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Chinese fund eyes expansion in west

By Jamil Anderlini in Beijing

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China's National Social Security Fund plans a rapid expansion of its investments abroad and is looking at the US and European markets, its head said yesterday.

"There is a lot of room for us to expand our investments abroad and we do intend to do that," Dai Xianglong, chairman of the Rmb777bn ($114bn) NSSF, told reporters in Beijing.

Mr Dai said that the NSSF was also looking to India and other fast-growing economies for opportunities and was particularly interested in direct investments in unlisted companies and global private equity funds.

By the end of last year, the fund had invested about 6.7 per cent, or Rmb52bn, of its total assets abroad, but it has a mandate to invest up to 20 per cent of its capital overseas.

The NSSF is also rapidly expanding its contribution base and Mr Dai said that he expected the fund to more than double to Rmb2,000bn in the next five years, providing even more funds for offshore investment.

Explaining his bullishness, Mr Dai said that he thought the US could meet its target of doubling exports within five years and, although it may take a long time, the US economy would continue along its road to recovery from the financial crisis.

He expressed confidence that European sovereign debt problems will not worsen, but said that social welfare systems in the EU were a burden on many countries' economies and would drag down growth.

The NSSF, a reserve fund that has yet to be used to provide any social services for Chinese workers, earned Rmb85bn last year, from a rate of return of 16.1 per cent that was largely due to the rebound in the Chinese stock market.

That compared with the fund's first loss, of Rmb39.3bn in 2008, which accounted for 6.8 per cent of the fund's total assets. Mr Dai said that the fund had managed to achieve an average annual growth rate of 9.75 per cent since it was established in 2000.

With China's population total expected to peak and start ageing within the next few decades, the NSSF is a fund of last resort, partly aimed at providing pensions for workers affected by Beijing's one-child policy.

Mr Dai, a former governor of the country's central bank, said that he expected the US dollar to remain a global reserve currency and that, while the Chinese renminbi would appreciate in the long term, he expected it to remain stable in the short term.

In an echo of recent statements by Wen Jiabao, China's premier, Mr Dai reiterated that the renminbi was not undervalued.

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