

China takes the technology edge, says RCM

- Environmental technology and E-commerce sectors are driving growth
- Valuations are at an attractive, sustainable level

Walter Price, manager of the RCM Technology Trust plc comments on the Chinese technology industry and the opportunities to be found there:

“What’s clear is that China has gone from being a low-cost producer of goods and services to moving up the value chain. In particular, with technology-intensive products China has the combination of good technology, low cost of manufacturing, good sources of raw materials and access to financing, which together make it a very effective player. As a fund manager, I’m looking for companies that have the ability to be world leaders in these emerging, new areas, and I think many of them are Chinese technology companies. China is a very exciting proposition as it is entering a new phase of growth in these manufacturing and technology-intensive industries, and they’re doing a very good job of developing them.

“If you think about ‘new’ clean tech industries, such as solar, then China is leading the charge. They’re using financing through Chinese banks to fund some of these projects, plus they have a very large internal market. With the eyes of the world on Copenhagen this week, we believe many of these industries that seek to provide solutions to the world’s climate change challenges are just at the beginning of their high growth phase. For example, solar panels currently provide less than 1 per cent of total incremental power in the world, and eventually it will be somewhere between 5 and 15 per cent. We think China will be the major manufacturer of those products.

“Similarly, if we look at electric cars then China is likely to be a leading exporter. Batteries need to be low cost to be effective, and China has the experience of building batteries for cell phones and conventional cars, and has developed the technology. We believe they could become one of the leading exporters of low-cost batteries for electric cars.

“E-commerce is just getting started in China, but is likely to be huge. Some E-commerce companies in China are growing at over a 100 per cent a year. You have to remember how tightly information is controlled in China and with not even a ‘Yellow Pages’, there is currently no easy way to search, whether you are looking for information or bargains. This is why E-commerce is having such an impact and growing so fast in China.

“Some investors may still have concerns having lived through the last tech bubble, although the big difference now is in valuation. In the 2000 tech bubble some stocks were selling at 200 to 400 times earnings, whereas looking at valuations now, many tech companies are on less than 25 times earnings. They also have a lot more cash, and even the Chinese companies are now starting to build up cash, which provides a good buffer.

“Using RCM’s Grassroots® Research network we’ve been doing on the ground studies in China for over five years. In fact, one of the first companies that the RCM technology team invested in was a telecommunications company, which made mobile phones with a different standard that was Chinese-centric. Grassroots® Researchers talked to a number of users and discovered that while this product was cheaper, consumers viewed it as inferior to the competitor, China Mobile product. We therefore decided that although the company stock was rising it was a transitory success and sold our stock. Grassroots® is particularly important in China because there is a lot of ‘overstatement’ and our on-the-ground research gives our insight a crucial, extra dimension.”

- Ends -

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Photographs

High-resolution photographs of our investment professionals are available to download here:

http://www.rcm.com/london/press_professionals.php

Awards

- RCM named winner of Active North American Equity at Pensions & Investment Provider awards 2009. RCM US Large Cap Select Growth is managed by Scott Migliori, Co-CIO for US Equities, RCM.
- RCM named No.1 leading fund management firm for SRI Research by Thomson Reuters Extel 2009.
- Global CIO of RCM, Andreas Utermann, named CIO of the Year by Funds Europe magazine 2008.
- Winner of European Investment Trust of the Year by Investment Week magazine, 2008, for the RCM-managed Charter European Trust.
- Allianz RCM Global EcoTrends Fund named winner Best Climate Change Investment fund 2008, by Holden & Partners/ Incisive Media.

About RCM (all data source: RCM as at 30/09/09)

RCM is a global asset manager operating from six international offices - San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney – with assets under management of over \$130 billion worldwide. The firm provides a range of investment management solutions to institutions and individual clients. At RCM we believe that by generating and exploiting an information advantage, we will be able to deliver superior and consistent investment results for the benefit of our clients - a philosophy we call RCM informed. RCM is a company of Allianz Global Investors, a pre-eminent global asset management group committed to helping clients achieve sustainable success. As a company of Allianz Global Investors, RCM offers a distinctive investment philosophy and culture, while benefiting from the scale and substantial

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resources of our parent; including business support, industry best-practices and financial investment. This enhances our ability to attract and retain talent, and provide superior insight and investment performance.

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