## Investing In China, Easier Said Than Done

*China is one of the fastest growing regions in Asia and an excellent opportunity for investors, if you have access to the market.*

### A Quick Guide To Investing In China

China is a large, diverse economy with a healthy industrial sector and rapidly growing consumer base. Over the past few years economic growth has slowed, from over 10% to just under 7%, yet remains one of the bright spots of the investing world. The only thing holding back more robust investment in the region is incredibly tight regulation and limited access to the stock market. Access is not denied to citizens of China but, depending on where you are and how the company you wish to invest in does business, it is denied to most foreigners. The biggest obstacle to investing in China is the fractured nature of the market. There are at least 5 different classifications of Chinese stocks, not counting the domestic Hong Kong market and Taiwan. Needless to say this makes investing in the region very difficult for experienced managers, much more so for the average investor.

**Chinese "A" Shares –** These are what might be considered the standard run of Chinese stock. These companies are located in China, traded on the mainland exchanges, priced in renminbi and typically only available to locals and foreign institutional investors who are allowed to invest through certain cross border schemes (or quota systems). The average foreign investor has no access to this market, one of the biggest criticisms of the Chinese financial system.

**Chinese "B" Shares –** These are an off-shoot of "A" shares. They represent the same companies as "A" shares but are priced in dollars and available to foreign investment without the restrictions placed on "A" shares. The problem with "B" market is that it has not caught attention of the global investment community, is not very liquid with fewer listed companies and is subject to wild market volatility.

**Chinese "H" Shares –** These are companies located and operating in China but incorporated and listed on the Hong Kong stock exchange in Hong Kong dollars. These shares are the most liquid among different Chinese stock markets for foreign investors. Some of the listed companies are dual-listed in both H-Shares and A-Shares markets.
**Red Chips –** To make things even more confusing, a Chinese company can be operating in China, incorporated in some international location and then traded on the Hong Kong exchange. These stocks are much easier for the average investor to own but still come with problems. One is that these companies are most often run and operated by the Peoples Republic of China (State-owned Enterprises), another is that they are often issued by companies who are also listed in "A" shares resulting the commonly known A/H shares premiums and discounts.

**P Chips –** Are similar to Red Chips in that they are companies with operations within China, incorporated in a foreign jurisdiction and listed on the Hong Kong stock exchange. The difference is that they are typically operated by private businessmen, not the government, and can be traded on a variety of international exchanges. This class is also has three other sub-classifications; S chip for those stocks listed on the Singapore exchange, N Chips when on the New York Stock Exchange and L Chip on the London Exchange.

This is why choosing a fund manager with ample experience is of the utmost important. Philip Li and Norman Ho at Value Partners Asia Pacific Fund are two such managers. To start with, Value Partners is one of the largest and longest running publicly traded financial management company in the China and greater Asian economic arena. The company is headquartered in Hong Kong with operations located throughout the region. As fund managers Li and Ho have access to top level research and resources that average investors might not have the experience and knowledge to find out. Plus, they are both Chartered Financial Advisers with an average of around 20 years of combined experience investing in China and the Asia-Pacific Region.

The Asia-Pacific Fund is a diversified closed-end fund focused on the Asia-Pacific region, ex-Japan. The fund invests in stocks with solid balance sheets and positive growth prospects doing the bulk of their business within the region. While China and its many avenues for investment are not the sole target of investment they do comprise a lion's share of the portfolio.