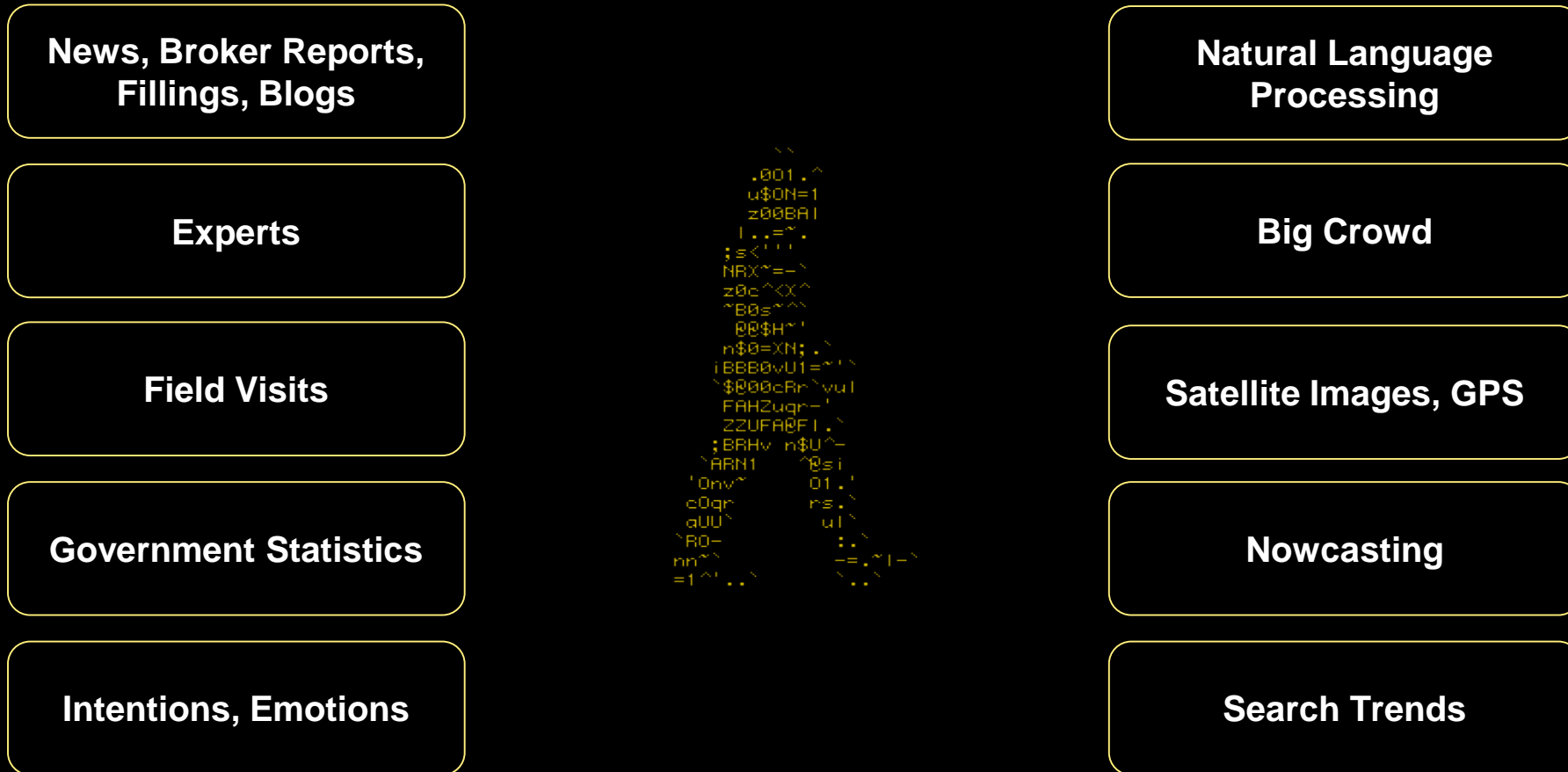


Source: BlackRock, Kantar Media CIC

The companies mentioned above are stated for illustrative purposes only and not meant to be a recommendation to buy or sell any security.

BITS OVER ATOMS

Everything measurable will be measured, but what are the trade-offs?



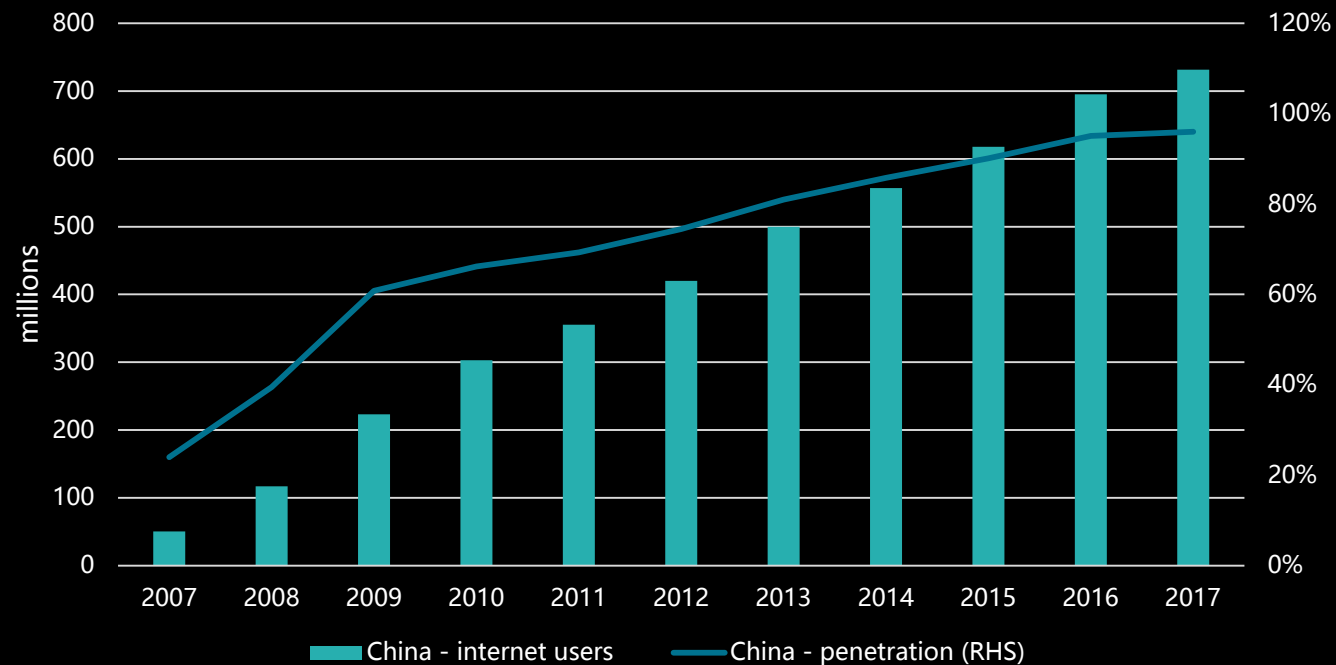
Source: BlackRock, for illustration purposes only

BIG DATA IN CHINA

Every month, we see in China:

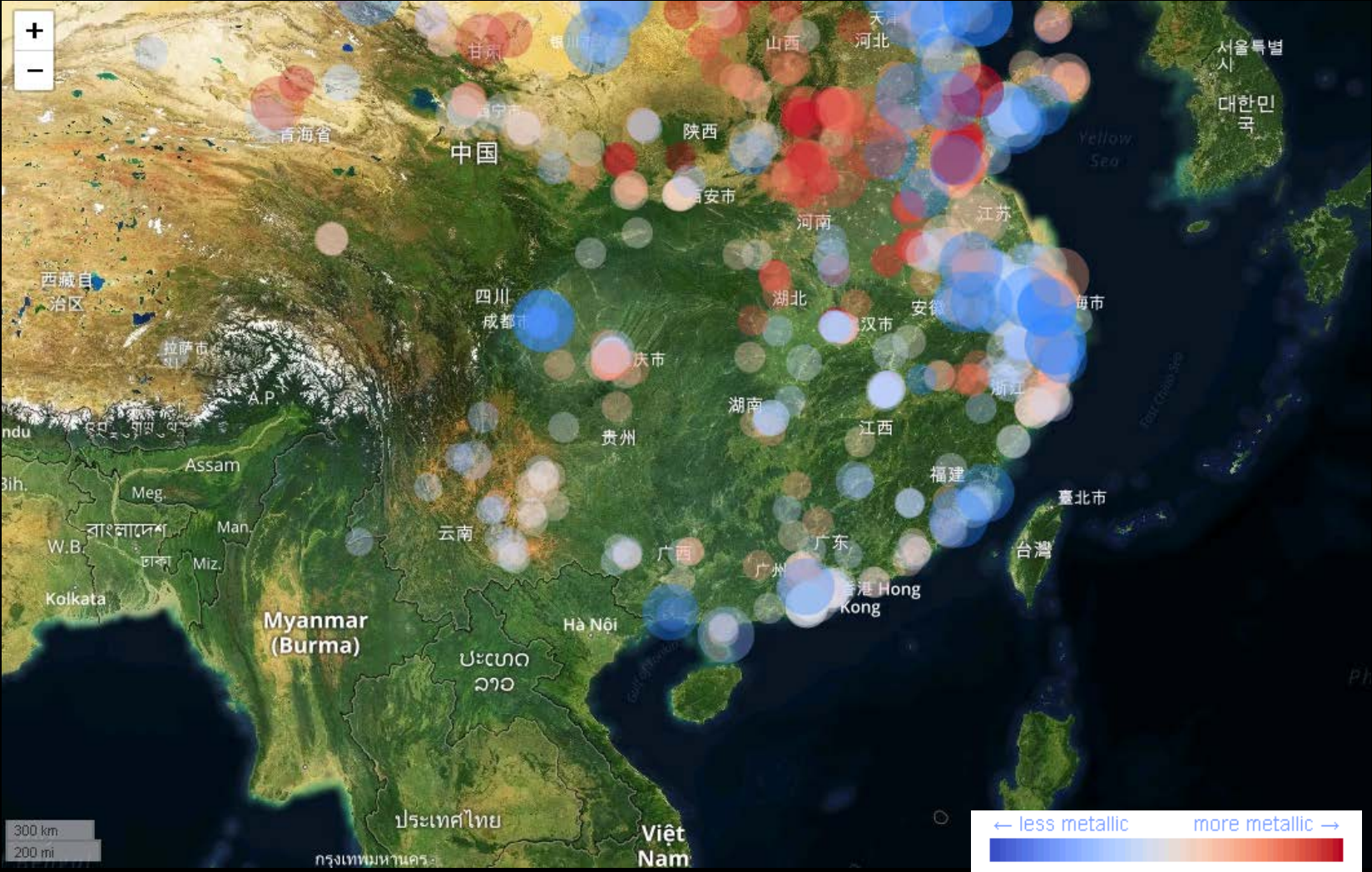
- 1,000 local **company disclosures**
- 10,000 **broker reports** (vs. 30,000 in the US; 5,000 in JP)
- 2 million **blog posts** (vs. 50,000 Yahoo! posts in the US)
- US\$500 billion **credit card transactions**

China's mobile internet usage growth, 3x of the U.S.*



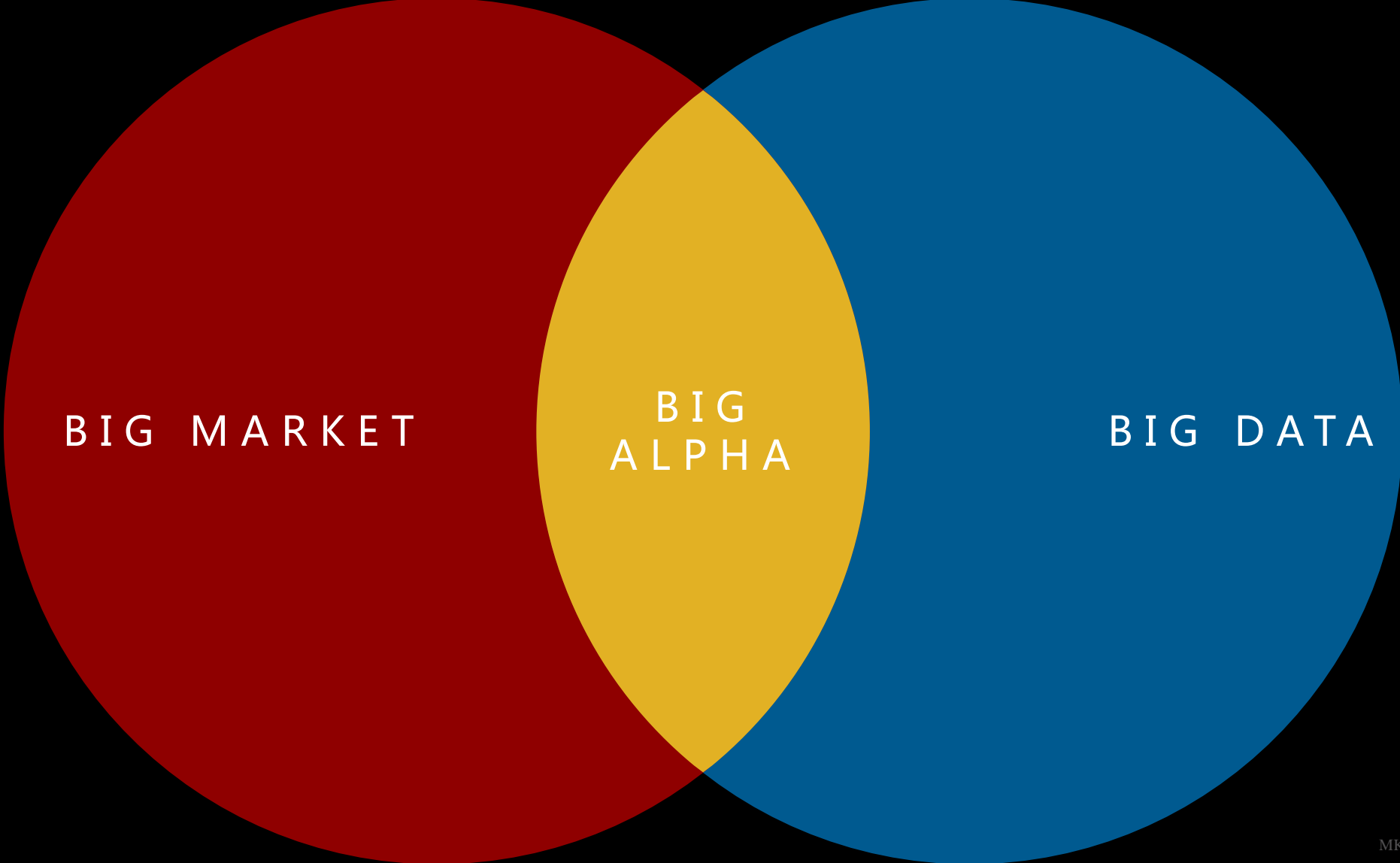
Source: BlackRock, CNNIC, as of 31 December 2017; *Morgan Stanley Research

ABUNDANCE OVER SCARCITY: PIXELS AS DATA



Source: BlackRock, as of 31 March 2018

ONCE IN A GENERATION OPPORTUNITY



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