“Great Opportunities”

Interview: Simon Lee - Head of Institutional Business, CSOP Asset management
China connoisseur Simon Lee expects sharply rising profits in the Chinese financial industry

Foreigners are only allowed to buy limited China shares. Will that change?
China continues to open its exchanges to foreign investors. More than 20 countries now have quotas under the RQFII program. RQFII regulates the extent to which foreign financial institutions are allowed to buy Chinese stocks and bonds. At the beginning of May, China's Prime Minister Li Keqiang announced that Japanese institutions will also receive a quote of 200 billion yuan each year to buy securities. That's about 26 billion euros.

Aren’t these small amounts for the Chinese stock market?
The quotas of all countries together reach a share of about 3-4% of the entire Chinese market capitalization. That's not very much at first glance, but it is only part of the opening – and it's a message to the world: we're open to foreign investment.

Foreign direct investment remains limited?
In the future, foreigners will be allowed to take over 51 percent of fund companies, securities dealers and insurance companies. In a few years, the limits should disappear altogether. This is a great opportunity for foreign banks, but above all, it's a great prospect for the Chinese financial industry.

Why should the new competition be good for the Chinese?
In the past, such market opening has regularly led to greater momentum. In the financial industry too, the new competition from experienced foreign players will drive Chinese companies to greater efficiency and boost business overall. Bloomberg Intelligence predicts that the profits of Chinese banks will approximately double by the year 2025.

With which ETF can investors benefit from these perspectives?
At the moment, the CSOP Source FTSE China A50 ETF from Invesco Powershares is the best instrument. I do not say that because we are involved in this ETF, CSOP has also listed in Hong Kong ETFs based on MSCI indices, but because investors with the FTSE China A50 index are well positioned to be able to participate in future growth trends. The China A50 ETF contains the 50 largest shares of China. That means financials account for almost 60% of the index. The likewise promising consumer sector has around 25% weight.

CSOP has 14 ETFs listed in Hong Kong. Are any of these funds coming to Europe soon?
We are working on it. In Hong Kong, we will be launching three new ETFs shortly. We want to list another ETF in Europe, preferably on the Frankfurt Stock Exchange. Background: Our international customers signal increasing interest in the Chinese stock market.