

AMC EXPERT FUND – BCV Chinac

Review

Like other emerging markets, those in Greater China made a strong start to 2012, notching up some impressive gains in January and February before lapsing into a spell of consolidation in March. The target for Chinese GDP growth in 2012 (set at +7.5%, a little below what had been predicted) and other macroeconomic data proved disappointing.

During Q1 2012, the MSCI China index, with 9.9%, underperformed the benchmark MSCI Golden Dragon which climbed by 12% thanks to gains made by the MSCI Taiwan (+14.5%) and MSCI Hong Kong (+13%) indices.

The IT sector outperformed on all three markets whereas more defensive sectors, such as telecoms, consumer staples and utilities, underperformed their indices during the quarter.

Outlook

After an excellent start by stock markets to the New Year, a spell of consolidating gains was probably needed. Although US economic data have continued to be encouraging, China's GDP growth has been slowing. On account of the volatile swings on some key macroeconomic barometers, such as inflation or bank lending, the People's Bank of China was obliged to delay monetary-easing measures.

As we are convinced these new easing measures will be implemented eventually once the figures begin to pick up, we are sticking with our overweighting of the Chinese market. The recent debate in Taiwan about the possible introduction of a new capital gains tax worried investors so we prefer to stick firmly to the sub-fund's underexposure to the Taiwanese market. Hong Kong has a neutral position in our strategy. We have also decided against any sector biases, preferring to stick close to benchmark weightings.

BCV Asset Management, Lausanne

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