Market Views: How will Hong Kong's IPO rebound impact global asset allocation?

Heather Ng
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As Chinese firms increasingly choose Hong Kong over US listings, asset managers are reassessing their strategies for global asset allocation.

Hong Kong's IPO market is seeing a strong resurgence, with $9.7 billion (HKD76 billion) raised so far this year. The rebound, following a prolonged slump, is solidifying Hong Kong's position as a key global fundraising hub and highlights how some Chinese firms are seeking alternatives to US markets. It is also signalling a broader reallocation of global capital, with asset managers viewing Hong Kong-listed equities as a strategic investment.

In May, Chinese EV battery maker Contemporary Amperex Technology (CATL) raised $5.2 billion (HKD41 billion), marking the year's largest IPO globally, while fast fashion e-commerce platform Shein is preparing for a Hong Kong listing after its plans for a London IPO stalled.

China's biggest drugmaker, Jiangsu Hengrui Pharmaceuticals, surged 25% on its first day of Hong Kong trading after a $1.26 billion (HKD9.89 billion) IPO. Shares of drinks maker Mixue Group and bubble tea giant Guming Holdings have more than doubled in value since they listed in Hong Kong.

AsianInvestor turned to industry experts to examine the broader implications for global asset allocation.

Christopher Hamilton, head of client investment solutions, Asia Pacific ex-Japan
Invesco


Christopher Hamilton

The rebound in the Hong Kong IPO market is part of a broader rebalancing in global capital flows. Global investors increasingly favouring Hong Kong over US listings not only signals a potential shift in jurisdiction preference – but also a reminder that Asia remains a structurally important source of growth and innovation.

For global allocators, this is a wake-up call: in a world of diverging inflation regimes, geopolitical and trade-related recalibration, and higher macroeconomic uncertainty, relying solely on US exposure risks over-concentration, which we've seen negatively impact many investors in 2025. Hong Kong's capital market recovery – especially if paired with continued policy support and earnings stabilisation – could mark an inflection point for Chinese equity sentiment.

While near-term volatility could persist, long-term investors should revisit their Asia allocation frameworks. Exposure to onshore and offshore China, when implemented through a disciplined, diversified approach, can provide uncorrelated return streams, resilient growth and strategic optionality.

The IPO pipeline in Hong Kong also reopens access to next-generation sectors – from clean tech to AI infrastructure – that are underrepresented in many developed market indices. That deserves attention.

Nicholas Chui, portfolio manager, emerging markets equity
Franklin Templeton

Firstly, it reflects the strong interest in the China asset class. This alone has a much larger allocation implication for global asset managers in how they want to position relative to their respective benchmarks. This comes at a time when China markets have outperformed in spite of the geopolitical uncertainty. This reflects the strong domestic-oriented story of the China asset class.


Nicholas Chui

At the same time, many of these Hong Kong IPOs have become successful, leading into admission into various benchmarks. This further compels asset owners to have an allocation to avoid being unintentionally underweight.

Lastly, many of these companies are coming to market to have a dual-listing not because they are cash-strapped but because they want to expand abroad, leveraging on the innovation and cost structure of their domestic businesses. We see this as a sign of strength for these companies. We also observe that the range of companies coming to market spans a multitude of sectors.

Matt Wacher, chief investment officer, APAC
Morningstar


Matt Wacher

The recent flurry of activity in Hong Kong's IPO market comes as no surprise as companies seek to capitalise on the positive momentum seen in Hong Kong's equities market this year. If we take a step back and review the performance of Hong Kong's equity market, the Morningstar Hong Kong Index has underperformed global equities by 33% and the Morningstar China Index by 22% over the past 3 years.

In our view, we think that Hong Kong equities are attractively priced currently, trading at a price-to-book ratio of 0.95 and offering a 4% dividend yield. Based on our long-term return expectation framework, Hong Kong equities could deliver approximately 7.8% p.a. over the next decade, better than many other markets.

Although inventory risks persist in the property sector and tariff uncertainty could continue to introduce volatility, supportive Chinese government stimulus measures and a weakening USD should help to attract Mainland visitors, providing a boost to Hong Kong retail. We believe the current valuation of Hong Kong equities presents an attractive opportunity for investors seeking long-term returns. As such, we would consider being overweight on HK equities relative to US or Australian equities, for example.

Steve Alain Lawrence, CIO
Balfour Capital Group


Steve Alain Lawrence

Hong Kong's IPO market is staging a decisive comeback, signalling a renewed allocation of capital toward Asia. In the past quarter alone, more than 10 sizable IPOs have taken place, raising over US$6 billion across diverse sectors—including EV batteries (CATL, +16.7%), retail beverages (Mixue, +129%), mining (Chifeng Gold, +112%) and biotech (PegBio, -17.2%). Major underwriters such as JPMorgan, CICC, Goldman

Sachs and CLSA backed these deals, underscoring renewed global institutional confidence.

Six of the ten IPOs are currently trading above their issue price, with strong gains concentrated in the consumer and industrial sectors. This momentum reflects China's pivot away from US markets and a growing preference for Regulation S listings that reduce exposure to US political scrutiny. It also suggests that Hong Kong's liquidity, capital depth and regulatory alignment are once again attracting both issuers and investors.

For global allocators, this resurgence reaffirms Hong Kong's position as a strategic equity gateway into China. Expect continued rotation into Asian primary markets, particularly from sovereign wealth funds and family offices seeking to diversify beyond US-centric portfolios.

Frank Bi, Asia head of corporate transactions
Ashurst

Frank Bi

The recent increase in Hong Kong IPO activity, particularly within the technology, life sciences and consumer sectors, suggests a potential revival of investor interest, particularly in Greater China companies. This trend may reflect a gradual shift in global asset allocation strategies, with some investors showing a greater willingness to consider Chinese-based stocks, particularly those in innovative industries.

The unpredictability caused by fundamental changes in US trade and foreign policy has prompted certain investors to reconsider their exposure to US assets and explore opportunities in other markets, such as China. We can see this trend with some Middle Eastern investors, who appear to be diversifying their portfolios and are showing interest in China's dynamic and innovative sectors. These developments indicate that Chinese equities may be becoming a more prominent component in some global investment portfolios.

Despite these trends, investors generally remain mindful of the risks and uncertainties inherent in the current global economic environment. As a result, stakeholders are likely to continue monitoring policy shifts and market developments closely, and may adopt a measured approach before making substantial commitments to Chinese-based stocks within their broader asset allocation strategies.

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