

# Lipper FundMarket Insight Reports



**Taiwan Fund Market Summary  
Month End Analysis  
August,31 2007  
(Executive English Summary)**

### Roller-Coaster Ride

- The subprime mortgage crisis was contagious; global markets had a roller-coaster ride in August.
- The China market was walled off from and outshone other Asian markets.
- Equity Sector Real Estate rebounded, while Equity Emerging Asia markets plunged.
- The fed funds rate stayed unchanged, while the government bond yield went down because of the rally.
- Concerns haven't been relieved; be wary of the turmoil and risk.

### **Market Performance**

With the storm of the subprime mortgage crisis, global equity markets plunged in August, except for China's. The China market was walled off from the storm and leapt 16.87% to the top of the Asian markets. The TAIEX fell 3.29%, while the Thailand, Indonesia, and Malaysia markets fell behind. The China market rallied 95.06% for the year-to-date period and took the lead of all Asian markets. Korea, Indonesia, and Hong Kong also had returns of over 20% on average for the year to date.

### **Equity Fund Performance**

Equity Sector Real Estate North America and Equity Sector Real Estate Global unexpectedly took the lead, while Equity Sector Biotechnology and Equity Sector Pharma & Health followed. Equity Taiwan and Equity Taiwan Small- & Mid-Cap underperformed, with an average return of minus 7%. Equity gainers registered for sale in Taiwan in August included: **Morgan Stanley US Property A USD** (+7.42%), **Pictet F (LUX)-Biotech-P Cap** (+6.52%), **UBS (Lux) Equity Fund-Biotech B** (+6.30%), **AllianceBernstein-International Technology A USD** (+4.88%), **Credit Suisse Equity (Lux) Global Biotech B** (+4.79%), and **AllianceBernstein-Global Real Estate Secs A USD** (+4.73%).

Equity Korea, Equity Malaysia, Equity Taiwan Small- & Mid-Cap, Equity Thailand, and Equity Taiwan took the lead for the year-to-date period, with returns over 25% on average. Heavy-gaining types for the year-to-date period were almost all focused on Equity Taiwan and Equity Taiwan Small- & Mid-Cap. The leaders for the year to date were **UPAMC Quality Growth Fund** (+54.00%), **Paradigm Technology Fund** (+49.67%), **Truswell IC Fund** (+48.35%), **Shinkong Fu-Kuei Fund** (+47.72%), **Shinkong National Development Fund** (+47.7%), **UPAMC Pentium Fund** (+46.82%), **Hua Nan Yung Chong Fund** (+46.74%), **Shinkong OTC Market Fund** (+46.71%), and **IIT First Fund** (+46.19%).

### **Bond Fund Performance**

The U.S. Fed kept the federal funds rate unchanged at 5.25%; however, with the impact of the subprime mortgage crisis and concern about the U.S. economic outlook, the bond market kept edging up. Bond gainers registered for sale in Taiwan were **Parvest Japan Yen Bond C** (+4.25%), **International Opps Fds US High Yield Bond A** (+3.36%), and **Baring Global Bond** (+2.65%).

Bond Convertibles Others, Bond Convertibles Global, and Bond Convertibles Europe were the leading categories for the year to date. The best gainers were: **Parvest Asian Convertible Bond C** (+14.46%), **Morgan Stanley Global Conv Bd EUR A EUR** (+9.24%), **AmEx Funds Global Emerg Mkt Liquidity AEH** (+6.97%), **Schroder ISF EURO Short Term Bond A Acc** (+6.82%), **Mellon Sterling Bond A GBP** (+6.65%), **Morgan Stanley Global Conv Bd USD A USD** (+6.59%), and **IBT North American Income Trust Fund** (+6.57%).

### **Leading Fund Intelligence**

## **Outlook**

To tame the subprime crisis and to orderly restore conditions in the financial markets the Federal Reserve announced a 50-basis-point cut in the discount rate in August. Global equity markets rebounded extensively. Although the market was expecting the FOMC to cut rates, the Fed deemed inflation to be the "predominant" concern and voted to keep the federal funds rate unchanged at 5.25% for the ninth straight time. However, U.S. consumer confidence deteriorated in August to its lowest level. The concern about a U.S. economic recession was the biggest uncertainty and issue for global markets.

Taiwan's second quarter GDP grew at a greater-than-expected 5.07% from a year earlier, its fastest expansion in a year, and the government revised up its gross domestic product forecast to 4.58% for the full year. Taiwan's index of leading economic indicators rose 0.3 point to 146.6 in July from the month earlier. The monitoring indicator kept signaling a green light. Taiwan's export orders rose 23.49% from a year earlier to US\$29.72 billion—hitting a record high—and industrial output rose 13% from a year earlier. Economic statistics kept showing good signs and were advantageous to the Taiwan equity market.

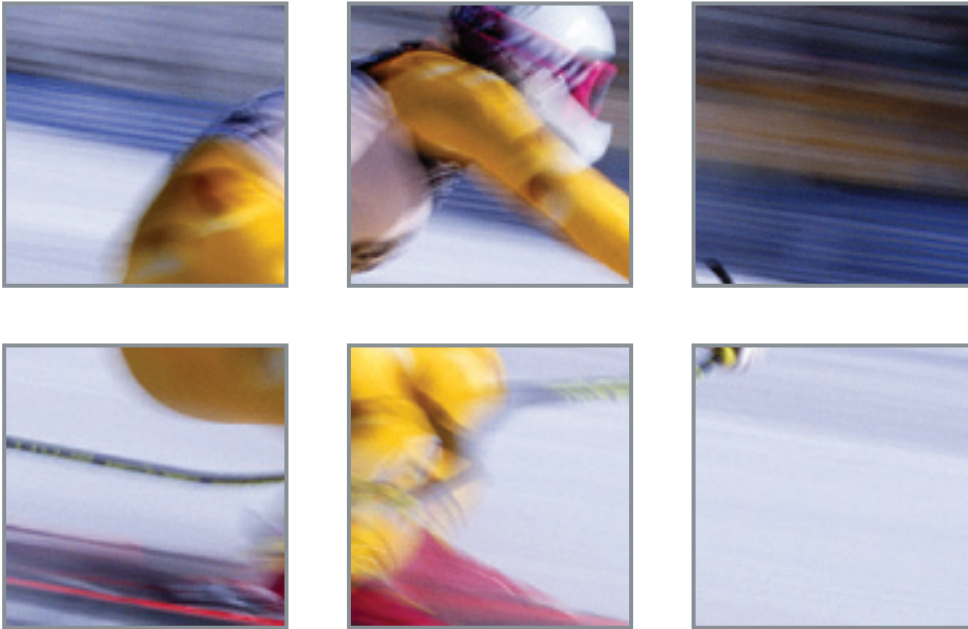
Global markets are in a turmoil; however, because of China's strong economic growth, Asian emerging markets have higher dynamic economic growth prospects and valuations. The only uncertainty is that China's consumer price index (CPI) surged 6.5% in August, the biggest monthly rise this year. China's central bank is likely to raise interest rates in the future.

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