

Market Analysis

SITE Industry

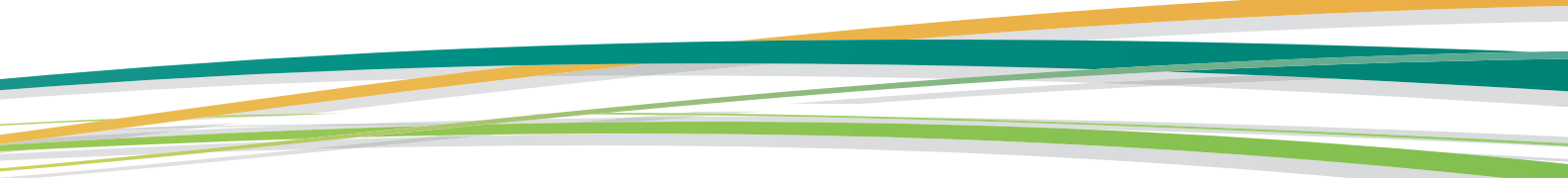
Although the investment market in 2010 continued the bullish rally from 2009, but the uncertainty in the Greek crisis storm that sparked the Euro debt crisis, China's tightening monetary policy, and tension between North and South Korea has made the global stock market in recovery once again nervous and volatile. Due to the uncertainties in the global market, the investors have transferred their funds to the growing and fundamentally stronger emerging market. The BRIC and ASEAN funds at the same time were able to meet the expectations of the investors, and delivered satisfactory performance. Other popular investments were the emerging market and high-yield bond funds. According to the number of fixed-income funds issued by SITCA's SITE members and foreign funds, it grew by 128% and 36% respectively, where its fund inflow and returns are just as impressive.

In the domestic SITE market by December 2010, the number of domestic securities investment and trust businesses were one less than previous year, making it 38 (IBT Asset Management merged with Taishin Securities Investment Trust). A total of 555 funds were filed, and the fund size reached NTD1.895 trillion with 1,805,053 beneficiaries. There were 60 new fund filings, far more than the 38 filed in 2009, with ap-

proximately half as foreign investment stock funds. Those funds were mostly based on emerging market, ASEAN, and investments in greater China region. Furthermore, riding on the wave of hot money in emerging market and high-yield bond fund, the domestic SITE also issued seven related funds. The currency-based funds that were invested in the interim, have now transformed into fully-fledged currency market funds by the end of 2010, and provide investors who need high liquidity and tax reduction a temporary alternative.

In the volatile discretionary market in 2010, the number of contracts grew by 298, but the amount has slightly decreased to NTD716.6 billion. Private funds and its size has also slightly reduced. By the end of 2010, a total of 106 private funds were issued with the size of NTD20.5 billion indicative of the lack in confidence by local investors in light of international investment uncertainties.

Although the investment market has been split in predictions and responded in volatility, this type of market is a typical market for the "Regular Saving Program (RSP)" to diversify one's risks. In 2010, the SITCA continued to hold nation-wide investment seminars to provide the local investors the concept of "RSP" in hopes that the inves-



tors would diversify their fund investment risks and accumulate their wealth. In 2010, 627,000 investors followed the RSP when investing in funds, slightly less than 2009, but the investment amount per month grew by 22%, from NTD3.3 billion to NTD4.05 billion. The figures show that the regular savings and investment plan in funds has become an indispensable tool for the investors.

Looking forward, the SITE industry will continue to enlarge its asset management size as a goal in 2011. Besides improving its investment and risk management capabilities, the industry needs to understand customer needs and develop a comprehensive product line to satisfy the market. The SITCA will continue to work hand-in-hand with the industry to shorten the review period for new SITE funds and to deregulate multiple currency funds, as well as promote international exchanges to expand the asset management market.

SICE Industry

Investment and trust laws have been implemented over six years, and under relevant sub-laws, the securities investment consulting enterprises have shown substantial improvement in various areas such as establishing professional investment consulting services and strengthening investor rights protection. While operating in line with the relevant sub-laws, it also demonstrates that the securities investment and consulting industry is becoming more globalized, professional and specialized. In order to boost the international competitiveness and development space of securities investment and consulting business, the authority spared no effort in amending various regulations and providing assistance in opening business.

By the end of 2010, SITCA surveyed a total of 109 SICE members, and of them, 19 were offshore fund master agents and 23 discretionary investment operators with a total of 395 contracts. The current development of the SICE industry in Taiwan is as follows:

Enhance securities and investment consulting industry image, exercise self-regulation and fight illegal SICE activities to protect investor interest

Professional service, self-regulatory function and emphasis on investor interests has been the long-term business philosophy of the SICE industry. In order to strengthen the investors' trust of the SICE industry and improve the quality of SICE personnel, the SITCA has made and updated the brochures relating to the code of conduct for SICE advertising and violations, produced investor-related promotional pamphlets, and hosted seminars and relating courses to improve the image and development of the SICE industry. The securities investment consulting businesses will also continue to uphold and exercise self-regulation to ensure that the industry grow in stability and at the same time strengthen investor interests protection.

Furthermore, seeing that some illegal SICE business activities have not only damaged investors' interest, but can also cause adverse development in the financial market and damaging business interests. We will continue to push relating authorities to strengthen the fight against illegal SICE and enhance the investor promotion on understanding the difference between legal and illegal SICE.

Offshore fund business continue to flourish

The amount of offshore funds held by

domestic investors increased NTD 363.7 billion from NTD 2.0741 trillion at the end of 2009 to NTD 2.4394 trillion at the end of 2010. This indicates that the business has grown and recovered to pre-financial crisis levels. Furthermore, besides investing in the domestic market, the domestic investors have also diversified their mutual fund investment as offshore fund operators continue to introduce differentiated offshore funds into Taiwan.

Proposed amendments to regulations relating to discretionary investment business

By the end the 2010, the contract amount of SICE businesses (including concurrent operators) in the discretionary investment business is around NTD653 million, similar to the same period in 2009. In order to further expand discretionary investments, the SITCA suggested to simplify the discretionary investment business of FINI and collect relevant overseas laws to propose amendments on discretionary management and operation measures as per request by the authority. Additionally, to discuss the amendments of the discretionary investment of trusts and draft the “Written Format for the Four-Investment-Process of mandate trades or investment”, hoping to assist and bring positive influence to SITCA members in expanding their discretionary investment business.

