Another Chinese export

The next stage of the opening up of the Chinese stock markets has been agreed.

Many major companies incorporated in China have dual share classes:

- *A Shares*, which is the main share category, are denominated in *renminbi*, the Chinese currency. They are listed on the Chinese stock exchanges, the major ones being Shanghai and Shenzhen, which were established in December 1990. Before 2002, A shares could only be purchased by mainland China investors.

- *H Shares* are the Hong Kong listed shares of Chinese incorporated companies. These started to appear in 1993 and are denominated in Hong Kong dollars (which has long been pegged to the US dollar). The more open nature of Hong Kong's markets meant that for a long while H shares were the main way in which foreign investors obtained access to Chinese companies.

In late 2014, the Shanghai-Hong Kong Stock Connect program ("Stock Connect") was launched, allowing Hong Kong investors to trade in A shares listed in Shanghai (and vice versa with H shares). The programme was subject to quotas, typical of China's cautious approach to liberalising markets.

Last month another step was taken when the Chinese authorities gave their blessing to the establishment of a Shenzhen-Hong Kong Stock Connect programme. This is likely to go live by the end of 2016 and will give foreign investors access to another 880 Chinese shares, including companies in the technology and healthcare sectors. The quotas limiting overall investment have also been scrapped, with immediate effect.

This latest change is seen as bringing China further into global equity markets and increasing the likelihood that the country will gain a greater weighting in the leading emerging markets index from MSCI. It is also a reminder to review your investment exposure to China – Shanghai and Shenzhen together rank well ahead of the Tokyo stock market in size, if not investor awareness.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.