

FUND FLASH

LIPPER FMI'S QUARTERLY SNAPSHOT OF ASIAN TRENDS

JUNE 2010 - DATA AS AT MARCH 2010

ASIAN APPETITE FOR RISK ON THE UP

Net equity fund sales in Asia rose strongly in the first quarter to over US\$10bn. They were two and half times the level of the previous quarter. But the picture was not so rosy in other asset classes and overall new business stagnated. Total sales fell to a modest US\$9bn, less than a quarter of the flows seen in the final three months of 2009. They were also down on the same quarter last year. The main reason was the outflow from money market funds which totalled nearly US\$15bn, almost as much as had flowed into this asset class in the previous quarter. Meanwhile, sales of bond funds more than halved.

EQUITY INVESTORS

In China, equity fund sales rose by 30% to US\$7.5bn. Even though the stock market, as measured by the CSI 300 Index, lost ground in January, investor confidence was restored when share prices picked up again in February. And in March the National People's Congress helped to resolve most of the policy uncertainties which had been plaguing investors in recent months.

In Hong Kong equity fund sales also improved significantly. But not all investors in the region were sure about equities. In Australia equity fund sales halved in the quarter, and in South Korea outflows from equity funds continued, albeit at a reduced rate. Thai investors also took more money out of equity funds than they invested.

JAPANESE ENTHUSIASM

The region's most enthusiastic fund investors were the Japanese. They bucked the general trend with a 6% rise in overall sales. One reason was their change in sentiment towards equity funds with investors moving

US\$1bn into this asset class during the quarter. The Japanese also maintained their love-affair with bond funds, notably emerging market bond funds, although their ardour did cool somewhat compared with the previous quarter.

CASHING IN THEIR CHIPS

The main culprits behind the large money market fund outflows were Chinese and Indian investors. In China, redemptions may have been influenced by the impending introduction of exit charges at the end of March. In India, more than US\$10bn was taken out of money market funds, and there were also significant outflows from bond funds.

Most of the withdrawals were in March when the Indian fund industry recorded its highest ever net outflows. Quarter-end redemptions are normal in India as banks and companies take out the excess cash they have accumulated in fixed-income and cash funds during the quarter. March is also the end of the tax year when many fixed-term plans reach maturity.

MARKETS IN BRIEF

- *The best market for sales was Japan. Bonds remain the top selling asset class, though their share diminished from 83% to 69% of sales. Emerging market bond funds are still the most popular choice but Australian Bond funds increased in popularity. Equity flows also turned positive with infrastructure funds attracting most attention.*
- **In Hong Kong, quarter-on-quarter sales rose strongest mainly due to a surge into China equity funds. All other asset classes also enjoyed positive sales.**
- *South Korea saw the highest level of asset growth, nearly 10% in the quarter, and the second highest level of sales primarily as a result of flows into money market funds. Net sales of bond and mixed asset funds also increased.*
- **Sales in China and India went from positive to negative largely due to major outflows from their money market funds. However, equity fund sales increased in China and turned positive in India as locally invested funds bounced back to popularity.**

REGISTER FOR FUNDFLASH ASIA

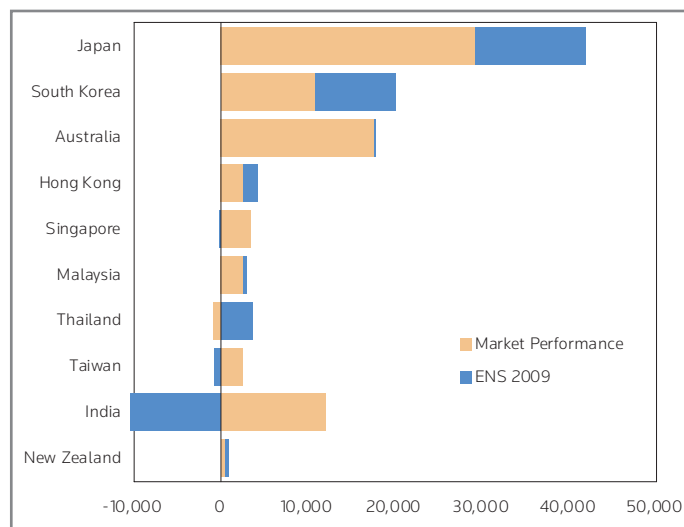
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The data used in this publication is taken from Lipper FMI's FundFile database. It provides monthly coverage of over 35,000 funds in Europe and 23,000 funds in Asia, Middle East and Africa. To find out more contact Jerome.couteur@thomsonreuters.com.

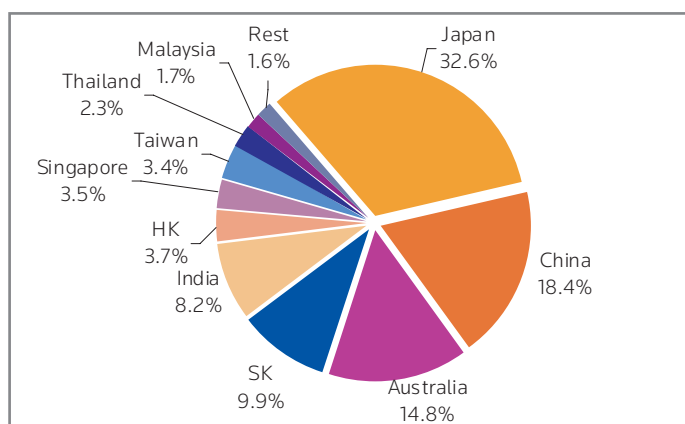
MARKET RANKING BY SALES IN Q110 (US\$M)

| Market | ENS Q110 | Assets | Qtrly Grth | ENS/Grth % |
|-------------|-----------|-------------|------------|------------|
| Japan | 17,288.3 | 605,572.3 | 23,471.3 | 73.7 |
| South Korea | 12,638.2 | 182,849.4 | 17,790.4 | 71.0 |
| Thailand | 4,841.5 | 42,990.5 | 1,167.6 | 414.6 |
| Hong Kong | 2,244.3 | 68,542.5 | 1,845.5 | 121.6 |
| Malaysia | 553.0 | 32,417.1 | 2,118.0 | 26.1 |
| Australia | 545.5 | 274,900.0 | 8,905.0 | 6.1 |
| New Zealand | 388.2 | 13,989.7 | 322.1 | 120.5 |
| Philippines | 55.6 | 3,738.4 | 203.5 | 27.3 |
| Pakistan | 12.4 | 1,827.3 | 26.7 | 46.5 |
| Kazakhstan | 0.5 | 15.2 | 0.6 | 74.2 |
| Rest | -29,466.3 | 629,384.9 | -40,913.6 | |
| Total | 9,101.3 | 1,856,227.3 | 14,937.3 | 61.1 |

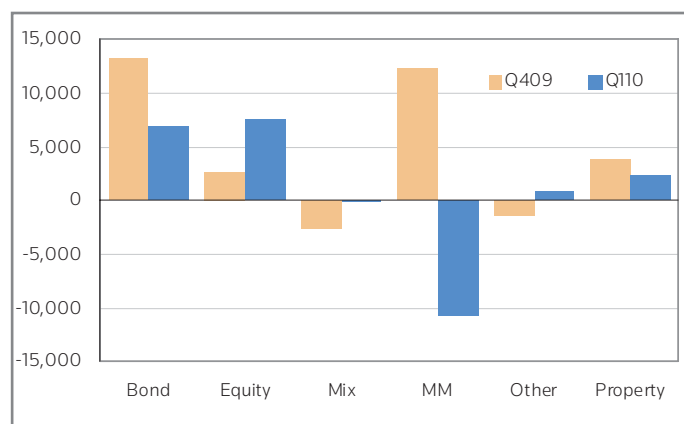
ASSET GROWTH SPLIT BY SALES AND PERFORMANCE (US\$M)



MARKET SHARE OF ASIAN ASSETS IN MARCH 10 (US\$M)



QTR-ON-QTR SALES BY INVESTMENT TYPE (US\$M)



NEW FUND LAUNCHES BY MARKET (US\$M)

| Market | # funds | Q1 2010 |
|-------------|---------|---------|
| Japan | 125 | 9,235.6 |
| China | 19 | 4,466.8 |
| Thailand | 216 | 3,710.7 |
| Taiwan | 9 | 770.7 |
| India | 18 | 649.8 |
| South Korea | 51 | 572.9 |
| Malaysia | 25 | 177.1 |
| Indonesia | 9 | 90.6 |
| Singapore | 6 | 75.2 |
| Hong Kong | 1 | 15.0 |
| Pakistan | 3 | 10.0 |
| Australia | 3 | 0.9 |

TOP SECTOR IN EACH MARKET IN Q1 2010 (US\$M)

| Market | Sector | ENS Q1 2010 |
|-------------|---------------------------|-------------|
| South Korea | Money Market KRW | 13,939.7 |
| China | Equities Greater China | 7,512.2 |
| Japan | Bonds Emerging Markets | 6,939.3 |
| Thailand | Money Market KRW | 2,071.2 |
| Hong Kong | Equities Greater China | 1,895.6 |
| Australia | Equities Global | 1,107.8 |
| India | Mixed Assets Conservative | 919.2 |
| Malaysia | Money Market MYR | 402.6 |
| Taiwan | Fund of Funds Bonds | 265.8 |
| Indonesia | Money Market IDR | 140.7 |
| Singapore | Money Market SGD | 121.0 |
| New Zealand | Mixed Assets Conservative | 116.9 |

Notes to data: ENS = Estimated net sales. Market totals exclude funds of funds to avoid double-counting. For market definitions, visit www.lipperfmi.com.