

30 January 2016

L'Arena

INVESTMENT. Banor SIM's Italian road show comes to Verona

"Chinese growth has slowed by won't stop"

Health, internet and tourism are the sectors with the greatest potential



Dawid Krige, Banor advisor

The first Italian road show by Banor SIM, the independent firm specialising in capital management and high worth investors, with over 4 billion euro in assets under management and administration, has come to Verona.

The event was an opportunity to examine emerging topics, the outlook for the markets in 2016 and the best investment strategies in the light of the current market context. Banor has offices in Milan and Turin, but also in London, Luxembourg and Lugano. The firm also has a presence in Verona and Brescia.

"Chinese growth is slower today than it was a year or two ago" observes Dawid Krige, Banor's advisor for Asia. "But we don't see this growth stopping. It should gradually stabilise at about 5-6% annually because investment and exports are weaker than in the past. We feel, however, that this growth rate is more favourable for investment in stocks than two-digit growth, because companies are no longer forced to make large-scale investments to address strong competition. And quite apart from the figures, we believe that, of the big countries, China is still the best consumer story in the world".

What are the opportunities to grasp in China? And what are the risks?

We name our investment philosophy Quality Value. We buy great companies when they are significantly undervalued. A great company is one with durable entry-barriers, and honest and capable management. There are relatively few companies in Greater China that meet our criteria: our target universe is about 150 companies out of a total of 5,000 or so companies we could invest in. Of these 150, we typically own around 20 that are undervalued based on their forecasted cash operating earnings.

What are the most interesting sectors?

Demand for consumer products and services such as healthcare, leisure, the internet and tourism are the sectors where we see some of the best long term growth potential. China's per capita healthcare consumption is

about 1/30th that of the US. With supportive government policy and an ageing population, the sector is likely to enjoy a multi-year tailwind. We are also excited about the potential impact of economic reforms, where implementation is likely to proceed slowly.

In general, how do you see the trend for Chinese investment in Europe?

We don't see the risk of a prolonged capital flight process. It is only natural for Chinese savers to diversify by investing outside of China now that they can do so. But foreign businesses continue to invest in China, especially for the production of higher value added products.

BANOR SIM