

China Funds Rally as Economy Expands

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NEW YORK ([TheStreet](#)) -- **The USX China Fund**([HPCHX Quote](#)) was the best-performing stock fund that didn't rely on leverage during the fourth quarter, returning 22%.

The fund invests in companies in the **Halter USX China Index**, but it can also invest up to 15% of its assets in privately offered securities of publicly traded companies. The USX China Fund, which doubled its assets in 2009, only invests in mainland China companies.

Manager Stephen Parr, who worked in Asia for **Goldman Sachs**([GS Quote](#)) for 18 years, expects China to add 25,000 miles of highways in the next six years. Parr describes this infrastructure build-out as an attempt to "duplicate the American domestic economy."

"China looks like 1957 Arkansas when I was 4, with only dirt roads," he says.

China's economy expanded 10.7% in the fourth quarter, compared with a year ago. Its government is spending \$125 billion to boost to build a hospital or health clinic in each town with more than 5,000 people, or 40,000 hospitals and clinics. The country plans to spend another \$100 billion to add more than 5,000 airports. Each airport might need 5,000 workers to build and 2,000 maintain.

All of this leads to 15% rural income growth and opportunities to invest in retailers of food, home appliances and consumer electronics.

"They've got nothing and want something", Parr says. "The Chinese have bought 800 million cell phones and 1.4 billion television sets. The Chinese are like **Wal-Mart**([WMT Quote](#)) founder Sam Walton willing to work 20 hours a day 6 days a week in Arkansas with nothing to lose."

American companies such as Wal-Mart and **Yum! Brands**([YUM Quote](#)) should do well as China grows, Parr says.

The quarter's second- and third-best performing unleveraged stock funds also target Chinese companies and companies operating in China. The **Euro Pacific Halter China Fund**([EPHCX Quote](#)), which rose 20%, focuses more broadly on China, Hong Kong and Macau stocks.

While the first two funds only account for assets of \$22.5 million and \$50.5 million, the **Dreyfus Greater China Fund**([DPCRX Quote](#)), which added 17% in the fourth quarter, has \$1.1 billion in assets. The fund doubled last year and was the only fund on the list that holds a "buy" rating.

Three precious metals funds also landed on the top 10 list: The **Dynamic Gold & Precious Metals Fund**([DWGOX Quote](#)), up 16%, the **Midas Fund**([MIDSX Quote](#)) up 16%, and the **U.S. Global Investors World Precious Minerals Fund**([UNWPX Quote](#)) up 15%.