



Binary Capital Investment Management



Chief Investment Officer Note Chinese capitalism

Long-termism shapes our relationships and our investments.

July 2021



Chinese capitalism



The further rotational movement towards growth stocks in July continued. This continued the momentum we saw during the earlier summer months. Inflation and interest rate concerns seems to have receded somewhat. The real strength test will come in the coming months in inflation and economic announcements by the US FED and elsewhere. The consistency and patience of the US FED's approach to inflation and interest rates is to be welcomed. We, at Binary Capital, are very much in the transitory inflation camp. We are confident that US inflation will move towards more normalised levels later in the year. We will see.

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The major real news in July has centred around China and the move towards further corporate state focused regulation. It started towards large Chinese conglomerates, moving into the financial sector. Now the education and physical delivery sectors have been a focus around potential further regulatory oversight, and fresh developments to various business models.

The important thing to note is that this regulatory newsflow in China is not really unexpected news, it should have been anticipated. It is bound to happen. It is a consequence of moving from a developing economic model towards more development and 'western like' business practices. Indeed the structures potentially put in place is to be welcome, as more transparency is set within the scope of market forces in China. Capitalism does not exist in a vacuum, it develops, moves within multi-faceted environments and strategies. It is constantly evolving. In emerging markets, capitalism is always work in progress, importantly we need to have *confidence* in the overall trajectory of the movement of economic growth there. China is **not** going away, it is a key global economic and financial player. China will continue to develop, and develop positively. The private investment opportunities in China will be enhanced and also become broader in scope.

At Binary Capital we take a very long-term approach to investing and see much of the above surrounding China and the Chinese economy as 'noise'. Taking a five plus year view on matters, there will be rapid changes in China – changes we cannot even begin to understand now. China will continue to develop as an economic powerhouse unabated. We like the investment opportunities in China. We like the corporate innovation in the wider emerging markets world, the long-term opportunity is very obvious : technological innovation, population growth, a movement towards a growing middle class. There are exceptional opportunities in healthcare, biotechnology. These opportunities have not suddenly gone away with the rise of these regulatory interventions, these opportunities are ever present and will only develop out further. Indeed with clarity comes further opportunities, and indeed further investible opportunities.

Following exceptional returns in June 2021, July was a month of consolidation. We continue to perform well within the risk and return parameters of the various investment models we manage. Some of our investment strategies (Sustainable – Adventurous) are now creeping into the double-digit return space and out-performing very competitive benchmarks, a credible level of performance following what was a difficult Q1 2021.

The returns we have delivered for the seven months of 2021 outline in simple terms our investment strategy: remain invested, remain focused and always remain long-term in approach. This produces results for our clients. There is no reason to deviate from such a strategy. The robustness of our strategy will deliver results.

Commitment to our work as a leading investment firm, remains undiminished. We look to the coming months with an abundance of cautious and long-term optimism. A good place to be.



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