

JUNE 2010

Measuring Success

Benchmarking Sino-foreign fund managers

When operating in China, success can be very elusive. History has also shown that success attained is also fleeting. Even still, Z-Ben Advisors is constantly asked to provide an opinion as to which of the 33 Sino-foreign fund managers has proven to be the most successful. A treacherous task, but a task nonetheless which must be addressed. It is for this reason why last year we developed a report seeking to benchmark all JV fund managers using a highly objective and multi-faceted quantitative model. We are now pleased to share with you the results of our latest version and results which we considered to be even more robust.

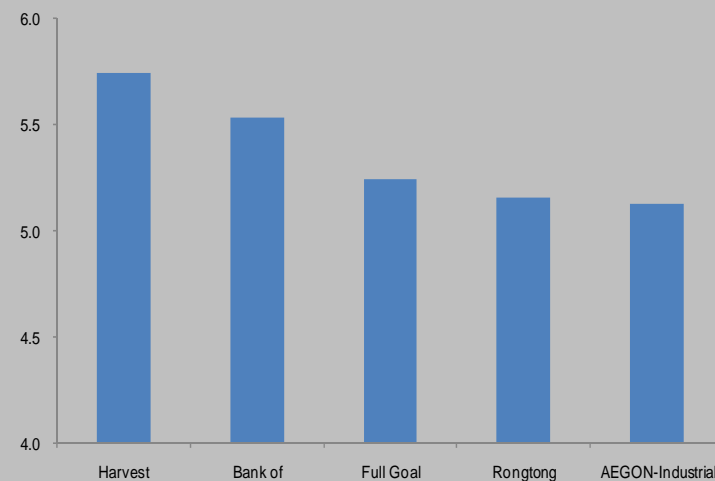
This iteration of the report has undergone several methodological changes, in an effort to better reflect underlying dynamics. Despite the changes, this document still examines twenty dimensions of firm competitiveness, and will be familiar to readers of last year's version. While we acknowledge the limitations of assigning a single numerical score to represent a complex reality, this analysis also draws on our extensive qualitative experience in dealing with fund managers, both in determining the appropriate variables to examine, as well as the actual analysis of each factor. These improvements provide a better overall assessment of the JV landscape, and will allow readers to glean even more information.

This report will allow readers to better understand their own, and their competitor's strengths and weaknesses, which in turn should allow for a more fine-tuning of long-term plans. For users' convenience, a CD with full raw data and charts is supplied with every order.

This report assists JV partners to:

- ◆ Understand their current competitive position against all other JVs
- ◆ Highlight their position against a group of user-selected competitors
- ◆ Analyze in detail the strengths and weaknesses of their current range of offerings
- ◆ Assess the impact of launches, performance, management and more on competitiveness

SCORE: THE TOP FIVE MANAGERS



REPORT HIGHLIGHTS

- Complete rankings and ratings for all 33 Sino-foreign fund management companies
- A detailed analysis of the report's findings including potential near term opportunities and risks
- Multidimensional exhibits evaluating the sample set of 20 key elements of success
- User-defined benchmarking to highlight key competitors on all charts and rankings/ratings lists
- Complete data underlying the model which will be provided on a CD

Z-BEN ADVISORS Ltd. (Hong Kong)

Two Exchange Square, 39/F
8 Connaught Place
Central, Hong Kong SAR

Research Affiliate

Z-BEN ADVISORS Ltd. (Shanghai, China)

上海咨奔商务咨询有限公司

GC Tower, 21/F
1088 Yuanshen Road
Pudong New Area, Shanghai 200122
People's Republic of China

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Section 1: Introduction

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A guide to the report's intent and uses.

Section 3: Methodology

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How each element of success was defined, measured and expressed as a chart, ranking and rating.

Section 2: 2010 Ranking & Analysis

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Complete ranking and ratings tables for all 33 Sino-foreign firms sampled.

Section 4: Factor Charts and Analysis

Page 20

Complete charts for each of the 20 elements analyzed plus commentary.

Scoring Exhibits

Exhibit 1: Market Share - Total

Page 20

Fund management, as a business, is scalable: market share matters, especially in terms of profitability and market coverage. As current market share is the result of both past and recent asset-gathering success, we measure each Sino-foreign manager's end-08 market share, then compare that to each firm's change in market share in 2009. This exhibit, therefore, shows not only how well each firm maintained its recent growth momentum (if any) but also which firms retain the largest overall market share. All asset classes are included in this exhibit.

Exhibit 2: Market Share - Adjusted

Page 22

New launches and money market funds can receive substantial cash inflows in a given year which may be, in Z-Ben Advisors' opinion, difficult to retain. Asset "lending" to launches and tactical retreats to money markets both add layers of noise to total market share data. In this exhibit, we strip out both of those influences to see which firms' growth is grounded in more stable asset categories. Many firms' positions in this adjusted calculation are significantly impacted in comparison to Exhibit 1, suggesting that it may be difficult for them to maintain their overall share.

Exhibit 3: Market Share - 2009 Growth

Page 24

Growth can be measured in a variety of ways, and long-term success is not always predicated on short-term AUM jumps. That said, AUM movements are also indicative measures of capital growth and organic inflows, which are critical to long-run efficacy. This exhibit examines absolute AUM change, versus rate of market share growth in 2009, a measure which mitigates the potentially negative effect of rapid short term inflows (that often lead to immediate outflows) while acknowledging that relative changes are still important, in determining which firms are able to sustain growth over time.

Exhibit 4: Performance - Equity Funds

Page 26

In China, market share growth has been overwhelmingly dependent on growth in equity-heavy AUM. This AUM, in turn, remains overwhelmingly dependent on long-term fund performance. Only 4 equity-centric funds of JV firms beat the market in 2009 while the CSI 300 index increased 96.71% for the whole year. In this exhibit, we compare firms' weighted equity returns with the size of their equity AUM to see the extent to which smaller, and presumably more nimble firms could gain an edge on their larger competitors. This exhibit includes performance figures on only those equity mutual funds which were available for all 12 months of 2009.

Exhibit 5: Performance - Fixed Income Funds

Page 28

Increasingly, client needs are diverging and, as a result of this trend, demand for fixed-income funds is becoming a more stable and a more important source of AUM and fees. Moreover, a more heterogeneous set of funds is now available, offering investors broader choice and better ability to fine-tune their risk/return profile. In this exhibit, we assess weighted performance against liquidity of fixed income assets to determine which firms are deploying their non-equity ranges to best effect. This exhibit includes performance figures on only those fixed-income mutual funds which were available for all 12 months of 2009.

Scoring Exhibits

Exhibit 6: Performance - Research Capacity

Page 30

Research drives investment. A fund manager can adopt professional investment recommendations from brokers or make their investment decisions based on research reports written by internal analysts. Generally the more brokers a firm uses, the more investment advice it can get. Quantity is not everything when it comes to research, as the quality (and the ability to sort quality) of incoming research is still dependent upon a firm's internal capacities. It is a difficult task to measure the quality of each firm's internal research ability, therefore, we use percentage of postgraduate degree holders over total employees to estimate the research capability for all JVs.

Exhibit 7: Retention Analysis - Total

Page 32

There are two ways to gauge net inflows for each FMC: by AUM or by shares in issue. We include both methods in this exhibit. We find the more investors a firm has, meaning the larger the client base that the firm is serving, indicates that the firm has a larger number of retail investors and a good reputation among average investors. Such recognition is very important in allowing JVs to retain assets. This exhibit excludes new funds launched in 2009.

Exhibit 8: Retention Analysis - Adjusted

Page 34

Just as it adds noise to total market share data, short-term shifts in money market funds also affect any assessment of a fund manager's ability to retain assets. In this exhibit, we have once again stripped out all AUM and share data from such funds to present a clearer picture of trends affecting each firm's core portfolio of assets. Again, many firms' positions shift markedly, compared to exhibit 7, suggesting that a number of managers face asset retention issues that were masked by short-term fund flow patterns.

Exhibit 9: New Product - Asset Retention

Page 36

The issuance of a new product is critical for any fund manager seeking to grow AUM and gain share. For 2009, new launches – particularly in passive sectors – were a “breakthrough point” for many firms but initial fundraising results often overstated their likely contribution to long-term AUM. In this exhibit, we assess a firm's ability to hold on to their initial gains, revealing which funds may have enjoyed only short-term launch support from their investors and which appear to have built a platform for more lasting success. This exhibit includes all funds for which a post-launch three-month shares in issue figure is available.

Exhibit 10: New Product - Client Mix

Page 38

Fund launches in 2009 improved considerably as market conditions reversed from 2008's doldrums. In this exhibit, we contrast the number of accounts opened in each firm's 2009 launches with the average account size to better assess which firms favored which sectors and which managed to strike the best balance in attracting funds from both buying groups (retail vs. institutional). This is important given the more committed nature of retail investors, which tend to be lower-churn clients. Funds with higher institutional participation can, in general, expect more rapid reactions against short-term market moves, and usually need to keep more cash on hand to deal with potential redemptions.

Scoring Exhibits

Exhibit 11: New Product - Portfolio Impact

Page 40

Another important measure of a new fund launch's success is its impact on total AUM. For one firm, raising RMB2.0bn could potentially lead to a doubling in its size. For another, it would just get added to the pile. What's more, some firms could get their new products approved continuously to sustain AUM growth while the others cannot rely on such a strategy. In this exhibit, we compare new funds launched per year (since each firm's inception) against the percentage change in each firm's total AUM, assessing which firms achieved the most bang for their launch buck.

Exhibit 12: Portfolio Range - Balance of Opportunity

Page 42

Not all product ranges are adaptable in all market conditions: an offering that grows without diversifying does little to ameliorate this problem. In this exhibit, we compare the number of asset classes in which firms offer products with total number of products. For many firms, expanding the range may not be accompanied by any meaningful flow of AUM. When market conditions shift, however, providing clients with a greater number of investment opportunities does assist in reducing the risk of extensive asset outflows from the firm.

Exhibit 13: Portfolio Range - Equity Dominance

Page 44

Equity assets – particularly active equity AUM – are a major generator of a firm's revenue. In this exhibit, we compare the size of each firm's equity fund AUM with the proportion of total AUM represented by equity funds. However, over equity exposure could be very risky to a firm's clients, particularly during periods of high volatility, such as those seen in 2009. Market average equity proportion may be the best standard to determine how aggressive firms are in terms of equity dominance.

Exhibit 14: Portfolio Range - Fixed Income Maintenance

Page 46

In 2009, fixed income funds launches disappeared in the second half, but the good news is each JV has at least one fixed income fund so far. In this exhibit, we compare end-2009 firm AUM with 2009 fixed-income AUM growth. Although fixed income products lacked demand in 2009's stock-driven market, they will likely be an AUM "buffer" in a volatile 2010, and examining historical levels of maintenance within the segment will provide some indication as to which firms are best positioned to weather such a period.

Exhibit 15: Operation - Portfolio Manager Turnover

Page 48

Portfolio management stability is a rare prize in China and only a few firms have been able to achieve it thus far. Opportunities crop up in every direction and there remains a wide gap between the supply and demand of qualified investment talent. CSRC is not the only group to worry about constant PM turnover and job hopping investment professionals. Institutional buyers also have concerns. In this exhibit, we contrast 2009 PM turnover at the firm level with the number of PM each product covers, assessing which firms appear to be stable in terms of PM teams and are less impacted by a PM departure.

Scoring Exhibits

Exhibit 16: Operation - Leadership Effects

Page 50

Success begins, and ends, with the management team put in place. Achieving success in China demands that there is a highly functional relationship among a firm's most senior executives. And nothing is more critical than the relationship between the Chairman and the General Manager. In this exhibit, we compare current GM serving years with the total C-suites (Chairman, Deputy General Manager, General Manager, Chief Investment Officer) turnover since their debuts to judge which firms' progress may be a function of stable leadership and which may have disorder at the top to blame for their problems.

Exhibit 17: Operation - Fee Extraction

Page 52

For some, management fees are the bottom line, as the variable is one of the most direct measures of profitability. Total fees earned from managing funds, however, may only reflect a large amount of AUM under management. Fee extraction in percentage terms, for small firms in particular, is extremely important for getting the most out of the AUM that they do have. This exhibit balances between these dimensions of fee extraction, as well as the intra-year percentage change in the amount of fees extracted, which will allow readers to determine which firms have experienced short-term gains in earnings, which may well translate to increased profits.

Exhibit 18: Marketing - Distribution Access

Page 54

Access to customers remains a key issue for most firms. In this exhibit, we contrast the average number of distributors per new product at a firm level with percentage of total management fees expensed as trail. A large number of firms gave away enormous fee extraction ability to raise AUM in 2009. A much smaller handful held the line on fees, entering 2009 with substantially higher ability to handle fundraising pressure than their rivals. So, while earlier exhibits showed gains made by many Sino-foreign firms in size and market share, most did so at the expense of near term revenue and profitability.

Exhibit 19: Marketing - Client Stability

Page 56

Institutional investors may seem more important than retail but are typically not, in actuality. In China, institutional money tends to flow much more quickly. For all fund managers, the longer term goal is greater retail participation, especially with growing competition for asset flows from institutional clients (segregated accounts). In this exhibit, we compare 2009 levels of institutional fund ownership at a firm level with fund churn during the year. Both figures are significantly correlated and suggest that institutional buyers view the fund management industry as a two-tier market.

Exhibit 20: Marketing - Custodian Quality

Page 58

Drilling one level down, the choice of custodian - a fund manager's primary distribution partner - plays an even more important role in both gathering and retaining assets. Although ICBC and CCB dominate domestic channel for fundraising, fund managers still need to diversify their channel access as much as possible. In this exhibit, we compare end-09 number of custodian against custodian concentration, examining how reliant any given firm is on a handful of distribution channels.

INTRODUCTION

For the second year in a row, Z-Ben Advisors has sought to objectively assess all Sino-foreign joint ventures in China and attempt to quantify different measures of firm performance. For the second year in a row this proved to be a very challenging task, given the plethora of information available: how to separate the wheat from the chaff, in an intelligent and consistent manner, has become even more important as the amount of available data grows.

To start, we went back and closely reviewed the methodologies used in our original benchmarking report to evaluate whether or not we could make improvements. Doing so led us to the conclusion that in the initial framework ended up being heavily skewed towards the overall historic success of a given JV, and not as reflective as possible of current conditions (for which we use 2009's intra-year changes as a loose proxy). While it is certainly important for the various sample sets to take past success into consideration, the aim was to seek out an approach which could balance this success against changes in a specific JV's competitive positioning over the past year.

What the new methodology finds is that, when readjusted for 2008 data points, our original ranking of all JVs shifts, removing the long-term bias that benefitted certain firms, while improving the rankings of those firms that had achieved lasting success in the recent past. We feel that this is a more accurate depiction of the current landscape, and a more relevant set of information for firms now operating. Knowing what your competitor's current strengths are, for example, is extremely important in an environment as dynamic and fast changing as China's mutual fund industry.

As was true of last year's analysis, we included every firm in each exhibit, which in certain cases allowed large data points (such as **Harvest**) to alter the distribution. Without a methodologically sound reason for excluding such outliers, however, no single-firm exceptions were made. To some extent, this may hurt rankings for firms that have yet to establish solid track records within each of the variables examined. However, we feel that this is still reflective of the underlying competitive dynamics that many firms face.

It is difficult to characterize 2009, with regards to the fund industry, with any amount of brevity. A volatile (though rising) market paved the way for an AUM rebound that has been important in providing numerous firms with breathing room in 1H10. With five channels now available for new product authorization, smaller firms will have an easier chance in challenging their larger rivals; though they will not be able to do overnight. This is not to suggest that the industry will stagnate – far from it – as new firms enter the playing field. A new JV, **BNY Mellon Western**, appears set to begin operating in the very near future, and will become a competitive player soon thereafter. Other firms may cross over, such as **Guotai**, which has just officially entered the JV ranks. Even more companies are likely to follow suit from both avenues. As the industry grows (both in terms of the number of firms operating, and total AUM) accurately assessing competitive dynamics will become even more important.

Though refined, there are elements in this report which will likely draw feedback. We welcome such dialogue as we refine this report to more accurately assess the competitive state of Sino-foreign fund managers now operating in China. We are confident that this report will shed light on different aspects of these firms' current positions, how they may best exploit their existing advantages and shore up weaknesses as their managers assess the numerous market opportunities now available.

METHODOLOGY

This year Z-Ben Advisors substantially improved the quantitative model which can be used to benchmark all of the current 33 Sino-foreign fund management companies. China's fund management industry is extremely dynamic, which makes it challenging to develop any approach that can conclude the final result into a single ranking.

It was considered most appropriate to factor in the model not only those elements which reflected firms' success since inception, but also factors which reflected firms' progress over the most recent year. Since we'll issue this benchmark report annually, we have revised this year's edition to give more weight to the events which occurred in 2009. In the end, a total of 20 multidimensional exhibits were chosen and are used as the foundation for this benchmarking report.

Over the following pages, we have detailed each of the individual exhibits along with our rationale for their inclusion. At this stage, however, we would like to walk readers through our broader benchmarking approach and show how we arrived at the calculated total score for each fund manager. In combination, the included exhibits attempt to make a useful comparative evaluation of the most important elements of fund management success: market share, performance, asset retention, fund launches, fund range development, fee extraction, management stability (and ability) and marketing-distribution management.

For each element, we were able to construct a two-dimensional measurement, allowing us to create a visual representation of our results and also to add a third dimension of measurement by varying the size of the dot which represents each firms' position on our charts. This third measurement is always independent of the aspect of fund management success under consideration in each exhibit and is typically offered to add context. With the firm-level data in place, we were also able to construct theoretical maxima for the two dimensions of success we measured. These maxima were then used as focal points - the distance from the focal point gave us a raw measure of each firm's score for each of the 20 elements of success we measured.

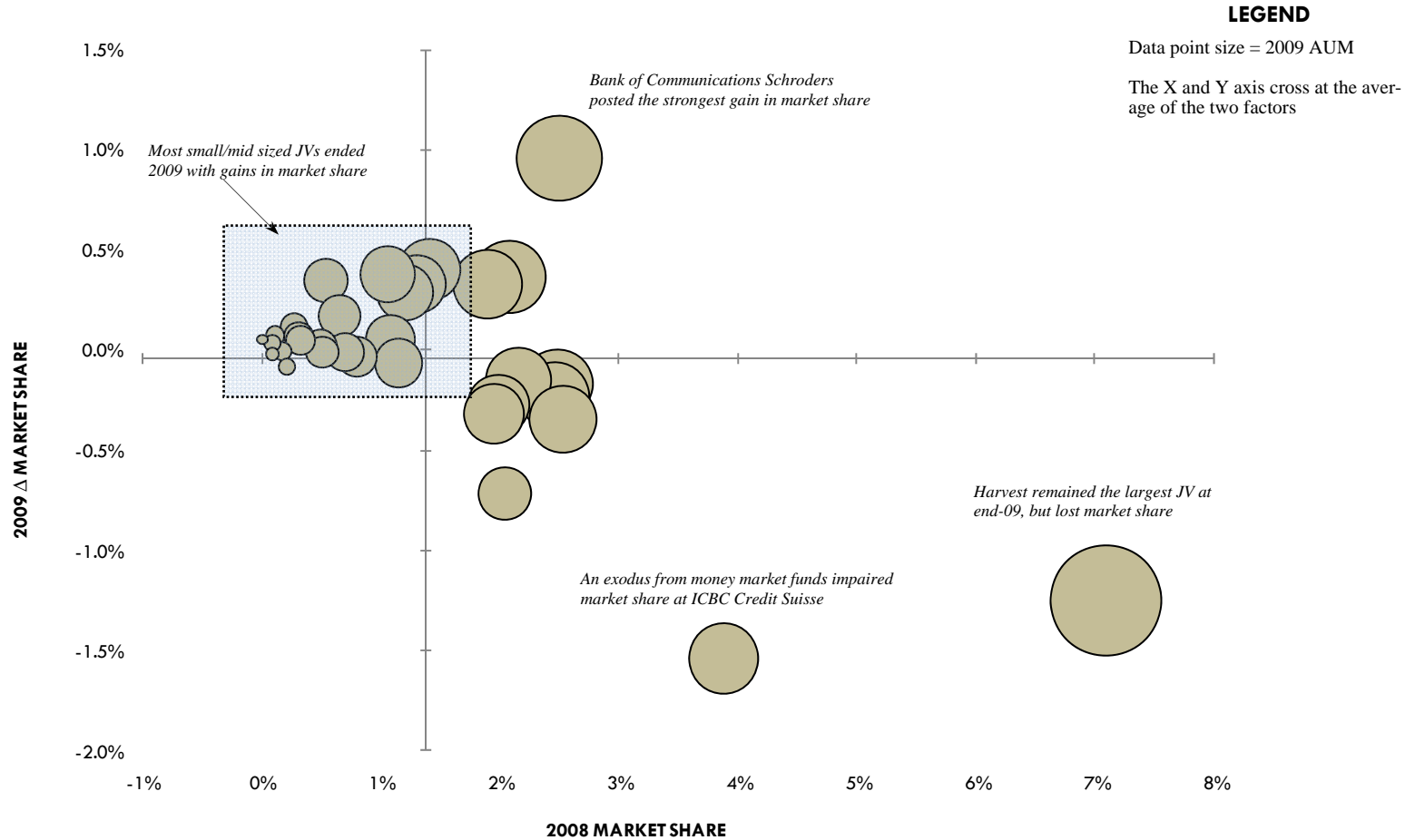
Using this method, we are able to generate a rankings list and a ratings list. The first simply lists each firm in descending order of success based upon the variable score. The second converts the raw scores into unit-weighted decile scores, supplementing the rankings list by capturing the distance between the realized score and the ideal score. Summing the ratings scores for all 20 exhibits provides a raw measure of relative success in the year. However, in Z-Ben Advisors' view, not all of the elements of success we measured are equally important. For that reason, we assigned weightings between 3% and 8% to each of our exhibits and used these weightings to construct final scores for each of the 33 Sino-foreign firms researched. (Our weightings for each exhibit are included in the detailed methodology notes on the following pages.)

That such weightings (along with our choices of what to measure) introduce a degree of subjectivity into our rankings, we accept. That they may not represent either the short- or long-term priorities of many of the firms we have surveyed, there is no doubt. However, we are confident that any analyst of the broad Chinese mutual fund market, asked to construct a measure of success that is particularly applicable to Sino-foreign managers and likely to be stable over time, would produce a result at least similar, if not identical, to ours.

What is more important than the final score rankings, in our view, is the ability this report should give Sino-foreign managers to isolate the dimensions of success where their key competitors are either showing strength or weakness. That, we hope, is news you can use.

Exhibit 1: Market Share - Total

This exhibit compares each fund manager's total end-08 market share against the change in total market share over the course of 2009. The data point is sized to reflect total 2009 AUM. The objective of the exhibit is to contrast the relative year-on-year market share growth of each firm against that of its competitors.



Source: Z-Ben Advisors

Exhibit 1: Market Share - Total

	2008 Market Share	2009 Δ Market Share	2009 AUM (Bill)	RAW Factor	Rank	DECILE SCORE
Bank of Communications Schroders	2.50%	0.96%	92.39	3.32	1	5.6
Full Goal	2.08%	0.37%	65.36	3.85	2	4.9
Rongtong	1.89%	0.33%	59.53	4.00	3	4.7
Fortune SGAM	2.48%	-0.17%	61.95	4.17	4	4.5
Penghua	2.46%	-0.23%	59.67	4.26	5	4.4
Changsheng	1.41%	0.40%	48.47	4.28	6	4.3
INVESCO Great Wall	2.15%	-0.15%	53.68	4.33	7	4.3
China International	2.53%	-0.34%	58.46	4.39	8	4.2
AEGON-Industrial	1.29%	0.33%	43.46	4.41	9	4.2
Everbright Pramerica	1.20%	0.29%	39.83	4.50	10	4.0
UBS SDIC	1.06%	0.38%	38.45	4.54	11	4.0
HFT	1.99%	-0.27%	45.82	4.59	12	3.9
CCB Principal	1.95%	-0.32%	43.73	4.67	13	3.8
Manulife TEDA	1.07%	0.06%	30.25	4.78	14	3.7
BOC	1.15%	-0.06%	29.00	4.86	15	3.6
Harvest	7.09%	-1.25%	156.42	4.92	16	3.5
SYWG BNP Paribas	0.54%	0.34%	23.66	4.92	17	3.5
Huatai-PineBridge	0.66%	0.17%	22.07	4.96	18	3.4
Zhonghai	0.80%	-0.03%	20.48	5.05	19	3.3
Franklin Templeton Sealand	0.70%	-0.01%	18.35	5.09	20	3.3
CITIC-Prudential	0.48%	0.02%	13.45	5.21	21	3.1
China Merchants	2.05%	-0.72%	35.56	5.21	22	3.1
ABC-CA	0.50%	-0.01%	13.17	5.22	23	3.1
GTJA Allianz	0.27%	0.11%	10.23	5.27	24	3.0
First State Cinda	0.30%	0.07%	10.04	5.28	25	3.0
HSBC Jintrust	0.32%	0.05%	9.95	5.29	26	3.0
Lombarda China	0.11%	0.07%	4.74	5.41	27	2.8
Lord Abbett China	0.17%	-0.01%	4.47	5.43	28	2.8
Morgan Stanley Huaxin	0.09%	0.04%	3.26	5.46	29	2.8
KBC-Goldstate	0.20%	-0.08%	3.29	5.48	30	2.7
Minsheng Royal	0.00%	0.05%	1.43	5.50	31	2.7
AXA SPDB	0.09%	-0.02%	1.84	5.50	32	2.7
ICBC Credit Suisse	3.88%	-1.54%	62.68	6.03	33	2.0
Average	1.38%	-0.04%	35.91			

Source: Z-Ben Advisors

ANALYSIS

Overall, **Harvest** remained the single largest JV in China, but starting the year biased towards fixed income fund flows, right as the equities markets began to trend higher, which resulted in an absolute, and not so insignificant, loss in market share.

The top total market share gainer (nearly a full percentage point) for the year was **Bank of Communications Schroders** as the JV's risky decision to remain overweight equities proved to be both correct and a very well-timed strategy.

It was a reversal of fortunes for **ICBC Credit Suisse** with total market share declining (off by 154bps) as investors reassessed risk and in doing so choose to shed their collective exposure to the firm's - and many other JV's - money market fund.

The likes of **Full Goal** and **Rongtong** held steady to their overall product strategy with gains in share achieved as a result. Elsewhere the data shows that **UBS SDIC** and **Everbright Pramerica** were also well positioned to take away share from their various JV competitors.

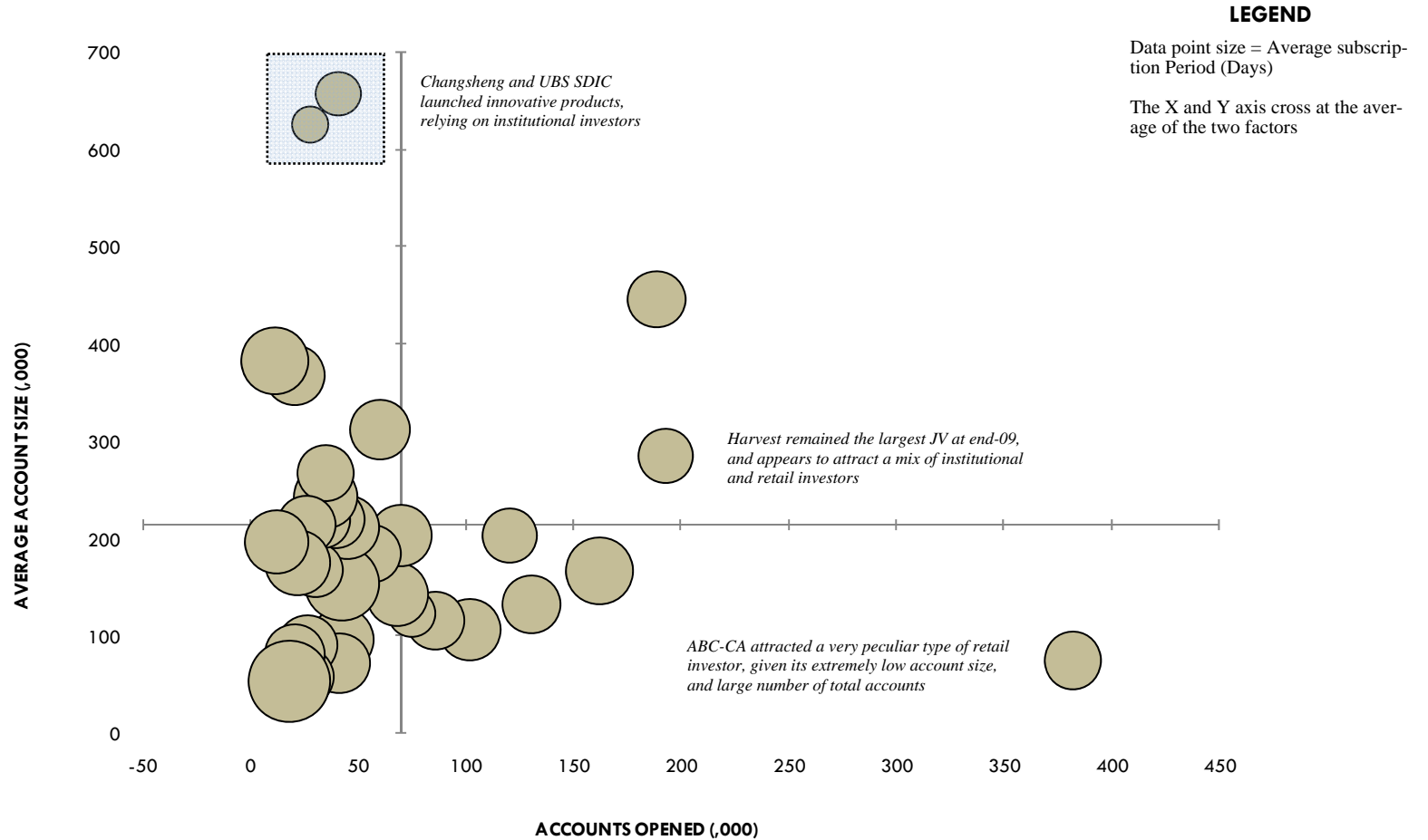
2010 OUTLOOK

To gain market share requires all FMCs to correctly assess near-term product demand. For the current year this will prove to be a difficult task given higher than typical volatility. JVs will either have to make a bet on where markets will head or take a conservative option and push for a more well-balanced portfolio of products.

What the data clearly shows is that volatility in AUM may very well remain a norm for sometime, based upon trends so far in 2010. Even for astute industry observers, picking winners in advance is a real challenge. The best option may very well be the creation of a differentiated product strategy while remaining focused on both the delivering of top relative-to-peer performance and after-sales servicing.

Exhibit 10: New Product - Client Mix

This exhibit compares total number of accounts opened in products launched in 2009 against the average account size of the new product. The data point is sized to average subscription days. The objective of this exhibit is to assess the scale of institutional support for launches.



Source: Z-Ben Advisors

Exhibit 10: New Product - Client Mix

	Accounts Opened (,000)	Avg. Account Size (,000)	Avg. Subscription Period (Days)	RAW Factor	Rank	DECILE SCORE
ABC-CA	381.94	74.49	28.50	0.15	1	9.8
Harvest	192.78	284.90	25.67	3.04	2	5.4
CCB Principal	161.90	167.03	38.50	3.10	3	5.3
ICBC Credit Suisse	130.22	132.11	30.50	3.48	4	4.7
Lombarda China	120.18	203.36	27.67	3.72	5	4.3
Bank of Communications Schroders	188.92	446.81	29.75	3.80	6	4.2
BOC	101.90	106.84	34.00	3.84	7	4.2
Penghua	85.84	115.54	29.00	4.06	8	3.8
Huatai-PineBridge	74.37	123.84	19.50	4.22	9	3.6
Franklin Templeton Sealand	67.97	142.55	34.50	4.33	10	3.4
China Merchants	69.92	203.06	33.00	4.38	11	3.3
HSBC Jintrust	55.62	184.53	31.00	4.54	12	3.1
KBC-Goldstate	42.45	95.69	36.50	4.64	13	3.0
Rongtong	41.10	71.90	33.00	4.65	14	2.9
First State Cinda	42.37	154.37	49.50	4.68	15	2.9
HFT	44.60	212.45	36.00	4.73	16	2.8
Full Goal	59.65	312.22	31.50	4.75	17	2.8
Minsheng Royal	39.28	220.80	30.50	4.82	18	2.7
AXA SPDB	26.16	90.11	31.00	4.86	19	2.6
China International	30.16	168.73	26.00	4.86	20	2.6
SYWG BNP Paribas	25.09	58.37	30.00	4.87	21	2.6
AEGON-Industrial	32.89	220.16	28.00	4.90	22	2.6
Fortune SGAM	34.96	244.05	35.50	4.91	23	2.5
Zhonghai	20.16	81.66	31.00	4.94	24	2.5
CITIC-Prudential	34.71	267.08	28.50	4.96	25	2.5
INVESCO Great Wall	17.68	52.84	58.00	4.97	26	2.5
Manulife TEDA	25.84	214.24	31.00	4.98	27	2.4
Everbright Pramerica	21.76	175.28	39.00	4.98	28	2.4
Morgan Stanley Huaxin	12.20	197.47	36.00	5.14	29	2.2
GTJA Allianz	20.33	368.39	31.50	5.40	30	1.8
Lord Abbett China	10.97	383.52	39.50	5.56	31	1.6
UBS SDIC	27.58	626.95	12.00	6.27	32	0.5
Changsheng	40.59	658.48	17.00	6.28	33	0.5
Average	69.15	213.93	31.90			

Source: Z-Ben Advisors

ANALYSIS

For most JVs, demand for new products in 2009 was heavily institutional biased which tends, more often than not, to be less sticky as institutional flows are often used to support a new launch.

Irrespective of the challenges faced by **ABC-CA**, there can be no denying the JVs persistent ability to not only attract top ranking AUM at launch but do so through demand from a larger contingent of retail investors.

This trend is most pronounced for the likes of **Changsheng** and its widely popular split-cap fund, which drew a large number of institutional investors, given its innovative design.

Large industry AUM expansion will likely come from a broader retail segment as there is considerable evidence that many retail investors are waiting on the sidelines. Watching this segment closely will be important in determining industry prospects, even as the field becomes more competitive and individual product launch takes decrease.

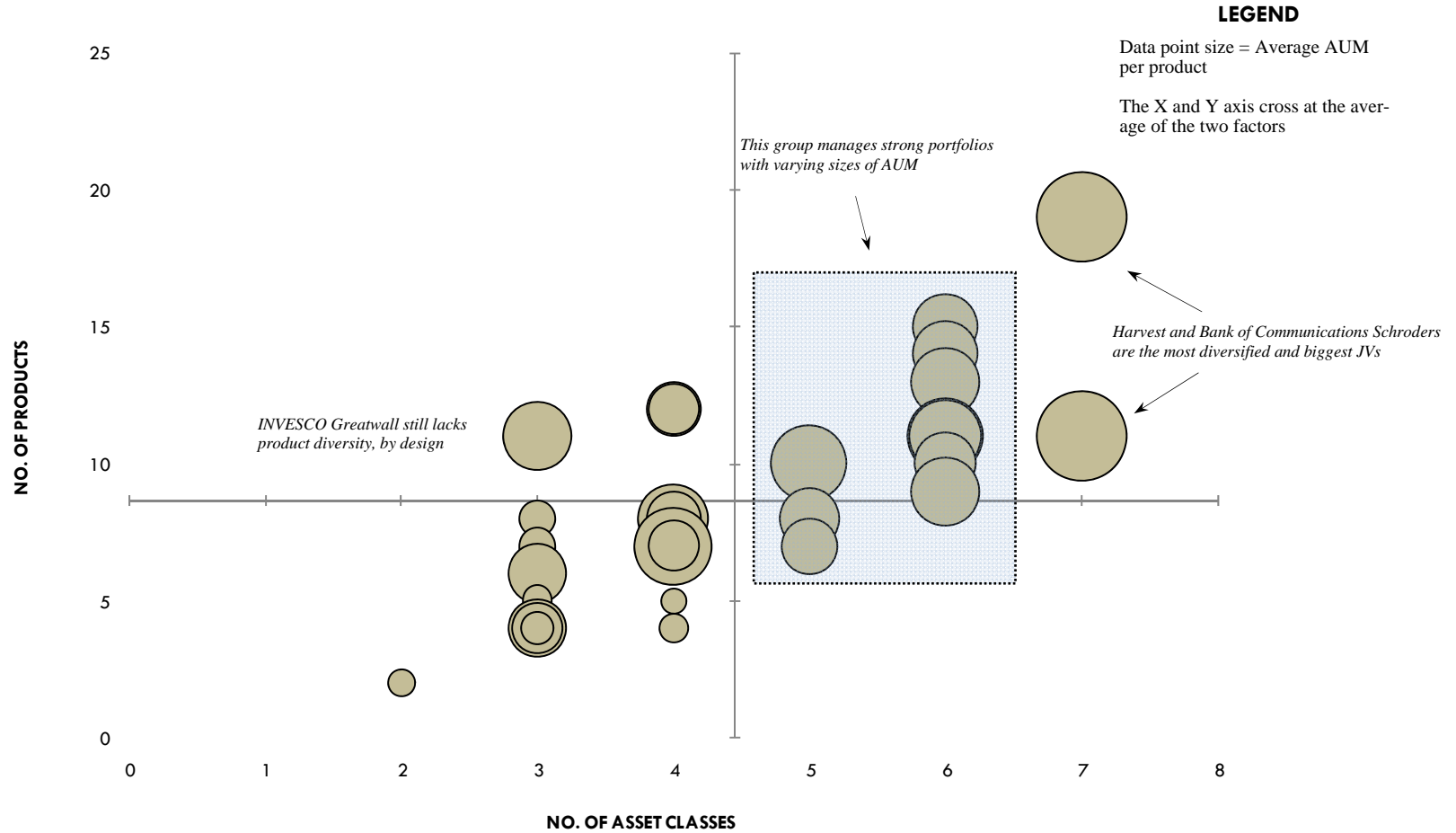
2010 OUTLOOK

If market sentiment remains neutral in the near future, the underlying composition of retail and institutional investors is expected to remain largely the same. Recent fundraising results suggest that the trend is largely unchanged from 2009.

This could shift if investors find that alternatives for investable funds becomes increasingly restricted. Without any underlying change in the structure of the funds industry in general, and the broader economy as a whole, such a change could be relatively slow.

Exhibit 12: Portfolio Range - Balance of Products

This exhibit compares the total number of asset classes managed by each fund manager against the number of their products available at end-09. The data point is sized to reflect average AUM of these products. The objective of this exhibit is to assess the products structure of each fund manager.



Source: Z-Ben Advisors

Exhibit 12: Portfolio Range - Balance of Products

	No. of Asset Classes	No. of Products	Avg. AUM (Bill) Per Product	RAW Factor	Rank	DECILE SCORE
Harvest	7	19	8.23	0.00	1	10.0
Full Goal	6	15	4.36	1.28	2	7.8
Penghua	6	14	4.26	1.50	3	7.4
Changsheng	6	13	3.73	1.74	4	7.0
Fortune SGAM	6	13	4.77	1.74	5	7.0
Bank of Communications Schroders	7	11	8.40	2.11	6	6.3
HFT	6	11	4.17	2.23	7	6.1
ICBC Credit Suisse	6	11	5.70	2.23	8	6.1
Rongtong	6	11	5.41	2.23	9	6.1
UBS SDIC	6	10	3.84	2.48	10	5.7
CCB Principal	6	9	4.86	2.74	11	5.2
China International	5	10	5.85	2.78	12	5.2
China Merchants	4	12	2.96	2.84	13	5.1
Manulife TEDA	4	12	2.52	2.84	14	5.1
BOC	5	8	3.62	3.24	15	4.4
Huatai-PineBridge	5	7	3.15	3.48	16	3.9
INVESCO Great Wall	3	11	4.88	3.56	17	3.8
Everbright Pramerica	4	8	4.98	3.61	18	3.7
SYWG BNP Paribas	4	8	2.96	3.61	19	3.7
AEGON-Industrial	4	7	6.21	3.83	20	3.3
Franklin Templeton Sealand	4	7	2.62	3.83	21	3.3
GTJA Allianz	3	8	1.28	4.08	22	2.9
HSBC Jintrust	3	7	1.42	4.27	23	2.6
Morgan Stanley Huaxin	4	5	0.65	4.28	24	2.6
CITIC-Prudential	3	6	2.24	4.47	25	2.2
Zhonghai	3	6	3.41	4.47	26	2.2
KBC-Goldstate	4	4	0.82	4.51	27	2.2
Lombarda China	3	5	0.95	4.68	28	1.9
ABC-CA	3	4	3.29	4.89	29	1.5
AXA SPDB	3	4	0.46	4.89	30	1.5
First State Cinda	3	4	2.51	4.89	31	1.5
Lord Abbett China	3	4	1.12	4.89	32	1.5
Minsheng Royal	2	2	0.71	5.74	33	0.0
Average	4.45	8.67	3.53			

Source: Z-Ben Advisors

ANALYSIS

Given the industry's stage of development, success in both attracting and retaining assets can depend heavily on the balance of a firm's product portfolio.

The more experienced the JV, the greater the depth in assets class available to investors. So for **Harvest, Full Goal, Penghua** and several others, a change in tactics depending on market conditions can be as easy as deciding which of its products to market.

In just a short period of time **Bank of Communications Schroders** and **ICBC Credit Suisse** (along with **CCB Principal** to a lesser extent) have aggressively expanded both the number of product offerings and different types of asset classes.

Several JVs, such as **INVESCO Great Wall** and **Manulife TEDA** offer to clients more than 10 individual product but have kept the number of asset classes to three or four. This more concentrated approach may be a useful strategy longer term to differentiate. However, equity houses like these must be able to generate alpha to be successful in the future.

2010 OUTLOOK

Firms will and should continue to diversify product portfolios throughout 2010. As market volatility increases, it is extremely important for JVs to be able to offer investors a full line of products. Some JVs will want to consider launching MMFs if they have yet to offer such a product.

Greater choice may be a sound business strategy. However, any change in market sentiment could quickly see a return to equity offerings. Now that CSRC has streamlined the process for applying for new products, JVs are advised to develop a number of different launch ideas simultaneously and refrain from committing to a product until the last possible minute.

Mr. Francois Guilloux
Director, Regional Sales
Tel: (86-21) 3857-1320 x. 230
francois_guilloux@z-ben.com

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