2027 Investment Outlook – China Equities

November 2026



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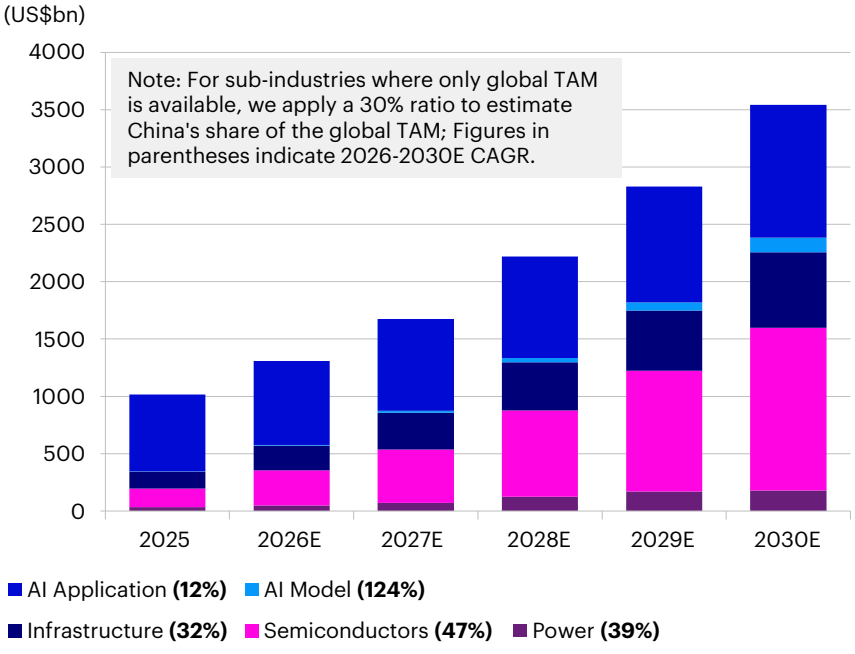
Key takeaways

- Looking to 2027, we see three themes shaping opportunities in China equities: broader artificial intelligence (AI) adoption, continued localization of strategically important technologies, and global supply chain participation.
- Valuations remain reasonable, with China equities trading below historical averages on a forward earnings basis.
- We favour a selective, bottom-up approach, while monitoring geopolitical tensions and domestic demand.

China's economy has evolved through successive phases of development, from labor-intensive manufacturing and infrastructure investment to the expansion of domestic consumption. As the economy matures, the next phase will be increasingly shaped by technology, productivity gains and industrial competitiveness. Looking to 2027, we see three themes shaping opportunities in China equities: broader AI adoption, continued localization of strategically important technologies, and the growing participation of Chinese companies in global technology and manufacturing supply chains.

AI adoption moves towards applications
AI remains an important global equity theme, and in China the focus is expanding from technological development towards practical adoption. The initial phase of the cycle was led by advances in large language models, computing power and infrastructure. As these upstream areas mature, attention is likely to broaden towards companies that can translate AI advances into measurable productivity gains and commercial applications.

Figure 1 – Total implied TAM (Total Addressable Market) for Chinese AI universe



Source: Goldman Sachs Global Investment Research

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China's deep manufacturing ecosystem provides a distinctive environment for AI deployment. Market estimates suggest China's AI-related total addressable market (TAM) could reach US$3 to 4 trillion by 2030, implying growth of around 28% per year over the next four years.[1] Applications in industrial automation, quality control and logistics optimization could improve efficiency across a broad range of industries. Advances in robotics and intelligent manufacturing may also broaden the use of AI across the physical economy.

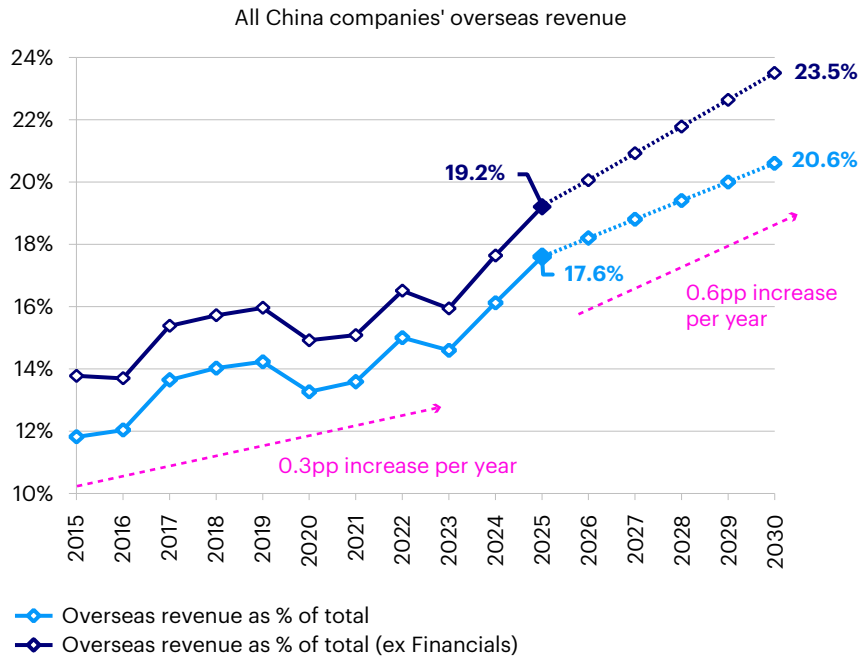
Localization strengthens China's technology capabilities
Geopolitical uncertainty, supply chain security considerations and supportive industrial policies are encouraging investment in domestic capabilities across strategically important industries. Policy support and funding are helping businesses commercialize new technologies, and we expect self-reliance to remain a priority under the 15th Five-Year Plan.

As domestic technologies develop and the gap with overseas competitors narrows, local companies are seeing broader adoption, greater customer acceptance, and rising market share. Capabilities are expanding across areas that have historically represented bottlenecks, including advanced and memory semiconductors, chip packaging, open-source models, AI inference and physical AI. China's large domestic market also provides a testing ground for adapting AI applications and robotics before wider deployment.

China's role in global supply chains evolves
China's role in global manufacturing is evolving beyond primarily exporting finished products towards deeper participation in cross-border production networks. Chinese companies are increasingly extending manufacturing capabilities overseas, including across Europe, Mexico and emerging markets, through investment in local production and supply chain capacity. This is extending Chinese technology, manufacturing processes and supply chain expertise into overseas production ecosystems.

For select Chinese companies, overseas expansion provides another avenue for growth while bringing production closer to end markets. Companies with differentiated technologies, established supply networks and experience operating at scale are increasingly participating in the development of local and regional supply chains.

Figure 2 – Foreign sales exposure of Chinese listed universe rose further to 18% despite tariff headwinds



Source: WIND, FactSet, Goldman Sachs Global Investment Research

1. Goldman Sachs, data as of October 2026

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China's contribution to global markets is increasingly extending into higher-value-added products, supported by the continued development of its manufacturing capabilities. Chinese companies are becoming more competitive across areas such as electrical and optical equipment, machinery and transport equipment, while expanding their participation in overseas markets. This broader international presence is creating additional opportunities for companies seeking to build competitive positions beyond the domestic market.

Earnings, valuations and liquidity

The broader equity market backdrop remains supportive for bottom-up investing. Despite the market recovery, valuations remain reasonable, with China equities continuing to trade below their historical averages on a forward earnings basis.[2] Earnings expectations also remain constructive, with strength in technology supporting the broader earnings outlook.

Liquidity conditions have also remained constructive, with cumulative Southbound Connect net buying reaching US$56.5 billion in 2026.[3] Against this backdrop, we favor companies with visible demand, improving competitive positions and the ability to convert structural growth into sustainable cash flows and profits.

Risks to monitor

Geopolitical tensions and trade restrictions could disrupt supply chains and contribute to market volatility. For companies expanding overseas, regulation, localization costs and changes in market access may affect the pace and profitability of growth. Domestic demand also remains an area to monitor, with consumer confidence measured and policy makers continuing to use targeted measures to support consumption.

Looking ahead to 2027, China's next phase of development is likely to be shaped by technology-led productivity. For China equities, opportunities across AI adoption, domestic localization and global supply chain participation reinforce the importance of a selective, bottom-up approach focused on sustainable earnings growth and resilient competitive advantages.

2. MSCI, data as of September 2026
3. Goldman Sachs, data as of October 2026

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Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

When investing in less developed countries, you should be prepared to accept significantly large fluctuations in value.

Investment in certain securities listed in China can involve significant regulatory constraints that may affect liquidity and/or investment performance.

Forward-looking statements are based on current expectations and assumptions, and yet actual results may differ materially from those expressed or implied.

Past performance does not predict future returns.

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