

## Can Stock Investors Find Undervalued Assets in 2019?

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"The global economy is not under any big threat of inflation as most developed countries are facing the problem of ageing population, however, investors may find it difficult to uncover undervalued assets which can be regarded as sustainable investments," said Vincent Lam, managing director of VL Asset Management.



Lam, a portfolio manager who has been investing in equities in the Greater China market since 2002 and serving largely Hong Kong and Swiss accredited investors, was speaking at a seminar organized by Swiss Privilege, a Hong-Kong based operation under AXA, for their private clients.

"Global interest rates may have peaked resulting in a downward trend of returns from free cash flow," Lam said, "At the same time the continuing quantitative easing in the US, Europe, China and Japan has made many assets overvalued these days."

Lam remarked that Sino-US relationship had deteriorated since last year thus giving a blow to China's exports industry and many also had concerns over China's growth outlook since her GDP has been gradually slowing down. Nevertheless, Lam believes there remains huge growth potential for China in the years to come. "Don't underestimate the domestic consumption power of China as her citizens are getting more affluent than ever. In face of the tensions with the US, she will step up to protect herself which shall ultimately do more good than harm," he explained. "The average daily turnover of mainland A-shares was about RMB\$2 to 3 trillion in 2015. After the correction in the past few years, it is now slightly over RMB\$1 trillion which looks still sensible and the market is not out of control. Selected sectors remain attractive for longer term value growth. Take a look at Chinese white liquor manufacturers – Kweichow Moutai, Wuliangye and Luzhou Laojiao have all recorded structural growth of about 20% per annum over the past years."

"The PRC-based healthcare and education sectors are also worthy of attention – people are ageing but much wealthier than before. As a result, they are willing to spend more to stay healthy; they also spend generously on their offspring's

education due to the impact of one-child policy (which was not relaxed until last year having been implemented for three decades)," Lam added.

On technology stocks, Lam opined that market demand for data analytics, cloud computing, data storage and flash memory had been solid generating robust income growth to the key players in the respective segments.

In respect of the various equity portfolios managed by Lam, PRC healthcare and US-centric technology sectors were given the largest allocation since the last quarter of 2017.