



CHINA EQUITY

Early Proponent of China

Nikko AM has been investing in China for close to 15 years, being the first asset management company to be certified by the Chinese authorities as a qualified foreign institutional investor (QFII) in December 2003. The firm has built on this first mover advantage by working in partnership with its local associate Rongtong Fund Management Co. Ltd to develop a differentiated China equity proposition with an intuitive understanding of the China market and nuances at its core – and turning insights into sustainable investment opportunities for clients.

Designed for Insights Intensity

The colossal Chinese market is characterised by an intensity of information that demands a whole new level of research and connectivity that the Nikko AM team is purposefully designed for. The collaborative team of six portfolio managers and analysts have diverse and complementary background bespoke to China's evolving structure and developments. The close partnership with Rongtong enables the team to further tap into the expertise and market intelligence of a home-grown entity which is plugged into the uniquely local information network. The Nikko AM and Rongtong teams with a combined strength of over 40 investment professionals have established strong rapport in analysing information about companies and market research that culminates in the selection of high conviction stocks for our portfolios.

Institutional make-up

The research advantage complements the institutional DNA of Nikko AM's portfolio construction process – an investment process that is aligned with client interests and time tested. With institutional discipline and high conviction, the team looks beyond crowded trades for growth stocks with the potential for sustainable returns. The research-driven, structured approach distils inherent market inefficiencies to systematically manage client portfolios towards achieving target alpha with lower volatility and within agreed risk parameters.

The investment process



The team adopts a four-step integrated investment process:

1. **Idea generation:** all team members attend structured meetings to discuss stock ideas.
2. **Detailed fundamental research:** from idea generation, stocks are selected for further detailed fundamental analysis including Environmental, Social and Governance (ESG) assessment, and actively debate and challenge to determine

sustainability of investment thesis. Substantiated with a minimum of 3-year cashflow and earnings forecast.

3. **Portfolio construction:** includes the buying and selling of stocks based on the internal qualitative and quantitative assessment. Portfolio's relative sector and style tilts versus macro expectations are assessed to help identify and avoid unintended risks.
4. **Ongoing risk monitoring & management:** risk control involves daily portfolio risk management processes managed by independent risk teams spanning four functions, namely Investment Management, Risk Management, Investment Compliance and Enterprise Risk Management.

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