
STOCK STORIES: ALIBABA & NIO

JAMES ANDERSON

James Anderson, joint manager of Scottish Mortgage, shares his thoughts on Chinese car company NIO and the founder-driven, Chinese giant retailing platform, Alibaba.

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James Anderson: I'd now like to talk about two Chinese companies. I think it's important to do this, because we really do believe that the underlying developments in the Chinese economy allow for the opportunity for their companies to be world leaders, and we think they are absolutely intrinsic to the process of economic

development. The two I would like to address would firstly be NIO - one which you may not have heard of, but which we have an unquoted investment in, which is effectively a Chinese equivalent of Tesla. A much better-known and currently much more highly capitalised company about which we're also excited.

Now, NIO was started by an individual who had previously built the huge Mobike business that you may know of, but has been deeply involved in the build out of both the internet and transportation within China. William Li believes that working with the grain of society, as he is in China, provides a set of opportunities that is truly impressive. China is after all by far the world's largest car market at this point. He thinks that, effectively, you could make people want to drive again, and the cars they are producing certainly suggest so.

Now, the point of differentiation compared with Tesla is really that they do not need to invent most of their technologies themselves. They do not need to manufacture the batteries, they don't even need most of the car manufacturing capabilities themselves, because there are such extraordinary resources that are freed up for them.

The other point worth stressing is not just is this an individual who has been deeply successful himself, but he is backed by companies that have also gone through this period of expansion and success. And which know the capital needs, know the pace at which you need to develop, know the patience needed. So, both Tencent and Baidu, who are substantial shareholders in this company.

We expect it to go public in the course of this year or so, which will be an exciting opportunity to talk about it more. But I think this is an early stage development which shows that the number of opportunities in China is expanding for us.

The second and perhaps more predictable one is Alibaba. Now, when we talk, as we do very often, about business cultures in America, we should also be acutely clear that those same characteristics are founder-driven companies working for the long run, with a willingness to explore

where technology takes you, where unexpected opportunities may arise, is characteristic of the Chinese giants as well.

And I think what Jack Ma and his colleagues have done, within the partnership that is Alibaba, has been truly remarkable on this score.

They too, like Amazon, are building a web services business, which seems to be on the way to dominating in its own market. They seem to be ahead in terms of building out, through its affiliates and financial, a business that may well be the first Chinese business to really affect global markets, in terms of credit cards and saving products, and the like. At the same time, I think the culture of the business is deeply appealing, in that it wants to help other companies develop their businesses. It's productive for the whole society at large.

And I think to have the opportunity to invest in a company that is still growing, between 40 and 60% on a consistent basis, but is already dominant in its businesses and capitalised at around \$500billion, shows the uniqueness of the opportunities that are available in China today.

