

Monthly Report

February 26, 2010

Guotai Junan Greater China Growth Fund

Portfolio Summary

**Upfront Disclosure**

The Fund may invest in listed companies that derive a significant portion of their revenues from goods proceed or sold, investments made or services performed in the Greater China region, which includes the People's Republic of China, the Hong Kong & Macau Special Administrative Region and Taiwan. The Fund may invest in the Greater China securities markets, which are emerging markets. As such, the Fund may involve a higher degree of risk and are usually more sensitive to price movements. The value of the Fund can be volatile and could go down substantially within a short period of time. The investment decision is yours. You should not invest unless the intermediary who sells this Fund to you has advised you that this Fund is suitable for you and has explained why, including how investing in it would be consistent with your investment objectives.

**Investment Objective**

To achieve medium- to long-term capital appreciation by investing in listed companies which are domiciled in or have operating incomes from the Greater China region (Mainland China, Hong Kong, Macau & Taiwan).

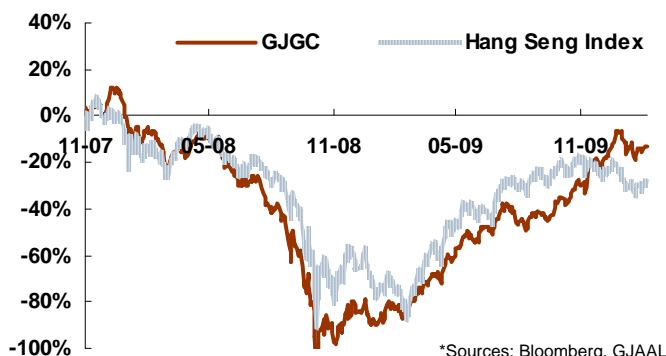
**Fund Facts**

Management:	Guotai Junan Assets (Asia) Limited
Inception Date:	2007-11-19
Domicile:	Cayman Islands
Base Currency:	HKD
Bloomberg Ticker:	GJGCHGR HK
Redemption Day:	Every Trading Day
Custodian:	HSBC Trustee (Cayman) Limited
Auditor:	Ernst & Young
Minimum amount for HK immigration investment:	HKD 6.5 million
NAV in total (as of Feb 26):	HKD 79.1million
NAV per Unit (as of Feb 26):	HKD 87.84

**Fee Structure**

Minimum Subscription:	HK\$ 50,000
Subscription Fee:	Up to 5%
Management Fee:	1.5% p.a.
Redemption Fee:	Up to 3%

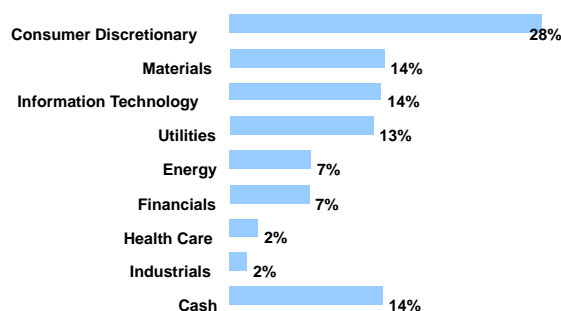
**Fund Performance Since Inception**



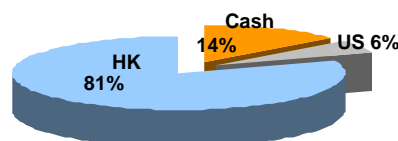
**Performance Update**

	Total Return	Hang Seng Index
1 Month	2.3%	2.4%
3 Months	19.2%	-5.6%
6 Months	43.6%	4.5%
YTD Return	2.5%	-5.8%
1 Year	104.9%	60.9%
<b>Since Inception</b>		
Annualized Return	-6.1%	-14.1%
Annualized Volatility	35.5%	41.5%

**Sector Exposure**



**Geographic Exposure**



**Monthly Performance Summary**

2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	-21.0	4.9	-9.0	5.2	1.1	-14.5	-0.7	-10.8	-19.9	-27.7	1.7	6.2	-62.0	-57.0
Hang Seng Index (%)	-15.7	3.7	-6.1	12.7	-4.7	-9.9	2.8	-6.5	-15.3	-22.5	-0.6	3.6	-48.3	-47.6
Information Ratio	-3.1	1.0	-2.2	-11.5	8.0	-5.8	-5.0	-4.8	-3.6	-2.6	1.7	1.8		
2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	-0.1	-0.1	9.7	7.5	14.9	5.6	10.1	-9.4	5.5	6.8	7.0	16.2	99.4	-14.3
Hang Seng Index (%)	-7.7	-3.5	6.0	14.3	17.1	1.1	11.9	-4.1	6.2	3.8	0.3	0.2	52.0	-20.3
Information Ratio	6.3	3.3	2.2	-4.2	-1.7	3.0	-1.8	-7.2	-0.8	2.8	6.6	9.2		
2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	0.3	2.3											2.5	-12.2
Hang Seng Index (%)	-8.0	2.4											-5.8	-25.0
Information Ratio	4.5	-0.2												

## Top Ten Security Holdings

#	Name	Industry	%
1	CNPC (Hong Kong)	Energy	7.2%
2	Lenovo Group	Information Technology	6.8%
3	Chian Gas Holding	Utilities	6.6%
4	China Oil and Gas	Utilities	6.2%
5	Fushan Energy	Materials	5.6%
6	Ko Yo Ecological Agrotech	Materials	4.7%
7	Peak Sport	Consumer Discretionary	4.5%
8	Haier Electronics	Consumer Discretionary	4.3%
9	Intime Departmental Store	Consumer Discretionary	4.1%
10	Hisense Kelon Electrical	Consumer Discretionary	4.0%

\*Industry Classification is based on Global Industry Classification Standard (GICS).

## Investment Team

Chief Investment Officer: Mr. Yuan Junping

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## Market Review

The first round market correction of year 2010 in US equities seemed ended in this month. US investors shrugged off the softer housing sales, deteriorating consumer confidence index and still high jobless data. The sovereign debts in Europe were deteriorating. But even that has benefited the US markets as money flew for safety. The Fed Chairman, Mr. Bernanke thought the economy recovery in US was still “nascent”. He indicated that the Fed will keep rates low for a fair long time. For the month, the Dow increased +2.56% to 10,325, the S&P 500 gained +2.85% to 1,104 and the Nasdaq increased +4.23% to 2,238.

Chinese equities gained momentum in both H and A share markets. China’s export in January rose 21% YOY, and the market expects export recovery to continue in the coming months. The retail sales during Chinese New Year (CNY) holidays hit a new record of 340 billion CNY, an increase of 17.2% from last holiday. China PBOC raised the RRR by 50bps again just before the CNY holidays to mop up the liquidity. Healthcare and technology stocks outperformed, while energy stocks were sold off in both markets. For the month, the Hang Seng Index gained 2.4% to 20,608, and the HSCEI increased +0.4% to 11,544.

## Brief Trading Summary

The Fund’s NAV gained 2.3% in February. Our top gainer is Poly (HK) Investment (00119 HK) as the stock has gained 20.8% MOM. Real estate players recently rebounded from the dip thanks to the latest PBOC’s positive statement, which indicated to continue the “relatively loose” monetary policy.

The record-high CNY holiday sales numbers vindicate one of our main investment themes -- consumer stocks will outperform in this year. We bought Intime Department Store (01833 HK) this month. The 2010 Shanghai Expo is just two months away, and we believe that the huge volume of visitors, both overseas and domestic, should benefit local hotels. We added in Jinjiang Hotel (02006 HK) for the fund. We are also bullish on the consumer digitals given that the demands of IT equipment replacements are soaring. We bought Lenovo (00992 HK) this month.

## Investment Strategy

The PBOC raised RRR by 50 bps before CNY unexpectedly. However, the movement also showed that the government was very reluctant to use the tool of interest rate. So far, monetary authorities still prefer quantitative measures like RRR hike and open market operations to dampen inflation expectations. Money will still sit on the sidelines before the NPC and CPPC meetings in this March. We expect that the government will make all efforts to rebalance the economy and it may propose more measures to boost domestic consumption. House prices remained high and policies on property sector are likely to remain stringent. We expect investment opportunities in following sectors for the next month:

- 1) Consumption related sectors, including food and beverages, apparels, consumer digitals and department stores. We expect more favorable policies benefiting these sectors to be rolled out after the NPC and CPPC conferences.
- 2) Auto. Auto sales remained strong in the beginning of year 2010 despite traditionally weak season. Major Hong Kong listed auto companies also reported strong sales growth. We expect bottom lines of auto manufacturers will continue to improve.
- 3) Metals. Chile earthquake impacted copper production and copper price is likely to surge in the short term. Combined with economy recovery, other metals may follow the copper price to rise. There should be trading opportunities in metal stocks in the near term.

Notes: Investment involves risks. Past performance is not indicative of future performance. Please refer to the explanatory memorandum for further details.

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