How to discuss a China strategy with clients

Amid the fear and uncertainty surrounding investing in China, Andy Rothman of Matthews Asia explains what approach wealth managers should take when discussing their clients' strategy.

For private bankers, conversations with their clients don't get much more challenging than when markets are crashing and media headlines predict doom and gloom ahead.

And in the wake of the so-called collapse of markets in China in late 2015 and early 2016, they need a measured response alongside a clear message to deliver to worried clients.

As an investment strategist with 30-plus years of China experience, Matthews' Andy Rothman says that nobody can avoid China in their portfolio.

"It's too big," he explains. "It drives about one-third of global growth, so whether you like it or not, what happens in China affects you."

Even for those clients who say they want to exit the market, they are still exposed to China.

LOOKING LONGER TERM

In Rothman's view, the real question is whether the client wants to be directly or indirectly exposed to China.

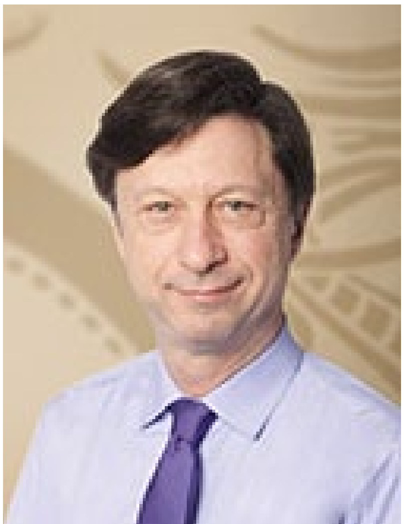
"The issue then becomes about if they understand the volatility and if they have a long time horizon which allows the volatility to be smoothed out."

He adds that Matthews Asia, for example, prefers to turn away money if the firm doesn't think that clients have a long enough time horizon.

"That is not the way to invest in a volatile market like China, or most of Asia."

CREATING THE RIGHT PORTFOLIO

With this type of perspective, the next topic of conversation for a banker should be about whether China is still going to grow at a fast pace, or be subject to a hard landing. "To me, all the evidence indicates the former," says Rothman. With an active management strategy, the focus then becomes picking the right stocks. ■



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