

# Mutual Fund in China

- Investment Behavior and Investor Returns

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Securities Association of China

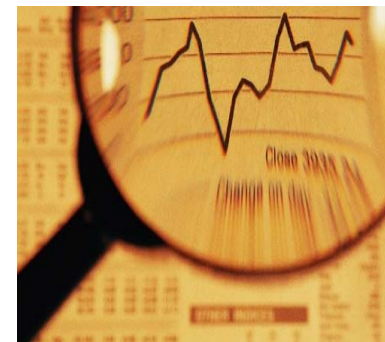
Sept. 21, 2011

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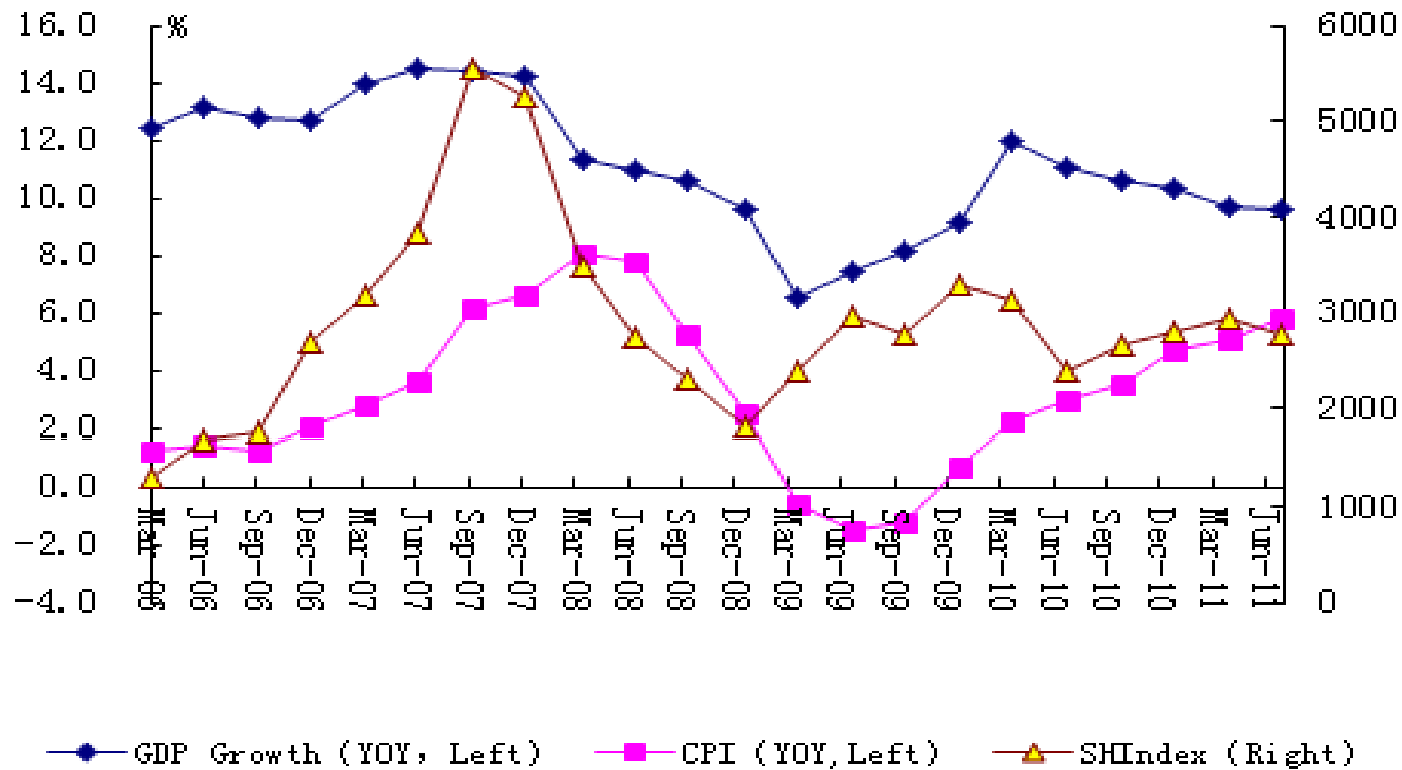


- China's Economy and Mutual Fund Industry
- Profile of Investors in China's Fund Market
- Investor Returns in Mutual Fund Market



# GDP and A-share Taking a Breather While CPI Going Up

Chart of GDP \ CPI and SHIndex



# Overview – Mutual Fund Industry

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- 67 Fund Management Companies (FMCs), including 38 Joint Venture FMCs
- Asset Under Management (AUM) RMB 2.90 Trillions, 11.06% of GDP, 7.0% of household deposits and 7.91% of the total market capitalization of

## A-share

### Managers of Mutual fund

- 838 products of which 42 closed-ended, 751 open-ended and 45 QDII products

### Managers of the National Social Security Fund (NSSF)

- 16 managers including China Asset, Harvest, China Southern, Bosera, Efund, Penghua, Changsheng, China Merchant, Guotai, Dacheng, Fullgoal, ICBCs, Guangfa, Haifutong, Huitianfu and yinhua

### FMCs with corporate annuity licensees

- 12 managers including China Asset, Harvest, Bosera, Efund, China Merchant, Haifutong, Fullgoal, Guotai, Guangfa and ICBC-Credit-Sussie

### Discretionary account investment management licensees

- 36 companies

### QDII licensees

- 31 companies
- **Most of QFII accounts\***

For the period ended August, 2011

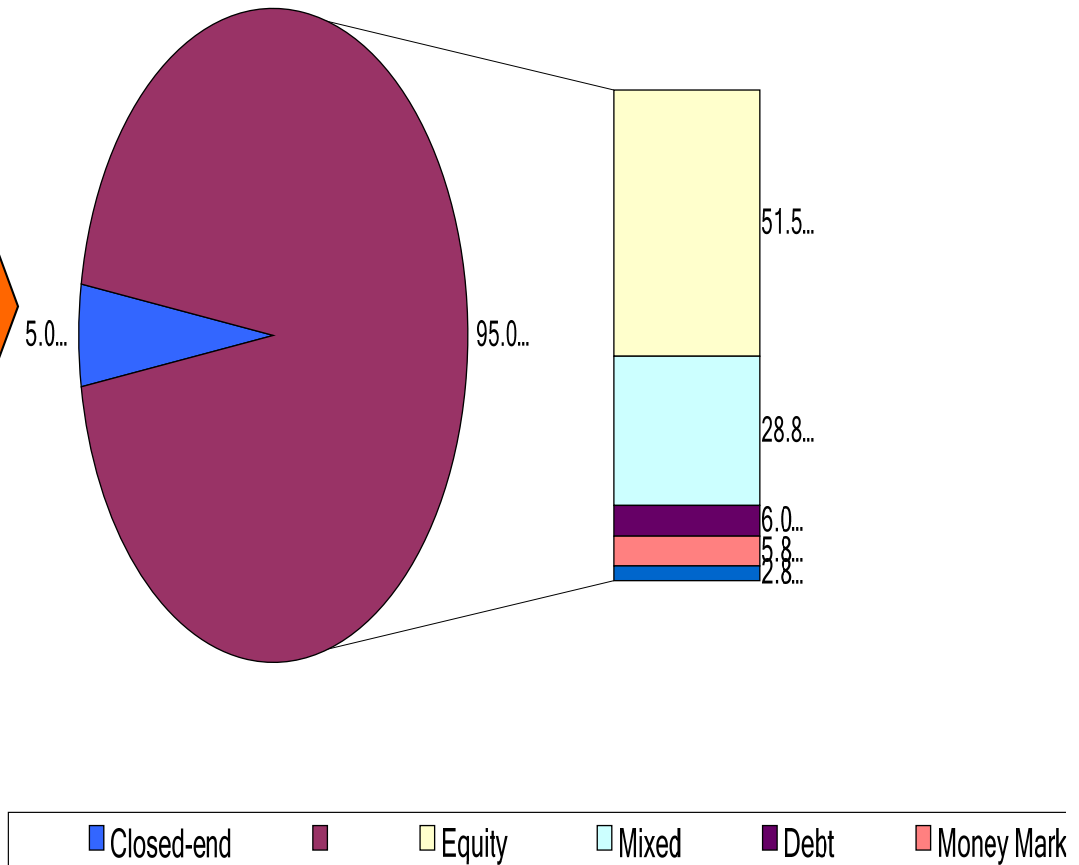
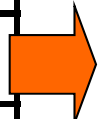
# Overview

## – by Asset-Under-Management (AUM)

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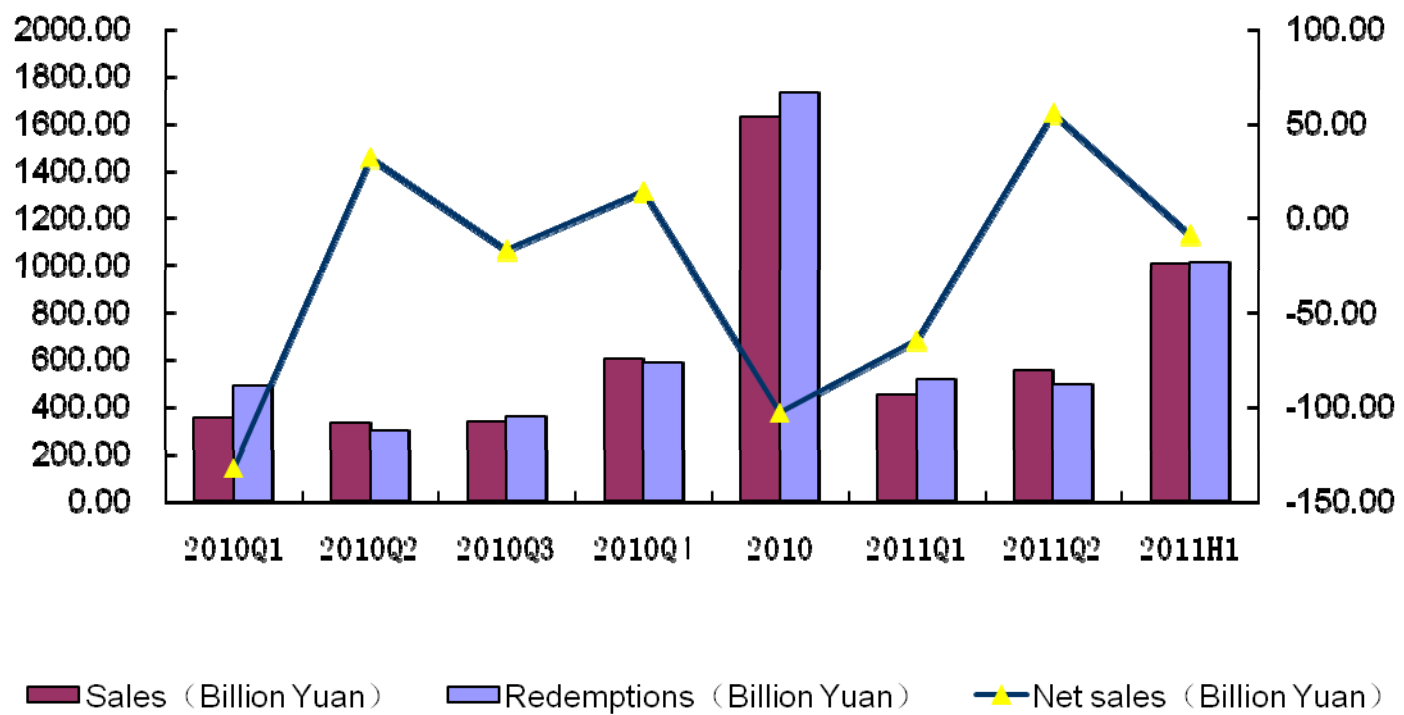
Assets	Sizes (RMB trillion )
Total	2.86
<b>Mutual funds</b>	<b>2.26</b>
NSSF	0.53
Corporate Annuity	
Segregated accounts	
QDII	0.07



For the period ended August, 2011

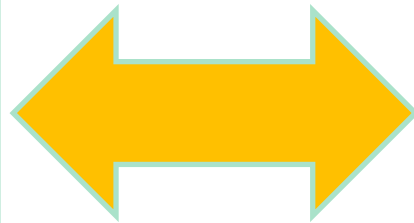
# AUM has Stagnated Since 2010

## Sales and Redemptions



# Overview--Competitions

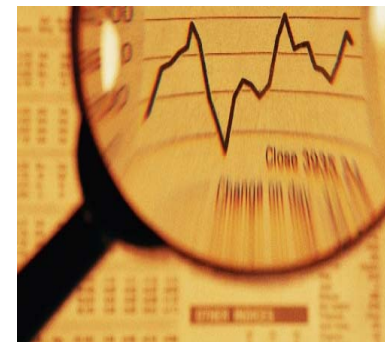
**Mutual Funds**



- **Bank Investment Products**
- **Trust Products**
- **Insurance Asset management Products**
- **Physical Gold and Gold Related Investments**
- **Private Equity**
- **Discretionary accounts in Mutual Fund Corporations**

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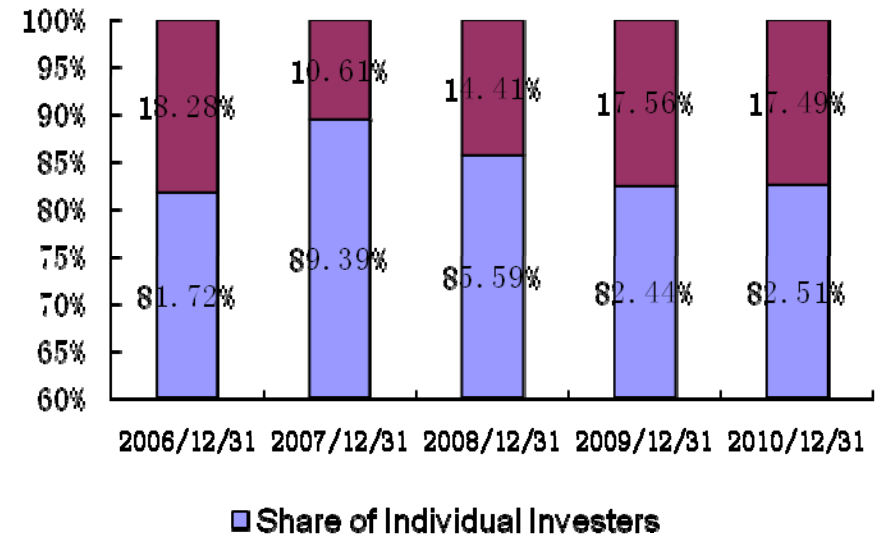
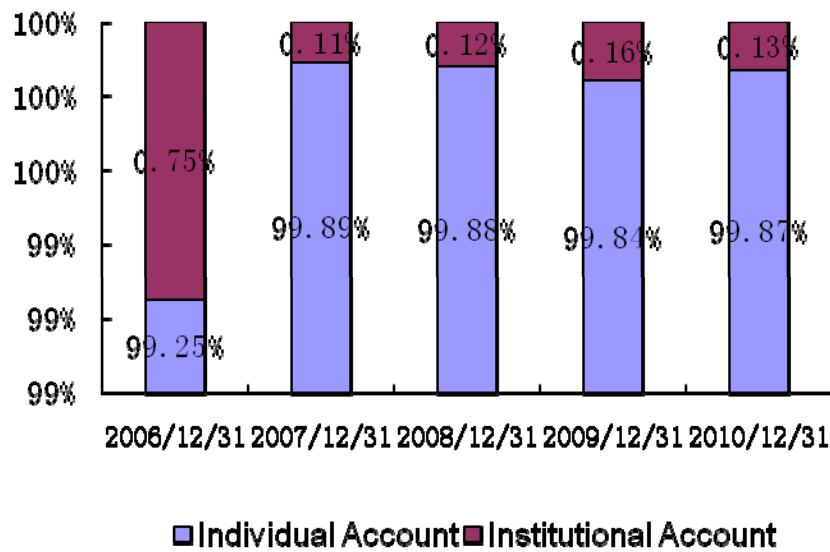
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# Individual Investors dominate

Over 99% of accounts are individual accounts

Over 80% of Mutual Fund AUM are held by Individual Investors

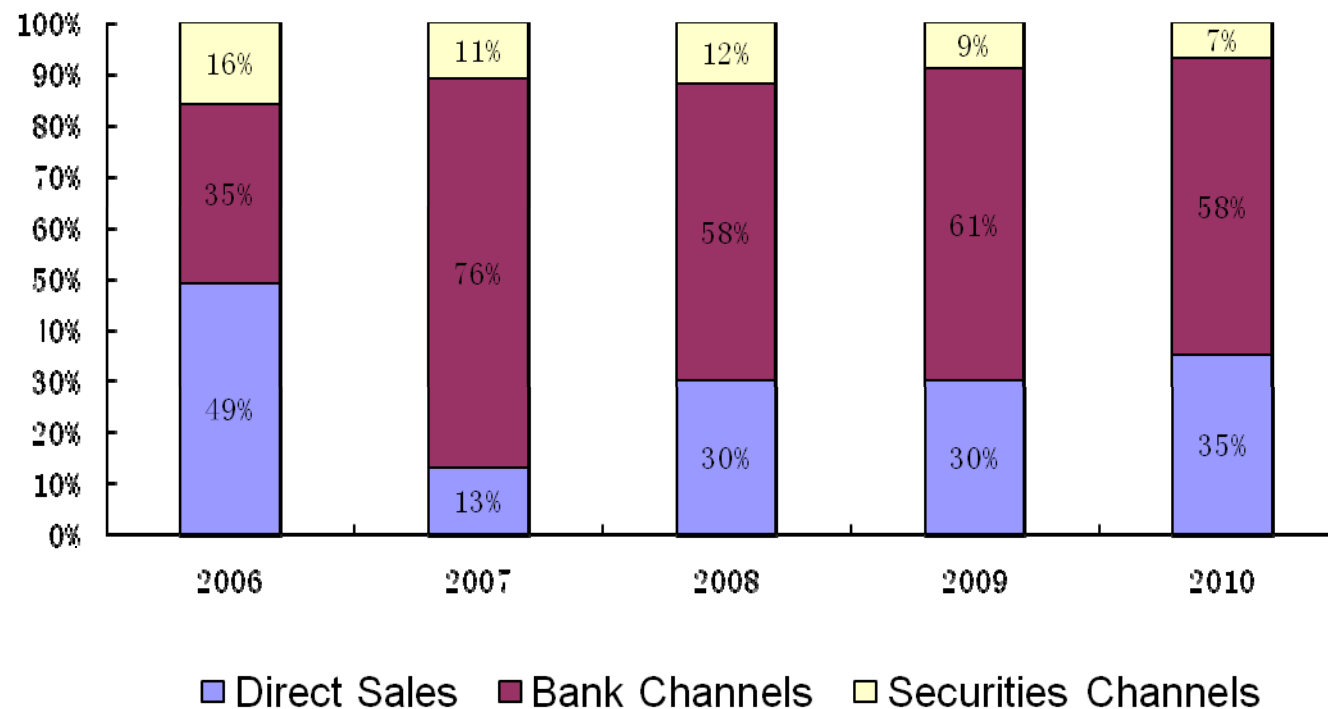


# Investors Prefer Banks as Their Distributors

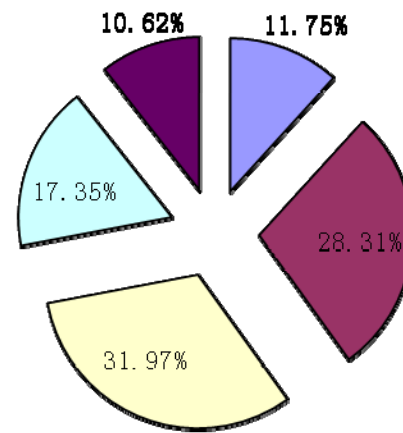
About 60% investors purchased mutual funds from banks

- Banks have more convenient branches for investors
- Banks are always considered to be more reliable due to state backing

Second distribution channel is direct sales by Mutual Fund Corporations



# More Than 60% Investors are Aged between 30 and 50

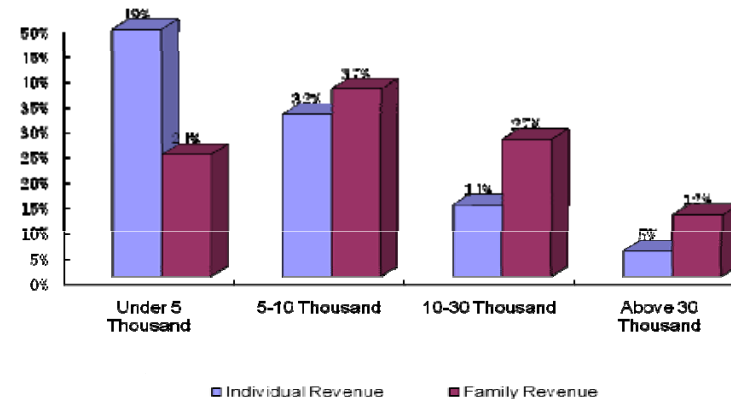
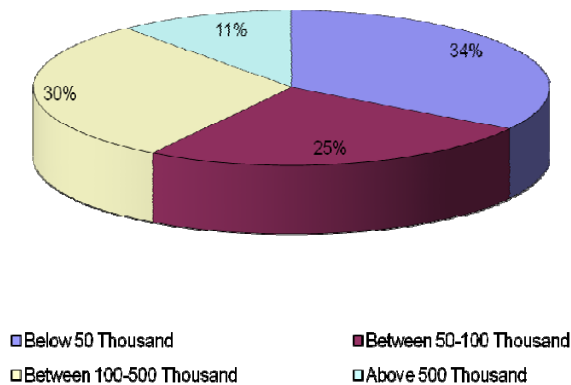


- Account held by investors under 30 years old
- Account held by investors between the ages of 30-40
- Account held by investors between the ages of 40-50
- Account held by investors between the ages of 50-60
- Account held by investors above 60 years old

# Most Mutual Fund Accounts are under RMB 100K

More than 59% mutual fund accounts are under RMB 100K

- Mutual funds become main investment choices of low-income investors
- Competition is harder for high-income groups among different asset management institutions



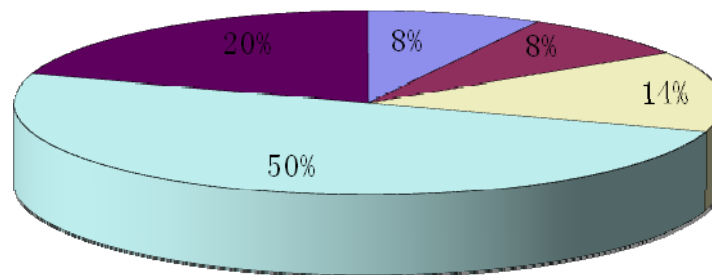
# Individual investors' Holding Period is Mainly between 2 and 5 years

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Most investors having held mutual funds for a long period at this time is not because of their long-term investment philosophy but because they lost money and don't want to cut their loss.

On the first slide, we can see that 2007 and 2009 are two bull market periods. Those who invested in mutual funds then have lost money till now. They don't like to redeem funds when they have lost money.



■ Less Than 6-Month  
□ 2-Year to 5-Year

■ 6-Month to 1-Year  
■ More Than 5-Year

□ 1-Year to 2-Year

# Investors are Becoming Mature Gradually

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Main factors investors are concerned about:

- Performance history
- Fund manager's ability
- Manager's brand name
- Moral Hazard
- Reliability of sales person

A starburst graphic with a gradient from yellow to red, containing text.

Investor education has made some progress , but we still have a long way to go.

\*These conclusions were drawn from the investor survey by SAC. It was the fourth year we made this kind of survey.

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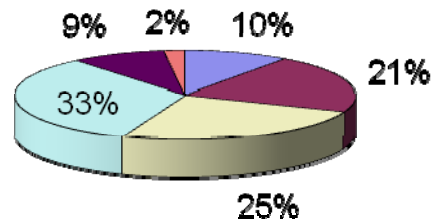


# Wealth Effect in Mutual Fund Business is Fading away

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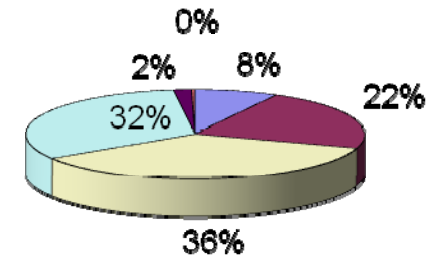


**Total Investment Fund Benefit of Individual Investors**



- Loss Greater Than 30%
- Loss Less Than 30%
- Break
- Earn Less Than 30%
- Earn Between 30%-100%

**2010 Investment Fund Benefit of Individual Investors**



- Loss Greater Than 30%
- Loss Less Than 30%
- Break
- Earn Less Than 30%

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# Thank you!