

# Chinese Equity Primer

A path to high-quality growth

August 2025

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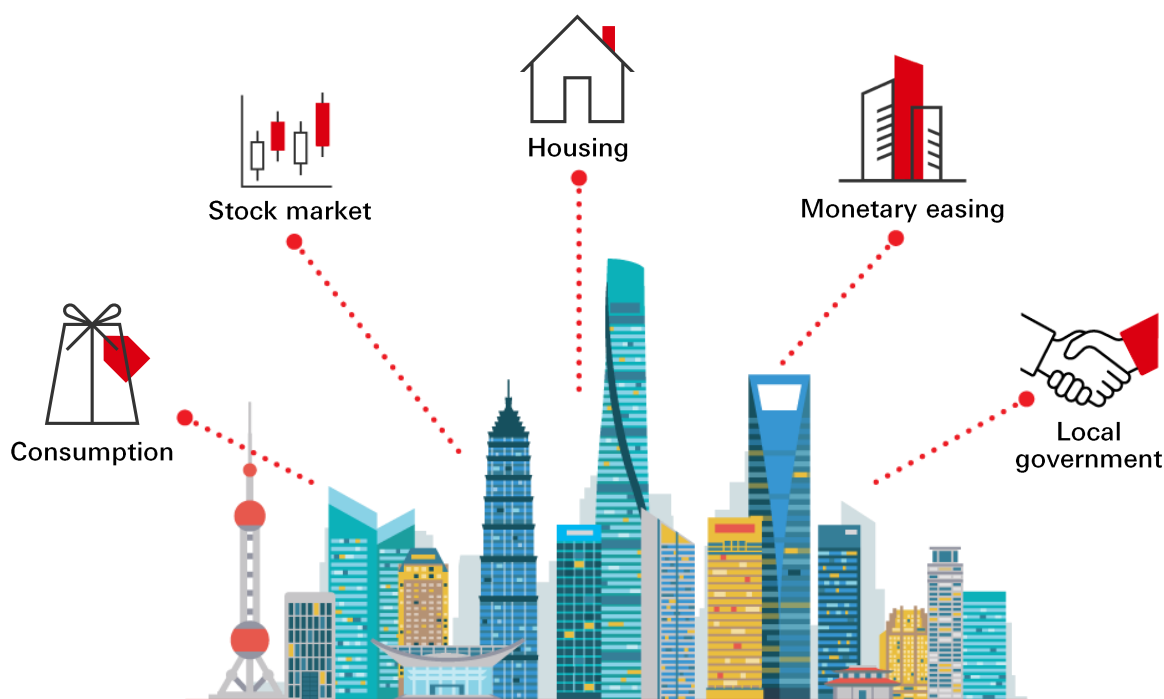
**HSBC** Asset Management

# Why Chinese equities now

## China policy support

China's clear pro-growth, pro-market policy stance would help cushion external risks and support the country's cyclical outlook. Ongoing stimulus efforts underscore policymakers' commitment to defend and achieve the growth target and instill stability and confidence in Chinese assets. US-China tariff de-escalation offers a temporary reprieve, having alleviated downside risks for the Chinese economy and reduced the urgency for imminent new stimulus – this has been positive for Chinese equities, though negotiations remain uncertain and global market volatility can be expected to continue.

## Stimulus measures announced in various segments



Source: HSBC Asset Management, PBOC, as of August 2025. The information provided is for illustrative purpose only.

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## AI developments as an opportunity

China's development of AI, including the launch of DeepSeek, exemplifies China's innovation capability. DeepSeek showcased its comparable performance with existing large language models but with significantly lower costs. This could lead to the acceleration of AI adoption in China and result in productivity gains and new growth engines. Despite the global market volatility, China's AI-related advancements have longer term implications for earnings, valuations, and overall fundamentals of Chinese equity beneficiaries.

## AI investment opportunities in China



**Cloud platforms** - AI is a significant driver of cloud adoption for enterprises



**Application software** - DeepSeek's low costs and quality infrastructure potentially increases the revenue base for AI-enabled software applications



**Edge AI device** - Increased availability of AI application potentially reduces device replace cycles



**Semiconductors** - Reduced AI costs may lead to increased demand for advanced chips that enable faster processing and enhanced capabilities

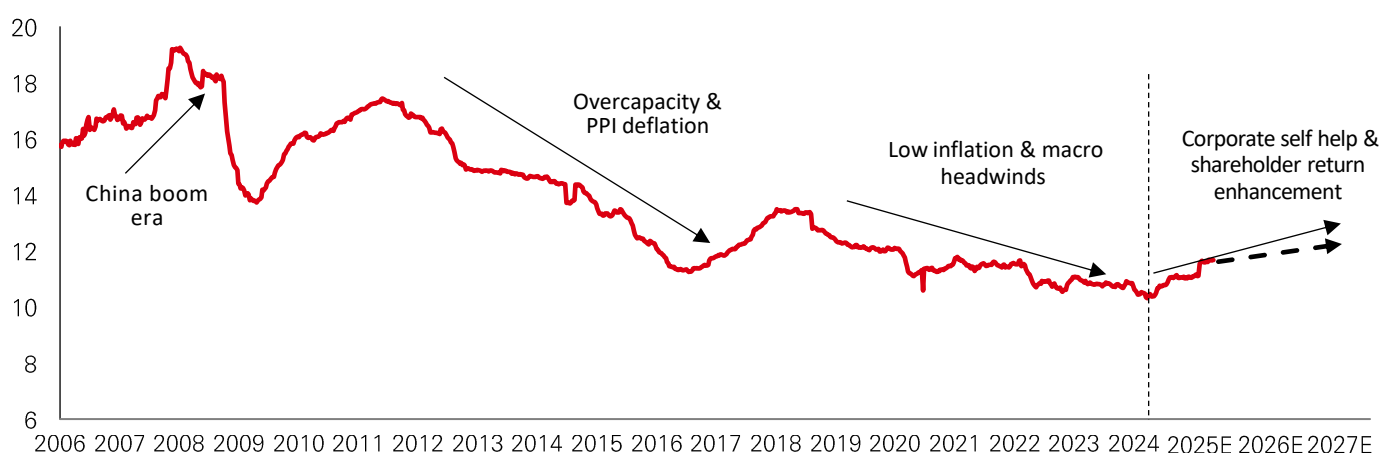
Source: HSBC Asset Management, Nomura, JPMorgan, June 2025.

## Corporate earnings are showing signs of stabilisation

Corporate earnings are showing signs of stabilisation following three and a half years of downward revisions. Structural improvement in Chinese equities' return on equity (ROE), government policy support, and the emergence of new tech leaders should help provide a cushion against potential macroeconomic shocks.

## Structural improvement in ROE

MSCI China 12-month forward ROE



2025E-2027E are estimates. PPI refers to producer price index.  
Source: Bloomberg, Morgan Stanley Research, May 2025.

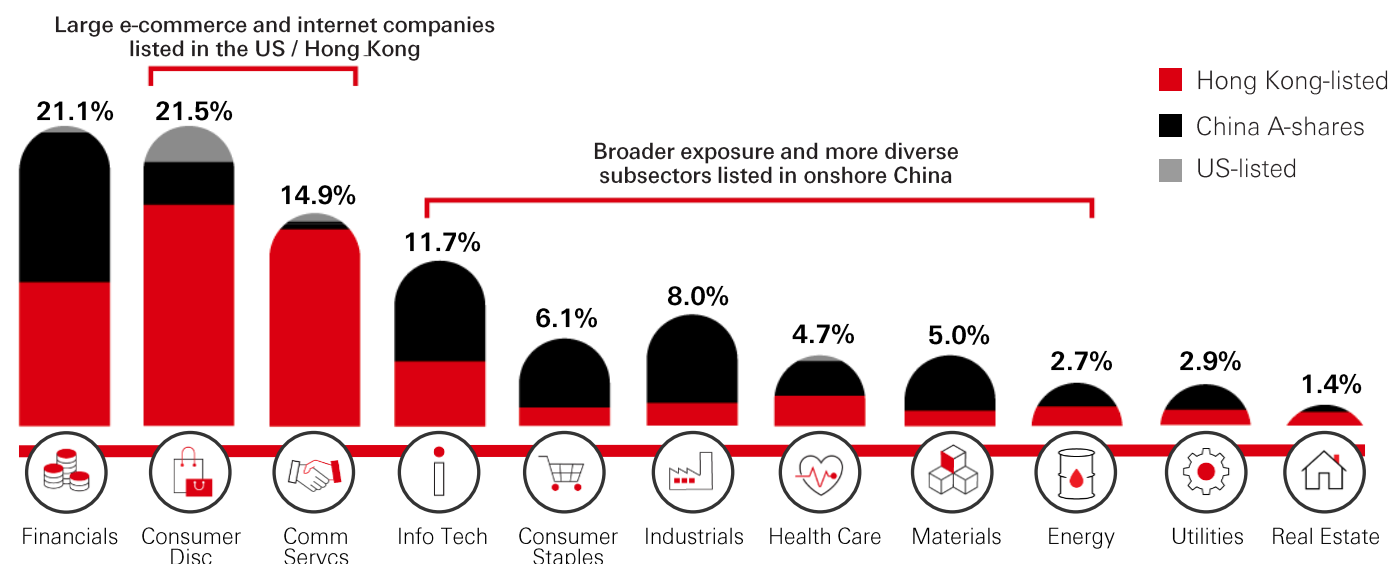
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# All China approach

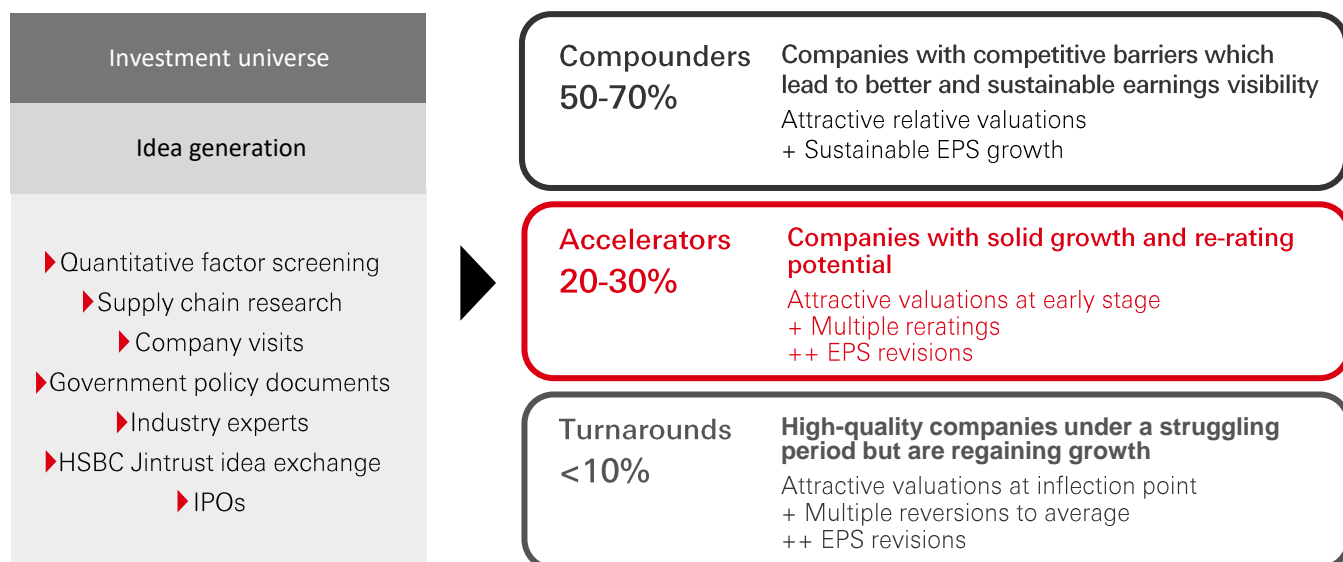
Generally, large e-commerce and internet companies are listed in the US and Hong Kong while onshore China-listed companies tend to belong to more diverse subsectors, thus providing broader exposure. An “All China” approach can capture opportunities across listings, including China A-shares, Hong Kong-listed, and US-listed Chinese companies.

## Sector weighting in MSCI China All Shares Index



Source: MSCI, HSBC Asset Management, 30 June 2025.

## HSBC Chinese equity capability – investment process overview



Source: HSBC Asset Management, August 2025.

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# China megatrends

## Our investment themes - Alpha opportunities with policy support

### Domestic circulation



E-commerce

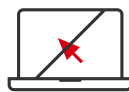
Healthcare

High-end products

Tourism

Mass market consumption

### Digitalisation



Social media and gaming

Applications

AI computing

Semi/software localisation

Electronic components

### Green economy



Machinery

Electric vehicles

Industrial automation

New energy

### Common prosperity

Reducing burden on education, health care and housing should be positive for mass market consumption in the longer term.

### De-globalisation

Structurally higher energy and commodity costs provide a robust growth outlook for new energy vehicles as well as solar and wind energy, helping Chinese companies enter into global supply chains.

### Carbon neutrality

To break through technology control from importers, China is investing more resources to boost local technology development. Localisation and import substitution could drive long term growth across industries.

Source: HSBC Asset Management, July 2025.

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# Why HSBC for Chinese Equities?



## Disciplined and structured investment process

- Bottom-up selective quality growth stocks, through a repeatable investment process, are structurally classified into three growth categories
- A flexible approach enables us to adapt to the unique nature of the Chinese equity market and navigate various market cycles



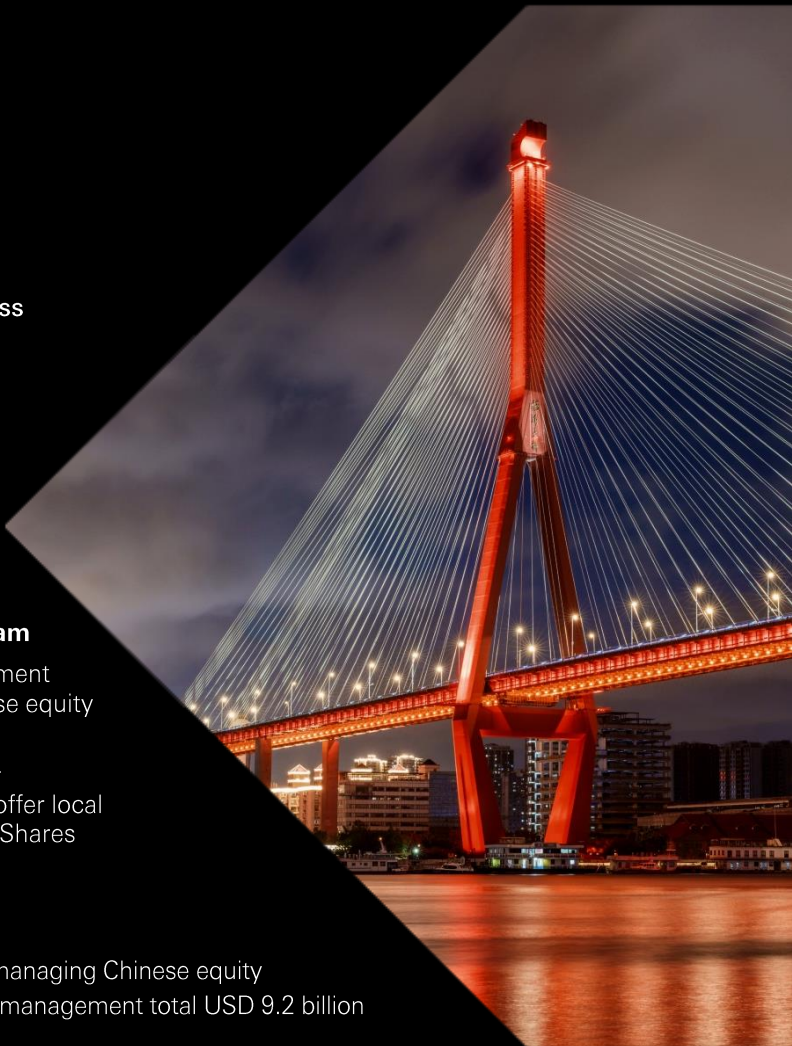
## Well-resourced, research-focused China team

- 10 experienced portfolio managers and investment analysts in Hong Kong are dedicated to Chinese equity strategies
- Over 30 equity investment professionals in our Shanghai-based joint venture, HSBC Jintrust, offer local insights, expertise and experience on China A-Shares



## Established track record

- We have over three decades of experience in managing Chinese equity
- Chinese and Hong Kong equities assets under management total USD 9.2 billion



## Head of China and Core Asia Equities



**Caroline Yu Maurer, Head of China and Core Asia Equities**, has been working in the industry since 2007. Prior to joining HSBC in September 2020, Caroline worked as the Head of Greater China Equities for BNP Paribas Asset Management, managing offshore and onshore Chinese equity listed funds and mandates. Caroline received an MBA from the London Business School and a Master of Science from the City University, London. Caroline is a CFA charterholder.

Source: HSBC Asset Management, July 2025.

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