

MARCH 2009

Benchmarking Success: Sino-Foreign Fund Managers

Which, among the 32 Sino-foreign fund managers, has been the most successful? This is the one question most often posed to Z-Ben Advisors. Typically, our answers have taken one of three forms: quantitative, but based on only a handful of measurements; qualitative, but based on a short time series; both, but structured to meet the questioner's definition of success. Today we are pleased to answer that question with an objective, quantitative, multi-dimensional, multiple time-series response: our inaugural Sino-foreign benchmarking report.

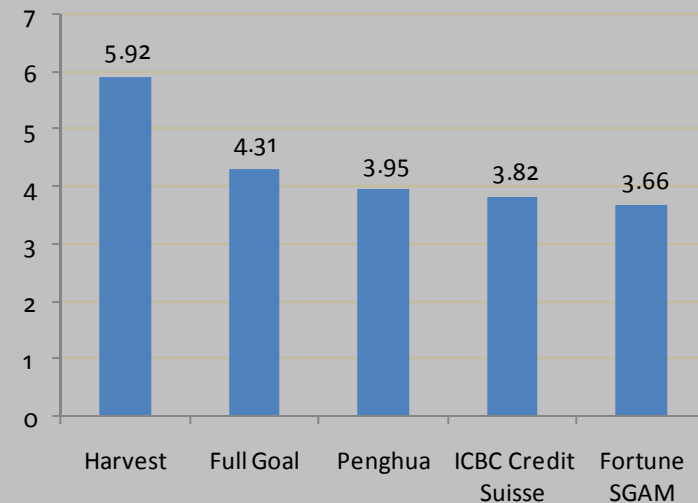
Z-Ben Advisors examined 20 dimensions of success (listed on pp3-7) which we consider critical to the long-term success of JV fund managers in China. We measured such factors as market share growth, fee extraction ability, fund launch impact, portfolio manager turnover and more. For each dimension, we could not only rank each JV against its competition, we could construct an objective scale to assign each a success rating. By combining 20 success ratings, we could, finally, make an objective and coherent statement of who have been the most (and least) successful JVs in China.

This invaluable benchmarking tool will assist users to better understand their own, as well as competitors', strengths and weaknesses; and help in fine-tuning short- and long-term strategic plans. For users' convenience, reports are custom-printed to highlight a user-defined benchmarking group and 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 fund range
- ◆ Assess the impact of launches, performance, management and more on competitiveness

SCORE: THE TOP FIVE MANAGERS



REPORT HIGHLIGHTS

- Complete rankings and ratings for all 32 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

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Section Guide

Section 1: Introduction

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A guide to the report's intent and uses.

Section 2: Methodology

Page 10

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

Section 3: Factor Charts and Analysis

Page 14

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

Section 4: 2009 Ranking & Analysis

Page 54

Complete ranking and ratings tables for all 32 Sino-foreign firms sampled.

Scoring Exhibits

Exhibit 1: Market Share - Total

Page 14

Fund management, as a business, is scalable: market share matters, especially to profitability and reach. As market share is the result of both past and recent asset-gathering success, we measure each Sino-foreign manager's end-07 market share, then compare that to each firm's change in market share in 2008. 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 shares. All funds and asset classes are included in this exhibit.

Exhibit 2: Market Share - Adjusted

Page 16

New launches and money market funds can receive substantial cash inflows in a given year which may, in Z-Ben Advisors' opinion, be 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 - 2008 Growth

Page 18

Slow and steady tends to be a winning formula in China. History also shows that for Sino-foreign managers, too much success - as measured by growth in AUM - over a short period of time can actually be undesirable and result in heightened operational risks. In this exhibit, we compare each firm's market share total rate of growth in 2008 against its years of experience managing funds in China. Firms which are expanding fast may face as many difficulties, albeit unique in the own right, as competitors who appear to be falling behind.

Exhibit 4: Performance - Equity Funds

Page 20

In China, market share growth has been overwhelmingly dependent on growth in equity AUM. Equity AUM, in turn, remains overwhelmingly dependent on long-term fund performance. 2008's market decline made performance management a difficult task. 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 2008.

Exhibit 5: Performance - Fixed Income Funds

Page 22

Increasingly, client needs are diverging and a result of this trend is demand for fixed-income funds which are becoming a more stable and 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 risks. In this exhibit, we assess weighted performance against size of fixed income AUM 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 2008.

Scoring Exhibits

Exhibit 6: Retention Analysis - Total

Page 24

Trading losses and customer defections both reduce firm AUM. While losses may one day lead to defections, a loss-making manager can hope for redemption through out-performance. A manager suffering defections - sometimes despite average performance - faces a different and potentially more serious problem. In this exhibit, we contrast change in AUM with change in mutual fund units/shares in issue to see which firms' asset retention problems are most clearly attributable to which causes. This exhibit includes all funds and asset classes.

Exhibit 7: Retention Analysis - Adjusted

Page 26

Just as they added noise to total market share data, short-term shifts into newly-launched and money market funds also affect any assessment of a fund manager's ability to retain assets. In this exhibit, we have once again striped 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 6, suggesting that a number of managers face asset retention issues that were masked by short-term, single-fund successes.

Exhibit 8: New Product - Asset Retention

Page 28

The issuance of a new product is critical or any fund manager seeking to grow AUM and gain share. For 2008, new launches - particularly in fixed income sectors - were a lifeline for many firms but initial fundraising results often overstated their likely contribution to long-term AUM. In this exhibit, we assess firms' 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 9: New Product - Client Mix

Page 30

Few funds launched in 2008 achieved a well-balanced mix of institutional and retail investors nor were many, market conditions as they were, designed to. Fund houses attempting to manage institutional participation continue to do so at a firm, not a fund, level. In this exhibit, we contrast the number of accounts opened in each firm's 2008 launches with the average account size to more appropriately assess which firms favored which sectors and which managed to strike the best balance in attracting funds from both buying groups.

Exhibit 10: New Product - Portfolio Impact

Page 32

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. There is the argument of range extension to consider, but for 2008 this was not a valid strategy for most firms, given an environment of declining revenues. In this exhibit, we compare total launch funds raised with percentage change in total firm AUM, assessing which firms achieved the most bang for their launch buck.

Scoring Exhibits

Exhibit 11: Portfolio Range - Number of Products

Page 34

The benefits of a wide product range were fully demonstrated throughout 2008, as some fund houses enjoyed enormous - and often unexpected - inflows into money market funds and, to a lesser extent, bond funds. In this exhibit, we compare each firm's number of products to its years of operational experience. Although the majority of Sino-foreign JVs have now been operating for three to five years, the number of funds they offer continues to vary widely.

Exhibit 12: Portfolio Range - Equity Dominance

Page 36

While the size of a firm's fund range is one measure of growth, 2008 proved that an all-equity approach leaves firms over-exposed to market downturns. Having limited, even nonexistent, low risk options leaves clients with little choice but to defect to a competitors. In this exhibit, we compare the size of each firm's equity fund AUM with the proportion of total AUM represented by equity funds. The range of equity proportions in evidence widened considerably in 2008, although a great many firms' fortunes continue to rise and fall with the CSI 300.

Exhibit 13: Portfolio Range - Fixed Income Growth

Page 38

In 2008, one of the key drivers of firm-level AUM growth was the fixed income sector. Although the permanence of those gains remains an open question, the effect of fixed income AUM growth on firm size is not. In this exhibit, we compare end-2008 firm AUM with 2008 fixed-income AUM growth, noting the relationship between firms' size and apparent ability to draw assets into what is often a secondary asset class.

Exhibit 14: Range Structure - Balance of Opportunity

Page 40

Not all product ranges are equally enjoyable to manage in all market conditions: a range which 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 the proportion of AUM held in equity funds which anchors for comparative purposes. 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 assets flowing to

Exhibit 15: Fee Extraction

Page 42

Every firm knows, each December 31, the exact amount of fees it extracted that day. In this exhibit, we compare annualized figures for each firm's 2007 and 2008's December fee extraction rates. A great many firms gave away enormous fee extraction ability to raise AUM in 2008. A much smaller handful held the line on fees, entering 2009 with substantially higher ability to sweat AUM 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.

Scoring Exhibits

Exhibit 16: Client Segmentation

Page 44

2008 was clearly a year where institutional purchases dominated fund sales. For all fund managers, the longer term goal is greater retail participation and especially with growing competition for asset flows from institutional clients (segregated accounts). In this exhibit, we compare 2007 levels of institutional fund ownership at a firm level with the change in that ownership in 2008. Both figures vary significantly and suggest that institutional buyers view the fund management as a two-tier market.

Exhibit 17: Portfolio Manager Turnover

Page 46

Portfolio management stability is a rare prize in China and one few firms have been able to achieve. Opportunities crop up in every direction, and there remain 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 2008 PM turnover at a firm level with the number of public funds on offer, assessing which firms appear to be securing the most - and least - loyalty from their PMs.

Exhibit 18: Leadership Effects

Page 48

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 there is not more critical relationship than that between the Chairman and the General Manager. In this exhibit, we compare firms' age with the total C-suites (Chairman, 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 19: Distribution Access

Page 50

Access to customers remains a key issue for most firms and, for some, it represents a hard-earned cushion that works to keep customers in place during difficult years. By no means is this an easy task and especially given an acute bottleneck in distribution as all fund managers, now totaling 61, aggressively compete for shelf space. In this exhibit, we contrast the average number of distributors per product at a firm level with 2008 changes in shares in issue. Although a handful of bond fund launches distort the picture, the utility of a wide distribution channel remains clear.

Exhibit 20: Distribution Quality

Page 52

Drilling one level down, and the choice of custodian - a fund manager's primary distribution partner - plays an even more important role in both gathering and retaining assets. Chief among the custodians are ICBC and CCB, the twin giants of the domestic bank network and viewed industry-wide as the banks. In this exhibit, we compare the percentage of firm-level end-07 assets for which these two banks act as custodians with the percentage change in shares in issue in 2008.

INTRODUCTION

Sino-foreign “success” has never been objectively defined

The very first Sino-foreign product went to market six years ago this month. Today there are in excess of 200 products managed by Sino-foreign firms and their AUM has grown at an astronomical rate - five year CAGR of 105% - finishing 2008 at Rmb881bn (USD130bn). Most important is the sheer number of Sino-foreign firms: 32 in total and set to grow further in 2009 and beyond.

Top-line numbers such as these are bantered around all the time. “China is too big to ignore”. Fair enough. What is discussed less openly, although a conversation we at Z-Ben Advisors frequently find ourselves in the middle of, is assessing which of these 32 firms has been the most successful and why. Prior to this report, most assessments of success (including ours) have been based primarily upon gut feel, anecdotal evidence or a narrow data set. Not very scientific.

At least we weren’t alone. In addition to the analytical weaknesses described above, here is also the short term nature of market sentiment to consider. In just the past five years, more than a few Sino-foreign managers have been raised as exemplars of the model for all other partnerships to emulate. In 2004, it was a widely held belief that both **China Merchants** (33% owned by ING Investment Management) and **Fortis Haitong** represented success. Solid competitors, no doubt, but each was quickly overshadowed in 2006-2007 and ultimately replaced by the new “success” story; **China International** (49% owned by JF Asset Management); then, certainly one of the fastest-growing firms and one with a superb performance track record. But times changed, and so did opinions. Today, everyone views the bank-backed managers, specifically **ICBC Credit Suisse**, **Bank of Communication Schroders** and **CCB Principal**, as representative of the current “high watermark”. Each has been strong out of the gate but, in time, these firms may also fade with yet another successful model taking their place. But emphasis on the word “may”.

The point which needs to be made is that bases of long-term success have never really been defined. For the most part, the center of

attention has been on market share and how quickly one Sino-foreign firm gains ground on its competitors, normally over a short time period. Certainly size and growth matter, but Z-Ben Advisors would argue that there are a number of other variables with which to measure success. How about access to distribution or the leadership traits of the senior management team? How about fee extraction ability? It is with these variables, and more, in mind that we decided to create a model which captured a wide range of relevant factors of success, both short- and long-term, that could be expressed and analyzed numerically.

We fully realize that this is both virgin and dangerous territory. Even the initial step of deciding which fund managers to include in the actual Sino-foreign sample proved to be contentious. Although some of China’s newest firms may not yet be able to compete in every category, it seemed unwise to leave them out. And, although **Harvest** is unlike many other JVs, and ended up heavily influencing many of the data points, it seemed unwise to make single-firm exception. In the end, we decided on an all-or-nothing approach, presenting all 32 JVs’ competitive position.

Although this report is quantitative in its approach, it was necessary for us to include in-depth analysis for each of the identified factors included in the model. On top of that, the highly fluid nature of the market itself demanded that we also include our 2009 outlook for each dimension of success measured.

Z-Ben Advisors will be the first to admit that the model created isn’t perfect and we expect to receive a great deal of feedback on how the results are presented and interpreted. That said, we hope to offer, over the following pages, the most useful, in-depth and coherent assessment of JV success in the Chinese fund management industry yet presented. We strongly believe that users will find it an invaluable resource for both their own internal benchmarking efforts and as a means of assessing market opportunities.

The model applied considers a wide range of factors, some recent, some cumulative

METHODOLOGY

A quantitative, multi-dimensional model was chosen

Z-Ben Advisors set out to develop a quantitative model which can be used to benchmark all of the current 32 Sino-foreign fund management companies. China's fund management industry is extremely dynamic, which makes it challenging to develop an approach.

It was considered most appropriate to consider in the model not only those factors which reflected firms' success since inception but also factors which reflected firms' progress over the most recent year. 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, customer targeting, fund range development, fee extraction, management stability (and ability) and 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. While these were never actually achieved by any firm, they represented what Z-Ben Advisors considers to be the limits of the possible. 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 could generate both a rankings list and a ratings list. The first simply lists each firm in descending order of success, as we measured it. The second converts the raw scores into un-weighted decile scores, supplementing the rankings list by showing the distance between a 1st and 2nd place scorer.

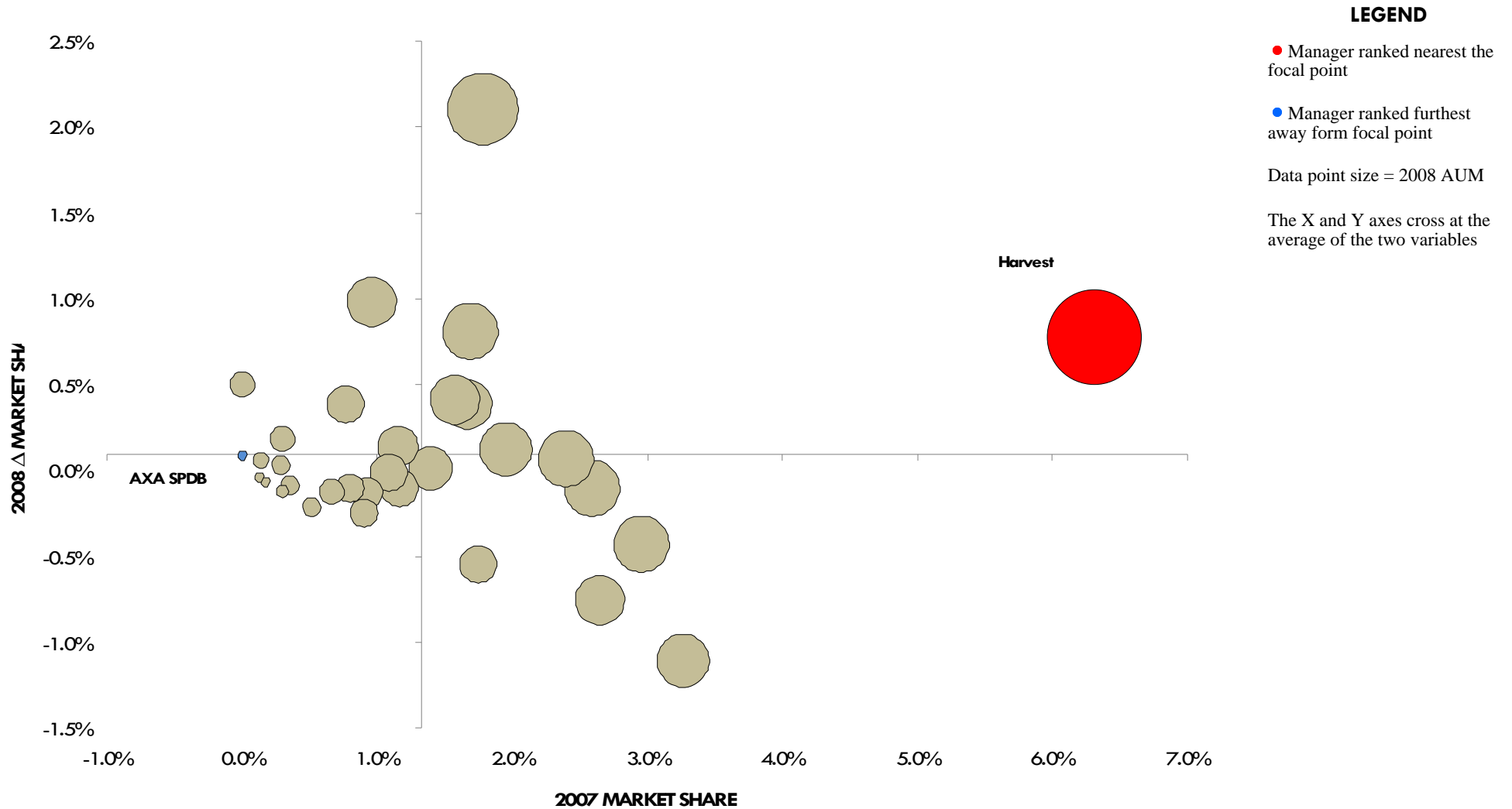
Summing the ratings scores for all 20 exhibits provides a raw measure of relative success in the year. However, in Z-Ben Advisors' view, not all of the elements of success we measured are equally important. For that reason, we assigned weightings between 3% and 10% to each of our exhibits and used these weightings to construct final scores for each of the 32 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.

Firm competitiveness can be explored dimension by dimension, or as a whole

EXHIBIT 1: Market Share - Total



Source: Z-Ben Advisors

EXHIBIT 1: Market Share - Total

	2007 Market Share	2008 Δ Market Share	2008 AUM (Bill)	SQD Factor	Rank	DECILE SCORE
Harvest	6.32%	0.77%	137.51	0.0186	1	7.5
China International	2.96%	-0.43%	49.02	0.0499	2	3.3
Fortune SGAM	2.59%	-0.11%	48.15	0.0512	3	3.1
INVESCO Great Wall	3.27%	-1.11%	41.75	0.0520	4	3.0
Penghua	2.40%	0.06%	47.69	0.0521	5	3.0
ICBC Credit Suisse	1.78%	2.10%	75.23	0.0524	6	2.9
Rongtong	2.66%	-0.76%	36.73	0.0543	7	2.7
Bank of Communications Schroders	1.69%	0.80%	48.38	0.0557	8	2.5
Full Goal	1.96%	0.12%	40.28	0.0558	9	2.5
China Merchants	1.67%	0.38%	39.66	0.0574	10	2.3
Fortis Haitong	1.58%	0.41%	38.50	0.0581	11	2.2
Everbright Pramerica	1.75%	-0.55%	23.30	0.0607	12	1.8
Changsheng	1.40%	0.01%	27.32	0.0613	13	1.7
CCB Principal	0.97%	0.98%	37.80	0.0622	14	1.6
AEGON-Industrial	1.16%	0.14%	25.10	0.0630	15	1.5
UBS SDIC	1.17%	-0.11%	20.48	0.0639	16	1.4
ABN Amro TEDA	1.09%	-0.02%	20.81	0.0642	17	1.3
BOC	0.76%	0.38%	22.26	0.0659	18	1.1
Zhonghai	0.93%	-0.13%	15.48	0.0662	19	1.1
AIG-Huatai	0.90%	-0.25%	12.70	0.0669	20	1.0
Franklin Templeton Sealand	0.81%	-0.11%	13.56	0.0672	21	0.9
SYWG BNP Paribas	0.66%	-0.12%	10.46	0.0686	22	0.7
First State Cinda	0.52%	-0.22%	5.90	0.0703	23	0.5
CITIC-Prudential	0.30%	0.19%	9.39	0.0709	24	0.4
GTJA Allianz	0.36%	-0.09%	5.22	0.0713	25	0.4
HSBC Jintrust	0.29%	0.03%	6.28	0.0715	26	0.3
Lord Abbett China	0.30%	-0.13%	3.37	0.0720	27	0.3
KBC-Goldstate	0.15%	0.06%	3.94	0.0728	28	0.2
ABC-CA	0.00%	0.50%	9.72	0.0728	29	0.2
Lombarda China	0.18%	-0.07%	2.09	0.0729	30	0.2
Morgan Stanley Huaxin	0.13%	-0.04%	1.66	0.0733	31	0.1
AXA SPDB	0.00%	0.09%	1.67	0.0740	32	0.0
Average	1.33%	0.09%	27.54			

Source: Z-Ben Advisors

ANALYSIS

Significantly higher market share, as expected, allowed **Harvest** to assume the top spot in this exhibit. The firm's score also benefited from a 77 bps gain in total share by the close of 2008.

Ranked at the bottom is **AXA-SPDB**, primarily due to the firm having only issued its maiden product in 2008. The same can be said of **ABC-CA**, although strong fund raising allowed that firm to beat out a few of its more seasoned rivals.

For the year, the firm gaining the most market share was **ICBC Credit Suisse**. Direct access to the parent's distribution network proved invaluable in achieving success, as did management's aggressive drive to promote its money market fund towards the end of the year.

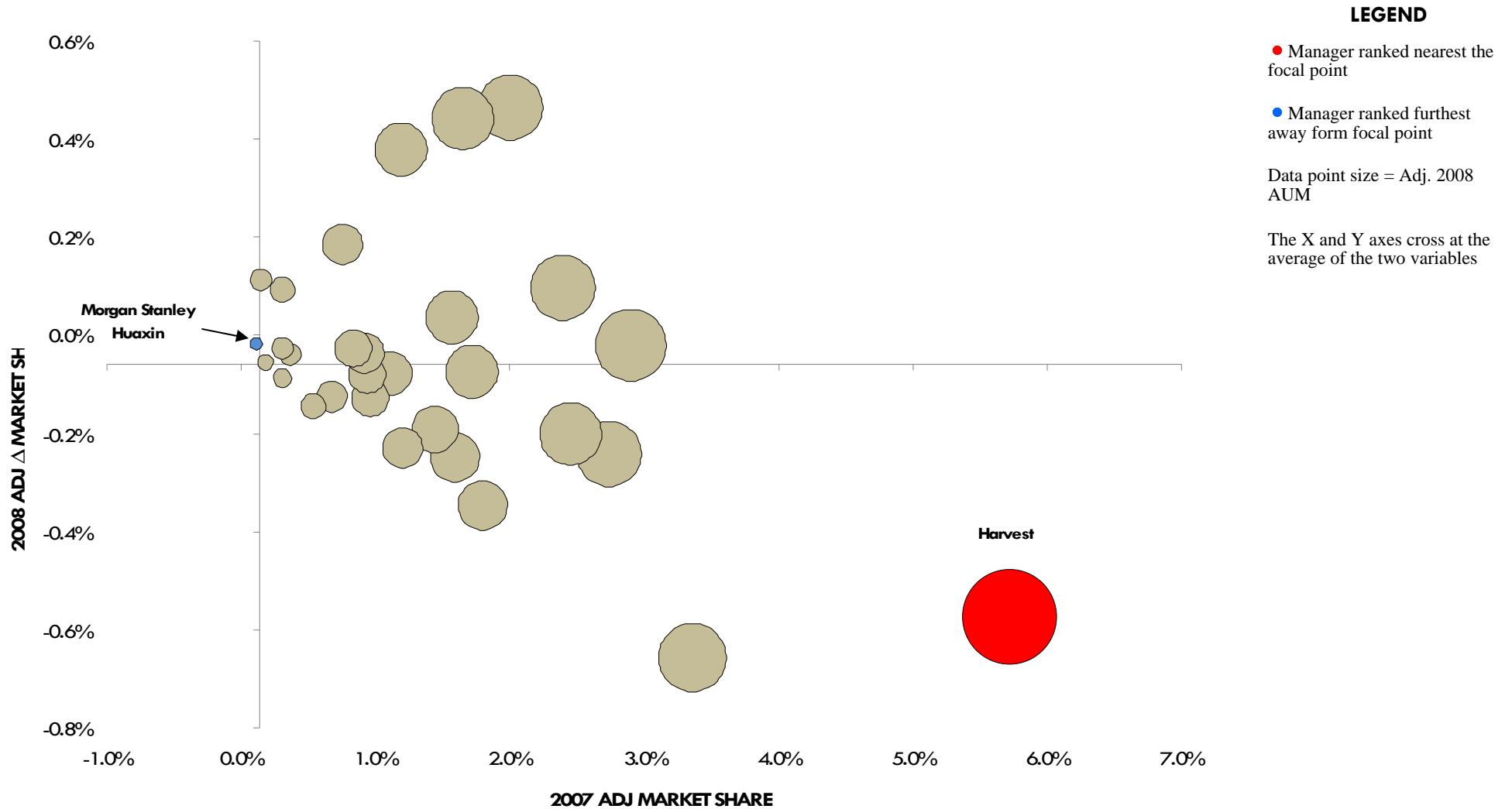
INVESCO Great Wall closed 2008 with the sharpest drop in market share. This was the result of an historical overdependence on equity funds, as investors avoided the asset class throughout the year.

2009 OUTLOOK

For more than a few fund managers, market share was only sustained by the promotion of various low risk mutual funds at the end of the year. **Going after cash-like fund flows proved to be a very successful strategy to gain share in 2008 but could also prove unsustainable.** Equity sentiment is on the rise and firms overexposed to money market funds could see downward pressure on market share as a result of outflows.

Market share has historically been volatile and Z-Ben Advisors expects much of the same throughout 2009. **Leveraging brand awareness will be crucial in 2009.** Distribution will still matter but perhaps not to the same extent as last year.

EXHIBIT 2: Market Share - Adjusted



Source: Z-Ben Advisors

EXHIBIT 2: Market Share - Adjusted

	2007 Adj Market Share	2008 Adj Δ Market Share	2008 Adj AUM (Bill)	SQD Factor	Rank	DECILE SCORE
Harvest	5.72%	-0.57%	75.00	0.0174	1	7.5
INVESCO Great Wall	3.36%	-0.66%	39.42	0.0385	2	4.4
China International	2.90%	-0.02%	41.92	0.0415	3	4.0
Rongtong	2.74%	-0.24%	36.35	0.0434	4	3.7
Penghua	2.46%	-0.20%	32.89	0.0461	5	3.3
Fortune SGAM	2.40%	0.10%	36.37	0.0463	6	3.3
Full Goal	2.01%	0.47%	36.07	0.0499	7	2.8
Everbright Pramerica	1.79%	-0.35%	21.10	0.0529	8	2.3
Bank of Communications Schroders	1.72%	-0.07%	23.91	0.0533	9	2.3
ICBC Credit Suisse	1.65%	0.44%	30.42	0.0536	10	2.2
China Merchants	1.57%	0.04%	23.40	0.0546	11	2.1
Fortis Haitong	1.59%	-0.25%	19.50	0.0548	12	2.1
Changsheng	1.44%	-0.19%	18.20	0.0561	13	1.9
AEGON-Industrial	1.19%	0.38%	22.88	0.0581	14	1.6
UBS SDIC	1.21%	-0.23%	14.22	0.0585	15	1.5
ABN Amro TEDA	1.11%	-0.08%	15.09	0.0592	16	1.4
Zhonghai	0.96%	-0.13%	12.14	0.0608	17	1.2
AIG-Huatai	0.94%	-0.08%	12.45	0.0610	18	1.2
CCB Principal	0.91%	-0.04%	12.79	0.0612	19	1.1
Franklin Templeton Sealand	0.84%	-0.03%	11.78	0.0620	20	1.0
BOC	0.76%	0.18%	13.73	0.0626	21	0.9
SYWG BNP Paribas	0.67%	-0.13%	7.99	0.0637	22	0.8
First State Cinda	0.54%	-0.14%	5.72	0.0651	23	0.6
GTJA Allianz	0.37%	-0.04%	4.78	0.0666	24	0.4
CITIC-Prudential	0.31%	0.09%	5.85	0.0671	25	0.3
Lord Abbett China	0.31%	-0.09%	3.28	0.0672	26	0.3
HSBC Jintrust	0.31%	-0.03%	4.04	0.0672	27	0.3
Lombarda China	0.19%	-0.06%	1.89	0.0685	28	0.1
KBC-Goldstate	0.15%	0.11%	3.83	0.0687	29	0.1
Morgan Stanley Huaxin	0.12%	-0.02%	1.44	0.0691	30	0.0
ABC-CA						
AXA SPDB						
Average	1.41%	-0.06%	19.62			

Source: Z-Ben Advisors

ANALYSIS

Even after stripping out the affects of new product launches and money market funds, **Harvest** still commanded the largest share of the market at end-08. The removal of these two factors is noticeable, though, with YoY adjusted market share turning negative.

Over the course of the year, **Full Goal** finished with the most significant pick-up in adjusted market share (47bps), a reflection of the firm's relatively balanced product portfolio. Still, it was **Everbright Pramerica** which gained the most ground in the rankings; moving from 12th on an unadjusted basis to 8th.

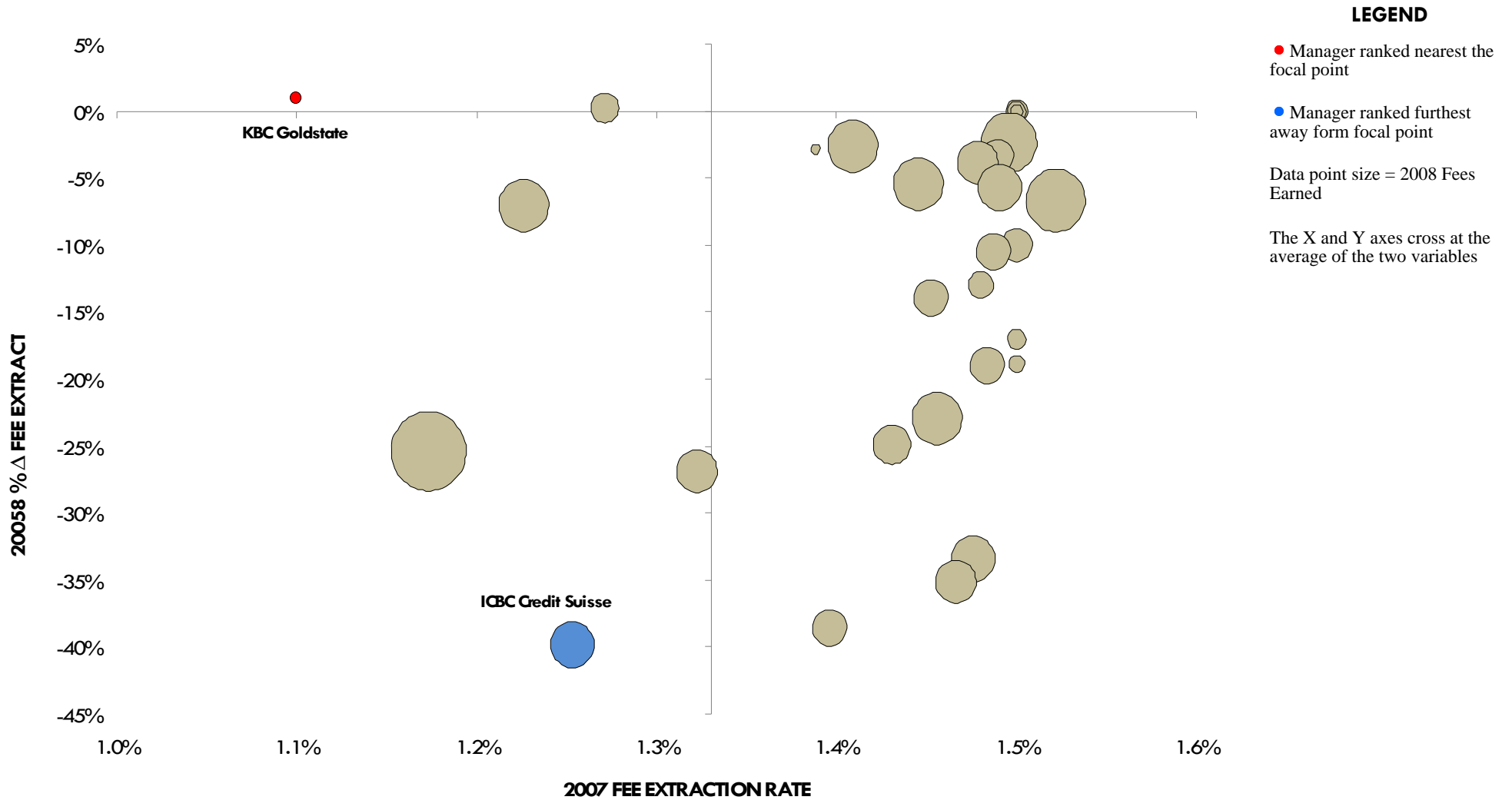
Finally, bank-backed managers remained highly dependent on the issuance of new product launches to gain share and especially in the case of **CCB Principal**. This trend is also true of **ICBC Credit Suisse** but the firm's gain in market share was even more reliant on the promotion of its money market fund.

2009 OUTLOOK

In any given year, market share can be, and more often than not is, materially affected by demand for new product offerings. The same is expected in 2009. **Firms gaining share this year are expected to be those having a strong equity fund focus.** Investor sentiment is once again shifting towards equity funds and supported by a +30% rise in the benchmark CSI 300 Index.

Just as likely this year is a significant drop in demand for money market funds. Firms heavily weighted to the product category at end-08, such as **Fortis Haitong** and **ICBC Credit Suisse**, could face strong pressure on market share should investors decide to reallocate away from the class.

EXHIBIT 15: Fee Extraction



Source: Z-Ben Advisors

EXHIBIT 15: Fee Extraction

	2007 Fee Extraction	YoY % Δ Fee Extraction	2008 Fees Earned (Mill)	SQD Factor	Rank	DECILE SCORE
KBC-Goldstate	1.10%	0.98%	46.12	0.040	1	9.1
AIG-Huatai	1.27%	0.18%	255.83	0.048	2	8.9
Lord Abbett China	1.50%	0.00%	82.85	0.050	3	8.9
First State Cinda	1.50%	0.00%	140.51	0.050	4	8.9
GTJA Allianz	1.50%	0.00%	113.35	0.050	5	8.9
Lombarda China	1.50%	0.00%	52.60	0.050	6	8.9
INVESCO Great Wall	1.50%	-2.39%	952.17	0.074	7	8.4
Rongtong	1.41%	-2.62%	748.34	0.076	8	8.3
Morgan Stanley Huaxin	1.39%	-2.89%	33.78	0.079	9	8.2
Franklin Templeton Sealand	1.49%	-3.41%	274.63	0.084	10	8.1
AEGON-Industrial	1.48%	-3.87%	467.81	0.089	11	8.0
Full Goal	1.45%	-5.44%	750.09	0.104	12	7.7
Everbright Pramerica	1.49%	-5.67%	554.07	0.107	13	7.6
China International	1.52%	-6.64%	1,062.83	0.116	14	7.4
Fortune SGAM	1.23%	-7.09%	774.02	0.121	15	7.3
Zhonghai	1.50%	-10.03%	289.90	0.150	16	6.7
UBS SDIC	1.49%	-10.53%	381.85	0.155	17	6.5
SYWG BNP Paribas	1.48%	-13.00%	202.86	0.180	18	6.0
BOC	1.45%	-13.97%	334.56	0.190	19	5.8
CITIC-Prudential	1.50%	-17.03%	122.58	0.220	20	5.1
HSBC Jintrust	1.50%	-18.84%	94.28	0.238	21	4.7
ABN Amro TEDA	1.48%	-19.05%	336.24	0.241	22	4.6
Penghua	1.46%	-22.91%	765.12	0.279	23	3.8
Changsheng	1.43%	-24.86%	406.69	0.299	24	3.3
Harvest	1.17%	-25.45%	1,558.33	0.304	25	3.2
China Merchants	1.32%	-26.90%	485.61	0.319	26	2.9
Bank of Communications Schroders	1.48%	-33.45%	588.71	0.385	27	1.4
Fortis Haitong	1.47%	-35.17%	483.84	0.402	28	1.0
CCB Principal	1.40%	-38.61%	372.09	0.436	29	0.3
ICBC Credit Suisse	1.25%	-39.82%	581.92	0.448	30	0.0
ABC-CA			35.86			
AXA SPDB			13.30			
Average	1.42%	-12.95%	417.59			

Source: Z-Ben Advisors

ANALYSIS

Fee revenue was expected to decline last year in line with AUM. In the end, however, fee extraction ability may have decreased more than many forecast. Sino-foreign managers started 2009 with a markedly lower fee extraction rate; 123bps per unit of AUM, on average, versus 142bps the year earlier.

There were, however, two notable exceptions; **KBC Goldstate** (0.98%) and **AIG Huatai** (0.18%). For each, the rise in fee extraction was the result of introducing a new equity fund into their respective product portfolios.

As noted earlier, firms such as **Bank of Communications Schroders**, **Fortis Haitong** and **ICBC Credit Suisse** upended their product portfolios in favor of lower fee generating fixed income products. Fee rates for these firms began 2009 down by nearly 40%, compared to the year earlier.

A select few firms, including **Zhonghai** and **Full Goal**, remained balanced in their approach. Fee extraction in 2009 will depend on the size of investors' moves out of fixed income funds.

2009 OUTLOOK

Nearly all fund managers started 2009 with a combination of lower AUM and diminished ability to extract fees. **Some good news: the trend of declining fee extraction rates may have bottomed out near the end of 2008.** Don't expect a return to the heady days of 2007, though.

Chinese equities are up +30% year-to-date. By itself, this would positively augment the industry's overall fee extraction rate. So too will positive sentiment boost top line revenue. Fund houses which have remained committed to an equity-biased business plan, such as **INVESCO Great Wall** and **Rongtong**, are expected to gain the most in the current environment.

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