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Perth's Azure Capital strikes deal with China Asset Management

Deputy chief executive of China Asset Management Frank Zhang, left, with Simon Price, director of Azure Capital. **Ross Swanborough**

by **Julie-anne Sprague**

Perth-based Azure Capital has struck a deal with one of China's biggest asset managers to create an investment fund tapping growth in the world's second-biggest economy using Chinese-based analysts and expertise.

Modelled on China Asset Management Company's $400 million China Opportunities Fund, the new fund could be operational by the middle of the year. It would link Australia's $1.9 trillion superannuation fund market to the Chinese market.

It is the first time a Chinese fund manager has entered Australia to offer Chinese managed products.

ChinaAMC has about $US75 billion ($96 billion) under management.

Azure director Simon Price, who is targeting $100 million for the new fund, said a major obstacle preventing Australian investors investing in China had been issues around a lack of transparency.

"I think that there are concerns about reliability of transparency and information," Mr Price said.

"But ChinaAMC has 100 analysts in Beijing and another 60-odd investment personnel. Local knowledge is very important. It's a big market so you need a large, local team to sift through the sometimes unreliable or non-transparent data and ChinaAMC will be the first fund to offer that to Australian investors."

Slowdown in China

ChinaAMC deputy chief executive Frank Zhang said China could no longer be ignored by investors, which could no longer rely on backing local resources stocks to benefit from China's economic growth.

Slowing demand for steel had collided with a surge in iron ore supply, driving down ore prices to a six-year low and wiping billions from the market capitalisation of Australia's miners.

"For investors to tap in to Chinese growth it can not simply be achieved by investing in domestic [assets] like resources companies," Mr Zhang said in an interview in Perth.

"The slowdown in the Chinese economy this time, people realise, is not cyclical. It's structural. If it's cyclical, it's going to go back to the old growth model. If it's structural, there's a transformation in the economy. I think Australian investors can capitalise on this."

Mr Zhang said the Chinese gross domestic product would trade about the forecast 7 per cent mark but said it could slow to 6 per cent.

"I think most likely we will be in the next several years in the high-six number," Mr Zhang said.

"That's my personal opinion."

But he said Australian investors can capitalise as China's economy's shifts from construction driven growth to consumption fuelled growth.

"You are going to see the Chinese economy transformed more towards consumption-driven, high-tech and innovation-driven," Mr Zhang said.

"A lot of these areas have been under invested, such as healthcare. Green technology will be a huge field for investment in the future because of the environmental issues everybody is aware of."

Western management

Mr Zhang said Chinese companies were moving up the value chain, gaining from improved manufacturing and technology.

"The Chinese are already a leader in [the internet sector] but a lot of outside investors are not aware of that.

He pointed to Xiaomi, a phone maker in business for just five years that was now the third-largest smartphone maker in the world.

"There have been several world-class leaders in this sector that have emerged. Alibaba, (search engine) Baidu, Tencent," Mr Zhang said.

He said Chinese companies wanted to learn and import Western management techniques to grow Chinese businesses.

He said combining Western technology and management talent with Chinese executive returning from offshore would "produce amazing results".

For example, he said an MBA student he teaches has become the biggest soft-drink can maker in the world. The student's technology and manufacturing plant is about five years old. He makes the tins for Red Bull sold in China.

"It is the most advanced in the world because he is the latest," Mr Zhang said.

"All the Western manufacturing companies have been there for 20 years."

Established in 1998 as one of the first three fund-management companies in China, ChinaAMC is 62 per cent owned by CITIC Securities, a subsidiary of state-owned CITIC Group.

Financial services groups are excited by the potential to tap China's wealth management industry.

AMP Capital was a founding shareholder in a funds management company with China Life Asset Management in 2013, which is aimed at Chinese retail and institutional investors.