

# Lipper FundMarket Insight Reports



**China Fund Market Summary  
Month End Analysis  
August, 2007**

2007

## Is It Time to Take Profits?

- The Asian markets all slid down in July, except for the surging A-Share market in China. The accumulated increase of the Shanghai&Shenzhen 300 index of the last 12 months reached 295.67%.
- All China open-end fund categories recorded positive returns in August. The Equity, Mixed-Asset Aggressive, Mixed-Asset Flexible, and Mixed-Asset Balanced fund categories chalked up 16.97%, 14.98%, 13.99%, and 12.90%, respectively.
- The Shanghai closed-end fund index rose 11.06% in August. The discount rate of large-capitalization closed-end funds increased to an average 26.06%.
- QFII A-Share funds had a 16.48% gain on average—a little lower than domestic equity funds but higher than Mixed-Asset Aggressive funds.
- If investors are too confident in a “buy and hold” strategy, they may neglect the chance to take profits from the high price level.

### Market Performance

The Asian markets, having good performance in July, all slid down in August, except for the A-Share market in China. Japan, Korea, Taiwan, and India all decreased as did the China B-Share market. Only China A-Shares continued their up-surge trend of the previous month. A 70% increase in average net profits in semiannual reports injected great energy to the market. The accumulated increase of the Shanghai&Shenzhen 300 index of the last 12 months reached 295.67% and increased 4.7 times over the last two years.

In August investors opened more fund accounts than A-Share accounts for the first time in history, reflecting the change in market structure. The newly opened fund accounts in August were 5.12 million—more than the 3.78 million of new A-Share accounts. More investors selected funds as an investment channel. The rapid growth of new fund accounts showed the large potential of the Chinese fund market. To September 10 the number of fund accounts reached 19.95 million. Given the number of potential investors, the number of fund accounts could increase five times in the next ten years. On the other hand, the rapid increase also reflects a change of investment customs of retail investors. More investors depend on asset management companies now.

The CPI of August reached 6.5%—also a new high of recent years. Inflation became the focus of the market. A further contraction policy will be released. But recently, the stock market seemed to not fear a contraction policy as much as an interest rate increase. The up-surge trend has not been influenced at all.

### Open-End Fund Performance

All China open-end fund categories recorded gains in August again. The Equity, Mixed-Asset Aggressive, Mixed-Asset Flexible, and Mixed-Asset Balanced fund categories chalked up 16.97%, 14.98%, 13.99%, and 12.90%, respectively. The accumulated return of Equity China funds in the last 12 months reached 253.17%.

## Leading Fund Intelligence

The Chinese fund market has some obvious characteristics, such as the frequent change in portfolio managers and investors' paying special attention to short-term performance. These factors influence the persistence of fund performance in China. Chinese fund investors wonder whether the past top funds can have a good performance in the future.

To answer this question Lipper calculated the performance of Chinese funds in the last 48 months. The data showed that past performance patterns also persisted in China. Compared to other periods, the past 12 months' performance persisted the most obviously. And the better the past 12 months' performance was, the more the possibility of beating counterparts in the following 12 months.

### QFII Fund Performance

The 11 QFII funds in our statistics earned in August an average of 16.48%, calculated in RMB—a little lower than domestic equity funds, but higher than Mixed-Asset Aggressive funds.

The latest total AUM of QFII funds was US\$6.18 billion. Considering the earnings influence, redemptions were a little more than subscriptions. **iShare Xinhua/FTSE A50 China** suffered redemptions of US\$400 million. The stock positions of the QFII funds were still stable.

### Closed-End Fund Performance

The Shanghai closed-end fund index rose 11.06% in August—lower than the main stock index again. The discount of large-capitalization funds increased to an average of 26.06%.

One of the innovatively designed closed-end funds—**Dacheng**—was listed on September 7 and received a hot welcome from investors. It recorded a 9.38% premium on the first trading day. Because of the different design between old and new closed-end funds, the discount of old funds will continue for a long period.

### Outlook

The governor increased the amount of IPOs and permitted investors to invest overseas in order to disperse the capital crowded in the A-Share market.

The Hong Kong market was pushed up by the news that Mainland investors can invest directly in Hong Kong. The Mainland investors should be aware of the large difference between the Hong Kong and the Mainland markets, when pursuing cheaper H-Shares. Just like the large discount between B-Shares and A-Shares, the discount between H-Shares and A-Shares will continue for a long period.

The suggestion most often heard now for fund investors is to buy and hold. This was demonstrated as correct by the recent two-year bull market. But as the index goes higher and higher and investors become more and more confident in buying and holding, we would like to suggest investors consider further. Since stocks increased nearly five times in two years, and the valuation of stocks has reached a historic high, it may seem quite risky to invest in funds. "Buy and hold" was suitable for the last two

**Leading Fund Intelligence**

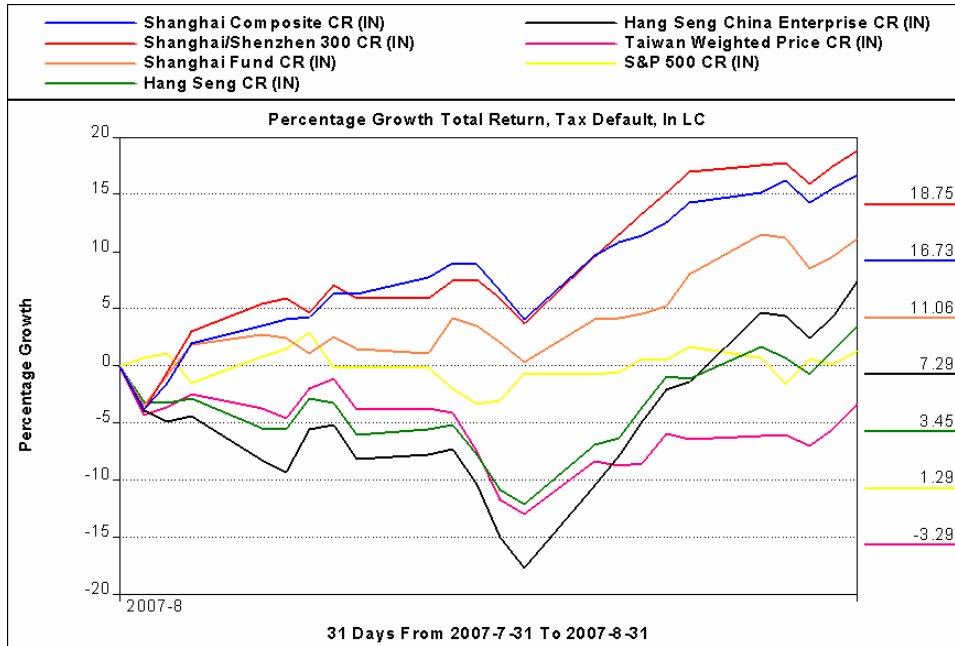
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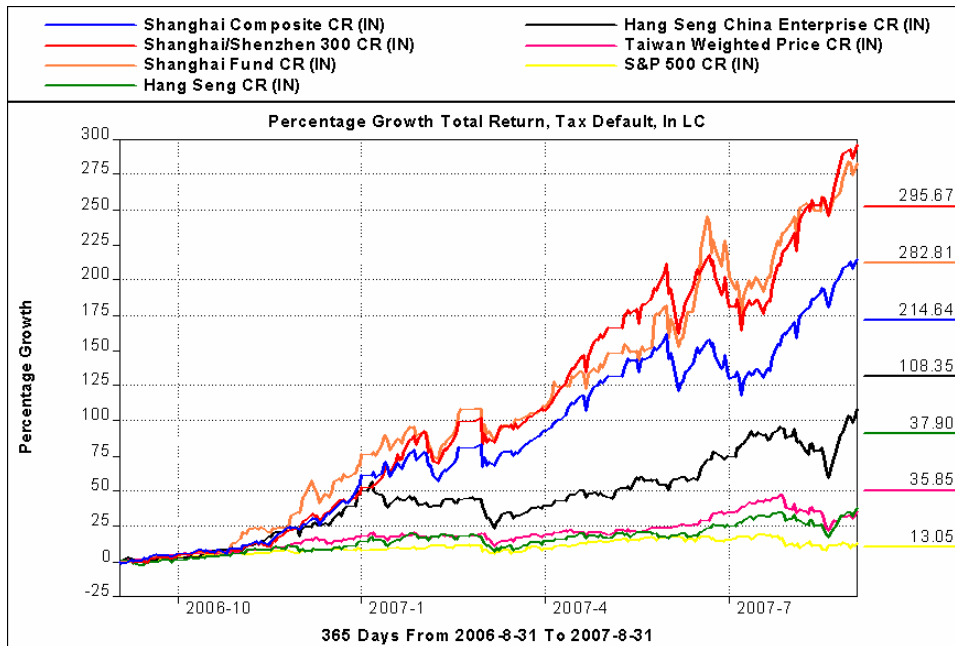


years, but may not be suitable for the next two years. If investors are too firmly buying and holding, they may neglect the chance to take profits from the high price level.

Figure 1 Recent Relative Index Performance



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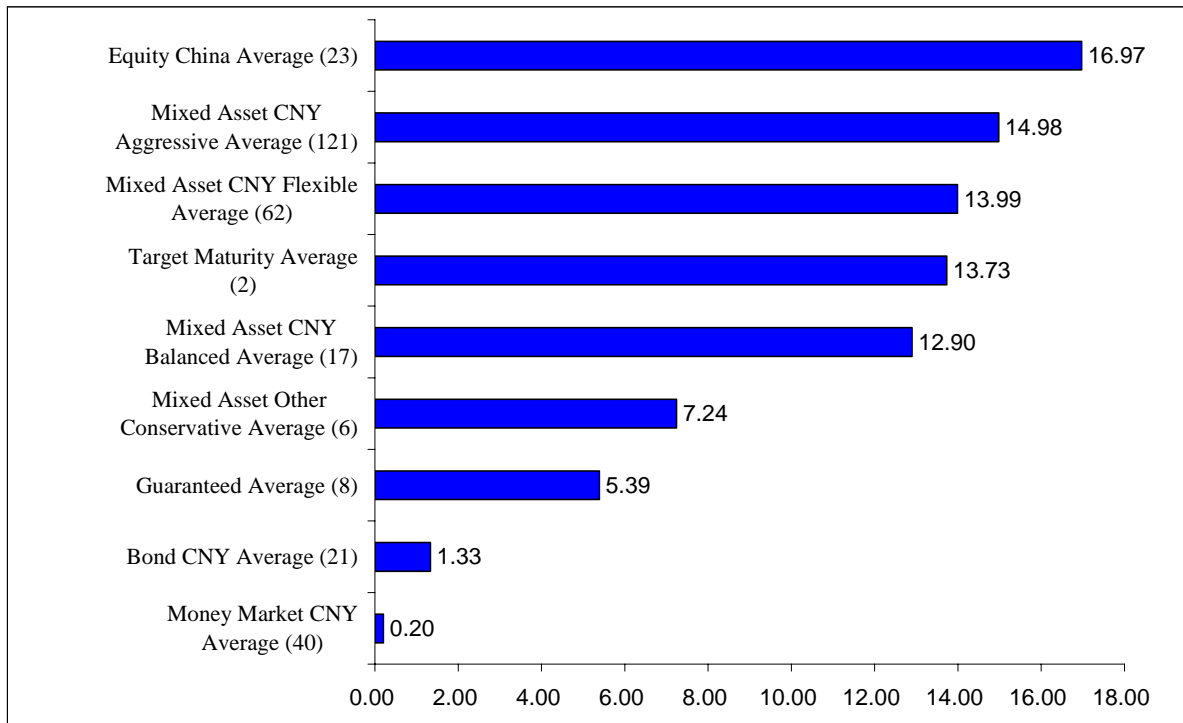


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Source: Lipper

### Leading Fund Intelligence

Figure 2 Fund Classification Performance, August 2007



Source: Lipper

Table 1 Fund Classification Performance (%) in the Last Three Years

Fund Type	1M TR	6M TR	1Y TR	2Y Ann Comp	3Y Ann Comp
<b>Bond CNY Average (21)</b>	1.33	7.05	14.45	15.52	12.83
<b>Equity China Average (23)</b>	16.97	95.20	253.17	127.96	69.63
<b>Guaranteed Average (8)</b>	5.39	29.16	61.14	37.22	33.41
<b>Mixed Asset CNY Aggressive Average (121)</b>	14.98	87.91	203.76	115.66	68.84
<b>Mixed Asset CNY Balanced Average (17)</b>	12.90	72.74	160.54	96.53	62.44
<b>Mixed Asset CNY Flexible Average (62)</b>	13.99	82.78	195.79	111.32	63.32
<b>Mixed Asset Other Conservative Average (6)</b>	7.24	43.52	92.89	55.44	39.20
<b>Money Market CNY Average (40)</b>	0.20	1.24	2.24	2.03	2.29
<b>Target Maturity Average (2)</b>	13.73	72.17	131.09		

Source: Lipper

Table 2 Open-End Funds' Performance, August 2007

Fund Name	% Growth		Rank	% Growth		Ann Comp Ret		Lipper Leaders			
	TR CNY			TR CNY		TR Def CNY		1Year			
	1M 2007-7-31	To 2007-8-31		1Y 2006-8-31	To 2007-8-31	2Y 2005-8-31	To 2007-8-31	3Y 2004-8-31	To 2007-8-31	Total Return	Consistent Return
Changsheng Bond Index Plus Fund	5.06	1	47.98	34.22	24.15	Leader	Leader			2	
Fullgoal Tianli Growth Bond Fund	3.11	2	37.46	30.25	21.28	Leader	Leader			5	
Harvest Bond Fund	3.08	3	33.96	27.24	20.59	Leader	Leader			5	
AIG-Huatai Short & Medium Term Bond Fund	0.18	19	1.89					5	5	4	
Lion Optimize Income Bond Fund	0.17	20	2.26					4	4	2	
E Fund Monthly Income Fund - A	0.15	21	1.71					5	5	4	
Quantity Core Equity Fund	22.01	1	233.87	130.80				5	5	Leader	
China 50 Exchange Traded Open-End Index Fund	21.23	2	287.57	126.48				2	2	Leader	
Shanghai Stock Exchange 180 ETF	20.03	3	286.53					Leader	Leader	4	
Small & Medium Enterprise Board ETF	12.33	21						5	5	5	
Hua An Hongli Fund	10.95	22									
Fortis Haitong Equity Fund	8.88	23	180.57	109.24				5	5	2	
China Southern Principal Protected Fund	10.00	1	148.96	84.30	54.00						
Guotai Golden Deer Principal Guaranteed Fund	7.76	2	52.36								
Harvest Pu'an Capital Preservation Fund	5.22	3	58.57	32.10							
Yinhua Principal Protection Value Growth Fund	4.41	4	25.37	18.19	12.81						
Guotai Golden Elephant Principal Guaranteed Fund	4.20	5	61.43	35.58							
Wanjia Principal Guaranteed Fund	0.78	6	20.14	15.93							
Baoying Strategic Growth Fund	21.53	1									
Rongtong Power Xian Feng Fund	20.96	2									
INVESSCO Greatwall Domestic Demand Growth Fund II	20.01	3									
Guotai Jin Ma Stable Return Fund	7.22	111	174.60	117.60				4	4	Leader	
Yimin Dividend Growth Fund	6.94	112									
Golden Eagle Mid-small Cap Selected Fund	4.58	113	79.95	75.77	41.57			5	5	5	
China GF Sustaining Growth Equity Fund	19.38	1	199.49	129.29	80.43	Leader	Leader			5	
Ju Tian Fundamental Industry Fund	16.77	2	172.54	85.91	49.15	3	4			5	
Da Cheng Value Growth Fund	15.52	3	185.31	111.71	67.47	3	2			3	
Changsheng Growth and Value Fund	9.84	15	144.38	92.67	58.46	4	4			2	
Harvest Mid & Small Cap Growth Fund	9.72	16	167.26	110.13	70.73	2	2			2	
China Merchants Balanced Fund	8.59	17	110.63	68.32	43.14	5	5			2	
ChinaAMC Dividend Fund	20.43	1	235.78	133.99				2	2	4	
Rongtong Blue Chip Growth Fund	20.16	2	170.07	102.94	60.12	5	5			4	
ChinaAMC Stable Growth Fund	19.74	3									
Rongtong New Blue Chip Fund	7.80	59	204.03	121.67	68.59	2	2			3	
De-sheng Small Cap Selective Fund	7.57	60	178.14	98.81	56.48	3	3			2	
BOC International Income Fund	4.47	61									
Industrial Convertible Bond Hybrid Fund	9.88	1	146.97	85.75	53.21						
SYWG BNP Paribas ShengLi Stable Growth Fund	7.62	2	80.15	40.58							
China Southern Bao Yuan Bond Fund	7.51	3	98.28	56.54	37.50						
De-sheng Reliable Growth Fund	7.15	4	91.39								
UBS SDIC Ronghua Bond Fund	6.52	5	89.10	58.71	39.18						
Galaxy Income Fund	4.78	6	51.47	35.64	26.89						
Galaxy Yin Fu Money Market Fund - A	0.25	1	2.34	2.10							
Penghua Money Market Fund - A	0.25	2	2.27	2.05							
CCB Principal Money Market Fund	0.24	3	2.46								
Chang Xin Interest Income Fund	0.17	38	2.28	2.08	2.27						
Guotai Money Market Fund	0.16	39	1.88	1.87							
China Nature Tiandeli Money Market Fund	0.15	40	2.33								
Da Cheng 2020 Lifecycle Fund	16.67	1									
HSBC Jitrust 2016 Lifecycle Fund	10.79	2	131.09								

Source: Lipper

**Leading Fund Intelligence**

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Table 3 QFII Funds' Performance, August 2007

Name	% Growth TR CNY			Fund Size USDxM Date	Launch Date
	1M 2007-7-31 To 2007-8-31				
	Rank by Table	% Growth TR CNY	% Growth TR CNY		
	Univ Value	6M 2007-2-28 To 2007-8-31	1Y 2006-8-31 To 2007-8-31		
	% Growth TR CNY	% Growth TR CNY	% Growth TR CNY		
Morgan Stanley China A Share Fund Inc	24.13	113.18		2007-7-31	2006-9-28
iShares FTSE/Xinhua A50 China Tracker	20.32	96.99	290.39	2007-8-31	2004-11-18
Hang Seng China A-Share Focus	18.00	92.82	249.60	2007-7-31	2003-8-25
Hang Seng China A-Share Focus A1	17.95	77.03	218.36	2007-7-31	2006-2-28
Nikko China A Share Fund 2	16.16	80.92	186.48	2007-8-31	2005-6-15
Nikko AM China A Stock Fund	16.07	81.04	186.45	2007-8-31	2005-2-28
JF China Pioneer A-Share A	16.00	106.13	274.03	2007-8-31	2006-6-19
ABN AMRO China A Share Fund	15.92			2007-7-31	2006-1-23
ING China A Share Fund P Class	15.21	86.63	221.85	2007-7-31	2006-7-14
Fortis FLEXIFUND Equity China A	12.25	100.29	275.21	2007-8-31	2004-12-17
PCA China Dragon A Share Equity A-1 Class C	9.24			2007-8-31	2007-5-7
APS China A Share				2007-7-31	2004-7-15
Shenyin Wanguo-Aizawa China A-Share Fund No 3				2007-7-31	2007-4-4
Shenyin Wanguo-Aizawa China A-Share Fund No 2				2007-7-31	2004-9-6
DBS China Advantage A Share					2006-8-28
Shenyin Wanguo-Aizawa China A-Share Fund No 1				2007-7-31	2004-6-4
<b>Total Average (16)</b>	16.48	92.78	237.80		411.94

Source: Lipper

Table 4 QFII Funds' Performance and Benchmark Comparison

Name	% Growth TR CNY	% Growth TR CNY	% Growth TR CNY	% Growth TR CNY
	1M 2007-7-31 To 2007-8-31	6M 2007-2-28 To 2007-8-31	1Y 2006-8-31 To 2007-8-31	2Y 2005-8-31 To 2007-8-31
	Shanghai Fund CR	11.06	94.31	282.81
Shanghai Composite CR	16.73	81.14	214.64	348.82
Equity China Average (23)	16.97	95.20	253.17	420.40
<b>QFII Fund Average</b>	<b>16.48</b>	<b>92.78</b>	<b>237.80</b>	<b>391.51</b>
Shanghai/Shenzhen 300 CR	18.75	108.16	295.67	470.83
Mixed Asset CNY Aggressive Average (121)	14.98	87.91	203.76	368.94

Source: Lipper

## Leading Fund Intelligence

Table 5 Ten Top and Bottom Closed-End Funds' Performance, August 2007 (Market Price)

Name	% Growth TR Alt Prices CNY 1M 2007-7-31 To 2007-8-31 Rank by Table Univ Value	Rnk	% Growth TR Alt Prices CNY 6M 2007-2-28 To 2007-8-31	% Growth TR Alt Prices CNY 1Y 2006-8-31 To 2007-8-31	% Growth TR Alt Prices CNY 2Y 2005-8-31 To 2007-8-31	% Growth TR Alt Prices CNY 3Y 2004-8-31 To 2007-8-31	Discount
Xing An Fund	20.38	1	98.97	262.19	455.21	550.21	-4.61%
Jing Yang Fund	18.63	2	109.47	245.71	498.62	613.00	-6.16%
Ke Xun Fund	18.57	3	92.15	241.15	459.03	567.72	-8.64%
Rong Xin Fund	18.10	4	84.32	211.05	371.24	435.53	-9.36%
Long Yuan Fund	17.21	5	100.01	317.39	470.74	515.82	-3.86%
Yin Feng Fund	16.13	6	116.99	313.75	563.18	365.28	-20.49%
Yu Zhe Fund	15.89	7	118.80	289.23	412.18	480.25	-20.29%
Xing Hua Fund	14.60	8	121.52	275.66	536.93	419.76	-21.38%
Jin Sheng Fund	14.59	9	88.50	237.45	458.04	477.08	-18.63%
Yu Long Fund	14.55	10	128.93	450.26	658.76	487.72	-24.86%
Han Xing Fund	7.25	28	79.42	263.05	355.14	253.58	-30.00%
Jin Tai Fund	7.19	29	87.26	259.84	462.45	369.52	-28.40%
Tai He Fund	6.96	30	118.72	449.83	731.00	573.05	-22.22%
Yu Yang Fund	6.38	31	99.42	359.77	518.39	408.94	-25.72%
Jing Fu Fund	6.27	32	97.57	355.20	500.21	357.40	-29.36%
An Xin Fund	5.22	33	94.06	282.18	459.45	447.60	-26.92%
Jin Xin Fund	4.15	34	58.15	234.28	396.56	294.76	-28.37%
An Shun Fund	3.88	35	66.49	254.94	497.04	432.25	-27.47%
Kai Yuan Fund	3.56	36	98.73	323.40	562.62	496.46	-23.05%
Feng He Fund	2.78	37	84.85	392.40	574.13	519.57	-28.01%
Total Average (42)	11.33		96.92	300.06	492.42	441.05	-21.63%

Source: Lipper



Zhou Liang

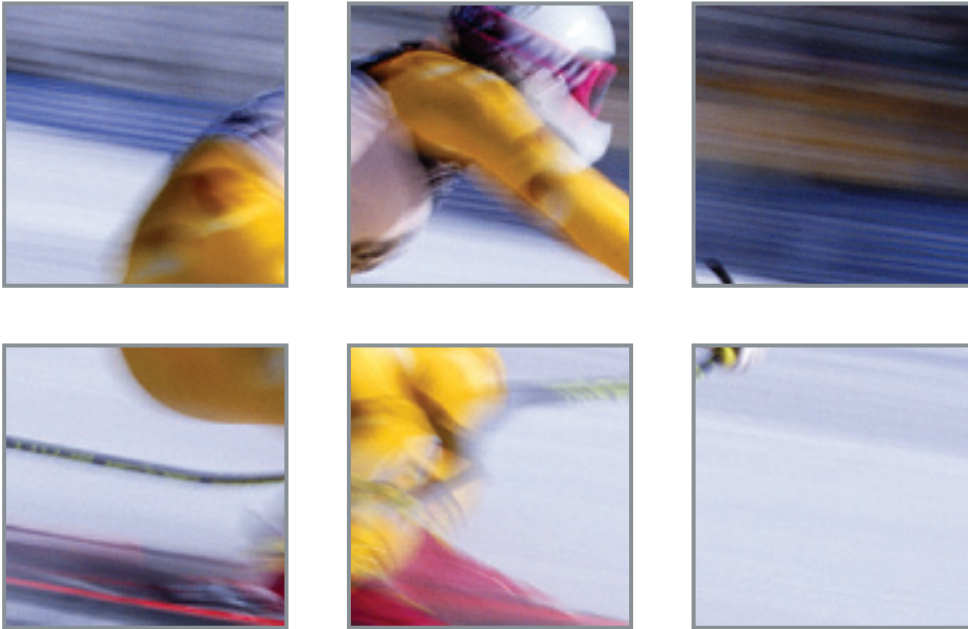
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September 13, 2007

*This is an English executive summary of the "China Fund Market Summary Month-End Analysis." The full Chinese version in simplified Chinese is available separately.*

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