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**FIS Group Market Insights Alert Probes
“What is Really Happening in China?”**

China transitions to “middle-income”; opportunities in Renminbi internationalization and specific sectors, such as Consumers, Health Care, and TMT

PHILADELPHIA, PA, October 29, 2015 – FIS Group, a manager of U.S. and global developed, emerging and frontier market equity portfolio strategies, today issued its newest Market Insights Alert on the rapidly evolving economic and investment picture in China. Following the summer’s volatility and the ongoing Chinese economic deterioration and sliding profit data which has unnerved global investors, FIS Group looks at the risks and opportunities across asset classes: equities, currency, and fixed income.

The Market Insight Alert entitled “What is really happening in China? – A late-year revisit and local insights from our China trip,” is a follow up to our July research paper entitled “Transition to a Chinese Style ‘New Normal’: Less Is More,” which examines China’s economic transition from an export-dominated model to consumption-driven.

“The biggest challenge for China is whether the consumption acceleration can weather the deceleration of the manufacturing slowdown, and eventually steer the overall economy into a sustainable growth mode,” said Tina Byles Williams, CEO and CIO of FIS Group.



The paper considers the opportunities and risks in China, associated with three key themes:

- Enormous sector and growth disparity between the Northern provinces that rely heavily on mining and manufacturing and the coastal provinces that are driven by service sectors. These are best characterized as “two Chinas.” Understanding their disparate growth and policy needs is critical for gaining perspective on generalized growth data;
- Expectations for growth and the progress of structural reforms and opportunities in light of the Chinese government’s core constraint on needing to retain legitimacy with a disparate population while achieving its ambition to be recognized as a global economic and geopolitical player;
- Investment implications and opportunities engendered by China’s shifting away from being an exporter to consumer economy, Renminbi internationalization, and financial liberalization. On the domestic front, opportunities in Chinese equities are in the Consumer, Health Care, and TMT (technology, media, and telecommunications) sectors

“While we do not see a significant risk of a systemic financial crisis, there is a high likelihood of localized fiscal and financial problems in the more distressed parts of the country. But overall, increasing leverage is no longer a viable option for growth. More fiscal and monetary stimulus from the central government will be necessary for these provinces to cope with higher unemployment and associated social problems,” added Ms. Byles Williams.

In addition to its Market Insights Alerts, which examine global economic themes and are published throughout the year, Ms. Byles Williams publishes FIS Group’s Market Outlook series on a quarterly basis, based on research that examines market conditions over a three-to-six-month period. The Market Outlook Q4 2015 was published on October 19, 2015.

About FIS Group

FIS Group is an investment management firm that provides customized manager of managers investment solutions for institutional investors. For 19 years, we have delivered risk-adjusted returns by conquering the complexity of identifying high skill, high active share entrepreneurial managers that have gone largely undiscovered by the institutional investor community. Unique among our peers, FIS Group enhances risk-adjusted returns by using macro strategy insights to allocate capital among the managers and/or through a global macro tactical completion strategy. Our culture is a fusion of relentless curiosity and a scientific, disciplined process.

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