

A professional portrait of Fan Yonghong, President & CEO of China Asset Management. He is a middle-aged man with short dark hair, wearing glasses, a dark suit, a light blue striped shirt, and a red patterned tie. He is seated, with his hands clasped in front of him. The background is a solid dark blue.

The year 2007 was a good one for Fan Yonghong. The company he's led for ten years, China Asset Management, grew to serve over 10 million clients and manage US\$ 36 billion in investments, making it the largest in the industry. The company's equity, hybrid equity, and hybrid balanced funds were the industry's top performing funds in their respective categories. The ChinaAMC Large-cap Select Fund, the country's most popular fund, more than tripled in value, making it the best performing fund in China.

Creating Success by Building on Trust

Fan Yonghong, President & CEO



The year 2007 was a good one for Fan Yonghong. The company he's led for ten years, China Asset Management Company, posted record growth, with all 11 of its equity and hybrid funds doubling in value in 2007. The ChinaAMC Large-cap Select Fund, the company's most popular fund, returned an astounding 226 percent.

The company now manages RMB 248 billion (US\$ 36 billion) in mutual fund assets, ranking first in the industry, and the number of clients increased to over 10 million as of 2007.

In recognition for his accomplishments, Asia Asset Management named Fan "CEO of the Year." ChinaAMC received numerous other awards, including "Best Fund Management Company" by Shanghai Securities News and Morning Star.

But Fan doesn't see 2007 as much different from other years at ChinaAMC. He explains, "We just kept on doing what we should do, and we were lucky."

The simplicity of his statement masks the complicated corporate culture of ChinaAMC. The company has, since Fan founded it ten years ago, continually evolved and improved, establishing itself even in less prosperous times as the country's most progressive asset management company.

The successes of 2007 are the fruits of ten years of constant efforts as the company applied its innovation-driven, team-motivated, customer-centered approach to seek out the country's best investments. Luck may have played

some role in the company's triple digit gains last year. But the credit for making ChinaAMC the most progressive, most successful, and largest asset management firm in China lies entirely with Fan and his team at ChinaAMC.

That team has pushed ChinaAMC to achieve a series of firsts unmatched in the country's asset management industry. ChinaAMC launched one of mainland China's first enhanced index funds in 1999 as well as China's first pure bond fund in 2002. In 2005, the company converted a close-ended fund into an open-ended fund, marking another first for the country's capital markets.

One of the most significant achievements came in 2004 when ChinaAMC launched the country's first Exchange-Traded Fund (ETF). The fund, called the China 50 ETF, brought domestic and foreign participants together to invest in China's then struggling capital markets. A second ETF, introduced in 2006, supplied capital to China's profitable small and medium-sized sector.

The year 2007, in addition to offering tremendous growth, provided its own important first. ChinaAMC created one of the country's first qualified domestic investor (QDII) funds. The fund allows ChinaAMC to invest in foreign markets on behalf of Chinese clients. Unlike other QDII funds, ChinaAMC diversified such foreign investments beyond markets in Hong Kong and Asia to include investments around the world. For that reason, Asia Asset Management named ChinaAMC as "QDII Manager of the Year."

ChinaAMC's reputation for innovation is unparalleled in its industry. That inno-

vative spirit is only one element, though, of the unique corporate culture that Fan has nurtured since founding the company in 1998. Constructive teamwork is another such element. ChinaAMC's organizational structure encourages an interactive process allowing individual strengths to emerge while incorporating top notch research and thorough risk evaluation mechanisms.

Fund managers have much freedom in their investment decisions and can seek out advice from any member of the company's research staff. That research staff, the largest in the industry, provides managers with extensive research and due diligence reports for each potential investment. The investment decision committee issues guidelines to steer managers and maintain overall company stability.

"Through institutional innovation and effective organization, we provide powerful research support for investment decision-making," Fan explains.

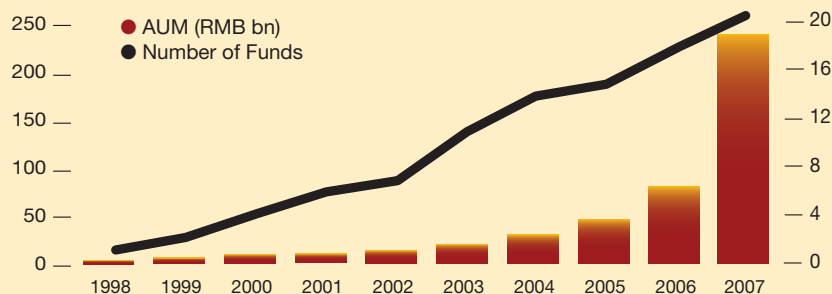
"Therefore, fund managers can share group expertise while maintaining individual styles in allocating assets. That's why ChinaAMC funds have achieved stable returns but investment styles of different funds are still visible."

ChinaAMC's unique management style has attracted and retained some of the best managers in the business. In an industry known for rapid employee turnover, ChinaAMC's managers have clocked in an average of six years with the company.

"ChinaAMC's structural organization creates an atmosphere that inspires teamwork and innovation, encourages taking the long-term view, and ultimately achieves very positive results," explains Wang Yawei, Chairman of ChinaAMC's Investment Decision Committee and fund manager of the ChinaAMC Large-cap Select Fund, the country's most popular fund. He should know. The company has relied on that structural organization to create three of the top ten leading funds in China in terms of performance.

Even more important than innovation and teamwork, however, is the client, says Wang. "Our motto is 'Healthy Return on Your Trust.' We work very hard to build that trust and protect it as our greatest resource."

Assets Under Management



Source: ChinaAMC

ChinaAMC will continue applying the innovation-driven, team-motivated, customer-centered approach that carried the firm through the peaks and valleys of China's capital markets over the past ten years.

Building trust lies at the center of ChinaAMC's approach. The company often hosts educational seminars for current and potential investors. For example, China AMC held a series of such seminars to introduce overseas investment concepts to Chinese investors. Hundreds of such events took place in 2007 alone. The company published 30 QDII-related columns in seven major newspapers in China, reaching an audience of 30 million. ChinaAMC's website hosts 1.5 million visitors daily on its investor education section.

"The more our clients understand the markets, the more they will appreciate our investment strategy," Wang explains.

Communication plays a vital role in this mutual understanding process. A new customer service center opened last year, increasing the number of employees and utilizing new technologies to better serve clients. System upgrades allowed ChinaAMC to field up to 270 calls at once. This greater capability proved vital when the call center received over 20,000 calls on the opening day of the company's QDII fund in September. In all, ChinaAMC answered more than 2 million calls and sent out more than 300 million short messages in 2007. The efforts resulted in a customer approval rating of 98 percent.

Transparency and regulatory compliance are also factors in building trust. ChinaAMC was the first in the industry to bring on independent board directors in the late nineties. The company has also avoided any penalties for regulatory infractions, and as a result, enjoys the trust not only of clients but regulators as well.

ChinaAMC's innovation-driven, team-motivated, customer-centered approach defines the company's culture under Fan's leadership. Rather than focusing on his accomplishments and those of the firm he created, however, Fan prefers to look to the opportunities ahead. "The mutual fund industry is highly competitive," he says. "If we don't continually push forward, we will lag behind."

Risk management is one area in which ChinaAMC continues to "push forward." After booming years in 2006



Wang Yawei,
Investment
Decision
Committee
Chairman

and 2007, China's capital markets lost some steam in early 2008. Fan views this volatility as an opportunity to refine the company's risk evaluation and management methods.

The company's current methods are already showing their effectiveness. While the Shanghai market had lost almost 40 percent by mid-March, ChinaAMC's leading fund, the ChinaAMC Large-cap Select Fund, was down less than 3 percent, even after more than tripling in value last year.

But Fan believes those risk evaluation and management methods can be even stronger. "The current market conditions help us to identify both strengths and weaknesses. Our funds have held up well because of our commitment to research and risk management. This underscores, though, the importance of continually improving those aspects of our business to remain at the top of our industry."

Intensified focus on the company's corporate annuity business will also keep ChinaAMC at the top. ChinaAMC became one of the first companies to offer corporate annuities in 2005. Corporate annuities require sizeable initial investment, maintain low adminis-

tration fees, and offer limited short-term economic benefits. For these reasons, China's annuity market remains small. Fan says this will change.

"The corporate annuity market, with proper cultivation, will grow tremendously in the next five to ten years," Fan says. The benefits of that growing market extend beyond the financial industry, forming a central element in the government's policy to build a stable and harmonious society.

"The proper functioning of the annuity market provides stable financial support for those workers that have reached retirement. Annuities allow asset management companies to manifest their social values and, as a steady income source, contribute to the development of the capital markets."

The introduction of individual investment accounts will also contribute greatly to that development. The Chinese securities regulator relaxed rules in January governing client portfolios. Asset management companies can now offer investment portfolios designed specifically for the clients' needs rather than simply offering a choice of mutual funds.

This change will encourage the development of capital markets, as managers employ more complicated investment techniques to meet the varied needs of the clients. By offering these individual portfolios, Fan and his team plan to more fully utilize their resources and market knowledge to service individual and institutional investors.

Foreign capital markets also hold opportunities for ChinaAMC and for the development of China's financial industry, Fan believes. Investors met the launch of ChinaAMC's QDII program in September with much enthusiasm, but the sub-prime crisis and economic woes abroad dampened its performance. Asset management companies must, however, continue to promote the development of QDII, Fan emphasizes. Investment in overseas markets allows domestic investors to better diversify and pushes asset management companies to meet the demands of international competition.

"Our vision for ChinaAMC is that of a respectable asset management company with global influence. Such a vision



The vision of ChinaAMC is to become a respectable asset management company with global influence.

will never be realized if we stay within the domestic market. As I said before, we must continually push forward."

Cooperation with foreign companies will help ChinaAMC realize its vision, Fan believes. As early as 2000, ChinaAMC partnered with UK-based asset management company Schroders to launch its first open-ended fund. The Chinese company also hired Canadian firm CDP Capital to assist with its management of China's Social Security Fund and US-based State Street Global Advisors for the establishment of its ground-breaking ETF. ChinaAMC continues to work with international firms, in domestic and foreign markets, including co-managing its first QDII portfolio with US-based T. Rowe Price.

This international cooperation improves ChinaAMC's own processes and better prepares the company for competition globally, says John Li, ChinaAMC's Chief International Business Officer. "We work with foreign counterparts in a variety of roles, as partners, as advisors, as clients, and as money managers," he explains. "We go beyond those roles, however, to create understanding and a mutually ben-

eficial relationship. It is through these relationships that we strengthen our company at home and build our presence overseas."

The global economy holds opportunities to build upon these relationships, Li believes. If the Chinese economy remains strong while global economic growth slows, international firms will increasingly turn to the Chinese market for investment opportunities. Those firms are potential clients for ChinaAMC's advisory services and potential partners for ChinaAMC's financial services. "ChinaAMC has served more than a dozen qualified foreign institutional investors (QFIIs), and several QFII applicants from the US, Asia and other regions are consulting ChinaAMC about investments in China's A-share market," says Li.

Internal organizational improvements will further facilitate ChinaAMC's journey toward global competitiveness. The goal of such improvements, according to Fan, is to build and foster the unique corporate culture that has benefited the company and its clients so greatly in the past. That culture founds itself upon a sense of shared responsibility and

the common objective of serving the client's best long-term interests.

Fan points to an example from last fall. ChinaAMC suspended subscriptions for all funds over RMB 20 billion (US\$ 3 billion) when the Shanghai exchange hit the 6,000 point mark. The market contained too many risks, company fund managers felt, to justify taking on new clients. "As a socially responsible fund management company, we must be clear about our service priorities, which include clients, employees, and shareholders, in that order of importance. We must persist on this practice to maintain the culture and value of our company."

The year 2007 was a great year for Fan Yonghong and ChinaAMC. But 2008 also holds great opportunities. Current market conditions illuminate strengths and weaknesses in the company's risk management, helping them to improve their already strong risk management procedures and further consolidate their position as the industry leader. The country's financial planners and government leaders are together focusing on the possibilities of corporate annuities, an area where ChinaAMC is well-positioned to make great gains. New regulatory freedom in tailored portfolio planning are allowing ChinaAMC to better apply its research depth and demonstrate its capabilities, while the company's QDII program and foreign partnerships provide foundations for ChinaAMC's greater integration into global capital markets.

Now, as in the past, ChinaAMC continues to apply the innovation-driven, team-motivated and customer-centered approach that has carried the company through the peaks and valleys of China's capital markets over the past ten years. And Fan Yonghong and the ChinaAMC staff keep doing what they 'should do', doing what they have always done, doing what they know how to do. They keep being the best. ■

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Ten-Year Anniversary (1998-2008): A Brief History of ChinaAMC

Mar-2008	• Clients exceeded 12 million.
31-Dec-2007	• Became the largest fund management company in China managing RMB 248 billion in mutual fund asset.
Jul-2007	• Received approval from CSRC to be the first batch of fund management companies to start QDII business.
26-Sep-2006	• Converted Xing Ye Fund, the first closed-end fund going mature in China into an open-end fund.
Jul-2005	• Received license to be the first batch of fund management companies to manage the Enterprise Annuities.
31-Dec-2004	• Designated by EMEAP as the sole manager for ABF (Asia Bond Fund) China Bond Index Fund.
31-Dec-2004	• Launched the first ETF in China: the China 50 ETF.
Jun-2003	• Received the official mandates to manage the National Social Security Fund (NSSF).
13-Dec-2002	• Won qualifications to serve as one of the first managers for the NSSF.
23-Oct-2002	• Launched China's first pure-bond fund: ChinaAMC Bond Fund.
18-Dec-2001	• Launched its first open-end fund: ChinaAMC Growth Fund.
28-Apr-1998	• Launched its first fund: the Xing Hua Fund.
09-Apr-1998	• Established as one of the first three fund management companies.