



Is the Chinese rabbit ready to hop again?

Gong Hei Fat Choy, Gong Xi Fa Cai ('wishing you great prosperity'). 2023 marks an important milestone for most Chinese people as this is the first Chinese New Year ("CNY", the Year of the Rabbit) that families and friends have been able to gather freely post COVID lockdowns. Fireworks and red packets all around!

Although the turnaround has been quicker than most would have expected, early reporting has shown an uptick in consumer enthusiasm. According to one of the leading travel operators, Tongcheng Travel, domestic airline and bus booking volumes have grown 129% and 230% vs. their 2019 CNY levels and major tourist sites have seen ticket sales reaching 70% of their pre-COVID levels.



Hainan, as one of the top travel destinations in China, saw close to 100% occupancy rates in luxury hotels. Duty free sales have topped USD 381m (+329% vs 2019) over the 7 days of CNY holiday, with over 340 000 shoppers taking part in the holiday spending spree. Our portfolio company, China Tourism Group, as the largest duty-free operator on the island (and in the country), will have benefitted from increased visitors and their spending.

Restaurant businesses with strong brand equity and locations are benefitting from this first wave of reopening with some enjoying over 6x table turnover during the CNY period (with 3-4x considered as 'normal'). The burst of enthusiasm may well stabilise as the holiday comes to an end, but this is another positive sign and reminiscent of consumer behaviour at the end of COVID lockdowns in Europe and the US. We expect our portfolio company, Haidilao, the largest hot pot operator in China with an established brand positioning to perform well during this period of recovery.

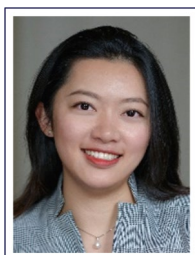
Chinese consumers are estimated to have saved over USD 2.5tn in 2022. Busy tourist sites, hotels and duty-free shopping do not mean an immediate return to pre-pandemic spending behaviour as consumers will require time to adjust. However, this money is a significant balance sheet addition for potential spending as COVID lockdowns have now ended. Although it has only been a month since the official zero-COVID strategy was reversed, we believe Chinese consumers are returning to their old spending behaviours.

Apart from consumers, corporates have also indicated that they are positive about prospects for 2023. Having cut prices recently to boost sales, Tesla China is expecting 2023 production volume to reach 1m, with 600k units coming from domestic sales (+36% vs 2022). Its domestic competitor, BYD, became the No.1 EV company in the world in 2022 by volume (selling 1.8m units) and the management is targeting a sales volume of 3m units in 2023. As previous government subsidies for EV purchasing begin to be phased out, these targets demonstrate the positive outlook of auto manufacturers.

The China non-manufacturing PMI in January has recovered to 54 points (50-point mark separates growth from contraction; pre-COVID 2019 was around 53-54 points) which indicates an encouraging recovery in services and construction activities. Companies' ability to maintain a healthy balance sheet, cashflow and attract customers will determine their growth prospect in an increasingly competitive post-COVID environment. The Aubrey Global Emerging Markets Strategy has increased exposure to China with expectation of a continued recovery and we are positive that the Chinese rabbit will leap again.

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Camellia joined Aubrey in 2020 as an Investment Analyst after gaining a range of experience in previous roles.

Camellia started her career in investment management at Seven Investment Management in London and Qianhai Equity Exchange in Shenzhen. She then worked at Aberdeen Standard Investments where she was an Investment Analyst in Private Markets across their Corporate Finance, Diversified Assets, Infrastructure Equity and Private Equity teams.

Camellia has gained a Master's degree in Accounting and Finance from the University of Edinburgh. She has lived and studied in both China and Australia and is fluent in Cantonese, Mandarin and Hakka. She has also completed Level 1 of the CFA course and has achieved the CFA ESG certificate.

Net Performance (USD) as at 31 December 2022	YTD	1 Year	3 Years	5 Years	7 Years	Inception
Aubrey Global Emerging Markets Strategy*	-25.8%	-25.8%	7.9%	14.0%	69.2%	138.0%
MSCI TR Net Emerging Markets USD (NDUEEGF)	-20.1%	-20.1%	-7.9%	-6.8%	42.3%	19.5%

*All figures are presented net of fees in USD. MSCI Emerging Markets Index is used for comparative purposes only. Investment returns may increase or decrease as a result of currency fluctuations. Past performance is no guarantee of future results. Our firm claims compliance with GIPS. The performance record disclosed in the table is that of the firm's composite for the Aubrey Global Emerging Markets Strategy. To obtain a GIPS Composite Report, please get in touch.

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