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China's security fund sets two-year plan for returns

BEIJING, July 22 – China's social security fund will stabilize its stock investments to lay a foundation for better returns during the next two years, according to Dai Xianglong, chairman of the National Council for Social Securities Fund.

"We will stabilize the investment percentage in stocks and increase investments in fixed-income products, corporate and private equity funds," Dai told People's Daily on Sunday.

The fund is allowed to invest in domestic and overseas markets, including in bank deposits, treasury bonds, corporate bonds, trust funds, stocks and other forms of securities.

Dai said the fund's realized profit in the first half of this year did not cover the losses in stocks. He said it was a big challenge to keep the fund profitable this year, but its declined value was less than the 48-percent slump of the Shanghai Composite Index.

The market value of Shanghai stocks has shrunk about 12 trillion yuan (1.75 trillion U.S. dollars) in the first half of this year. "I believe our fund-management firms are capable of handling risks in investments, which can not only maintain the stability of the stock market, but also secure the fund's interests," Dai said. He said the fund would stick to its asset-allocation plans and long-term investment approach.

Investment returns for the country's social security fund jumped nearly six-fold last year from a year earlier to 112.92 billion yuan due to a then buoyant stock market, boosting the total value of the fund to 516.15 billion yuan.

Dai expected the value of the fund would exceed 1 trillion yuan by 2010 and the regulator is looking forward to hiring more fund-management firms to manage the investments. The fund, which was allowed to invest up to 10 percent of its assets in private equity, recently approved Hony Capital and CDH Venture Partners to manage its investment in private equity funds, each with a capital pool of 2 billion yuan.

Dai advocated a rule for private equity investment funds to improve the management system, including registration, trade and tax.

(Source: Shanghai Daily)