

## EDITORIAL BOARD

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Ideas Generation



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### What is your estimate of the correct level of long-term exposure to China?

China is one of the most compelling opportunities in equities for the coming years. Policy is supportive, inflow potential is significant, corporate earnings downgrades seem to be over and valuations are attractive. Investors are underweight China relative to their benchmarks. Moreover, the current China weight in MSCI World All Country (5%) is about to rise to almost 6% assuming a full inclusion factor for A-shares. We currently recommend a 10% allocation. It remains far below the size of China relative to world GDP on a PPP basis (19%). This gap means that the potential re-rating of China is significant.