

# Lipper FundMarket Insight Reports



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

2007

## Revelry When China Begins to Invest Abroad

- The global equity markets, especially the emerging markets, recorded good performance in September. Because of investment abroad and large IPOs the increase of the A-Shares shrank.
- All China open-end fund categories recorded positive returns in September, but returns also shrank. The Mixed-Asset Aggressive, Mixed-Asset Flexible, Equity, and Mixed-Asset Balanced fund categories chalked up 5.74%, 5.21%, 5.15%, and 4.91% returns, respectively.
- The Shanghai closed-end fund index recorded its first monthly decrease (-2.45%) in September after a consecutive 13 months of increases. The discount rate of large-capitalization closed-end funds increased a huge 32.05%.
- QFII A-Share funds had a 5.25% gain on average—almost the same as their domestic counterparts. The total assets under management (AUM) of QFII funds reached US\$7.9 billion.
- The China fund market began the age of investing abroad. The Mainland and Hong Kong markets both had a fanatical atmosphere. A large correction won't be easy to avoid.

### Market Performance

The cutting of the interest rate by the U.S. Federal Open Market Committee led the global equity markets out of the subprime haze in September. Almost all the main markets recorded good performance, especially the emerging markets. Brazil, Australia, India, Hong Kong, and Singapore led the billboard. After consecutive surges in July and August the increase in the Mainland market shrank.

The governor's intention to balance money and stocks in the domestic market was clear. IPOs and the launch of Qualified Domestic Institutional Investor (QDII) funds (allowed to invest abroad) accelerated. Three QDII funds were permitted to launch in a recent month, collecting US\$12 billion. The China fund market entered the age of investing abroad. In strong contrast, no new funds investing in the domestic market were allowed to be issued since September 5. It was clear that the governor intended to push the over-liquidity to the global markets. At the same time, with the issuance of large-capitalization stocks such as Construction Bank, China Shenhua, etc., the financing size of IPOs reached US\$200 billion, creating a historic record. These two measures showed the effects of balancing the demand and supply of the market. With the large increases in the surrounding markets, the increase in the A-Shares shrank.

The Hong Kong market, especially the H-Shares, pushed by the capital from the Mainland and the strong U.S. market, surged in September. The capitalization of the Hong Kong market reached HK\$20 trillion—a historic high, while the Mainland market also reached a historic high of RMB25 trillion. The linkage between the two markets became tighter and tighter.

### Open-End Fund Performance

All China open-end fund categories recorded gains in September, but returns shrank. The Mixed-Asset Aggressive, Mixed-Asset Flexible, Equity, and Mixed-Asset Balanced fund categories chalked up 5.74%, 5.21%, 5.15%, and 4.91% gains, respectively.

## Leading Fund Intelligence

According to our statistics, within the Equity and Mixed-Asset Aggressive categories only two funds outperformed the Shanghai&Shenzhen 300 index.

### QFII Fund Performance

The 13 QFII funds in our statistics earned in September an average of 5.25%, calculated in RMB—almost the same as their domestic counterparts.

The latest total AUM of QFII funds was US\$7.9 billion. Considering the earnings influence, redemptions were a little more than subscriptions. The net redemption was about US\$140 million.

### Closed-End Fund Performance

The Shanghai closed-end fund index decreased 2.45% in September after 13 months of consecutive increases. Compared to the 5.36% increase of the Shanghai&Shenzhen 300 index the cautious attitude of closed-end fund investors was obvious. The discount rate of funds over 2 billion units expanded significantly to 32.50%.

### Outlook

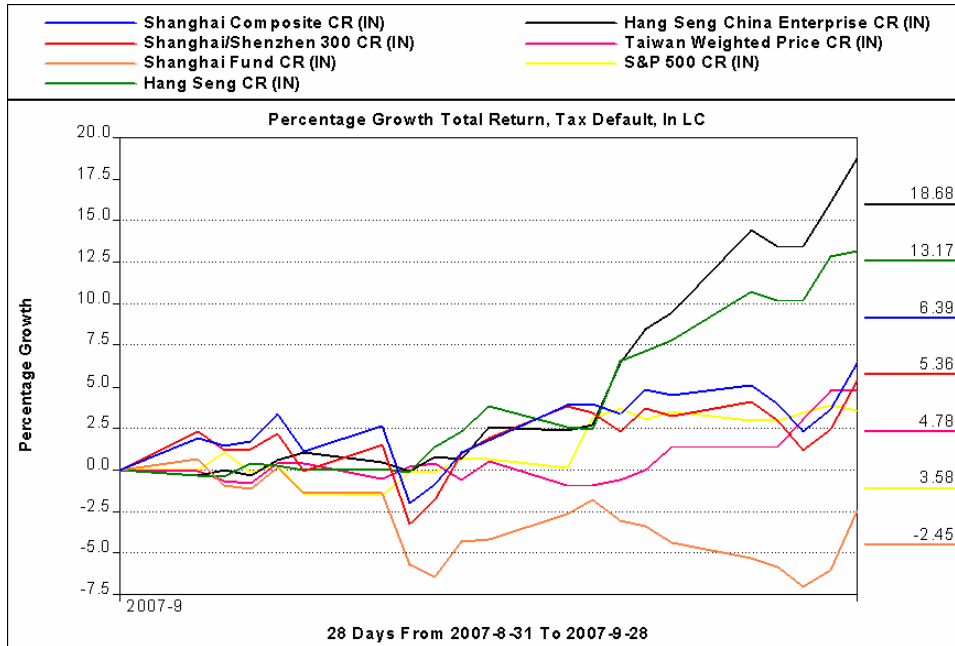
The large launch of IPOs and QDII funds in September showed the effects of dispersing the capital crowded in the A-Share market. If the amount of launches can be maintained in the following several months, the market will feel pressure. But the amount of IPOs and QDII funds is limited. In order to disperse the capital, the launch of stock index futures will become possible in the following months.

The investor enthusiasm for QDII funds was unexpected. The US\$4-billion quota for each of the three QDII funds all ran out in the first day of issuance. Because of the limitation of the quota, only half of the subscriptions could be fulfilled. The size of QDII funds is larger than the size of QFII funds now. Pushed by investor demand to invest abroad and the governor's demand to disperse capital, the QDII funds will develop fast in the following months.

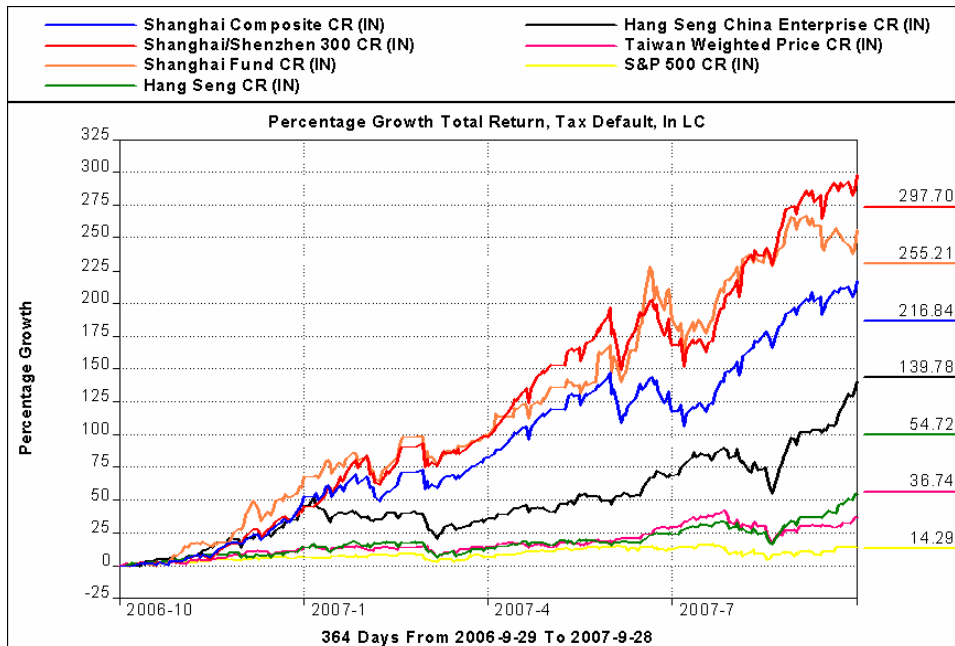
In the Hong Kong market, especially the H-Share market, investors have become more and more optimistic. The strong global equity market and the large amount of capital from the Mainland increased the heat of the market. In the age of global investment, investor enthusiasm is also for globalization.

Now the Hong Kong and the Mainland markets are both at a high level, emotion in the markets is red-hot, and profits for investors are tremendous. Under such a situation a large correction won't be easy to avoid.

Figure 1 Recent Relative Index Performance



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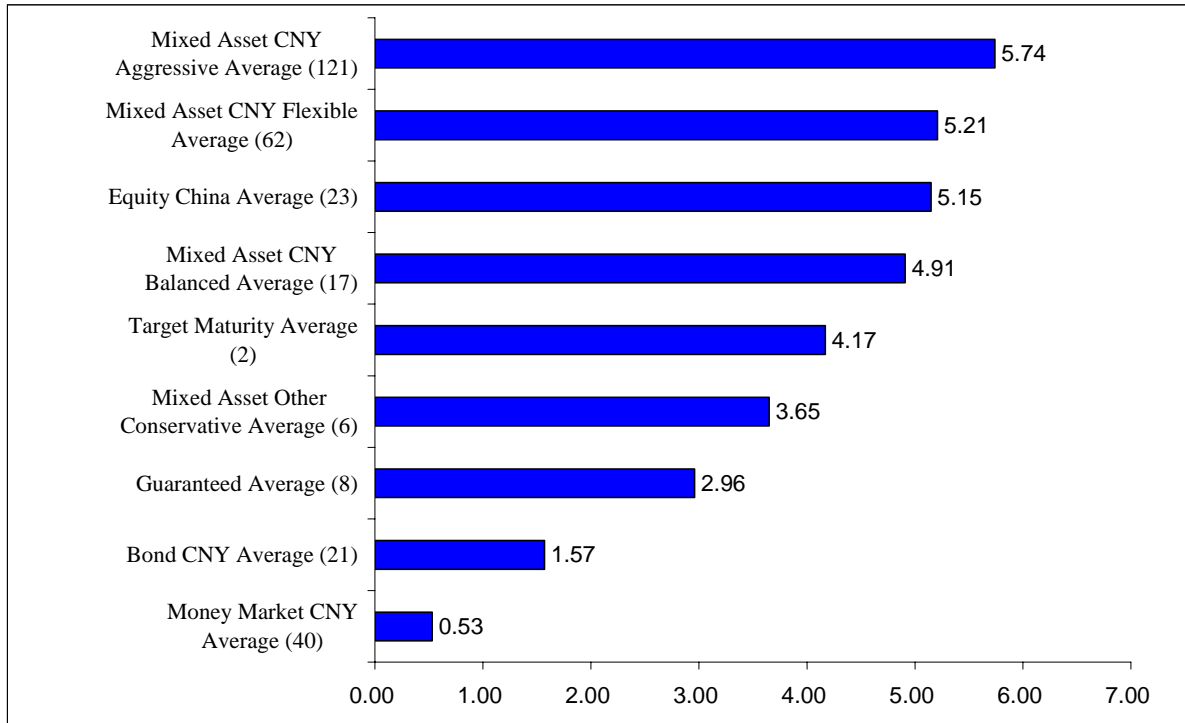


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Source: Lipper

**Leading Fund Intelligence**

Figure 2 Fund Classification Performance, September 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>	1.57	7.58	15.65	14.97	12.96
<b>Equity China Average (23)</b>	5.15	91.27	248.18	135.32	71.44
<b>Guaranteed Average (8)</b>	2.96	29.41	61.93	38.79	34.04
<b>Mixed Asset CNY Aggressive Average (121)</b>	5.74	86.72	206.13	124.16	70.66
<b>Mixed Asset CNY Balanced Average (17)</b>	4.91	72.15	162.58	101.46	62.50
<b>Mixed Asset CNY Flexible Average (62)</b>	5.21	81.94	197.33	115.81	65.14
<b>Mixed Asset Other Conservative Average (6)</b>	3.65	41.38	95.54	58.06	40.22
<b>Money Market CNY Average (40)</b>	0.53	1.60	2.62	2.20	2.37
<b>Target Maturity Average (2)</b>	4.17	75.75	179.54		

Source: Lipper

Table 2 Open-End Funds' Performance, September 2007

Fund Type	Fund Name	% Growth		Rank	% Growth		Ann Comp Ret		Lipper Leaders			
		TR CNY	To 2007-9-28		TR CNY	TR Def CNY	TR Def CNY	1Year				
		1M 2007-8-31			1Y 2006-9-29	2Y 2005-9-30	3Y 2004-9-30	Total Return	Consistent Return	Preservation	Expense	
Bond CNY	China Merchant Anben Zenghi Bond Fund	3.68	1	23.68				2	2	3	5	
	Changsheng Bond Index Plus Fund	3.48	2	51.09	36.00	25.04	Leader	Leader	2	5		
	Fullgoal Tianli Growth Bond Fund	3.34	3	41.61	30.93	22.17	Leader	Leader	5	4		
	E Fund Monthly Income Fund - A	0.19	19	1.80	1.68		5	5	2	3		
	AIG-Huatai Short & Medium Term Bond Fund	0.11	20	1.84			5	5	Leader	2		
	Rongtong Bond Fund	-0.85	21	12.92	12.94	9.40	2	3	5	2		
Equity China	ABN AMRO TEDA First Choice Enterprise Fund	9.13	1									
	Quantity Core Equity Fund	9.04	2	243.29	143.85	70.59	4	4	Leader	5		
	AIG-Huatai Shanghai Stock Exchange Dividend ETF	7.41	3									
	Fortis Haitong Equity Fund	2.91	21	175.43	111.24		5	5	2	5		
	E Fund SSE50 Index Fund	2.53	22	250.85	127.98	68.26	2	3	Leader	4		
	Small & Medium Enterprise Board ETF	-0.25	23	173.07			5	5	5	Leader		
Guaranteed	Guotai Golden Deer Principal Guaranteed Fund	6.54	1	61.37								
	Yinhua Principal Protection Value Growth Fund	4.49	2	29.65	20.70	14.23						
	Guotai Golden Elephant Principal Guaranteed Fund	3.04	3	63.44	37.55							
	Harvest Pu'an Capital Preservation Fund	1.81	5	57.81	33.40							
	China Southern Principal Protected Fund	1.18	6	139.10	85.82	53.85						
	Wanjia Principal Guaranteed Fund	1.15	7	20.20	16.48							
Mixed Asset	China GF Small Cap Growth Fund	12.57	1	203.92	152.66		4	4	5	2		
CNY Aggressive	Golden Eagle Selected Blue Ribbon Fund	11.69	2	180.99	103.82	51.94	5	5	2	5		
	China Nature Core Growth Fund	11.54	3	197.90			4	4	5	2		
	SYWG BNP Paribas New Economy Fund	1.24	118									
	ABN AMRO TEDA Stability Fund	-0.01	119	150.12	103.13	61.86	5	5	4	4		
	China Southern High Performance Growth Fund	-0.48	120									
	Mixed Asset	Harvest Large Cap Value Fund	8.74	1	216.47	121.44	68.76	Leader	Leader	2	Leader	
CNY Balanced	Fortune SGAM Baokang Consumption Products Fund	7.93	2	163.23	105.39	62.14	4	4	3	Leader		
	Franklin Templeton Sealand China Income Fund	7.91	3	114.72	66.95		5	5	3	Leader		
	CIITC Funds (Classic Allocation Fund)	2.19	15	177.74	103.92	59.09	2	2	2	3		
	Harvest Mid & Small Cap Growth Fund	2.11	16	161.53	109.48	68.33	3	3	2	3		
	E Fund Stable Growth Fund	1.39	17	132.78	88.23	53.02	5	5	3	Leader		
	Mixed Asset	Changsheng Dynamic Selective Fund	14.32	1	206.60	129.06	70.48	3	4	2	Leader	
CNY Flexible	Rongtong Sector Rotation Fund	11.05	2	232.93	130.74	67.92	2	2	2	3		
	Penghua Dynamic Growth Fund	9.05	3									
	Fortune SGAM Baokang Dynamic Asset Allocation Fund	0.11	60	174.57	116.61	65.92	3	3	2	Leader		
	INVESCO Greatwall Dynamic Balanced Fund	-0.29	61	155.58	104.14	60.90	5	5	5	3		
	New Century Selective Dividend Fund	-0.35	62	200.33	109.31		2	2	3	5		
	Mixed Asset	Industrial Convertible Bond Hybrid Fund	9.38	1	159.97	95.52	57.08					
Other Conservative	De-sheng Reliable Growth Fund	4.40	2	95.38	55.44							
	UBS SDIC Ronghua Bond Fund	3.70	3	92.44	61.57	40.00						
	Galaxy Income Fund	3.29	4	54.76	37.41	27.45						
	SYWG BNP Paribas ShengLi Stable Growth Fund	2.01	5	82.20	42.09							
	China Southern Bao Yuan Bond Fund	-0.85	6	88.48	56.34	36.35						
	Money	Wanjia Money Market Fund	0.86	1	3.20							
Market CNY	China Universal Money Market Fund - A	0.84	2	3.03								
	Ju Tian Money Market Fund	0.82	3	3.09								
	Everbright Pramerica Money Market Fund	0.26	38	2.18	2.07							
	China Merchants Cash Enhancement Fund	0.24	39	2.26	1.99	2.19						
	Lion Money Market Fund	0.20	40	2.29	2.10							
	Target Maturity	Da Cheng 2020 Lifecycle Fund	4.39	1	227.43							
	HSBC Jitrust 2016 Lifecycle Fund	3.94	2	131.64								

Source: Lipper

**Leading Fund Intelligence**

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Table 3 QFII Funds' Performance, September 2007

Name	To 2007-9-28	% Growth	% Growth	% Growth	Fund Size USDxM	Launch	
	Rank by Table	TR CNY	TR CNY	TR CNY			
	Univ	6M 2007-3-30	1Y 2006-9-29	2Y 2005-9-30			
	Value	To 2007-9-28	To 2007-9-28	To 2007-9-28	Date	Date	
Morgan Stanley China A Share Fund Inc	13.60	124.40	299.55		2007-8-31	908.50	2006-9-28
HSBC China Dragon Fund	13.30				2007-9-28	616.34	2007-7-20
Nikko China A Share Fund 2	5.11	75.38	192.94	317.98	2007-9-28	580.01	2005-6-15
Nikko AM China A Stock Fund	5.09	75.55	193.11	313.66	2007-9-28	474.86	2005-2-28
JF China Pioneer A-Share A	4.70	96.10	269.34		2007-9-28	779.63	2006-6-19
iShares FTSE/Xinhua A50 China Tracker	4.37	89.61	280.19	468.44	2007-9-28	1612.51	2004-11-18
AMP Capital China Growth	4.24	94.23			2007-9-28	520.34	2006-12-18
W.I.S.E. - CSI 300 China Tracker	4.02				2007-9-28	124.93	2007-7-17
Fortis FLEXIFUND Equity China A	3.80	91.99	272.47	477.31	2007-9-28	315.81	2004-12-17
ING China A Share Fund P Class	2.82	82.77	215.73		2007-8-31	662.26	2006-7-14
Hang Seng China A-Share Focus A1	2.65	79.63	206.13		2007-8-31	70.36	2006-2-28
Hang Seng China A-Share Focus	2.47	90.81	235.70	494.11	2007-8-31	6.78	2003-8-25
PCA China Dragon A Share Equity A-1 Class C	2.11				2007-9-28	81.12	2007-5-7
ABN AMRO China A Share Fund					2007-7-31	429.00	2006-1-23
Shenyin Wanguo-Aizawa China A-Share Fund No 2					2007-8-31	36.00	2004-9-6
Shenyin Wanguo-Aizawa China A-Share Fund No 3					2007-8-31	41.78	2007-4-4
Lyxor China A Fund					2007-9-25	93.55	2007-7-23
APS China A Share					2007-8-31	520.20	2004-7-15
DBS China Advantage A Share							2006-8-28
Shenyin Wanguo-Aizawa China A-Share Fund No 1					2007-8-31	18.15	2004-6-4
<b>Total Average (20)</b>	5.25	90.05	240.57	414.30		415.38	

Source: Lipper

Table 4 QFII Funds' Performance and Benchmark Comparison

Name	% Growth	% Growth	% Growth	% Growth
	TR CNY	TR CNY	TR CNY	TR CNY
	1M 2007-8-31	6M 2007-3-30	1Y 2006-9-29	2Y 2005-9-30
	To 2007-9-28	To 2007-9-28	To 2007-9-28	To 2007-9-28
Shanghai Fund CR	-2.45	78.16	255.21	460.10
Shanghai Composite CR	6.39	74.38	216.84	380.46
Equity China Average (23)	5.15	91.27	248.18	452.02
<b>QFII Fund Average</b>	<b>5.25</b>	<b>90.05</b>	<b>240.57</b>	<b>414.30</b>
Shanghai/Shenzhen 300 CR	5.36	100.62	297.70	508.34
Mixed Asset CNY Aggressive Average (121)	5.74	86.72	206.13	404.63

Source: Lipper

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

Name	% Growth TR Alt Prices CNY 1M 2007-8-31 To 2007-9-28 Rank by Table Univ Value	Rnk	% Growth TR Alt Prices CNY 6M 2007-3-30 To 2007-9-28	% Growth TR Alt Prices CNY 1Y 2006-9-29 To 2007-9-28	% Growth TR Alt Prices CNY 2Y 2005-9-30 To 2007-9-28	% Growth TR Alt Prices CNY 3Y 2004-9-30 To 2007-9-28	Discount
Xing An Fund	11.70	1	108.73	285.89	516.50	608.43	-3.93%
Rong Xin Fund	4.83	2	84.15	208.49	411.69	471.08	-9.04%
Yu Long Fund	2.90	3	113.09	435.16	725.95	506.62	-30.01%
Ke Xun Fund	2.67	4	88.78	253.95	470.29	575.57	-6.25%
Jing Yang Fund	2.34	5	99.46	252.31	511.89	639.98	-8.28%
Ke Hui Fund	1.65	6	70.28	213.53	435.41	585.25	-15.71%
Hong Fei Fund	0.89	7	79.21	238.32	427.70	382.67	-13.89%
Jiu Jia Fund	0.65	8	99.06	285.03	621.17	520.49	-30.27%
An Shun Fund	-0.82	9	51.84	232.49	491.22	432.39	-30.73%
Ke Xiang Fund	-1.16	10	75.60	207.25	453.48	564.94	-16.85%
Yu Zhe Fund	-4.53	27	93.01	258.40	395.49	437.45	-28.56%
Han Ding Fund	-4.62	28	34.32	136.78	284.22	264.88	-20.82%
Han Sheng Fund	-5.20	29	80.15	278.01	478.46	376.22	-33.94%
Hong Yang Fund	-5.24	30	59.99	237.10	421.43	296.22	-33.66%
Ke Rui Fund	-5.71	31	82.42	260.18	463.10	427.09	-31.43%
Xing Hua Fund	-7.19	32	101.17	234.11	516.82	384.97	-32.09%
Jin Xin Fund	-7.26	33	33.27	194.61	376.23	262.89	-34.73%
Yin Feng Fund	-7.27	34	90.30	260.37	526.52	341.98	-31.78%
Tong Yi Fund	-7.58	35	85.80	277.56	515.76	430.00	-33.57%
Jing Hong Fund	-10.00	36	105.93	380.01	576.50	457.32	-32.00%
<b>Total Average</b>	<b>-2.52</b>		<b>80.53</b>	<b>269.45</b>	<b>493.84</b>	<b>423.45</b>	<b>-27.43%</b>

Source: Lipper



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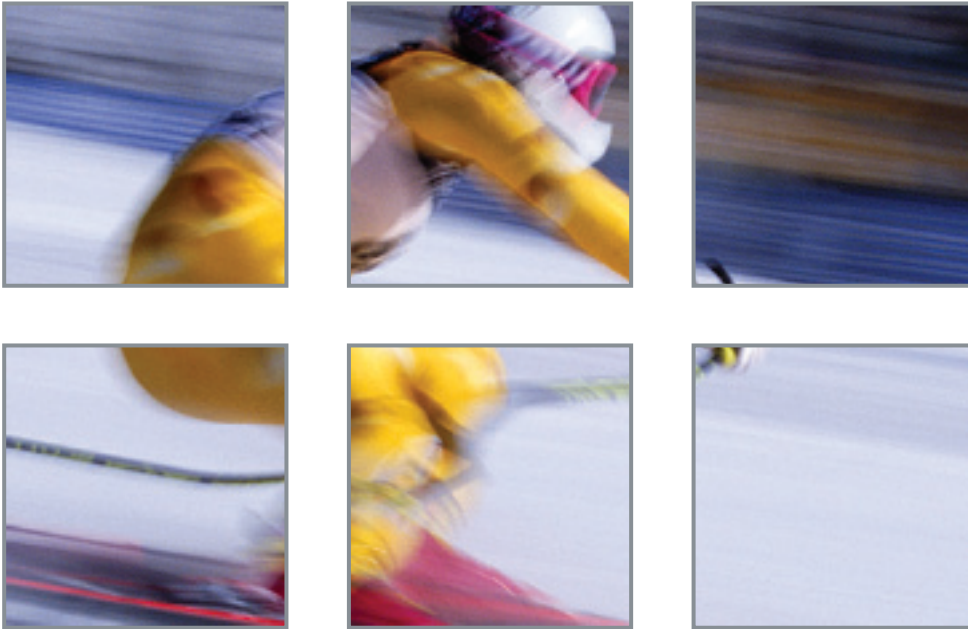
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*This is an English executive summary of the "China Fund Market Summary Month-End Analysis." The full Chinese version in simplified Chinese is available separately.*

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