

2020 Chinese Offshore USD Bond Investor Survey Report (Part One)

Part A: Survey Population Characteristics

The 2020 Chinese offshore USD bond investor survey is based on the data and feedback collected from 32 one-on-one interviews with Chinese offshore USD bond investors of which 30 are based in Hong Kong and 2 are based outside HK. The survey took place in February 2020. There were 5 parts to this survey: General Questions, Views on Macroeconomy, Views on China's Onshore Bond Market, Views on the Kung Fu Bond Market and the Investment Strategy in the Kung Fu Bond Market.

We have summarized the survey results in 2 different reports. This part one report includes the survey results on General Questions, Views on Macroeconomy and Views on China Onshore Bond Market. Our part two report, to be published next week, will cover the Views on the Kung Fu Bond Market and the Investment Strategy in the Kung Fu Bond Market.

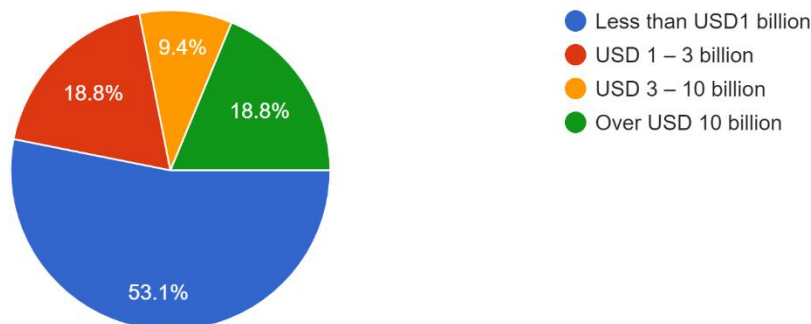
Most of the survey respondents are pure asset management firms or asset management arms of banks, accounting for 53.1% and 25% of the total respondents. The remaining respondents include banks (12.5%), insurance companies (3.1%) and others (6.3%).

Slightly over half of the respondents (53.1%) have less than USD1 billion assets under management (AUM) while 18.8% have USD 1 to 3 billion, and 9.4% have USD 3 to 10 billion. The remaining 18.8% have more than USD 10 billion. (See Exhibit 1)

EXHIBIT 1:

What is the current asset under management (AUM) size of your company?

32 responses



Source: Lianhe Global

87.5% of the respondents participate in high-yield corporate bond activity and at the same time 75% of the respondents participate in investment grade corporate bonds. 34.4% participate in sovereign and sub-sovereign bonds, and 25% participate in the distressed debt market.

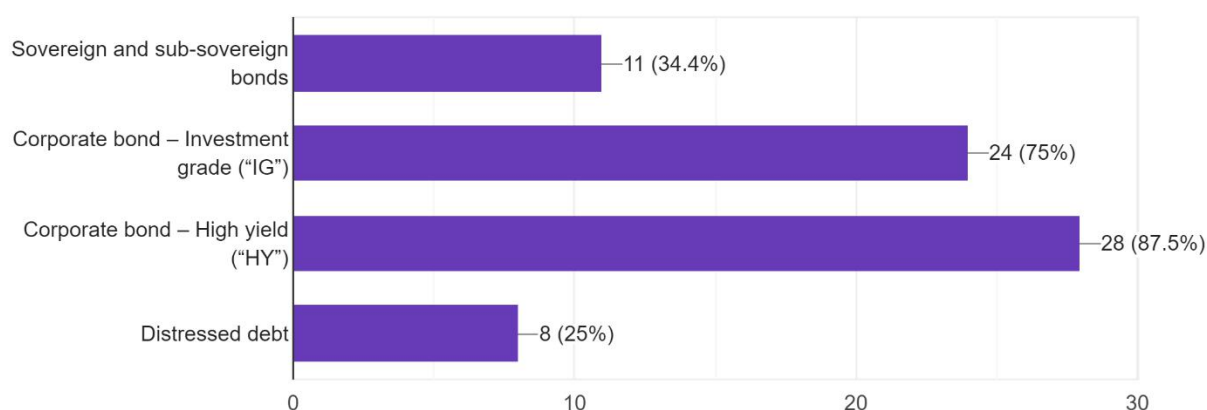
96.9% of the respondents primarily focus on USD-denominated offshore Chinese bonds. 65.6% of the respondents' portfolios have a duration of shorter than 3 years and 62.5% have a duration of between 3 to 7 years. Only 6.3% of the respondents have a portfolio duration of between 8-10 years or above.

The charts below (Exhibit 2-4) illustrate the respondents' investment focus by bond type, currency and portfolio duration.

EXHIBIT 2:

Which kind of bonds does your company focus on?

32 responses

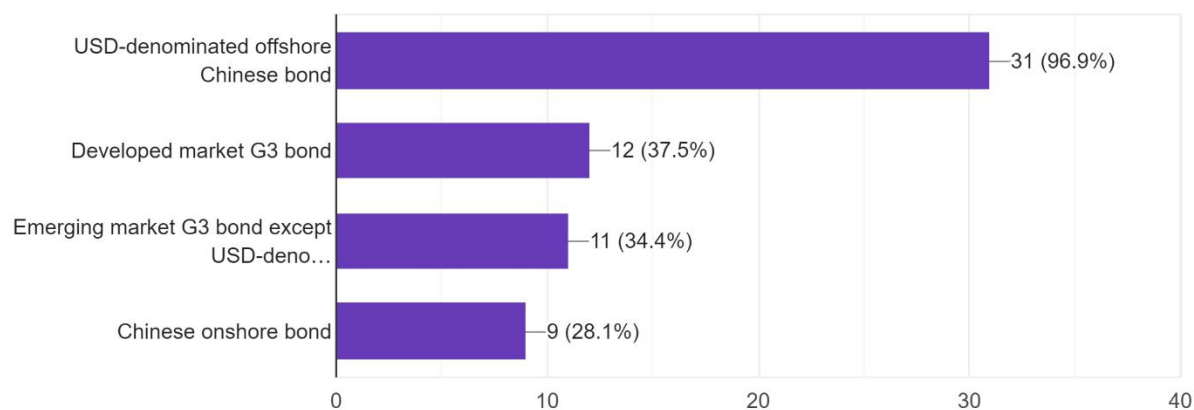


Source: Lianhe Global

EXHIBIT 3:

Which fixed-income market is your primary focus?

32 responses

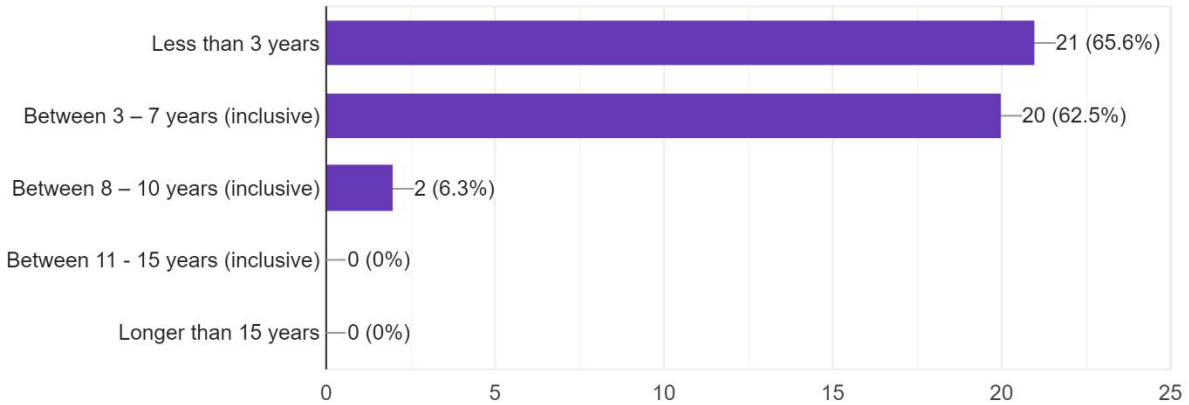


Source: Lianhe Global

EXHIBIT 4:

What is the general duration of your investment portfolio?

32 responses



Source: Lianhe Global

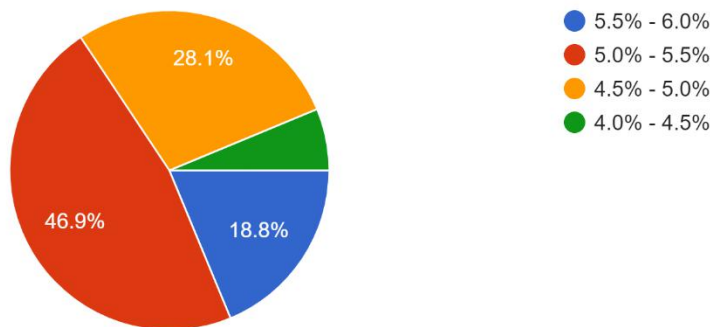
Part B: Views on Macroeconomy

46.9% of the respondents believed China’s GDP growth rate would fall into the 5.0% to 5.5% range in 2020. Only 6% of the respondents thought China’s GDP growth rate would slow down to 4.0% to 4.5%. 56.3% of the respondents believed that the USD-CNY exchange rate would fluctuate between 6.7 and 7.0 in 2020, and 40.6% of the respondents believed that the USD-CNY exchange rate would be higher than 7.0 in 2020. (see Exhibit 5 and 6 below).

EXHIBIT 5:

What is your expectation of China’s year-on-year GDP growth rate in 2020?

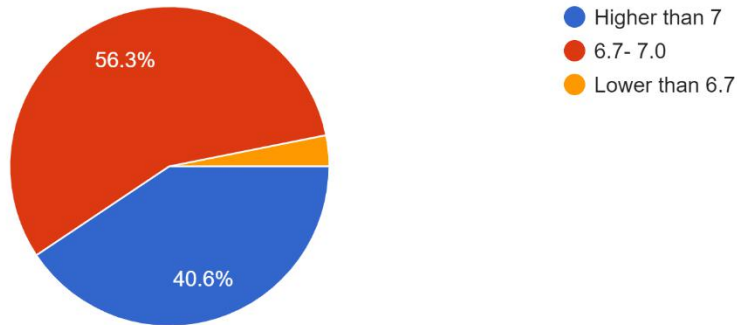
32 responses



Source: Lianhe Global

EXHIBIT 6:

What is your view regarding USD/CNY exchange rate in 2020?
32 responses

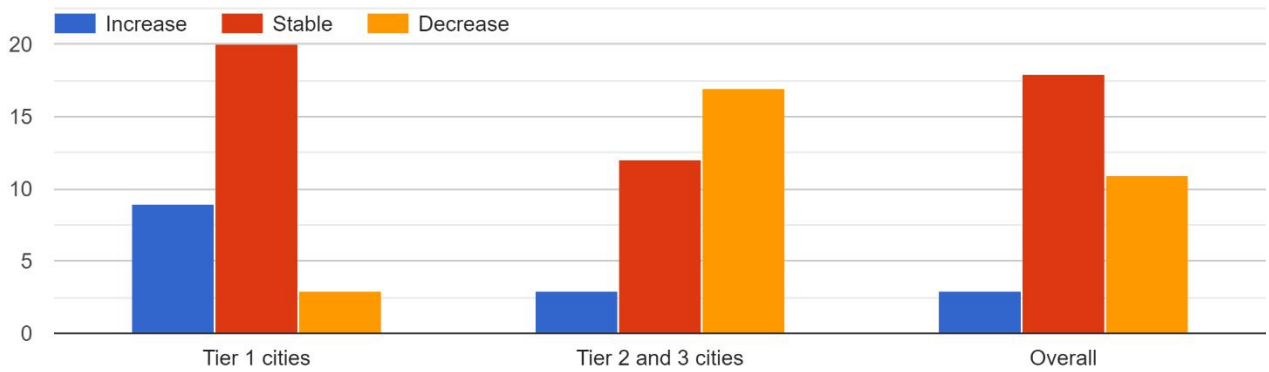


Source: Lianhe Global

In terms of home prices in different regions of China, most of the respondents believed that the general trend of home prices would be stable. Whilst the home prices in first-tier cities would be stable, the prices in second- and third-tier cities may fall. (see Exhibit 7 below).

EXHIBIT 7:

What is your view on China’s property price in the following 12 months when compared with 2019?



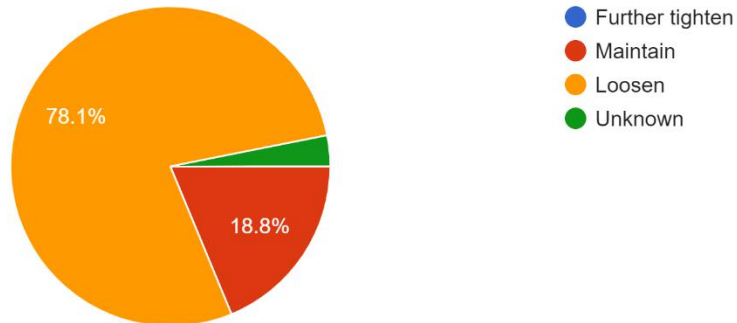
Source: Lianhe Global

In terms of property regulations in China, most of the respondents (78.1%) believed that they would be relaxed given the current property market condition. (see Exhibit 8 below).

EXHIBIT 8:

What is your view on China's regulations on the property market in 2020?

32 responses



Source: Lianhe Global

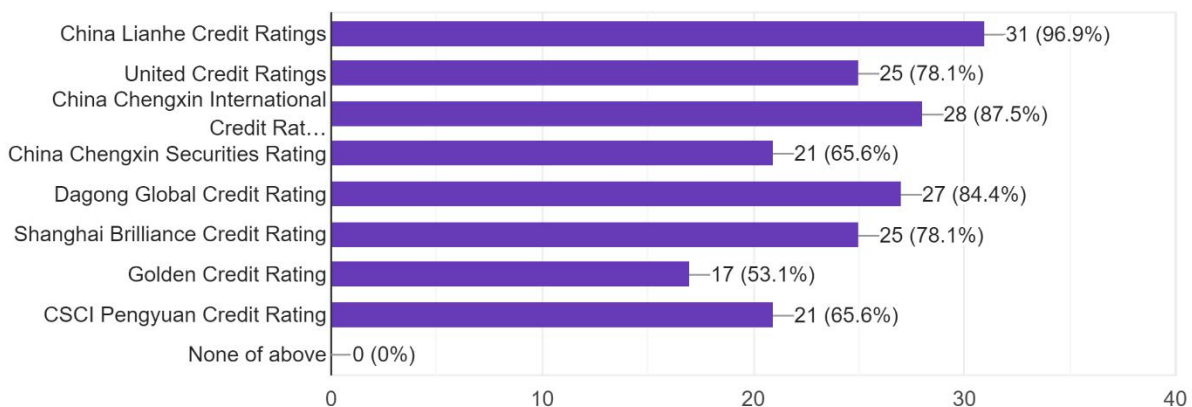
Part C: Views on China's Onshore Bond Market

In terms of the recognition of onshore credit agencies, most all the respondents (96.9%) heard about China Lianhe Credit Ratings Co., Ltd./联合资信评估有限公司 and 78.1% heard about United Credit Ratings Co., LTD./联合信用评级有限公司. Compared to the other onshore credit agencies, Lianhe is well-known among the respondents. (see Exhibit 9 below).

EXHIBIT 9:

Which of the following onshore credit agencies have you heard before:

32 responses



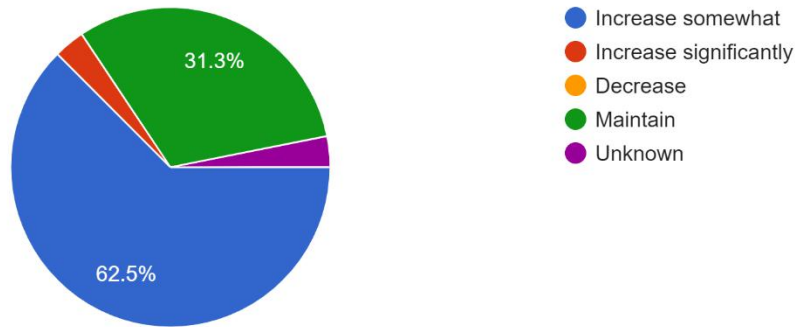
Source: Lianhe Global

More than half of the respondents (62.5%) expected that their investment exposure to the Chinese onshore bond market in the following 12 months will increase. (see Exhibit 10 below).

EXHIBIT 10:

What is your expectation regarding investment exposure to the Chinese onshore bond market in the following 12 months?

32 responses

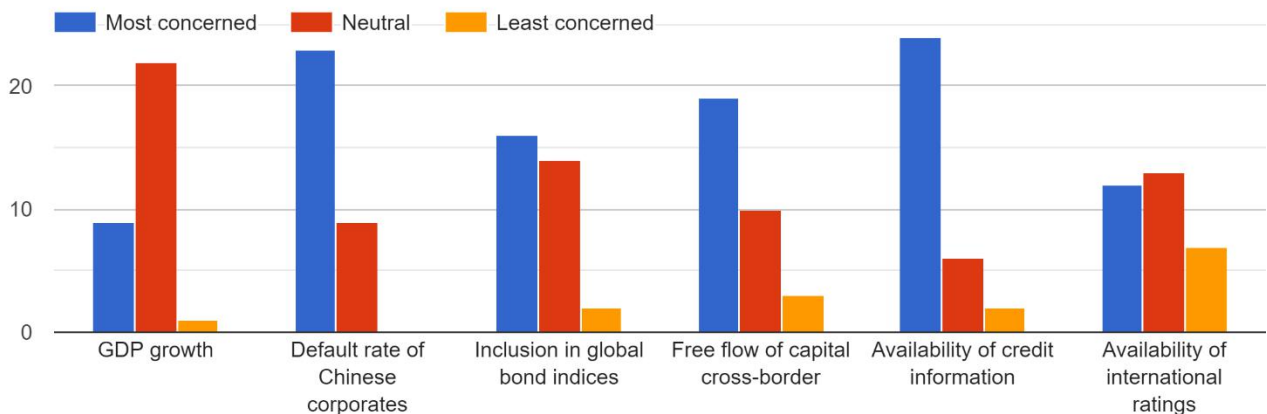


Source: Lianhe Global

When investors consider investing in the Chinese onshore bond market, they focus on: the availability of credit information, the default rate of Chinese corporates, the free flow of capital cross-border and inclusion in global bond indices. (see Exhibit 11 below)

EXHIBIT 11:

How important are the following factors when you consider investing in Chinese onshore bond market?



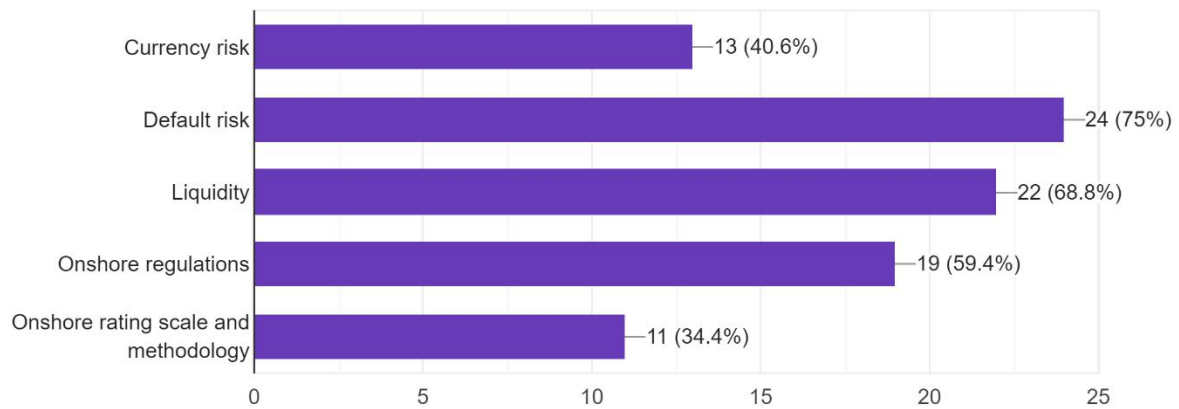
Source: Lianhe Global

Regarding the onshore credit market, 75% of the respondents were concerned about default risk, followed by liquidity (68.8%), onshore regulations (59.4%) and currency risk (40.6%) (see Exhibit 12 below)

EXHIBIT 12:

What are the concerns you have regarding the onshore credit market?

32 responses



Source: Lianhe Global

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