

The Sleeping Golden Dragon Awakes: Investment Opportunities in China

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THE SLEEPING GOLDEN DRAGON AWAKES: INVESTMENT OPPORTUNITIES IN CHINA

For years, headlines have painted a bleak picture of China's economic outlook - property market woes, manufacturing overcapacity, and geopolitical uncertainty. Yet beneath the noise, a quiet rally has been building. Chinese equities climbed 20% in 2024 and surged 34% Year-to-Date (YTD) by the end of September 2025¹, revealing one of the most compelling investment stories in recent memory.

Figure 1: 5-Year Performance of MSCI Golden Dragon Index (USD Terms)

MSCI Golden Dragon Index was up by 20% in 2024 and 34% as of end September 2025 YTD



¹Source: Bloomberg, September 2025

THE REAL STORY

While the property sector remains challenging, the broader investment narrative is shifting. Three structural forces are reshaping China's capital markets:

Policy Priority: Since September 2024, the Chinese government has been promoting sustainable growth for its equity market². Interest rate cuts, lower bank reserve requirements, and liquidity backstops have created a more supportive environment for investors.

Household Reallocation Potential: With government bond yields at just 1.9% and property losing its appeal, Chinese households are poised to reallocate trillions into equities. Currently, only 11% of household assets are in equities, compared to 32% in the U.S.³ - a gap that signals immense upside.

Figure 2: 5-Year Performance of China 10-Year Government Bond Yield (USD Terms)

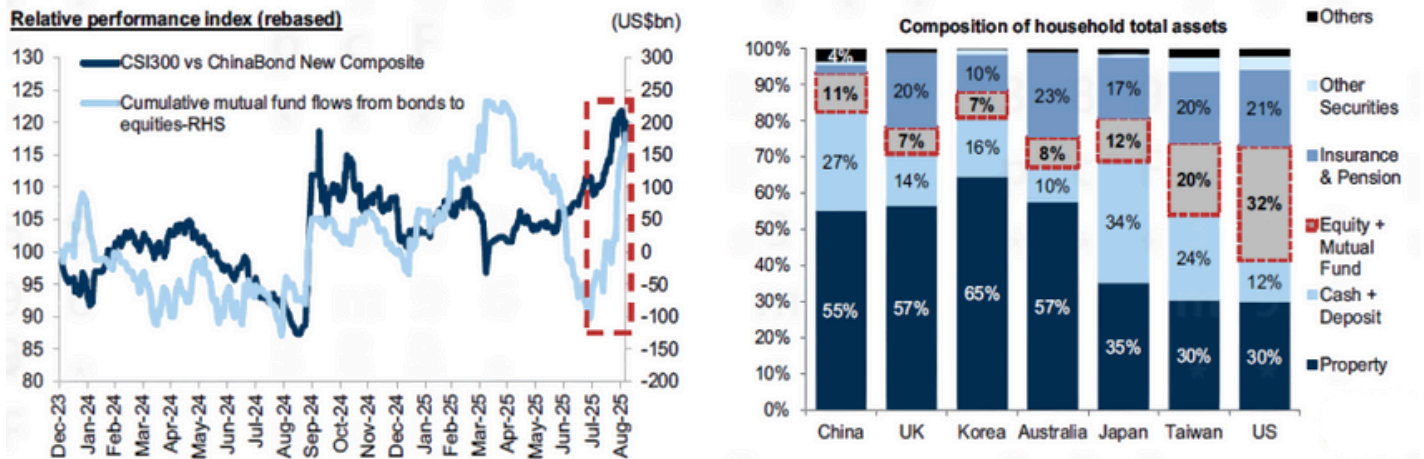
Low 10-year government yield of 1.9% continues to drive investors towards the equities market



Source: Bloomberg, September 2025

²Source: Xinhua, HSBC, September 2025

Figure 3: Rally in A shares has been accompanied by meaningful fund rotation from bonds to equities & Chinese household balance sheets are heavily skewed towards real assets and cash



³Source: Bloomberg, Wind, Goldman Sachs, Global Investment Research, September 2025

Strategic Fiscal Firepower⁴: China's response to trade tensions has been measured but deliberate. Rather than reacting to short-term volatility, policymakers are prepared to deploy targeted stimulus if economic data weakens, ensuring resilience in the face of global uncertainty.

FIVE THEMES POWERING CHINA'S INVESTMENT REVIVAL



Investors are increasingly looking to China for exposure to transformative sectors. Five themes stand out:

1. Artificial Intelligence: Taiwan and China dominate the AI supply chain. TSMC manufactures the world's most advanced chips, with clients such as NVIDIA and Apple. We are positioned in AI component makers in cooling systems, power solutions, and networking technologies, and looking at companies benefiting from the massive infrastructure build-out.

2. Chinese Intellectual Property: Chinese intellectual properties, such as Labubu, are expanding rapidly in global markets. China is also a major player in the global mobile gaming market creating successful titles such as PUBG mobile and Genshin Impact. In the years to come, we believe that Chinese companies will continue to create Chinese intellectual property with increasing global appeal.

3. Electric Vehicles and Autonomous Driving: China has 50% EV penetration - the highest globally⁵. China is dominant in the LiDAR market which is essential for self-driving technology by creating high resolution maps. Chinese manufacturers are driving down LiDAR costs from USD20,000 to USD200 per unit⁶, enabling mass adoption.

4. Humanoid Robots: With aging populations and labour shortages, the humanoid robot market could reach USD1.4 to USD1.7 trillion by 2050⁷. The humanoid robot supply chain will be predominantly Greater China-based.

5. Industrial capabilities: Chinese construction machinery, batteries, and energy storage systems are also steadily gaining global market share, driven by superior technology at competitive prices.

⁴Source: Citi Research, September 2025

⁵Source: CAICV & Foresight Industry Research Institute, 2024

⁶Source: Dewesoft & Hesai, September 2025

⁷Source: UBS, 2025

A MARKET REAWAKENS



Napoleon Bonaparte once said, “China is a sleeping dragon; let him sleep, for if he wakes, he will shake the world.” That dragon is now stirring. Global investors remain underweight Chinese equities - holding just 8.9% compared to a 10.5% benchmark weight⁸. As fundamentals improve and policy support strengthens, that gap is narrowing.

Figure 4: Market Equities Benchmark Index

Region/market focus	Benchmark Index	No. of funds	Total equity AUM (USDbn)	Weighting in Chinese equities (as % of equity portfolio)	Weighting in benchmark	Diff	Cash as % of total AUM
Asia	MSCI AC Asia ex Japan Index	31	20	34.0	35.5	-1.5	1.2
	MSCI AC Asia Pacific ex Japan Index	10	2	31.1	30.2	0.9	1.5
	MSCI AC Asia Pacific ex Japan Small Cap Index	2	1	21.4	12.9	8.5	22.0
	MSCI AC Asia Pacific Index	6	6	24.1	20.8	3.3	1.4
	MSCI All Country Asia ex Japan Index	16	7	28.0	35.5	-7.4	1.0
	MSCI Asia Pacific Ex-Japan IMI Index	3	4	41.4	29.8	11.6	5.5
	MSCI Emerging Markets Asia Index	2	5	41.0	33.7	7.3	2.8
Asia Total		70	44	32.9	32.2	0.8	2.1
Global	FTSE All-World Index	5	11	4.7	3.7	1.0	7.0
	FTSE Global All Cap Index	3	74	3.3	3.6	-0.2	1.3
	MSCI ACWI Index - EUR	8	6	3.8	3.3	0.5	2.6
	MSCI ACWI Ex USA Growth Index	6	31	6.4	10.7	-4.3	1.9
	MSCI ACWI Large Cap Index net	1	25	1.6	3.2	-1.6	0.4
	MSCI AC World Net USD	4	4	2.2	3.3	-1.1	1.8
	FTSE All-World ex US Index	2	70	9.3	10.3	-1.0	2.4
	FTSE Global All Cap ex US Index	1	524	8.9	9.9	-1.1	3.0
	MSCI ACWI Index	176	614	2.0	3.3	-1.2	0.5
	MSCI ACWI ex USA Index	59	218	3.8	9.2	-5.4	0.7
	MSCI World Index	202	331	1.5	0.5	1.0	1.1
MSCI World Index - EUR	39	67	0.8	0.5	0.3	1.3	
Global Total		506	1975	4.3	5.5	-1.2	1.5
EM	FTSE Emerging Index	3	8	30.6	30.0	0.6	0.0
	FTSE Emerging Markets All Cap China A Inclusion Index	1	127	29.1	29.8	-0.7	3.1
	MSCI Emerging Markets Index	222	357	22.7	27.0	-4.3	1.2
	MSCI Emerging Markets Index - EUR	10	10	24.8	27.0	-2.2	0.7
	MSCI Emerging Markets Index - GBP	8	5	27.1	27.0	0.1	0.9
EM Total		244	507	24.5	27.7	-3.2	1.7
Overall total		820	2526	8.9	10.5	-1.6	1.5

⁸Source: Factset, UBS, September 2025

For those seeking exposure to innovation, scale, and long-term growth, China’s equity market offers a compelling case for inclusion in diversified portfolios.

All data are sourced from Lion Global Investors and Bloomberg as of 16 October 2025 unless otherwise stated.

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