

Monthly & Quarterly Report

September 30, 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).

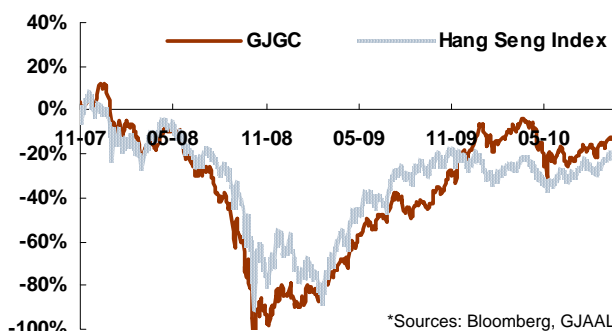
**Fund Facts**

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 SEP 30):	HKD 86.31 million
NAV per Unit (as of SEP 30):	HKD 88.45

**Fee Structure**

Minimum Subscription:	HK\$ 10,000
Subscription Fee:	Up to 5%
Management Fee:	1.5% p.a.
Redemption Fee:	
Less than 6 Months	1%
6 months or more but less than 12 Months	0.75%
12 months or more but less than 18 Months	0.50%
18 months or more but less than 24 Months	0.25%
24 Months or more	Waived

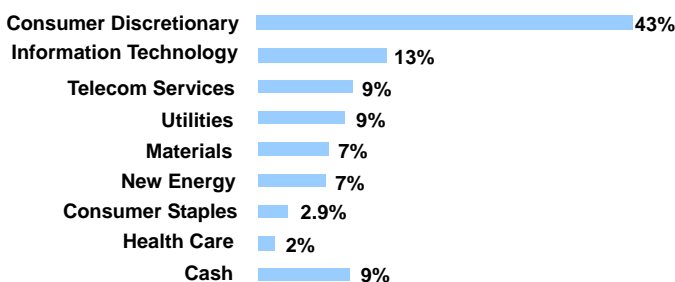
**Fund Performance Since Inception**



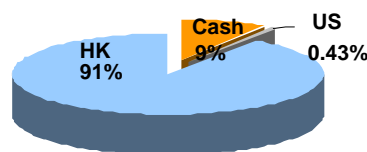
**Performance Update**

	Total Return	Hang Seng Index
1 Month	9.3%	8.9%
3 Months	11.6%	11.1%
6 Months	-4.5%	5.3%
YTD Return	3.2%	2.2%
1 Year	37.1%	6.7%
<b>Since Launch</b>		
Annualized Return	-4.6%	-7.9%
Annualized Volatility	33.5%	37.8%

**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	5.4	-0.7	-10.3	-3.9	4.1	-1.9	9.3				3.2	-11.6
Hang Seng Index (%)	-8.0	2.4	3.1	-0.6	-6.4	1.8	4.5	-2.3	8.9				2.2	-18.6
Information Ratio*	4.5	-0.2	3.3	-0.1	-2.1	-5.3	-0.6	0.5	0.6					

Notes: Information ratio is defined as expected active return divided by tracking error, where active return is the difference between the return of the fund and the return of Hang Seng Index, and tracking error is the standard deviation of the active return.

## Top Ten Security Holdings

#	Name	Industry	%
1	China Mobile	Telecommunication Services	9.2%
2	Bosideng	Consumer Discretionary	7.8%
3	Chigo Holdings Ltd	Consumer Discretionary	7.2%
4	Lumena Resources Corp.	Materials	7.0%
5	Thunder Sky battery Limited	New Energy	5.6%
6	Haier Electronics	Consumer Discretionary	5.6%
7	Lenovo Group	Information Technology	5.5%
8	China Gas Holding	Utilities	5.3%
9	361 Degrees International Ltd.	Consumer Discretionary	5.0%
10	Peak Sport	Consumer Discretionary	4.6%

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

## Investment Team

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## Fund Information Resources

Bloomberg Ticker: GJGCHGR HK EQUITY

Web URL:

[http://hk2.gtja.com/english/gtja\\_invest/zcqlij/qcwf.aspx](http://hk2.gtja.com/english/gtja_invest/zcqlij/qcwf.aspx)

## Economic Review

US economy showed signs of stabilization in the 3<sup>rd</sup> quarter as the ISM purchasing manager index (PMI) has remained at the expansion side for 15 months. The US GDP growth for 2Q 2010 was finalized at 1.7%, which has realized positive growth for consecutive four quarters. Even though the unemployment rate remained unpleasantly high at 9.6% in July and August, and the property market does not recover yet, the advanced retail sales appeared steady improvement by increasing 0.4% and 0.4% in the previous two months. The US Federal Reserve indicated that the second phase of quantitative easing is ready to further stimulate the economy.

China economy growth has slowed the pace in the 3<sup>rd</sup> quarter, as the YTD growth rates of industrial production and Fixed Assets Investment (FAI) have both decreased in the last three months. But the economy is still in good shape given China's export and retail sales remained strong. China's export increased 34.4% YOY in August, and the retail sales growth was 18.4%. The Money supply was still ample, as the M1 and M2 growth were 21.9% and 19.2%. Inflation pressure still exists in the near future, as the CPI and PPI growth reached 3.5% and 4.3% YOY respectively.

## Market Review

The new round US dollar depreciation helped to push the gold price to the historically high at USD 1,360. The RMB also was forced to appreciate against the US dollar by 1.8% in one month. Weaker currency and friendly money policy both helped the US stock market to perform very well in September. For the month, the Dow rallied 7.7% to 10,788, the S&P 500 gained 8.8% to 1,141 and the Nasdaq hiked 11% to 2,369. The top 3 outperforming sectors in the 3<sup>rd</sup> quarter were technology, utilities and consumer staples. The Dow, S&P500 and Nasdaq increased by 10.4%, 10.7% and 12.3% respectively in the 3<sup>rd</sup> quarter.

China's prolonging inflation expectation helped the high-beta equities to rally in September. Better Purchasing Manager Index (PMI) also released investors' worry about the economy slow down. Policy signals are mixed. On one hand, the central government continued to control the property market and has issued series of tightening policies by the end of this quarter. On the other hand, the monetary policy is still relatively loose, as the real interest rate remained negative. For the month, the Hang Seng Index (HSI) gained 8.9% to 22,358, and the Hang Seng China Enterprises Index (HSCEI) hiked 8.8% to 12,406. The top 3 outperforming sectors in this quarter were materials, energy and technology. The HSI and HSCEI increased by 11.1% and 8.2% respectively in the 3<sup>rd</sup> quarter.

## Brief Trading Summary

The Fund's NAV gained 9.3% in September compared to the HSI's return of 8.9%. We also outperformed the HSI in the 3<sup>rd</sup> quarter of 2010 as the Fund gained 11.6% vs. HSI's 11.1%. Our top gainers in this month are Haier Electronics (01169 HK, +34%), Bosideng (03998HK, +33%) and Lumena Resources (00067 HK, +23%). The latter two are also our top performers in the 3<sup>rd</sup> quarter - each gained 60% and 40% respectively.

Besides the above top gainers mentioned, several stocks in our portfolio also achieved more than 10% growth in this month, i.e., 361 Degrees (01361 HK, +18%), Directel Holdings (08337 HK, +14%), China Wireless (02369 HK, +12%) and Intime Departmental Store (01833 HK, +12%). Boshiwa International (01698 HK) hiked 41% on its debut day.

We consistently follow our investment strategy set in the beginning of this year to overweight the consumption related sectors in the previous nine months. We believe that these sectors will continue to outperform given that excessive money supply and supporting policies will both help to bolster consumer related equities. We keep cautious on the broad market in the near future given that the Hong Kong major indices have rallied for more than 10% in this quarter. We only bought in those equities with solid foundation but were miss-priced by market rumor or unexpected market activities. For example, we loaded China Mobile (00941 HK) in this month as one of its corner investors has placed its stakes at 3% discount. Nevertheless, We kept the cash ratio at 9% of the fund NAV by the end of this quarter to prepare for opportunities in the coming months.

## Investment Strategy

China's September Purchasing Manager Index (PMI) rebounded strongly by 2.1% to 53.8%, indicating that the economy is likely to have bottomed out in the 3<sup>rd</sup> quarter. A bunch of tightening measures on property market was released before National Day and we expect no further tightening policies to be out after the Golden week or in the near future. House prices are difficult to be pushed down as real demand remains strong and financial conditions of property developers are still healthy. Given the relatively ample money supply and the prolonging inflation expectation, we expect market to maintain strong in the short term.

Investment opportunities are likely to exist in following areas for the next month:

- 1) RMB appreciation beneficiaries. The pressure on RMB appreciation is likely to be kept before the G20 summit. Airlines and papers are to present trading opportunities in the short term as they benefit directly from RMB appreciation.
- 2) Retailers. Tourism sites were hot during the Golden Week and the numbers of visitors recorded historical high. We expect that the retail figures during Golden week to be strong, which will boost the share prices of retailers.
- 3) Precious metals. The US Federal Reserve is probably to launch the quantitative easing phase II, and we expect other major central banks will maintain their loose monetary policies in the near future. Precious metal prices are likely to surge amid this monetary environment.

## Brief of Top 5 holdings (as of September 30, 2010)

Company	Ticker	Market Cap (MN HKD)	10 PE (E)*	Industry	Comments
China Mobile	00941 HK	1,645,260	11.9	Telecom Services	One of the biggest telecom service providers in China which boasted with the largest number of subscribers in the world. China mobile is one of the major members of the Hang Seng Index and its dividend yield is attractive, which was 3.5% in FY 2009.
Bosideng	03998 HK	24,716	16.9	Consumer Discretionary	Bosideng is one of the most famous down apparel products manufactures in China with more than one third of the domestic market share. The company recently advanced into man's clothing business, which will mitigate its sales seasonality. As the company announced exciting 2011 spring / summer orders growth for man's clothing at 47% increase, we believe the company will outperform its peers in the coming financial year.
Chigo Holdings Ltd	00449 HK	3,326	6.1	Consumer Discretionary	Chigo manufactures and sells highly-efficient air conditioning products domestically and abroad. As the China central government decided to prolong the cash-reimbursement program for energy-efficient home appliances, Chigo will enjoy another year of fast growth. We found Chigo's valuation is attractive compared to its domestic home appliance peers.
Lumena Resources Corp.	00067 HK	5,876	6.9	Materials	Lumena is one of the largest thenardite producers in the world in terms of production capacity. It is also the only producer in China which obtained the GMP Certificate for medical thenardite and the Pharmaceutical Production Permit. As the company will further expand its capacity, we expect Lumena will enjoy higher than the industry average growth rate in the future 2 years. The company's valuation is rather attractive.
Thunder Sky battery Limited	00729 HK	4,299	N/A	New Energy	The company recently got restructuring and switched its major business into manufacturing Fe-Li motive batteries and components for electric vehicles. As the China central government has issued supportive policies on automobiles powered by electric batteries by the end of this May, the company will benefit from the policies.

\* Year 2010 Estimated PE is based on market consensus forecast as derived from Bloomberg

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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