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### POSITION OF STRENGTH

The third quarter of 2025 was relatively uneventful for China on the geopolitical front. Trade tensions were largely sidelined by global markets until China responded to the US Commerce Department's expanded sanctions on Chinese firms announced on 29 September 2025. The encouraging point is timing: the latest measures, whether China's additional rare-earth restrictions or the proposed 100% tariffs announced by President Trump, are not due to take effect before the APEC Forum begins on 31 October 2025, leaving scope for meaningful de-escalation from the current "threatened" state.

The standout market of the quarter was onshore A-shares, which gathered momentum alongside major gains this year in offshore Chinese equities. The CSI 300 Total Return (TR) Index rose 19.64% in US dollars. Offshore Chinese equities advanced as well, with Hong Kong's Hang Seng China Enterprises (HSCE) TR Index up 11.96% in US dollars. Both onshore and offshore China significantly outpaced the S&P 500 TR Index, which gained 8.12%.

Prescient China strategies extended their strong run. The Prescient China Equity Fund, focused on onshore A-shares, outperformed the CSI 300 TR Index by 2.28% after fees, delivering 21.92% in US dollars for the quarter. Year-to-date, the strategy is up 28.55% in US dollars net of fees, beating its benchmark by 5.13%. The Prescient China Balanced Fund, our multi-asset, all-in-one flexible solution, returned 15.60% in US dollars for the quarter and is up 24.42% year-to-date, outperforming its China CPI+3% benchmark by 23.58% in 2025.

While uncertainty persists in China-US relations, the latest escalation suggests US corporate earnings may face greater downside risk than Chinese peers, many of which have already adjusted since the sanctions introduced during President Trump's first term. Chinese equities, in our view, continue to offer superior value and a more attractive medium-term outlook versus global peers, though near-term volatility should still be expected.

## DISTILLING THE SIGNALS

### SMOKE & MIRRORS

On 29 September 2025, the US Commerce Department expanded its Entity List, effectively a sanctions register, by adding further Chinese firms. The notable change was a new “50% rule”, under which any company majority-owned by a listed entity is now automatically blacklisted. According to our internal research, more than 2,000 Chinese entities/individuals are currently subject to US sanctions via the Entity List; against that backdrop, the latest additions announced just before China’s National Day holidays looked stringent but not unusual. What did surprise markets was China’s firm response immediately after the holidays ended on 8 October. Measures included additional export controls on rare earths and related technologies, the introduction of retaliatory “special port fees” for US vessels docking in China, and sanctions on US units of the Korean shipbuilder Hanwha Ocean. For context, Hanwha has been cited as a prospective partner in efforts to revitalise US shipbuilding, which today accounts for roughly 0.1% of global output versus China’s share above 50%.

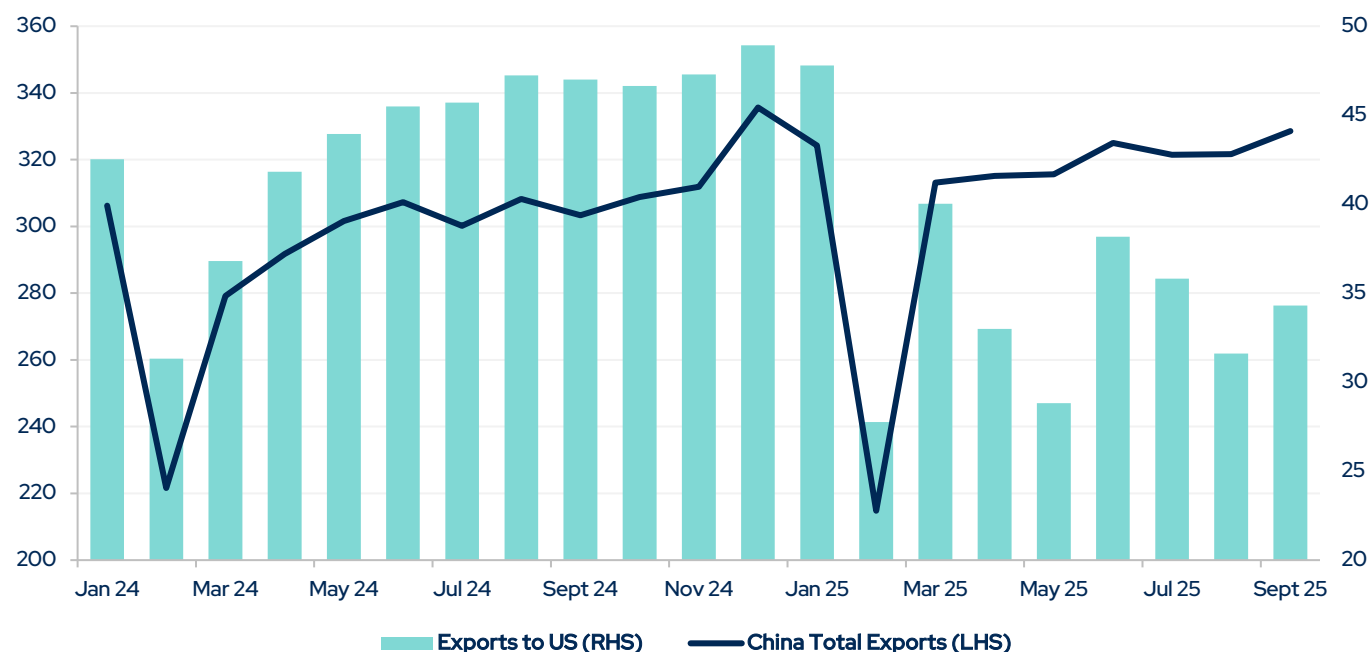
The US response followed a familiar script: President Trump threatened an additional 100% tariff on all Chinese imports and signalled potential export controls on “any and all critical software”. He subsequently acknowledged that tariffs at such levels would be unsustainable amid sharp US market volatility, consistent with the recent step-down from “reciprocal tariffs” previously floated at 145%. The silver lining is timing: with the exception of the new port fees for Chinese and US vessels, none of the measures outlined above has yet taken effect. The additional 100% US tariffs are scheduled for 1 November, while China’s most consequential rare-earths rule: extending export controls to products made outside China that use Chinese rare-earth technologies, takes effect on 1 December.

With the APEC Forum scheduled for 31 October–1 November, we remain cautiously optimistic that the current “threatened” state could soften. Both sides have incentives to project strength while leaving room for negotiation. A meeting between Presidents Xi and Trump at APEC could yield progress—if not a substantive agreement, then at least steps more constructive than a photo opportunity.

## DATA THAT MATTERS

For investors focused on the underlying trade data, the Trump administration's latest tariff threats largely amount to noise – certainly not measures that would hurt China more than the US. While Chinese exports to the US have declined over the past five years, with recent uncertainty accelerating the trend, overall exports have been a bright spot for China's GDP this year, with growth continuing to exceed expectations. The reason is straightforward: China's trade with the rest of the world (ex-US) remains robust and continues to expand. See Figure 1 below:

Figure 1: China Total Exports vs Exports to US - USD billions

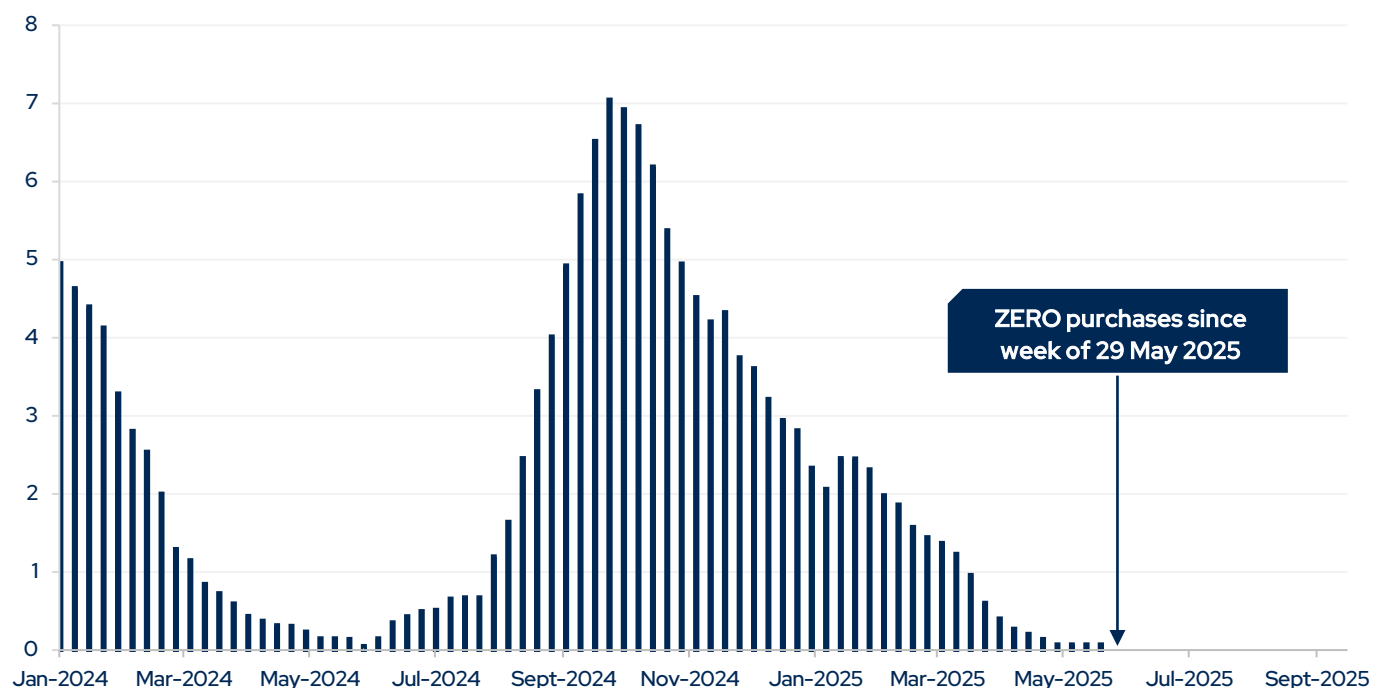


Sources: Prescient, Bloomberg (as at 30 September 2025)

China's exports to the US fell sharply during the "reciprocal tariff" months of April and May. Although there has been some recovery since, monthly shipments remain roughly 25% below their 2024 average. We suspect a meaningful portion of the shortfall reflects goods being trans-shipped to the US via third countries. Regardless, China's total exports continue to set new highs, underscoring the underlying strength behind its firm negotiating stance.

Soya beans, frequently cited by President Trump on Truth Social, are politically salient given the Republican-leaning farming base. Since the new US marketing year began in September, China has not booked a single new cargo at the time of writing, the first such occurrence in 25 years. Indeed, China has placed zero new orders for US soya beans since the final week of May this year, though it continues to take delivery of previously contracted volumes. We noted China's "rare-earths card" last quarter; soya beans may be less consequential for the global economy, but they could inflict at least as much political pressure on the Trump administration. With the US harvest calendar advancing, time is tight, and we would not be surprised to see Washington put a tangible offer on the table. Figure 2 illustrates how US soya bean sales to China have collapsed since May 2025.

Figure 2: US Soya Beans - Outstanding Sales to China - Million tonnes

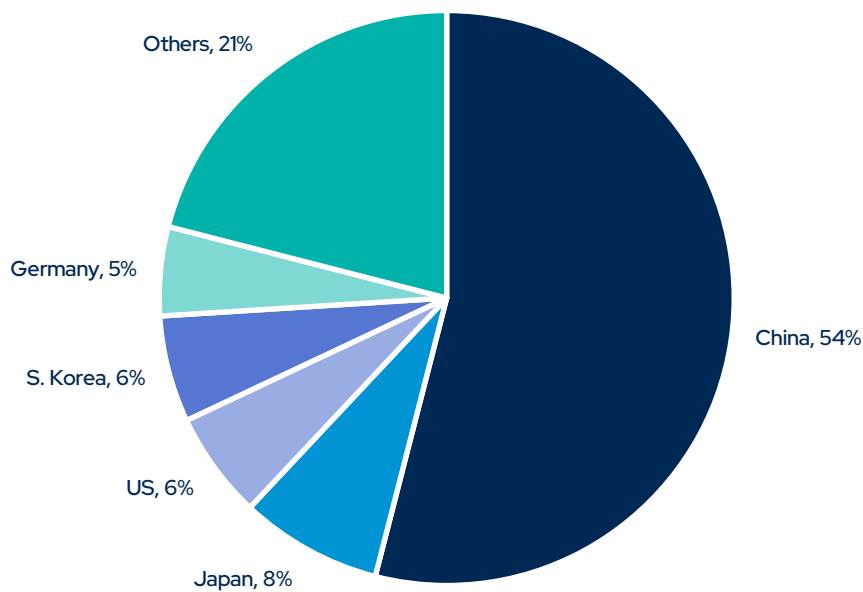


Sources: Prescient, USDA, Bloomberg (as at 18 September 2025)

Will China continue buying US soya beans? The answer begins with where China buys today. Brazil is the clear winner: China imported almost 73 million tonnes in 2024 and more than 61 million tonnes through August 2025. Comparable figures for the US are 22 million tonnes in 2024 and just under 17 million tonnes so far in 2025. With state grain traders such as COFCO investing in new infrastructure, most notably the STS11 grain terminal in São Paulo, China has demonstrated that its shift away from US supply is not mere signalling. Even if Presidents Xi and Trump reach an agreement, a sustained reversion to higher US purchase volumes could be difficult.

The final data point this quarter underscores China's economic breadth and manufacturing depth. In a world of heightened geopolitical risk, diversification is a material advantage, and it helps explain why China receives bespoke treatment in ongoing US trade negotiations. Our recent visits to Geely, Xiaomi and NIO plants revealed extensive automation; the broader statistics are even more striking. China's industrial-robot installations in 2024 exceeded the combined total of the rest of the world. As Figure 3 details, this scale of automation is a major reason China is likely to remain the world's largest and among the most advanced manufacturing nations for the foreseeable future.

Figure 3: Global Robots Installed



Sources: Prescient, International Federation of Robotics (as at 31 December 2024)

ECONOMIC ADVANTAGE = RETURNS?

MARKET PERFORMANCE

With the “reciprocal-tariff” rhetoric of the second quarter fading, Chinese equities rebounded sharply across both onshore and offshore markets, reflecting renewed confidence in the recovery. The offshore-focused MSCI China Total Return (TR) Index has continued to outperform, delivering an impressive year-to-date gain of 41.62% in USD. Onshore, the CSI 300 TR Index gathered momentum through the third quarter, posting strong advances. Both onshore and offshore Chinese markets have outperformed the S&P 500 TR Index so far in 2025.

Figure 4:

Market	Index	Q3 Return	2025 YTD
China Offshore	MSCI China TR Index	22.70%	41.62%
China Onshore	CSI300 TR Index	19.64%	23.42%
U.S.	S&P 500 TR Index	8.12%	14.83%

Sources: Prescient, Bloomberg (as at 30 September 2025), Returns in USD.

Despite this year’s strong performance, Chinese equities still have some way to go to reclaim their 2021 highs. As we enter the final quarter of 2025, many of the companies that global investors favoured in 2021 are, on average, stronger, having endured a difficult post-Covid period. What remains are leaner, more competitive businesses. With both earnings and valuation multiples continuing to recover, we remain constructive on the outlook for Chinese equities.

## ANY STANDOUTS?

Everyone knows the “Magnificent Seven” for propelling US equities to new highs in recent years. Since 2024, China has developed its own analogue within technology, driving gains across both onshore and offshore markets. When investors think “China tech”, Tencent, Alibaba and Xiaomi often come to mind, and indeed, each has delivered exceptional performance over the past year. Yet China’s semiconductor leaders have done even better. Semiconductor Manufacturing International Corporation (SMIC), the country’s leading contract chip foundry, has been at the forefront of the rally for the past two years. Since the start of 2024, its Hong Kong-listed shares have risen by more than 300%, making it the second-largest constituent of the Hang Seng Tech Index, behind only Alibaba.

Figure 5: SMIC H-share Stock Price (HKD)

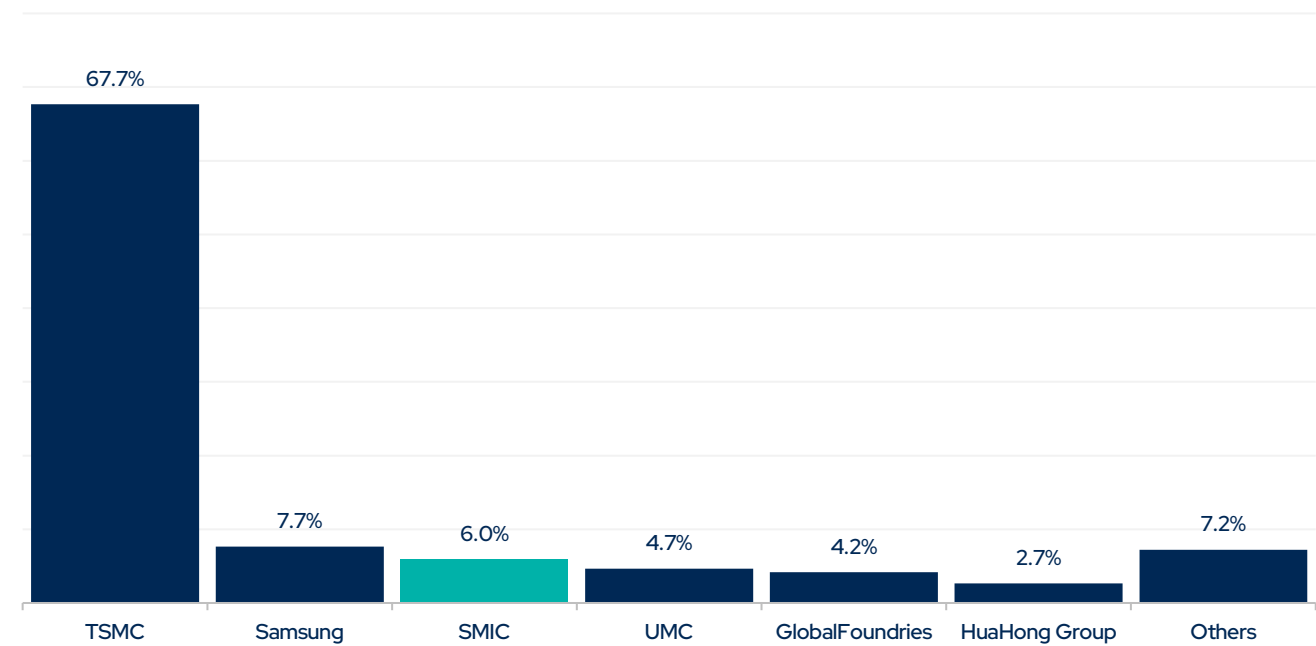


Sources: *Prescient, Bloomberg* (as at 30 September 2025)

As at early October 2025, SMIC’s forward-looking price/earnings (P/E) ratio of roughly 108x screens rich versus global leader TSMC on about 28x. Even so, industry expectations for SMIC remain robust amid the current geopolitical backdrop. Following the Dutch government’s recent, and widely debated, “nationalisation” of Chinese-owned chipmaker Nexperia—seen by many as a departure from long-standing free-market investment norms—we expect Chinese end-users, where feasible, to prioritise “sanction-resilient” suppliers such as SMIC and Huawei.

Beyond the potential customer shift towards Chinese semiconductor firms, SMIC’s manufacturing yields also leave ample room for improvement. While mature nodes appear solid, advanced nodes at 7nm and below are reportedly yielding only 20–40%. Given SMIC’s execution track record, we regard higher yields as a matter of time; progress towards levels nearer 90% would meaningfully lift earnings power. Markets appear to be discounting such improvements, with near-term earnings upgrades a plausible outcome if yields normalise.

Figure 6: Chip Foundry Market Share - Q1 2025 Revenue



Sources: Prescient, Trendforce (as at 31 March 2025)

On global market share, SMIC is closing the gap on Samsung for second place and is likely to keep taking share from both Samsung and TSMC in mature-node segments. Hua Hong—the other leading Chinese foundry—may follow a similar trajectory, though its fundamentals are notably more stretched than SMIC’s. Within the Prescient China strategies, we currently hold a neutral exposure to SMIC. With sentiment and momentum both favourable for the stock and the broader sector, we are monitoring developments closely to ensure our China equity building blocks maximise expected alpha versus the benchmark.

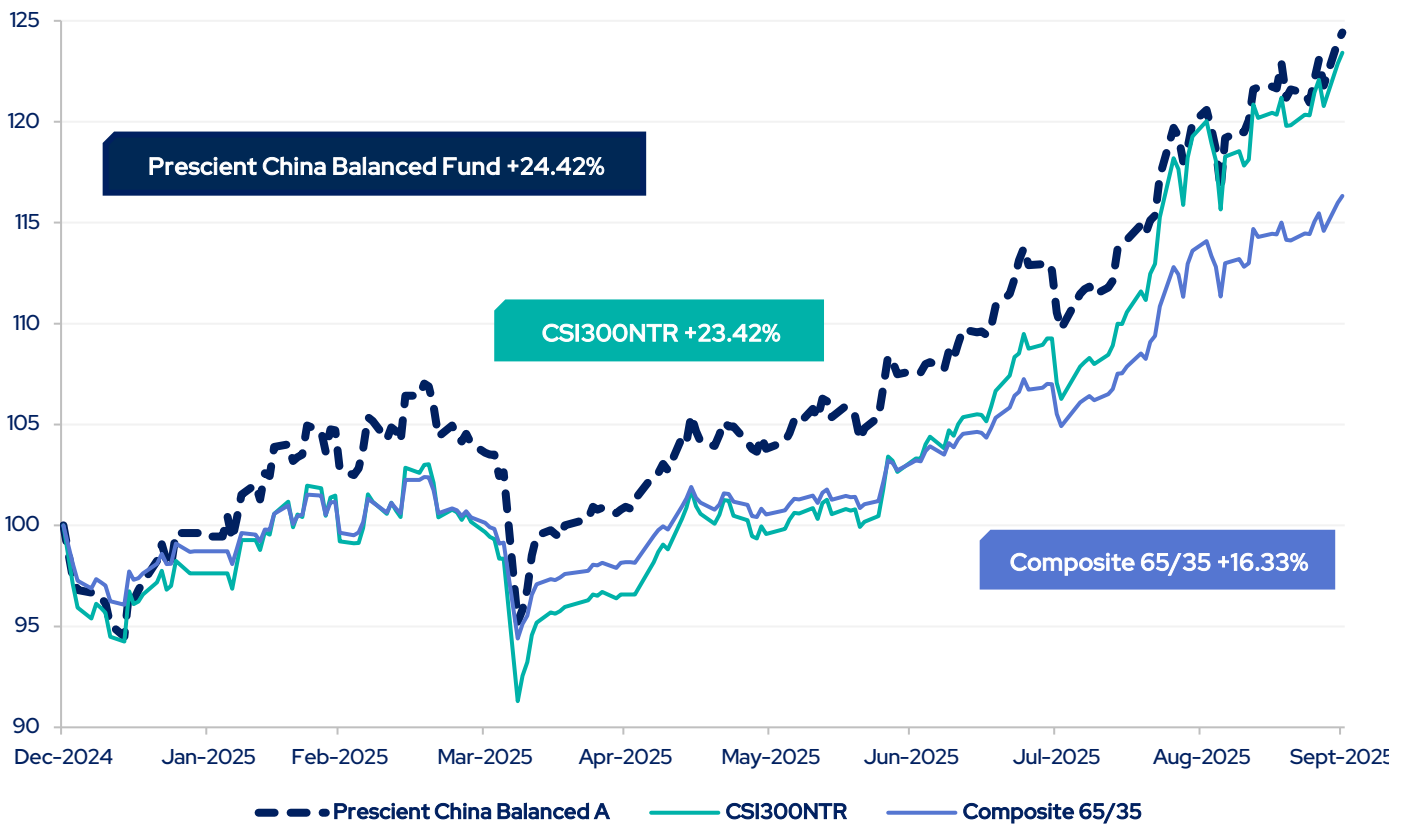
## PRESCIENT POSITIONING & PERFORMANCE

### PRESCIENT CHINA BALANCED FUND

Our flagship, all-in-one flexible China solution, the Prescient China Balanced Fund, extended its strong run in 2025. The fund delivered a net return of 15.60% in USD for the quarter, outperforming its China CPI+3% benchmark by 13.80%. Year-to-date, the fund is up 24.42% after fees in USD, even surpassing pure equity benchmarks such as the CSI 300 Total Return Index by roughly one percentage point (see Figures 7 and 8).

We maintain a dynamic approach to asset allocation and portfolio protection, aiming to capture upside while tightly managing drawdowns and overall volatility. This disciplined framework is especially important given our view that geopolitical uncertainty will remain a significant driver of market volatility in China and globally for the foreseeable future.

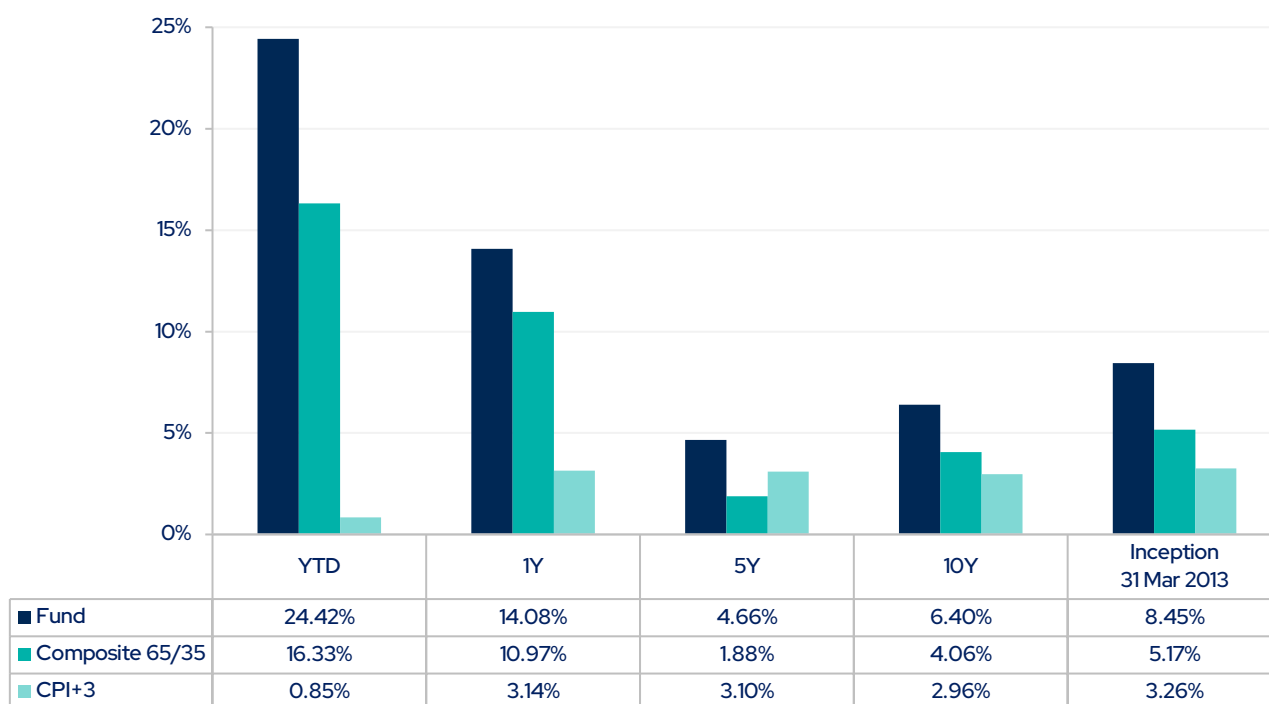
Figure 7: Prescient China Balanced Fund 2025 YTD – USD net (Illustrative Performance)



Sources: Prescient, Bloomberg (as at 30 September 2025)



Figure 8: Prescient China Balanced Fund – USD A Class Net



Sources: Prescient, Bloomberg (as at 30 September 2025). Composite: 65% CSI300 and 35% CSIIBond  
Returns longer than one year have been annualised.

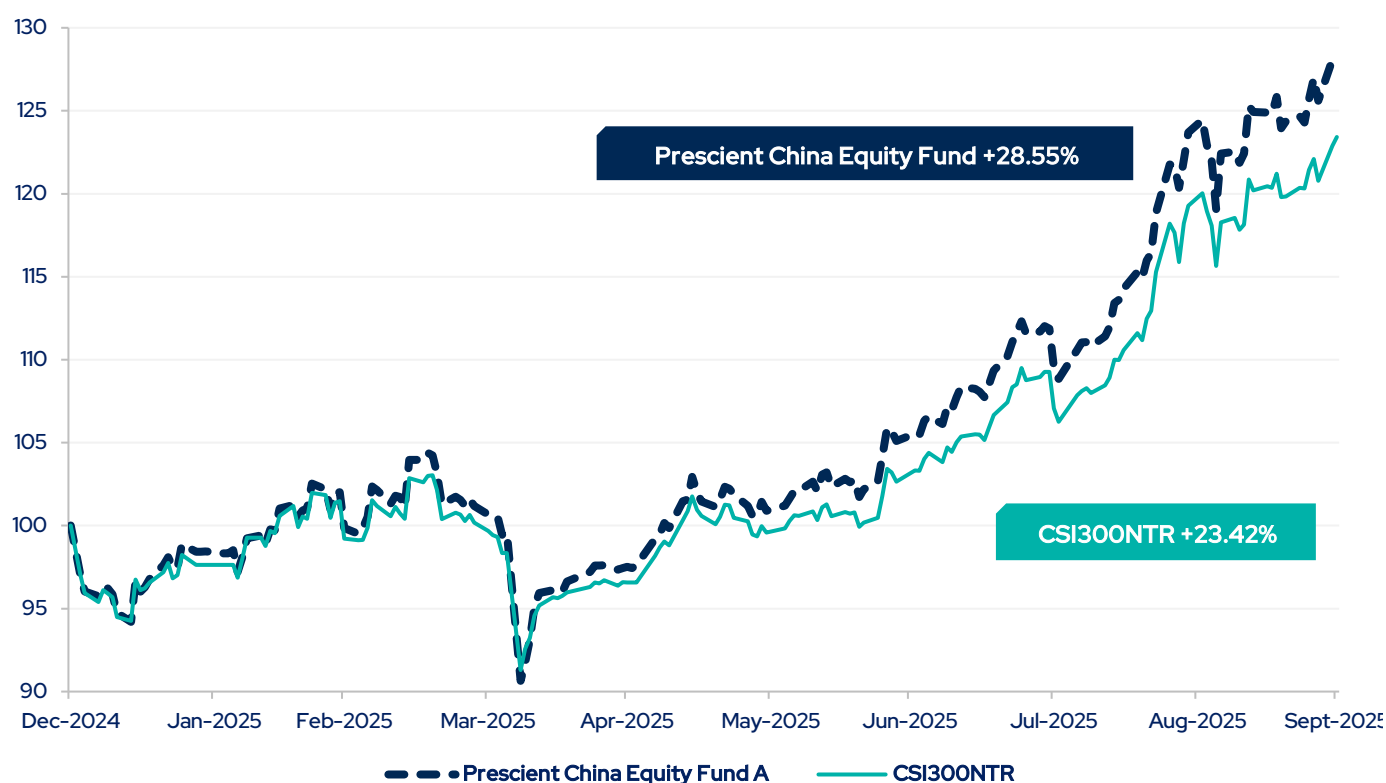
	Fund	Benchmark
Highest rolling 1 year	116.81	17.08
Lowest rolling 1 year	-26.97	-7.82

That said, our current positioning remains aligned with a constructive view on Chinese equities. We are maintaining net equity exposure above 95%, supported by an options overlay designed to capture up to 100% of market upside in the event of a rally. On the downside, we continue to deploy protection strategies to mitigate risk. Even if we expect trade tensions to ease post-APEC, we consider it critical to sustain a balanced stance, positioned to participate meaningfully in upside scenarios while safeguarding against potential drawdowns triggered by unexpected policy headlines or Truth Social posts.

## OTHER STRATEGIES

The Prescient China Equity Fund, our onshore A-share focused pure China equity strategy, outperformed the CSI 300 Total Return Index by 2.28% after fees for the quarter, delivering a 21.92% USD return. Year-to-date, the strategy has returned 28.55% in USD net of fees, outperforming its benchmark by 5.13%. Alpha generation in 2025 continues to be driven by a somewhat unconventional combination of Value, Growth, and Momentum factors, all contributing meaningfully to outperformance.

Figure 9: Prescient China Equity Fund 2025 YTD – USD net (Illustrative Performance)



Sources: Prescient, Bloomberg (as at 30 September 2025)

Our hedge fund, the Prescient China Growth Enhanced Absolute Return Fund (Prescient China GEAR Fund), delivered a net return of 14.65% for the quarter and 17.46% year-to-date. The fund remains within its maximum drawdown target for the 2025 calendar year; moreover, we have recouped a significant portion of this year's protection costs. As at mid-October, the fund maintains a 115% notional long equity exposure, with a deliberate overweight to A-shares for the remainder of the year, reflecting our expectation that onshore returns will catch up with offshore Chinese equities.

Figure 10: Detailed Performance (%)

Fund Name	1Y	Since inception (31 October 2018)	Highest rolling 1Y	Lowest rolling 1Y
Prescient China Equity Fund - A Class	18.13	9.07	59.95	-33.50
Benchmark: CSI300 Total Return Index	16.52	7.66	58.23	-36.09

Fund Name	1Y	Since inception (31 May 2022)	Highest rolling 1Y	Lowest rolling 1Y
Prescient China GEAR Fund - A Class	12.33	2.22	28.43	-17.68
Benchmark: CSI 1 Bond Index (USD)	0.18	0.08	6.57	-5.66

Sources: Prescient, Bloomberg (as at 30 September 2025) Returns longer than one year have been annualised.

## UNDERSTANDING CHINESE CULTURE

Recent escalations in trade tensions between China and the US, joined at points by allies such as the UK and the Netherlands, raise a familiar question: do Western governments truly understand Chinese culture and its approach to foreign policy? Popular portrayals in the West often emphasise politeness, respect and discipline, alongside less flattering labels such as “authoritarian”, but seldom “aggressive” or “violent”. Yet in its latest response to US-led measures, Chinese policymakers appear to have adopted an unusually forceful stance, echoing the more confrontational US playbook.

Understanding why Beijing has responded so firmly is, in our view, critical. Two considerations stand out:

- > Policy competence. As we have long observed, China’s policymaking apparatus is highly capable; responses are typically calculated and pre-planned. How confident is Beijing, given the “cards in hand”, that it can prevail in the current dispute?
- > US strategy. Is the current US administration committed to a durable, if sometimes painful, strategy to “make America great again”? Or is it more focused on profiting from market volatility? With China’s cultural emphasis on discipline in mind, the harder question becomes: which side truly holds the “Position of Strength” in today’s negotiations?

Markets in 2025 have made a tentative call, albeit with considerable volatility. Looking ahead, we see limited incremental downside for Chinese equities directly attributable to further trade escalation. Exports to the US are trending towards roughly 2% of China’s annual GDP, while US firms such as Nvidia, Qualcomm and potentially Microsoft may face greater earnings risks from Chinese countermeasures. By contrast, many Chinese companies, SMIC among them, have been under US sanctions for years and have largely reduced their exposure to US technologies.

Determining an ultimate “winner” in the current geopolitical standoff is neither feasible nor, for investors, necessary. We continue to advocate diversification across both the US and China. The US remains the world’s largest market; China, at close to USD 20 trillion, is the clear second. In our view, China merits more than a token 2–4% allocation within global portfolios and is poised to be a meaningful contributor to future outperformance.

Against this backdrop, it is worth watching what concessions or accommodations, if any, the Trump administration may extend to China in the final quarter of 2025. We wish our clients and readers a fruitful quarter ahead.

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A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Annualised performance shows longer-term performance rescaled to a one-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request. Highest and lowest returns for any one year over the period since inception have been shown. NAV is the net asset value represents the assets of a Fund less its liabilities.

The investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown and the income is reinvested on the reinvestment date.

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The Prescient China Balanced Fund, the Prescient China Equity Fund, and the Prescient China Growth Enhanced Absolute Return Fund are registered and approved under section 65 of CISA

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