

## Message from the Chairman



Looking back at 2010, the market sustained many major events such as the European debt crisis, the second quantitative easing of the United States and China's tightening monetary policies that contributed to the slow-down of the global economy. In this ever-changing financial market, all our member companies still worked hard to create investment opportunities. By the end of December 2010, the total size of domestic mutual funds assets were at NT1.8958 trillion, a slight decline of NT79.2 billion compared to the same period in the previous year. Although the change was not significant, but there were obvious adjustments in asset allocation. For example, the foreign investments steadily increased, and

the weight of overseas investment products increased from a growth of 27.6% in 2009 to 35.7% in 2010. Furthermore, in 2010, the focus of SITE investments were on foreign high-yield bond funds and emerging market bond funds.

Offshore funds wise, the approved number of foreign funds stands at 1,022 and enjoyed an annual growth of 17.61% in asset scale in 2010. Offshore funds have grown significantly since the passing of the subprime mortgage crisis, and its size surpassed the SITE funds in December 2009, clear of the financial crisis.

Restricted by the size of the Taiwan stock market and its investing population, the size of SITE and SICE managed assets almost stopped growing in recent years. In 2011, SITCA will focus on increasing the size of managed asset and hope to lead the members and export their products overseas to attract foreign investment to the Taiwan market, and achieve the goal of expanding our capital market.

### Enhance industry investment and risk management capabilities

The capability to invest and manage risk is the core of the asset management

industry. In order for the industry to break through existing challenges, and stand out in the face of competition, the improvement of its investment and risk management is vital. For SITCA, this would also be our priority in 2011. Besides the ongoing interaction with international asset management institutions and improving professional know-how and experience in trading, we will also work to have the foreign portion of government funds traded by domestic institutions. Furthermore, we would assist and encourage the Taiwan subsidiary of international asset management institutions to obtain foreign group funds that invests in Asia-Pacific regions to significantly improve the domestic institutions' capabilities in foreign investment and risk management.

### **Assist the industry in developing niche products**

In addition to enhancing investment and risk management capabilities, understanding customer needs is another key in industry promotion, so a complete and innovative product line is extremely important. In other words, in today's environment, you must have the capability to innovate products to distinguish yourself. To encourage member companies to develop various niche products and establish an independent brand, it is imperative to shorten the processing time

of SITE fund issue approval and multi-currency denominated funds. These are important work items for SITCA in assisting the development of niche products in the industry for the future.

### **Reduce legal limitations and pursue business expansion**

On top of improving industry capabilities and developing niche products, policy is important in the growth of Taiwan asset management institutions. Compared to Hong Kong and Singapore, we still have much room for improvement in taxation and deregulation of domestic asset management industry environment. Therefore, SITCA will seek to abolish the investment restriction on Chinese stocks and allow the industry to issue 100% A-stock funds, reduce QFII and QDII application requirements, speed up the establishment of the labour-choice product platform, and work towards the deregulation of many more businesses for the industry.

### **Strengthen the principles of self-regulation and investor promotion**

Another important task of SITCA is to enhance the self-regulatory function. In 2010, we have selected 14 non-member directors and supervisors for the first time. The



implementation of independent board structure would not only enhance the industry's self-regulatory principles, but also provide multi-faceted and industry-oriented advice so as to improve the communication between the government and the industry. On enhancing investor promotion, SITCA will continue promote financial literacy by hosting summer camps and finance roadshows in schools as well as promoting industry image to benefit the business development and investor right protection.

The biggest challenge and work for the industry now is on how to stand out in the market, and SITCA will assist our members with more diversified and efficient operations. I would like to thank all the members for their dedication in the development of the SITE and SICE industry, as well as the assistance and support you have given to SITCA. It is my sincere hope that you would continue your passion and work hand-in-hand with SITCA to develop bigger and better SITE and SICE industry.



Henry Din