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Healthcare will ride out China's cyclical swings, says Yang Liu

By Chris Sloley / 01 Jul, 2015



China equity star [Yang Liu](#) believes the country's healthcare sector has matured to the point it is no longer a cyclical bet on Chinese growth and can ride out volatility.

In the latest market commentary for the [Atlantis China Healthcare](#) fund, the Citywire A-rated manager said the sector had been vulnerable in previous cycles but this was no longer the case.

'As the Chinese stock market has now enjoyed a lengthy rally, we may or may not face a correction down the road. However, we strongly reiterate that the China healthcare sector is a non-cyclical one and a sector that has proved in the past to have strong defensive characteristics.'

'We anticipate continued high, sustainable growth, especially as healthcare has been, and will remain a key focus of the Chinese government. With the ongoing

healthcare reform and internet boom in China, we expect more positive news and exciting investment opportunities ahead.'

One way in which Liu – a former *Citywire Star Manager* subject – has weathered the recent turmoil in the Chinese market is by substantially increasing her allocation to China's A-shares market.

'The fund's solid results are attributable to the strong fundamentals of the Chinese healthcare industry and, more importantly, our rigorous stock selection process. We increased the fund's A-shares allocation to around 40% towards the end of 2014, which has significantly contributed to outperformance.'

Liu said the correction seen at the start of the year, which was driven by a heavy sell-off in the A-shares market, was largely benign and was actually a necessary step if China's long-term rally was to be supported.

She highlighted the current defensive make-up of the 27-holdings portfolio as being a major positive factor, with 62.5% invested in Hong Kong-listed names, 37.9% in A-shares and 3.5% in S-chips.

The fund currently has its largest exposure at a sector level to pharmaceuticals, which makes up nearly 30% of overall investments. This is ahead of medical distribution and biotech stocks, which account for around 20-25% respectively.

The Atlantis China Healthcare fund returned 147.1% in US dollar terms over the three years to the end of May 2015. Its Citywire-assigned benchmark, the FTSE China/Health Care TR, rose 70.1% over the same period.