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In Funds

Merk Asian Currency Fund is Bullish on China

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Axel Merk is bullish on the Chinese yuan.

So much so that his Palo Alto, Calif.,-based money management firm, Merk Investments, has rolled out a mutual fund that seeks to capture profits as the value of yuan--and other Asian currencies -- rises and the value of the U.S. dollar falls.

"There is a tremendous demand among investors to participate in the rise of the Chinese yuan," Merk said in an interview.

He said the Merk Asian Currency Fund, which launched April 1, is unique because it is the first fund that gives retail investors an opportunity to profit from the rise in the value of Asian currencies against the dollar's decline without taking on the risk of investing in Asian stocks.

Typically, investors seeking to profit from the growth Asian economies -- notably China's -- have had to buy risky stocks sold on local equity markets. The Chinese stock market, for instance, has soared in recent months, but many analysts view it as a bubble bound to burst.



The Asian Currency Fund gives investors a less risky alternative to those equity markets, according to Merk.

Merk said he initially plans to allocate 44% of the fund's assets toward securities and other financial instruments that give investors exposure to the yuan. Another 10% in assets is tied to the Honk Kong dollar.

Merk said for various political and economic reasons, Chinese leaders are likely to pursue policies that stimulate the value of the yuan.

Investments will also be made in securities and instruments tied to the currencies of Japan, India, Indonesia, Malaysia, the Philippines, Singapore, south Korea, Taiwan and Thailand, according to the fund's prospectus.

The fund will gain exposure to the currencies through investments in "high-quality, short-term money market instruments denominated in Asian currencies, or a combination of U.S. dollar denominated securities and forward currency contracts," the prospectus states.

Merk, who will manage the fund, also oversees the \$400 million Merk Hard Currency Fund, which gives investors exposure to currencies in Europe, Canada and Australia.

Merk declined to say how much money has been invested in his new venture, but said about two hundred investors are already on board.

A minimum investment of \$2,500 is required for an individual account, and \$1,000 for an IRA account.