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Capital Dynamics eyes China market

Opens office in Hong Kong as part of global expansion

By ZHANG JIAO

BOUTIQUE fund manager Capital Dynamics, with some US\$300 million of assets under management, has set its sights on the China market, starting with a new office in Hong Kong.

Speaking to BT, managing director Tan Teng Boo said that 'our Hong Kong operations will certainly be a platform for our eventual entry into China but it is also part of our global expansion strategy which has not changed in scope, direction and objectives since many years ago.'

The Hong Kong office, which is scheduled to begin operations by mid-2010, will target both retail and institutional investors, the fund manager said.

Capital Dynamics already has offices in Singapore, Malaysia and Australia, and it has also doubled its headcount here to 16 from earlier this year.

Last month, its i Capital USD\$ Global Fund also reported a 5.75 per cent return, and yielded 26.51 per cent since July 2007.

This was significantly higher than the negative 29.57 per cent returns posted by the MSCI World USD\$ index over the same period.

Mr Tan explained that some of the star performers in the fund were Beijing Capital Land, RexLot and CNPC (HK).

Others included Shanghai Industrial, St Galler Kantonbank and its recent addition, Mermaid Marine, which is listed on the Australian Stock Exchange.

The boutique fund manager said it recently sold all its holdings in Australia-listed Oil Search, but the stake had previously contributed substantially to the fund's performance as well.

At a geographical level, Hong Kong accounted for the bulk of the returns, but the fund manager attributed the stellar performance to its unique brand of value investing.

'What this means is that in a bear market, the fund's net asset value dropped substantially less than the benchmark indices,' said Mr Tan.

'A good example is St Galler, a provincial bank from Switzerland. While its share price has not gained as much as some China or Hong Kong stocks have, it fell far less in the bear market. In addition, it offers a 5 per cent dividend yield in Swiss francs,' he added.

Capital Dynamics said it adopts a bottom-up approach by focusing on specific stocks, but the sectors that have contributed most to the fund's performance are oil and gas, property development and the lottery business in China.

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