

# Unlocking Value in the Chinese Economy



**Interview with: Stefan Kräuchi, Chief Executive Officer, HSZ (Hong Kong) Limited**

**"Family offices** must be mindful of developments in Europe, and make sure to diversify into different geographies and asset classes that can still provide true diversification," advises Stefan Kräuchi, Chief Executive Officer, **HSZ (Hong Kong) Limited**. China today offers many interesting investment opportunities, he adds.

HSZ (Hong Kong) Limited is an investment management company at the **marcus evans Elite Summit 2015**, taking place in Montreux, Switzerland, 18 - 20 May.

**What is your outlook on the economy? What should investors take into account, specifically with China?**

Europe is going through some difficult times, with high unemployment, the debt problem in Greece and so on, which will not go away anytime soon. Quantitative easing will have a positive effect on European stock markets and while the Euro's devaluation will make Europe more competitive, it will make European returns less compelling when translated e.g. back into US Dollars.

The US is doing better overall, so investors are expecting interest rates to go up sometime later this year.

There is a major demand problem on a

global scale. Central banks are trying to stimulate demand, but it remains to be seen whether it will work.

In China, the official growth target for 2015 has been reduced to seven percent, which will still be a challenge given the size of the economy. We do see weaknesses in certain segments of the economy and oversupply in housing and some other areas. The Chinese government has recently introduced measures to stimulate the housing market. Moreover the market now expects more rounds of easing in order to achieve the GDP growth target.

Despite all the short-term noise we recommend investors to keep their eyes on the big picture as China is transforming itself from an export-led to a consumer-led economy.

**Why should investors consider Chinese equities? What value could it add to a private wealth portfolio?**

We see many interesting opportunities in China which help to diversify away from European and US assets.

In many ways, China is moving away from "Made in China" to "Created in China". An increasing number of Chinese companies are competing in a global marketplace, be it in online commerce, infrastructure or making components for top manufacturers like Apple. Many positive things are happening, the economy is becoming more mature, and consumers more sophisticated and willing to pay for experiences rather than just goods. Financial companies are also starting to use the internet to their advantage.

**Why is local knowledge required to access equities in these industries?**

Local knowledge is a must for investors who want to look beyond the major well researched companies, where the management easily communicates in English. We believe it is increasingly important to be closer to companies

listed on the local Chinese stock exchanges. In general we see more value in entrepreneurial companies and stay away from conglomerates and state-owned organisations. We believe it is better to invest in companies with only one "boss", namely the shareholder. Moreover our bottom up value based approach requires intimate knowledge of the companies in our portfolio.

To  
understand  
companies  
and unlock  
value in  
the Chinese  
economy,  
local  
knowledge  
is a must

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Please note that the Summit is a closed business event and the number of participants strictly limited.

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The Elite Summit is the premium forum bringing top tier buyers and sellers together. The Summit offers the independent advisors of wealthy private investors and international fund and asset managers an intimate environment for focused discussion of the key new drivers shaping wealth management asset allocations. Taking place at the Fairmont Le Montreux Palace, Montreux, Switzerland, 18 - 20 May 2015, the Summit includes presentations on creating solid family succession, ensuring regulatory compliance, bridging the generation gap and delivering steady returns in times of uncertainty.

[www.elitesummit.com](http://www.elitesummit.com)

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## About HSZ (Hong Kong) Limited

HSZ Group is an independent investment management company. It is based in Hong Kong and regulated by the SFC. Highly specialised, the group focuses on listed Chinese equities and ILS investments. Both asset classes are relatively removed from the growing risks associated with the rampant money creation by western central banks. This increases their value as diversifiers in any investment portfolio. All portfolios embody the values adopted by HSZ Group with its focus on quality and selective approach to investment. The business was established in 1994 in Zurich and is now managed from Hong Kong, where we have been present since 1999. Our clients are family offices, pension funds, banks and fund-of-funds.

[www.hszgroup.com](http://www.hszgroup.com)

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