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# FUND VIEW-China stock run-up leaves CIMB-Principal wary

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- \* Cuts exposure to China and its auto sector
- \* Favours China's utilities, banks, studying steel sector
- \* Likes Malaysia's bank, construction, infrastructure sectors

By Julie Goh

KUALA LUMPUR, Sept 14 (Reuters) - China's surging shares have led CIMB-Principal Asset Management to pare exposure to the booming market and some of its sectors such as automobiles, a senior executive of Malaysia's second-largest fund manager said.

"We are now less invested in China because the market has gone up so much, but the longer term story remains," Raymond Tang, who helps oversee assets worth \$5.9 billion as CIMB-Principal's chief investment officer, told Reuters.

China's Shanghai Composite Index [.SSEC](#) has gained 65 percent this year, nearly twice the 37.9 percent rise in Malaysia's benchmark index .

"We were invested in (China) autos earlier this year. That sector has gone very hot but they've reached their expected valuations, so we've taken our profits and moved elsewhere," Tang told Reuters in an interview.

CIMB-Principal is a 60:40 joint venture between Malaysia's second-largest lender CIMB Group (CIMB.KL: [Quote](#), [Profile](#), [Research](#)) and U.S. insurer Principal Financial Group (PFG.N: [Quote](#), [Profile](#), [Research](#)).

But some alternate sectors in China were appearing enticing, Tang said, naming steel as one such sector.

"We need to find out why China is still opening up steel mills despite the global glut of steel," he said, adding his company was looking at Chinese steel portfolio investments very carefully.

Tang also said China's mostly government-owned banks and utility companies are attractive long-term buys because the former are less likely to fail and the latter are backed by a huge population base.

Tang did not give details of his funds' country or stock exposure. According to Lipper data, the \$27 million Asian Equity fund of the company had Standard Chartered (2888.HK: [Quote](#), [Profile](#), [Research](#)), China Life Insurance (2628.HK: [Quote](#), [Profile](#), [Research](#)) and Sun Hung Kai Properties (0016.HK: [Quote](#), [Profile](#), [Research](#)) among its leading holdings as of end-May.

As a broad trend, he saw investors putting more money into China, India and Indonesia because their economies are backed by their large population numbers.

"China, India and Indonesia are now more preferred over the traditional

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markets of Taiwan, Korea, Malaysia and Singapore where they're more dependent and more susceptible to global volatility in terms of exports," Tang said.

In India, CIMB-Principal believes the stock market offers vast opportunities although the investment process is hampered by bureaucracy.

"Despite the headache, we still see a lot of opportunities in India," said Tang, who favours the mass-market consumption segment there, like wireless telecommunication providers, heavy equipment, auto and technology sectors.

In Malaysia, Tang views banks, construction and infrastructure-related stocks positively but is neutral on plantation stocks because of their expensive valuations.

Data from Thomson One show that in Malaysia, the fund manager owns banks Maybank (MBBM.KL: [Quote](#), [Profile](#), [Research](#)) and AMMB (AMMB.KL: [Quote](#), [Profile](#), [Research](#)), gaming group Genting (GENT.KL: [Quote](#), [Profile](#), [Research](#)) and toll-road operator PLUS (PLUE.KL: [Quote](#), [Profile](#), [Research](#)), among others.

As at September 4, the \$36 million CIMB-Principal Equity Aggressive 1 Fund has risen 49 percent over a six-month period, compared with a nearly 28 percent gain for its benchmark FTSE Bursa KLCI . (Editing by Muralikumar Anantharaman)

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