

CIMB launches China recovery fund, targets RM150m

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KUALA LUMPUR: CIMB-Principal Asset Management Sdn Bhd is targeting RM150 million from customers for its CIMB-Principal China Recovery Structured Fund on improved economic climate in the world's third largest economy, said its chief executive J Campbell Tupling.

"The stimulus plan by the Chinese government has seen a change in sentiments. Positive developments are visible in major sectors — infrastructure, housing, innovation, health and education — that would enable China to chart high growth potential," Tupling said at the launch of the fund here yesterday.

He also said China's banking system was robust, as financial institutions in the country "had not suffered too much", when compared with the other financial groups in the world.

The five-year close-ended fund has an approved fund size of 300 million units with an initial offer price of 50 sen



(From left) Tupling, CIMB Bank head of retail banking Peter England and Tang at the launch of CIMB-Principal China Recovery Structured Fund in Kuala Lumpur yesterday. Photo by Suhaimi Yusuf

per unit. Minimum investment for the fund is RM10,000. The fund, based on the CIMB-Isovol China Index, could see potential gains of 7%.

The CIMB-Isovol China Index tracks components such as China Construction Bank China Life Insurance Company, Industrial and Commercial Bank of China, Petro

China Company Limited and China Telecom Corporation Ltd.

China's economy grew 6.1% in the first quarter, after pump-priming efforts by the Chinese government revived growth in the economy and strengthened market confidence. In November last year, China implemented a US\$585 billion (RM2.1

billion) stimulus plan over two years to cope with adverse effects of the global financial crisis.

Tupling also said the fund would appeal to low risk investors as the fund offered capital protection if held to maturity.

It would also reduce investors' dilemma in terms of entry to the Chinese market as the fund would automatically select and lock in investments at lowest entry level to enhance potential gains after a six-month observation, he said.

CIMB-Principal Asset Management's chief investment officer Raymond Tang estimated China's GDP growth at 7.6% this year on stimulus spending by the Chinese government.

"Investors can expect better outlook for China this year as consensus view is the nation will be one of first economies to recover," Tupling said.

The new fund would be distributed by CIMB Bank, CIMB Private Banking, CIMB Investment Bank and CIMB Wealth Advisors.

He said the country's corporate bond had dried up to the point where no issuance had taken place except at AAA- and AA-ratings levels.

Speaking to reporters at a seminar organised by RAM Ratings here yesterday, Prof Altman, who is the Max L Heine Professor of Finance at New York University, also noted the importance of having a monitoring system in the bond market.

As rating agencies were the obvious monitors of the bond market, the professor recommended that they used a combination of their skill and models that were built to identify something promptly.

"When the model says something different from the rating, the rating agencies have to ask why. They have to be timely in their re-rating," he added.

Prof Altman — the guru of defaults and bankruptcy predictions — is predicting record high bond defaults this year.

"Applying the 1991 and 2001 scenarios, high yield default rates for this year could be as high as 15.4%. Should that happen, that's the highest it has ever been," he said.

He believed the potentially high defaults and bankruptcy was one area which had been underestimated that could lead to more serious problems. "I'm predicting record defaults in 2009 and I'm not sure if the banks are providing enough reserves and