



How do Chinese companies succeed internationally

Published

July 10, 2023

The subject is viewed with a mix of fear and fascination: Chinese companies are expanding on all continents. Setting these sentiments to one side, the causes of this success are not always clear. **Two seemingly contradictory qualities explain these successes: the capacity of Chinese firms to go beyond a purely traditional mindset, and their skill at applying their specific strengths across the globe.** With this paradoxical approach, born of openness to the world and confidence in their own qualities, these companies are deploying their skills worldwide.

A capacity to go beyond a purely traditional mindset

Culture of opportunity and replaceability



Since their economy was opened up forty years ago, many entrepreneurs have succeeded in creating giant companies in their category – all sectors combined - thanks to their immense energy and the huge size of the Chinese market. **Their biggest strength? Incomparable daring in seizing opportunities.** In their book *Dragon Tactics*, Sandrine Zerbib and Aldo Spaanjaars call this aptitude “Wolf Culture”. Hunting in packs, convincing people very quickly, not adverse to internal competition – **more than the individual, it is the best model that must win.** Chinese corporate culture is based on collective success and employees very often feel part of the same family.

The limit to this collective culture of opportunity is efficacy. Efficiency has sometimes been sacrificed to winning new clients. **But the companies that are succeeding today internationally have been able to add the culture of replicating models to that of opportunity.** This is a real source of efficiency.

Management openness

The second area of change is management. Often of family or clan origin, **global Chinese companies have been able to go beyond their purely traditional influence by appointing managers who have worked and studied outside China** (particularly in the US) or local managers with the ability to understand and enrich their model. For example, Ariel Wizman, a journalist and entrepreneur, has become one of **Miniso’s** partners in France. Jonathan Siboni, another partner, has worked for several years with China in the luxury goods sector. **Combining practical and fun clothing, Miniso sells more than 15 categories of everyday and household products:** the brand and its products are made in China, with an abundant, joyful presentation of Asian inspiration drawing on the manga universe or K-pop. **Its success is indisputable: 16 stores have been opened in two years.**

In practice

Chinese franchise **Miniso** has created more than 5,500 retail outlets in more than 100 countries at a time when, alas, several retail banners have had to shutter their doors in urban centres¹.

Teambuilding

The third criterion of success is the ability to work in teams. Once deeply focused on their own networks (Guanxi), successful Chinese companies have learned how to form strategic and complementary partnerships for their products and are open to outside shareholders, something at odds with a once highly protectionist and clannish culture.

In practice

The **JD.com** e-Commerce site has joined forces with Tencent to capitalise on its financial investment and media firepower, notably thanks to Wechat, a social network used by more than one billion Chinese people¹.

An ability to apply their strengths without complexes





If we had to choose three qualities that differentiate these companies that began by growing in China, we would pick **their industrial and artisanal know-how, their capacity for innovation and their great adaptability coupled with their long-term vision.**

Industrial and artisanal know-how

If the centre of gravity of industrial production remains in China despite the ramp-up of other emerging Asian economies (India and South-East Asia), **this is explained by four decades of intense industrial production** that has resulted in the development, province by province, of an ecosystem of companies and suppliers functioning as a network with the aid of very strong logistics and a local bureaucracy often supportive of these developments. This is a major strength.

Capacity for innovation

The second aspect lies in their way of innovating. Before reaching Everest, Chinese and emerging companies do not hesitate to test other, more accessible summits. This can be seen, for example, with companies that mass produce batteries for electric vehicles: **they began by making small batteries for smartphones before raising their skill levels and efficiency to specialise in electric vehicle batteries.** Companies rarely innovate without making errors.



In practice

This also applies to another leader in the batteries sector, Korean group **LG Chem**, which in the past experienced difficulties in producing its batteries with General Motors but has today become a recognised world leader, signing new strategic partnerships, notably with Stellantis. These innovations, pursued step by step, are similar to the progress of so-called generative artificial intelligence, such as Chat GPT-4, the result of numerous trials and errors¹.

Long-term adaptability

The third strength is extreme adaptability. This takes us back to the concept of the long term linked to the speed of the leopard. **Acting quickly and attempting to be the first into a new market may be more profitable than conceiving a perfect strategy.** This does not imply a lack of long-term vision. Doing business without having a strategy (this can come later) is not necessarily a mistake. **What matters is controlling the long term and the short term.** This approach is deeply woven into Chinese culture: in Confucius, as well as in Korea, fluidity in and between things matters far more than any definition of a concept set in stone. As Lao Tseu taught, “Become as fluid as water that always finds its path by adapting to the ground”.

In practice

Businessman Jack Ma puts this philosophy into practice. Divided today into six entities, his **Alibaba** group has been able to adapt. Like any giant group, the Chinese E-Commerce leader is not immune from geopolitical strains, but its founder, who was thought to have been defeated, has returned with a new vision. His logistical entity is even considering an IPO in Hong Kong at the start of 2024. This would be another step towards the group's international expansion¹.



Aware of the opportunities offered by the Chinese economy, we at Carmignac prefer to capitalise on this trend by investing in innovative companies that have successfully grown internationally. Emerging Asia is the region where we identify the largest number of innovative companies in the technology, consumer and internet sectors, all at the cutting edge of the digital revolution.

Within our emerging market allocations, and in particular in our strategy dedicated to China, **Carmignac Portfolio China New Economy**, we have invested in companies such as Miniso¹, the specialist in everyday consumer products, present in more than 100 countries thanks to its 5,500 stores across the world (3,300 in China and 2,200 outside China), with 50% of net profit generated abroad.

What's more, our flagship emerging equities fund, **Carmignac Emergents**, is exposed to promising Asian stocks thanks to their technological edge, large-scale production and capacity and strong appeal for semiconductor manufacturers¹. For example, the Fund is invested in the specialist manufacturer of batteries for electric vehicles, and Taiwan Semiconductor's biggest foundry¹.

¹The brands and logos used do not imply any affiliation with these entities, nor their approval.
The portfolios of Carmignac funds may be modified at any time without notice.

Want to find out more?

Visit the Funds' webpages:

Carmignac Portfolio China New Economy

Carmignac Emergents

Carmignac Emergents A EUR Acc

ISIN: FR0010149302

Lower risk Higher risk

Recommended
minimum
investment horizon



Main risks of the Fund

EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

CURRENCY: Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments.

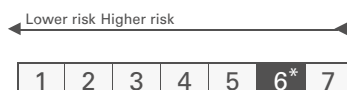
DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

The Fund presents a risk of loss of capital.

Carmignac Portfolio China New Economy F EUR Acc

ISIN: LU2295992676

Recommended
minimum
investment horizon



Main risks of the Fund

EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

CURRENCY: Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments.

LIQUIDITY: Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

The Fund presents a risk of loss of capital.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com/en, or upon request to the Management Company. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com/en, or upon request to the Management Company.

In the United Kingdom: the Funds' respective prospectuses, KIDs and annual reports are available at www.carmignac.com/en-gb, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report are available at www.carmignac.com/en-ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

In Spain : The Funds are registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) under the following numbers: Carmignac Sécurité 395, Carmignac Portfolio 392, Carmignac Patrimoine 386, Carmignac Absolute Return Europe 398, Carmignac Investissement 385, Carmignac Emergents 387, Carmignac Credit 2027 2098, Carmignac Credit 2029 2203, Carmignac Credit 2031 2297, Carmignac Court Terme 1111.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).

For Carmignac Portfolio Long-Short European Equities: Carmignac Gestion Luxembourg SA in its capacity as the Management Company for Carmignac Portfolio, has delegated the investment management of this Sub-Fund to White Creek Capital LLP (Registered in England and Wales with number OCC447169) from 2nd May 2024. White Creek Capital LLP is authorised and regulated by the Financial Conduct Authority with FRN : 998349.

Carmignac Private Evergreen refers to the Private Evergreen sub-fund of the SICAV Carmignac S.A. SICAV – PART II UCI, registered with the Luxembourg RCS under number B285278.

