

Lipper FundMarket Insight Reports



**Hong Kong MPF Market Summary
Month End Analysis
September 2007
(English Version)**

2007



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Hong Kong Mandatory Provident Funds

- Equity funds (+8.77%) on average outperformed all other types of funds in September 2007.
- Among equity funds, Equity China (+15.89%), Equity Hong Kong (+14.37%), and Equity Korea (+12.15%) on average delivered the highest returns.
- All bond funds delivered positive returns in September.
- Mixed-asset funds (+5.17%) on average reported gains in September, with those adopting an aggressive portfolio configuration (+6.70%) delivering better returns than others.
- The 3Q2007 corporate earnings reporting season, which will begin in October, will determine the tone of the global financial markets in the near term.

Market Performance

The larger-than-expected reduction of the U.S. interest rate by 50 basis points to 4.75% at the FOMC meeting on September 18 surprised the market and provided a powerful momentum to bolster the recovery of global equity markets, which has been ongoing since mid-August. As a result most equity markets around the globe recorded solid gains in September.

In the fixed income markets U.S. Treasuries with shorter maturity dates outperformed those with longer maturity dates. The yield of two-year U.S. Treasuries dropped nearly 4 percentage points to 3.98%, while the yield of their ten-year counterparts rose 1.2 percentage points to 4.59% in September. The spread between them widened 56 to 61 basis points at the end of September. This resulted in a steepened yield curve and implied the market was concerned the Fed's interest rate cut might re-ignite inflationary pressures in the long run.

Meanwhile, investors' appetite for risk strengthened as their perception of higher credit risk was alleviated after the Fed increased liquidity in the financial markets via lowering the U.S. interest rate. Investors increased exposure in riskier credits such as emerging markets and high-yield bonds. The JP Morgan EMBI-Global Index jumped 2.86% in September to 396, returning almost to the level it attained in May 2007 before the meltdown of the U.S. subprime mortgage market.

Separately, both AIA-JF and Bank Consortium trimmed the management fee of their Capital Preservation funds on September 1. The reduction ranged from 25 basis points to 75 basis points, lowering the management fees of these MPFs to between 1.20% p.a. to 1.25% p.a.

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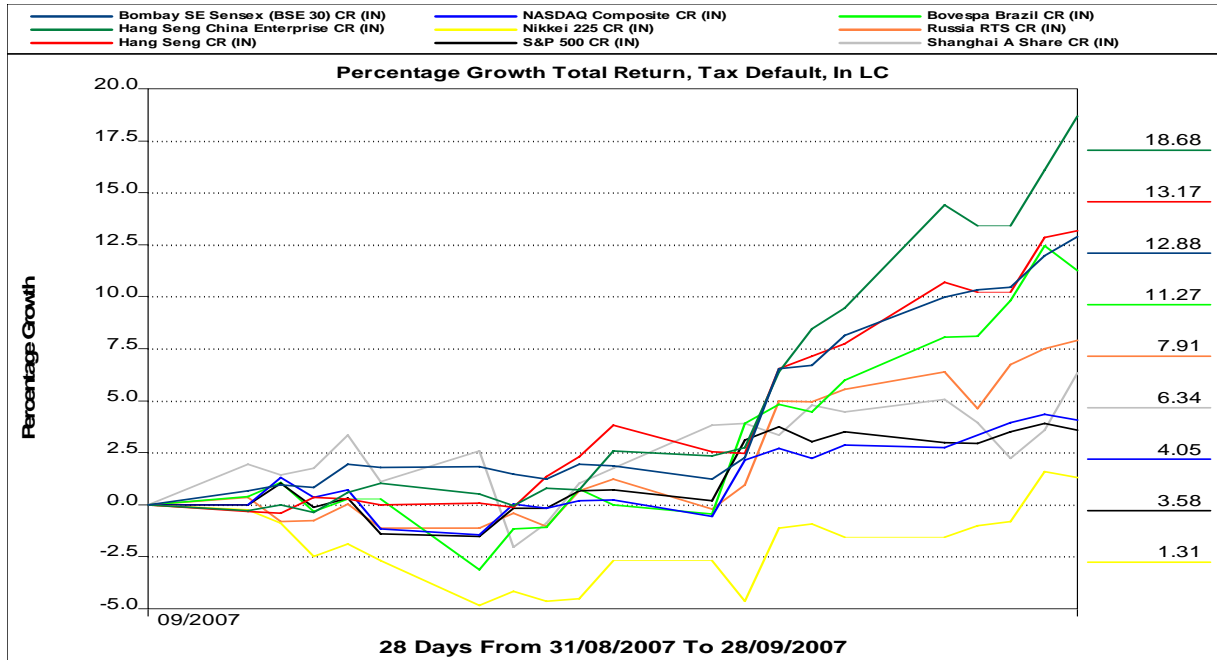
Table 1 Performance Comparison of Global Equity Markets in September 2007

Name	Price Mid LC 28/09/2007	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth
		TR LC 1M 31/08/2007 To 28/09/2007	TR LC 3M 29/06/2007 To 28/09/2007	TR LC 9M 29/12/2006 To 28/09/2007	TR LC 1Y 30/12/2005 To 29/12/2006	TR LC 3Y 30/09/2004 To 28/09/2007	TR LC 5Y 30/09/2002 To 28/09/2007
Bombay SE Sensex (BSE 30) CR	17,291.10	12.88	18.02	25.42	46.70	209.68	478.03
Bovespa Brazil CR	19,879.20	11.27	13.65	36.46	36.06	195.83	652.77
France CAC 40 CR	5,715.69	0.94	-5.60	3.14	17.53	57.00	105.79
Egypt CASE 30 CR	8,647.19	11.59	10.81	24.00	10.26	313.78	1686.46
Germany DAX 30 CR	5,142.60	2.92	-1.82	16.11	19.07	87.12	150.83
Dow Jones Industrial Average CR	13,895.60	4.03	3.63	11.49	16.29	37.85	83.03
Dubai Financial Market General CR	4,231.12	-0.57	-4.02	2.51	-43.33	128.40	
U.K. FTSE 100 CR	6,466.79	2.59	-2.14	3.95	10.72	41.48	73.75
Hang Seng China Enterprise CR	17,017.90	18.68	41.80	64.58	93.99	266.00	800.32
Hang Seng CR	27,142.50	13.17	24.66	35.95	34.20	106.88	199.18
Hang Seng Red Chip CR	5,800.76	19.43	40.40	74.19	72.11	305.74	490.05
Hungary Budapest CR	28,413.10	3.68	-1.79	14.36	19.53	124.67	300.07
Chile IPSA Select CR	3,249.00	-1.85	-6.37	20.64	37.10	90.33	250.31
Jakarta Composite Index CR	2,359.21	7.51	10.28	30.67	55.29	187.66	462.65
Johannesburg SE/Top 40 CR	27,267.60	4.94	6.66	20.61	37.53	152.93	203.25
South Korea KOSPI Composite CR	1,946.48	3.91	11.64	35.69	3.99	133.09	201.12
Kuala Lumpur SE Composite CR	1,336.30	4.90	-1.33	21.90	21.83	57.22	109.45
Argentina Merval CR	2,187.97	6.10	-0.13	4.66	35.45	91.51	453.65
Mexico IPC CR	30,296.20	-0.17	-2.74	14.55	48.56	176.49	428.87
U.S. NASDAQ Composite CR	2,701.50	4.05	3.77	11.85	9.52	42.42	130.49
Japan Nikkei 225 CR	16,785.69	1.31	-7.46	-2.56	6.92	55.08	78.89
Finland OMX Helsinki CR	12,290.20	5.61	8.31	27.69	17.86	112.54	136.72
Pakistan Karachi SE 100 CR	13,353.70	9.33	-3.04	33.00	5.06	155.93	561.48
Philippine PSE Composite CR	3,572.90	6.17	-2.52	19.79	42.29	102.82	216.37
PX Prague SE CR	1,816.30	1.51	-2.30	14.31	7.87	107.48	310.93
Romania BET CR	9,635.38	-6.11	-0.31	19.69	22.23	199.07	488.04
Russia RTS CR	2,071.80	7.91	9.17	7.80	70.75	228.00	520.19
U.S. S&P 500 CR	1,526.75	3.58	1.56	7.65	13.62	36.98	87.26
Australia S&P/ASX 200 CR	6,567.80	5.13	4.67	15.84	19.03	79.20	121.07
Shanghai A Share CR	5,827.66	6.34	45.33	107.01	130.57	297.74	253.09
Shanghai B Share CR	367.35	13.59	44.07	182.33	109.81	299.49	154.09
Shenzhen A Share CR	1,609.76	5.13	43.00	182.62	96.37	335.21	230.34
Shenzhen B Share CR	781.11	5.12	16.20	80.26	121.52	220.21	237.25
Singapore Straits Time CR	3,706.23	9.23	4.45	24.13	27.20	86.74	174.07
Swiss Market Index CR	8,933.48	0.59	-3.00	1.68	15.85	63.46	86.78
Taiwan Weighted Price CR	9,411.95	4.78	5.95	20.30	19.48	61.01	124.53
Thailand SET CR	845.50	3.97	8.85	24.37	-4.75	31.15	154.83
Turkey ISE National - 100	54,973.20	9.51	16.73	40.53	-1.66	150.41	
Vietnam CR	1,046.86	15.25	2.16	39.25	144.48	348.93	474.79

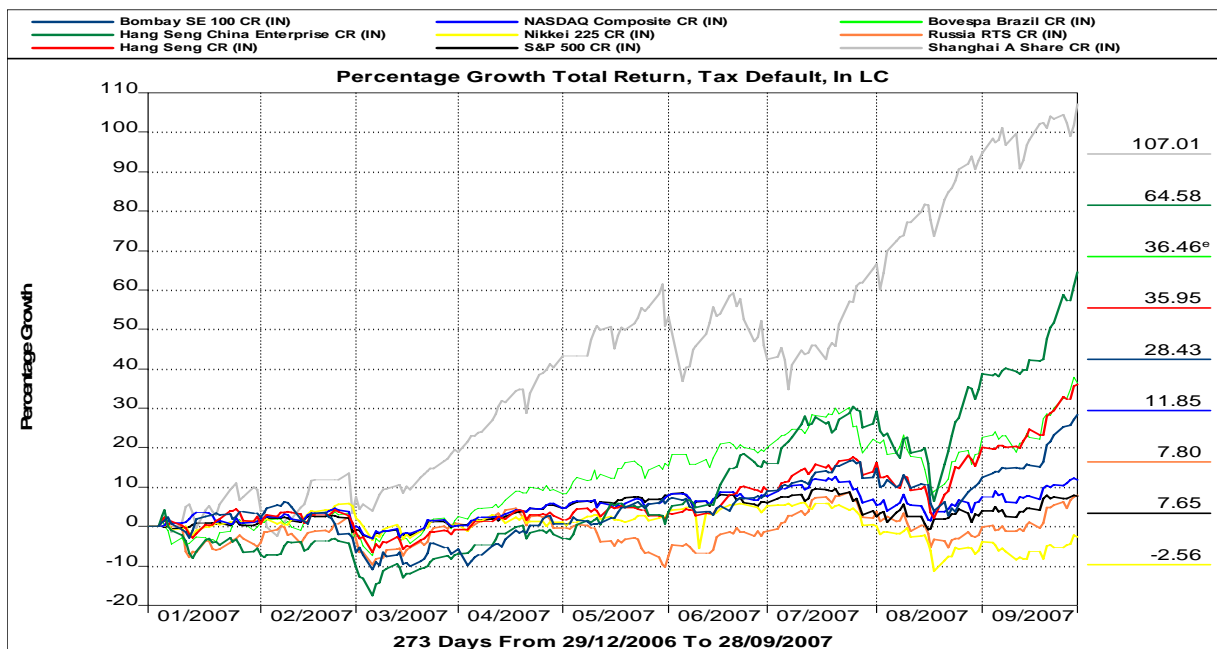
Source: Lipper

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Figure 1 Relative Return of Global Equity Markets



User may have modified the original chart and axis titles provided by Lipper.

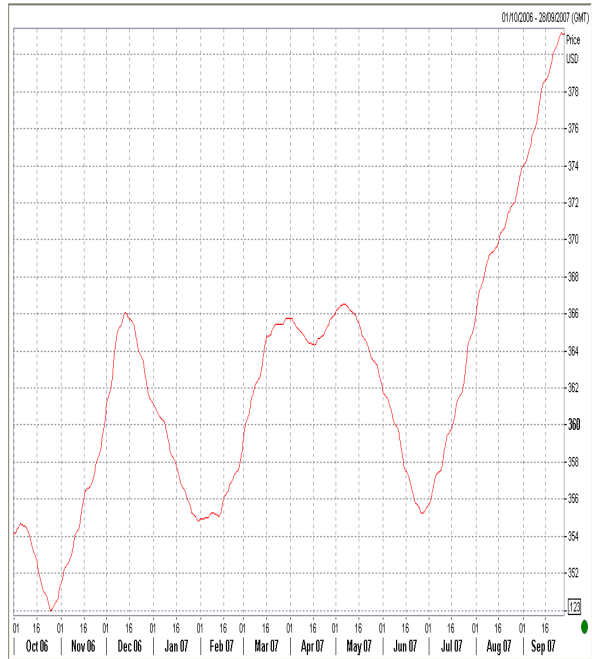


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Source: Lipper

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Figure 2: JP Morgan Global Government Bond Index





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Table 2 HSI and H.K. Pension Funds Series Index

Name	Price Mid LC 28/09/2007	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth
		TR HKD 1M 31/08/2007 To 28/09/2007	TR HKD 3M 29/06/2007 To 28/09/2007	TR HKD 9M 29/12/2006 To 28/09/2007	TR HKD 1Y 29/09/2006 To 28/09/2007	TR HKD 3Y 30/09/2004 To 28/09/2007	TR HKD 5Y 30/09/2002 To 28/09/2007
Hang Seng China Enterprise CR	17,017.90	18.68	41.80	64.58	139.78	266.00	800.32
Hang Seng CR	27,142.50	13.17	24.66	35.95	54.72	106.88	199.18
Hong Kong Pension Funds - Asian ex Japan Equity	299.68	9.31	13.55	33.12	52.85	139.06	256.43
Hong Kong Pension Funds - Capital Preservation Fd	110.74	0.23	0.72	2.10	2.82	6.49	6.90
Hong Kong Pension Funds - European Equity	147.60	2.22	-2.42	6.40	17.21	71.39	146.62
Hong Kong Pension Funds - Global Bond	137.43	1.25	3.13	3.38	4.39	6.97	22.84
Hong Kong Pension Funds - Global Equity	143.84	4.33	1.49	10.20	20.08	65.60	128.93
Hong Kong Pension Funds - Guaranteed Fund	118.05	1.38	2.66	4.61	7.15	13.39	24.11
Hong Kong Pension Funds - Hong Kong Dollar Bond	111.66	0.44	1.67	-0.21	0.83	0.74	1.18
Hong Kong Pension Funds - Hong Kong Equity	260.87	13.19	24.71	43.34	67.45	144.37	282.78
Hong Kong Pension Funds - Lifestyle - (>20-40% Equity)	143.89	3.05	5.06	8.71	13.15	29.57	55.27
Hong Kong Pension Funds - Lifestyle - (>40-60% Equity)	155.81	4.49	6.37	12.88	19.84	45.44	83.75
Hong Kong Pension Funds - Lifestyle - (>60-80% Equity)	164.88	5.82	7.66	16.54	26.01	64.92	119.89
Hong Kong Pension Funds - Lifestyle - (>80-100% Equity)	173.46	7.50	9.32	20.75	32.93	85.09	158.90
Hong Kong Pension Funds - United States Equity	98.30	3.66	1.36	7.21	13.59	36.41	78.48

Source: Lipper, calculated until September 28, 2007

Table 3 Performance of All MPF Sectors in September 2007

Name	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth
	TR HKD 1M 31/08/2007 To 28/09/2007	TR HKD 3M 29/06/2007 To 28/09/2007	TR HKD 9M 29/12/2006 To 28/09/2007	TR HKD 1Y 29/09/2006 To 28/09/2007	TR HKD 3Y 30/09/2004 To 28/09/2007	TR HKD 5Y 30/09/2002 To 28/09/2007	TR HKD Launch To 28/09/2007
Bond Global Average (13)	1.69	3.58	3.86	5.10	8.32	22.66	21.41
Bond HKD Average (5)	0.43	1.66	-0.21	0.81	0.71	2.29	9.35
Bond Average (18)	1.34	3.05	2.73	3.84	5.94	12.48	18.06
Equity Asia Pacific Average (1)	11.71	10.16	27.52	45.08	141.75	207.86	162.30
Equity Asia Pacific Ex Japan Average (19)	10.61	13.77	35.39	55.04	139.81	245.45	121.79
Equity China Average (1)	15.89						27.63
Equity Europe Average (6)	2.48	-2.18	7.94	19.26	75.13	153.31	59.24
Equity Global Average (48)	7.06	7.04	17.48	29.13	79.11	152.96	68.36
Equity Greater China Average (4)	11.56	22.10	46.02	76.80			111.29
Equity Hong Kong Average (27)	14.37	26.03	45.55	71.13	152.35	301.17	181.20
Equity Japan Average (7)	2.26	-2.60	-1.12	0.81	37.96	96.21	28.07
Equity Korea Average (1)	12.15	18.91	45.35	51.98	212.01	223.26	276.60
Equity North America Average (8)	3.33	1.03	6.94	12.95	35.53	76.16	11.03
Equity Average (122)	8.77	11.53	25.77	42.23	101.76	190.44	98.69
Mixed Asset HKD Aggressive Average (34)	6.70	8.54	17.55	27.38	67.58	123.69	64.98
Mixed Asset HKD Balanced Average (29)	5.19	7.15	13.58	20.67	46.84	84.38	54.57
Mixed Asset HKD Conservative Average (26)	3.60	5.63	9.28	13.91	30.99	57.62	42.41
Mixed Asset Other Flexible Average (5)	2.79	3.21	8.46	13.46	39.09	94.30	44.85
Mixed Assets Average (94)	5.17	7.02	13.55	20.84	50.19	92.71	54.46
Money Market HKD Average (39)	0.23	0.70	2.09	2.85	6.61	7.01	10.65
Money Market USD Average (1)	0.20	-0.13	1.84	2.66	6.89	6.86	10.82
Money Market Average (40)	0.23	0.68	2.08	2.84	6.62	7.01	10.66
Guaranteed Average (28)	1.49	2.78	4.74	7.31	13.11	21.82	19.54
Total Average (302)	5.39	7.34	15.26	23.93	55.06	99.02	61.82

Source: Lipper

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H.K. MPF Funds

On average equity funds (+8.77%) outperformed all other types of funds, with money market funds (+0.23%) ranking at the bottom of the performance table in September.

H.K. Equity MPF Funds

All equity funds posted gains and on average delivered a positive return of 8.77% in September. Equity China (+15.89%) and Equity Hong Kong (+14.37%) occupied the top two positions in terms of monthly performance by LGC.

Contrasting with equity funds invested in other Asian equity markets, Equity China and Equity Hong Kong with various degrees of exposure to Hong Kong-listed stocks were bolstered by speculation over imminent massive capital inflows from Mainland China into the Hong Kong equity market via QDIIs and individual investors as well as a new round of IPOs by China's state-owned companies in the Shanghai stock exchange, which lifted the values of their H-Class shares in Hong Kong.

As such, the ten best performing equity funds in September were all China and Hong Kong equity funds, with the top three as follows: **Taifook MPF Retirement Fd-HK SAR** (+21.38%), **INVESCO Strategic MPF S-HK and China Equity A** (+17.11%), and **Fidelity Retirement Master Trust-Hong Kong Equity** (+16.40%).

Meanwhile, Equity Korea (+12.15%) came in third in the performance ranking table by LGC in September. South Korean stocks were lifted by sound economic fundamentals, which included consumers' confidence reaching a five-year high in 2Q2007 and the prospects of strong 3Q2007 corporate earnings growth.

Equity Japan (+2.26%) lay at the bottom of the performance table. Japanese equity funds accounted for five of the ten equity funds with the lowest monthly returns in September. Equity Japan lagged behind others because of the sudden resignation of Prime Minister Abe, which created political uncertainty in Japan, and a lackluster domestic economic environment.

The three equity funds delivering the worst monthly returns in September were: **Manulife Glo Select MPF S-Japan** (+0.85%), **Mass MPF Scheme-European Equity** (+1.17%), and **BOC-Prudential Easy-Choice MPF S-Japan Equity** (+1.39%).

Table 4 Ten Top and Bottom Equity MPFs in September 2007

Name	% Growth TR HKD 1M 31/08/2007 To 28/09/2007	% Growth TR HKD 3M 29/06/2007 To 28/09/2007	% Growth TR HKD 9M 29/12/2006 To 28/09/2007	% Growth TR HKD 1Y 29/09/2006 To 28/09/2007	% Growth TR HKD 3Y 30/09/2004 To 28/09/2007	% Growth TR HKD 5Y 30/09/2002 To 28/09/2007
	Taifook MPF Retirement Fd-HK SAR-A	21.38	40.36	99.24	155.19	338.36
INVESCO Strategic MPF S-HK and China Equity-A	17.11	29.37	49.11	74.68	166.70	
Fidelity Retirement Master Trust-Hong Kong Equity	16.40	30.34	47.16	70.69	138.71	255.21
Manulife Glo Select MPF S-HK Equity	16.19	26.82	43.38	64.19	127.59	246.22
ING MPF M T Compre S-HK Equity Pf	16.10	30.60	51.95	90.53	204.78	389.42
ING MPF M T Bas S-HK Equity Pf	16.08	30.64	52.04	90.74	206.17	396.57
Principal MPF 800-China Equity	15.89					
AIA-JF Premium MPF-Hong Kong Equity	15.26	29.29	48.79	78.90	170.21	332.39
AIA-JF MPF Scheme-Hong Kong Equity	15.21	29.12	48.11	77.96	167.24	329.58
Principal MPF 800-Hong Kong Equity	14.38	30.58	57.93	91.88		
AIA-JF MPF Scheme-European Equity	2.93	-2.32	8.10	20.99	81.79	186.66
Mass MPF Scheme-US Equity	2.75	1.54				
AXA-Elite MPF-Multi-Manager Japan Equity	2.06	-4.15	-0.70			
HSBC MPF-SuperTrust Plus-European Equity	2.00	-1.72	6.95	17.87	70.76	136.92
Hang Seng MPF-SuperTrust Plus-European Equity	2.00	-1.72	6.95	17.87	70.76	136.92
AIA-JF MPF Scheme-Japan Equity	1.82	-0.64	-0.70	2.05	33.90	98.72
AIA-JF Premium MPF-Japan Equity	1.79	-0.66	-0.59	2.19	34.49	97.49
BOC-Prudential Easy-Choice MPF S-Japan Equity	1.39	-4.71	-2.78			
Mass MPF Scheme-European Equity	1.17	-4.30				
Manulife Glo Select MPF S-Japan Equity	0.85	-5.44	-3.80	-1.81	45.50	92.43

Source: Lipper, calculated until September 28, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

Table 5 Technical Analysis of Ten Top and Bottom Equity MPFs in September 2007

Name	% Growth TR HKD 1Y 29/09/2006 To 28/09/2007	Std Dev Ann TR HKD 1Y 29/09/2006 To 28/09/2007	Sharpe Ratio RFR=1Y HIBOR 1Y 29/09/2006 To 28/09/2007	Lipper Score 3 Years		
				Consistent Return	Preservation	Total Return
Taifook MPF Retirement Fd-HK SAR-A	155.19	17.96	8.37	Leader	2	Leader
INVESCO Strategic MPF S-HK and China Equity-A	74.68	16.49	4.23	2	3	2
Fidelity Retirement Master Trust-Hong Kong Equity	70.69	17.15	3.84	4	4	4
Manulife Glo Select MPF S-HK Equity	64.19	15.87	3.74	5	4	5
ING MPF M T Compre S-HK Equity Pf	90.53	18.28	4.69	Leader	3	Leader
ING MPF M T Bas S-HK Equity Pf	90.74	18.26	4.70	Leader	3	Leader
Principal MPF 800-China Equity						
AIA-JF Premium MPF-Hong Kong Equity	78.90	15.50	4.78	Leader	3	Leader
AIA-JF MPF Scheme-Hong Kong Equity	77.96	15.54	4.70	Leader	3	2
Principal MPF 800-Hong Kong Equity	91.88	14.45	6.02			
AIA-JF MPF Scheme-European Equity	20.99	10.20	1.58	2	4	2
Mass MPF Scheme-US Equity						
AXA-Elite MPF-Multi-Manager Japan Equity						
HSBC MPF-SuperTrust Plus-European Equity	17.87	8.07	1.61	3	3	3
Hang Seng MPF-SuperTrust Plus-European Equity	17.87	8.07	1.61	3	3	3
AIA-JF MPF Scheme-Japan Equity	2.05	6.85	-0.41		5	
AIA-JF Premium MPF-Japan Equity	2.19	6.85	-0.39		5	
BOC-Prudential Easy-Choice MPF S-Japan Equity						
Mass MPF Scheme-European Equity						
Manulife Glo Select MPF S-Japan Equity	-1.81	7.50	-0.89		5	



Source: Lipper, calculated until September 28, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

H.K. Bond MPF Funds

Benefiting from the reduction of the U.S. interest rates, all bond funds reported gains and on average delivered a positive return of 1.34% in September.

Two funds, **Bank Consortium MPF-Global Bond** and **Mass MPF Scheme-Global Bond**, tied for first place in terms of the highest return at 2.32% in September. Another two funds, **Standard MPF-Adv-Templeton Global Bond** and **Bank Consortium Industry-Global Bond**, shared the third position at 2.29%.

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Meanwhile, **Fidelity Retirement Master Trust-Hong Kong Bond (+0.34%)**, **Standard Chartered MPF-Adv-Schroder HKD Fixed Inc (+0.43%)**, **Rainbow 65-Sun Life Fixed Income Fund A (+0.44%)**, and **Manulife Glo Select MPF S-HK Bond (+0.44%)** lay at the bottom of the ranking table.

Table 6 Ranking Table of All Bond MPFs in September 2007

Name	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth
	TR HKD 1M 31/08/2007 To 28/09/2007	TR HKD 3M 29/06/2007 To 28/09/2007	TR HKD 9M 29/12/2006 To 28/09/2007	TR HKD 1Y 29/09/2006 To 28/09/2007	TR HKD 3Y 30/09/2004 To 28/09/2007	TR HKD 5Y 30/09/2002 To 28/09/2007
Bank Consortium MPF-Global Bond	2.32	3.25	5.02	6.40	11.79	
Mass MPF Scheme-Global Bond	2.32	3.24	4.97	6.23	10.68	
Standard Chartered MPF-Adv-Templeton Global Bond	2.29	3.10	4.62	5.83	9.85	29.13
Bank Consortium Industry-Global Bond	2.29	3.20	4.91	6.24	10.96	
Principal MPF 800-International Bond	1.64	4.58	4.54	6.28	9.47	26.47
Principal MPF B300-International Bond	1.62	4.52	4.37	6.05	8.02	
Manulife Glo Select MPF S-International Bond	1.54	3.64	3.43	4.13	5.66	17.62
INVESCO Strategic MPF S-Global Bond-A	1.44	3.50	3.83	4.92	7.75	
BOC-Prudential Easy-Choice MPF S-Bond	1.41	4.52	3.72	4.61	5.95	
Standard Chartered MPF-Adv-INVESCO MPF Bond	1.36	3.31	3.24	4.07	5.55	17.43
BEA (MPF) Global Bond Fund	1.31	2.36	2.29	2.85		
AXA-Elite MPF-Multi-Manager Global Bond	1.29	3.55	2.30			
Fidelity Retirement Master Trust-World Bond	1.12	3.82	2.87	3.63	5.84	
Schroder MPF HKD Fixed Income Portfolio	0.53	1.78	0.00	0.88	0.44	2.06
Manulife Glo Select MPF S-HK Bond	0.44	1.73	-0.33	0.79	0.59	2.39
Rainbow 65-Sun Life Fixed Income Fund A	0.44	1.77	0.03	1.45	2.70	4.51
Standard Chartered MPF-Adv-Schroder HKD Fixed Inc	0.43	1.66	-0.17	0.60	-0.60	0.21
Fidelity Retirement Master Trust-Hong Kong Bond	0.34	1.37	-0.59	0.33	0.42	

Source: Lipper, calculated until September, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

Table 7 Technical Analysis of All Bond MPFs in September 2007

Name	% Growth TR HKD 1Y 29/09/2006 To 28/09/2007	Std Dev Ann TR HKD 1Y 29/09/2006 To 28/09/2007	Sharpe Ratio RFR=1Y HIBOR 1Y 29/09/2006 To 28/09/2007	Lipper Score		
				3 Years		
				Consistent Return	Preservation	Total Return
Bank Consortium MPF-Global Bond	6.40	3.14	0.49	Leader	2	Leader
Mass MPF Scheme-Global Bond	6.23	2.83	0.49	Leader	2	Leader
Standard Chartered MPF-Adv-Templeton Global Bond	5.83	3.12	0.31	2	3	2
Bank Consortium Industry-Global Bond	6.24	3.14	0.44	Leader	3	Leader
Principal MPF 800-International Bond	6.28	4.79	0.30	2	5	2
Principal MPF B300-International Bond	6.05	4.79	0.25	4	5	4
Manulife Glo Select MPF S-International Bond	4.13	4.41	-0.16	5	5	5
INVESCO Strategic MPF S-Global Bond-A	4.92	3.63	0.02	3	4	3
BOC-Prudential Easy-Choice MPF S-Bond	4.61	4.60	-0.05	5	5	5
Standard Chartered MPF-Adv-INVESCO MPF Bond	4.07	3.66	-0.21	5	4	5
BEA (MPF) Global Bond Fund	2.85	2.58	-0.78			
AXA-Elite MPF-Multi-Manager Global Bond						
Fidelity Retirement Master Trust-World Bond	3.63	4.40	-0.28	4	4	4
Schroder MPF HKD Fixed Income Portfolio	0.88	1.91	-2.08	5	Leader	5
Manulife Glo Select MPF S-HK Bond	0.79	2.09	-1.94	3	3	3
Rainbow 65-Sun Life Fixed Income Fund A	1.45	2.10	-1.62	Leader	2	Leader
Standard Chartered MPF-Adv-Schroder HKD Fixed Inc	0.60	1.87	-2.27	5	2	5
Fidelity Retirement Master Trust-Hong Kong Bond	0.33	1.86	-2.43	4	Leader	4



Source: Lipper, calculated until September 28, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

H.K. Mixed-Asset MPF Funds

All mixed-asset funds recorded gains and on average achieved a positive return of 5.17% in September. Because of the robust recovery of the global equity markets, mixed-asset funds with a larger allocation to equities, especially those invested in Asia ex Japan equities, outperformed all other types of mixed-asset funds.

Mixed-asset aggressive funds (+6.70%) on average occupied the top spot in terms of the highest monthly return. They were followed by mixed-asset balanced funds (+5.19%) and mixed-asset conservative funds (+3.60%).

The three mixed-asset funds delivering the highest returns in September were: **Tai Ping Retire-Easy Balanced** (+8.32%), **Prosperity MPF M T S-Prosperity Balanced** (+7.92%), and **China Life Balanced** (+7.70%).

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Meanwhile, **Allianz Global Investors MPF-RCM Absolute Return-B (+1.81%)**, **Bank Consortium MPF-Absolute Return (+1.82%)**, and **Bank Consortium Industry-Absolute Return (+1.83%)** lay at the bottom of the ranking table.

Table 8 Ten Top and Bottom Mixed-Asset MPFs in September 2007

Name	% Growth	% Growth	% Growth	% Growth	% Growth	% Growth
	TR HKD 1M 31/08/2007 To 28/09/2007	TR HKD 3M 29/06/2007 To 28/09/2007	TR HKD 9M 29/12/2006 To 28/09/2007	TR HKD 1Y 29/09/2006 To 28/09/2007	TR HKD 3Y 30/09/2004 To 28/09/2007	TR HKD 5Y 30/09/2002 To 28/09/2007
Tai Ping Retire-Easy Balanced	8.32	9.53	17.87	27.59	69.71	118.30
Prosperity MPF M T S-Prosperity Balanced	7.92	8.23	17.31	21.71	40.16	65.39
China Life Balanced Fund	7.70	9.61	19.10	28.81	66.68	123.57
Standard Chartered MPF-Bas-Balanced	7.51	10.35	19.31	29.16	66.60	121.43
Standard Chartered MPF-Advanced-Balanced	7.48	10.31	19.18	28.91	65.35	116.31
Fidelity Retirement Master Trust-Balanced	7.46	10.75	20.76	31.58	70.21	129.45
Standard Chartered MPF-Adv-Fidelity-Balanced	7.46	10.77	20.81	31.61	70.19	129.13
INVESCO Strategic MPF S-Balanced-A	7.42	10.00	19.11	29.68	73.62	131.32
Bank Consortium Industry-Growth	7.40	9.88	18.74	29.02	71.99	129.33
Standard Chartered MPF-Adv-INVESCO Global Balanced	7.34	9.71	18.20	28.21	68.58	121.01
Standard Chartered MPF-Adv-HSBC MPF A-Stable	3.34	5.45	8.31	12.24	25.02	48.83
Fidelity Retirement Master Trust-MultiMgr Cap Stb	3.22	4.70	8.15	12.10		
BEA (MPF) Stable Fund	3.20	4.03	7.51	12.62	31.78	60.21
Schroder MPF Capital Stable Portfolio	3.07	4.19	8.23	11.74	26.48	46.99
Standard Chartered MPF-Adv-Legg Mason Conservative	3.02	5.28	8.25	12.62	28.88	52.09
ING MPF M T Compre S-Stable Pf	2.99	3.61	7.39	10.95	25.10	44.09
Rainbow 65-Sun Life Stable Income-A	2.88	5.08	9.73	14.35	28.81	53.03
Bank Consortium Industry-Absolute Return	1.83	1.90	5.46	8.22		
Bank Consortium MPF-Absolute Return	1.82	1.95	5.79	8.77		
Allianz Global Investors MPF-RCM Absolute Return-B	1.81	1.93	5.76	8.71	19.31	

Source: Lipper, calculated until September 28, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

Table 9 Technical Analysis of Ten Top and Bottom Mixed-Asset MPFs in September 2007

Name	% Growth TR HKD 1Y 29/09/2006 To 28/09/2007	Std Dev Ann TR HKD 1Y 29/09/2006 To 28/09/2007	Sharpe Ratio RFR=1Y HIBOR 1Y 29/09/2006 To 28/09/2007	Lipper Score		
				3 Years		
				Consistent Return	Preservation	Total Return
Tai Ping Retire-Easy Balanced	27.59	9.14	2.49	3	5	3
Prosperity MPF M T S-Prosperity Balanced	21.71	8.78	1.92	5	4	5
China Life Balanced Fund	28.81	10.38	2.31	3	5	3
Standard Chartered MPF-Bas-Balanced	29.16	7.05	3.45	3	4	3
Standard Chartered MPF-Advanced-Balanced	28.91	7.02	3.43	4	4	4
Fidelity Retirement Master Trust-Balanced	31.58	7.17	3.73	3	4	3
Standard Chartered MPF-Adv-Fidelity-Balanced	31.61	7.16	3.74	3	4	3
INVESCO Strategic MPF S-Balanced-A	29.68	6.92	3.59	2	4	2
Bank Consortium Industry-Growth	29.02	6.92	3.49	2	4	2
Standard Chartered MPF-Adv-INVESCO Global Balanced	28.21	6.91	3.38	3	4	3
Standard Chartered MPF-Adv-HSBC MPF A-Stable	12.24	3.99	1.85	5	2	5
Fidelity Retirement Master Trust-MultiMgr Cap Stb	12.10	3.66	1.98			
BEA (MPF) Stable Fund	12.62	3.52	2.21	3	2	3
Schroder MPF Capital Stable Portfolio	11.74	2.79	2.47	5	Leader	5
Standard Chartered MPF-Adv-Legg Mason Conservative	12.62	3.77	2.06	4	Leader	4
ING MPF M T Compre S-Stable Pf	10.95	3.26	1.87	5	Leader	5
Rainbow 65-Sun Life Stable Income-A	14.35	3.27	2.90	4	Leader	4
Bank Consortium Industry-Absolute Return	8.22	1.88	1.79			
Bank Consortium MPF-Absolute Return	8.77	1.86	2.11			
Allianz Global Investors MPF-RCM Absolute Return-B	8.71	1.85	2.09		Leader	



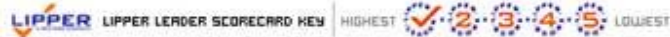
Source: Lipper, calculated until September 28, 2007

Since not all fund NAVs are reported at the same intervals, the last available price is used for performance calculations. The preceding month's figures may also be readjusted as a result.

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Table 10 Ten Top Hong Kong Pension Funds for the Five-Year Period

Name	Lipper Global	% Growth TR HKD 5Y 30/09/2002 To 28/09/2007	Lipper Scores 5 Years		
			Consistent Return	Preservation	Total Return
Taifook MPF Retirement Fd-HK SAR-A	Equity Hong Kong	605.39	Leader	3	Leader
ING MPF M T Bas S-HK Equity Pf	Equity Hong Kong	396.57	Leader	4	Leader
ING MPF M T Compre S-HK Equity Pf	Equity Hong Kong	389.42	Leader	4	Leader
Rainbow 65-Sun Life Hong Kong Equity-A	Equity Hong Kong	355.75	2	2	2
AIA-JF Premium MPF-Hong Kong Equity	Equity Hong Kong	332.39	2	3	2
AIA-JF MPF Scheme-Hong Kong Equity	Equity Hong Kong	329.58	2	3	2
Principal MPF 800-Asian Equity	Equity Asia Pacific Ex Japan	310.17	Leader	5	Leader
Schroder MPF HK Portfolio	Equity Hong Kong	302.89	3	2	3
Schroder MPF Asian Portfolio	Equity Asia Pacific Ex Japan	283.35	2	5	2
Standard Chartered MPF-Adv-Legg Mason HK Equities	Equity Hong Kong	278.25	3	4	3



Source: Lipper

Outlook

Having recovered robustly since mid-August, many global equity markets have regained or surged above their previous highs from before the correction that began in late July. However, technical analysis indicates they have become overbought. Also, their valuations, especially those in the emerging markets, are becoming expensive. Hence, it appears that global equity markets may now undergo a period of consolidating their recent gains until new catalysts emerge to give them new direction.

Initially, the market believed one of the catalysts would be a U.S. interest rate cut at the FOMC meeting in late October 2007. However, the latest U.S. payroll figures, which significantly exceeded market expectations and refuted any previous speculation the U.S. was heading for an economic slowdown, have reduced the probability of such a scenario.

As such, the 3Q2007 corporate earnings of which the reporting season will commence in October will be an important catalyst for the global equity markets in 4Q2007. According to Reuters, S&P 500 Index member companies' 3Q2007 earnings on average are projected to grow 3.2% from 3Q2006, the lowest in at least five years.

However, equity markets can receive renewed upside momentum if corporate earnings exceed market estimates or if companies raise their earnings guidance for 4Q2007 or beyond. Referring to previous quarters, usually approximately two-third of the S&P 500 Index member companies reported better-than-expected quarterly earnings, which lifted the global equity markets. Furthermore, equity markets appear to exhibit a seasonal pattern. The S&P 500 Index reported positive returns in the fourth quarter for 23 of the 27 years from 1980 to 2006.

As for the fixed income markets, government bonds posted losses in the first week of October because of the better-than-expected U.S. payroll figures. The yield of two-year U.S. Treasuries ended the week above the 4% level for the first time since the FOMC meeting on September 18. In the near term the outlook for government bonds is dependent on economic parameters such as the U.S. Producers' and Consumers' Price Indices, which will provide more information on the U.S.'s interest-rate trend. Meanwhile, nongovernment bonds will be driven by 3Q2007 corporate earnings reports.

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Nevertheless, one must remain vigilant and not take these facts for granted. Factors such as the re-ignition of inflationary pressures and the further deterioration of the housing market in the U.S. may emerge unexpectedly and have a negative impact on financial markets.

Separately, Manulife reduced the management fee of its Capital Preservation fund and Interest fund on October 1. The reductions were 25 basis points and 50 basis points, respectively, lowering the management fee of these two MPFs to between 1.75% p.a. and 2% p.a. Also, on October 1, Fidelity cut the management fee of all its 14 MPFs by 41 basis points to 55 basis points to between 1.36% p.a. and 1.77% p.a.

Finally, effective from November 1, 2007, both HSBC and Hang Seng Bank will cut the management fee of their Capital Preservation fund, Index Tracking fund, Balanced fund, and Stable Growth fund. The reductions will range between 10 basis points and 90 basis points. After these cuts these four MPFs will charge a management fee ranging from 1.05% to 1.85% p.a.

Including the latest actions by HSBC and Hang Seng Bank, five MPF service providers (having a combined market share of 60% in the HK MPF market) have now reduced the management fee of some of the MPFs under their schemes. Such actions will add pressure on other MPF service providers to follow suite. Nevertheless, with more capital being set aside for investment these cuts will ultimately benefit MPF scheme members.

Table 11 Forward P/E Ratios and Dividend Yields of Global Equity Markets

Name	Mid LC 05/10/2007	1-year forward P/E ratio	2-year forward P/E ratio	1-year forward dividend yield	2-year forward dividend yield
Bombay SE Sensex (BSE 30)	17,773.36	21.62	18.79	1.20	1.35
France CAC 40	5,843.24	13.32	12.35	3.09	3.36
U.S. Dow Jones Industrial Average	14,066.01	16.06	14.47	N/A	N/A
U.K. FTSE 100	6,595.80	12.92	12.19	3.43	3.69
Hang Seng China Enterprise	17,540.02	25.50	20.79	1.29	1.56
Hang Seng	27,831.52	19.35	18.68	2.30	2.59
Hungary Budapest	27,963.03	13.58	12.24	2.51	2.90
Kuala Lumpur SE Composite	1,372.39	15.81	14.67	3.58	3.73
Argentina Merval	2,277.75	14.02	10.66	1.47	1.50
Mexico IPC	31,540.94	13.66	12.32	8.07	6.88
U.S. NASDAQ Composite	2,780.32	23.07	20.13	N/A	N/A
Japan Nikkei 225*	16,122.16	17.82	16.74	1.27	1.36
Philippine PSE Composite	3,775.91	17.94	15.74	2.52	2.85
PX Prague SE	1,881.50	17.57	14.45	2.93	3.13
Romania BET	10,253.08	22.84	20.52	1.35	1.57
U.S. S&P 500	1,557.59	16.31	14.61	N/A	N/A
Australia S&P/ASX 200	6,605.40	16.05	15.50	4.04	3.95
Shanghai A Share**	5,827.66	44.57	34.72	0.68	0.80
Shenzhen A Share**	1,609.76	13.58	12.24	2.51	2.90
Singapore Straits Time	13,822.62	18.18	16.98	2.75	2.95
Swiss Market Index	9,075.35	15.12	13.57	2.42	2.73
Taiwan Weighted Price	9,617.26	15.18	13.11	3.72	4.10
Thailand SET	852.33	12.24	11.31	3.70	3.96
Turkey ISE National - 100	56,792.97	12.83	11.03	2.45	2.77

* Based on the closing price as of October 4, 2007

** Based on the closing price as of September 28, 2007

Source: Reuters

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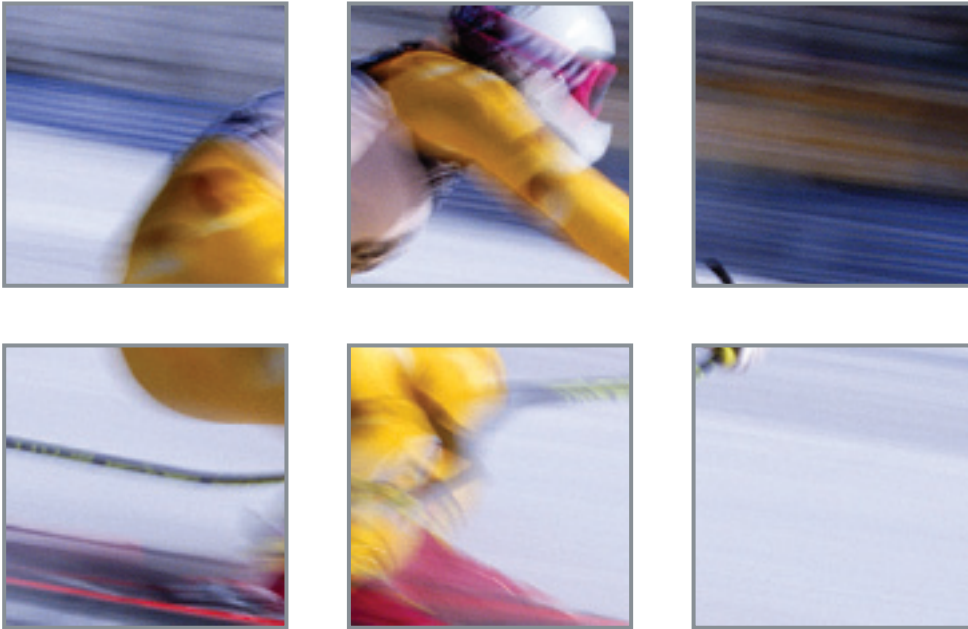
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