

PRESCIENT

INVESTING IN CHINA

China is the world's second largest economy, has over 1.3 billion people and a market with many opportunities. Its potential, massive market and impressive growth make it an attractive market, however, it hasn't always been that easy to invest in with capital controls and strictly regulated markets.

Towards the end of 2014 Investec Asset Management was awarded an RQFII (Renminbi Qualified Foreign institutional Investor) license by the China Securities Regulatory Commission. This allows it to directly access the mainland Chinese equity and bond markets. Prescient investment Management has a QFII license. Below we share a Q&A with Prescient's Liang Du on their experience in investing in China.

What is a QFII license, how does it work, and what does it allow you to do?

The QFII license stands for qualified foreign institutional investor license. China is a capital controlled country. The QFII license allows foreigners to invest in the Mainland Chinese stock market, bonds as well as fixed income instrument. The QFII license has to be awarded by Chinese regulators, and goes through a rigorous due diligence process approving investment managers to invest into mainland China.

How does this benefit investors?

The QFII license opens the Chinese market to investors, offering a source of diversification. Investors have the opportunity to invest in Chinese shares that are otherwise not available to global investors. The Chinese market given its large size and restriction can do its own thing, with 2014 being the perfect example. In a year where European equities were down around 9%, US up 13%, SA 0%, Hong Kong 2%, the mainland Chinese market was up around 50% for the year. The Chinese market provides a universe of over 2 500 listed stocks, across multiple industries. With a wide breadth of choice, the opportunity to outperform also rises.

What has been your experience so far?

Investing in China is hard work but ultimately very rewarding. We started the China Balanced Feeder Fund in April 2013, and over the 20 month period, with the fund up around 35% pa since inception and 48% over the past year. With the market less of a discount to the rest of the world before, returns going forward may not be as high, though ultimately we believe

China could be a fantastic source of real returns going forward. Over the past three months have gotten a new quota allocation, which allowed us to start fixed income investing in China.

Contacts:

Liang Du

Head of China funds at Prescient Investment Management China

Email: liang@prescient.co.za

+ 27 (0) 21 700 3600

For media interviews:

Monique Martheze

PR/ Media

Email: monique.martheze@prescient.co.za

+ 27 (0) 21 700 3663

About Prescient

- Prescient's subsidiaries include: Prescient Investment Management (SA), Prescient Securities, Prescient Management Company, Prescient Life, Prescient Fund Services, Prescient Fund Services (Ireland) Prescient Wealth Management, Prescient Profile, and EMHPrescient Investment Management.
- Prescient Investment Management is a signatory to the United Nations Principles of Responsible Investing (UN PRI) and pledged to the Codes for Responsible Investing in South Africa (CRISA).
- The Prescient Global Income Fund, now known as the Prescient Global Income Provider Fund, was ranked by Morningstar as the 7th top performing fund for 2015.
- **More recently, the Prescient Income Provider Fund won the Raging Bull Award for the Best South African Multi-Asset Income Fund, Best South African Interest-Bearing Fund as well as a certificate for the Best South African Multi-Asset Income Fund on a risk – adjusted basis over five years to December 31, 2016.**
- Morningstar data also confirmed that The Prescient China Balanced Feeder Fund has been the top performing South African domiciled fund for the second year in a row.
- Prescient Investment Management was the first institution in Africa to be granted a Qualified Foreign Institutional Investor (QFII) licence by the China Securities Regulatory Commission (CSRC).
- Prescient Investment Management was named Overall Investments/Asset Manager of the Year at the Imbasa Yegolide Awards 2011, Absolute Return Manager of the Year in 2013 and Bond Manager of the Year and Responsible Service Provider of the Year in 2015.
- The full details and basis of the award can be obtained from the fund manager.

- For any additional information such as fund prices, brochures and application forms, email info@prescient.co.za or visit www.prescient.co.za
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