

Monthly Report

February 28, 2011

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 produced 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 and Taiwan).

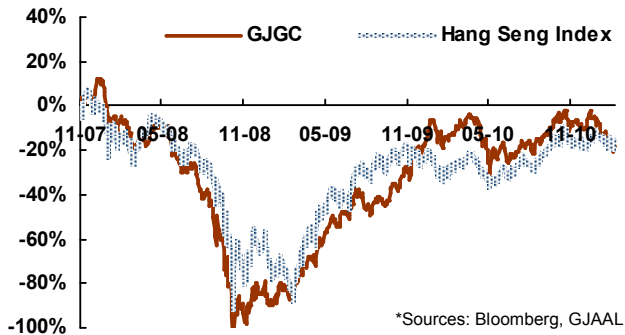
**Fund Facts**

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 10 million
NAV in total (as of FEB 28):	HKD 79.4 million
NAV per Unit (as of FEB 28):	HKD 83.44

**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

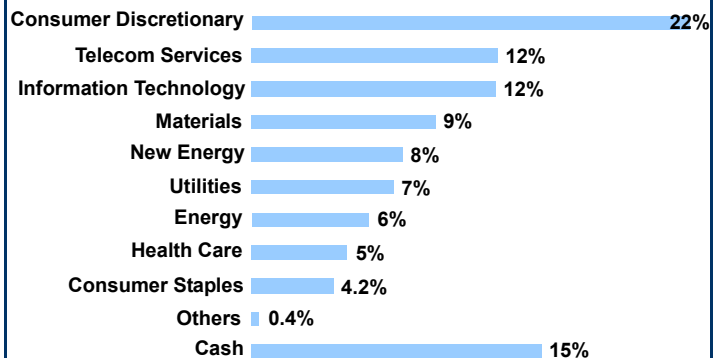
**Fund Performance Since Inception**



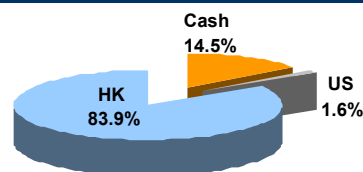
**Performance Update**

	Total Return	Hang Seng Index
1 Month	-4.5%	-0.5%
3 Months	-10.7%	1.4%
6 Months	3.1%	13.6%
YTD Return	-13.2%	1.3%
1 Year	-5.0%	13.2%
Since Launch		
Annualized Return	-6.0%	-5.4%
Annualized Volatility	32.2%	35.8%

**Sector Exposure**



**Geographic Exposure**



**Monthly Performance Summary**

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	5.1	0.4	2.9	12.1	-3.9
Hang Seng Index (%)	-8.0	2.4	3.1	-0.6	-6.4	1.8	4.5	-2.3	8.9	3.3	-0.4	0.1	5.3	-16.1
Information Ratio*	4.5	-0.2	3.3	-0.1	-2.1	-5.3	-0.6	0.5	0.6	2.5	0.7	2.9		
2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	-9.0	-4.5											-13.2	-16.6
Hang Seng Index (%)	1.8	-0.5											1.3	-15.0
Information Ratio*	-9.7	-5.4												

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 All Access	Information Technology	8.2%
2	Chigo Holdings Ltd	Consumer Discretionary	8.0%
3	Thunder Sky battery Limited	New Energy	6.7%
4	China Unicom	Telecom Services	6.5%
5	Yanzhou Coal	Energy	5.8%
6	China Telecom	Telecom Services	5.8%
7	Haier Electronics	Consumer Discretionary	5.2%
8	China Timber	Materials	5.1%
9	China Gas Holding	Utilities	4.2%
10	Intime Departmental Store	Consumer Discretionary	4.2%

\*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://www.gtja.com.hk/english/gtja\\_invest/zcqlij/qcwf.aspx](http://www.gtja.com.hk/english/gtja_invest/zcqlij/qcwf.aspx)

## Market Review

US Fed Chairman Mr. Bernanke acknowledged an improving growth outlook in US, but cited the absence of a stronger labor market recovery as reason for concern. The US 2010 4th quarter's GDP growth was revised down to 2.8%. The CPI in January rose 1.6% YOY, a sign that the inflation continued to be stable. But consumer spending rose only 0.2% in January, less than consensus estimate. Given the strong willingness to save and 9% unemployment rate, new home sales dropped 12.6% MOM. The turmoil in middle-east and North Africa drove funds back to US for safety. The prices of commodities rallied. WTI oil price reached \$98 and gold price went back above \$1,400. For February, the Dow rose 3.3% to 12,226; the S&P 500 increased 4.0% to 1,327 and the Nasdaq increased 3.6% to 2,782.

The released economic data indicated that growth is slowing down. February's PMI Manufacturing index further moderated to 52.2%. China's Prime Minister said the GDP growth target for next five years is 7% p.a. Rising inflation remains the most negative factor to China economy. CPI grew 4.9% YOY in January. The figure was 0.3% higher than that of December. Chinese banks extended 1.04 trillion RMB in new local currency loans in January, less than market expectations of 1.2 trillion. 15 Chinese cities have released their separate detailed home purchase restriction measures recently, as local governments follow the State Council's eight guidelines for taming soaring housing prices. For February, the Hang Seng Index decreased 0.5% to 23,338, and HSCEI decreased 0.4% to 12,505.

## Brief Trading Summary

GJGC underperformed Hang Seng Index in February. Hong Kong small and mid cap stocks got serious correction in last month, which dragged down the fund's performance given that the fund was mainly focus on small and mid cap equities. China All Access (00633 HK) and Thunder Sky Battery (00729 HK) were the largest lagging factors.

As the turmoil in middle-east and North Africa continued, we remain rather conservative prospect for the near future. GJGC's cash ratio is 14.5%, and we didn't trade much in February. We plan to further lower the weights of consumption names. We still believe China All Access (00633 HK) has very positive growth potential given the expanding user base of 3G subscribers in mainland China. We increased the stock's position in the fund despite its price got correction recently.

## Investment Strategy

The turmoil in middle-east and North Africa pushed up oil prices and also decreased investors' risk appetite in past weeks. However, we believe the situation was much less severe as in the gulf war in the 1990s, since the disputes were within each country and no massive wars between countries. Market sentiment will be impacted in the short term, but we think the turbulence is moderate and investors will pay more attention to economy recovery later. The CPPCC and the NPC will hold annual meetings in the early March. We expect tightening measures on property sector to be maintained and further stimulating policies for the seven new industries to be released.

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

- 1) Banks. As loan quota was strictly controlled by PBOC and CBRC, banks now have more bargaining power on lending rate and interest spreads are likely to rise in the rest of the year.
- 2) Energy sector. Oil price may remain strong momentum amid turbulence in middle-east and ample liquidity. Oil stocks accordingly are likely to outperform. High-level oil prices will also help the development of solar energy and further stimulating policies for solar energy may be released during the CPPCC and the NPC meetings.
- 3) Pharmaceuticals. Valuation of pharmaceutical stocks became attractive after recent share price decline on stringent regulations. Meanwhile, 2010 annual results of pharmaceutical companies will be positive for the sector.

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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