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## Press Release

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### **INSTITUTIONAL INVESTORS SAY CONCERNS ABOUT CHINESE ECONOMY ARE OVEREXAGGERATED**

- Chinese economy closely linked to emerging markets, with 79.3% of institutional investors saying a Chinese financial setback would impact emerging markets
- Only 18.9% of institutional investors believe it is likely China will have a serious financial accident caused by non-performing loans
- Just 21% of institutional investors aren't confident about emerging market growth prospects for the year ahead

General investor confidence in emerging markets has taken a hit recently, largely fuelled by concerns of bad debt in the Chinese economy. However, new research from Hermes Fund Managers reveals the majority of institutional investors are confident about economic prospects for both China specifically and emerging markets generally.

From January 2009 to 2012, banks in China – the largest country within this investment sector - issued loans worth £2.39 trillion (around 50% of its GDP in 2011). Therefore, this confidence is particularly significant, as nearly four fifths (79.3%) of institutional investors believe the fallout of any financial setback in China would affect emerging markets.

However, most institutional investors see the Chinese economy as resilient, with only 18.9% of investors seeing a financial accident caused by non-performing debt as likely for the year ahead.

Furthermore, the majority of institutional investors' views towards emerging markets are favourable. Only 21% of institutional investors aren't confident about emerging markets' prospects for the year ahead.

**Gary Greenberg, Head of Hermes Emerging Markets and Lead Portfolio Manager, said:** "Despite reports of dramatic outflows from emerging markets, confidence from institutional investors is growing.

"Contrary to the current bearish consensus towards emerging markets, our research found that a sizeable constituency (46%) of institutional investors expect the risk appetite of their peers to increase over the next 12 months. This growing appetite for risk means we could see a surge of inflows into emerging markets over the next 12 months.

"We look to identify undervalued assets and take advantage of them before general investor confidence is fully restored."

**-Ends-**

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## Notes to Editors:

### Source: Hermes Emerging Markets Survey April 2014

#### Hermes Fund Managers

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

We believe in **Excellence, Responsibility** and **Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.
- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure provides wholesale, institutional and pension fund clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Hermes' investment solutions include:

- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield
- **Alternatives:** Commodities, Hedge Fund Solutions, Infrastructure, Private Equity
- **Equities:** Global, Emerging Markets, Small & Mid Cap, Europe, Asia Ex Japan
- **Real Estate:** Segregated, Unitised, Debt, UK, US Residential, European

Hermes manages assets on behalf of more than 200 clients\* across these investment areas with £26.3 billion\* assets under management. In Hermes Equity Ownership Services, we have one of the largest engagement resources in the industry, advising on more than £98 billion\* of assets.

\*Please note the total AuM figure includes £3.4bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.4bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 31 December 2013.