

# China AMC raises US\$175m for fund

## China Capital Impetus Fund will seek growth stocks from 1,600 A-shares

By **LYNETTE KHOO**

CHINA Asset Management Corporation (China AMC) has raised US\$175 million for its newly launched A-shares open-ended fund from global investors. Come December, the fund will start investing in high-growth stocks in the mid-caps category.

The Singapore-licensed fund, called China Capital Impetus Fund (CCIF), will seek out growth stocks with reasonable valuations from over 1,600 A-shares.

This marks the first offshore A-shares fund from a China-based fund house.

So far, this fund has raised capital from investors in Japan, Korea, Singapore, Malaysia and Hong Kong.

In a recent interview with BT in Singapore, China AMC deputy chief investment officer and head of global investment Cheng Haiyong stressed that this is a pure A-shares fund investing in mid-caps of between six billion yuan (S\$1.2 billion) and 60 billion yuan.

It will not invest in red chips, which refer to Chinese companies incorporated outside and listed offshore, or stocks listed on the new growth enterprise board in Shenzhen.

"There are very few pure A-shares funds and few fund managers who can do it well," Mr Cheng said.

But he noted that CCIF has the advantage of fund managers with local expertise.

China AMC has a research team of over 40 analysts covering A-shares.

The A-shares market also offer more options for the fund given that many H-shares are large cap stocks while stocks on Shenzhen's ChiNext are too expensive, Mr Cheng said.

China AMC is the largest fund manager in China in terms of assets under management (AUM).

It manages 23 mutual funds with US\$33 billion assets under management (AUM) as at June.

of launching a feeder fund for retail investors.

Tembusu Partners managing director Loo Cheng Guan, however, noted that demand in Singapore has not picked up yet because of misperception about the A-shares market.

There is the concern of a stockmarket bubble and investors also tend to mistake this fund for an exchange traded fund (ETF).

Mr Cheng dismissed the perception of a bubble forming.

"There is still room for re-rating," he said. "Assuming their earnings growth

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Its qualified foreign institutional investors (QFII) quota is US\$1 billion.

Mr Cheng said that China AMC may apply for a higher QFII quota if demand goes up for the A-shares fund.

QFII funds have been in favour as investors keep a keen eye on the Chinese market in view of China's economic prowess.

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They are in the process

is 30 per cent and they are trading at 20 times price-to-earnings, the price-to-earnings growth (PEG) ratio is very attractive."

An actively traded fund is also better able to hedge against the downside in a declining market compared to an ETF, he added.

China AMC has set up a qualified domestic institutional (QDII) fund in 2007 with a fund size of US\$3 billion, focusing on Hong Kong, US and emerging markets.

So far, it has invested in two S-chips that are leading players in their niche markets.