

CARNEGIE KINAFOND – China – from exporting machine to consumer society



Why you should invest in China:

- China has the financial muscle to stimulate its economy using government investment
- The high level of household savings means potential for increased consumption
- Infrastructure investment in the coming years will be around USD 600 billion, corresponding to about SEK 4,700 billion
- Domestic consumption and investment are replacing exports as the main driver in the economy
- Land reform and healthcare reform, together with continued urbanisation, form the foundation of long-term structural change
- China will continue to benefit from global restructuring, with increased outsourcing of production from the West

Overview

With its population of 1.3 billion, China is the most populous country in the world. GDP has risen on average 9.7% annually in the past 20 years, making China the global champion of growth. Taking into account domestic price levels (purchasing-power adjusted GDP per capita) China is the second-largest economy in the world after the USA.

Deregulation and economic reform

After Deng Xiaoping became China's leader in 1978, a series of economic reforms were introduced to open up the country, for both trade and foreign direct investment. This policy was called the Open Door Policy and it quickly stimulated growth. Provincial governments in southern China also offered contracts to foreign interests to build and run power stations and motorways.

During the 1980s and 1990s there was rapid expansion in the establishment of foreign companies in China. Favourable terms and more or less free access to low-paid and flexible labour accelerated this process. We are currently in the middle of a global shift of production assets and capital from the West to emerging markets. China has now established its position as the workshop of the world.

Important investment themes driving China's economy include global outsourcing of production, consumption, expansion of infrastructure and foreign direct investment that is building up export industry.

The stock market

It was not until the early 1980s that companies were able to issue any form of securities and promissory notes aimed at private individuals. The official stock markets, in Shanghai and Shenzhen, were opened in the early 1990s. Today they together have around 1,400 listed companies.

Carnegie Kinafond

The Carnegie Kinafond fund offers access to the Chinese stock market and invests in markets including those in Shanghai, Shenzhen and Hong Kong.

China's economy still has great potential to grow. Despite weaker global growth and export growth, the economy is growing by 8 percent per year. In the coming five to ten years the country will face structural change, as domestic consumption and investment replace exports as the primary driver of the economy. This will be made possible by China's gigantic foreign reserve of USD 2,000 billion and the household savings rate of 50 percent.

Important drivers behind future growth will be continued urbanisation, land reform that will make agriculture more efficient, and social reform in healthcare and the pension system that will free up household savings for consumption. Government investment in infrastructure will contribute to stabilisation of both growth and employment. The country may also use its currency reserves to invest in commodities assets on the global market to assure future requirements.

The fund is suitable for investors who:

- believe there will be good future economic growth in China and wish to participate in any success,
- have a long-term investment horizon, of at least five years,
- wish to broaden their investments from uniquely established markets to a market that is emerging,
- are willing to partly assume a higher level of risk in exchange for the possibility of higher returns.

FACTS ABOUT THE FUND

Date of inception:	April 6, 2004
Opening price:	SEK 100
Price listing:	Daily
Entry fee: ¹	0-1.0%
Exit fee: ²	0-1.0%
Management fee/year:	1.9%
Minimum lump-sum deposit:	SEK 0
Minimum deposit for monthly savings:	SEK 0
Risk level:	6 of 6
Fund manager:	Gunnar Pålsson
Benchmark index:	Hang Seng Mainland Composite Index total return
Fund number PPM:	838 383
Bankgiro number:	5729-9091

¹ 1.0% for purchases up to SEK 499,999; 0.5% for purchases from SEK 500,000 to SEK 1,000,000; 0% for purchases in excess of SEK 1,000,000

² 1.0% if the fund units have been held for less than one year, subsequently 0%

RISK INFORMATION

An investment in the fund is associated with a high level of risk. Historical returns are no guarantee of future returns. Money invested in the fund may both increase or decrease in value and there is no guarantee that you will be repaid all of your invested capital. For more information please request the complete information sheet, fund statutes, simplified prospectus and annual report from the fund company by calling + 46 8 696 18 60 or by visiting www.carnegie.se/fonder