

“If you want to be original, be ready to be copied” – Coco Chanel

For those of my vintage, China Livestreaming and the KOL may sound like 1990’s electronic pop bands which occasionally find a following on Spotify. In 2021, this relatively new phenomenon is quite different and, being China, is on a greater scale. Online, interactive marketing to the modern consumer – the era of the social media influencer has arrived.

We have written before of the Alibaba Singles Day extravaganza, which last November recorded revenue in excess of Rmb370bn in a day, generating sales for over 250,000 brands, and encouraging over 800mn customers to spend. The commercial success of this event has attracted an increasing number of brands, including international names with over 30,000 involved last year, but the influence of the Key Opinion Leaders (“KOL”) has been a relatively new contribution for success.

Livestreaming emerged in 2015 but it was the introduction of Taobao Live in 2016, on the Alibaba platform, which combined the livestream feature with eCommerce and accelerated consumer adoption. There are now, it is estimated, to be close to 10,000 KOLs on Alibaba’s Taobao Live platform.

Perhaps your experience of a home shopping channel on TV will have tainted any enthusiasm for a sales pitch, but the China KOL is offering more than a product. The influencer craves consumer interaction, as the larger audience generates increased sales, and has created the ‘personal’ relationship with their followers on social media channels. The appeal of being with your peer group and enjoying a similar ‘in store user experience’, and often buying products at a promotional price has convinced over 400mn of the population to be active users.

Li Jiaqi is one of the leading KOLs in the beauty industry and was responsible for selling over U\$145mn of lipstick products on Singles Day. The adoption of livestreaming as a career has proved a successful transition from the previous role as a sales assistant on a L’Oreal beauty counter. With over 800mn monthly followers on Douyin, the China version of TikTok, the video-sharing social networking service, the ‘King of Lipstick’ has re-written the rulebook. You read correctly, Li is a ‘he’ and has the influence to tempt Jack Ma of Alibaba to compete in lipstick sales on the Taobao platform, as pictured below.



The success of Taobao Live has unsurprisingly attracted new entrants to facilitate this interaction and established companies such as Baidu, JD.com, and the relatively recent Douyin now provide livestreaming services, although Alibaba remains the largest player with an estimated 80% market share.

The emergence of the Covid virus resulted in the closure of many stores across China and this served to accelerate the adoption of livestreaming by businesses. The breadth of product offering has expanded rapidly over the last year with even the regional farmers creating their niche by selling direct to the public, and many other consumer brands following suit.

The screen shot below left is that of Proya, one of the leading domestic cosmetic companies in China, and a holding in the Aubrey GEM portfolio. Almost 90% of its revenues are generated from its skincare product range which is based on marine and plant ingredients. Proya's target audience is the tier 3 and lower cities. The young professionals of Shanghai, Beijing and the other larger metropolises may have the salary which can afford international brands, but the majority of the young, aspirational, predominately female population is conscious of price, hence the appeal of the Proya ASP Rmb100-300 compared to international brands at Rmb500. A call with management last month highlighted the importance of the livestream to test new product categories which can then increase production with evidence of commercial success, and we remain convinced of their growth prospects.



The enthusiasm for a competitive price is not always the primary consideration for the consumer in China, and this is seen in the success of the leading premium infant milk formula (“IMF”) supplier, Feihe, screen shot above right. The Company estimates its market share in the IMF premium segment to be 13% and approaching 25% in the super premium category. The premium segment growth is driven by increased urbanization, higher disposable income, health awareness, demand for trustworthy IMF products, and the majority of parents opting for one child only. Feihe has developed relationships with Mother & Baby stores to support sales and the pricing premium, and therefore expand profit margins through their club membership. Their livestream channel offers product marketing opportunities and supports the key offline distribution channels through repeat custom. Our most recent call with management confirmed our expectations of sales growth exceeding 20% for the coming 2 years, which supports the continued position in our fund.

Is the livestream and KOL impact likely to continue? The sales figures suggest this will be the case, with Industry analysts expecting last year’s livestream revenue to have more than doubled over the year to almost Rmb1trillion, with Li Jiaqi alone believed to have generated sales in excess of Rmb10bn. Born in 1992, he may have missed the opportunity for the electronic pop music education, but the King of Lipstick has more than compensated for that.

Performance

Please find the most recent performance figures for the Aubrey Global Emerging Markets Strategy against the MSCI TR Net Emerging Markets USD (NDUEEGF) in the below table.

Net Performance (USD) as at 31 January 2021	YTD	1 yr	3 yrs	5 yrs	7 yrs	Inception
Aubrey Global Emerging Markets Strategy*	2.9%	55.4%	51.2%	155.4%	152.6%	249.4%
MSCI TR Net Emerging Markets USD (NDUEEGF)	3.1%	27.9%	13.9%	101.4%	67.6%	54.6%

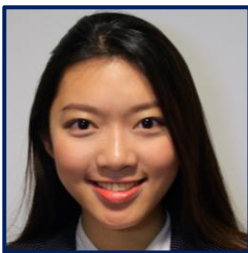
*The above figures have been calculated using a combination of OMGI Fund GBP share class (14Mar12 to 31Mar15) and the AGEM Fund IC2 USD Share Class from 01Apr15 which have been recalculated to simulate USD performance over the same period using GBP to USD FX Daily Spot Rate sourced via Bloomberg. The resultant combined performance is calculated in USD and presented net of management fees and transaction costs. The OMGI Fund GBP performance has been used to simulate the past performance of the AGEM fund because they have both followed the same strategy. However past and simulated performance is not a reliable indicator of future results and you may not get back what you originally invested and investment returns may increase or decrease as a result of currency fluctuations.

John Ewart | Fund Manager



John has over 30 years investment industry experience across global equity markets. His early career in Glasgow had a focus on European equity portfolios in the UK retail and pension fund market, and he joined First State Investments in 2000 to manage the pan European clients retail and segregated portfolios. In 2004 John moved to Alliance Trust PLC and was a member of the Global Equity Team and managed the Global Emerging Markets portfolio. He is a graduate of Strathclyde University with BA Economics and is a member of the CFA Institute. He joined Aubrey in early 2012 as a Fund Manager and covers GEM and other global markets.

Camellia Huang | Investment Analyst



Camellia joined Aubrey from Aberdeen Standard Investments where she worked as a Graduate Investment Analyst in Private Markets across Corporate Finance, Diversified Assets, Infrastructure Equity and Private Equity teams. She began her career in investment management in 2016 by interning at Qianhai Stock Exchange, Shenzhen and Seven Investment Management, London. She has a master's degree in Accounting and Finance from the University of Edinburgh.

Further Reading

If you would like to read further articles, please select the following link - [Aubrey Research](#)

Global Emerging Markets Factsheet

If you would like to receive our monthly Global Emerging Markets Manager Report by email, you can sign up here -

[Sign up to Aubrey GEM Monthly Report](#)

Contact

Phone: +44 (0) 131 226 2083

Email: clientservices@aubreycm.co.uk

Address: 10 Coates Crescent, Edinburgh, EH3 7AL

This document has been issued by Aubrey Capital Management Limited which is authorised and regulated in the UK by the Financial Conduct Authority and is registered as an Investment Adviser with the US Securities & Exchange Commission. You should be aware that the regulatory regime applicable in the UK may well be different in your home jurisdiction. This document has been prepared solely for the intended recipient for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice. Any comments expressed in this presentation should not be taken as a recommendation or advice.

Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and of variations in the exchange rates between currencies. Past performance is not a guide to future returns and may not be repeated.

Aubrey Capital Management Limited accepts no liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. This document does not in any way constitute investment advice or an offer or invitation to deal in securities. Recipients should always seek the advice of a qualified investment professional before making any investment decisions.