



# abrdrn China Investment Company Limited

Seeking long-term capital growth by investing predominantly in Chinese equities

Performance Data and Analytics to 31 August 2022

## Investment objective

To produce long-term capital growth by investing predominantly in Chinese equities.

## Benchmark

MSCI China All Shares Index in GBP (from 26 October 2021).

## Note on change of investment strategy

Prior to 26 October 2021, the Company's investment policy was to invest in emerging market funds of funds. Please note that performance data for time periods prior to 26 October 2021 relate to an investment objective and strategy that no longer applies.

## Cumulative performance (%)

	as at 31/08/22	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	572.0p	(3.7)	2.9	(11.5)	(20.9)	7.3	7.9
NAV	674.5p	2.0	5.6	(5.7)	(17.8)	6.9	8.7
Reference Index <sup>A</sup>		2.9	5.8	(1.4)	(13.6)	6.7	8.0

## Discrete performance (%)

	31/08/22	31/08/21	31/08/20	31/08/19	31/08/18
Share Price	(20.9)	34.0	1.2	6.8	(5.8)
NAV	(17.8)	26.3	2.9	7.1	(5.1)
Reference Index <sup>A</sup>	(13.6)	18.2	4.5	2.5	(1.2)

Total return; NAV to NAV, gross income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.  
**Past performance is not a guide to future results.**

<sup>A</sup> Reference Index is the MSCI China All Shares Index since 26 October 2021 and MSCI Emerging Markets Index prior to that date.

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## Morningstar Sustainability Rating™



## Morningstar Rating™



### <sup>B</sup> Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

## Twenty largest holdings (%)

Tencent Holdings	8.2
Kweichow Moutai	5.5
China Merchants Bank	4.5
Meituan	4.3
JD.com	3.7
Alibaba Group Holding	3.6
Bank of Ningbo	3.5
Contemporary Amperex Technology	2.6
China Tourism Group Duty Free	2.6
Ping An Bank	2.5
AIA Group	2.5
Li Ning	2.2
Wanhua Chemical	2.1
Shenzhen Mindray Bio-Medical	1.8
China Vanke	1.7
Yunnan Energy New Material	1.7
Glodon	1.7
Midea Group	1.6
Foshan Haitian Flavouring	1.6
Cash	1.7
<b>Total</b>	<b>59.7</b>

**Total number of investments 57**

All sources (unless indicated): abrdrn: 31 August 2022.



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## 1 Year Premium/Discount Chart (%)



## Sector allocation (%)

Consumer Discretionary	22.4
Financials	14.5
Consumer Staples	13.4
Industrials	10.2
Communication Services	9.7
Information Technology	9.1
Health Care	8.6
Materials	6.0
Real Estate	4.0
Unit Trusts	0.4
<b>Total</b>	<b>98.3</b>

## Fund managers' report

### Market and portfolio review

Broad Chinese stock markets fell slightly in August, underperforming most Asian equity markets although faring better than their US and European counterparts. The latter were hurt by robust rhetoric from US Federal Reserve Chair Jerome Powell implying US interest rates will have to stay higher for longer to quash elevated inflation, sapping July's market optimism about a potentially less aggressive pivot in the central bank's interest rate policy.

Geopolitics took centre stage in early August. Tensions between China and Taiwan (and the US) escalated after a US Congressional visit to Taiwan, led by US House of Representatives Speaker Nancy Pelosi, which included a meeting with the Taiwanese president. The trip drew a hostile reaction from the Chinese government, with the Chinese Foreign Ministry describing the visit as "a major political provocation". In response, the Chinese military conducted high profile military exercises around Taiwan and encircled the island.

On the economic front, mixed data underlined the current economic slowdown and ongoing challenges from the Chinese government's strict zero-Covid policy and stumbling real estate sector.

At the start of the month, the Caixin China General Manufacturing index reading for July missed forecasts and showed a fall from June's reading, albeit it just remained in expansionary territory and showed back-to-back rises in factory activity. However, it was a brighter story in the services sector. The Caixin China General Services PMI reading for July recorded an increase to 55.5, from 54.5 in June, and constituted the fastest pace of expansion in the services sector since April 2021, helped by a jump in new orders. Export growth increased 18% year-on-year in July, marking a seven-month high. Less positively, industrial production and retail sales both disappointed. Industrial production was up 3.8% year-on-year in July, missing consensus forecasts of 4.6%. Retail sales grew by 2.7% year-on-year in July, falling a long way short of the market's 5% growth estimate. China does not face the severe inflation pressures facing many other economies, but inflation hit a two-year high of 2.7% in July, up from 2.5% in June, driven largely by a surge in food prices.

### Fund managers' report continues overleaf

<sup>c</sup> Expressed as a percentage of average daily net assets for the year ended 31 October 2021. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.

## Fund risk statistics

	5 Years
Return (Fund) p.a. as at 31/08/2022	2.70
Return (Benchmark) p.a. as at 31/08/2022	8.01
Annualised Tracking Error	4.65
Alpha	0.10
Beta	1.07
Correlation	0.96

Source: Aberdeen Asset Management, BPSS & Refinitiv Datastream, Basis: Total Return, Net of Fees, GBP. Please note that risk analytics figures are calculated on net asset value (NAV) returns. In addition, the risk analytics figures lag the performance figures.

## Key information

### Calendar

Year end	October
Accounts published	January
Annual General Meeting	April
Dividend paid	Annual
Launch date	21 Jun 1998 (redomiciled on 6 Nov 2009)
Fund manager	Nicholas Yeo and Elizabeth Kwik
Annual management fee	0.8% of first £150m of Market Cap, 0.75% on next £150m of Market Cap and 0.65% on the Market Cap over £300m
Ongoing charges <sup>c</sup>	0.98%
Net assets	£ 308.6m
Premium/(Discount)	(15.2)%

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## Key information continued

Yield <sup>D</sup>	n/a
Net Gearing <sup>E</sup>	Nil

## AIFMD Leverage Limits

Gross Notional	2X
Commitment	2X

## Capital structure

Ordinary shares	45,761,099
Treasury shares	16,411,848

## Trading details

Reuters/Epic/ Bloomberg code	ACIC
ISIN code	GG00B45L2K95
Sedol code	B45L2K9
Stockbrokers	Shore Capital Numis



## Factsheet

Receive the factsheet by email as soon as it is available by registering at [www.investments.co.uk/#signup](http://www.investments.co.uk/#signup) or [www.abrdnchina.co.uk](http://www.abrdnchina.co.uk)



## Contact

**Private investors**  
0808 500 4000

## Institutional investors

InvestmentTrustInvestorRelations-UK@  
abrdn.com  
+44 (0)20 7463 5971  
+44 (0)131 222 1863

## Fund managers' report - continued

Ten-year government bond yields fell to a six-month low. In the under-pressure property market, prices of new houses dropped 0.9% year-on-year in July, the sharpest fall since September 2015.

Chinese policymakers remained active in the face of the country's ongoing economic challenges. The People's Bank of China (PBOC) cut the rate on the one-year medium-term lending facility, which is charged to some financial institutions. The PBOC also trimmed the loan prime rate, which applies to corporate and household loans. Meanwhile, the State Council unveiled a one-trillion yuan stimulus package, which included major spending support for infrastructure projects. In other policy developments, tax exemption for purchases of new electric vehicles was extended.

Turning to the trust's performance in August, the net asset value total return, in sterling terms, was 2.0%. This compares to the reference index total return of 2.9%.

In terms of individual stocks, not holding BYD aided relative performance. Its share price suffered a large correction after Warren Buffett's Berkshire Hathaway sold down its stake in the electric-vehicle maker. Owning JD.com helped after its second quarter results showed better-than-expected profitability. Luxshare Precision Industry, which supplies Apple, rallied on excitement over a new iPhone model. Its second-quarter results and earnings guidance were also positively received by the market.

Turning to the laggards, LONGi Green Energy Technology's share price was hit by rising competition.

Yunnan Energy also underperformed, mainly because of profit-taking after recent share price strength. Its fundamentals remain solid, in our opinion, and we believe it is well positioned for the green transformation. Hong Kong Exchanges & Clearing corrected alongside the broader stock market. We remain constructive on the company's long-term outlook.

During the month we participated in the Hong Kong IPO of China Tourism Group, as its shares were listed at an attractive discount and given the company's positive long-term outlook.

## Outlook

Most companies had released their H1 2022 results by the end of August. Despite being affected by Covid-19 lockdowns in the second quarter, many companies still beat market expectations with strong profitability. Looking into the second half, we expect a continued recovery of the Chinese economy as the government ramps up its stimulus. The 20th National Congress of the Chinese Communist Party will take place in October. It will determine the next generation of leadership in China. We expect better policy clarity and efficacy after the new leadership settles in. This might also bring about some evolution of the 'zero-Covid' policy. As such, we remain constructive on the economic outlook and the trust's performance in the second half of 2022.

**The risks outlined overleaf relating to gearing, exchange rate movements and emerging markets are particularly relevant to this investment company but should be read in conjunction with all warnings and comments given.**

## Important information overleaf

<sup>D</sup> The Company's main objective is now long-term capital growth, rather than income and it is not expected that the Company will generate sufficient surplus net revenues to declare a dividend.

<sup>E</sup> Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

## Important information

### Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk.
- The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- The Company invests into other funds which themselves invest in assets such as bonds, company shares, cash and currencies. The objectives and risk profiles of these underlying funds may not be fully in line with those of this Company.

### Other important information:

The Company is a Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission.

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