

Rosefinch Research | 2022 Series # 10

Future Depends on Today's Choice



Market suffered from dark overcast days without any glimmer of hope as China investors were routed from Chinese ADRs to Hong Kong stocks and then to A-shares. So far in 2022, NASDAQ is in official bear territory, CSI300 and HSI indices both hit new valuations lows BELOW the 2008 lows. In the A-shares, over 4,000 stocks dropped with a collective 16 trillion RMB wiped out of their market capitalizations. COMEX gold hit multiyear high of 2078, and ICE Brent oil also printed at 139. When the market sees broad-base capitulation, it can no longer be explained by specific issues like FED hikes, Russo-Ukraine conflict, sanctions, de-coupling, etc. It's almost as if we are back to 2H in 2018 when everyone started to question everything.

The Geopolitical conflicts will change the international powers' dynamics, which will probably see more pressure on China. While we can't change such external factors, historically, we do notice that as long as there's no major global war breaking out, most of the global power competitions will be won or lost over nations' domestic resilience and power. **Each nation is like a boat in the river of time – we as fund managers can focus on finding the right company to go the distance with.** In China, the national policy is to maintain dual-circulation and high-quality developments, keep engaging Europe, Asia, African and Latin American markets and stimulate economic activities through reformist policies. **Today, the Chinese government further released clear and proactive signals through State Council Meeting hosted by Vice-Premier LIU He.** During the meeting, he emphasized:

1. Top priority is to persist on development centered on economic build up, reform deepening, and market-openings.
2. Any policy that may have large impact to the capital market must be coordinated with financial regulatory departments ahead of time to ensure policy stability and consistency.

3. Focus on jumpstarting 1Q22 economic activities, with monetary policy taking proactive stance, including appropriate increases in new loans.
4. Improve action plans through market, legal, and international perspectives. Insistent on growth from steady base, and use disciplined, transparent, and predictable regulations to progress and complete large platform companies' reforms, setting up clear "red" and "green" lights so the platform economy can grow more steadily and be competitive internationally.
5. Regarding Chinese ADRs, China and US regulators had kept good communication channels, and are actively moving forward towards specific cooperation model.

Given this background, our industrial chain research will also need to adjust under the clarified framework. Our investment focus will be on large global leaders, as well as medium-sized leaders in the smaller industry chains. The key will be establishing objective valuations using historical cycles, industry cycles, companies' and entrepreneurs' development stages. By doing deep research analysis on these companies, we can avoid getting lost in the market volatility.

Future depends on today's choice. We always believed that the true value add is through the successful long-term growth of the company, and not through the market volatility. Believe in the future, and let's growth together with these excellent companies.

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