

## American Investors' Risky Exposure to Chinese Companies in the Top 5 U.S. Mutual Funds

### PROBLEM

**Chinese companies included in the top 5 U.S. international mutual funds are attracting billions of dollars in U.S. investment, despite their being in violation of U.S. federal securities laws, posing national security risks, and committing human rights abuses.**

- Over \$62 billion is invested in the top 5 emerging market mutual funds available to U.S. investors.
- Our research indicates that within these funds there are, at a minimum, 32 Chinese companies that are presently non-compliant with U.S. federal securities laws and sanctioned by the U.S. government for national security and/or human rights abuses.
- These mutual funds are highly likely to be included in the pool of 5,000 funds that are going to be opened up to millions of our men and women in the uniform and federal government employees and retirees for investment through their Thrift Savings Plan (TSP) retirement plans.

### SOLUTION

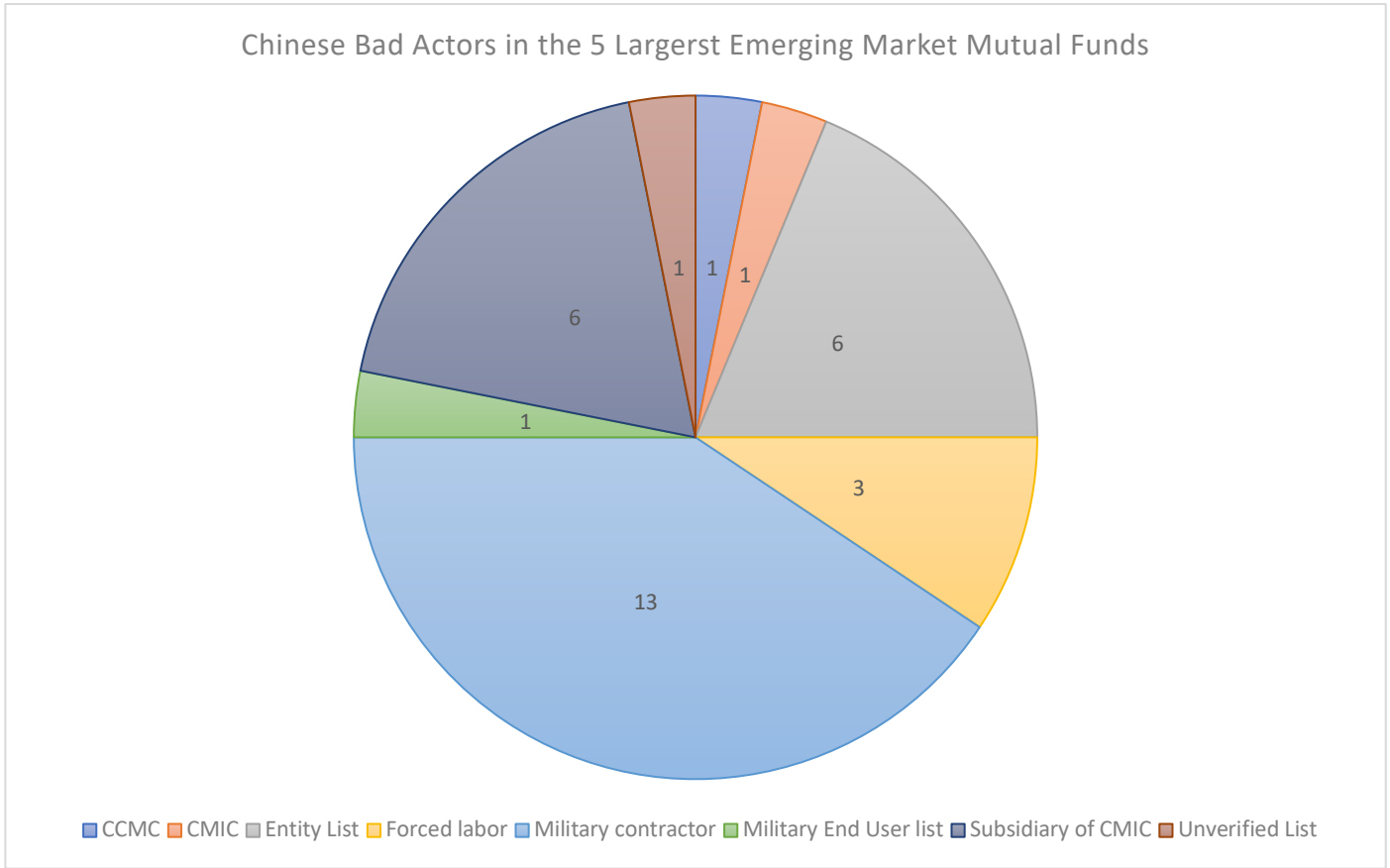
**The Federal Retirement Thrift Investment Board (FRTIB) should immediately be compelled to halt its plans to include mutual funds in its new Mutual Fund Window initiative which are holding any Chinese companies, including those based in Hong Kong.**

### BACKGROUND

**Among urgent concerns are the following:**

- The 5,000 mutual funds on offer in this initiative have yet to be identified publicly, hence no outside professional risk assessments can be performed;
- The TSP Board has made clear, in publicly available meeting minutes, that it has no intention of screening these mutual funds for the presence of Chinese companies, including US-sanctioned and other Chinese corporate “bad actors”;
- Not one of the Chinese companies presently in the TSP IFund or those included in the funds selected for the Mutual Fund Window are compliant with U.S. federal securities laws;
- The TSP Board has already included some 35 Chinese companies in the International Fund (IFund) of the TSP, contravening the express purpose of a Presidential intervention in 2020 designed to exclude all Chinese enterprises from the TSP, which need to be removed;
- The TSP Board refuses to perform diligence on, or disclose to TSP participants, the material risks associated with the inclusion of many of these Chinese enterprises in the funds to be included in the Mutual Fund Window – which represents fiduciary malfeasance;
- This planned initiative runs counter to the spirit, and arguably the letter, of EO 14032, which declared that the introduction of Chinese military and surveillance technology companies into the investment portfolios of many millions of US retail investors constituted a “national emergency”;
- It likewise contravenes a direct Presidential intervention (via a joint letter from the National Security Advisor and the Director of the National Economic Council) in March 2020 to halt the effort by the Federal Retirement Thrift Investment Board to introduce such Chinese companies into the TSP via the adoption of the MSCI All-Country World ex-US index.

### Chinese Bad Actor Companies by Violation



**Legend:** CMIC = Chinese Military-Industrial Complex Company (EO 14032); CCMC = Communist Chinese Military Company (also, CMC = Chinese Military Company), derived from NDAA FY99 section 1237 and NDAA FY21 section 1260H; Military Contractor = Chinese military contracting company working with the People’s Liberation Army (PLA); Entity List = Department of Commerce Bureau of Industry and Security Entity List; all other designations are self-identifiable.

Chinese Corporate "Bad Actors" in The Top 5 Emerging Market Mutual Funds	
CHINESE COMPANIES	REASON FOR CONCERN
XIAOMI CORP	CCMC
CGN POWER CO	CMIC
Daqo New Energy Corp.	Entity List
LONGI GREEN ENERGY TECHNOL	Entity List
SUZHOU KEDA	Entity List
Yantai Jereh Oilfield Services Group	Entity List
ZTE CORP	Entity List
FIBERHOME TELECOM TECH	Entity List

FOXCONN (HON HAI)	Forced labor
HUAFU FASHION CO	Forced labor
OFILM GROUP CO	Forced labor, Surveillance tech in Xinjiang
AECC AERO ENGINE CONTROL	Military contractor
AVIC ELECTROMECHANICAL SY	Military contractor
AVIC INDUSTRY FINANCE	Military contractor
360 SECURITY TECHNOLOGY	Military contractor, Surveillance tech in Xinjiang
AVICHINA INDUSTRY + TECH	Military contractor
CHINA GREATWALL TECHNOLOGY	Military contractor
DONGFANG ELECTRIC	Military contractor
Hundsun Technologies	Military contractor
NAVINFO	Military contractor
WUHAN GUIDE INFRARED	Military contractor, Surveillance tech in Xinjiang
XCMG CONSTRUCTION MACHIN	Military contractor
XINXING DUCTILE IRON PIPES	Military contractor
ZHUZHOU CRRC TIMES ELECTRIC	Military contractor
AECC AVIATION POWER CO	Military End User list
INSPUR ELECTRONIC INFORMAT	Subsidiary of CMIC
INSPUR INTERNATIONAL LTD	Subsidiary of CMIC
INSPUR SOFTWARE CO	Subsidiary of CMIC
CGN NEW ENERGY HDLGS	Subsidiary of CMIC
CGN NUCLEAR TECHNOLOGY DEV	Subsidiary of CMIC
CHINA NATIONAL NUCLEAR POW	Subsidiary of CMIC
WUXI BIOLOGICS CAYMAN	Unverified List

Each of these companies either have ties to the oppression of ethnic and religious minorities in Xinjiang (including surveillance or trafficking in forced labor), have been officially sanctioned by the U.S., or operate within China's military-industrial complex.

**After 20 years of abject neglect, it's urgent that we now address this danger to all U.S. investors, not just taxpayer-funded TSP participants. The multi-trillion-dollar underwriting of the single greatest existential threat facing our democracy by scores of millions of unwitting American retail investors has to be stopped immediately. This is *our money*. Just say "no" to it being funneled by Wall Street investment products and firms into the coffers of the Chinese Communist Party.**