

Lipper FundMarket Insight Reports



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

2007

Consolidations Continue in Developed Markets, QDII Sets Sail Against The Wind

- Consolidations continued in developed markets in July, but emerging markets recorded good performance. The Mainland, Hong Kong, and Taiwan surged.
- All China open-end fund categories recorded positive returns in July. The Equity, Mixed-Asset Aggressive, Mixed-Asset Flexible, and Mixed-Asset Balanced fund categories chalked up 16.32%, 14.53%, 13.98%, and 12.53%, respectively.
- The Shanghai closed-end fund index rose 13.96% in July. The accumulated increase of the last 12 months reached 262.53%. The discount rate of large-capitalization closed-end funds decreased slightly to 24.39%.
- QFII A-Share funds had a 14.46% gain in July—a little lower than their domestic counterparts'.
- The qualified domestic institutional investor (QDII) system of the fund industry debuted, injecting a new concept into the fund market.
- The subprime mortgage influence was far from an end. Investors should be cautious in the hot market.

Market Performance

The developed markets continued cooling in July on worries of subprime loans and American house prices. The S&P 500 decreased 3.2% in July. To August 10, compared to the previous high, the decrease was over 9%. Japanese and European markets couldn't escape either. But the emerging markets still kept good performance: Mainland China rose 18.50%, Korea rose 10.88%, Thailand rose 10.68%, and Taiwan rose 4.55%. Even the Hong Kong market—used to tagging the U.S. market, pushed by the Mainland—rose 6.49%.

After the QDII of the Chinese bank industry expanded the investment range, the fund QDII system began practice in July. Compared to banks, insurance companies, and trust companies, funds have a larger range and lower request in investing overseas. Fund QDII should be more attractive to retail investors. But the macro background was not a benefit to QDII products. Because of expectations of RMB appreciation, the hot domestic market, and the foggy global markets, there will be a long period before QDII products are accepted by retail investors. QDII products of different industries all focusing on the Hong Kong market can explain why H-Shares and red chips were so hot recently.

Facing high CPI, the governor declared cancellation of the interest gains tax and added a 0.27-point interest rate on July 20. It is almost certain the CPI of this year will above 3%—the governor's target set at the beginning of the year. But, considering the 11% GDP growth rate, 4% CPI seems acceptable. We should be aware that the increase in consumer prices was not caused only by temporary factors. The increase of labor force costs, global food and energy prices, asset price, and the strengthening of inflation expectations will maintain inflation for a long period. The risk of inflation in China is picking up, and the bad influence on the economy is increasing.

Open-End Fund Performance

All China open-end fund categories recorded gains in July. The Equity, Mixed-Asset Aggressive, Mixed-Asset Flexible, and Mixed-Asset Balanced fund categories chalked up 16.32%, 14.53%, 13.98%, and 12.53%, respectively. The accumulated return of Equity China funds in the last 12 months reached 211.91%.

QFII Fund Performance

The eight QFII funds in our statistics earned in July an average of 14.46%, calculated in RMB—a little lower than their domestic counterparts.

The latest total AUM of QFII funds was US\$5.61 billion. Considering the earnings influence, the capital flow in and flow out was almost balanced. For example, the shares of **iShare Xinhua/FTSE A50 China** were almost the same at the beginning and at the end of July.

Compared to the quiet old QFII funds, the newly issued QFII funds received a hot welcome by Hong Kong investors. **HSBC China Dragon Fund**—a closed-end fund listed in July—recorded a 70% premium, creating a record in the Hong Kong market.

Closed-End Fund Performance

The Shanghai closed-end fund index rose 13.96% in July—lower than the SSEC index (+17.02%). Notably, **Taihe** earned 474.66% in the last 12 months—a historic record.

The innovative design of newly issued closed-end funds attracted the market. **Ruifu Aggressive**, having a leverage structure, can earn more than common funds in a bull market. But it is not suitable for conservative investors.

Outlook

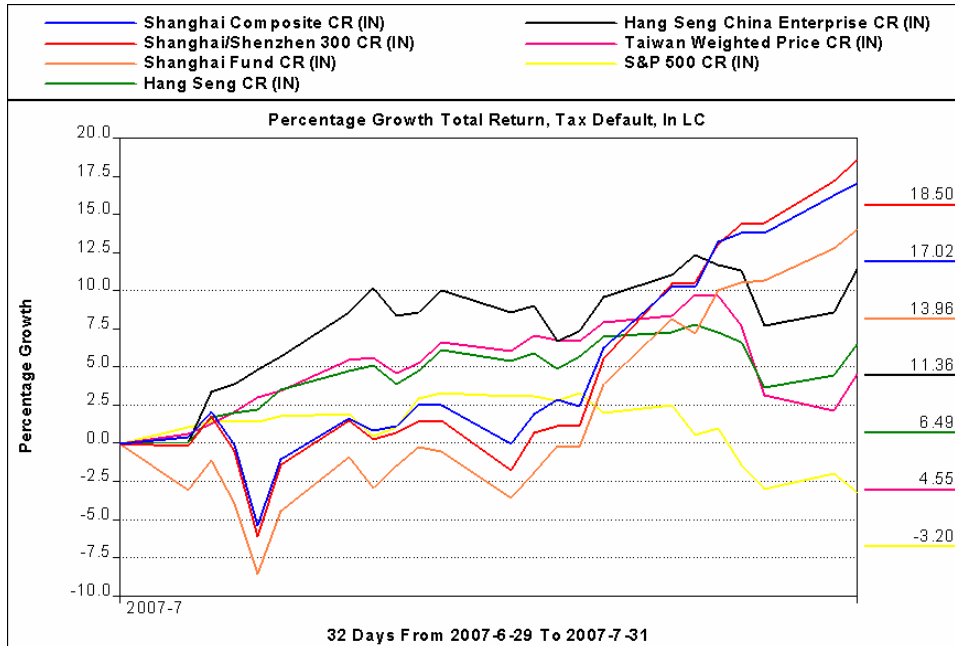
The China stock market accelerated after breaking the previous high. The tremendous increase in semiannual reports supported the upsurge. The market had no reaction to the decrease in surrounding markets and to cooling policies. Facing such a situation, investors should stay even more cautious.

The subprime loan problem was a reminder to the global market. When the economy is booming inventors request a lower risk premium, leading to more credit expansion and economic booming. But if the cycle reverses investors request a higher risk premium, credit tightens, and the economy contracts. A vicious cycle begins.

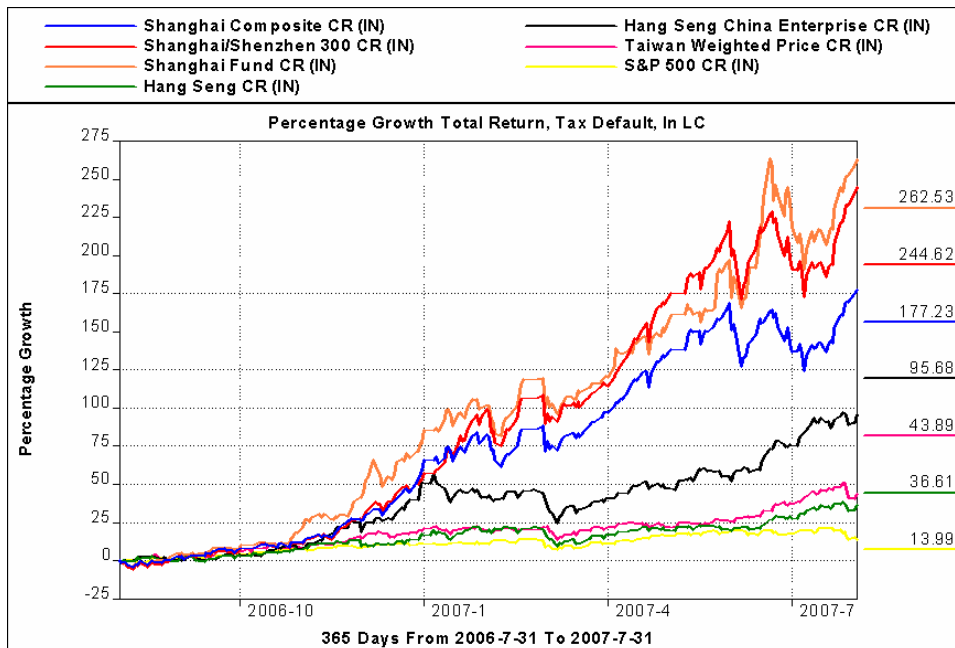
It seems easy to earn money in a bull market if you dare to buy. But until you totally pull away from the market, it is hard to say that you really earn money. Now may be the time to take profits from the table.

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Figure 1 Recent Relative Index Performance



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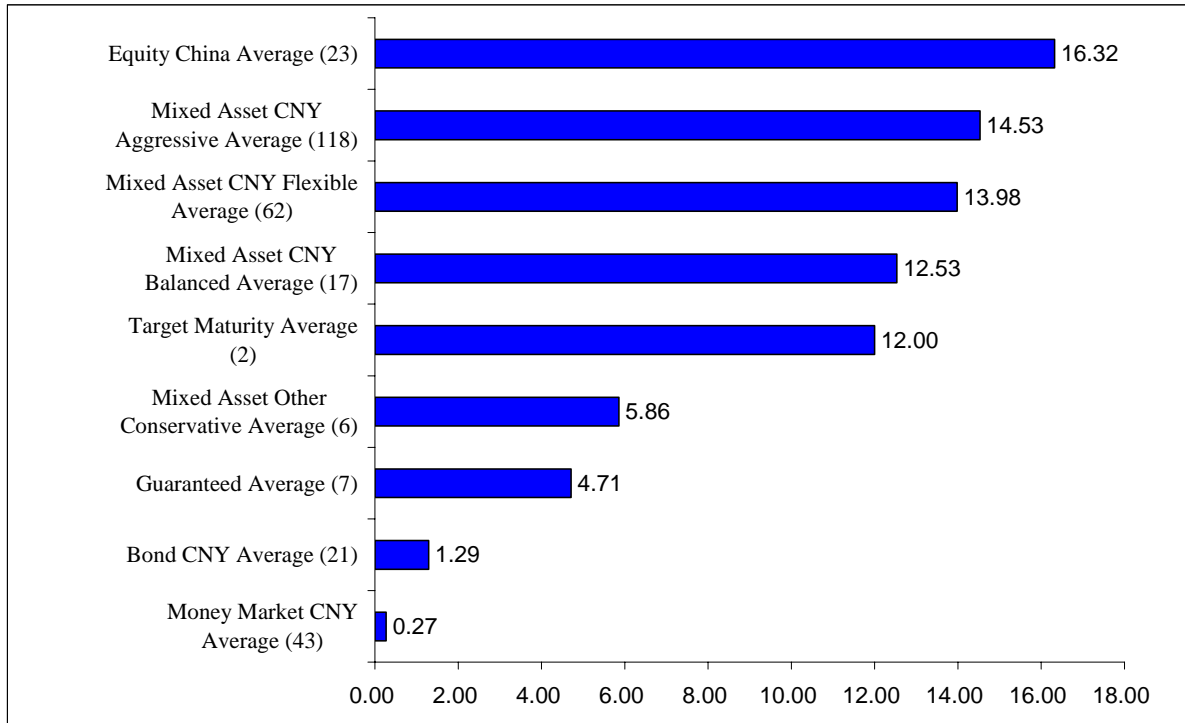


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Source: Lipper

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Figure 2 Fund Classification Performance, July 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
Bond CNY Average (21)	1.29	6.73	13.40	16.39	12.03
Equity China Average (23)	16.32	73.16	211.91	113.55	59.70
Guaranteed Average (7)	4.71	23.04	54.99	33.90	30.07
Mixed Asset CNY Aggressive Average (118)	14.53	67.26	175.50	104.96	60.75
Mixed Asset CNY Balanced Average (17)	12.53	55.89	137.30	86.46	54.89
Mixed Asset CNY Flexible Average (62)	13.98	64.64	167.43	100.70	56.16
Mixed Asset Other Conservative Average (6)	5.86	38.61	82.19	50.52	35.75
Money Market CNY Average (43)	0.27	1.22	2.19	2.01	2.29
Target Maturity Average (2)	12.00	54.05	113.50		

Source: Lipper

Table 2 Top and Bottom Open-End Funds' Performance, July 2007

Fund Name	% Growth		Rank	% Growth		Ann Comp Ret		Lipper Leaders			
	TR CNY			TR CNY		TR Def CNY		1Year			
	1M 2007-6-29	To 2007-7-31		1Y 2006-7-31	To 2007-7-31	2Y 2005-7-29	To 2007-7-31	3Y 2004-7-30	To 2007-7-31	Total Return	Consistent Return
Harvest Bond Fund	3.70	1	31.22	26.61	19.03	Leader	Leader	5	Leader		
Changsheng Bond Index Plus Fund	3.68	2	43.26	31.48	22.08	Leader	Leader	3	5		
Fullgoal Tianli Growth Bond Fund	3.17	3	35.14	29.31	19.97	Leader	Leader	5	4		
Bosera Stable Value Bond Fund	0.18	19	1.95			5	5	Leader	3		
Rongtong Bond Fund	0.09	20	14.20	13.83	9.82	2	2	5	2		
AIG-Huatai Short & Medium Term Bond Fund	0.07	21	1.67			5	5	2			
E Fund Shenzhen 100 ETF	20.12	1	278.76			Leader	Leader	3			
AIG-Huatai Shanghai Stock Exchange Dividend ETF	19.91	2									
China International Growth Pioneer Fund	18.97	3									
INVESCO Greatwall DingYi Equity Fund	13.52	21	198.13	117.25		4	4	3	5		
ABN AMRO TEDA First Choice Enterprise Fund	11.84	22									
Rongtong SZ 100 Index Fund	11.75	23	205.56	120.52	59.88	2	3	5	2		
China Southern Principal Protected Fund	8.99	1	137.35	76.12	48.95						
Guotai Golden Deer Principal Guaranteed Fund	5.96	2	42.37								
Harvest Pu'an Capital Preservation Fund	5.37	3	52.87	28.88							
Guotai Golden Elephant Principal Guaranteed Fund	3.40	4	56.88	33.11							
Yinhua Principal Protection Value Growth Fund	2.66	5	20.14	15.72	11.20						
Wanjia Principal Guaranteed Fund	1.86	6	20.34	15.67							
Soochow Value Growth Double Dynamic Fund	24.30	1									
ChinaAMC Large-cap Select Fund	22.40	2	257.91	159.09		Leader	Leader	5	3		
First-Trust High Quality Lifestyle Fund	21.44	3									
Lion Value Growth Fund	9.24	110									
ICBC Credit Suisse Core Value Fund	8.68	111	157.66			3	4	4	Leader		
Fullgoal Tian Yi Value Investment Fund	7.14	112	170.71	116.76	76.73	2	2	4	5		
Harvest Large Cap Value Fund	17.52	1	171.93	97.99	58.03	Leader	Leader	Leader	2		
Ju Tian Fundamental Industry Fund	16.36	2	135.69	72.85	40.68	4	4	5	2		
China GF Sustaining Growth Equity Fund	14.42	3	161.89	111.96	69.81	3	3	5	4		
ABN AMRO TEDA Efficiency Selection Fund	10.31	15	120.31			4	4	4	0		
Changsheng Growth and Value Fund	9.75	16	129.95	85.80	53.05	3	3	Leader	4		
China Merchants Balanced Fund	7.54	17	96.18	62.74	38.54	5	5	Leader	5		
ChinaAMC Stable Growth Fund	19.47	1									
Penghua Dynamic Growth Fund	19.35	2									
Ju Tian Resources Selective Fund	18.90	3	191.24			2	2	4	5		
Hua An Baoli Balanced Fund	8.22	59	146.60	101.43		4	3	3	Leader		
Huafu Competitive Selection Fund	6.56	60	144.39	102.00		3	4	Leader	5		
China GF Large Cap Growth Fund	6.35	61									
Industrial Convertible Bond Hybrid Fund	7.71	1	127.44	78.83	48.40						
UBS SDIC Ronghua Bond Fund	6.53	2	80.53	55.17	35.74						
De-sheng Reliable Growth Fund	6.37	3	79.52	47.01							
China Southern Bao Yuan Bond Fund	5.86	4	93.07	51.55	34.02						
SYWG BNP Paribas ShengLi Stable Growth Fund	5.64	5	67.27	35.68							
Galaxy Income Fund	3.05	6	45.29	34.88	24.85						
China Universal Money Market Fund - A	0.37	1	2.27								
Ju Tian Money Market Fund	0.34	2									
Wanjia Money Market Fund	0.34	3	2.43								
CITIC Cash Advantage Money Market Fund	0.21	38	2.17	2.02							
Everbright Pramerica Money Market Fund	0.21	39	2.05	2.00							
E Fund Money Market Fund - A	0.20	40	1.94	1.91							
Da Cheng 2020 Lifecycle Fund	16.83	1									
HSBC Jitrust 2016 Lifecycle Fund	7.16	2	113.50								

Source: Lipper

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Table 3 QFII Funds' Performance, July 2007

Name	% Growth TR CNY				Fund Size USDxM Date	Launch Date
	1M 2007-6-29 To 2007-7-31	% Growth TR CNY 6M 2007-1-31 To 2007-7-31	% Growth TR CNY 1Y 2006-7-31 To 2007-7-31	% Growth TR CNY 2Y 2005-7-29 To 2007-7-31		
iShares FTSE/Xinhua A50 China Tracker	18.70	64.23	237.01	354.18	2007-7-31	2004-11-18
Morgan Stanley China A Share Fund Inc	17.19	76.73			2007-6-30	2006-9-28
Fortis FLEXIFUND Equity China A	16.66	78.75	247.59	416.42	2007-7-31	2004-12-17
ING China A Share Fund P Class	14.52	59.98	190.97		2007-6-29	2006-7-14
JF China Pioneer A-Share A	13.68	75.39	235.23		2007-6-29	2006-6-19
Nikko AM China A Stock Fund	11.85	44.26	143.98	243.35	2007-7-31	2005-2-28
Nikko China A Share Fund 2	11.75	45.44	143.96	246.67	2007-7-31	2005-6-15
PCA China Dragon A Share Equity A-1 Class C	11.35				2007-7-31	2007-5-7
APS China A Share					2007-6-29	2004-7-15
Hang Seng China A-Share Focus A1		56.32	174.73		2007-6-29	2006-2-28
Hang Seng China A-Share Focus		70.81	200.17	397.16	2007-6-29	2003-8-25
Shenyin Wanguo-Aizawa China A-Share Fund No 3					2007-6-29	2007-4-4
Shenyin Wanguo-Aizawa China A-Share Fund No 2					2007-6-29	2004-9-6
Shenyin Wanguo-Aizawa China A-Share Fund No 1					2007-6-29	2004-6-4
ABN AMRO China A Share Fund					2007-6-29	2006-1-23
DBS China Advantage A Share					1900-1-0	2006-8-28
Total Average (16)	14.46	63.54	196.71	331.56		374.19

Source: Lipper

Table 4 QFII Funds' Performance and Benchmark Comparison

Name	% Growth TR CNY 1M 2007-6-29 To 2007-7-31	% Growth TR CNY 6M 2007-1-31 To 2007-7-31	% Growth TR CNY 1Y 2006-7-31 To 2007-7-31	% Growth TR CNY 2Y 2005-7-29 To 2007-7-31
	Shanghai Fund CR	13.96	87.89	262.53
Shanghai Composite CR	17.02	60.46	177.23	312.82
Equity China Average (23)	16.32	73.16	211.91	358.57
QFII Fund Average	14.46	63.54	196.71	331.56
Shanghai/Shenzhen 300 CR	18.50	87.00	244.62	402.22
Mixed Asset CNY Aggressive Average (118)	14.53	67.26	175.50	324.69

Source: Lipper

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

Name	1M TR	Rnk	6M TR	1Y TR	2Y Ann Comp	3Y Ann Comp	Discount
Yu Long Fund	24.01	1	122.97	398.73	158.98	72.13	-23.17%
Jiu Jia Fund	23.40	2	103.32	285.04	145.73	75.82	-21.62%
Xing Hua Fund	21.85	3	109.49	252.46	139.85	66.47	-21.66%
Jing Hong Fund	21.81	4	118.64	400.53	149.27	75.59	-25.49%
Kai Yuan Fund	20.72	5	132.04	316.68	161.87	78.99	-20.57%
Yu Yang Fund	20.61	6	116.68	356.99	142.43	67.39	-22.67%
Tian Yuan Fund	20.42	7	114.49	336.89	151.94	72.53	-26.03%
Tai He Fund	20.29	8	109.86	474.66	181.17	84.26	-18.64%
Ke Rui Fund	19.75	9	100.66	270.04	129.31	72.65	-23.67%
An Xin Fund	18.88	10	92.56	279.40	134.99	71.27	-22.95%
Han Xing Fund	12.31	29	80.74	248.41	108.90	48.38	-27.40%
Ke Hui Fund	10.90	30	80.72	195.42	121.76	83.80	-10.85%
An Shun Fund	10.61	31	84.70	271.85	144.70	71.75	-23.34%
Hong Yang Fund	10.01	32	74.87	255.77	119.56	55.98	-27.31%
Rong Xin Fund	9.71	33	71.46	179.08	105.11	66.96	-12.33%
Jin Tai Fund	8.46	34	78.71	252.94	131.02	63.93	-25.77%
Jin Sheng Fund	8.19	35	75.79	220.22	123.83	71.53	-20.86%
Han Ding Fund	7.91	36	49.31	134.90	91.08	51.67	-17.06%
Hong Fei Fund	7.41	37	81.43	216.73	115.83	62.46	-13.41%
Jin Xin Fund	-9.59	38	74.12	230.47	120.24	53.77	-25.29%
Total Average (42)	14.88		92.94	278.76	132.19	68.69	-20.47%

Source: Lipper



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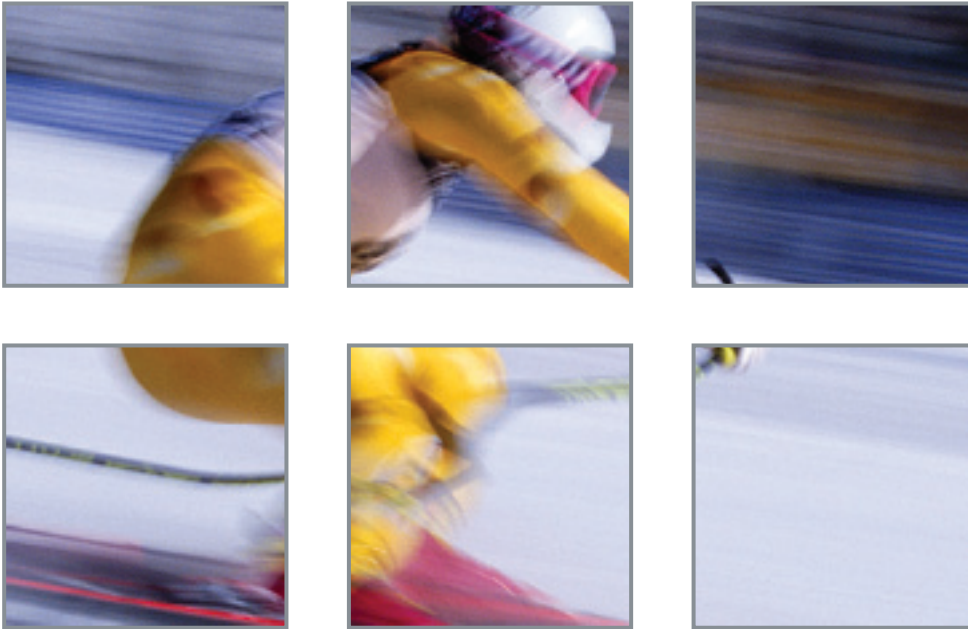
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This is an English executive summary of the "China Fund Market Summary Month-End Analysis." The full Chinese version in simplified Chinese is available separately.

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