



abr dn China Investment Company Limited

Seeking long-term capital growth by investing predominantly in Chinese equities

Performance Data and Analytics to 31 January 2024

Proposal for the Reconstruction and Voluntary Winding-up of the Company

The Board of abr dn China Investment Company is pleased to announce that heads of terms have been agreed in principle for a proposed combination of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") (the "Proposals"). It believes the Proposals will benefit shareholders in the Company ("Shareholders") going forward. Fidelity China is the top performing as well as the largest and most liquid UK investment trust investing in China. The combination, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders.

Investment objective

To produce long-term capital growth by investing predominantly in Chinese equities.

Benchmark

MSCI China All Shares Index in GBP (from 26 October 2021).

Cumulative performance (%)

	as at 31/01/24	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	395.0p	(7.3)	0.8	(17.2)	(35.7)	(42.5)	(18.7)
NAV	411.4p	(12.4)	(17.7)	(27.5)	(41.8)	(48.4)	(28.7)
Reference Index ^A		(9.8)	(14.2)	(21.9)	(30.5)	(39.8)	(22.9)

Discrete performance (%)

	31/01/24	31/01/23	31/01/22	31/01/21	31/01/20
Share Price	(35.7)	(8.6)	(2.1)	25.7	12.4
NAV	(41.8)	(2.9)	(8.6)	26.3	9.4
Reference Index ^A	(30.5)	(2.2)	(11.5)	23.2	4.0

Total return; NAV to NAV, gross income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: abr dn Investments Limited, Lipper and Morningstar.

Past performance is not a guide to future results.

Note on change of investment strategy

Prior to 26 October 2021, the Company's investment policy was to invest in emerging market funds of funds. Please note that performance data for time periods prior to 26 October 2021 relate to an investment objective and strategy that no longer applies.

^A Reference Index is the MSCI China All Shares Index since 26 October 2021 and MSCI Emerging Markets Index prior to that date.

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^C Holding comprises of A & H shares.

Morningstar Sustainability Rating™



Morningstar Rating™



^B Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

Twenty largest holdings (%)

Tencent	9.8
Kweichow Moutai	7.5
Alibaba	5.4
Pinduoduo	5.3
China Merchants Bank ^C	3.6
AIA	3.1
Contemporary Amperex Technology	2.9
Bank of Ningbo	2.7
Netease	2.6
BYD ^C	2.4
Hong Kong Exchanges & Clearing	1.9
Shenzhen Mindray Bio-Medic	1.9
China Life Insurance ^C	1.8
Fuyao Glass Industry	1.8
Proya Cosmetics	1.7
Silergy	1.6
Aier Eye Hospital	1.6
Meituan	1.6
Midea	1.6
China Tourism ^C	1.6
Total	62.4

Total number of investments 59

All sources (unless indicated): abr dn: 31 January 2024.





1 Year Premium/Discount Chart (%)



Fund managers' report

Market and portfolio review

Chinese stock markets lost ground in January 2024. The decline was underpinned by a number of factors, including the ongoing fall in property sales and sanction threats from the US that were broadened to include Chinese biotech firms. We also saw markets dented by the re-hedging of so-called 'snowball' structured products linked to market indices' performance. These instruments have proved popular among retail investors, given they were perceived as offering a less risky alternative to cash on deposit.

In other news, the People's Bank of China cut the reserve requirement ratio – the amount of money banks must keep in reserve – by an unexpectedly high 50 basis points. Also, local governments were granted greater flexibility to introduce property policies to bolster the market. Cities such as Guangzhou, Shanghai and Suzhou immediately responded by relaxing housing purchase requirements.

Turning to economic newsflow, China's official manufacturing Purchasing Managers' Index (PMI) survey for January 2024 halted a three-month decrease in value by registering at 49.2. Analysts cited an uptick in production and orders as the principal drivers of the increase. China's industrial production growth also moved higher, from 6.6% to 6.8% year on year, while fixed-asset investment grew by 3% in December, year on year. Elsewhere, China's exports and imports grew by 2.3% and 0.2%, respectively.

Lastly, retail sales rose by 7.2% in 2023, year on year, as consumption levels improved. At the same time, year-on-year consumer inflation was down by 0.3% in December.

Turning to the Trust's performance in January, the net asset value total return was -12.4% in sterling terms. This compares to the reference index total return of -9.8%.

Fund managers' report continues overleaf

[©]Note that while the risk statistics are calculated over 5 years, the mandate was changed in October 2021.

[Ⓓ] Expressed as a percentage of average daily net assets for the year ended 31 October 2023. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.

Sector allocation (%)

Consumer Discretionary	22.7
Consumer Staples	15.5
Financials	14.9
Communications Services	12.4
Industrials	10.1
Information Technology	8.1
Health Care	7.4
Materials	3.2
Real Estate	2.6
Cash	3.1
Total	100.0

Fund risk statistics

	5 Years [Ⓒ]
Return (Fund) p.a. as at 31/01/2024	(2.80)
Return (Benchmark) p.a. as at 31/01/2024	(14.48)
Annualised Tracking Error	5.47
Alpha	0.09
Beta	1.12
Correlation	0.98

Source: abrdn & Factset.
Basis: Total Return, Net of Fees, GBP.
Please note that risk analytics figures are calculated on net asset value (NAV) returns. In addition, the risk analytics figures lag the performance figures.

Key information

Calendar

Year end	October
Accounts published	February
Annual General Meeting	April
Dividend paid	March
Launch date	21 June 1998. Mandate changed 26 October 2021
Fund manager	Nicholas Yeo and Elizabeth Kwik
Annual management fee	0.8% of first £150m of Market Cap, 0.75% on next £150m of Market Cap and 0.65% on the Market Cap over £300m
Ongoing charges [Ⓓ]	1.07%

Fund managers' report – continued

Regarding the laggards, microelectronics group Maxscend Microelectronics faced a challenging month amid slower-than-expected fourth-quarter results. Other IT software names, such as Hundsun Technologies, Venustech and Silergy, underperformed due to downstream customers facing budgetary constraints. Meanwhile, healthcare-related names, including Aier Hospital and Wuxi Biologics were also under pressure on weak sentiment.

More positively, some of our key holdings, including Bank of Ningbo and China Merchants Bank, rebounded from significant losses in 2023 as signs of a recovery in market sentiment grew. Consumer electronics manufacturer Midea Group also fared well, while internet technology group NetEase was the Trust's top relative performer after recovering from a sell-off in December due to tighter online gaming controls.

During the month, we exited financial group CICC due to concerns about its deteriorating fundamentals stemming from recent management changes and increased regulatory risk. We also sold the positions in Centre Testing International, Wuxi Biologics and OPT Machine Vision in favour of more attractive opportunities elsewhere.

Outlook

We continue to see long-term opportunities in the five themes of aspiration, wealth, digital, health and green. During the month, we tightened the Fund's quality characteristics, increasing its exposure to companies with higher earnings visibility.

The economic landscape calls for additional policies, particularly in the fiscal domain, to instil confidence in the economy. Therefore, we will closely monitor the outcomes of the National People's Congress and the National Committee of Chinese People's Political Consultative Conference scheduled for March 2024. While we may not foresee large-scale stimulus measures, any manifestation of fiscal support would be a positive economic indicator. Furthermore, a reduction in US interest rates would have a net positive impact on China's capital markets, considering the potential enhancement in fund flows.

The risks outlined overleaf relating to gearing, exchange rate movements and emerging markets are particularly relevant to this investment company but should be read in conjunction with all warnings and comments given.
Important information overleaf

Key information continued

Gross assets	£175.5m
Debt	-
Cash & cash equivalents	£5.5m
Net gearing	nil
Discount	(4.0)%
Yield	0.8%

AIFMD Leverage Limits

Gross Notional	2X
Commitment	2X

Capital structure

Ordinary shares	42,652,309
Treasury shares	19,520,638

Trading details

Reuters/Epic/ Bloomberg code	ACIC
ISIN code	GG00B45L2K95
Sedol code	B45L2K9
Stockbrokers	Shore Capital Deutsche Numis



Factsheet

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Important information

Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk.
- The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- The Company invests into other funds which themselves invest in assets such as bonds, company shares, cash and currencies. The objectives and risk profiles of these underlying funds may not be fully in line with those of this Company.

Other important information:

The Company is a Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission.

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