

Lipper FundMarket Insight Reports



**Taiwan Fund Market Summary
Month End Analysis
September 28, 2007
(Executive English Summary)**

The Fire Is Relit

- In September global markets were revived after the subprime mortgage crisis; the Hong Kong market took the lead of all Asian markets.
- Oil and gold prices hit record highs; Equity Sector Gold & Precious Metals and Equity Sector Natural Resources outperformed.
- Emerging markets rebounded; the Emerging Asia and Emerging Markets Latin America categories were key players.
- The Fed cut fund rates, but the concern of inflation still exists.
- Since concerns haven't been relieved, investors should be wary of turmoil and risk.

Market Performance

After the storm of the subprime mortgage crisis, global equity markets rebounded in September and the Hong Kong market leapt 13.17% to the top of the Asian markets. The India, Singapore, Indonesia, China, and Philippines markets followed, while the TAIEX rebounded 4.78% in September. The China market rallied 107.53% for the year-to-date period and took the lead of all Asian markets. Hong Kong, Korea, Indonesia, and India also had returns of over 25% on average for the year to date.

Equity Fund Performance

The Equity Gold & Precious Metals and Equity Sector Natural Resources fund categories took the lead in September, with all affiliated funds having big jumps. The best gainers included **MLIIF World Gold Fund A2 USD** (+26.04%), **AIG PB Equity Fund Gold-A** (+21.56%), **Investec GSF Global Gold A Inc** (+20.8%), **SGAM Fund Equities Gold Mines AC** (+20.61%), **MLIIF World Mining Fund A2 USD** (+19.91%), **United Gold & General Fund** (+17.95%), **Baring Global Resources USD** (+17.91%), and **Allianz-dit Rohstoffonds-A EUR** (+17.14%).

Equity Australia, Equity India, Equity Emerging Markets Latin America, and Equity Emerging Markets Global also outperformed, while Equity Sector Real Estate Europe and Equity Japan Small- & Mid-Cap fell behind. Equity Korea stayed at the top of all equity fund groups registered for sale in Taiwan, with an average return of 42.02%. Equity Malaysia, Equity Singapore, Equity Emerging Markets Latin America, and Equity Asia Pacific Small- & Mid-Cap took the lead for the year-to-date period, with returns over 35% on average, while Equity Japan and Equity Japan Small- & Mid-Cap fell behind.

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** (+63.57%), **Truswell IC Fund** (+53.50%), **UPAMC Pentium Fund** (+52.02%), **UPAMC Optima Fund** (+51.22%), and **UPAMC Infrastructure Fund** (+51.17%). Offshore funds outperforming for the year-to-date period were **MLIIF World Mining Fund A2 USD** (+60.56%), **Allianz GIS RCM Singapore A Dis** (+55.82%), **ING Thailand Fund** (+51.76%), **Allianz GIS RCM Malaysia A Dis** (+51.48%), and **INVESCO Korean Equity USD A** (+50.45%).

Bond Fund Performance

The U.S. Fed cut the federal funds rate to 4.75%, while U.S. Treasuries prices slipped. However, to tame inflationary pressure the Taiwan central bank hiked target interest rates 12.5 basis points. The leading bond fund categories registered for sale in Taiwan were Bond Convertibles Others, Bond Global EUR Hedged, Bond Europe High Yield, and Bond EUR High Yield. The best gainers in September were **ABN AMRO Global Emerging Markets Bond (EUR) A** (+7.70%), **Parvest Asian**

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Convertible Bond C (+7.27%), IBT North American Income Trust Fund (+6.07%), M&G European High Yield Bond X Inc (+5.62%), MLIIF Global High Yield Bond Fund A2 EUR Hedged (+5.42%), ABN AMRO High Yield Bond A EUR (+5.27%), and ING (L) Renta Fund Global High Yield P Cap (+5.11%).

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 (+22.78%), Morgan Stanley Global Conv Bd EUR A EUR (+13.85%), IBT North American Income Trust Fund (+13.04%), AmEx Funds Global Emerg Mkt Liquidity AEH (+10.99%), Schroder ISF EURO Short Term Bond A Acc (+10.39%), and AmEx Funds European Short-Term Bonds AE (+10.05%).**

Outlook

Responding to concerns that housing and financial market ripples will push the U.S. into a recession, the U.S. Fed cut interest rates a hefty 50 basis points to 4.75% on September 18. Global equity markets were revived and rallied in September. However, the Conference Board's U.S. consumer confidence index fell to 99.8 in September—the lowest since November 2005. The Institute for Supply Management's indices of manufacturing activity for September didn't do well. Moreover, inflationary pressures remained a factor for global and U.S. markets. The U.S. economic outlook was unclear.

The Taiwan central bank hiked target interest rates 12.5 basis points, despite the FOMC's 50-basis-point rate cut. Inflationary pressure was the key point of the contradictory policy, and the official Consumer Price Index (CPI) forecast was raised to 2.43%. In addition, Taiwan's index of leading economic indicators rose 0.4 point in August from the month earlier, and the monitoring indicator kept signaling a green light. Taiwan's export orders rose 16.32% from a year earlier to US\$30.49 billion—hitting a new record high—and industrial output rose 10.21% from the year earlier. Economic statistics kept showing good and stable signs.

Global financial markets appear to be stabilizing, but they have not returned to normal and are still fragile. The prices of oil, gold, and other commodities have rallied and hit record highs, and global inflationary pressure is still a key issue to monitor. Emerging markets continue rising, especially Emerging Asia and Latin America. Nevertheless, some single countries might be overheating. Investors should be wary of turmoil and risk in the future.

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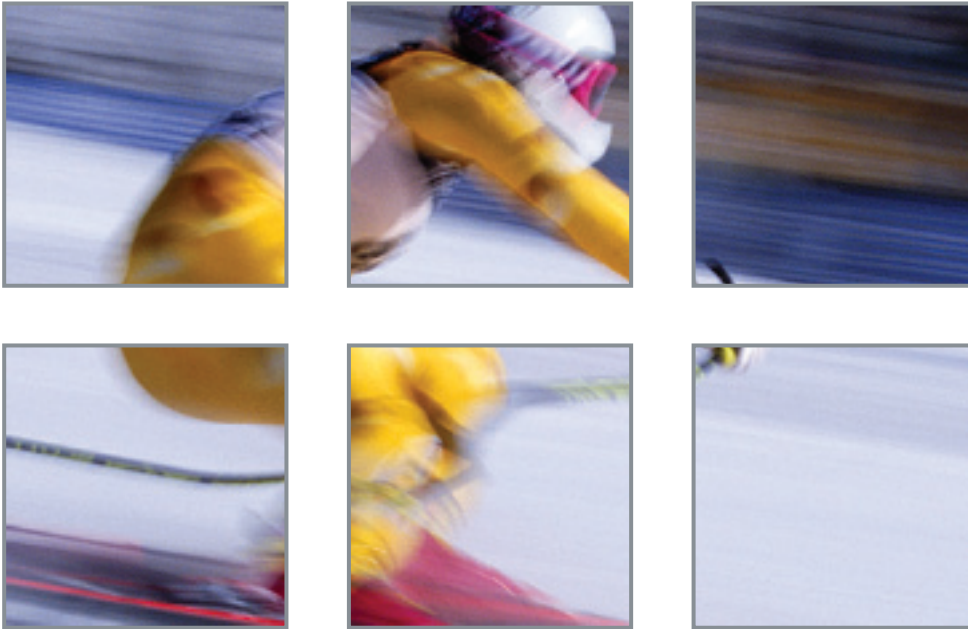


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