

September 30, 2010

***The SEC Investigates Fund with Chinese Reverse Merger Investments, while the Financial Times Promotes the Same Fund.***

The SEC is investigating Vision Capital Advisors, according to a [Reuters article](http://www.asensio.com/china/reuters_vision1.pdf) published September 22nd. Vision Capital is a hedge fund with large investments in Chinese reverse mergers, such as China Integrated Energy, Inc. (NASDAQ: CBEH), according to SEC filings. Reuters suggested that the reason for the SEC targeting Vision Capital may be the firm's "aggressive valuations" on securities obtained in PIPE transactions, which are common among Chinese reverse mergers. Reuters also stated that the SEC issued subpoenas to "several investment firms that have done business with New York-based Vision Capital."

On September 24th, two days after Reuters revealed the SEC investigation, the [Financial Times \(FT\)](http://www.asensio.com/china/ft_vision.pdf) published a very detailed article promoting Vision without any reference to the SEC investigation. Instead, in its 2900-word article, the FT chose to present items such as a carefully-posed photograph of a 25-year-old female analyst, characterized as "intense, boundlessly energetic," while the reporter, David Stevenson, describes traveling with her in a BMW limousine around China.

The FT focused on Vision Opportunity China Fund Limited (LON: VOC), a fund listed in London, but managed by the New York-based Vision Capital Advisors, the firm reportedly under investigation by the SEC.

The FT article goes so far as to tout the return VOC has made with an investment in CBEH, "up a meager 254 per cent (in just over two years)," while the FT does not mention that CBEH shares have declined 46% since mid-April. Another Vision investment that the FT touts is Shengkai Innovations, Inc. (NASDAQ: VALV); the FT did not note that VALV has fallen 23% in the past two months.

The FT's promotion of VOC, Vision Capital, its analysts, and investments, together with the FT's neglect of the reported SEC investigation and the actual recent performance of Vision's investments, shows a questionable lack of diligence by the FT.

The same day that the FT published its promotional article on Vision, [Reuters published another story](http://www.asensio.com/china/reuters_vision2.pdf) discussing how Vision Capital's investors were drawn in by the academic credentials of the firm's principals, one of whom, Randolph Cohen, reportedly taught at Harvard Business School and is currently a visiting professor at MIT.

Reuters also described Vision's returns very differently from the FT. The Reuters article states, "[R]eturns fell sharply in more recent years. And since last year, investors have been unable to pull money out of most Vision funds. The managers have told investors it may be many years before they can redeem their money due to the illiquid nature of Vision's investments in all those small-cap companies."

Some questionable aspects of CBEH were described in a [Barron's article](http://www.asensio.com/china/barronsCGA.pdf) dated August 26th. asensio.com [pr](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1046&CompanyId=169&CompanyName=Report) reported on CBEH being connected to Lawrence Pan, the former NASDAQ official in China.