

CIMB-Principal's new fund gears for China recovery

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CIMB-PRINCIPAL Asset Management Bhd has launched a five-year close-ended fund tapping China's market on expectations that it will be one of the first economies to recover from the global financial crisis.

The CIMB-Principal China Recovery Structured Fund is aimed at providing investors with regular income over the fund's tenure and to provide returns higher than the current fixed deposit rate.

"We are seeing some improvements in China, especially since the launch of its US\$585 billion (RM2 trillion) stimulus plan. There are positive developments in the infrastructure, housing, innovation, health and education sectors," CIMB-Principal chief executive officer J. Campbell Tupling said at the



Tang says Chinese consumption and sales are increasing

fund's launch in Kuala Lumpur yesterday.

At least 95 per cent of the fund's net asset value will be invested in a five-year China Recovery Structured Product to be issued by CIMB Bank Bhd, while the rest will be invested in liquid assets.

The China Recovery Structure will have two components, including money market instruments and over-the-counter options. This way, the fund will receive potential annual distribution payments linked to the performance of China equities as represented by the CIMB Isovol China Index.

"We will be able to select and lock in the investments at the lowest investment entry point to enhance potential gains after a six-month observation," Tupling said.

CIMB-Principal chief investment officer Raymond Tang said that consumption spending and retail sales in China were still growing.

"To ensure that their GDP (gross domestic product) growth of 8 per cent is on track, the government has taken steps. They are giving 'shopping vouchers' to cit-



Tupling (left) and CIMB Bank's head of retail banking, Peter England, at the launch of the China Recovery Structured Fund in Kuala Lumpur.

izens to encourage greater consumer spending, while banks are lending so there is credit available," Tang said.

Banks in China had extended some 4.58 trillion yuan in loans by the end of the first quarter, achieving more than 90 per cent of the government's full-year target of five trillion yuan.

Tang said China's market would gain traction from the initiatives, allowing the stock market to feed off growth in consumer spending.

He added that the benchmark for the fund was CIMB Bank's one-year fixed deposit rate of 2.5 per cent.

"We can't forecast returns as they will be based on the

CIMB Isovol China Index. However, the range we will be looking at is between 6 and 7 per cent," he said.

The fund has an approved size of 300 million units and an initial offer price of 50 sen per unit. The offer period ends on June 3 and the minimum investment is RM10,000.