

Foreign fund management companies in China

April 2009



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Foreword

Welcome to the second PricewaterhouseCoopers¹ (PwC) survey on foreign fund management companies in China. We are very pleased to have had 29 foreign fund management companies participate in the survey.

Much has happened since the launch of our inaugural survey in September 2007. At that time, China's equity markets were roaring ahead, setting record after record as investor confidence and euphoria knew no bounds – although the first noises about losses relating to sub-prime mortgages around the globe had started to emerge at a number of banks and fund houses. The 18 months that have passed since then have seen a very severe bear market in China. Equity prices have fallen by over 72% from the peak and by the reckoning of most economic commentators, the rapidly developing financial and economic crisis appears to be the worst since the 1930s.

These events have transformed China's positioning in the world economy today. China's huge reserves and excess liquidity have been much sought after, as western countries seek to rescue their financial institutions and other major industries experiencing the full force of this economic downturn. China's consumption patterns and demand for foreign goods and services will be critical to many companies and countries that see China as one of the very few remaining growth economies in 2009. China's cheaper exports will be crucial to many countries that will fear inflation in the medium term after economies recover. In short, much of the western world is looking to China for solutions to this global crisis and fears the consequences of any significant slow down in China itself. The stimulus packages recently announced by the Chinese government have, therefore, been warmly welcomed.

What about China's fund managers – how are they being affected by the huge upheaval that has taken place and the inevitable transformation that will follow? For many, the past 18 months has been a sobering experience. Heavy losses in domestic equities, combined with heavy

losses on QDII exposure to the international markets, have naturally generated high redemptions from investors and generally lower, or slowing, levels of profitability for the fund management industry. Experienced international fund managers may have been through this type of cycle a number of times in a 20-year career, but for many China-based fund managers the past 18 months has been a new and tough experience. The markets will, of course, recover and China's equities have recently showed signs of life. The markets internationally will recover as well, although it seems less certain when this might occur on a sustained basis. Conceptually, the QDII product is sound and will eventually be very successful in providing mainland China investors with profitable international markets exposure.

The pace of change will be important and this survey suggests some continuing frustration with the speed at which regulatory approval to develop the range of newer fund products is obtained. China's regulators have always been careful to manage the growth of the fund management industry in a structured, incremental fashion, with limited experimentation of a product then being followed by a broader roll-out. The severity of the global financial crisis, and the ongoing volatility in many asset classes, means that we must expect the Chinese authorities to remain cautious about market liberalisation initiatives.

I would like to thank the chief executive officers and senior executives who participated in this survey for their time and efforts in making this publication possible. I would also like to thank Dr Brian Metcalfe for his research and analysis. We look forward to feedback on this survey and on topics to be included in future surveys on the Chinese fund management industry.

To obtain further information, please contact PwC China investment management industry partners. They are listed at the back of this survey.

¹ "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



A handwritten signature in black ink that reads "Robert Grome".

Robert Grome

Asia Pacific Investment Management
and Real Estate Leader

April 2009

Executive summary

This survey focuses on the strategic and emerging issues surrounding foreign fund management companies in China.

The survey attempts to synthesise diverse viewpoints, protect confidentiality and offer insights into this fast-changing investment market.

It is based on interviews with CEOs and senior executives of 29 foreign fund management companies.

The interviews were approximately one hour in length and were conducted in Beijing, Shanghai, Shenzhen and Hong Kong in January and February 2009.

The participants in alphabetical order were:

ABC-CA (Crédit Agricole)
ABN AMRO TEDA (Old Mutual)²
AEGON-Industrial
AIG-Huatai
AXA SPDB
Bank of China Investment Management (BlackRock)
BOCOM Schroder
CCB-Principal
China International (JPMorgan)
China Merchants (ING)
CITIC Prudential
Changsheng (DBS)
Everbright Pramerica
First State Cinda (Commonwealth Bank)
Fortis Haitong
Fortune SGAM
Franklin Templeton Sealand
Fullgoal (Bank of Montreal)
GTJA Allianz
Harvest (Deutsche)
HSBC Jintrust
KBC-Goldstate
Lombarda China
Lord Abbett China
Morgan Stanley Huaxin
Penghua (Eurizon)
Rongtong (Nikko)
SYWG BNP Paribas
UBS SDIC

Parentheses have been used where the foreign partner or investor is not apparent.

² In August 2008 Fortis the Belgo-Dutch bank agreed to sell its 49% stake in ABN AMRO TEDA which is majority owned by the city of Tianjin to London-based Old Mutual. The sale is the result of regulatory compliance following Fortis's acquisition of ABN AMRO's asset management business in April 2008. The sale is subject to the approval of the CSRC and relevant government authorities.

Past findings from the 2007 report

In the 2007 survey, the foreign fund management companies expressed unbridled enthusiasm for the future prospects of the industry in China.

At that time, many companies, although recent entrants to the market, had enjoyed exceptional growth and development. They envisaged expansion of their product offerings and looked forward to more direct distribution as the larger companies further established their brands.

However they did express caution about the lack of coordination by regulators associated with the fund industry and voiced frustration with the RMB 10 billion cap on new funds and the controlled launch of new funds into the marketplace.

The new report

Almost two years later many of these frustrations remain. In the interim, the local Chinese market declined steeply in 2008 and at the time of this report had enjoyed a rebound in the first quarter of 2009.

The benchmark Shanghai Composite Index reached an all time high of 6,124 points on 16 October 2007 and ended 2008 down a record 65%. On 24 March 2009, Bloomberg reported that the Shanghai Composite had risen 28% in 2009 in part attributed to the Chinese government's RMB 4 trillion stimulus plan.

Despite the global financial crisis this research found a renewed sense of optimism among the foreign fund management companies. Although they forecast flat growth in 2009, they envisage significant pick-up over the next three years.

Market development over the next three years

There are four key related issues which will impact on the foreign fund management companies' future development in China.

Recovery of the Chinese and the global economy

The first is the recovery of both the Chinese and the global economy. If and when economic prospects improve, the foreign fund management companies foresee a renewed appetite for both domestic and foreign stocks.

They believe that the previous launch of the QDII products could not have happened at a less desirable time and acknowledge that many investors were negatively impacted. This impact will stretch into the medium term.

However, they believe strongly in the need and underlying rationale for QDII products and expressed a unanimous view that QDII's time would come.

Relaxation of regulatory control on new products

The foreign fund managers would like to see a relaxation of controls on both the number and timing of new products that can be launched. This is a critical competitive point because the Regulator's controlled approach to new product development adversely affects foreign fund managers' ability to innovate and assert a competitive advantage over their domestic counterparts.

Distribution – the bank bottleneck

The third key issue centres on distribution. The most important distribution channel for funds in China is the bank channel. As the big banks expand their manufacturing and distribution of proprietary funds, they pose a growing threat to the foreign fund management companies' products as they try to find space in this crowded channel.

The foreign joint venture companies plan to remain competitive through superior fund performance and a higher level of client service than their domestic counterparts. Allied to this will be the development of strong brands which will place the larger fund companies with their global brands at a competitive advantage over the smaller less well-known foreign companies.

The larger better resourced foreign fund management companies are also likely to be more adventurous as they expand into Tier 2 cities and beyond.

Several fund companies in this survey indicated that they have enjoyed solid success in geographic markets beyond the Tier 1 cities. This will therefore provide a key distribution opportunity over the next three years. (Tier 2 cities are defined as Chongqing, Dalian, Hangzhou, Harbin, Kunming, Nanjing, Ningbo, Qingdao, Tianjin, Wuhan, Xiamen, Xi'an and Zhuhai).

Impact of the global financial crisis

How has the financial crisis impacted the foreign fund management companies in China?

As already noted, the sharp decline in both the Chinese stock market and markets around the world has affected investor appetite for both domestic and foreign stocks. The speed of the global recovery will therefore influence the nature of this rebound. Participants often commented on the unsophisticated and fickle nature of the Chinese investor. Better investor education and heightened awareness of market swings should help to reduce this characteristic in the future.

What was clear from this research was that the foreign fund management companies remain strongly committed to having a long term presence in China. Almost half the participants expressed the "maximum" level of commitment to the Chinese funds market. Furthermore the report found that the foreign partners' strong support and belief in future potential was closely supported by their

domestic partners. As a result, the report found no evidence to suggest the global financial crisis has resulted in moves to scale back or withdraw from China. The commitment remains firm and resolute.

However, the financial crisis may prove to have a negative impact from the foreign fund management perspective in the area of future ownership control. It is fair to say that most foreign partners would ultimately like to gain control of the Chinese joint venture.

In 2007, it seemed possible for a number of participants, that full control might have been achieved by 2012.

In this year's report a five year horizon (now stretching to 2014) seems very optimistic. Indeed some participants went as far as to suggest it would never happen. The reason given was that with the regulatory chaos and uncertainty present in most major markets around the world, the Chinese authorities would be less willing to permit minority ownership to be converted to majority control.

Domestic fund managers' response

The foreign fund managers elevated competition from domestic fund managers from 16th position as a pressing issue in 2007 to second place in 2009. They see the domestic managers as their greatest competitive threat.

The foreign managers still hope to grow market share but they also predict a continual stream of new foreign entrants. They predict more mergers (and therefore increased critical mass) among the domestic fund managers and realise that we are only beginning to see the muscle of the big four banks as they expand their offerings.

This survey covered only foreign fund managers and did not therefore capture responses from the domestic companies on their future overseas expansion beyond China. It seems reasonable to predict that the domestic fund companies will expand first into Hong Kong and then beyond. If they follow this course they will enhance their own levels of expertise, develop new relationships and channels, launch new products and lift the level of competition with their foreign joint venture counterparts in geographies outside China.

The following findings are based on interviews with 29 foreign fund management companies.

Market growth

The fund management companies expect flat growth in 2009 but this will pick up over the next three years. By 2012, eight companies expect moderate growth (5% to 20%), 18 companies thought they would have significant growth (20% to 99% per annum) and one large company envisaged extreme growth (exceeding 100% per annum).

The fund management companies plan to grow organically over the next three years. While they acknowledge the power and threat of the banks, they believe that with innovative, high performing products they will continue to thrive within the bank channels.

They would also like to see alternate channels opening up and hope that increased brand awareness will facilitate direct marketing.

Twenty-six companies provided Assets under Management (AUM) projections for 2012. Overall they expect a 101% increase by 2012. Within the group, nine companies expect 40% to 100% growth, six companies anticipate approximately 100% growth and a further 11 companies project growth of 120% or greater by 2012.

Market penetration

The foreign fund management companies believe that they have been successful in the mass market, "Tier 1" cities (Beijing, Guangzhou, Shanghai and Shenzhen) and in distribution through the banking sector.

In 2009 they do not yet believe that they have successfully marketed to high net worth individuals or penetrated the institutional or

insurance sectors. Looking ahead to 2012, they see opportunities in the high net worth sector. Several companies stressed that they were currently enjoying success beyond the "Tier 1" cities.

Performance and profitability

Asset growth, brand visibility and employee retention are the top three measures of performance.

Despite the difficulties experienced in 2008, 18 companies believe that their profits have been greater than expected when viewed over the last three year time frame.

Looking forward three years, 24 companies predict better profits than at present.

Systems and outsourcing

The fund management companies deploy domestically developed software and systems. They welcome the opportunity to outsource and feel that the current software providers would benefit from more competition. Fund accounting, client reporting and investor servicing are the three most likely areas for future outsourcing.

Human resources

It has become easier to recruit in 2008, but there has been no reduction in employee remuneration. Companies still believe it is difficult to hire experienced investment management personnel. Staff turnover dropped in 2008, almost one third of respondents experienced less than 5% turnover.

Strong commitment by all joint venture partners

Despite the global financial crisis, the commitment of the foreign fund management companies remains at a similar level to 2007. Twelve of the 28 respondents awarded their foreign parents a commitment to China score of 10 out of 10. Eighty-five percent of all respondents awarded a commitment of 7 or above.

There is strong evidence to indicate that the domestic partners firmed up their support for the joint ventures. Eighty-nine percent of participants awarded a score of 7 or above to their domestic partners. The number of domestic partners with a score of 5 or below fell in 2009 in comparison to 2007.

Product development

The fund companies believe that they will be able to compete more effectively and add value to the evolving Chinese fund market if they are able to introduce new funds more efficiently.

Most important changes

The three most important drivers of change in the Chinese market are regulatory changes followed by capital markets and distribution changes.

Most pressing issues

The top three “pressing issues” were identified by the participants as cost controls, increasing competition from domestic fund management companies and recruiting and training personnel. The elevation of cost controls from 19th position in 2007 survey represents a significant

change in emphasis. Similarly, the domestic fund managers (previously in 16th position) suggest that the foreign joint ventures see their domestic counterparts as formidable competitors.

Foreign partners seek control

At least half of the current group of foreign joint venture partners would seek full control if it was permitted. However, the respondents feel that such permission is at best likely to occur in five years. Ironically the same five year time horizon was mentioned in the 2007 report. Several participants commented that the global financial crisis has pushed such a development further into the future.

Market share growth

The participants do not believe that the market is over-supplied with foreign fund management companies and predict a continual stream of new entrants. In addition to the 33 currently active companies, another seven new entrants are being set-up. Six participants predicted the number of joint venture companies could exceed 50 by 2012. This number will surpass the domestic fund managers who are expected to total around 40. The foreign fund management companies also anticipate a growth in the current market share of around 45%.

Future opportunities

The respondents see a range of future opportunities spanning QDII, segregated accounts, capital guaranteed funds, balanced funds, equity funds, private equity funds, real estate funds and the development of new lines in the pension sector and investment advisory services.

Peer ranking summary

A summary of the top-ranked foreign fund management companies is shown in the table below. Refer to page 51 for full details.

	First	Second	Third
Service quality	China International	Harvest	ICBC Credit Suisse
Client focus	China International	Harvest	ICBC Credit Suisse
Brand recognition	China International	Harvest	ICBC Credit Suisse
Marketing strategy	China International	Harvest	BOCOM Schroder
Overall performance	China International	Harvest	BOCOM Schroder
Distribution	ICBC Credit Suisse	BOCOM Schroder	Harvest
Innovation	UBS SDIC	Harvest	China International
Product range	Harvest	China International	ICBC Credit Suisse

Market environment

Number of employees

The 29 foreign fund management companies interviewed employ 3,484 people and they expect this to expand by 49% to 5,181 people by 2012.

Seven companies expect growth of 50% to 70% over the next three years, while four companies anticipate around 100% growth.

Number of overseas employees

Twenty-seven companies supplied data on overseas employees. The total number of overseas employees in 2009 was 57 and this is expected to grow to 102 employees by 2012.

Five companies have zero overseas employees at the present time. The current maximum number is five employees.

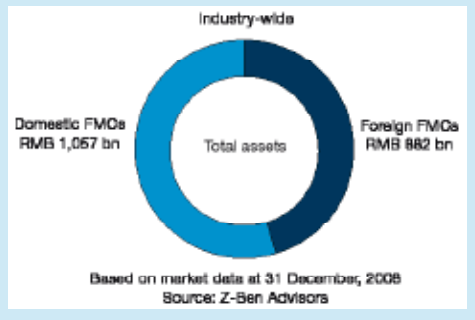
Assets under management

In terms of AUM growth, 26 companies provided projections for 2012. Overall they expect a 101% increase by 2012. Within the group, nine companies expect between 40% to 100% growth, six companies anticipate approximately 100% growth and a further 11 companies project growth of 120% or greater by 2012.

The fund management industry as a whole

Industry-wide data for the fourth quarter 2008 indicates that the foreign fund management companies have 45.4% market share in terms of Assets under Management. They had AUM of RMB 882 billion versus the domestic fund management company total of RMB 1,057 billion.

In terms of funds the foreign fund management companies had 224 funds at the end of 2008.



Number of retail investors

Twenty-four of the 29 companies provided an estimate of the number of retail investors that they serviced.

In 2009, they estimated 33.8 million retail investors and projected growth of over 100% to 68.8 million by 2012.

Two companies estimated their current retail base at 5 million and expected to increase these numbers beyond 10 million by 2012.

A further 12 companies have a retail base of 1 million clients or more.

Number of institutional investors

Twenty companies provided an estimate of the number of institutional clients. They totalled 1,385 in 2009 rising to 2,440 by 2012.

The typical response to this question is 30 or 40 clients rising to 50 to 75 by 2012 but three companies maintained that they had 200 clients in 2009 and this could rise to as many as 500 clients by 2012.

Sales distributors

Twenty-five companies provided data on their sales distributors. Collectively, they had 606 distributors in 2009 rising to 899 by 2012. The typical response was around 30 current distributors rising to 40 – 60 distributors by 2012.

Four companies acknowledged that they have less than 10 distributors at present. The highest number for 2009 was 60 and in 2012, 80 distributors.

Net income

Twenty companies provided estimates of their net income in 2009 and 2012. One company recorded a loss in 2009 and five companies indicated relatively small totals. Eleven companies recorded net income in the RMB 100 million to RMB 300 million range. Only three companies recorded net income above RMB 400 million.

Of this group of 20 companies, four have projected a net income of RMB 1 billion or more. However, by 2012 three companies believe that their net income will be less than RMB 50 million. (One company provided an estimate for 2012 but declined to provide an estimate for 2009).

Q What are the most important changes taking place in China's investment market?

Equity market

The most important change noted by the respondents was the fall in the equity market in 2008 and its impact on consumer confidence. Related to the fall in the equity market was the volume of redemptions.

Global financial crisis

There was recognition that China was becoming an integral part of the global financial environment and could therefore not remain immune from the wider economic crisis.

New product offerings

Several companies noted that the regulator was becoming more relaxed on the pace of new product introductions. As a result, it was predicted that 2009 would see the launch of several new product classes, segregated accounts, ETFs and REITs were mentioned as new expanding categories.

QDII 2.0

Several companies predicted the return of QDII products in 2009. They stressed the merit of this product and recounted the bad market timing when QDII was originally launched.

Debt capital market

The debt capital market, where trading occurs in instruments such as bonds and loans, is developing in China but one participant noted that the absence of an effective rating system is slowing

this development. Another participant commented that the broadening scope and organisation of fund managers is changing the nature of the debt capital market.

Arrival of index futures

One company cited the potential arrival of index futures as a major change. Another company commented that a futures market has been talked about for some time but nothing has happened.

QFII

One participant was disappointed on the slowness of change surrounding QFII. Other notable changes that were mentioned include:

- China's increasing integration into global markets
- More transparent regulation
- Better performance in the bond market
- Increasing participation by institutional investors in equity markets
- The economic downturn, falling profits and the impact on the equity market
- Improvements in corporate governance
- Increasing complexity of the competitive landscape, more companies and proliferation of products

Q What frustrations do you have of the Chinese fund management market?

Ten companies cited frustrations associated with the regulator. These frustrations covered a number of areas including slowness to approve new products, which has hindered product innovation and evolution and the ability to adapt to changing market needs.

Many frustrations were centred on immature and impatient investors. Related to this were the high levels of redemptions.

Other related issues included:

- A general lack of investment talent
- Short term investor focus
- Market volatility
- Economic uncertainty
- Lack of hedging products; and
- Poor investor communications.

Q What areas would you like to see relaxed in terms of current financial regulation and marketplace restrictions?

The area that the participants would like to see relaxed in terms of financial regulation was almost unanimously identified as new product approval.

Several companies commented that the approval process took too long and was too restrictive. They believed the China Securities Regulatory Commission (CSRC) “micro-managed” the process and noted that QDII products also need the State Administration of Foreign Exchange (SAFE) approval.

On a positive note several companies acknowledged that the process was improving and that more sophisticated product classes were being launched.

Other comments include the desire to see foreign majority ownership and a more level playing field with the domestic fund management companies.

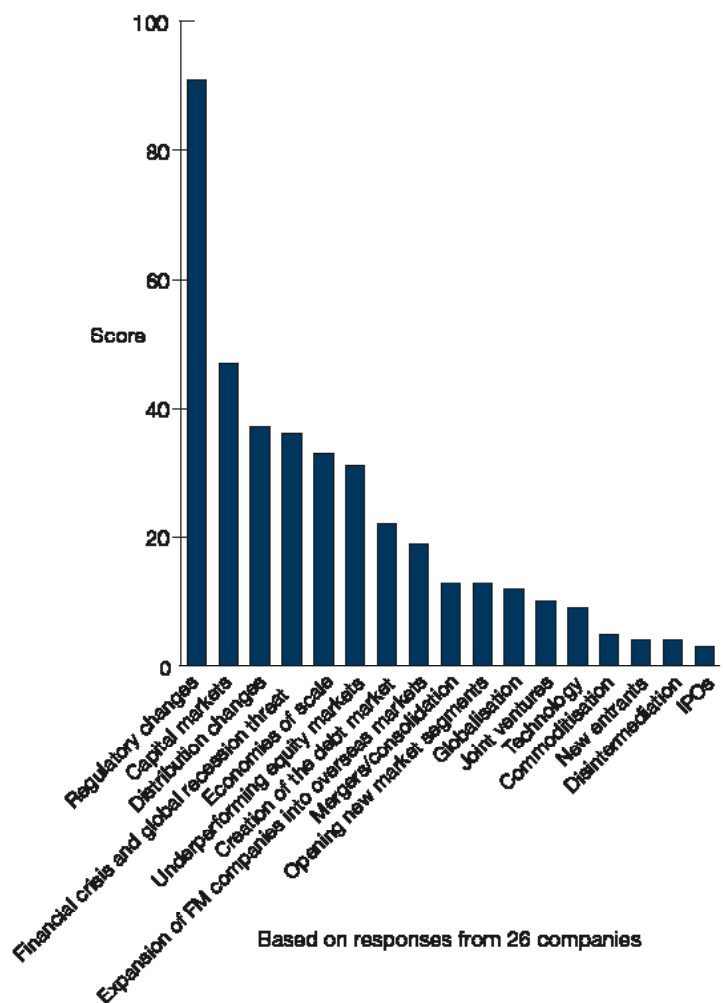
Q What are the major drivers of change in the Chinese funds management business?

The top three drivers of change in 2009 were regulatory changes, followed by capital markets and distribution changes.

Underperforming equity markets, as a driver of change, was positioned in sixth place.

As in the 2007 survey, regulatory changes ranked significantly ahead of the other drivers. A new driver in this survey – the financial crisis and global recession was positioned in fourth place.

The fund management (FM) companies continue to feel that their ability to innovate, adapt and change to the market’s evolution is controlled by the pace of regulatory change.

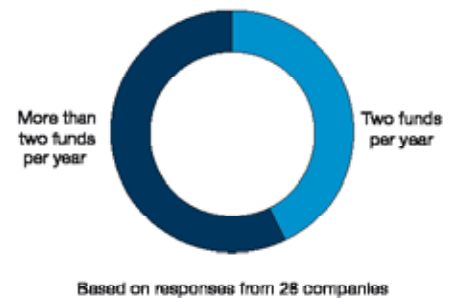


Q In 2009, do you plan to launch (i) one new fund, (ii) two new funds or (iii) more than two new funds?

The majority of fund management companies plan to introduce more than two funds in 2009.

Just over a third anticipated two new funds in 2009. Several companies commented that the launch of new funds was dependent on market conditions.

However, they suggested that the CSRC would adopt a more relaxed position on the current restriction of two new funds per company each year.



Q Can you comment on the industry's fee structures?

The respondents were split on the issue of retail sector fee structures. Over half of the group believed that the fee structure is reasonable and one fund company suggested that redemption fees could be lowered.

On the other hand, eight companies expressed strong criticism of the fee structure and argued that the banks were awarded a disproportionate portion. They noted that 50% to 70% of the management fee goes to distributors. They contend that the proportion assigned to the fund management company management fee is insufficient.

One company noted that rewards are being made to distributors at multiple levels not just at the corporate headquarter level.

The majority of companies believe that fees are fair on the institutional side of the business. One company commented that they compared favourably to other international markets.

On the negative side, a group of six companies criticised the high fee structure. One participant commented that they did not expect a decline over the next three years.



Q How can foreign fund management companies improve margins if a situation exists where all the power rests with the “Big 4” distributors?

The foreign fund management companies are challenged by the power of the “Big 4” banks in the distribution of their funds.

The dominant responses on how the companies can continue to win shelf space with the “Big 4” particularly if the banks roll out more of their own product were as follows:

- Good product performance
- Better differentiated products (although this is limited by the CSRC product approval process)

- Strong brand recognition (this is likely to favour the larger foreign players)
- More direct distribution and alternative channels
- Advanced training programmes
- More institutional and corporate pension business

Q Can you quantify your foreign fund management company's IT development spend for calendar 2009 in the Chinese market (this includes hardware, software and changes to legacy systems)?

Only nine companies were able to answer this question.

In RMB terms the amounts varied widely, they ranged from a small fund company with RMB 1.5 million expenditure to several companies with RMB 8 million and one company of around RMB 60 million. Three companies mentioned a figure of 6% of revenue.

Q Are the foreign fund management companies maintaining/improving their IT effectiveness and efficiency?

The majority of companies believe that they are maintaining an adequate level of IT spend and believe that cost cutting has not been an issue to date.

Others commented that it would be necessary to spend more in the future. Some companies mentioned that they were not happy with the existing software supplier situation where one company controls more than 90% of the market. One company noted that software development costs in China were very reasonable.



Based on responses from 20 companies

Q What does your company find the most/least difficult aspects of the Chinese fund management industry?

The fund companies continue to believe that the regulatory environment is the most difficult aspect of the Chinese fund management industry.

The ability to introduce innovative service offerings was identified as the second most difficult component. This factor was in eighth position in 2007 and its rapid climb reflects the frustration and anxiety associated with the regulators' restriction of fresh innovative and competitive products. Finding and keeping good personnel, while still considered to be critically important, fell to third place in 2009.

The economy and market volatility moved from seventh position in 2007 to fourth position in 2009.

The foreign fund management companies consider the domestic fund management companies to be their main competitors. Perhaps related to this concern, brand name recognition increased its score and moved up four positions in 2009.

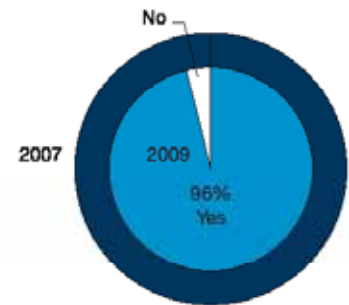
To emphasise the least and most difficult aspects, a central axis of 0 was created in the chart below. Zero is equivalent to 3 on a scale of 1 to 5. The least difficult aspects, which fall to the left of the axis and scored less than 3 out of 5 on the scale, were identifying clients, and the accounting and tax framework.



Based on responses from 24 companies in 2009 and 18 companies in 2007

Q Are some foreign fund managers currently not in China as a result of the ownership control restriction?

The foreign fund management companies continue to believe that there are a number of world class fund management companies not present in China because of the joint venture minority ownership requirement. Only one company did not believe this to be the case within the group of 26 respondents.



Based on responses from 26 companies in 2009 and 11 companies in 2007

A large global fund manager continues to be the most cited representative of this position with several companies quoting the example of how they have recently recruited from other foreign fund management companies in Hong Kong and it was suggested that this could represent a change of strategy.

Q When do you anticipate that the foreign partners will be permitted full control?

Twenty-two companies provided a response to the question of full control by the foreign joint venture partners.

Only three companies envisaged this development in a three year time span. Eight companies believed it would happen in five years, while a further five companies projected 5 to 10 years. Four companies said they did not know when it might occur, while one recorded "never" and another said it would be decided on a case-by-case basis. In 2007 participants expressed more optimism on the likelihood of this development.

Q How many foreign partners would seek full control if it was permissible?

Response was varied when asked to predict how many foreign joint venture partners would seek full control, if permitted. Twenty-four companies provided a response and of those, ten stated affirmatively that "all of them" would seek full control. A second group provided numerical estimates that ranged from 5 to 10, to as high as 25 companies.

Finally a third group of seven companies indicated that they were unable to make a measured prediction.

Q What are the most pressing issues you face?

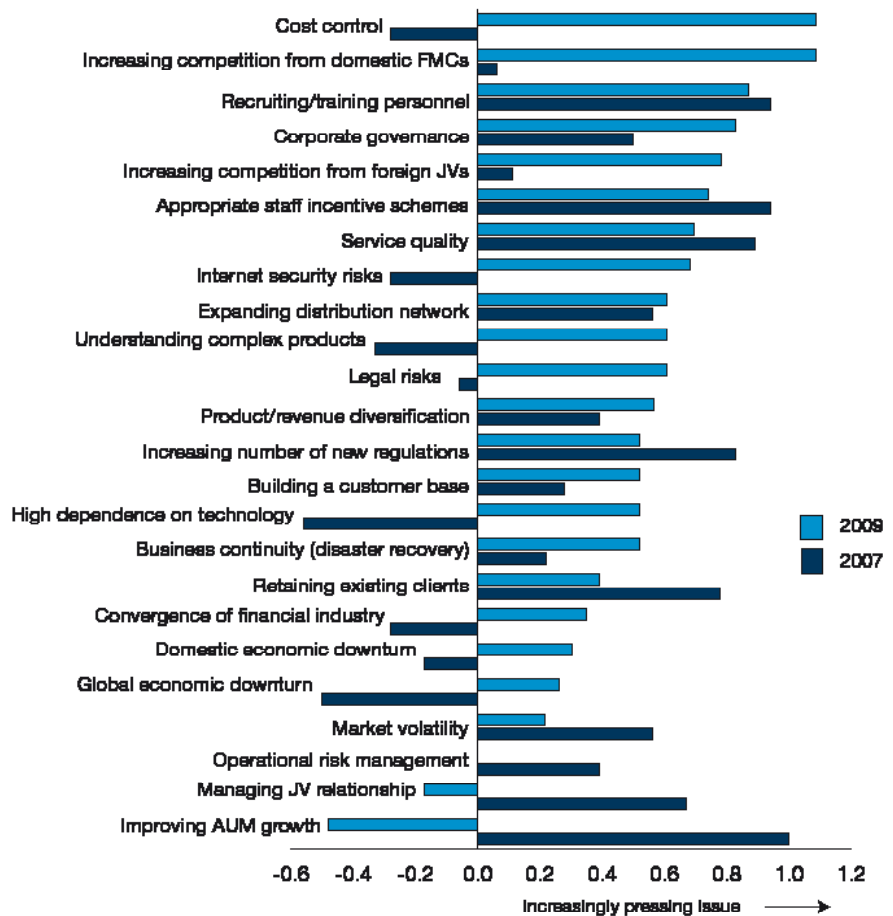
Participants were required to score each issue on a scale of 1 to 5, where 5 was most pressing. The 0 centre axis therefore represents 3 in the 1 to 5 scale and those to the right side are “most pressing” and range from 3 to 5.

Two pressing issues climbed to the top of the most pressing issues list. In first position: cost control, which in the 2007 survey was in 19th position. This is a clear signal that the challenging performance and market shrinkage in 2008 has had a major and on-going impact on the cost structures of the fund management companies.

In second place was the increasing competition of the domestic fund management companies. In 2007, the domestic fund managers were in 16th position.

Recruiting and training personnel dropped from second position in 2007 to third position in 2009.

Corporate governance became more pressing moving up from tenth position to fourth position in 2009. Both the global and domestic economic downturns remained well down the 2009 ranking.

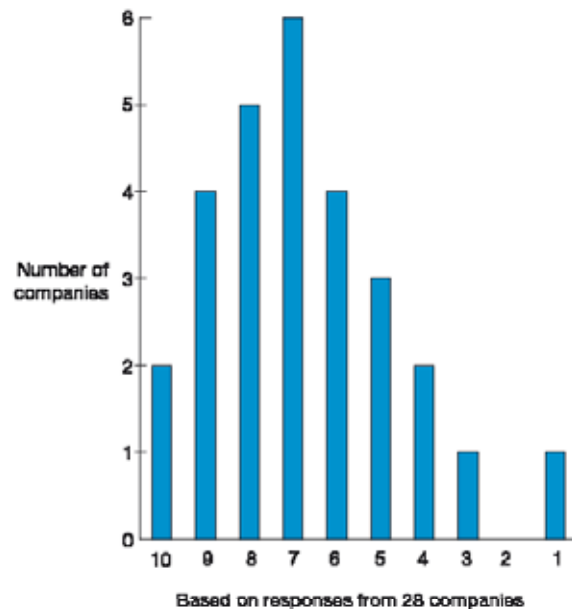


Based on responses from 23 companies in 2009 and 18 companies in 2007

Q Is human resource management a major concern to foreign fund management companies?

Human resource management has moderated as a concern for the foreign fund management companies in 2009. In 2007, nine companies out of 16 respondents scored it a 9 or 10 out of 10. In 2009 only six companies awarded a score of 9 or 10 within a group of 28 respondents. This is not to suggest that HR is no longer a critical

issue. Fifteen companies awarded it a score between 6 and 8 on the scale. Several participants indicated that experienced fund managers were still in short supply. Some recruiting efforts had benefited from searches on Wall Street for returning Chinese nationals.



Q What is your annual staff turnover rate?

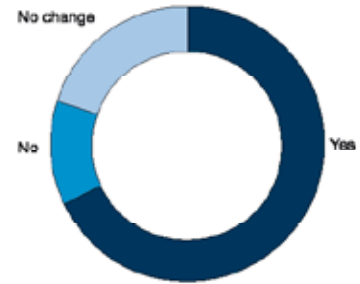
The staff turnover rate has declined in 2008. No companies recorded turnover that exceeded 20% and the majority of companies now experience less than 10%. Almost one third of the 27 respondents recorded staff turnover below 5%.



Q Has the ability to recruit changed over the last year?

The fund management companies believe that it was easier to recruit in 2008. Seventeen of the 25 companies that responded to this question said that it had become easier while five companies indicated no change. Some of the individual comments were as follows:

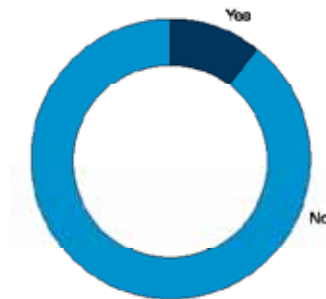
- Softening in salaries, but still difficult to recruit qualified people
- Nothing has changed, costs are stable
- Pace of salary increases has slowed
- Some very good new recruits
- Annual bonuses will decline in 2009 because they are tied to profit performance (expect profits to decline 30% to 40% in 2009)
- Recruiting is always difficult, lack of experience on the investment side



Based on responses from 25 companies

Q Have costs declined?

Although recruitment may have eased, this trend was not accompanied by lower costs.



Based on response from 25 companies

Q Please indicate the three most important measures you consider in relation to (i) recruiting and (ii) retaining employees?

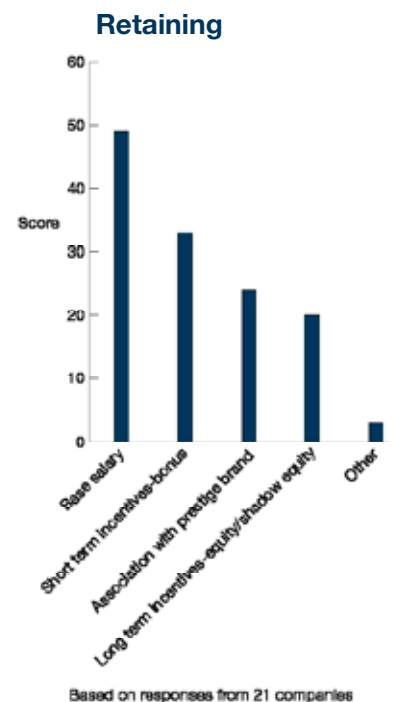
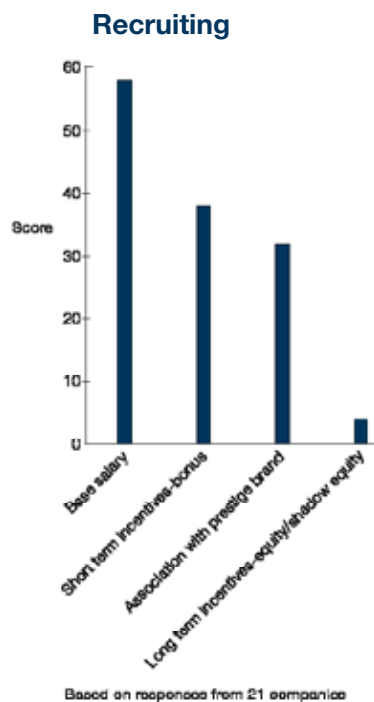
The charts below look at the most valuable components of recruiting and retaining employees.

The most important factors for both scenarios were the base salary followed by short term incentives, association with a prestige brand and then long term incentives.

While recruiting gives a relatively high score to base salary, retaining employees places relatively more weight on long term incentives than recruitment.

What is clear from both charts is the pre-eminence of base salary which goes to show employees attach great importance to salary ahead of bonuses or incentives.

While the foreign fund management company's brand is moderately important, its significance appears to diminish in retaining employees.



Q In terms of 2009 recruitment needs, using the list above, can you rank the top 3 areas by function?

The most important recruitment needs in 2009 were identified as investment management, sales and marketing and research.

Support functions such as operations, trading, legal and compliance and general management recorded low levels of interest. Only limited hiring in these functional areas is anticipated in 2009.

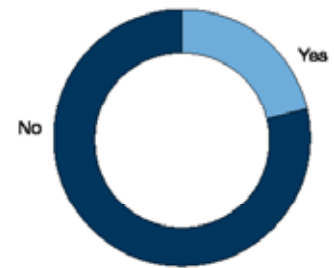


Competition and positioning

Q Is China over-supplied in terms of foreign fund management companies?

The fund management companies do not believe that there is an over-supply of fund management companies.

In 2007 83% suggested there was no over supply and in 2009 the figure was 79% of 28 companies.



Based on responses from 28 companies

Q Will foreign fund management companies continue to enter the market?

Only one respondent within a total of 28 contended that foreign fund management companies would not continue to enter the market. That respondent believed the market was in a cooling down period at present.



Based on responses from 28 companies

Recent new entrants include:

- Minsheng Royal Fund Management Company formed by China Minsheng Bank, Royal Bank of Canada and Three Gorges Finance Company with 60%, 30% and 10% respectively
- Bank of Beijing Scotiabank Asset Management Company a joint venture with Canada's Scotiabank with a 33% holding valued at US\$15 million
- F&C Asset Management in a joint venture with Huaxia Bank
- Mellon Global Investments in a joint venture with Western Securities
- Morley Fund Management in a joint venture with Dongguan Trust and COFCO. (See adjacent note)
- Natixis Banking Group in a joint venture with Industrial Bank
- UOB and Ping An Securities. (See adjacent note)

Morley Fund Management, the asset management division of UK's largest insurer Aviva Plc has signed a joint venture agreement with China National Oils & Foodstuffs & Cereals Corp. (COFCO) and Dongguan Trust & Investment Co.

Source: Company Press Release, 10 April 2008

In June 2008 Ping An Insurance, China's second largest life insurer won approval to set up a joint venture fund management company with Singapore's United Overseas Bank. Chinese insurers are not allowed to directly control a fund company although Ping An and other large insurers including China Life and China Pacific Insurance have been lobbying for the removal of this restriction.

Source: Reuters, 12 June 2008

Q Which product areas do you see as becoming increasingly important in the Chinese fund management industry in the next three years?

The products which are forecasted to be popular during 2009 in the retail sector were identified as follows:

- Fixed income funds (mentioned by 12 companies)
- Guaranteed funds, offering a capital guarantee with a potential upside linked to the performance of underlying assets
- Exchange traded funds (ETFs traditionally have been classified as index funds)
- Index funds (this term was cited by three companies)
- Equity funds, several companies predicted the launch of new more differentiated funds in 2009

By 2012, the following products will be important in the retail sector:

- Equity funds (mentioned by 12 companies) including more international equity exposure
- QDII
- REITs
- Hedge funds, and
- Private equity funds

The following are the predictions for the institutional sector in 2009:

- Guaranteed funds
- Balanced funds
- Equity funds
- Segregated accounts
- Pension products
- ETFs

By 2012, the following products will be important in the institutional sector:

- Equity funds
- Segregated accounts
- Hedge funds
- Alternative hedge funds with property investments
- QDII
- Guaranteed funds

Q Will foreign fund management companies depart from the market?

In 2007 respondents unanimously stated that no fund management companies would leave China.

In 2009, while 17 companies restated this position, nine companies believed there would be departures. The reason given for such departures was shareholder amalgamations or conflicts rather than any directly market related issues.

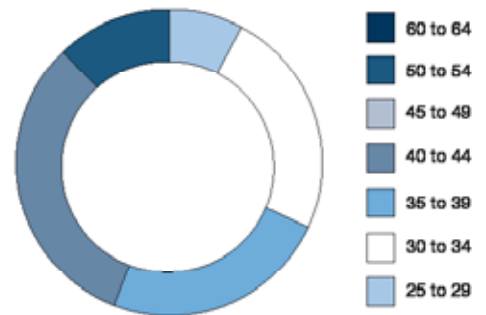


Based on responses from 26 companies

Q How many domestic fund management companies will operate in the Chinese market in 2012?

On the domestic front, nine companies believe there will be between 30 to 40 companies by 2012 and only three companies contend that the domestic total will exceed 50 by 2012.

In total 85% or 23 of the 27 respondents contend that there will be mergers between domestic fund managers by 2012.

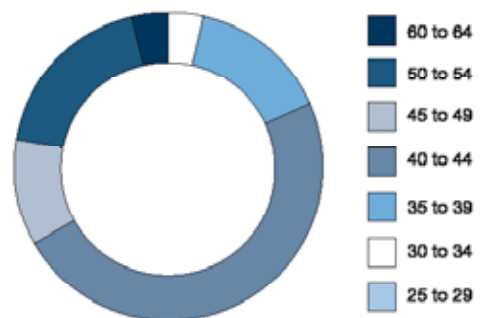


Based on responses from 25 companies

Q How many foreign fund management companies will be operating in the Chinese market in 2012?

The adjacent chart indicates that the majority of respondents believe that there will be between 35 to 40 foreign fund management companies operating in the Chinese market by 2012.

However, six companies believe there could be 50 or more companies.



Based on responses from 27 companies

In August 2008 Fortis Bank agreed to sell a 49% stake to a London-based insurer Old Mutual in ABN AMRO TEDA Fund Management Company.

The sale is the result of regulatory compliance following Fortis's acquisition in April 2008 of the asset management business ABN AMRO Group, and is subject to approval by the CSRC and relevant government authorities.

Lex Kloosterman, member of the Fortis Group Executive Committee and responsible for Asset Management commented: "Due to regulatory requirements of the PRC, we had to sell one of two very successful companies, namely Fortis Haitong or ABN AMRO TEDA Fund Management. TEDA supported the choice for Old Mutual as a buyer for AATEDA and Old Mutual is committed to further developing the company, hand in hand with TEDA. Given the very good relationship we enjoy with TEDA and the JV, we are happy to have an agreement with both TEDA and Old Mutual in the best interests of all stakeholders."

Source: Fortis Press Release 21 August 2008

Q Will there be further mergers between domestic fund managers?

Although the China Asset/CITIC merger was the result of special circumstances, 85% of respondents believe that there will be further mergers among the domestic fund managers over the next three years.



Based on responses from 27 companies

The merger between China Asset Management and Citic Fund Management was triggered by the Citic's ownership in several fund management companies.

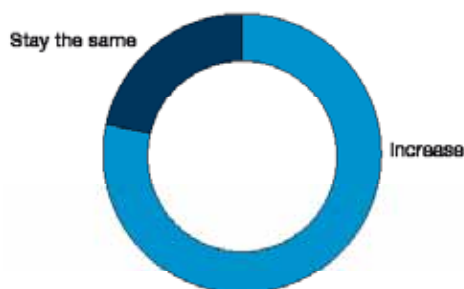
China Asset Management is 100% owned by Citic Securities which is also a 100% owner in Citic Fund Management. In addition, Citic Securities holds a majority ownership in a third fund company CITIC Prudential Fund Management Company.

Government regulations require that no individual company can own more than a single controlling share and a second minority share in fund management companies.

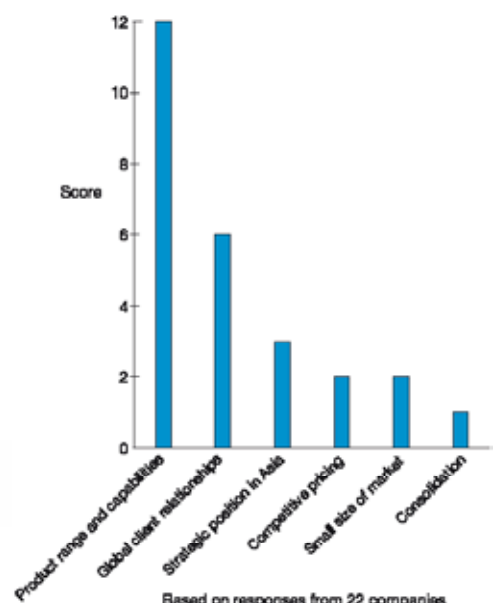
Source: www.businessweek.com

Q Will the aggregate market share of the foreign fund management companies in China (versus domestic fund management companies) increase, stay the same or decrease?

The participants believe that the market share of the foreign fund management companies will continue to increase. Twenty-two companies believe it will increase while six companies contend it will remain the same.



Based on responses from 28 companies



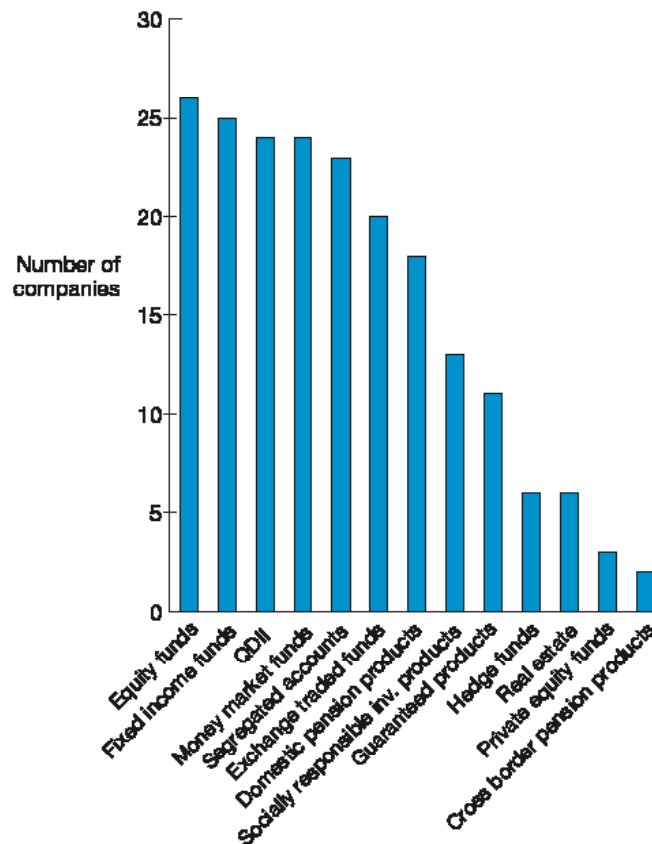
Based on responses from 22 companies

Q Which of the following products do you plan to increase or commence to offer by 2012?

Thirteen different product areas will experience expansion over the next three years. The most popular product areas are equity funds, fixed income funds, QDII and money market funds.

Products that are gaining in popularity include exchange traded funds (ETFs), socially responsible funds, segregated accounts and guaranteed products.

In addition, around 20% of companies also plan to launch new growth categories such as hedge funds and real estate funds.



Based on responses from 26 companies

Q Can you explain the opportunities you see in the Chinese market for your foreign fund management company in the next three years?

In the 2007 report one of the major opportunities identified by the participants was QDII. Foreign fund managers were poised to capitalise on the outflow of funds that would result. With hindsight, the timing of the approval of QDII funds proved to be unfortunate and many investors suffered with the subsequent slide in global equity markets.

Two years later, although the participants acknowledge the damaging experience of QDII investors, they predict that QDII once again represents a significant opportunity. Six companies predict the successful return of QDII funds in 2009.

Foreign fund management companies also foresee opportunities associated with the pension sector. They believe segregated funds with their underlying protection from market volatility are a growth product.

Market volatility also provides opportunities for capital guaranteed funds. Some foreign fund management companies also plan to launch bond funds in response to weak stock markets and potential government cuts in interest rates.

One company mentioned opportunities in the investment advisory business while several companies mentioned corporate annuities.

Participants also predicted future opportunities in REITs (real estate investment trusts). Recognised as a conduit to invest in China's developing real estate market, there was a general feeling that the current market uncertainty requires this opportunity to be closely monitored.

Developments in this category will be facilitated by the implementation of a comprehensive securitisation law which would allow investors to more effectively assess the risk of REIT products.

Private equity funds were also mentioned as an area of opportunity.

Q Can you indicate the top three key objectives for your business (i) now and (ii) expected in 2012?

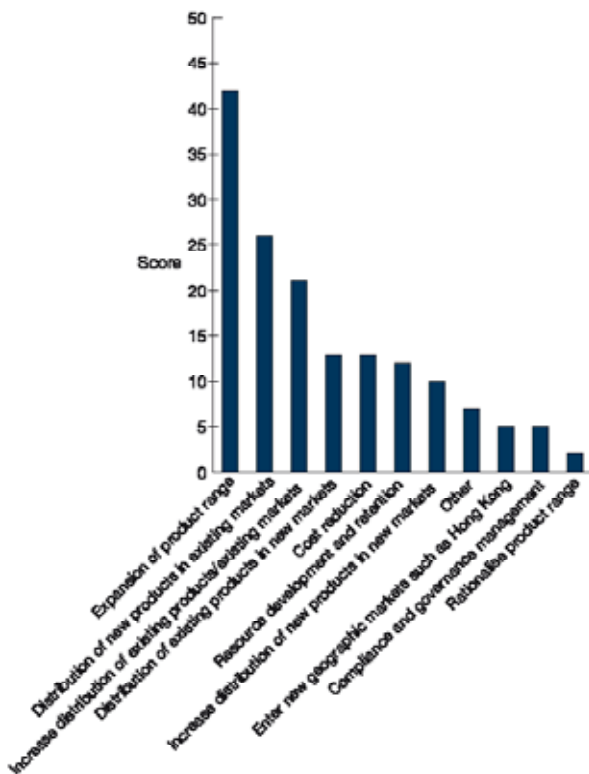
The top objective for the fund management companies in both 2009 and 2012 was the expansion of product range. It was followed by increased distribution of new products in existing markets (2009) and increased distribution of existing products in existing markets (2012).

Cost reduction was placed in fifth position in 2009 and tenth position in 2012.

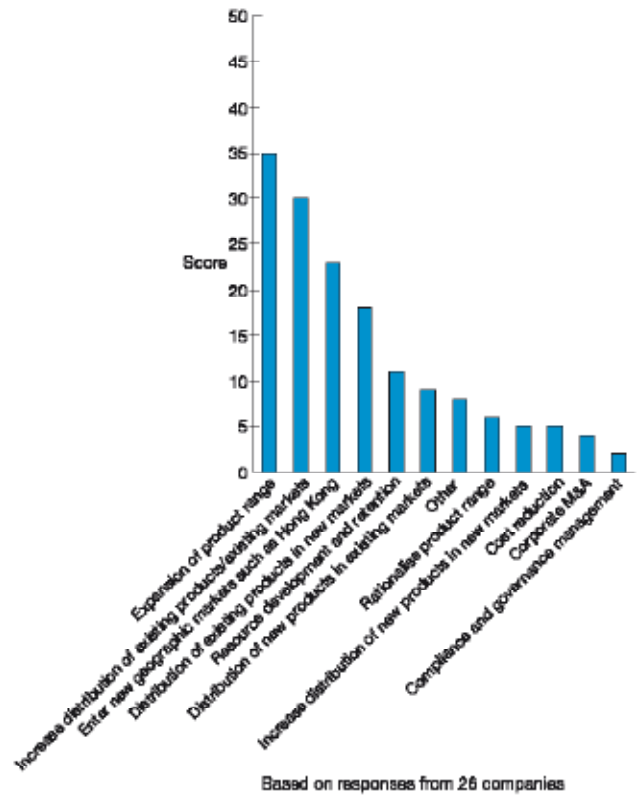
Compliance and governance management is positioned close to or at the bottom of the list in 2009 and 2012.

By 2012, the foreign fund management companies predicted that they would be branching into new geographic markets (such as Hong Kong).

2009



2012



Q Which of the following types of risk represent the greatest potential threat to you as a foreign joint venture fund management company in China?

The four risks that represent the greatest risk to the foreign fund management companies in China are investment risk, reputational risk, market risk and regulatory risk. If their greatest threat and major threat percentages are combined they total 87%, 87%, 78% and 78% respectively.

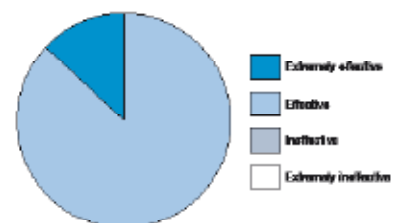
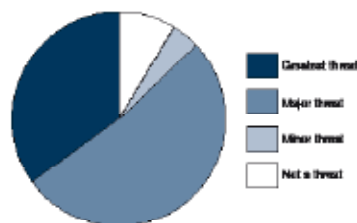
	Greatest threat	Major threat
Investment risk	47.8%	39.1%
Reputational risk	34.8%	52.2%
Market risk	21.7%	56.5%
Regulatory risk	52.2%	26.1%

The participants believe that they are generally effective in managing a range of risks which include in order of effectiveness, reputational risk, operational risk, business/strategic risk, liquidity risk and IT risk.

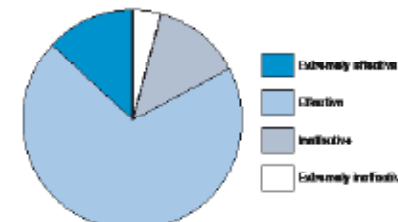
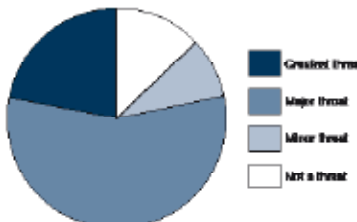
Magnitude of the risk

Effectiveness of risk management

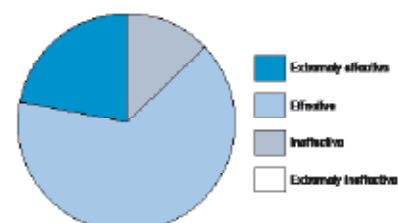
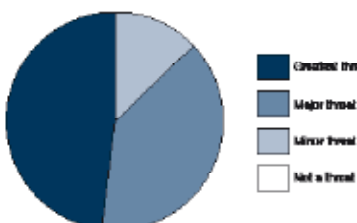
Reputational risk

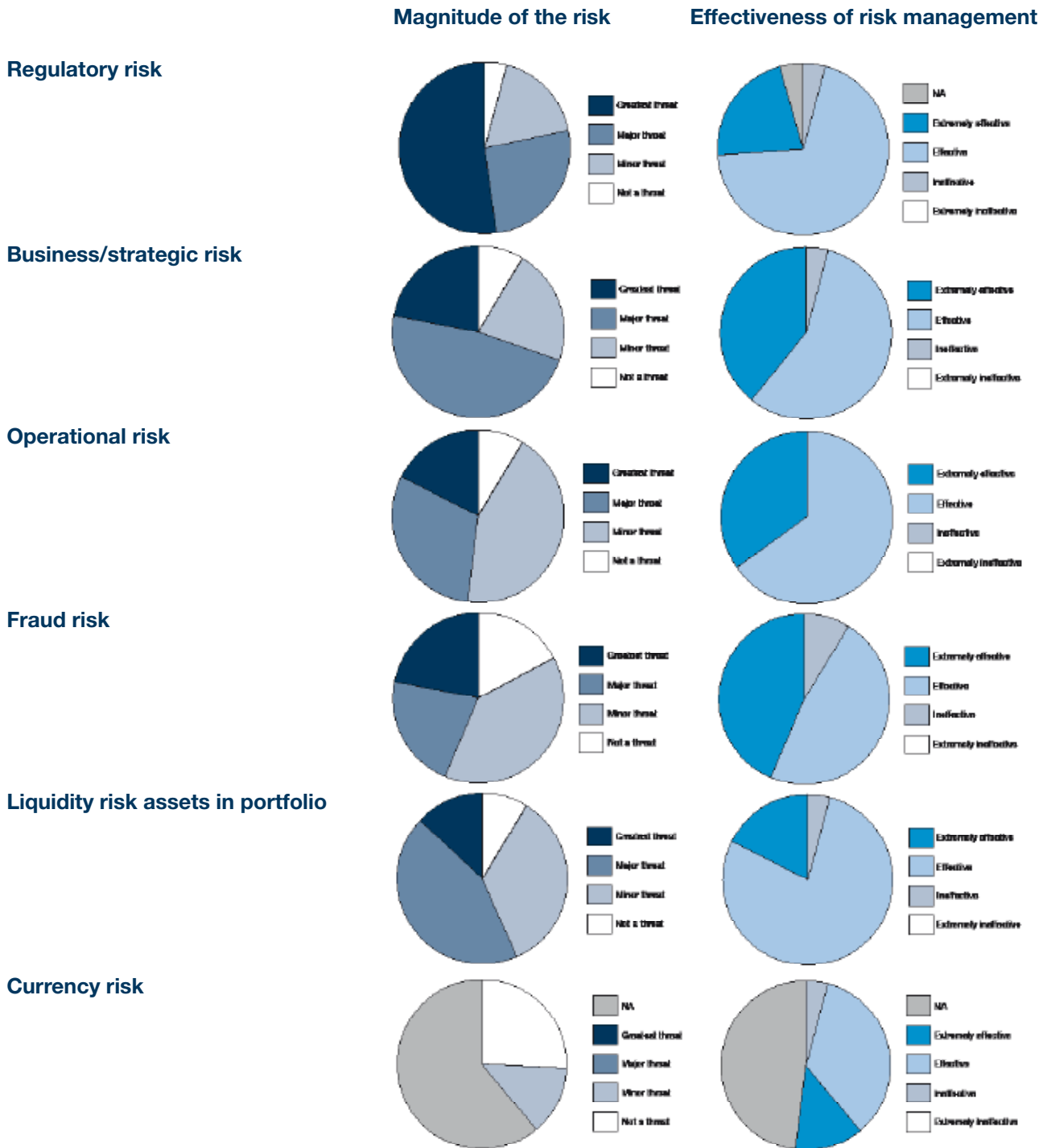


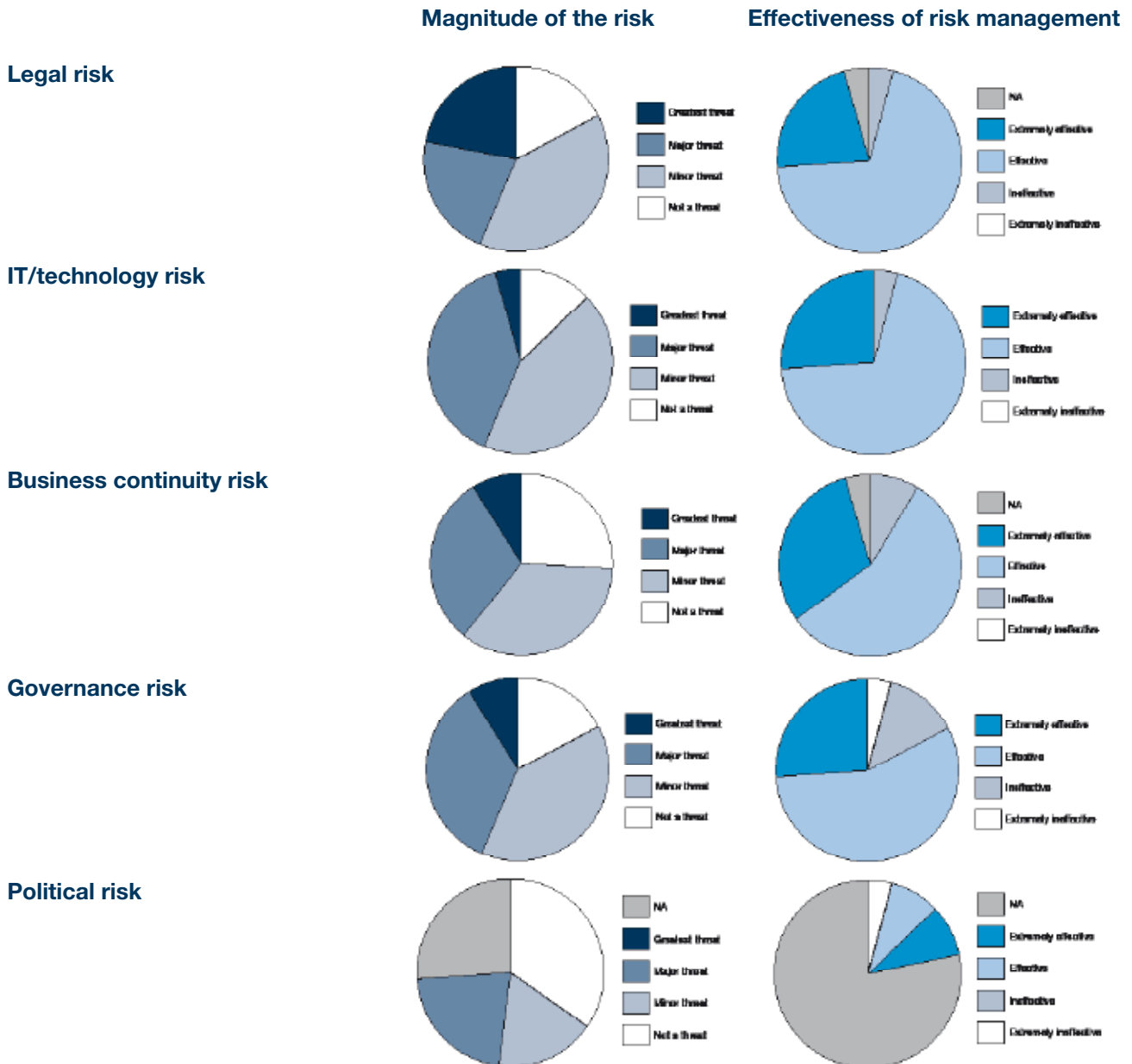
Market risk



Investment risk



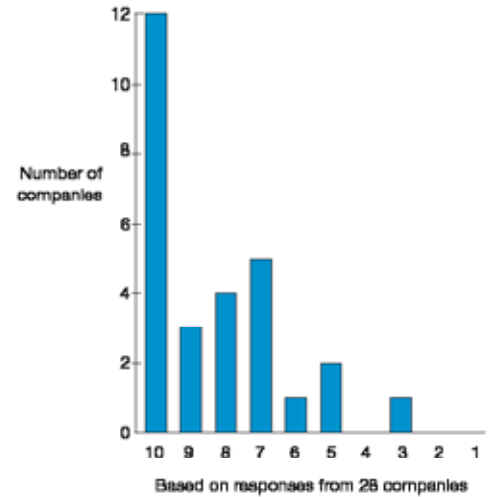




Q How would you characterise the commitment of your foreign parent to the Chinese market in comparison to other markets around the world on a scale of 1 to 10, where 1 represents no commitment and 10 is an extremely aggressive commitment to the market?

Twelve of the 28 respondents awarded their foreign parents a commitment to China score of 10 out of 10. A further 12 companies scored 7 or greater (85% in total). This suggests that despite the global financial crisis there has been no change in the foreign commitment to China.

In 2007, 15 of the 18 participants scored 7 or above (83% of the total). In contrast to 2007 when all scores were above 6, in 2009 two companies scored '5' and one company just '3'.



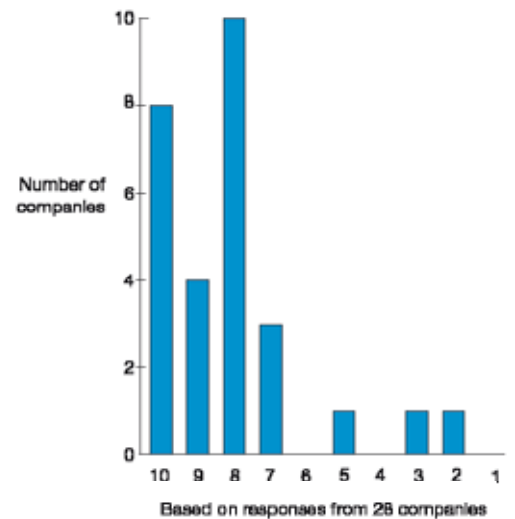
Q How would you characterise the commitment of your domestic partner to the joint venture?

Twenty-five companies awarded a '7' or above score to their domestic partners. The remaining three companies scored a '5', '3' and '2'.

In 2007, 10 of the 16 respondents assessed the domestic partner commitment at '7' or above.

As a result, the percentage at 7 or greater in 2007 was 63% and in 2009 89%.

This suggests that the participants believe that their domestic partners have firmed up their commitments to the joint ventures.



Q How successful has your foreign fund management company been in penetrating the following markets in the last year?

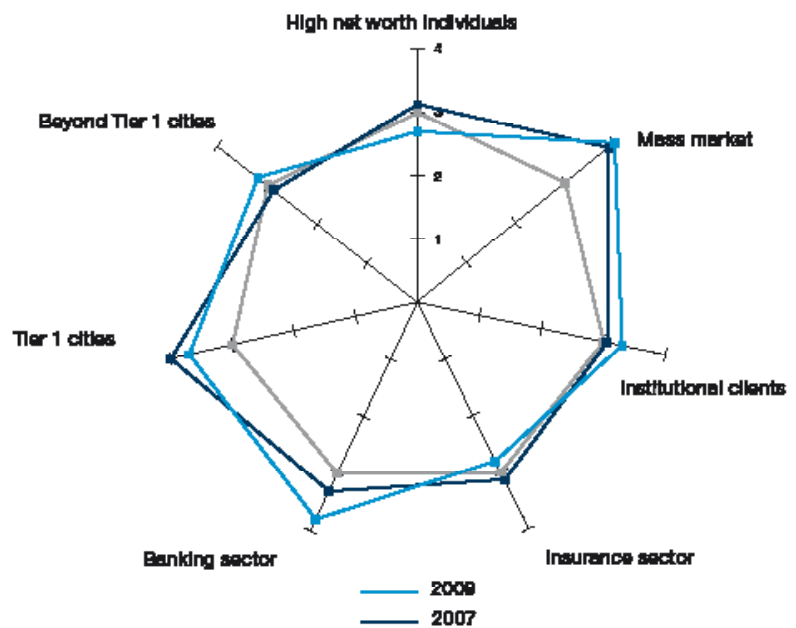
Seven different markets were identified. If the participating foreign fund management companies were deemed to be active in a particular market, they scored their perceived levels of success on a scale of 1 to 5 where 1 was “very unsuccessful” and 5 was “very successful”.

Since three is perceived as neutral, to suggest a degree of measurable success, it is important that the average scores for the participants in that market exceed three. In the radar diagrams appearing on the following pages, a seven-sided frame based on the value of three has been drawn.

If the line pierces the frame (i.e. the line moves to the outside of the circle frame), success has been achieved in that respective market.

The levels of success attributed to the foreign fund management companies in 2009 closely match those assigned in 2007.

As before, the companies believe they have been successful in the mass market, Tier 1 cities and banking sector. They acknowledge that they had more limited success among high net worth individuals, institutional clients and the insurance sector.



Based on responses from 28 companies

Q How important are the following markets for your foreign fund management company over the next three years?

To identify the markets that the foreign fund management companies believe will be of greatest importance over the next three years, the 19 participants ranked the following seven markets on a scale of 1 to 5.

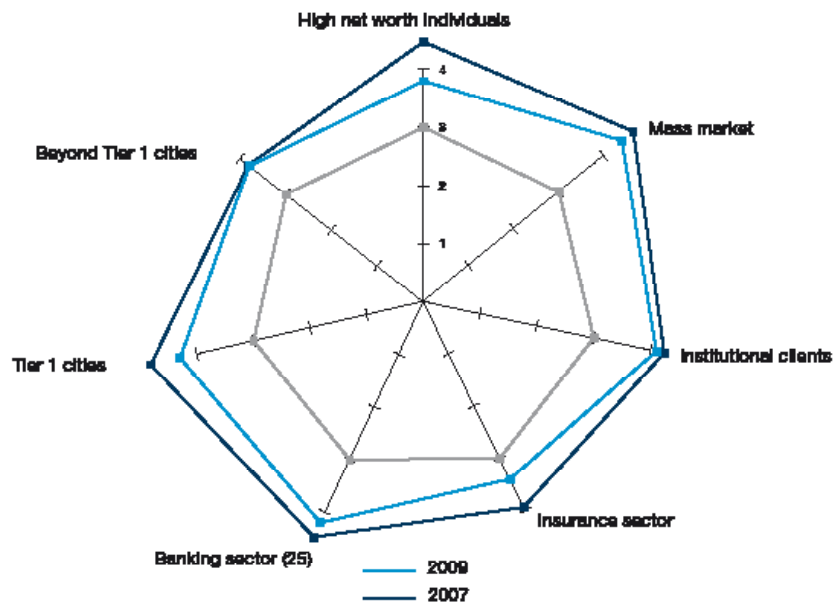
A score of 1 indicates little or no importance while a score of 5 can be considered very important.

Since 3 is perceived as neutral, average scores for the group should exceed 3, and therefore markets viewed as important project beyond that line.

In consideration of the importance of the seven named markets to the companies in 2012, all markets scored well above 3 out of 5.

However, it is interesting to note that the 2009 scores fell 'inside' the projections for 2010 made in 2007. In 2009 looking toward 2012 mass market, institutional clients, banking sector Tier 1 and Tier 2 cities scored 4 or greater.

Only the insurance sector and high net worth individuals scored below 4.



Based on responses from 25 companies

Q Can you provide a percentage breakdown of your current employees by function?

Twenty-five companies provided an employment breakdown across eight different categories.

Investment management which remains a difficult area in which to recruit experienced personnel makes up about 10%.

The two most pronounced functions are sales and marketing with around 30% to 40% of employees and operations and support with around 20% to 35%.

	Trading (%)	Research (%)	Investment management (%)	General management (%)	Legal and compliance (%)	Sales and marketing (%)	Operations and back office support (%)	Other (%)
FMC 1	4	17	6	13	4	27	29	
FMC 2	3	12	10	5	4	36	30	
FMC 3	5	13	5	5	4	32	32	4
FMC 4	4	12	7	7	4	37	29	
FMC 5			35	7	4	25	25	4
FMC 6	3	15	10	3	4	40	25	
FMC 7	5	20	15	4	4	25	20	7
FMC 8	5	28	7	3	3	44	10	
FMC 9	3	17	8	8	4	28	32	
FMC 10	5	9	19	5	2	19	38	3
FMC 11	5	20	10	5	5	30	25	
FMC 12	3	8	13	6	6	45	19	
FMC 13	3	17	16	3	1	33	27	
FMC 14	5	17	5	5	7	25	10	26
FMC 15	3	17	10	13	4	33	20	
FMC 16	3	11	10	7	6	43	20	
FMC 17	4	8	8	10	10	40	10	10
FMC 18	4	19	5	10	6	30	14	12
FMC 19	5	14	14	10	3	24	30	
FMC 20	4	22	6	4	3	26	35	
FMC 21	5	11	10	8	7	27	32	
FMC 22	3	11	7	5	4	45	25	
FMC 23	3	10	23	2	7	34	21	
FMC 24	13	9	9	4	3	37	25	
FMC 25	6	15	15	5	5	34	20	

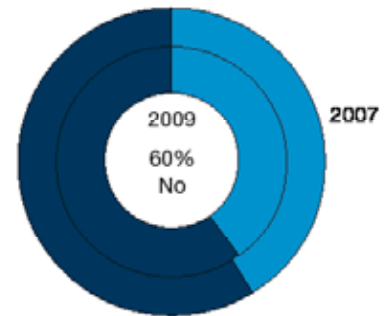
Based on responses from 25 companies; identities disguised to protect confidentiality

Q Will your business model change over the next three years?

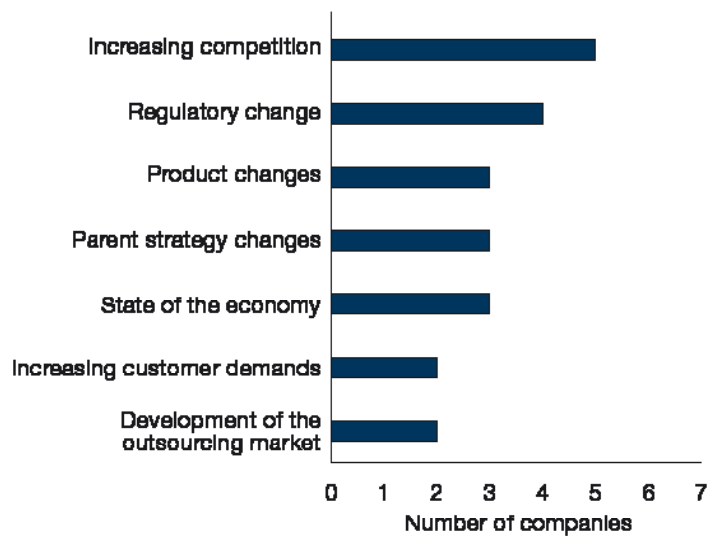
Ten of the 25 respondents to this question believe that it will be necessary to change their business model over the next three years.

The most important factors that will require a change in direction were identified as increasing competition, regulatory changes and product changes.

In the 2007 survey product changes was identified as the most important cause while regulatory change was in fourth position.



Based on responses from 25 companies in 2009 and 17 companies in 2007



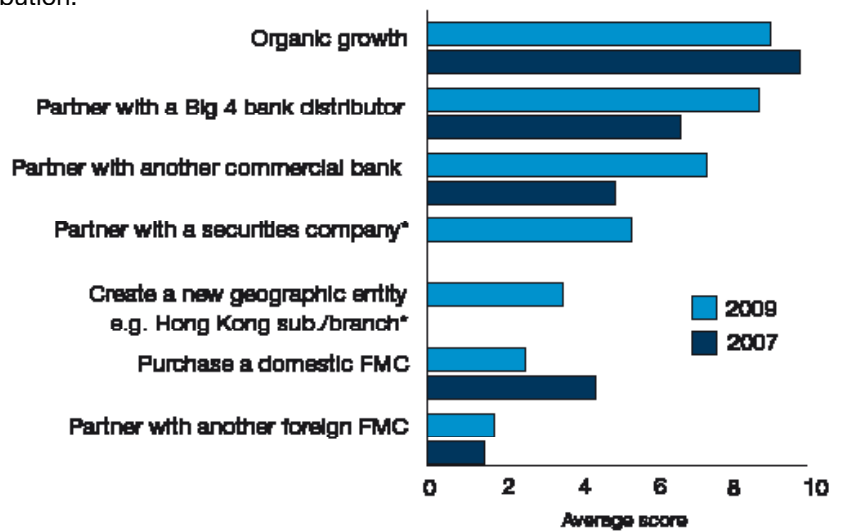
Based on responses from 10 companies that indicated their business model would change

Q Below are a list of strategic options that your foreign fund management company may choose to increase its presence in the Chinese market. Can you score on a scale of 1 to 10 the attractiveness of each option?

The most important method for growth in the Chinese market for the foreign fund management companies was, in similarity to 2007, identified as organic growth.

The second factor was partnership with one of the “Big 4” banks. This selection once again stresses the critical role played by the banks in fund distribution.

Partnering with a securities company (and many of the JVs have securities’ partners) was also considered as an important opportunity for growth.



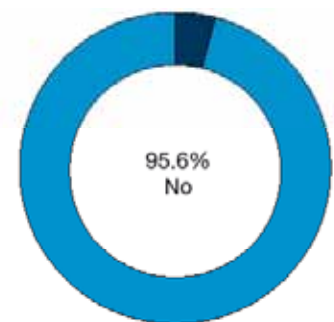
Based on responses from 24 companies in 2009 and 16 companies in 2007

*not offered as an option in 2007

Q Does the local operation of your foreign fund management company primarily implement your foreign partner’s systems?

The foreign fund management companies, unlike the foreign joint venture insurance companies, have not taken advantage of their foreign partners’ systems. Over 90% of respondents indicated they had domestically developed software and systems.

Hengtian is the provider of systems to the majority of foreign fund management companies. It is a strategic alliance between Insigma Technology, State Street Corp. and Zhejiang University and is based in Hangzhou.



Based on responses from 23 companies

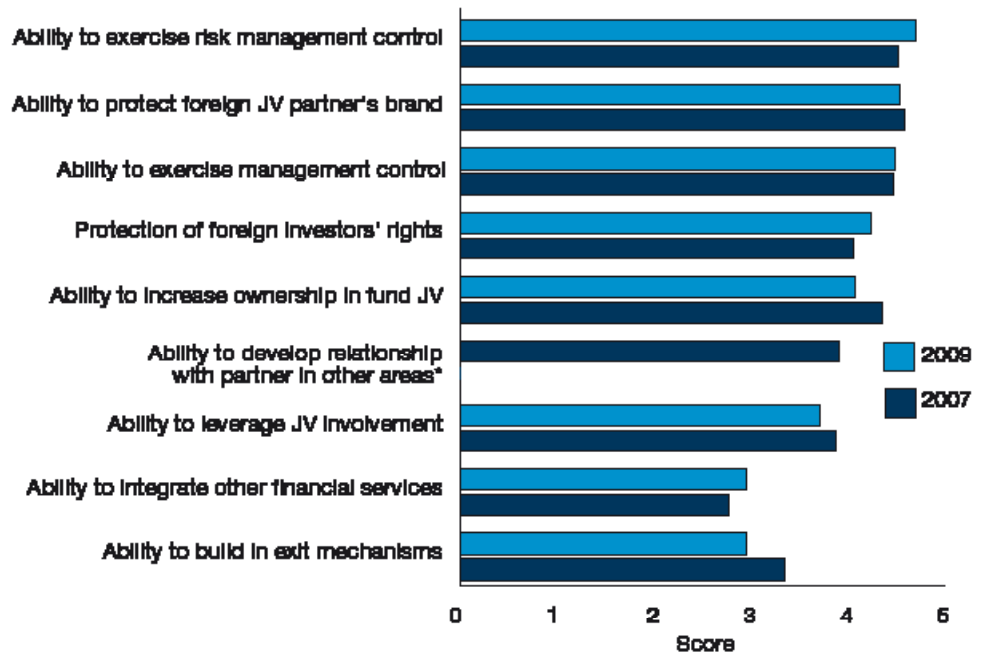
Q On a scale of 1 to 5, where 5 represents greatest importance, if you were to choose a joint venture how important would the following concerns be to your foreign fund management company in China?

The chart below highlights many of the concerns faced by the foreign partners in their joint venture relationships. Five different concerns score greater than 4 on a scale of 1 to 5.

The most critical concern with a score of 4.7 (4.5 in 2007) was the partners' ability to exercise risk management control. This was followed with a score of 4.5 by both protection of the foreign

partners' brand and ability to exercise management control.

Interestingly, the ability to increase ownership in the joint venture while still scoring above 4 was slightly lower in 2009 versus 2007.



Based on responses from 24 companies in 2009 and 17 companies in 2007

*not offered as an option in 2007

Q If permitted, can you rank the top three functions that you would outsource to a specialist provider?

The top three functions for outsourcing, if permitted, were:

- Fund accounting
- Client reporting; and
- Investor administration and servicing

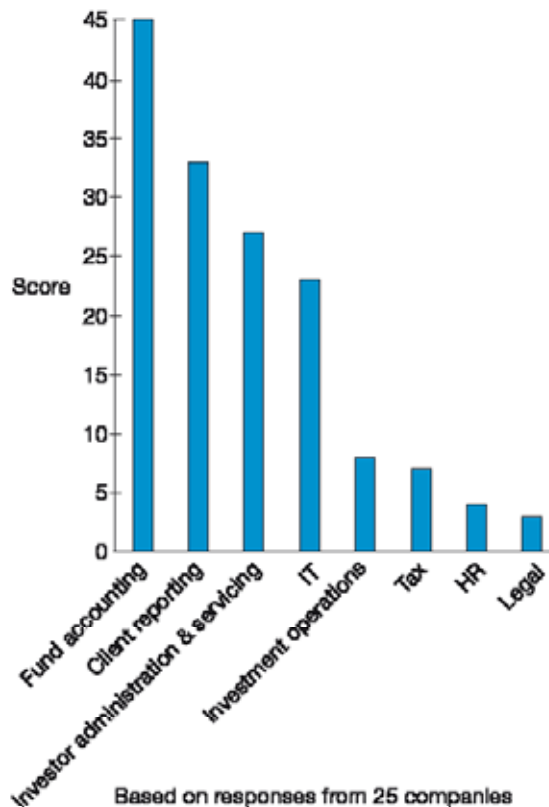
The foreign fund management companies would unanimously welcome the presence of global outsource providers in the Chinese marketplace.

State Street established a technology through the acquisition of UniverseSoft Technology company in Hangzhou and co-operation with Zhejiang University. It has a representative office in Beijing and is a leading provider of investment services in Asia. It is however, currently prohibited from providing outsourced services to fund management companies within China.

BNY Mellon announced in early 2009 that it will form a joint venture fund management company with Western Securities. Xi'an-based Western Securities will own 51% while BNY Mellon will have a 49% stake.

BNY Mellon is an important global asset manager with approximately US\$1 trillion assets under management and a leading provider of securities servicing, with about US\$20 trillion in assets under custody and administration.

Source: www.chinavest.com



Q Would you welcome the entrance of global outsource providers (such as State Street, BNY Mellon, etc.) into China?

Custodian Banks

- ICBC
- Agricultural Bank of China
- Bank of China
- China Construction Bank
- Bank of Communications
- Hua Xia Bank
- China Everbright Bank
- China Merchants Bank
- CITIC Industrial Bank
- China Minsheng Industrial Bank
- Shanghai Pudong Development Bank
- Bank of Beijing
- Shenzhen Development Bank

QFII Custodians

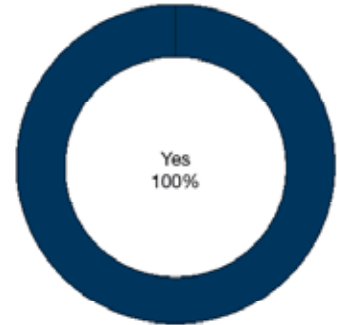
- HSBC
- Citibank
- Standard Chartered Bank
- ICBC
- Bank of China
- Agricultural Bank of China
- Bank of Communications
- China Construction Bank
- China Everbright Bank
- China Merchants Bank
- DBS Bank

Source: CSRC (www.csrc.gov.cn) December 2008

The foreign fund management companies unanimously agree that it would a positive development to be able to access the global outsource providers for their China operations.

At present they are not permitted to outsource outside China and a number of the big global providers are absent from the Chinese market.

For custodial services they must use one of the designated custodian banks shown in the table.



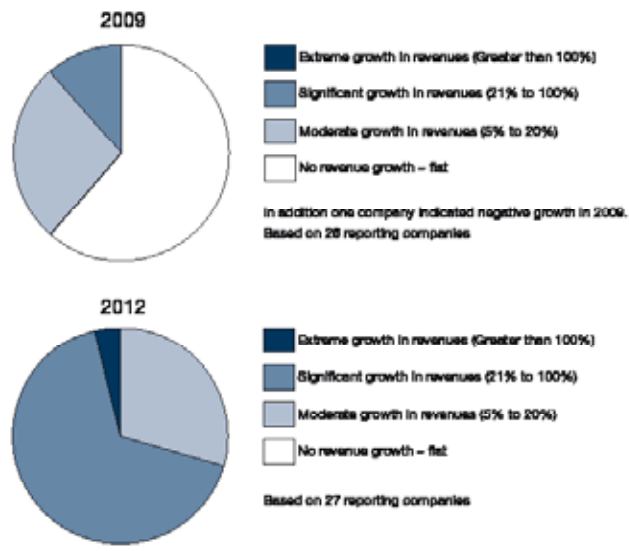
Based on responses from 25 companies

Performance

Q Which of the following statements best describes how you expect your business to perform over the next three years?

The foreign fund management companies expect to grow steadily over the next three years.

By 2012, eight companies expect moderate growth (5% to 20%), 18 companies anticipate significant growth (21% to 101% per annum) and one fairly large company envisaged extreme growth (exceeding 100% per annum).



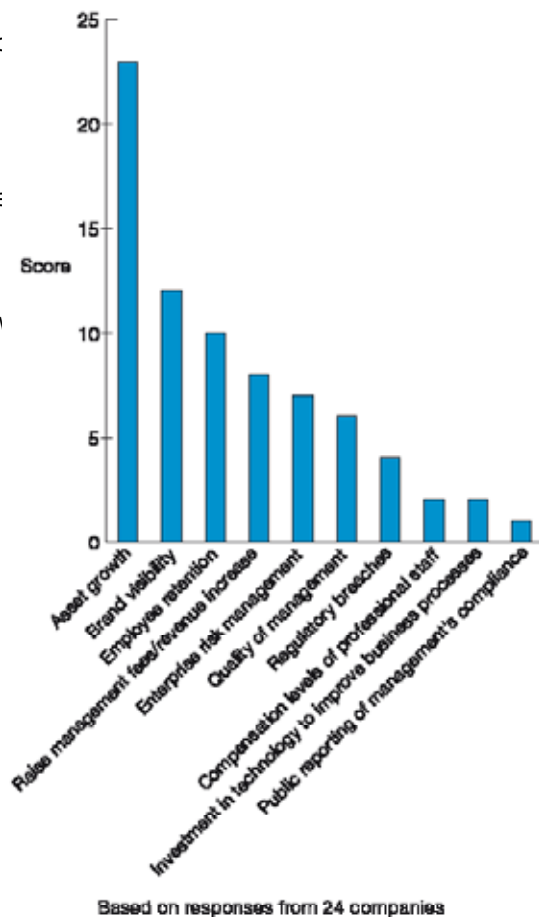
Q Which of the following management issue measures do you use to evaluate the performance of your fund management business?

The most important measure used to evaluate performance was identified asset growth.

The second most important was brand visibility followed by employee retention.

In 2007, the fourth factor was regulatory breaches but this has now slipped to seventh position.

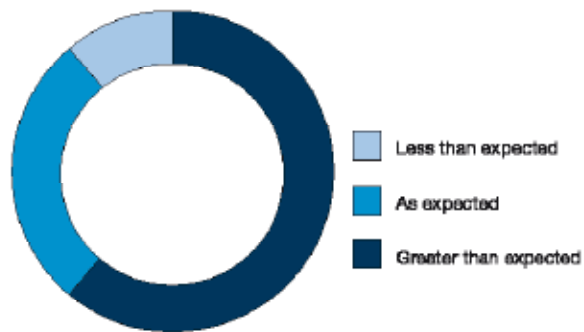
The need to raise management fees has been elevated to fourth position 2009 from ninth position in 2007.



Q Over the last three years in the market, have your company's profit expectations been greater than expected, as expected or less than expected?

Eighteen companies believe that their profit expectations have been greater than expected.

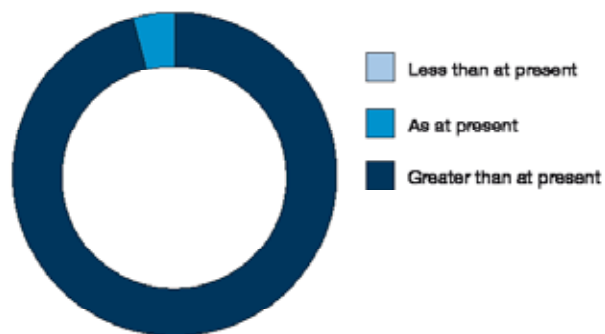
A further five companies believe they have been as expected.



Based on responses from 25 companies

Q In the next three years, do you think profits for your company will be greater than at present, as at present or less than at present?

Looking forward to 2012, despite the uncertain year anticipated in 2009, 24 companies predict that their profits will be greater than at present.



Based on responses from 25 companies

Q What is the approximate percentage split of your AUM asset class (i) in 2009 and (ii) in three years time?

The table on the following page indicates a breakdown of asset classes in 2009 and a forecasted breakdown for 2012.

These are approximate percentages and on occasion, participants opted to provide cross-category responses.

2009	FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Equity	40	80	93	60	60	44	50	78	70	60	35	90	70	82	90	90	80	100	80	90	85	90	30	63	80
Fixed income	60	15	7	40	25	20	30	40	30	5	10	12	10	10	20				20		10	5	50	35	15
Money market/cash	5				25	30	10			30	5	20	6								10	5	20	2	5
Real estate																									
Private equity																									
Hedge funds																									
Overseas assets					6		12			5															
Other*																	100								
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2012	FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC FMC																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Equity	40	70	50	50	60	60	35	70	60	45	70	65	50	70	40	15	50	60	90	70	75	40	60	70	
Fixed income	30	15	10	15	15	10	10	30	25	22.5	10	20	40	20	20	40	15	50	25	20	8	50	20	15	
Money market/cash	25	5	10	20	15	20	20		15	22.5	10	5		5	5	10		5		5	5	10	10	10	
Real estate						10																2		5	
Private equity																									
Hedge funds																						5			
Overseas assets	5		30	15	10		35			10	10	10	5	5	20			10		5	5	5	10	10	
Other*																	60								
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

* Includes balanced funds and capital guaranteed funds

Q Rank the top three factors that will be used by your foreign fund management company to increase its profitability over the next three years.

The three most important factors deployed by the foreign fund management to increase profitability over the next three years were identical to those cited in 2007.

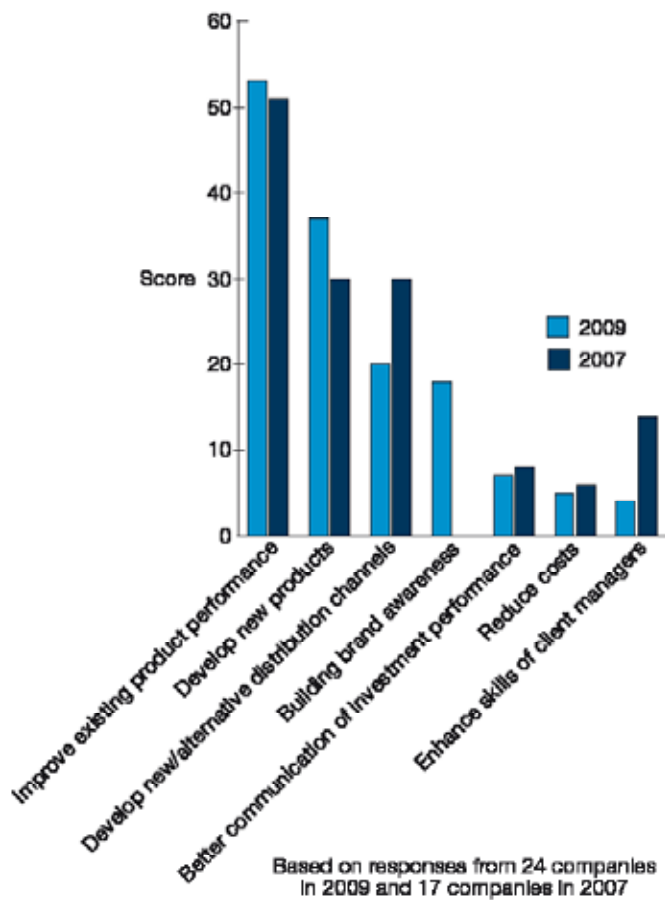
They were in order of importance:

- Improving product performance (this need was noted elsewhere in the report as a means of protecting their competitive edge as the banks roll out fund products)

- Development of new innovative products (related to the previous factor above and subject to the pace of CRSC granting approval)
- Development of new distribution channels

Building brand awareness a new factor in the 2009 survey was placed in fourth position.

Reducing costs remains in sixth position.



Peer review

Q Can you name the top three foreign fund management companies in terms of success (performance, presence, momentum, etc.) across a variety of different markets?

A simple scoring method awarded three points to first place, two points to second and one point to third place. This allowed the foreign fund management companies to be ranked based on a total score.

Foreign fund management companies were asked not to record an opinion unless they were active in that segment and were comfortable in providing an accurate ranking in terms

of success (performance, presence and momentum) as opposed to mere size.

They were not permitted to rank their own institution. Often foreign fund management companies would choose to indicate just first or second places.

Service quality

	First	Second	Third	Score	Change
China International	14	3	1	49	➔
Harvest	3	7	4	27	➔
ICBC Credit Suisse	1	2	1	8	↗
BOCOM Schroder		2	1	5	↗
Fortune SGAM		1	3	5	↗
INVESCO Great Wall		2	1	5	↗
HSBC Jintrust	1			3	↘
China Merchants		1		2	↘
ABN AMRO TEDA			1	1	↘

Based on 19 foreign fund management companies

Client focus

	First	Second	Third	Score	Change
China International	12	6		48	➔
Harvest	3	5	1	20	➔
ICBC Credit Suisse	2		2	8	↗
INVESCO Great Wall		2	3	7	↗
BOCOM Schroder		2	2	6	↗
Lord Abbett China	1			3	↗
China Merchants		1		2	↘
AIG-Huatai			1	1	↗
Fortune SGAM			1	1	↗
HSBC Jintrust			1	1	↘
ABN AMRO TEDA			1	1	↗

Based on 18 foreign fund management companies

Brand recognition

	First	Second	Third	Score	Change
China International	11	5	2	45	→
Harvest	10	3	2	38	→
ICBC Credit Suisse	2	2	3	13	↗
INVESCO Great Wall		3	4	10	→
Fortune SGAM		2	2	6	↗
BOCOM Schroder			4	4	→
Fullgoal		1	1	3	→
AIG-Huatai		1		2	↗
CCB-Principal		1		2	↗
China Merchants		1		2	↗
CITIC Prudential		1		2	↗
Fortis Haitong		1		2	↘
Franklin Templeton			1	1	↗

Based on 23 foreign fund management companies

Marketing strategy

	First	Second	Third	Score	Change
China International	11	6	1	46	→
Harvest	3	6	2	23	↗
BOCOM Schroder	2	1	3	11	↘
INVESCO Great Wall	1		3	6	↗
Fortis Haitong		1	4	6	↘
Fullgoal	1			3	↗
HSBC Jintrust	1			3	↘
ICBC Credit Suisse	1			3	→
China Merchants		1		2	↗
UBS SDIC		1		2	↗
Fortune SGAM		1		2	↗
CITIC Prudential			1	1	↗
Lord Abbett China			1	1	↗

Based on 20 foreign fund management companies

Overall performance

	First	Second	Third	Score	Change
China International	4	4	2	22	→
Harvest	3	4	2	19	→
BOCOM Schroder	2	4	3	17	↗
ICBC Credit Suisse	2	3	3	15	↗
Fortune SGAM	4	1		14	↗
ABN AMRO TEDA	3	1	1	12	↗
INVESCO Great Wall	2	1	1	9	↘
Franklin Templeton	1	2		7	↗
Fullgoal	1		1	4	↘
Lord Abbett China	1			3	↗
SYWG BNP Paribas		1		2	↗
AEGON-Industrial			1	1	↗
China Merchants			1	1	↗
CITIC Prudential			1	1	↗
Fortis Haitong			1	1	↗

Based on 23 foreign fund management companies

Distribution

	First	Second	Third	Score	Change
ICBC Credit Suisse	14	1	2	46	↗
BOCOM Schroder	1	8	6	25	↗
Harvest	4	3	2	20	↘
CCB-Principal		4	2	10	↗
China International	1	1	1	6	↘
INVESCO Great Wall		1	1	3	→
ABN AMRO TEDA		1		2	↗
ABC-CA			1	1	↗
Fortis Haitong			1	1	→
UBS SDIC			1	1	↗

Based on 20 foreign fund management companies

Innovation

	First	Second	Third	Score	Change
UBS SDIC	7	1		23	↗
Harvest	5	3		21	↗
China International	3	4	1	18	→
BOCOM Schroder	1	1	3	8	↗
ICBC Credit Suisse	1	1	3	8	↗
ABN AMRO TEDA	1	2	1	8	↗
AIG-Huatai	1	1		5	↗
HSBC Jintrust	1	1		5	↘
Fullgoal		2		4	↘
Fortune SGAM		1	1	3	↗
Franklin Templeton	1			3	↗
Everbright Pramerica		1		2	↘
INVESCO Great Wall			2	2	↘
Fortis Haitong			1	1	↗
Rongtong (Nikko)			1	1	↗

Based on 21 foreign fund management companies

Product range

	First	Second	Third	Score	Change
Harvest	15	3		51	→
China International		5	5	15	↗
ICBC Credit Suisse	1	4		11	↗
BOCOM Schroder	2		3	9	↗
Fortis Haitong	1	2	2	9	↘
Fullgoal	1	1		5	↗
INVESCO Great Wall		2	1	5	↘
Fortune SGAM		1	1	3	↗
China Merchants			1	1	↘
Rongtong (Nikko)			1	1	↗

Based on 20 foreign fund management companies

Appendices

Appendices

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Previous experience has shown that personal interviews with senior executives in China using a standard questionnaire offers the best research approach. The questionnaire contained 42 questions and was completed during interviews of approximately one hour. Dr Brian Metcalfe conducted all interviews in January and February 2009 in Beijing, Shanghai, Shenzhen and Hong Kong.

Responses have not been attributed to individual foreign fund management companies but rather collectively as one group. At times, individual foreign fund management companies declined to answer particular questions or were unable to provide sufficiently accurate data. This is noted where applicable.

About the author

Dr Brian Metcalfe is an Associate Professor in the Business School at Brock University, Ontario, Canada. He has a doctorate in financial services marketing and has researched for and produced over 35 reports, such as this one, on behalf of PricewaterhouseCoopers in 11 different countries including Australia, Canada, China, India, Japan and South Africa.

Previous reports have examined strategic and emerging issues in corporate, investment and private banking, life and property and casualty insurance, insurance broking, and wealth management.

In 2008, he authored the reports on Foreign banks in China and Foreign Insurance Companies in China.

In the past he has been employed by National Westminster Bank, Bank of Ireland and Connecticut Bank and Trust Company. He has consulted for a wide range of organisations, including Royal Bank of Canada, Bank of Nova Scotia, Barclays Bank, Sun Life Insurance Company, Equitable Life of Canada and several major consulting firms.

He has also taught an executive management course entitled “Financial Services Marketing” in the Graduate School of Business at the University of Cape Town.

Participants

Office location	Country of foreign partner	Name of foreign fund management company
Shanghai	France	ABC-CA (Crédit Agricole)
Beijing	Britain	ABN AMRO TEDA (Old Mutual) [†]
Shanghai	Netherlands	AEGON-Industrial
Shanghai	USA	AIG-Huatai
Shanghai	France	AXA SPDB
Shanghai	USA	Bank of China Investment Management (BlackRock)
Shanghai	Britain	Bank of Communications Schroder
Beijing	USA	CCB-Principal
Shanghai	USA	China International (JPMorgan)
Shenzhen	Netherlands	China Merchants (ING)
Beijing	Singapore	Changsheng (DBS)
Shanghai	Britain	CITIC Prudential
Shanghai	USA	Everbright Pramerica
Shenzhen	Australia	First State Cinda (Commonwealth Bank)
Shanghai	Belgium	Fortis Haitong
Shanghai	France	Fortune SGAM
Shanghai	USA	Franklin Templeton Sealand
Shanghai	Canada	Fullgoal (Bank of Montreal)
Shanghai	Germany	GTJA Allianz
Beijing	Germany	Harvest (Deutsche)
Shanghai	Britain	HSBC Jintrust
Shanghai	Belgium	KBC-Goldstate
Shanghai	Italy	Lombarda China
Shanghai	USA	Lord Abbett China
Shenzhen	USA	Morgan Stanley Huaxin
Shenzhen	Italy	Penghua (Eurizon)
Shenzhen	Japan	Rongtong (Nikko)
Shanghai	France	SYWG BNP Paribas
Shenzhen	Switzerland	UBS SDIC

Source: CSRC

[†] Subject to regulatory approval

Overview of foreign fund management companies at 31 December, 2008

Foreign party	Chinese party	Foreign equity	Operation date	Registered capital	City	AUM (RMB billions)	No. of products
ABN AMRO Asset Management	Northern International Trust	49%	6/6/2002	180	Beijing	20.8	10
AEGON	Industrial Fund Management	49%	9/30/2003	150	Shanghai	25.1	5
AIG Global Investment	Huatai Securities	49%	11/18/2004	200	Shanghai	12.7	5
Allianz Global Investors	Guotai Jun'an Securities	49%	4/3/2003	100	Shanghai	5.2	6
AXA Investment Managers	Shanghai Pudong Devel. Bank	39%	8/15/2007	200	Shanghai	1.7	2
Banca Lombarda	Guodu Securities	49%	7/19/2006	120	Shanghai	2.1	2
Bank of Montreal	Fullgoal Fund Management	28%	4/13/1999	180	Shanghai	40.3	14
BlackRock Investment Management	Bank of China	17%	8/12/2004	100	Shanghai	22.3	6
BNP Paribas Asset Management	Shenyin & Wanguo Securities	33%	1/15/2004	150	Shanghai	10.5	7
Crédit Agricole Asset Management	Agriculture Bank of China	33%	3/18/2008	200	Shanghai	9.7	2
Credit Suisse First Boston	ICBC	25%	6/21/2005	200	Beijing	75.2	9
DBS Asset Management	Changsheng Fund Management	33%	4/19/2007	100	Beijing	27.3	11
Deutsche Asset Management	Harvest Asset Management	30%	3/25/1999	100	Beijing	137.5	16
Edmond De Rothschild Banque	Zhonghai Fund Management	15%	11/26/2008	130	Shanghai	15.5	5
Eurizon Financial Group	Penghua Fund Management	49%	6/22/2007	150	Shenzhen	47.7	12
First State Investment Management	Cinda Asset Management	46%	6/5/2006	100	Shenzhen	5.9	2
Fortis Investment	Haitong Securities	49%	4/18/2003	150	Shanghai	38.5	9
Franklin Templeton Investments	Sealand Securities	49%	11/15/2004	220	Shanghai	13.6	5
HSBC Global Asset Management	Shanxi Trust	49%	11/16/2005	200	Shanghai	6.3	5
ING Investment Management	China Merchant Bank	33%	12/27/2002	210	Shenzhen	39.7	10
INVESCO Asia	Great Wall Securities	49%	6/12/2003	130	Shenzhen	41.8	10
JPMorgan Asset Management	Shanghai International Trust	49%	5/12/2004	150	Shanghai	49	9
KBC Asset Management	Goldstate Securities	49%	11/28/2006	150	Shanghai	3.9	2
Lord Abbett	Changjiang Securities	49%	6/8/2006	100	Shanghai	3.4	2
Morgan Stanley	China Fortune Securities	34%	4/8/2008	100	Shenzhen	1.7	3
Nikko Asset Management	Rongtong Fund Management	40%	4/13/2007	125	Shenzhen	36.7	10
Pramerica Investment	Everbright Securities	33%	4/22/2004	160	Shanghai	23.3	5
Principal Financial	China Construction Bank	25%	9/19/2005	200	Beijing	37.8	7
Prudential	CITIC	49%	9/30/2005	200	Shanghai	9.4	4
Royal Bank of Canada	Minsheng Bank	30%	11/3/2008	200	Shenzhen		
Schroder Investment Management	Bank of Communications	33%	8/4/2005	200	Shanghai	48.4	8
Société Générale Asset Management	Fortune Trust	49%	3/7/2003	150	Shanghai	48.2	11
UBS Asset Management	SDIC Trust	49%	6/13/2002	100	Shenzhen	20.5	10
Totals						881.7	224
Bank of Nova Scotia	Bank of Beijing	33%		300	Shenzhen		
F&C Asset Management	Huaxia Bank						
Mellon Global Investments	Western Securities	49%		200	Shanghai		
Morley Fund Management	Dongguan Trust	40%		200	Shanghai		
Natixis Banking Group	Industrial Bank	33%		300	Shanghai		
UOB	Ping An Securities	25%			Shenzhen		

Source: Z-Ben Advisors

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
ABC-CA 77 employees www.abc-ca.com	Crédit Agricole (33.3%)	Agricultural Bank of China (51.67%) Aluminum Corporation of China (15%)	Established in February, 2008, ABC-CA is a joint venture with a registered capital of RMB 200 million, among Agricultural Bank of China (51.67%), Crédit Agricole Asset Management (33.33%), and Aluminum Corporation of China (15%). The company is headquartered in Shanghai.
ABN AMRO TEDA (Old Mutual) 150 employees www.aateda.com	ABN AMRO (49%) to be owned by Old Mutual subject to regulatory approval	Northern Investment Trust (51%)	In August 2008 Old Mutual agreed to acquire the 49% stake that Fortis holds in ABN AMRO TEDA Fund Management Co. Ltd. (AATEDA) for a cash consideration of approximately EUR 165 million. AATEDA was founded in 2002, is 49% owned by ABN AMRO Asset Management (Asia) Limited since 2003 - recently acquired by Fortis - and 51% by a PRC company controlled by TEDA, a large PRC investment company owned by the city of Tianjin. At 30 June 2008, its assets under management amounted to RMB 21.1 billion (EUR 2.05 billion). The sale is the result of regulatory compliance following Fortis's acquisition in April 2008 of the asset management business of ABN AMRO Group, and is subject to approval by the China Securities Regulatory Commission (CSRC) and relevant government authorities.
AEGON-Industrial 96 employees www.xyfunds.com.cn	AEGON (49%)	Industrial Securities (51%)	Industrial Fund Management Co. Ltd. was founded on September, 2003 with a registered capital of RMB 98 million. The company was jointly initiated by Industrial Securities (48.98%), State Development and Investment Corp (25.51%), China Investment and Credit Guaranty Co. Ltd. (15.31%) and Fujian Post Office (10.2%). In April 2008, Netherlands-based AEGON Group acquired 49% stake in the company, and the joint venture's name changed to AEGON-INDUSTRIAL Fund Management Co. Ltd. The current registered capital is RMB 120 million, while 51% share is held by Industrial Securities.
AIG-Huatai 110 employees www.aig-huatai.com	AIG Global Investors (49%)	Huatai Securities (49%) Suzhou New District Hi-Tech Industrial Park (2%)	AIG-Huatai Fund Management Co. Ltd. is a joint venture fund management company founded by AIG Global Investment Corp. (AIGGIC), Huatai Securities Co. Ltd. and Suzhou New District Hi-Tech Industrial Park Co. Ltd. AIG-Huatai was formally established in November 2004 in Shanghai. In September 2005, AIG-Huatai received approval from the CSRC of share transfers among its shareholders. After the share transfer, AIGGIC and Huatai each increased their shares from the former 33% to 49%. Suzhou New District High-tech Industrial Park Co. Ltd. holds 2%. In September 2006, the joint venture increased its registered capital from RMB 100 million to RMB 200 million.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
AXA SPDB 70 employees www.py-axa.com	AXA Investment Managers (39%)	Shanghai Pudong Development Bank (51%) Shanghai Dragon Investment Company (10%)	Headquartered in Shanghai, AXA SPDB Investment Managers Co. Ltd. is established in August 2007. It is a joint venture among Shanghai Pudong Development Bank (51%), French asset management company AXA Investment Managers (39%) and Shanghai Dragon Investment Company (10%). Total registered capital is RMB 200 million.
BOC Investment Management 100 employees www.bocim.com	BlackRock (16.5%) BOC International Holdings (16.5%)	Bank of China International (China) (67%)	Bank of China Investment Management Co. Ltd. (BOCIM) is a joint venture fund management company between Bank of China Co. Ltd. and BlackRock Inc. They hold 83.5% and 16.5% share respectively, with a registered capital of RMB 100 million. Formally called BOC International Investment Managers before January 2008, the company was established on June 2004 as a result of the partnership of BOC International (China) Ltd. (BOCICL), BOC International Holdings (BOCIH) and Merrill Lynch Investment Managers which merged with BlackRock. BOCICL held 67% of the joint venture while each of BOCIH and BlackRock held 16.5%.
Bank of Communications Schroder 150 employees www.jysld.com	Schroders (30%)	Bank of Communications (65%) China International Marine Containers (5%)	Bank of Communications Schroder Fund Management Co. Ltd. is a joint venture established in 2005 with Schroders Plc. and headquartered in Shanghai. Bank of Communications owns 65% of the venture, with Schroders holding 30% and China International Marine Containers (Group) Co. the remainder. Its registered capital is RMB 200 million.
CCB-Principal 140 employees www.ccbfund.cn	Principal Financial Group (25%)	China Construction Bank (65%) China Huadian (10%)	CCB Principal Asset Management Co. Ltd. was opened in September 2005 in Beijing with RMB 200 million registered capital. China Construction Bank owns 65% of the company, while US company Principal Financial Group owns 25% and China Huadian Group owns the rest 10%.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
Changsheng (DBS Fund Management) 150 employees www.csfund.com.cn	DBS Asset Management (33%)	Guoyuan Securities (41%) Anhui Provincial Innovative Investment Company (13%) Anhui Provincial Investment Group (13%)	Changsheng was founded in March 1999 as a domestic fund management company with registered capital of RMB 100 million. In April 2007, the company became a foreign joint venture when Singapore-based DBS Asset Management took a 33% stake. In November 2008, Changsheng increased its registered capital to RMB 150 million.
China International 180 employees www.51fund.com	JPMorgan Fleming Asset Management (UK) (49%)	Shanghai International Trust and Investment (51%)	China International Fund Management Co. Ltd. is a joint venture between Shanghai International Trust & Investment Co. Ltd. and J.P. Morgan Fleming Asset Management (UK) Limited. It has a registered capital of RMB 150 million. The former holds 51% of the shares, while the latter holds 49% of them. The company opened in May 2004.
China Merchants 150 employees www.cmfchina.com	ING Asset Management (33.3%)	China Merchants Securities (33.3%) China Merchants Bank (33.4%)	China Merchants Fund Management Co. Ltd. (CMF) was the first Joint Venture Fund Management Company approved by the CSRC. The company was formally launched on 27 December, 2002. CMF was registered in Shenzhen with RMB 210 million registered capital.
CITIC Prudential 90 employees www.citicprufunds.com.cn	Prudential (49%)	China International Trust (49%) China-Singapore Suzhou Industrial Park (2%)	Headquartered in Shanghai, CITIC PRU is jointly established by China International Trust and Investment Corporation and Prudential with 49% stake of each and China-Singapore Suzhou Industrial Park Development Co. Ltd. with a 2% stake. The registered capital is RMB 200 million, increased from RMB 100 million in December 2008.
Everbright Pramerica 99 employees www.epf.com.cn	Pramerica (33%)	Everbright Securities (67%)	Everbright Pramerica Fund Management Co. Ltd. is a joint venture between Everbright Securities and Prudential Financial headquartered in Shanghai. Everbright Securities holds 67% stake and Prudential Financial holds the rest of 33%. The registered capital is RMB 160 million.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
First State Cinda 70 employees www.fscinda.com	Colonial First State Group (46%)	China Cinda (54%)	First State Cinda Fund Management Co. Ltd. is a joint venture between China Cinda Asset Management Corporation (China Cinda) and Colonial First State Group (CFSG), a wholly owned subsidiary of the Commonwealth Bank of Australia. The company has its registered office in Shenzhen with a registered capital of RMB 100 million. China Cinda owns 54% stake, while CFSG accounts for the remaining 46%.
Fortis Haitong 157 employees www.hftfund.com	Fortis (49%)	Haitong Securities (51%)	Fortis Haitong Investment Management Co. Ltd. was established in April 2003. In February 2006, the company increased its registered capital from RMB 100 million to RMB 150 million.
Fortune SGAM 136 employees www.fsfund.com	Société Générale Asset Management (49%)	Fortune Trust & Investment Co (51%)	Fortune SGAM Fund Management Co. Ltd. is a joint venture between Fortune Trust & Investment Co. Ltd., which is a subsidiary of Baosteel Group, and SGAM, an asset management subsidiary of SG Group in France. The former originally held 67% stake while SGAM held 33% upon the establishment in February 2003. In June 2007, the registered capital increased to RMB 150 million from RMB 100 million, and the share percentage changed to Fortune Trust & Investment 51% and SGAM 49%.
Franklin Templeton Sealand 100 employees www.ftsfund.com	Franklin Templeton (49%)	Sealand Securities (51%)	Franklin Templeton Sealand Fund Management Co. Ltd. is a joint venture between Sealand Securities Co. Ltd. and US company Franklin Templeton International, Inc. They hold 51% and 49% stake respectively. The registered capital was raised once from RMB 100 million to RMB 150 million in January 2007, and again to RMB 220 million in December 2007.
Fullgoal 150 employees www.fullgoal.com.cn	Bank of Montreal (27.78%)	Haitong Securities (27.78%) Shenyin & Wanguo Securities (27.78%) Shandong Int. Trust (16.68%)	Fullgoal Fund Management Co. Ltd. was founded in March 1999 as one of the first ten fund management institutions authorised by the Chinese government. In 2003, a Canadian bank, Bank of Montreal became one of its shareholders. In November 2006, its registered capital increased from RMB 120 to RMB 180 million.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
GTJA Allianz 70 employees www.gtja-allianz.com	Allianz (49%)	Guotai Junan Securities (51%)	Guotai Junan Allianz fund Management Co. Ltd. is one of the first joint venture fund management companies that acquired the preparatory permit in China. Its local shareholder, Guotai Junan Securities with 51% stake, is one of the largest security companies in China; its foreign shareholder, Allianz AG in Germany owns 49% stake. The current registered capital is RMB 100 million.
Harvest 400 employees www.jsfund.cn	Deutsche Asset Management (30%)	China Credit Trust (40%) Li Xin Investment (30%)	The company was founded in March 1999 as one of the first 10 domestic fund management institutions authorised by the Chinese government as part of its strategy to open up and develop its financial sector. In June 2005, Deutsche Asset Management (DeAM), a subsidiary of Deutsche Bank AG, took a 19.5% stake in Harvest. In August 2007, Harvest was approved to be the first joint venture to operate QDII business. In March 2008, the shareholding proportion changed. DeAM now holds 30%, the shareholding by China Credit Trust decreased from 48% to 40%, while Lixin Investment now holds 30%, down from 32.5%. Harvest has registered capital of RMB 100 million.
HSBC Jintrust 106 employees www.hsbcjt.cn	HSBC Global Asset Management (49%)	Shanxi Trust (51%)	HSBC Jintrust Fund Management Co. Ltd. is a joint venture between HSBC Group Investment Businesses and Shanxi Trust & Investment Corporation Ltd. (Jintrust). HSBC Group owns 49% stake and the Chinese investor owns 51%. The company opened in November 2005 with RMB 200 million registered capital and headquartered in Shanghai.
KBC-Goldstate 51 employees www.jykbcc.com	KBC Asset Management (49%)	Goldstate Securities (51%)	KBC-Goldstate Fund Management Co. Ltd. was established by Goldstate Securities Co. Ltd. (GSS) and KBC Asset Management NV in November 2006. GSS is invested by Capital Airport Holding Company and owns 51% share of the joint venture, while the Belgian partner holds the rest of 49%. The registered capital is RMB 150 million.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
Lombarda China 62 employees www.lcfunds.com	Banca Lombarda (49%)	Guodu Securities (47%) Pingdingshan Coal (4%)	Lombarda China Fund Management Co. Ltd. registered in Shenzhen with a registered capital of RMB 120 million, was formally established on 19 July, 2006. Italy-based Banca Lombarda e Piemontese S.p.A. holds a 49% stake, Guodu Securities Co. Ltd. holds 47% and Pingdingshan Coal (Group) Co. Ltd. holds 4%.
Lord Abbett China 55 employees www.lordabbettchina.com	Lord Abbett (49%)	Changjiang Securities (30%) Tsinghua Holding (21%)	Lord Abbett China Asset Management Co. Ltd. is headquartered in Shanghai and founded by a US asset management company – Lord Abbett & Co. LLC, Changjiang Securities Company, and Tsinghua Holding Co. Ltd. which is associated with Tsinghua University. The company has RMB 100 million registered capital, 49% is invested by Lord Abbett & Co. LLC, 30% by Changjiang Securities and 21% by Tsinghua Holding.
Morgan Stanley Huaxin 62 employees www.msfunfunds.com.cn	Morgan Stanley International (34%)	Huaxin Securities (36%) Hantang Securities (15%) Shenzhen Merchants Investment Corp (10%) Zhejiang Zhongda Group (5%)	Before June 2008, Morgan Stanley Huaxin Fund Management Co. Ltd. was formerly a domestic company Jutian Fund Management Co. Ltd. Morgan Stanley International Holdings Inc. owns 34% stake in the new joint venture. The domestic partners include Huaxin Securities (36%) Hantang Securities (15%), Shenzhen Merchants Investment Corp (10%), and Zhejiang Zhongda Group (5%). Current registered capital is RMB 160 million.
Rongtong (Nikko) 150 employees www.rtfund.com	Nikko Asset Management (40%)	New Times Securities (60%)	Rongtong Fund Management Co. Ltd. was established in Shenzhen in May 2001 with registered capital RMB 125 million. In 2008, one of the domestic shareholders New Times Securities Co. Ltd. has been granted by CSRC to take over all stakes owned by another shareholder Hebei Securities Co. Ltd., after completion of the transaction, New Times Securities owns 60% stake, increased from 20%. The Japanese partner Nikko Asset Management Co. Ltd. still owns a 40% stake.
Penghua (Eurizon) 152 employees www.phfund.com.cn	Eurizon (49%)	Guosen Securities (50%) Shenzhen Brillice Investment Co. (1%)	Penghua Fund Management Co. Ltd. was established in December 1998 as a domestic company with the initial registered capital of RMB 80 million. In 2001, the registered capital has increased to RMB 150 million. In July 2007, Italian company Eurizon Financial Group acquired 49% share from three shareholding companies. As a result of the change, the original shareholder Guosen Securities Co. Ltd. still owns 50% stake and Shenzhen Brillice Investment Co. Ltd. owns 1%.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Background comments on participants

Joint venture fund management company	Partners		Background comments ^{††}
	Foreign	Chinese	
SYWG BNP Paribas 91 employees www.swbnpp.com	BNP Paribas (33%)	Shenyin & Wanguo Securities (67%)	SYWG BNP Paribas Asset Management Co. Ltd. is a joint venture co-invested by Shenyin & Wanguo Securities Co. Ltd. and French company BNP Paribas Asset Management SAS. The former owns 67% of the company and the French investor owns 33%. The company is headquartered in Shanghai with registered capital of RMB 100 million.
UBS SDIC 110 employees www.ubssdic.com	UBS AG (49%)	SDIC (51%)	UBS SDIC Fund Management Co. Ltd. was formerly called Zhongrong Fund Management Co. Ltd. which was established on June 2002. In June 2005, it joint ventured with UBS group. At present, it is jointly owned by UBS AG and SDIC Group which holds 49% and 51% of the stakes respectively. Its current registered capital is RMB 100 million.

^{††} The background comments were taken from the respective foreign fund management companies' websites and Baidu Hexun in February and March 2009

Foreign fund management companies AUM at 31 December, 2008

	Company	AUM (RMB billions)	Market share
1	ABC-CA	9.72	0.50%
2	ABN AMRO TEDA [#]	20.81	1.07%
3	AEGON Industrial	25.10	1.29%
4	AIIG-Huatai	12.70	0.66%
5	AXA SPDB	1.67	0.09%
6	BOCOM Schroders	48.38	2.50%
7	Bank of China Investment ^{##}	22.26	1.15%
8	CCB Principal	37.80	1.95%
9	Changsheng [^]	27.32	1.41%
10	China International ^{##}	49.02	2.53%
11	China Merchants ^{##}	39.66	2.05%
12	CITIC Prudential	9.39	0.48%
13	Everbright Pramerica	23.30	1.20%
14	First State Cinda ^{##}	5.90	0.30%
15	Fortis Haitong	38.50	1.99%
16	Fortune SGAM	48.15	2.48%
17	Franklin Templeton Sealand	13.56	0.70%
18	Fullgoal [^]	40.20	2.07%
19	GTJA Allianz	5.22	0.27%
20	Harvest [^]	137.51	7.09%
21	HSBC Jintrust	6.28	0.32%
22	ICBC Credit Suisse	75.23	3.88%
23	INVESCO Great Wall	41.75	2.15%
24	KBC-Goldstate	3.94	0.20%
25	Lombarda China	2.09	0.11%
26	Lord Abbett China	3.37	0.17%
27	Morgan Stanley Huaxin ^{^^}	1.66	0.09%
28	Penghua [^]	47.69	2.46%
29	Rongtong [^]	36.73	1.89%
30	SYWG BNP Paribas	10.46	0.54%
31	UBS SDIC	20.48	1.06%
32	Zhonghai ^{^^^}	15.48	0.80%

[#] Fortis Group has agreed to sell its position in ABN AMRO TEDA to UK-based Old Mutual Asset Management. The deal has yet to be approved by the CSRC.

^{##} ING Investment Management owns a 33.3% equity interest in China Merchants; JPMorgan Fleming Asset Management owns a 49% equity interest in China International; BlackRock owns a 16.5% equity interest in BOC; Colonial First State Group owns 46% of First State Cinda.

[^] Deutsche Asset Management purchased 30% equity interest in Harvest. Bank of Montreal bought an equity interest in Fullgoal that currently stands at 27.8%. DBS Asset Management has acquired a 33% stake in Changsheng. Eurizon Financial Group owns a 49% stake in Penghua. Nikko Asset Management of Japan has a 40% position in Rongtong.

^{^^} Formerly Jutian Fund Management

^{^^^} Zhonghai and La Compagnie Financiere Edmond De Rothschild Banque completed their merger in December 2008

Source: Z-Ben Advisors

QFII approved names at June 2008

No.	Name of QFII	Qualification approved date
1	UBS AG	23-May-03
2	Nomura Securities Co. Ltd.	23-May-03
3	Morgan Stanley & Co. International Ltd.	5-Jun-03
4	Citigroup Global Markets Ltd.	5-Jun-03
5	Goldman, Sachs & Co.	4-Jul-03
6	Deutsche Bank AG	30-Jul-03
7	HSBC	4-Aug-03
8	ING Bank N. V.	10-Sep-03
9	JPMorgan Chase Bank	30-Sep-03
10	Credit Suisse (Hong Kong) Ltd.	24-Oct-03
11	Standard Chartered Bank (Hong Kong)	11-Dec-03
12	Nikko Asset Management Co. Ltd.	11-Dec-03
13	Merrill Lynch International	30-Apr-04
14	Hangseng Bank	10-May-04
15	Daiwa Securities SMBC Co. Ltd.	10-May-04
16	Lehman Brothers International (Europe)	6-Jul-04
17	Bill & Melinda Gates Foundation	19-Jul-04
18	INVESCO Asset Management Ltd.	4-Aug-04
19	ABN AMRO Bank N.V.	2-Sep-04
20	Société Générale	2-Sep-04
21	Templeton Asset Management Ltd.	14-Sep-04
22	Barclays Bank Plc	15-Sep-04
23	Dresdner Bank	27-Sep-04
24	Fortis Bank SA/NV	29-Sep-04
25	BNP Paribas	29-Sep-04
26	Power Corporation of Canada	15-Oct-04
27	Calyon S.A.	15-Oct-04
28	Goldman Sachs Asset Management International	9-May-05
29	Martin Currie Investment Management Ltd.	25-Oct-05
30	Government of Singapore Investment Corporation Pte. Ltd.	25-Oct-05
31	AIG Global Investment Corp.	14-Nov-05
32	Temasek Fullerton Alpha Investments	15-Nov-05
33	JF Asset Management Ltd.	28-Dec-05
34	Dai-ichi Mutual Life Insurance	28-Dec-05
35	DBS Bank Ltd.	13-Feb-06
36	AMP Capital Investors Ltd.	10-Apr-06
37	Scotia Bank or The Bank of Nova Scotia	10-Apr-06
38	KBC Financial Products UK Limited	10-Apr-06
39	Edmond de Rothschild Banque	10-Apr-06
40	Yale University	14-Apr-06
41	Morgan Stanley Investment Management	7-Jul-06
42	Prudential Asset Management (Hong Kong)	7-Jul-06
43	Stanford University	5-Aug-06
44	GE Asset Management Incorporated	5-Aug-06
45	United Overseas Bank Ltd.	5-Aug-06
46	Schroder Investment Management Ltd.	29-Aug-06
47	HSBC Investments (Hong Kong) Ltd.	5-Sep-06
48	Shinko Securities Co. Ltd.	5-Sep-06
49	UBS Global Asset Management (Singapore)	25-Sep-06
50	Sumitomo Mitsui Asset Management Co. Ltd.	25-Sep-06
51	Norges Bank	24-Oct-06
52	Pictet Asset Management Ltd.	25-Oct-06
53	The Trustees of Columbia University, New York	12-Mar-08
54	Prudential Asset Management Co. Ltd.	7-Apr-08
55	Robeco Institutional Asset Management B.V.	5-May-08
56	State Street Global Advisors Asia Ltd.	16-May-08
57	Platinum Investment Co. Ltd.	2-Jun-08
58	KBC Asset Management N.V.	2-Jun-08

Source: CSRC

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