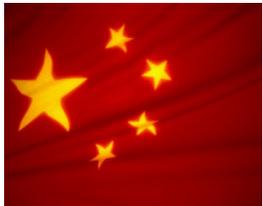


[The China fund](#) [1]

Written by [Jan Boucek](#) [2] | Monday 12 April 2010



Last week saw completion of the intense sales campaign by [Fidelity](#) [3] of its China Special Situations fund. In the event, it [raised](#) [4] only £460 million against a target of £650 million, although that still makes it the biggest launch of a UK investment trust in 16 years.

You couldn't have missed this high-profile fund raising jamboree. For many weeks, Fidelity was splashing big ads in all the personal finance sections of the various newspapers, offering small investors the opportunity to get into what has been the exciting China growth story.

Yet that very effort to lure in small investors was a red flag. When the little guy starts to invest, the big guys are quietly tip-toeing away from a story that has run its course. And, indeed, retail investors (the little guys) outnumbered institutions (the big guys) by 2-to-1 against Fidelity's expectations of a 50-50 split.

So what's not to like about China? It sure has looked like a greedy capitalist's dream - businesses are encouraged to be as profitable as possible with minimal protection for labour or minimal regard for externalities like pollution.

However, this seemingly raw-in-the-tooth model of free enterprise is not to be confused with an efficient free market. Rather, it masks the reality of a paranoid government with an unshakeable belief in the righteousness of its cause intent on absolute control - a Gordon Brown writ large. If you think Britain's Labour government has played fast with its financial accounting and loose with its regulatory duties, just wait for Chinese skeletons to come tumbling out of far more and much larger closets.

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