

# China Investment Dashboard



Willis Towers Watson 

# Introduction



**We believe many investors should consider increasing their allocation to onshore Chinese assets.**

---

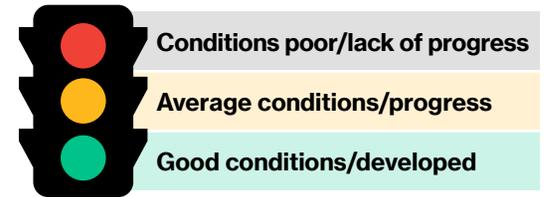
**This dashboard aims to help investors monitor the attractiveness of doing so, by collating indicators on:**

- Economic and financial conditions in China;
- The attractiveness of Chinese assets; and
- Indicators of progress on China's reform agenda, ESG and geopolitical factors.

The dashboard is navigable, with more detail underlying the headline indicators shown on the dashboard itself. The scorecard will be updated quarterly.

## Key to traffic lights

Indicator is consistent with a



# Interactive Dashboard

Click on a box for more detail

## 1. Economic Conditions

 **6.5%**

The year on year growth of China's economy ending Q4 2020. The economy has rebounded strongly following the sharp decline in Q1 2020 due to Covid-19.

[Learn more →](#)

## 2. Fiscal policy stance

 **-7.9%** ↓

Government fiscal balance as a share of GDP. Fiscal policy became more accommodative over 2020 due to the Covid-related downturn.

[Learn more →](#)

## 3. Monetary policy stance

 **3.85%** ↓

A key monetary policy interest rate in China and direction over the past 12 months. Monetary policy was eased in 2020 through a combination of price and quantity tools.

[Learn more →](#)

## 4. Financial Conditions

 **13%**

The year-on-year growth in Total Social Financing (a broad measure of credit creation) ending Q4 2020. TSF growth is around the average rate seen over the past few years.

[Learn more →](#)

## 5. Corporate debt

 **164%**

Chinese corporate debt as a share of GDP. The level of debt in China is high and has increased over 2020 as a share of GDP.

[Learn more →](#)

## 6. Asset valuations

 **19.7**

The forward P/E ratio for China A shares. This is above the historical average for China equities, indicating a high valuation.

[Learn more →](#)

## 7. Asset correlation

 **0.24**

The correlation of China A Shares to developed equity markets. This is a low correlation, and highlights the diversification benefits of investing in Chinese assets.

[Learn more →](#)

## 8. Reform progress

 **Positive**

Reforms continue in China, increasing the importance of market mechanisms and allowing greater access to financial markets for foreign investors.

[Learn more →](#)

## 9. Environment, social and governance

 **4.1** ↑

MSCI ESG rating for China equities is somewhat weaker than the emerging market average. However, ESG ratings are improving.

[Learn more →](#)

## 10. Geopolitical and trade situation

 **-13%**

The change in quantitative measures of geopolitical risk, policy uncertainty and trade uncertainty over the past year. These risks have subsided but remain elevated.

[Learn more →](#)

## Disclaimer

This document was prepared for general information purposes only and does not take into consideration individual circumstances. The information contained herein should not be considered a substitute for specific professional advice. In particular, its contents are not intended by Towers Watson Investment Services, Inc., and its parent, affiliates, and their respective directors, officers, and employees ("Willis Towers Watson") to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. The information included in this presentation is not based on the particular investment situation or requirements of any specific trust, plan, fiduciary, plan participant or beneficiary, endowment, or any other fund; any examples or illustrations used in this presentation are hypothetical. As such, this document should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice. Willis Towers Watson does not intend for anything in this document to constitute "investment advice" within the meaning of 29 C.F.R. § 2510.3-21 to any employee benefit plan subject to the Employee Retirement Income Security Act and/or section 4975 of the Internal Revenue Code.

This document is based on information available to Willis Towers Watson at the date of issue, and takes no account of subsequent developments. In addition, past performance is not indicative of future results. In producing this document Willis Towers Watson has relied upon the accuracy and completeness of certain data and information obtained from third parties. This document may not be reproduced or distributed to any other party, whether in whole or in part, without Willis Towers Watson's prior written permission, except as may be required by law.

Views expressed by other Willis Towers Watson consultants or affiliates may differ from the information presented herein. Actual recommendations, investments or investment decisions made by Willis Towers Watson, whether for its own account or on behalf of others, may differ from those expressed herein.

## Composition

The performance data is an equal weighted composite of total cumulative funded status change of Towers Watson Investment Service's (TWIS) U.S. full plan delegated investment services (DIS) clients for the period presented and limitations below. The composite includes six clients at the outset and fifty-three at the end, with a total of sixty-three over the period. The composite indexes all U.S. DIS clients where TWIS manage the entirety of their assets including U.S. DIS clients where there are constraints on TWIS investment decision making such as the level of liability hedging. It excludes client portfolios where TWIS mandate covers a smaller portion of the portfolio e.g., a single asset-class or return seeking assets only.

## About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).



[willistowerswatson.com/social-media](http://willistowerswatson.com/social-media)

Copyright © 2021 Willis Towers Watson. All rights reserved.  
WTW550470/02/2021

[willistowerswatson.com](http://willistowerswatson.com)

## Purpose

The composite cumulative funded status change can be used to give an indication of how investment using a more diversified and risk managed approach, as taken in our U.S. DIS client portfolios, compares to the estimated funded status progress of the average U.S. corporate pension plan based on information published for a number of companies via SEC Form 10-K and aggregated by Willis Towers Watson.

## Limitations

Our clients have differing objectives, investment beliefs, valuation methodology and constraints which they place upon us. All of these will feed into the exact portfolio we construct, and therefore the performance that is achieved. However, we believe that such client limitation have not restricted our investment strategy. Additional governance and operational benefits of investing through our DIS service are not captured in this composite. We have not adjusted for differences in cash flows, such as contributions or settlements between our U.S. DIS clients and the average pension plan.

## Average pension plan

Based on average asset, PBO benefit payments, contributions, expense, discount rate, and asset allocation information for all U.S. DB pension plans sponsored by U.S. Fortune 1000 companies that provide sufficient data in their SEC Form 10-K (c.300 plans). We have estimated the change in assets for the average plan using average benefit payments and contributions as well as widely used indices in the respective asset classes. We have estimated the change in liabilities for the average plan using average benefit payments, service cost, and interest cost as well as changes in bond yields. Actual benefits payments, contributions, service cost, and interest cost are used for estimates prior to the most recent calibration date; expected figures are used for estimates after the most recent calibration date. We have assumed the modified duration of the average US DB pension plan to be 16 years for the entire sample period.

From December 31, 2011 to December 31, 2019, our estimates for returns and discount rate changes exhibited significant correlation with the actual averages calculated when new annual reports are published. On an annual basis (when 10-K information is published and aggregated), we adjust prior periods for the residual error and recalculate model inputs. The last recalibration was as of December 31, 2019.

## Time period

The starting point of December 31, 2011 was driven by the sample size of TWIS-U.S. full plan DIS clients. A year prior, TWIS had two U.S. full plan DIS clients, which we considered to be an unreliable sample size that could easily be skewed by non-investment factors.

Willis Towers Watson

