

Isaac's Daily is the daily Investment commentary written by Isaac Sofaer covering Hong Kong and China markets as well as Asian and global markets. "China Growth Virtual Portfolio" allows investors to share the up-to-the-minute investment strategy of a financial expert, an excellence reference for investors interested in building their personal investment portfolio with high growth potential. This is only one of the articles dated on 7th July, 2011 for reference.

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CHINA - ONE OF THE WORLD'S GREATEST UNTAPPED GROWTH OPPORTUNITIES

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"Now it is not good for the western's health to hustle the Asian brown,

for the western riles, and the Asian smiles and he weareth the western down;

and the end of the fight is a tombstone white with the name of the late deceased-

and the epitaph drear:

"a fool lies here who tried to hustle the east."

Kipling knew years ago about the might of the east and its huge potential.

China bashers take heed, we may be down but we ain't out!

US senators who wake on the wrong side of their beds and use a new toothpaste, then attack China, beware.

Hedge funds who have been China bashing, watch out.

Short sellers, the principle is A OK, but find the companies which muddy or tarnish China's reputation, something I try doing myself often. Winning once or twice does not mean Christmas arrives everyday. I've seen how the best short only funds collapse, even in bear markets.

Shorting for fun, as investors seem to be doing, without sufficient analysis or reasoning will land you in jail.

China will dodge the bullet. Investors confuse cooling with slump, as usual taking the worst scenario on board. Most of their concerns are short term, such as weak manufacturing, reduced car sales, power shortages. But the challenges are not affecting every sector.

Demographic changes mean opportunities for upgrade in various thus far ignored sectors like agriculture, services, high end manufacturing, banking, healthcare, insurance, travel and aviation, consumer, biotech and clean energy.

Issues such as high property prices, bad loans, weak global environments, overtightening, will dissipate in the next 12 months. Investors should focus instead on China's ability to compete at the top, and great progress has been achieved in education and innovation. Look at figures for the past 10 years that put the US to shame.

Productivity, efficiency and reform continue unabated and investors will see the rapid progress made if they take the trouble to read the figures for themselves. It's no good just reading bearish commentary without looking at the other, more sustainable/long term, side of the equation.

The west ought to woo China, not make an enemy of it. Not only is China powerful in terms of relative wealth today, but it's a chance to secure lifelong business arrangements with a country which has around 30 years before it peaks, as the west seems to have done.

Now there may be many difficulties which lie ahead. I'm not so sure we've heard the last of China's corporate criminals or seen the worst of corporate defaults.

But then, is China so different from other more developed countries in that regard?

The intelligent investor will not blindly assume that all in China is rotten to the core.

"You can't carve rotten wood," so don't invest in garbage. That's so often the root cause of poor investment returns.

Good luck and good punting,
Isaac Sofaer