

Date: March 4th, 2022

Sector: Consumer Discretionary

Company: Alibaba (BABA)

Current Price: \$82

Sector Head: Eric Cassar

Senior Analyst: Justin Narlinger

Why Alibaba has fallen since purchase

Since April 1st, Alibaba has fallen about 25%. Over the same time, the Hang Seng Index fell about 10%. During this time, China has continued to exercise its zero-covid policy. Investors in China are also worried the Fed's plan to increase the interest rate to somewhere between .75 and 1% as the Peoples Bank of China does not plan on changing their current interest rate. China has continued to ease monetary policy. In April, the PBOC cut the reserve requirement ratio (RRR), which released about \$82 billion dollars of liquidity into the economy. Investors, however, are concerned that this action (or lack of thereof) will decrease the value of the Yuan.

In other news, Alibaba stock lost about \$26 billion when Chinese news reports highlighted the arrest of a man named Ma who was apprehended for using the internet to harm national security. Investors panicked, believing this could be Jack Ma, Alibaba's founder. Once it was determined that this man was not Jack Ma, Alibaba stock only fell 1.8%. This news is an example of investor fear, that is not entirely rationalized. No fundamental or internal changes have been made to Alibaba since the fund purchased it.

In fact, earlier this week, Alibaba CEO Daniel Zhang Yong advised investors to calm down saying, "Family members of Alibaba, please relax. Despite uncertainties in the international situation and the Covid-19 pandemic, we are still developing as a whole."

Catalysts

Easing Political Concerns – The Chinese Government has not enacted any changes in policy that would hinder the economic growth of Alibaba and other Tech Companies. Recently the country prevented minors from sending GIFS on livestreaming platforms, but this change in policy has no effect on Alibaba's economic growth or revenue generation.

Positioned to Gain from E-commerce Growth – Alibaba invested \$378.5 million into its southeast Asia segment of ecommerce platform Lazada. This is the largest investment since June 2020 and highlights the company's continued expansion into all of Asia. Alibaba also plans on expanding more platforms into Europe (Currently only AliExpress operates there). Alibaba wants to increase Lazadas's gross merchandise value and double the number of customers to 300 million users.

Expansion in Cloud Computing - Alibaba has infused BigData and AI into their services. The companies cloud computing segment is expected to have maintained its growth in the most recent quarter.

Allocation

Since none of our catalysts have been realized, we believe the fund should by \$5,000 worth of Alibaba (roughly 60 shares). The stock has underperformed in the past month as a result of investor fear, not fundamental changes to the company. The company remains the strongest tech company in China with the largest amount of cash on hand and is positioned to continue to grow in the future.