Limited partnership needs improvement to boost domestic markets

China's National Social Security Fund has made its initial foray into the investment market to become a major limited partner (LP) in the country, which is just in line with the government's policy of boosting the development of venture capital (VC) and private equity (PE) markets, according to last week's 2009 LP Summit of China Venture, a research and consulting firm.

Over the past few years, domestic VC and PE markets have made great progresses, and the National Social Security Fund's initial foray into the investment market is expected to help carve out more opportunities for the emergence of local VC and PE firms.

Cao Wenlian, deputy director of the department of finance and fiscal affairs with the National Development and Reform Commission (NDRC), China's top economic planner, voiced at the Summit that the fast expansion of investment markets depends on the sound emergence of limited partnerships which in previous times saw sluggish growth.

He explained this referred to the timidity shown by such players to put their money into overseas investments even if they had been courted for a while by outside firms. In addition, government watchdogs' concerns about investment risks may also have influenced decisions.

Cao said the NDRC had consulted with relevant agencies for consensus, in a bid to grant pension funds, insurers and commercial banks the access to the PE and VC markets.

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China's investments industry remained on the rise despite the second half of 2008 which saw the serious global financial crisis, Cao said.

According to a survey carried out by ChinaVenture, 60 percent of overseas LPs will increase their investments in China, while another 20 percent will maintain their current investment momentum, despite the global economic downturn.

Ching Tan, Managing Director and Chief Representative of the Greater China Region of Siguler Guff, said that the company's China-focused allocation in its investment portfolio remained unchanged.

In the second round investment to the BRIC countries (Brazil, Russia, India and China), the allocation to China has been as high as 50 percent, Tan added.

Lucian Wu, Managing Director of Paul Capital, echoed Tan's remarks and said, "Paul Capital just slowed down its investment rather than changed its investment strategies. We see more opportunities in China, and may invest much more here than in India."

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