SEPTEMBER 2023

Interview with Shao Ping Guan

Shao Ping Guan joined Allianz Global Investors in late June and he officially took up management of the China A Shares and All China Equity strategies, as the lead portfolio manager, from July. He sat down to share some details about his background and aspirations, his approach to investing and portfolio management, and most importantly how he sees the China market.

Q: Shao Ping, can you tell us more about your background? Have you always been a China specialist?

I was actually born in Indonesia and lived there for my early years before moving to China for primary school and I stayed till university. I studied electronic engineering in Tsing Hua University, one of the top universities in China, and I worked in for a defence-related engineering company in Singapore. Despite this start in engineering, I maintained a strong interest in finance and investment, and eventually completed a master's in business, banking, and finance at Nanyang Technological University in Singapore. Indeed, my start in engineering has served me very well since, especially with respect to better understanding industrial and technology stocks in the region.

Q: So your master's degree represented the shift from engineering to finance?

Yes, I stayed on in Singapore after this course for my first job in finance. I spent around six years covering the Taiwan and Korean markets – which are, of course very tech heavy – and this provided me with a solid foundation for my current analyses of tech stocks in China.

Shao Ping Guan
Senior Portfolio Manager

Interpreting China

My track record with respect to China equities officially started in 2006 – this was shortly after China opened its onshore A-shares market to foreign investors via the "qualified financial institutional investors" QFI program. So I've really been involved in this market since its inception and have observed it through several cycles over nearly 18 years.

In 2007, I joined Goldman Sachs Asset Management and spent a few years based in Shanghai as their Chief of China office. I then came back to Hong Kong and became head of their China team in 2017. I also managed the China A shares and All China equity strategies there. So, over my 26 years of experience, I've really been through the ups and downs of the China market, both offshore and onshore. And my work in Singapore, Shanghai and Hong Kong has given me a broader perspective beyond mainland China, something I've found invaluable when speaking with clients.

Q: What attracted you to join AllianzGI and, two months in, how do you feel so far ?

The key reason here is AllianzGI's commitment to China. I can really see this being reflected in the strength of the China team and all the other global resources available here. We have a full-sized team of 10 expert analysts, who are all very talented stock pickers, passionate for their respective areas, and all sitting together with me in Hong Kong. China is a big market, having an energetic and dynamic investment team which shares passion for investing in China, alongside similar investment approaches and beliefs, is very stimulating to me.

Other resources such as Grassroots Research, our global sustainability support and the Taiwan investment team are also important resources to me in for delivering on our China strategies. For Grassroots Research, I had the honour of attending their annual conference a week after I joined the firm. I had the chance to speak to some of these on-the-ground reporters and I really appreciate the insights they get from working level people, which are often independent and unbiased. This is valuable feedback that can serve as verification of an investment case or idea generation in a market like China. Having this support and resources means I can spend more of my time focusing on my own passion and expertise, which is investing in China.

Another important reason is that I see commonality of investment philosophy and process in the AllianzGI China A shares and All China Equity strategies. I am a bottom-up stock picker and I also focus on investing in quality stocks which can deliver sustainable growth but trading at reasonable valuation. This is something I see similar with the AllianzGI China A and All China strategies.

Being able to manage one of the biggest China A strategies in the market is also extremely exciting for me and I'm very proud to be here.

Q: Why did you want to specialize in investing in China back then but not other markets? Recent years have been very challenging for China with geopolitical and structural difficulties in relation to property and Covid; do you still believe in China? Where can we still find opportunities here?

It's a good question. There was one big decision I made back in 2005/2006. Back then, I was deciding whether to go for a regional role or to take a China specialist role. One of the reasons I eventually picked the China specialist role is that I can see China's potential to evolve from an emerging market to an economically important power in the world. As a Chinese, I want to participate in it; and as an investor, I am fascinated to invest in a market with such significant growth potential. I used to cover Korea and Taiwan, and I can see how technology development became a key part of the country's economic growth and how it drives the employment of highly educated talents. Now China is also in this phase, as it needs to wean itself off the leverage-heavy housing sector and look towards a more diversified set of future growth drivers in areas such as technology, and the further development of a more modern and self-sufficient manufacturing base.

China is in transition and this can be painful in terms of short-term

volatility. But I think China is heading in the right direction. During the volatile period, it is more important than ever to be selective in finding the bottom-up investment opportunities that can benefit from self-sufficiency and import substitution trends in strategically important areas. Consumption will continue to be a key driver of economic recovery and we will focus on leisure services and the rise of national brands as more structural trends within the area. China continues to work on its capital market reform, with good reasons to fund the growth in the forementioned areas, and selective financial services companies should benefit from this.

Q: What's your plan for the China A and All China Equity strategies?

The first thing to say is that I am not looking to change the investment philosophy and process here. As I mentioned, I was attracted here by the commonality between my own approach and AGI's China A strategy, so I will continue to look for good quality companies – at a reasonable price – that can deliver sustainable growth. Indeed, our key performance driver should continue to come primarily from stock selection, rather than from market timing and sector allocation. So we will continue to keep our sector positions close to the benchmark, this is something that has worked well for us over the past track record, and it is also a key differentiator between us and our peers.

There are adjustments of course, in a portfolio positioning level. A key focus I will continue to emphasize is that new ideas are implemented into the portfolio in a timely way. I always say to our team that constant new ideas are the life blood a long-only house like us. They plant the seeds for outperformance. In last two months, some examples of new initiation in the portfolio include a network services equipment maker which should benefit from higher artificial intelligence (AI) adoption, as well as an auto braking system which will benefit from import substitution trend with more penetration in domestic auto supply chain.

At the same time other adjustments in the portfolio include, for example, within the property related supply chain, we prefer home appliances and furnishing companies with broader exposure to both primary and secondary markets over property developers, construction and building material companies that mainly serve the primary market. There are also holdings that may have been overly discounted over the past two years of market nervousness. For these names, we will continue to hold them; obviously, the last thing we want to do is to sell at bottom.

A key priority for me since I joined the company and took up the management of thsee strategies is to stabilize the portfolio performance. And although it's still early, it's been pleasing that have seen some stabilization over the last few months. Of course, it's been a difficult market, especially to quality growth managers like us, with low quality and value stocks outperforming high quality growth companies, but this is not something we expect to persist long-term. We will therefore not be changing the DNA of our strategy, but rather introducing new ideas and making adjustments as the seeds for future performance.

Thank you, Shao Ping, for these insights. Welcome once again to AllianzGI and I wish you every success in our China A shares and All China Equity strategies, which are key part of our China franchise.

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