



Meet Jackie Liu

Portfolio Manager,
China Growth Opportunities Equity Strategy

February 2022



Jackie earned an M.B.A. from the University of Pennsylvania, The Wharton School, and a dual B.A. in international economics and English from Nankai University.

14 years
Investment Experience

7 years
With T. Rowe Price

 **Hong Kong**
Office Location

2020

Appointed portfolio manager for the T. Rowe Price China Growth Opportunities Equity Strategy. Jackie retained her responsibilities as a research analyst. As a highly experienced analyst, Jackie is a great mentor for new hires in our expanding China investment team.

2014

Joined the investment department of T. Rowe Price in Hong Kong as a research analyst covering the Asian internet sector for both public and private market investments.

Jackie is a regional portfolio manager in the Equity Division of T. Rowe Price International Investment. She has over 14 years of investment experience, seven of which have been with T. Rowe Price. Jackie's investment journey began in 2003, working in the equity research division of leading mainland brokerage China International Capital Corporation in Beijing. From 2009 to 2014, Jackie worked as an equity analyst with Fidelity International in Hong Kong, where she covered the internet, consumer staples, health care, and transportation industries.

Economic growth in China has outpaced global growth for many years, and the long-term investment case for China is compelling. After an in-depth study revealed strong potential demand, in 2020 T. Rowe Price decided to launch a China Growth Opportunities Equity Strategy to be managed by Jackie Liu. We anticipate that this new strategy will position us as a leading growth investor in China, following the firm's long tradition of success in growth investing globally. The China Growth Opportunities Equity Strategy will complement our China Evolution Equity Strategy that was launched in December 2019 under Portfolio Manager Wenli Zheng.

The following is a recent interview with Jackie.

Jackie, can you start by telling us a bit about your background, including what made you first decide you wanted to pursue a career in asset management? We are keen to know what took you to asset management after you qualified as an auditor.

I was born and grew up in Tianjin, a city in northern China with a population of 13.8 million, the eleventh largest in China. After college, my first job was training as an auditor at PwC in Beijing. I think this was actually very good training for a career in asset management, as it gave me a good working knowledge of accountancy, how to analyze a firm's balance sheet and profit and loss account, and so on. But at the same time, I didn't find the work terribly exciting, as every quarter, you have to go to visit the company and repeat the same questions. I soon knew it wasn't the right career choice for me.

I soon moved to equity research at brokerage China International Capital Corporation (CICC) in Beijing, which was a joint venture between Morgan Stanley and China Construction Bank. At CICC I immediately found that my new job was very interesting, researching different industries and companies. I really enjoyed the work and knew that I had found the right career path. Many of my mentors among the senior analysts at CICC had studied for an M.B.A. in America and encouraged me to follow that route. I took their advice and studied at The Wharton School, part of the University of Pennsylvania.

While my degree at Wharton was primarily finance, there were classes in many different areas, such as consumer behavior, geopolitics, etc., that I found very interesting, helping to broaden my knowledge. After Wharton, my first job in asset management was with Fidelity International in Hong Kong in 2008, just after the collapse of Lehman Brothers. At Fidelity there was a rotation program so that analysts would be looking at different sectors every two to three years. This was very good experience for me. I found myself analyzing shipping and transportation at a time when world trade was literally collapsing in the Great Recession. That taught me how powerful the business cycle can be, something we saw again in 2020 with the coronavirus pandemic.

How did you determine your area of specialization within asset management? Also, what makes your experience well suited to deliver on the core objectives of the China Growth Opportunities Equity Strategy?

My final sector coverage at Fidelity was the internet. In 2014 I heard T. Rowe Price had an opening for an internet analyst with their Asia technology team. I thought this was the right opportunity for me as I knew T. Rowe Price had an outstanding global technology team and it was a sector that I found particularly interesting. It is a sector that I have been studying for the past 10 years. What makes the internet so appealing is that it has

links with the entire economy. When you research the internet, you need to first understand the technology infrastructure, or the hardware side of the industry. And when you look at fintech, you need to understand how it relates to the traditional banks and insurance companies. For online food delivery companies, you really need to understand the dynamics of the restaurant and catering industry. And for e-commerce companies, you are looking closely at logistics, supply chain, and retail in general.

Internet coverage has also taught me that a strong management team is vital. I believe that my long time spent analyzing the internet sector has actually given me a very good exposure to the general equity market, which I really enjoy because it's so very dynamic. Generally, I feel that my years as an analyst covering different sectors, such as transportation, infrastructure, consumer, health care, and internet, has prepared me to take on a more generalist portfolio manager role with the China Growth Opportunities Equity Strategy.

“The focus of this strategy is to identify durable growers and disruptors in the Chinese market...”

Can you please discuss your approach to investing in China and how you expect to generate value on behalf of clients? How do you tap in to T. Rowe Price's global research platform and other resources to deliver results?

In terms of investment style, I always see myself as a growth investor. Growing up in China, I witnessed first-hand tremendous changes in people's lifestyle, wealth, and living standards. That experience impressed upon me the importance of growth. Economic growth in China has outpaced global growth for many years. The long-term growth case for China remains compelling and even if the future trend is lower than in the past, the quality of China's growth is set to improve.

The focus of this strategy is to identify durable growers and disruptors in the Chinese market, companies with a large and growing addressable market, high-quality management, durable competitive advantage, and a good financial model that can potentially generate strong cash flows. Around 20% to 30% of the portfolio is focused on potential disruptors that have the chance to take a large market share. At the same time, such companies may also be higher risk, with some still in the investment phase early in their life cycle, with current profitability much lower than their expected sustainable profitability.

Because we're long-term investors at T. Rowe Price, we have the patience to invest in these companies early on.

From my experience covering the internet sector, I learned that in many new areas, the early winners often succeeded in taking most of the market. So it is important to determine the potential growth leaders for each of the vertices in the internet space. Because the internet is likely to continue disrupting so many traditional business and consumer areas, the quality of the management team is crucial in determining which companies will likely emerge on the right side of change. I think there are a lot of good investment opportunities in China if you can identify the right disruptive technology, business model, and management team.

Covering the high-profile Chinese internet sector, I recognized the importance of close communications with T. Rowe Price's global technology team. But it's not just the global technology team that I interact closely with—it's much broader than that. There are frequent meetings covering many different sectors on a global basis because key investment themes today such as new energy, electric vehicles, climate change, and automation are increasingly global in nature.

It is very important for all of us to understand the global supply chain and the impact of new disruptive technologies.

Can you describe how the portfolio is positioned as well as your investment outlook for China in 2022?

With the benefit of hindsight, last year was clearly a difficult one for Chinese equities. Often, Chinese regulators use countercyclical measures to make important policy adjustments that aim to foster longer-term, more durable growth. Going into 2021, the strong economic rebound following the pandemic gave Chinese regulators a window in which to address some longer-term structural concerns. So that's why we saw a raft of regulations covering the internet sector, fintech, health care, property, and education. Changes were needed to address issues such as anti-competitive practices, the treatment of workers in the gig economy, standards in online gaming and video streaming, etc.

As a result of all these policy changes, we probably had a lower economic activity base in 2021 than we otherwise would have. So going into 2022 I would expect the government to show more flexibility and strive to maintain a healthy economic growth rate. Because of the unpredictable nature of the coronavirus, domestically it may continue to impact some economic activities, such as retail sales and consumer services, for a bit longer. Nevertheless, I think that after a challenging 2021, the stock market setup for China in 2022 is actually quite favorable. There will be a natural tendency for the government to focus more on stability ahead of the politically important party congress in October. So we can expect fewer major policy initiatives in 2022, as we are probably in the final stages of this regulatory cycle.

For China analysts, the key focus in 2022 will be the implementation phase—what will be the likely impact on the growth and earnings of Chinese companies from last year's policy changes?

In 2022, our key focus as ever will be bottom up, looking for companies with an improving outlook and strong earnings prospects that create value. There may be some tactical opportunities in stocks whose valuation has come down due to the new regulations but whose underlying business is actually not as negatively impacted as the market perceives. In the consumer space, a key theme is that domestic premium brands are continuing to gain market share as the younger generation is more open to local brands designed for the China market. On the new energy side, the entire global supply and demand system for electricity is expected to change dramatically over time. Specifically in China, we're looking at some equipment companies for the national power grid that have the right products to meet the challenge of a smarter, more flexible power distribution and storage system.

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One last question. How do you spend your time when you are away from your computer and spreadsheets? Can you please share with us some of your personal interests and how they might (or might not) intersect with your professional work?

Well, spending time with my family, with my children is very important for me to strike the right balance between work and leisure. For myself, I normally like to spend some time exercising. Of course, the weekends are usually hectic, as my eight-year-old daughter and six-year-old son have lots of activities, such as ballet and mini rugby. In Hong Kong we've been under such a strict coronavirus quarantine code that for the past two years I have basically stayed put and traveled much less. I saw this as a good opportunity for myself and my family to spend the time to discover and really get to know Hong Kong better. While I have lived in Hong Kong for 13 years, only in the past two years have I learned to really enjoy Hong Kong through more hiking and biking trips and also the water sports in the summertime. In just 30 minutes, you can get to a beautiful place in Hong Kong and do all these activities, it's right on our doorstep, so in this respect we are really quite lucky.

General Portfolio Risks

Equities

Capital risk—the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Equity risk—in general, equities involve higher risks than bonds or money market instruments.

Geographic concentration risk—to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk—a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk—investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk—the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk—operational failures could lead to disruptions of portfolio operations or financial losses.

ESG and Sustainability risk—may result in a material negative impact on the value of an investment and performance of the portfolio.

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