

Accessing China Growth

Asian Wealth Management Training Forum

30 Nov 2010

Dr. Mark Konyn
Chief Executive
RCM Asia Pacific Limited

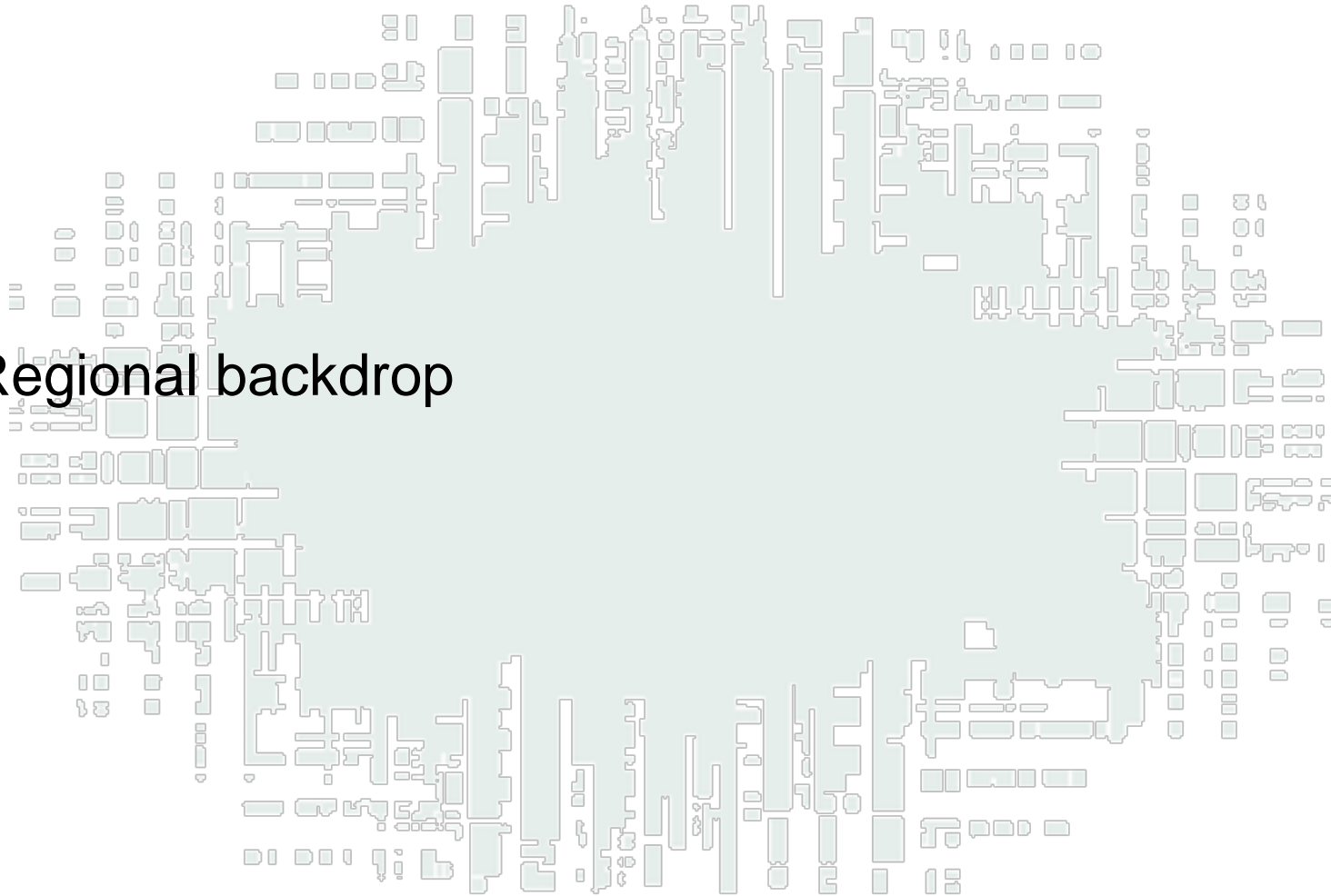
For institutional investor use only
Not for public distribution.



Discussion topics

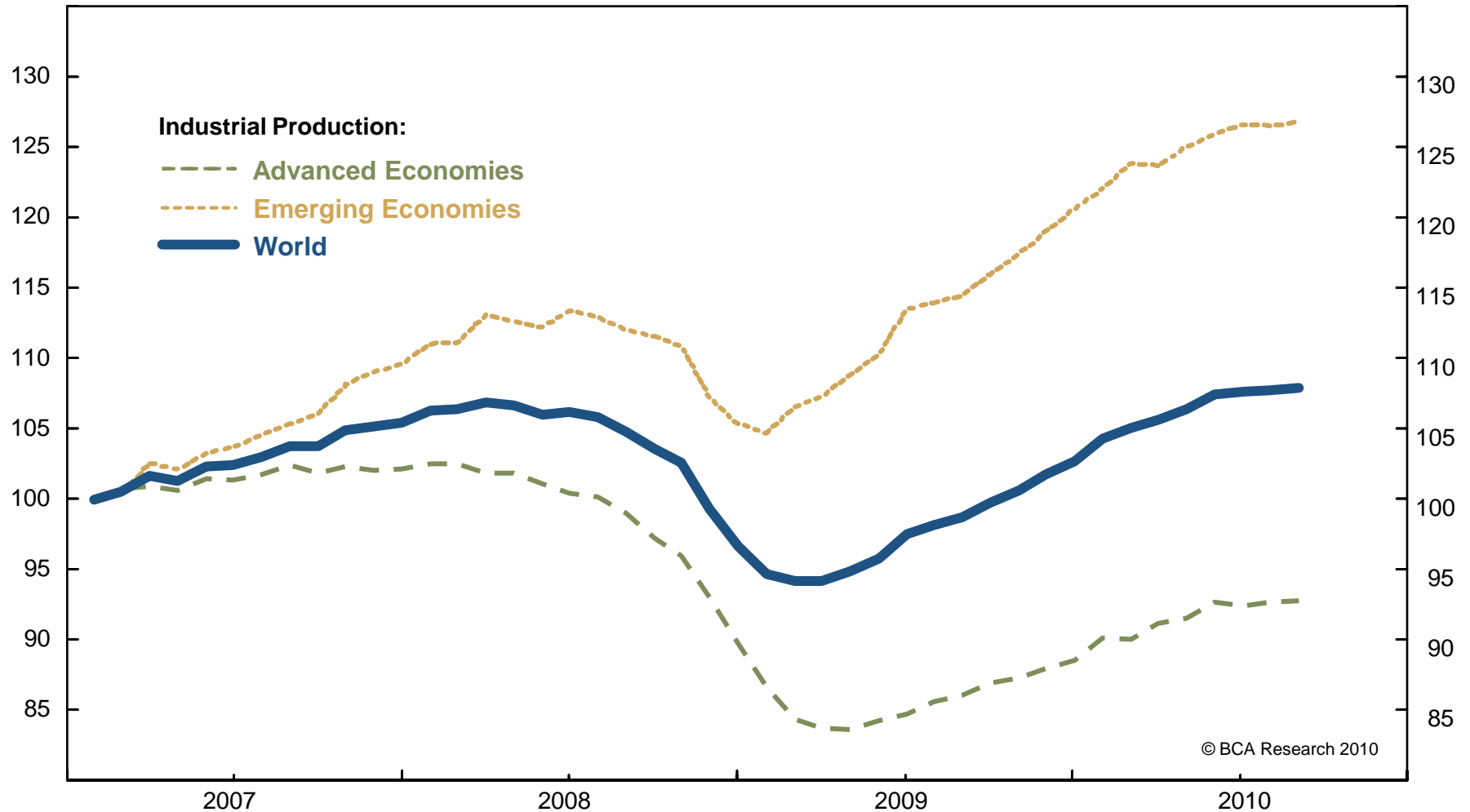
1. Regional backdrop
2. Which asset classes and sectors look promising?
3. Will the recent spate of IPOs continue?
4. Internationalization of RMB
5. What's in store for investors and risks they need to be aware of?

Section 1 Regional backdrop



A Recovery is Underway

But developed economies are being left behind



Note : All series rebased to Jan. 2007=100.
Source : Netherlands Bureau for Economic Analysis.

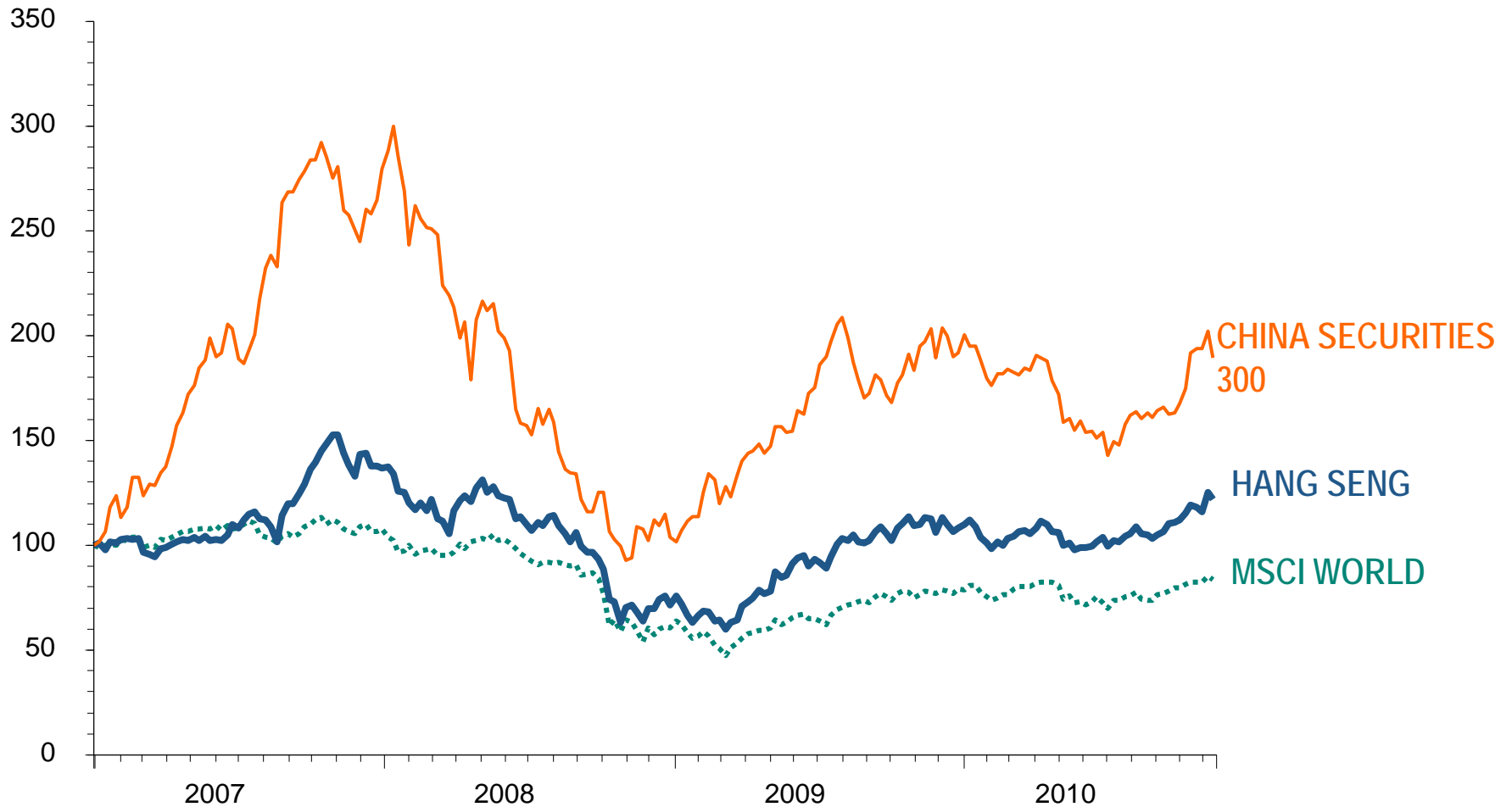
China to Lead Global Growth

IMF projections of GDP growth through 2015

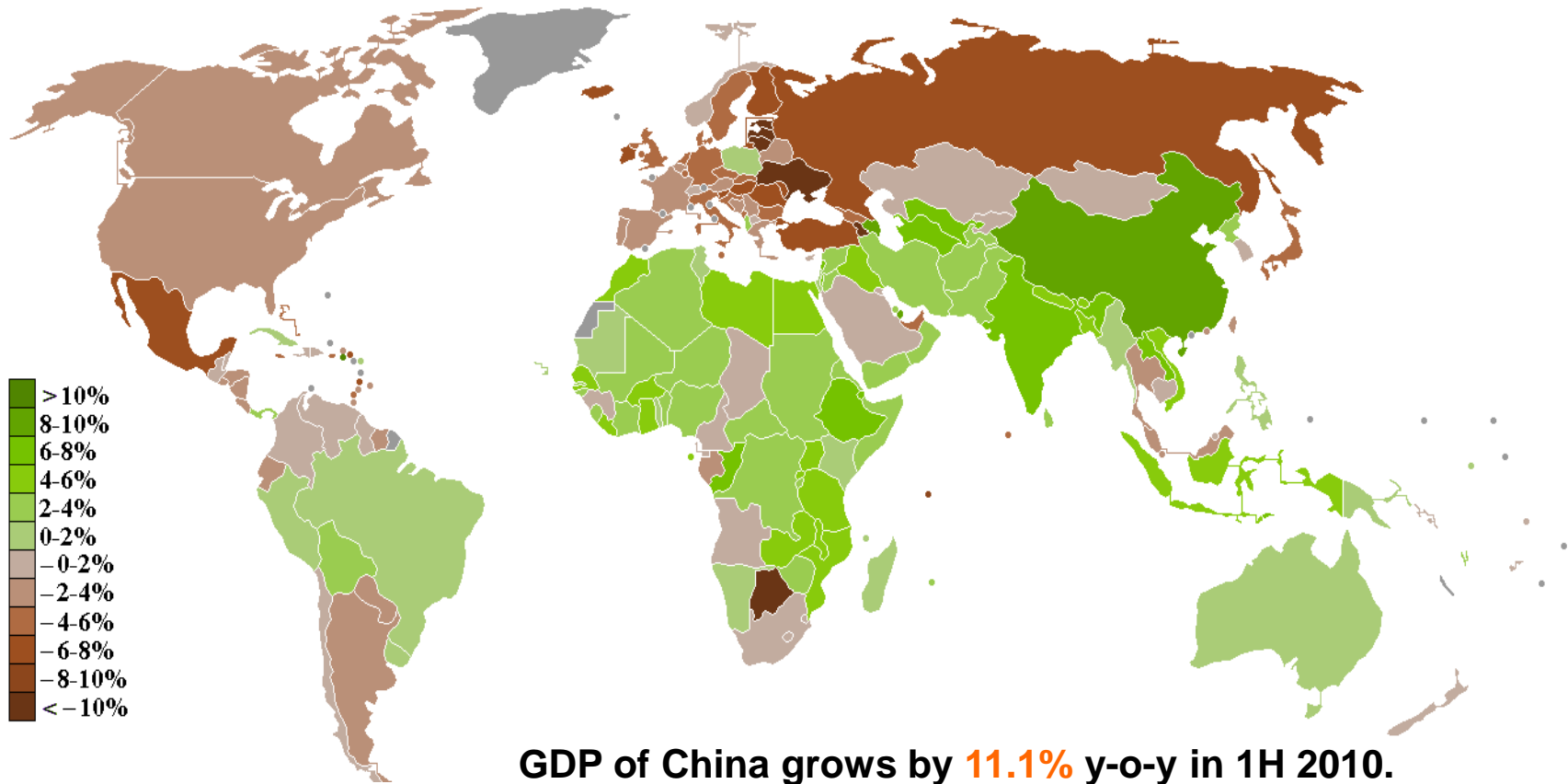
	Year over Year		
	Projections		
	2010	2011	2015
World output	4.2	4.3	4.6
Advanced economies	2.3	2.4	2.3
United States	3.1	2.6	2.4
Euro area	1.0	1.5	1.7
Japan	1.9	2.0	1.7
Other advanced economies	3.0	3.4	3.1
Newly industrialized Asian economies	5.2	4.9	4.3
Emerging and developing economies	6.3	6.5	6.7
Sub-Saharan Africa	4.7	5.9	5.4
Central and eastern Europe	2.8	3.4	4.0
Commonwealth of Independent States	4.0	3.6	5.0
Developing Asia	8.7	8.7	8.5
China	10.0	9.9	9.5
India	8.6	8.4	8.1
ASEAN-5	4.7	5.3	5.0
Middle East & North Africa	4.5	4.8	4.8
Western Hemisphere	4.0	4.0	4.0

China market

Price Index



China's GDP growth rate top the rest of the World in 2009



Section 2 Which asset classes and sectors look promising?

China's 12th Five -Year Plan (2011 to 2015)

From economic growth acceleration to sustainable long-term growth

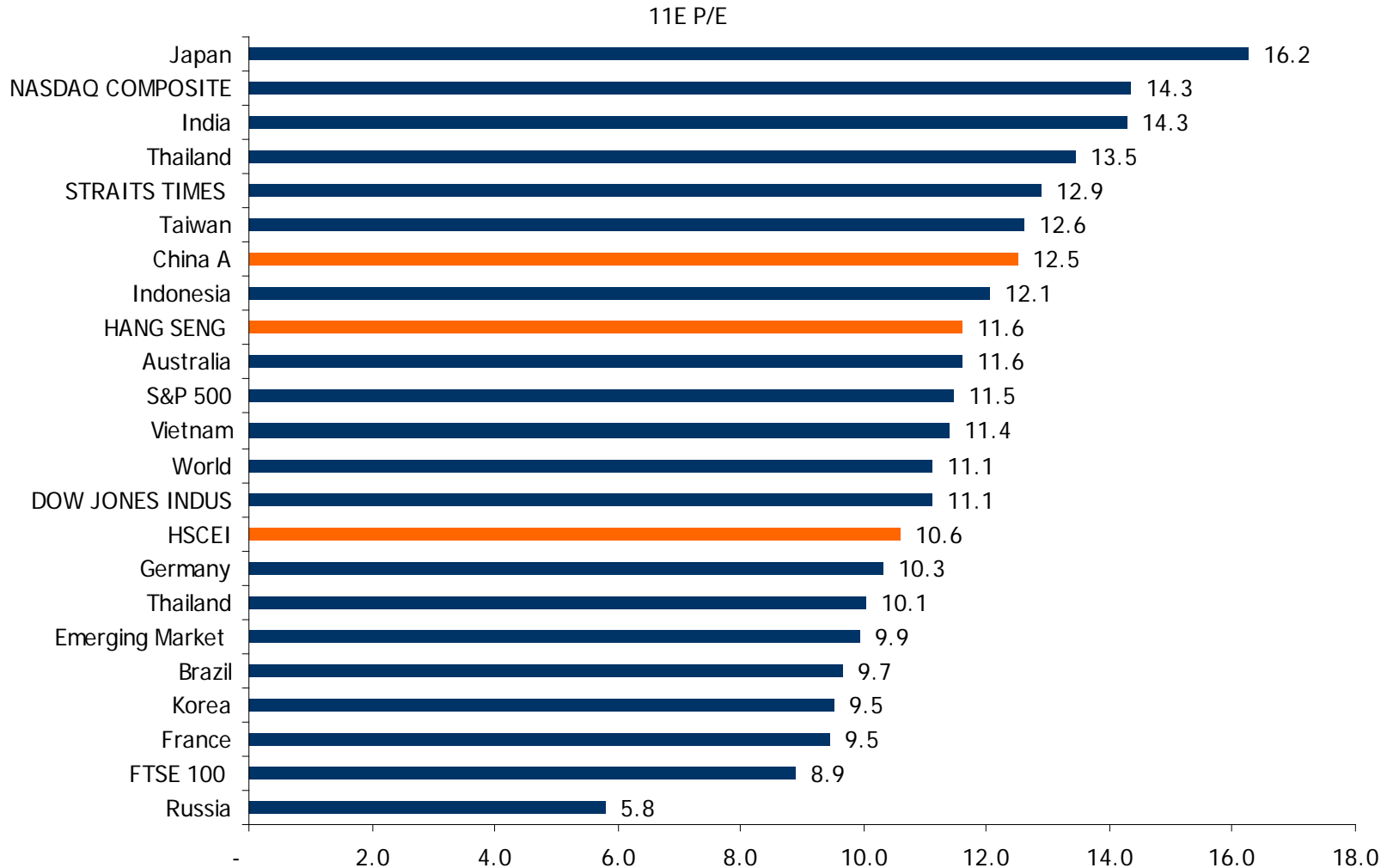
- Structural shift from exports to domestic consumption
- Environmental considerations with focus on low energy and low carbon economic activities
 - Industry consolidation in high energy-intensive sectors accelerates
 - Renewable energy: operator vs equipment suppliers
 - Environment related projects
- Driving towards a more equitable wealth distribution with household income growing at a much faster rate
- Spreading out economic development to central and western regions
- Moving up the value added technology curve
- Increasing importance of the services industry

Source : RCM – 201011

The above contains the current opinions of RCM and such opinions are subject to change without notice. This material does not constitute investment advice and is not a recommendation or offer to buy or sell or solicitation or incitement of offer to buy or sell any particular security, strategy or investment product. The information is prepared for information purposes only without consideration given to specific investment objectives, financial situation or particular needs of any person. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The prediction, projection or forecast is not indicative of future performance.

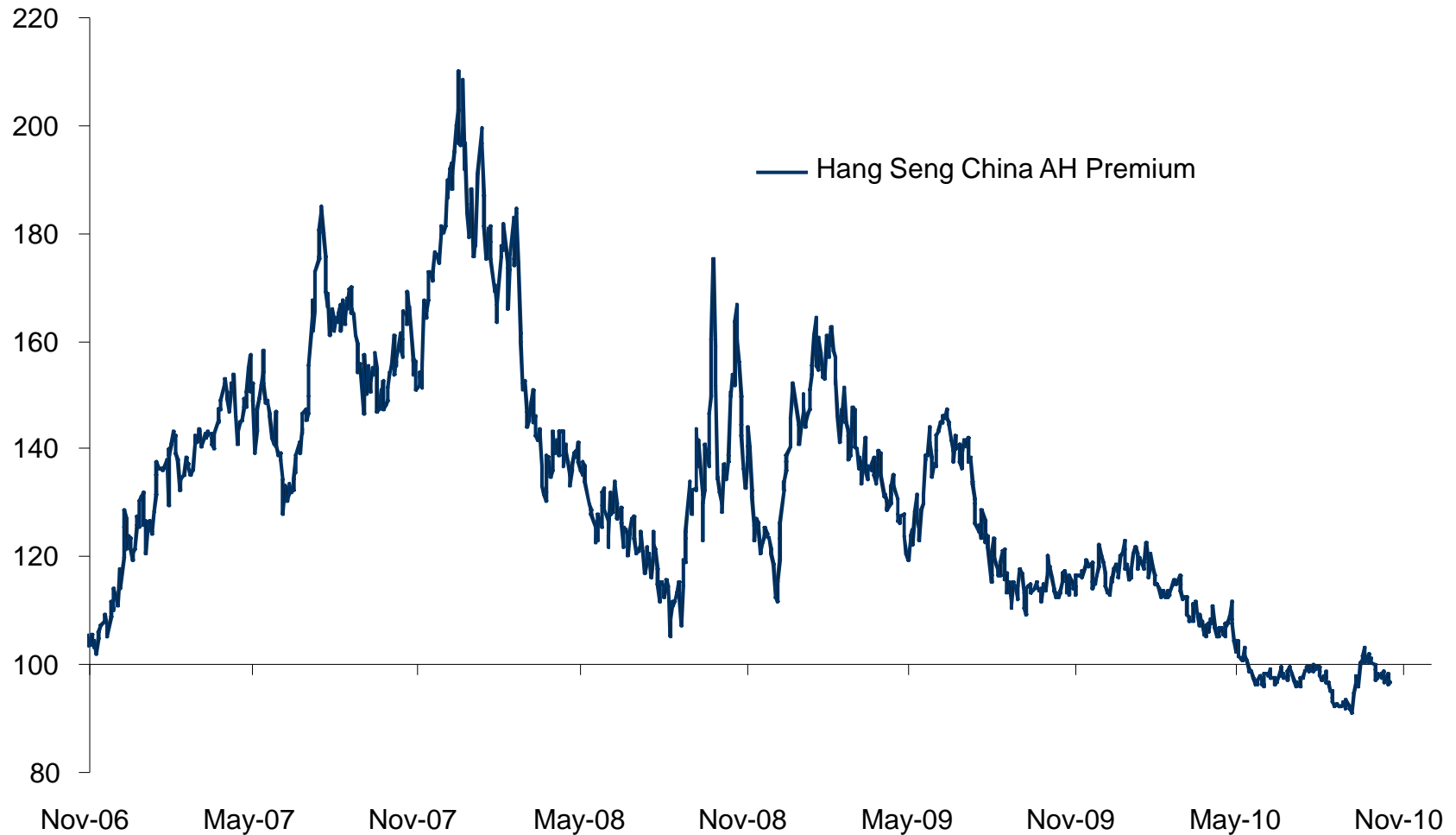
China's Valuations

Consensus not cheap, but not overvalued

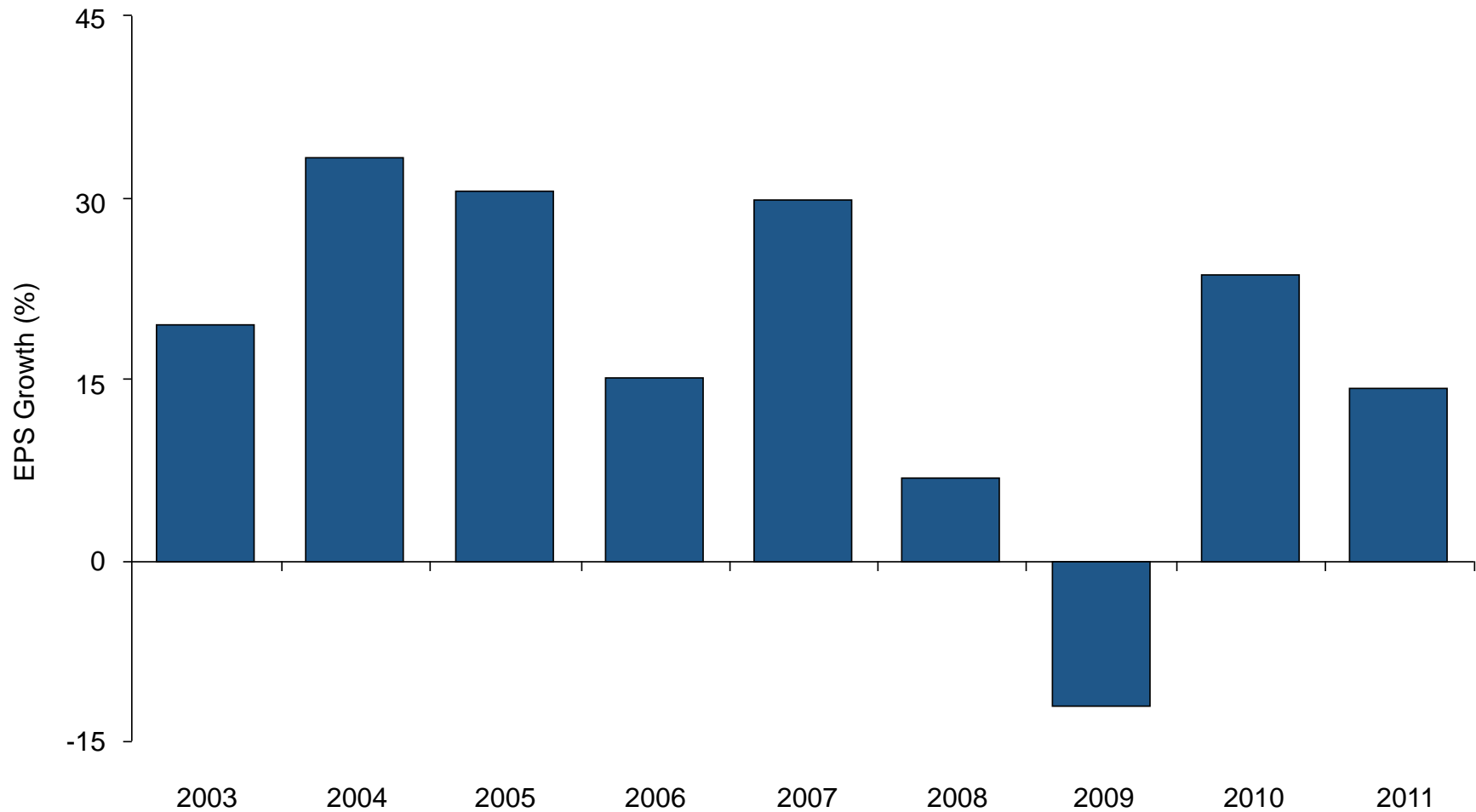


AH Premium Has Collapsed

A-Share price-premium now in-line with H-shares

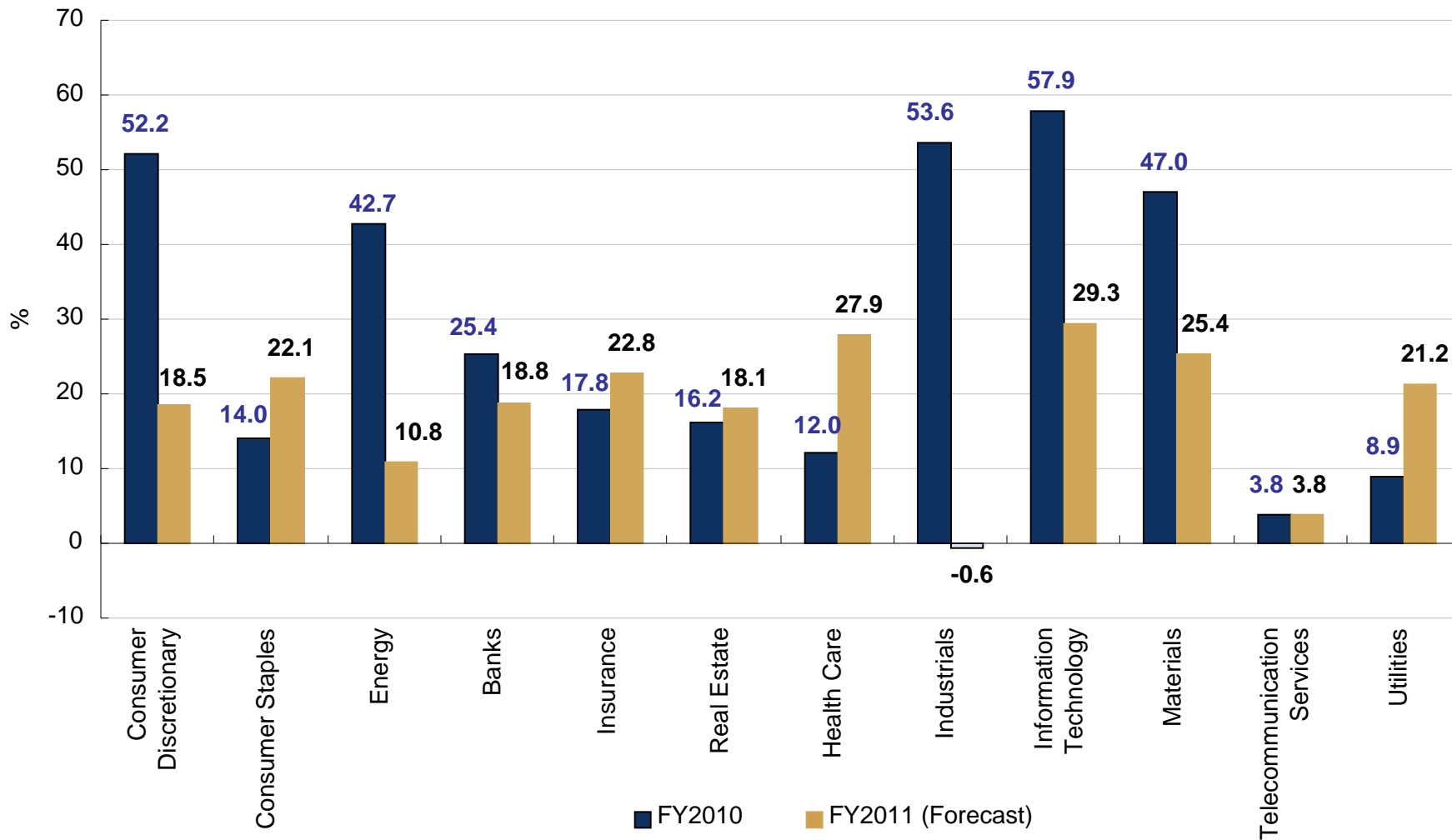


Earnings growth: MSCI China



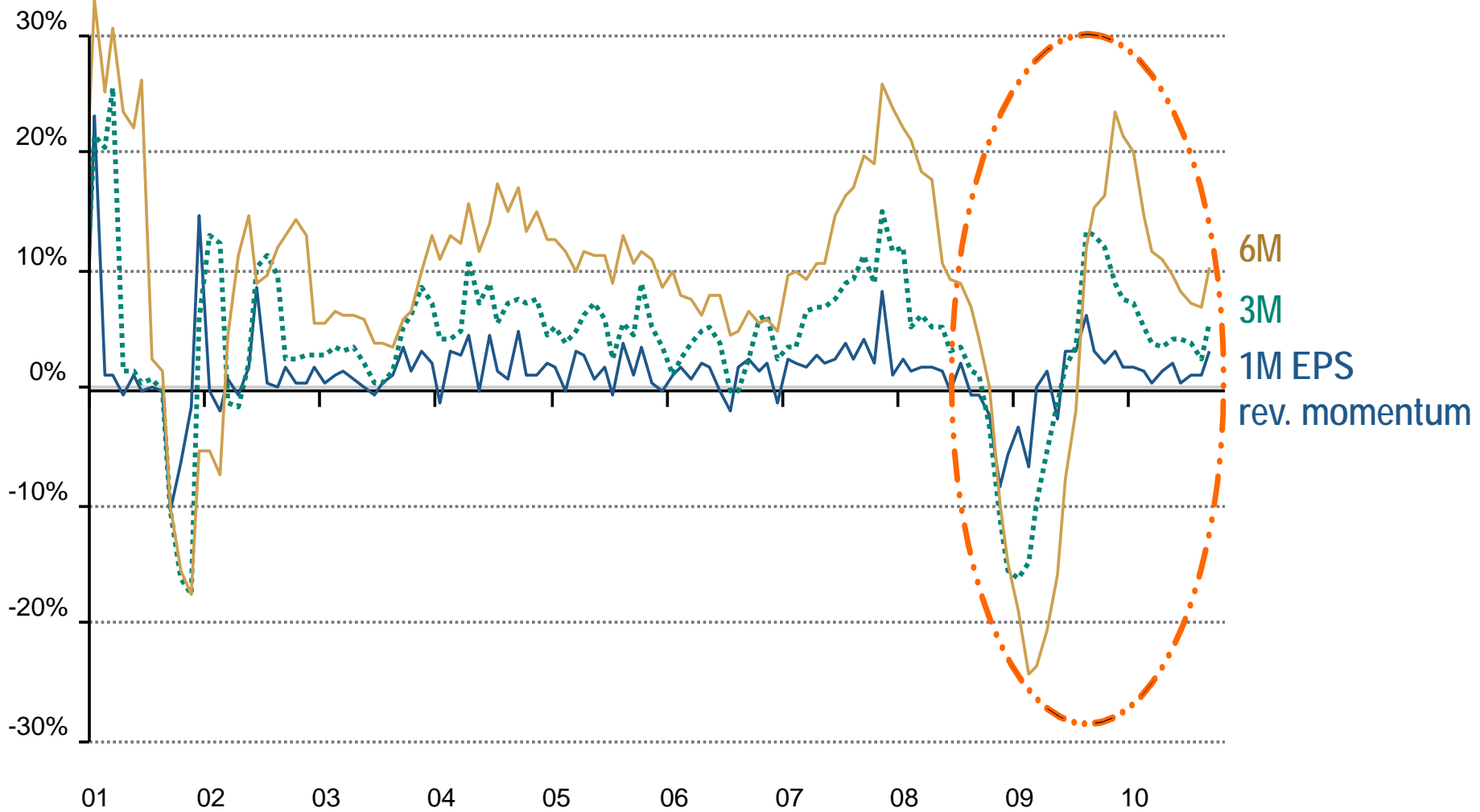
Source: Nomura – 20101008
Remarks: 2010 & 2011 based on Nomura estimates

Earnings growth by sectors: MSCI China



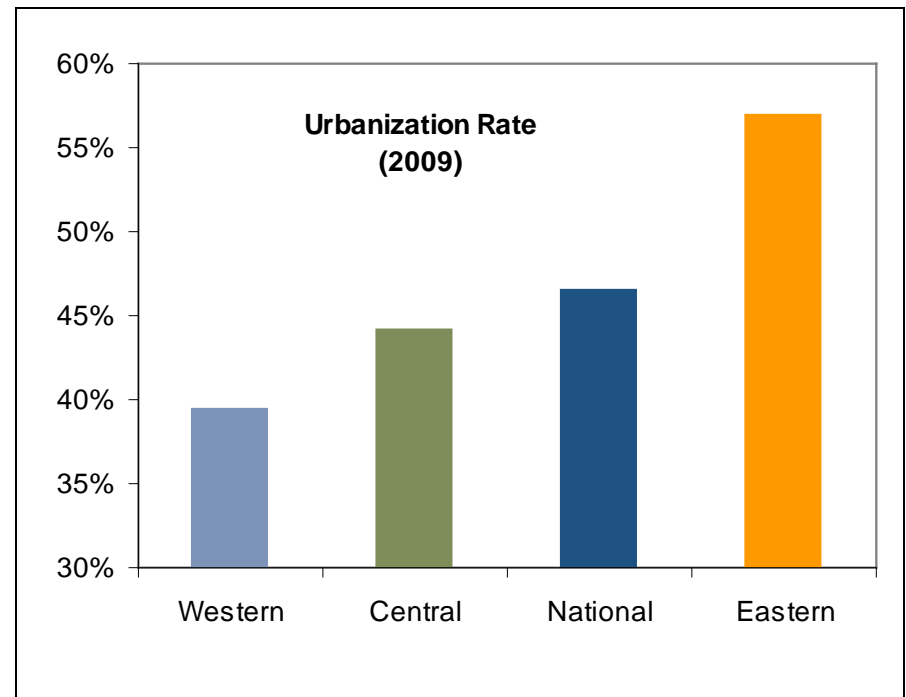
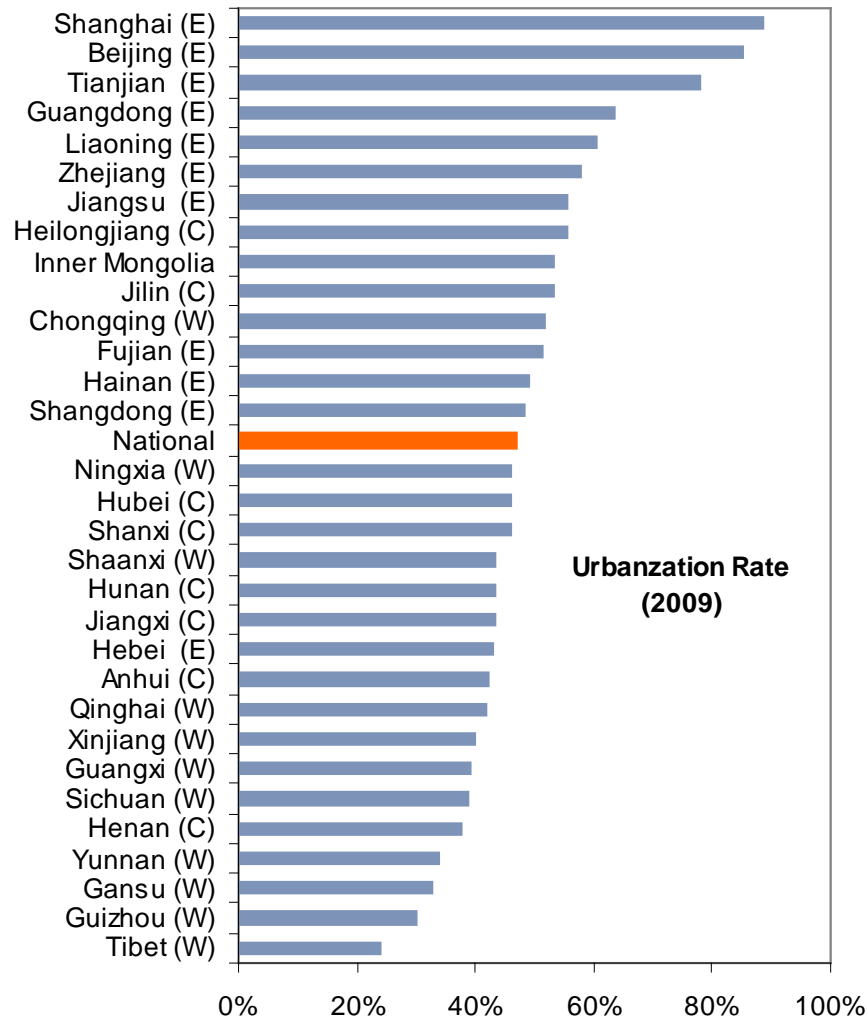
EPS growth is market-cap weighted within the sector for each particular sector. Forecast data are from I/B/E/S consensus. Data as at 30 Sept 2010
Source : NOMURA Quantitative Strategies 20101012

Earnings momentum: MSCI China

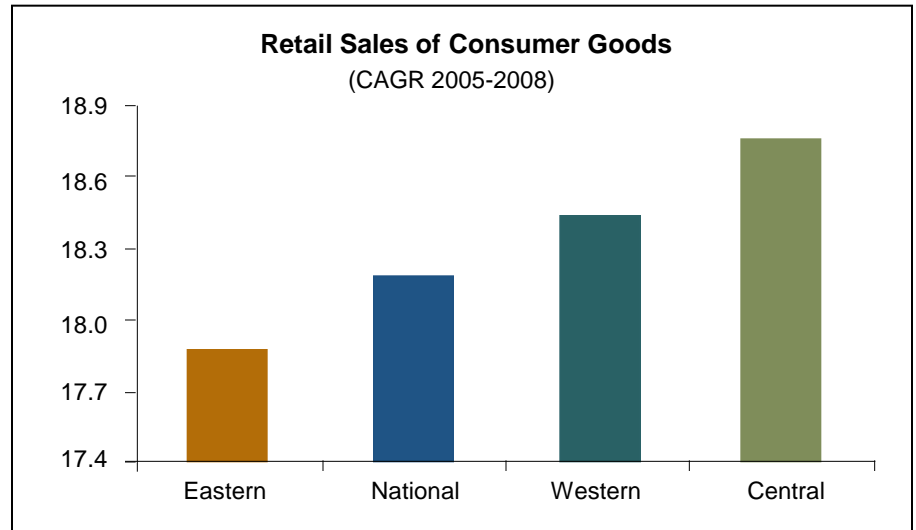
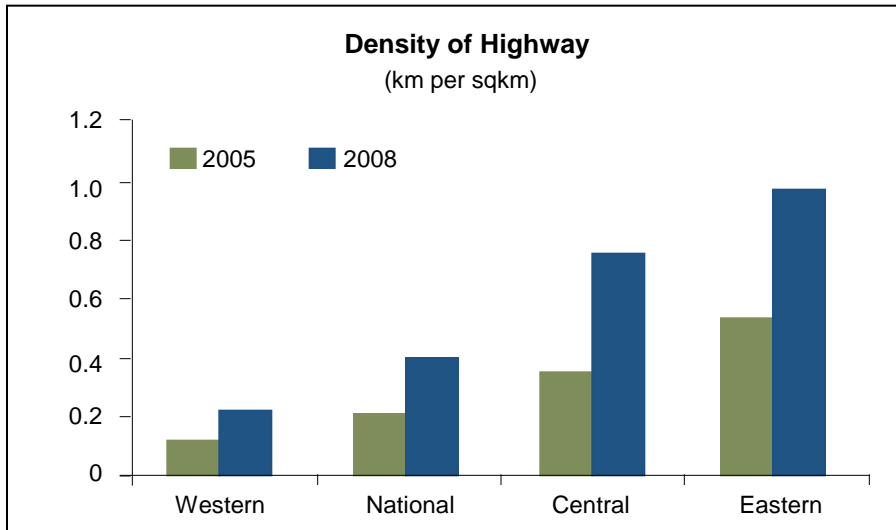
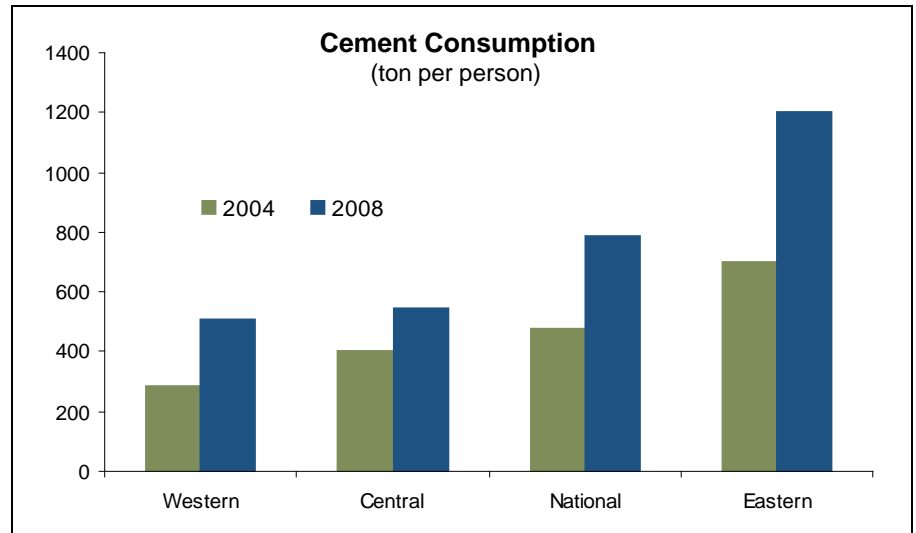
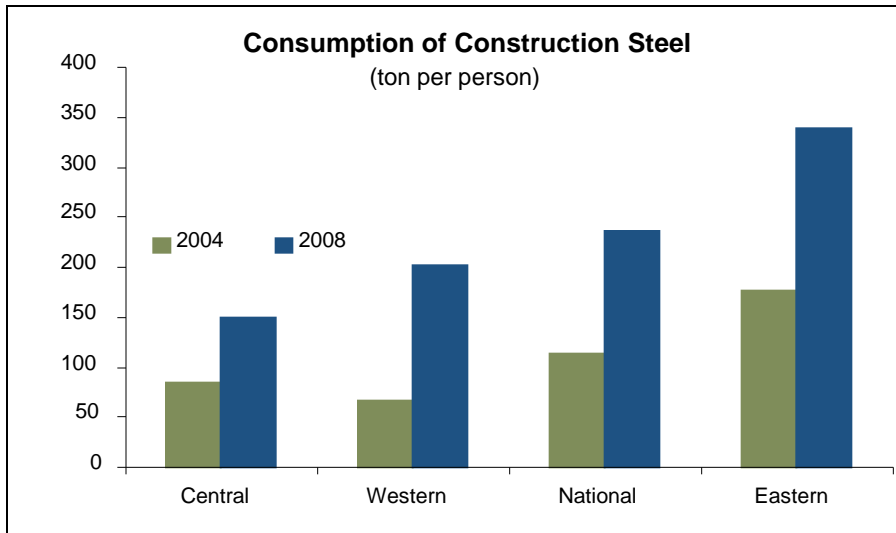


Accelerated urbanization in inland regions

Uneven urbanization across the different regions

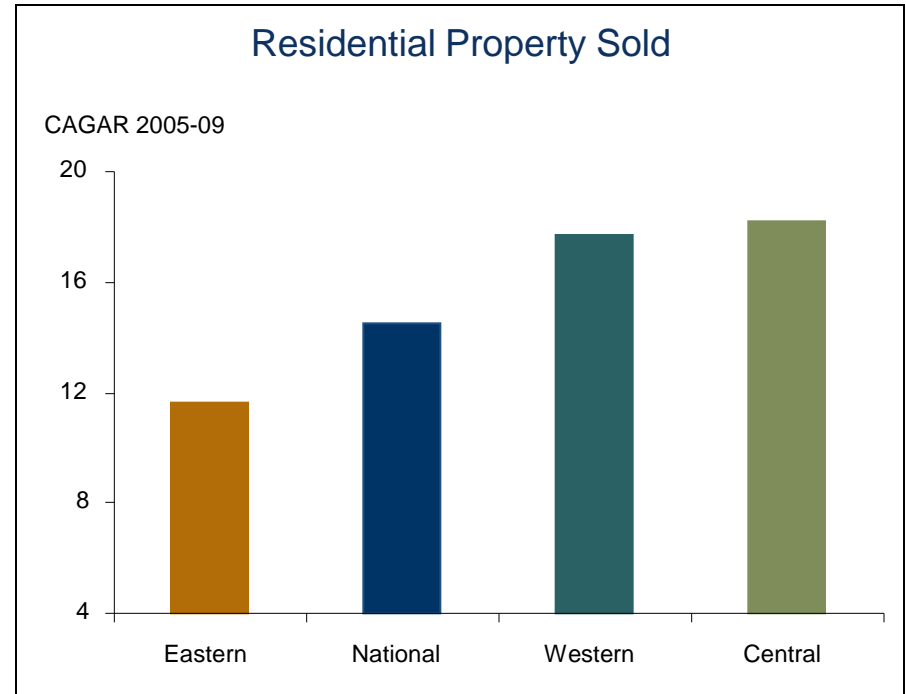


Rapid urbanization is associated with.....



Healthier real estate market in second-tier cities

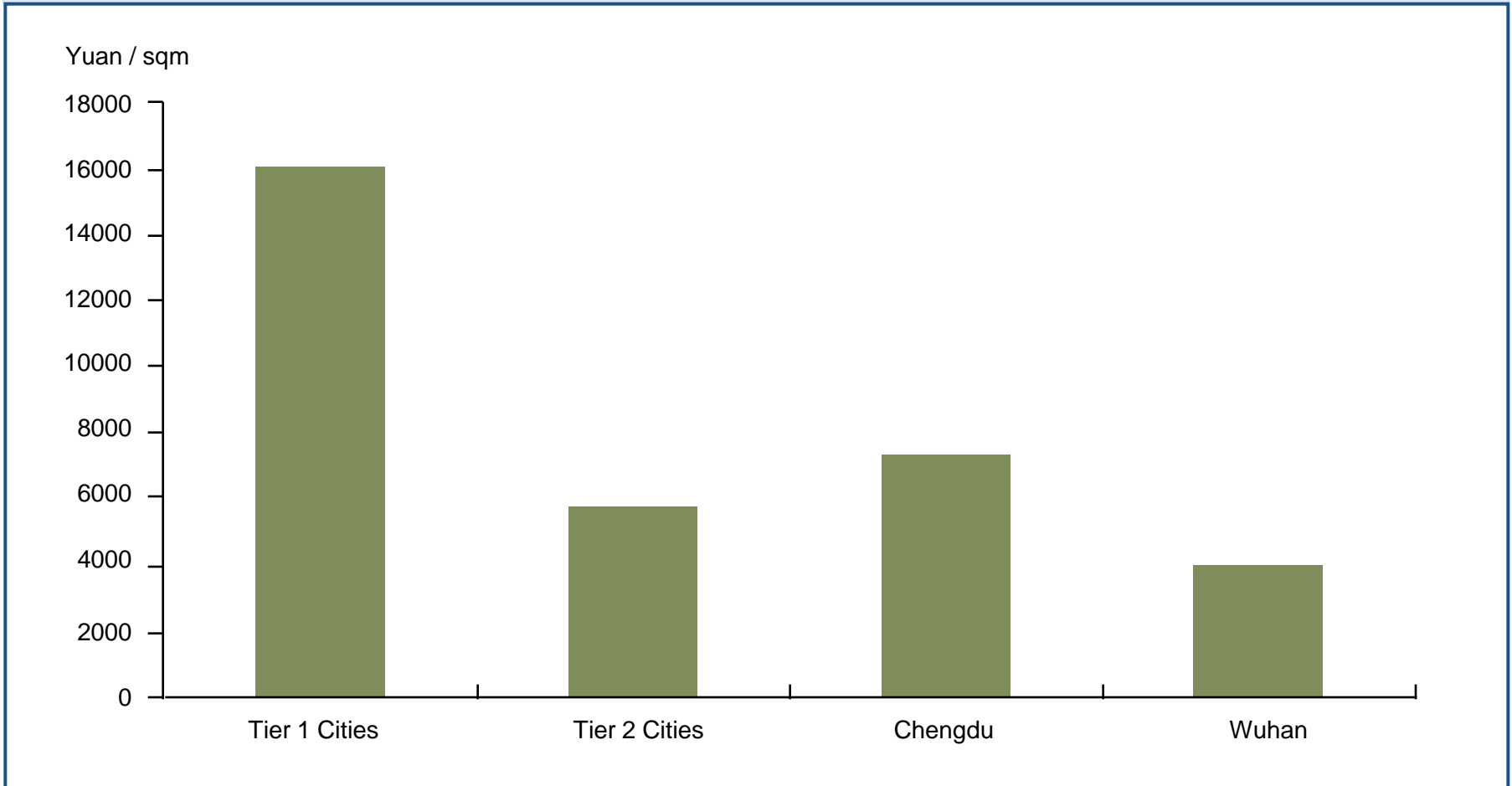
Comparison of real estate markets between tier-1 and smaller cities		
	Tier-1 Cities	Smaller Cities
Price-income ratio	15x	10x
Investment demand as % of total	30-50%	Around 10%
Income growth (2009)	10%	11%



Real Estate Prices

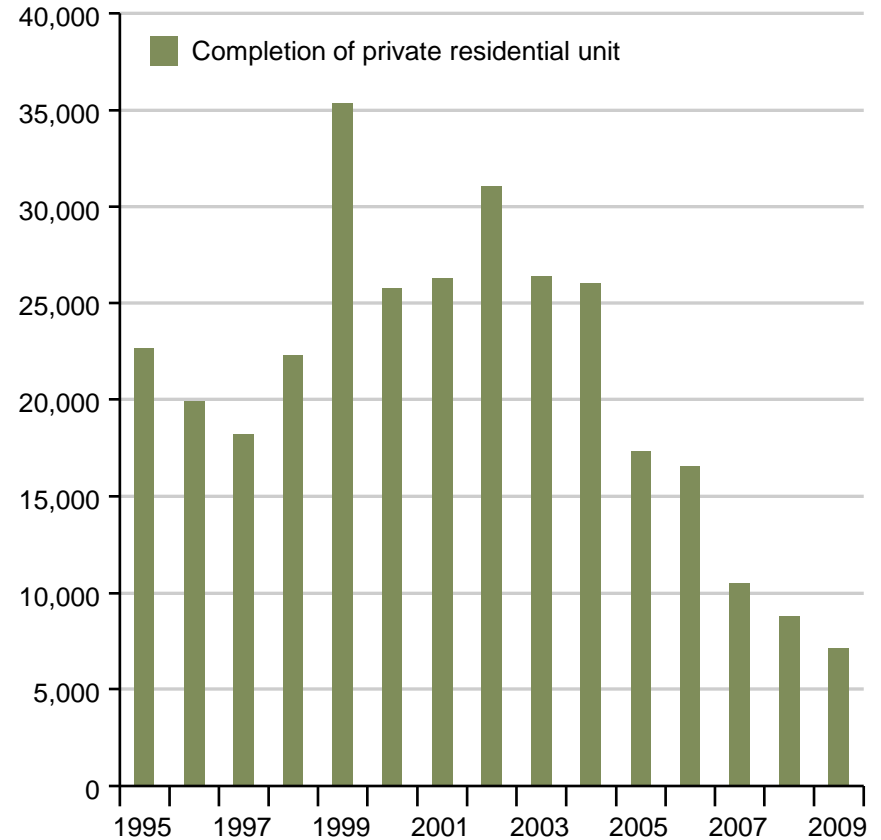
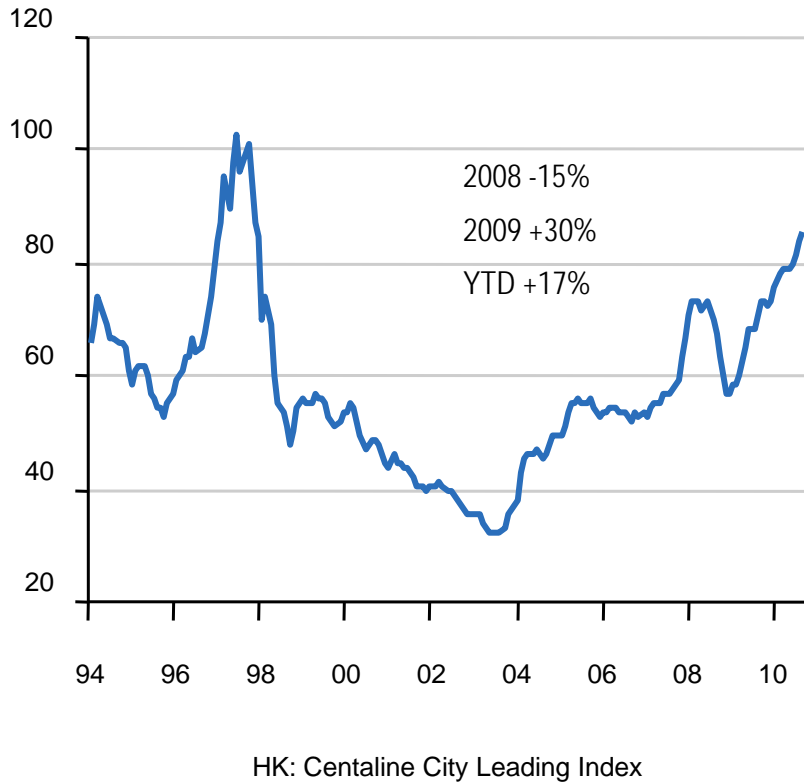
Tier-1 cities significantly more expensive

Second-hand house price (Feb, 2010)



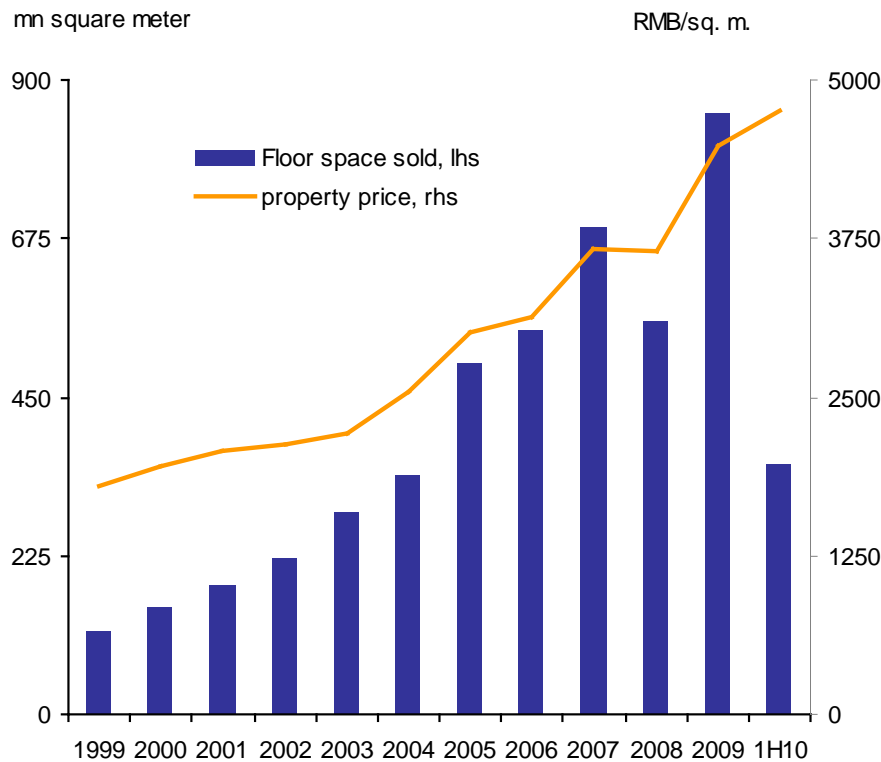
Property prices in Hong Kong have held up well

HK Home Prices - Centaline City Leading Index

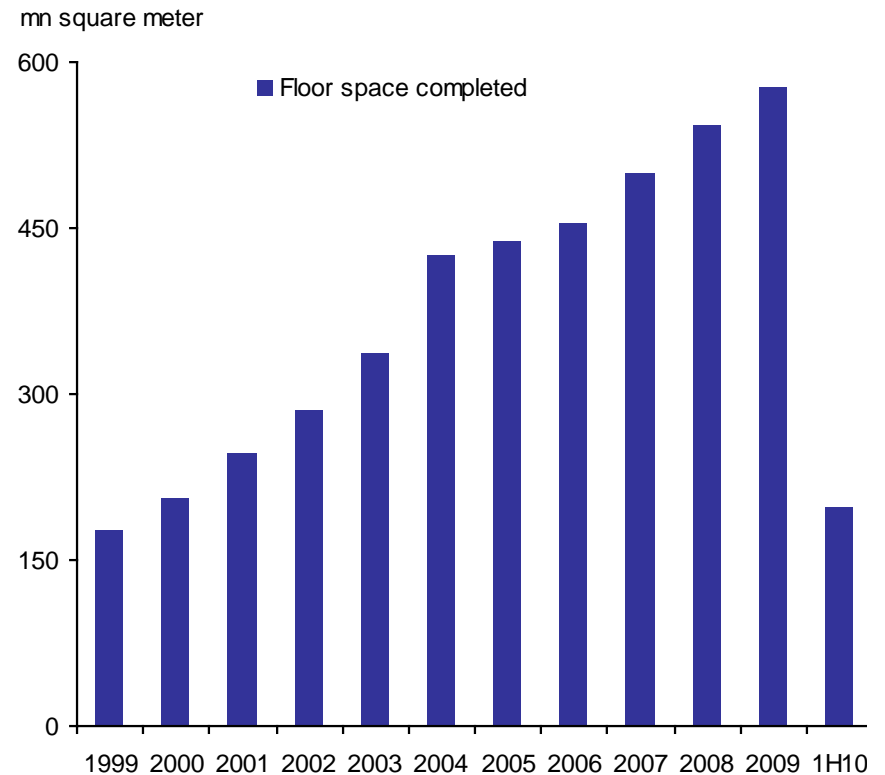


We do not expect imminent policy relaxation on the China property market

China property prices & transactions



China property supply



Section 3 Will the recent spate of IPOs continue?

IPO pipeline in Asia

Full and Vibrant

- **Total deal size estimated = USD113bn**
(equities, IPOs, placements etc)

Country	%
Australia	6
Hong Kong / China	70
India	7
Indonesia	3
Korea	2
Malaysia	4
Philippines	3
Singapore	5
Total	100

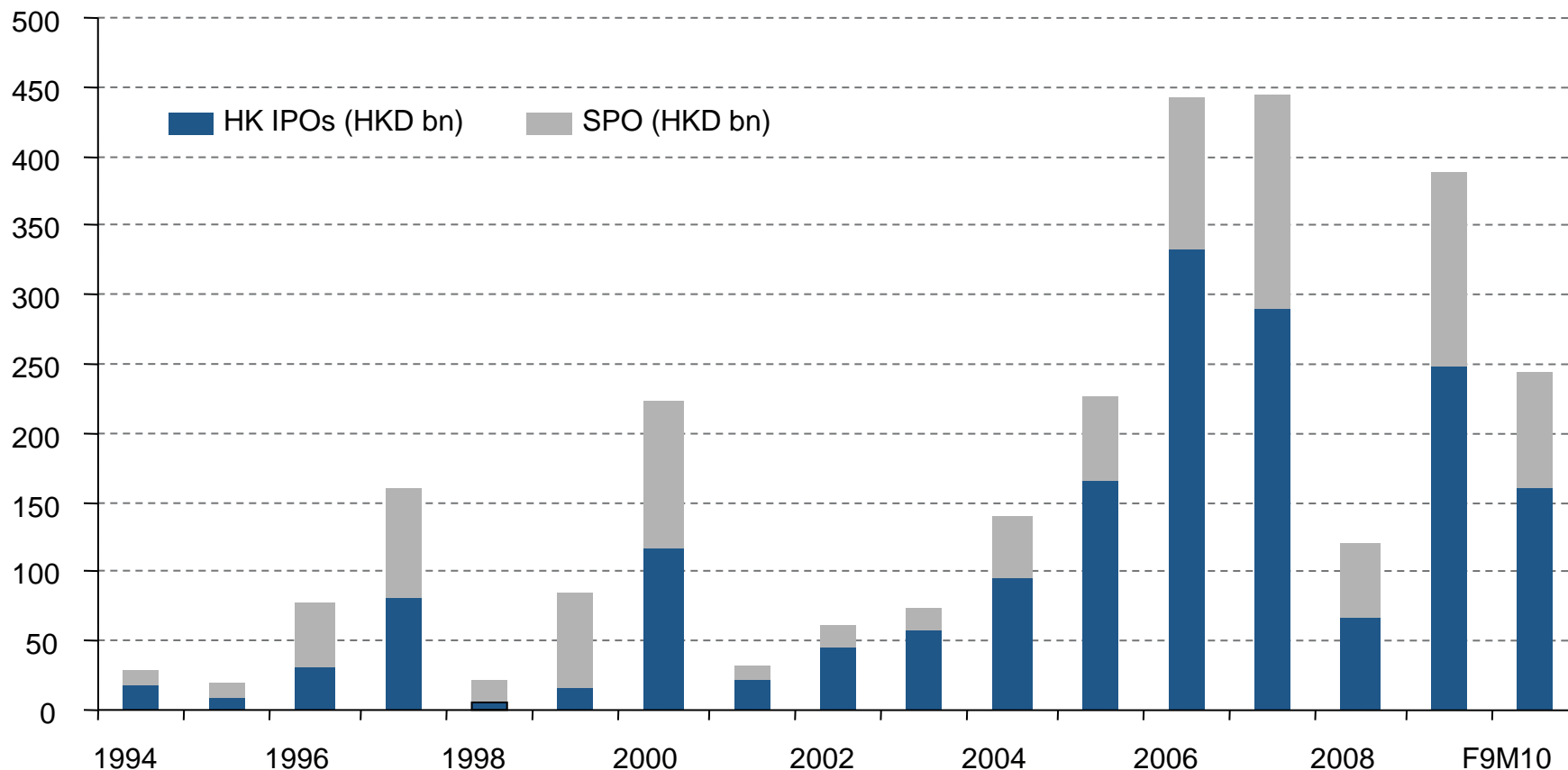
Sector	%
Consumer	4
Energy	14
Financials	45
Holding Companies	11
Industrials	4
Real Estate	5
Transportation	6
Other	11
Total	100

Top 10 IPOs in Asia (ex Japan) in 2010

Pricing Date	Issuer Name	General Industry	Exchange	Currency	Offer Price	Total Value \$ Incl Non-Deal (US\$m)	% Change Price Offer/1 Day	% Change Price Offer/1 Month	% Change Price Offer/Current
6-Ju	Agricultural Bank of China	Finance	Hong Kong	HK\$	3.20	22,117	2.19	5.94	33.44
22-Oct	AIA Group	Insurance	Hong Kong	HK\$	19.68	20,493	17.12	N/A	18.39
23-Apr	Samsung Life Insurance	Insurance	Korea	WON	110,000.00	4,411	3.64	-6.36	-8.64
12-Nov	Petronas Chemicals Group	Chemicals	Kuala Lumpur	M\$	5.20	4,157	N/A	N/A	N/A
25-Oct	Coal India	Mining	Bombay; India - National Stock Exchange	RUP	245.00	3,439	39.73	N/A	33.61
12-Aug	China Everbright Bank	Finance	Shanghai	RMB	3.10	3,203	18.06	8.39	26.45
11-Oct	Global Logistic Properties	Real Estate/Property	Singapore	S\$	1.96	2,995	10.71	11.22	14.80
11-Feb	Huatai Securities	Finance	Shanghai	RMB	20.00	2,298	5.30	6.80	-27.30
22-Jan	United Co Rusal	Metal & Steel	Hong Kong	HK\$	10.80	2,239	-10.56	-27.31	-12.69
11-Nov	China Rongsheng Heavy Industries	Transportation	Hong Kong	HK\$	8.00	1,806	N/A	N/A	N/A

Data from Thompson. Figures as of Nov 19, 2010.

IPO market remains active



Rmk: IPO defined as fund raised by newly listed companies
SPO defined as fund raised by secondary placement

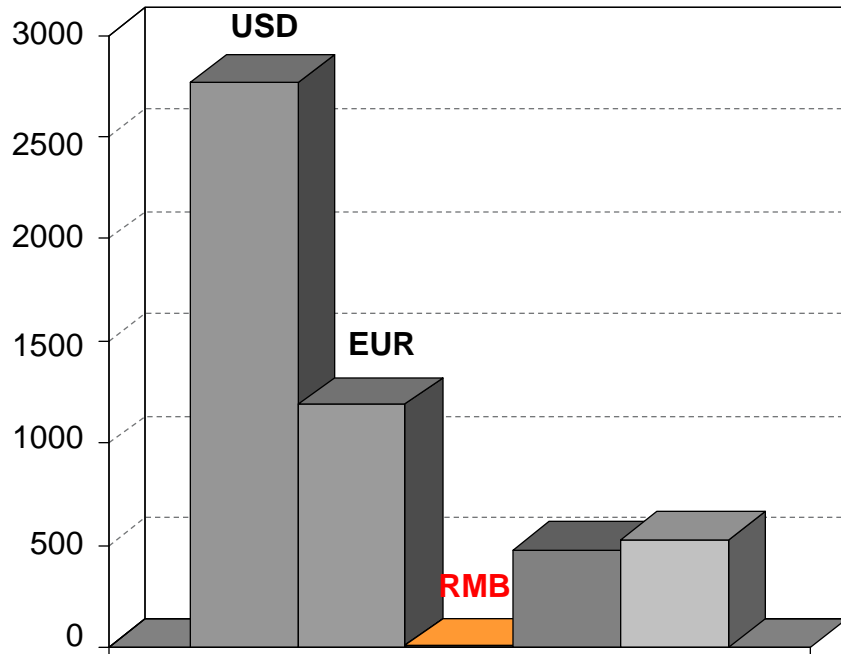
Source: HSBC Economic Spotlight – 20101008

The information provided in this report should not be considered a recommendation to purchase or sell any particular security or strategy. Past performance is no guarantee of future results.

Section 4 Internationalization of RMB

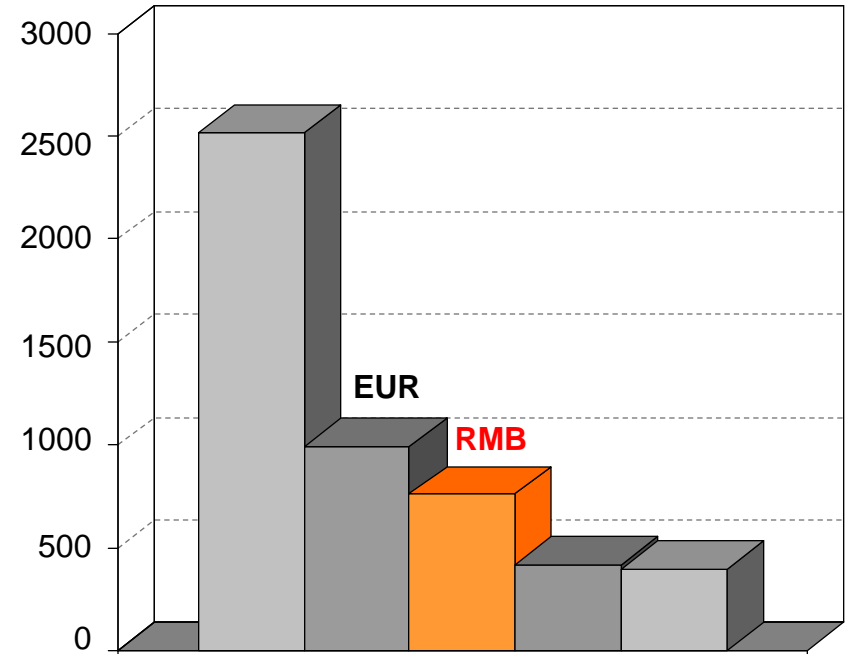
RMB could become the 3rd highest turnover currency in the world if RMB is fully convertible

Daily Avg Turnover (USD Bn)



2007 BIS Data

Daily Avg Turnover (USD Bn)

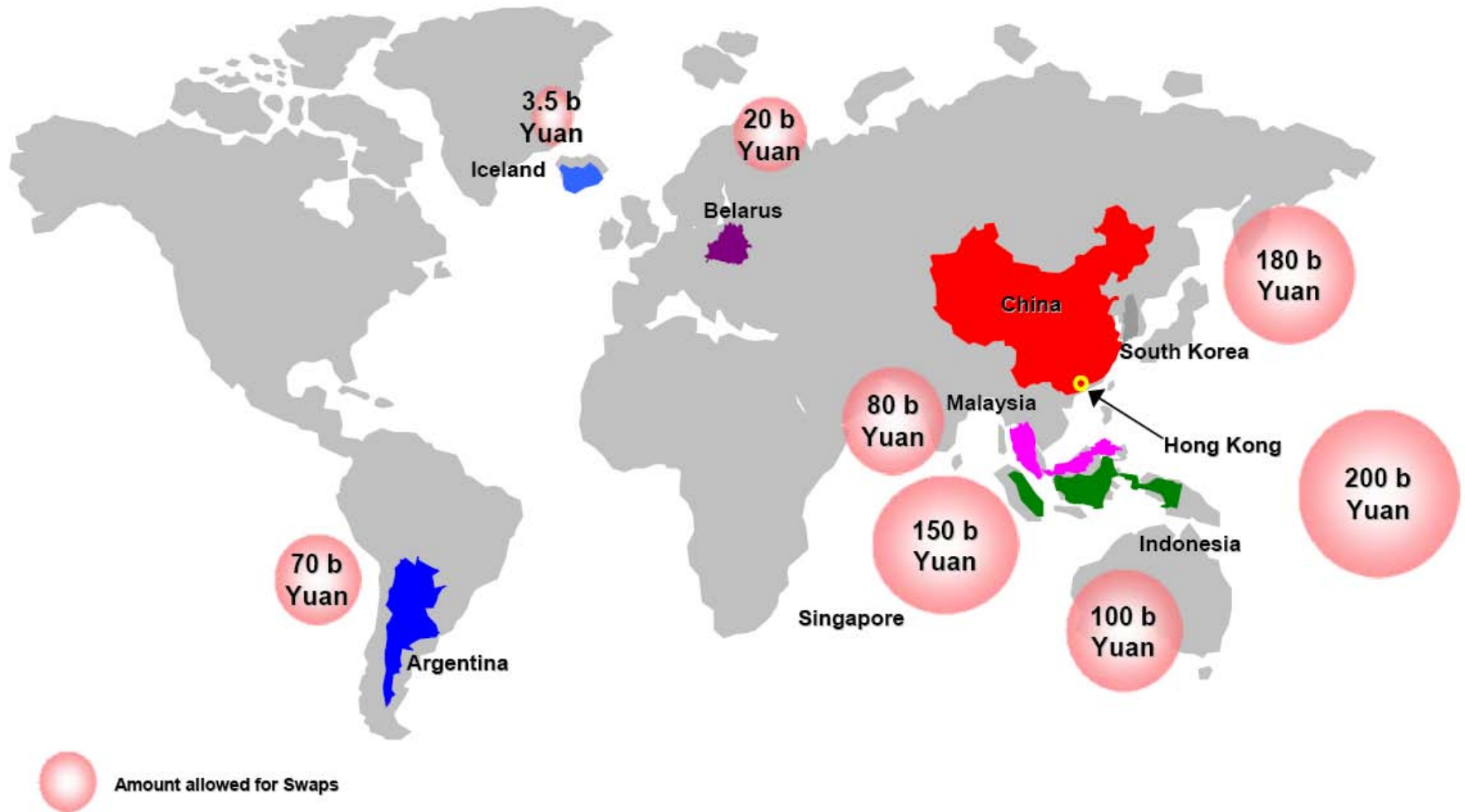


2007 BIS Data (If RMB fully convertible)

Note : Estimate of RMB daily average FX turnover is based on a turnover-to-trade ratio of 0.3%, which is lower than 0.32 for EUR, 0.4 for YEN and 0.46 for GBP. The rise use of RMB will offset the use of USD, EUR, Yen, and GBP at a share of 40%, 30%, 20% and 10%

Source: HSBC estimate. As of Nov 2010.

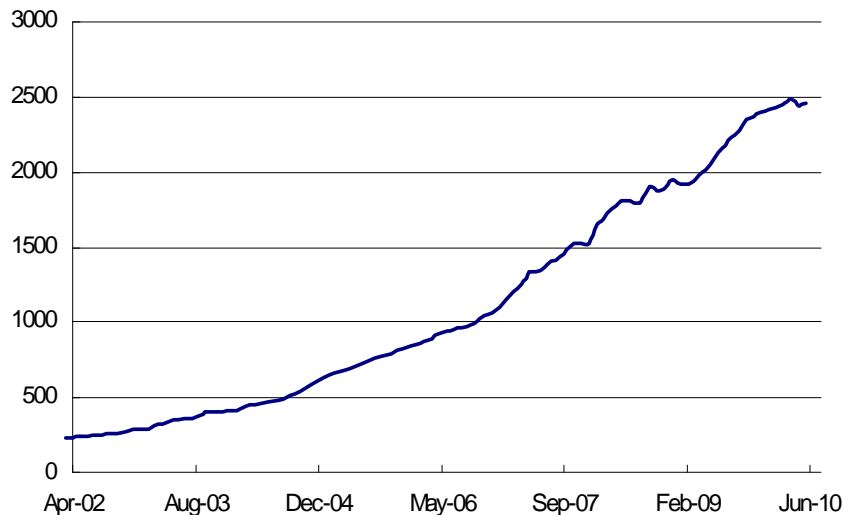
China's currency swap with other countries



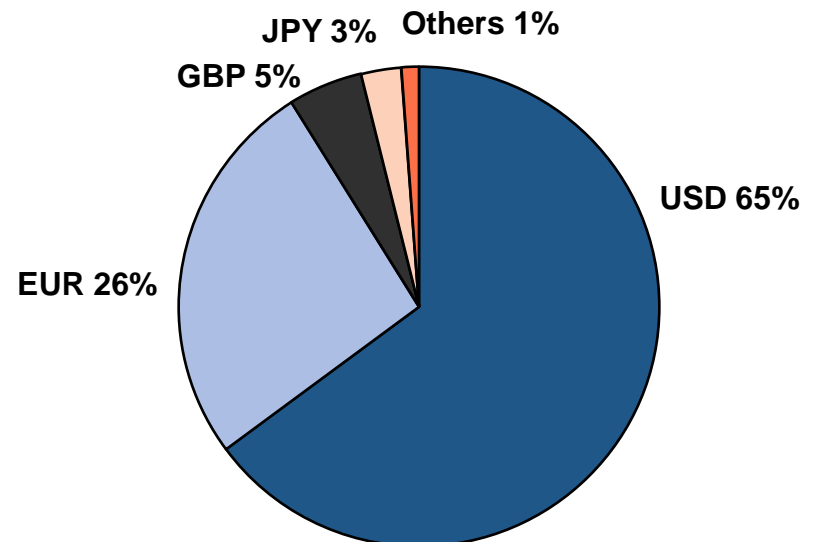
Rationale behind RMB internationalization

- Sub-prime Crisis exposed the weakness of having mainly USD as the reserve currency.
- RMB appears to be the leading candidate to be the third leg of the international monetary system with strong FX reserves and GDP growth.
- China has become one of the world's largest trade partners. RMB internationalization will benefit Chinese importers and exporters.

China FX Reserves, USD Billions



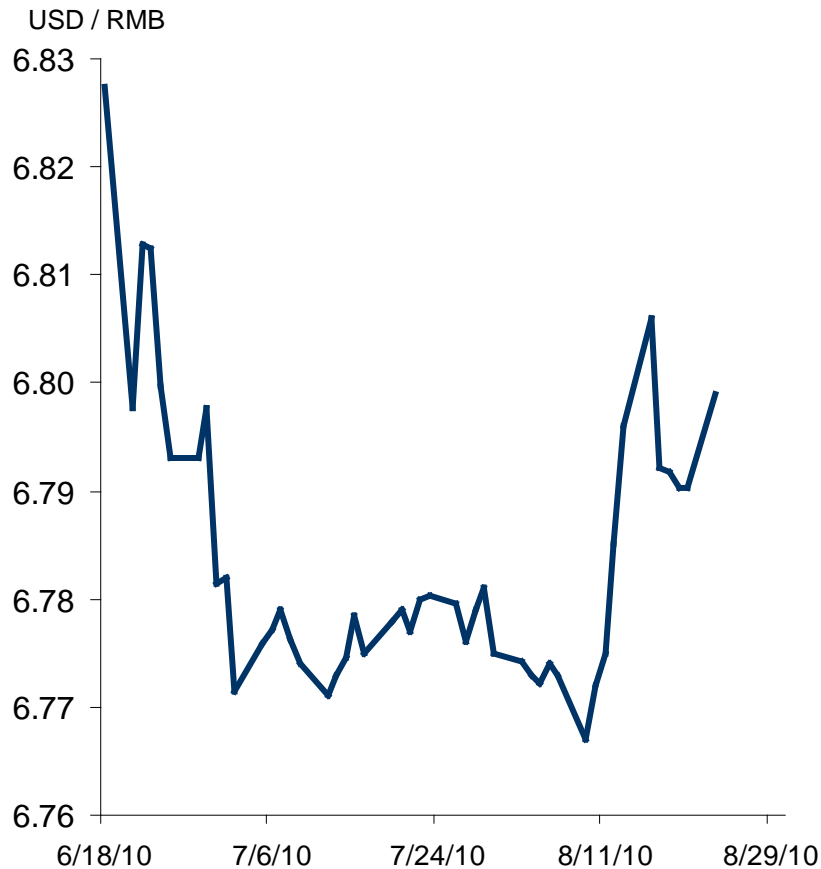
China FX Reserves, Compositions



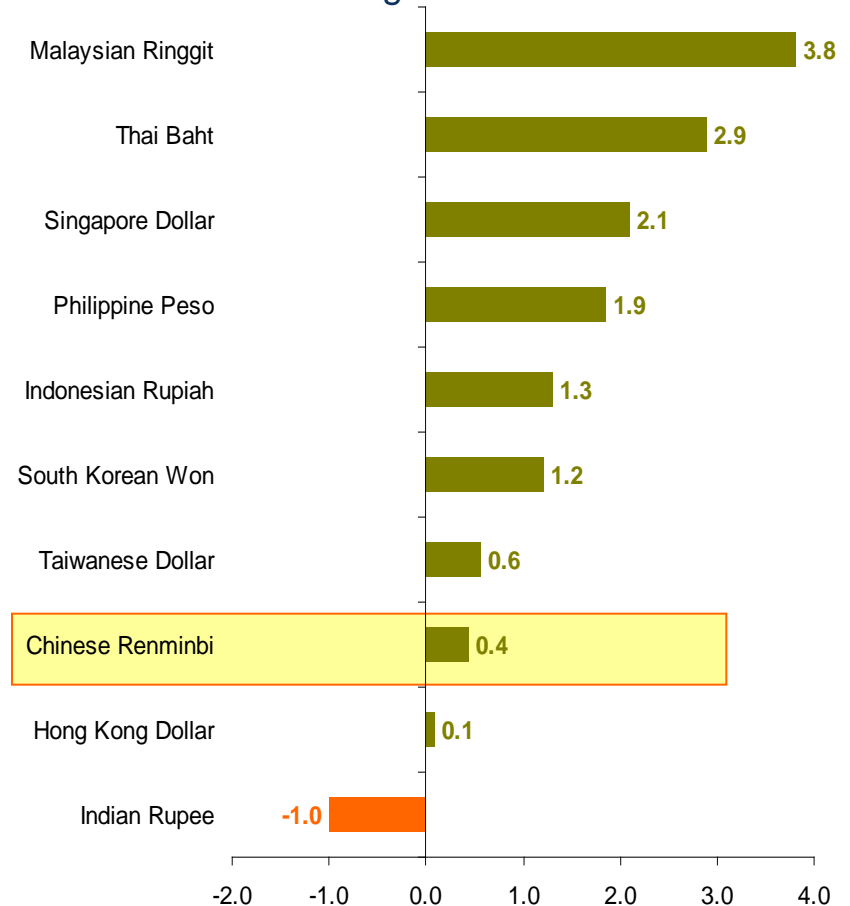
RMB Band Widening: Not a thrilling start

Without an internationally available bond market, China still controls pace and direction

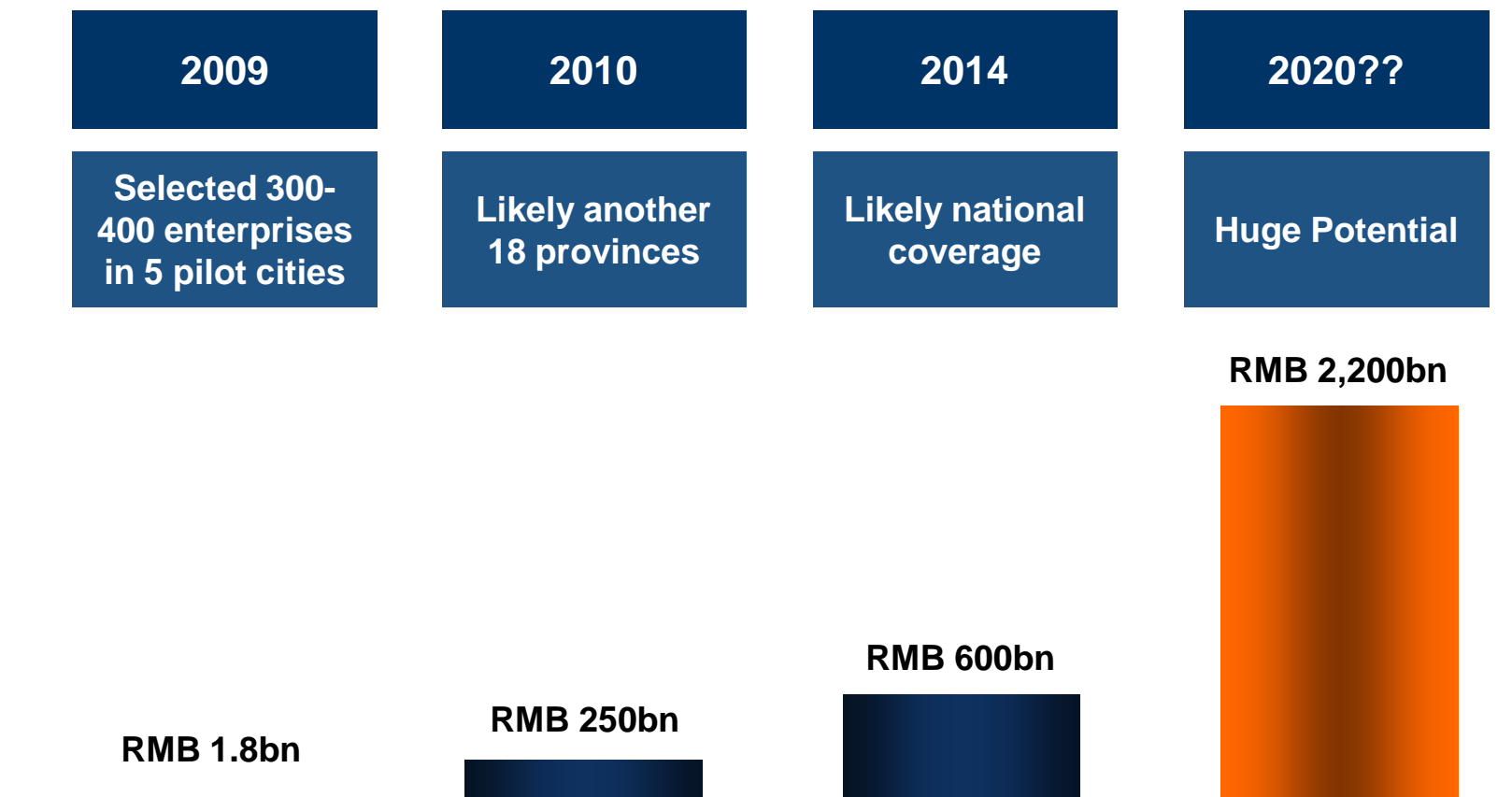
RMB Appreciated by 0.4%:
18 June 2010 to 23 August 2010



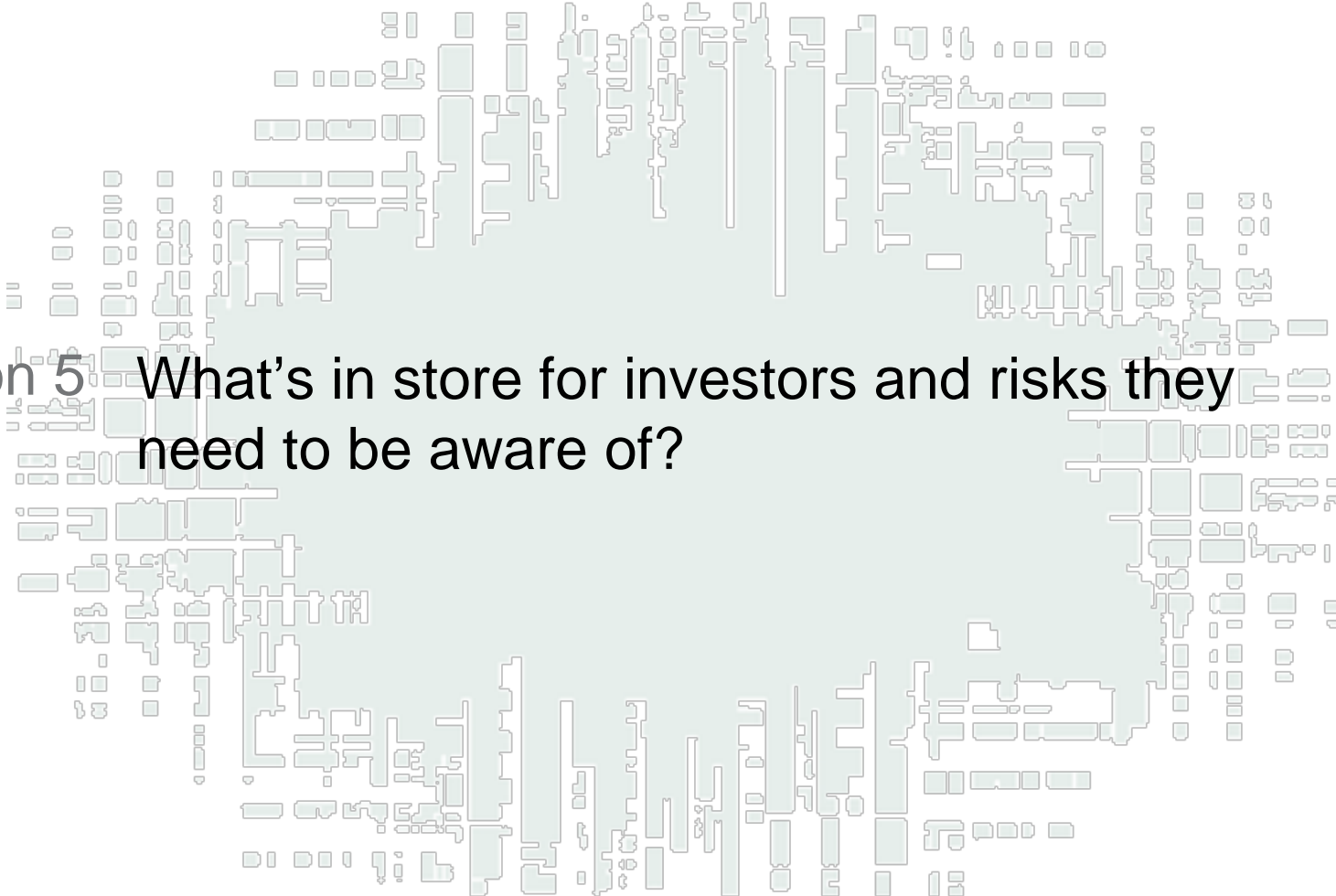
Asian Currency Appreciation (to US\$):
18 June 2010 to 23 August 2010



The prospects of RMB trade settlement in Hong Kong informed RCM



Source : HSBC estimate as of Aug 2010. 2010, 2014 & 2020 are forecast numbers



Section 5 What's in store for investors and risks they need to be aware of?

Market Outlook & Risk

Outlook:

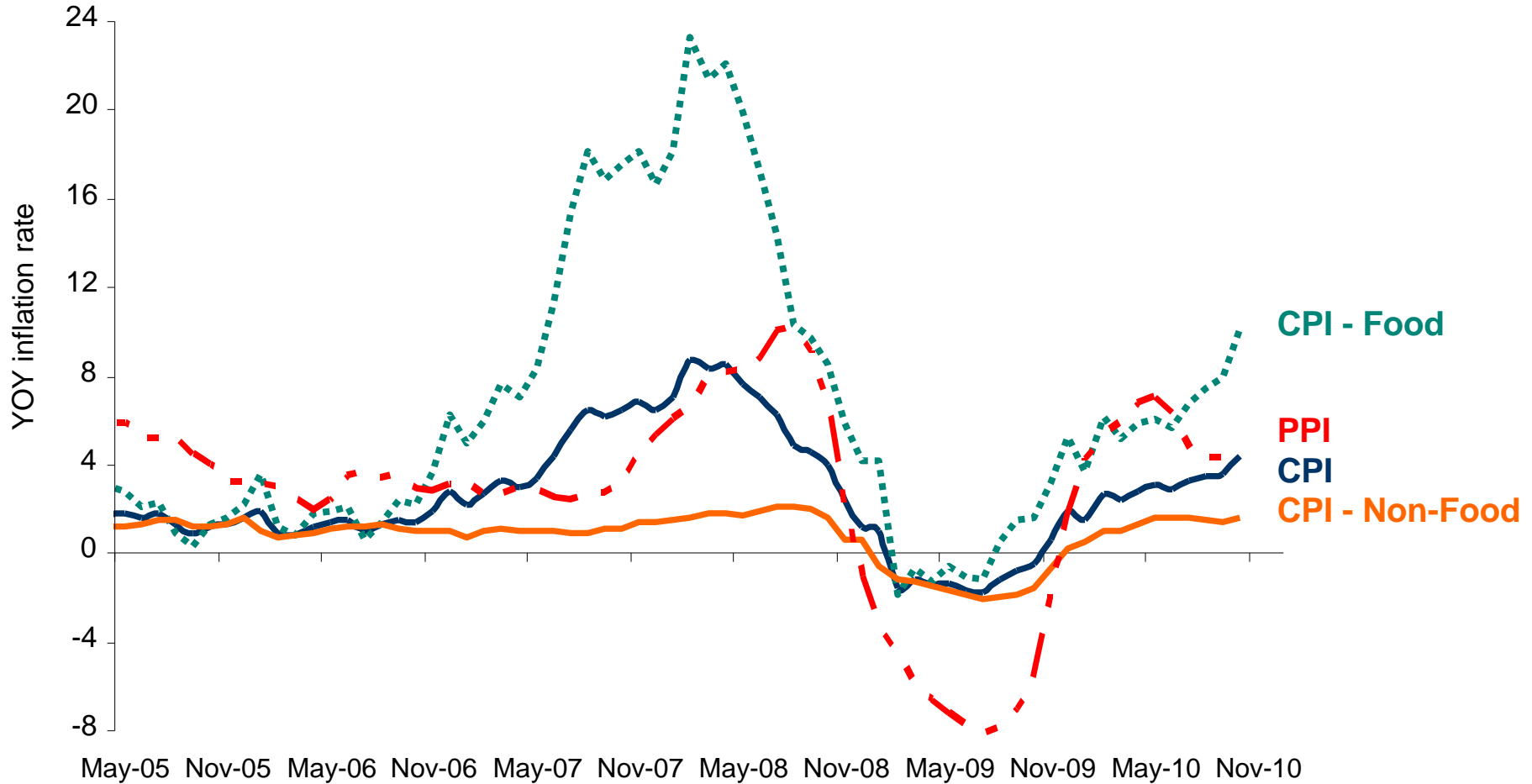
- In the short term, the market is likely to be driven by liquidity on expectations of quantitative easing in the US
- However, as economic fundamentals remain largely unchanged, market re-rating is likely to be capped by slowing economic growth momentum and an absence of earnings upgrade
- As market uptrend is largely underpinned by liquidity, volatility will remain high
- Further out into 2011, we expect a relatively stable macroeconomic environment in China which should generally bode well for China equities

Source : RCM, Nov 2010

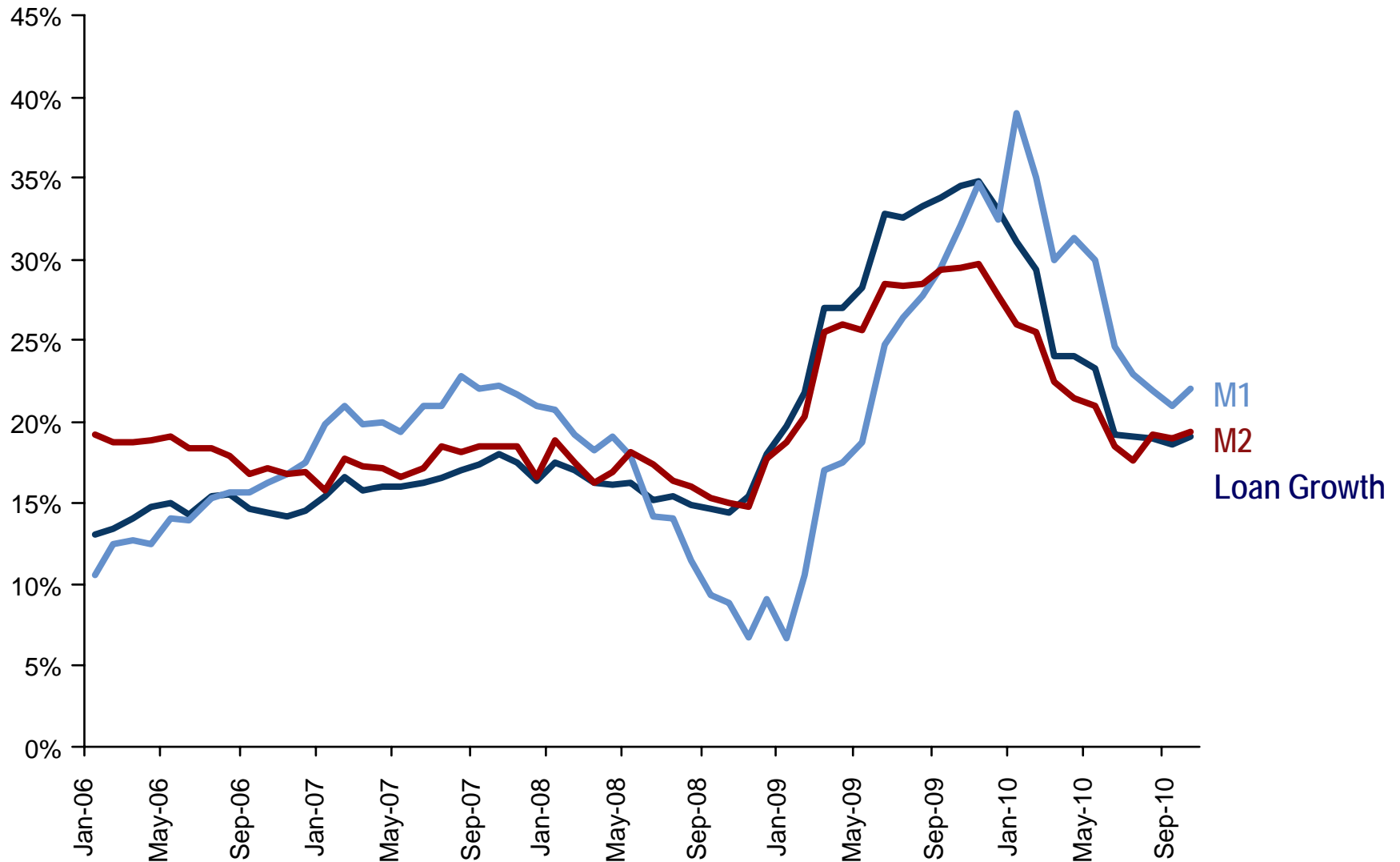
The above contains the current opinions of RCM and such opinions are subject to change without notice. This material does not constitute investment advice and is not a recommendation or offer to buy or sell or solicitation or incitement of offer to buy or sell any particular security, strategy or investment product. The information is prepared for information purposes only without consideration given to specific investment objectives, financial situation or particular needs of any person. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The prediction, projection or forecast is not indicative of future performance. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Forecasts are inherently limited and should not be relied upon as an indicator of future results.

Inflation – On the Rise (Again)

Inflation in China



Growth of outstanding loan, M1 & M2 (YoY%)



Market Outlook & Risk

Risk:

- Concerns over inflationary pressure and hence potential interest rate hike in China which will undermine share prices
- China government may impose a series of measures to curb the recent increase in food inflation; a new source of policy uncertainty
- Property prices in China may continue to trend higher leading to further policy tightening
- Intensify trade friction between China and the US leading to trade barriers and increasing risk of trade war
- European debt crisis resurface increasing the risk of a double dip in the global economy

Source : RCM, Nov 2010

The above contains the current opinions of RCM and such opinions are subject to change without notice. This material does not constitute investment advice and is not a recommendation or offer to buy or sell or solicitation or incitement of offer to buy or sell any particular security, strategy or investment product. The information is prepared for information purposes only without consideration given to specific investment objectives, financial situation or particular needs of any person. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The prediction, projection or forecast is not indicative of future performance. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Forecasts are inherently limited and should not be relied upon as an indicator of future results.

For Institutional and/or Qualified Investor use only

This material is provided for the personal use of the recipient or addressee for information purposes only. Every form of publication, duplication, transmission and passing on of the contents of this material is impermissible and unauthorised. No account has been taken of any person's investment objectives, financial situation or particular needs when preparing this document. This is not an offer to buy or sell any particular security, strategy or investment product nor does this constitute investment advice or recommendation. If you wish to make an investment, you should seek independent advice from a financial advisor before investing, without which you should consider whether the product is suitable.

In this document, "RCM" refers to individual companies that are ultimate subsidiaries of Allianz SE and operate under the "RCM" brand. If you would like a complete list of such individual companies, please let us know.

The views and opinions expressed in this document, which are subject to change without notice, are those of RCM Asia Pacific Limited and/or its affiliated companies at the time of publication. While we believe that the information is correct at the date of this presentation, no warranty of representation is given to this effect and no responsibility can be accepted by us to any intermediaries or end users for any action taken on the basis of this information. We reserve the right to revise or change any information herein at any time without notice. Some of the information contained herein including any expression of opinion or forecast has been obtained from or is based on sources believed by us to be reliable as at the date it is made, but is not guaranteed and we do not warrant nor do we accept liability as to adequacy, accuracy, reliability or completeness of such information. Any prediction, projection or forecast is not indicative of future performance. The information is given on the understanding that any person who acts upon it or otherwise changes his or her position in reliance thereon does so entirely at his or her own risk without liability on our part.

Investment involves risks including the possible loss of principal amount invested. Please remember that past performance is not a reliable indicator for future performance. You should not make any assumptions on the future on the basis of performance information in this document. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Investors should not solely rely on the information contained in this material in making investment decisions and should refer to the offering document for further details including a description of the risk factors.

There is no guarantee that any investment strategies and processes discussed herein will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

No offer to buy or sell or solicitation or incitement to offer to buy or sell any securities or advisory or other investment related services is made. RCM Asia Pacific Limited is not licensed in Singapore to offer or provide fund management or financial advisory services and no such offer is made or intended.