

013
P24

UNIVERSITY OF MACAU

FBA

**THE PROSPECTS FOR THE MUTUAL FUND INDUSTRY
IN CHINA**

**Thesis presented to Faculty of
Business Admin., University of Macau
for the granting of the MBA degree in
Banking & Finance.**

Peng Shu-Qing
(m-976141-2)

1998 – 1999

CONTENTS

| | |
|--|-----------|
| CHAPTER 1 INTRODUCTION | 1 |
| 1.1 STATEMENT OF OBJECTIVES | 1 |
| 1.2 SCOPE OF THE STUDY | 2 |
| 1.3 METHODOLOGY | 3 |
| 1.4 ORGANIZATION OF THE PAPER..... | 5 |
| 1.5 LIMITATIONS | 6 |
| CHAPTER 2 THE MUTUAL FUND INDUSTRY | 7 |
| 2.1 CONCEPT..... | 7 |
| 2.2 OPERATIONAL COMPARISON BETWEEN OEF AND CEF | 8 |
| ITEM..... | 10 |
| ENVIRONMENT REQUIRED..... | 10 |
| 2.3 THEORETICAL ANALYSIS: M.F, OEF AND CEF..... | 10 |
| 2.3.1 <i>The Principal-Agent Paradigm</i> | 10 |
| 2.3.2 <i>M.F: Typical Carrier of Principal-Agent Relationship</i> | 13 |
| 2.3.3 <i>OEF vs CEF: Principal-Agent Paradigm Analysis</i> | 16 |
| 2.4 SOURCES OF M.F GROWTH IN U.S | 23 |
| CHAPTER 3 OVERVIEW OF MF INDUSTRY IN CHINA..... | 27 |
| 3.1 CHINA FUND MANAGEMENT INDUSTRY — THE START OF A NEW ERA | 27 |
| 3.2 OLDER MFS IN CHINA | 30 |
| 3.3 NEW MFS IN CHINA | 33 |
| 3.4 CHARACTERISTICS OF MFS IN CHINA..... | 36 |
| FUND SIZE | 37 |
| CHAPTER 4 FUND MANAGEMENT OPERATIONS IN CHINA | 40 |
| 4.1 DISTRIBUTION OF UNIT TRUSTS IN CHINA..... | 40 |
| 4.2 TAXATION OF MF OPERATIONS IN CHINA | 41 |
| 4.3 INTERNET TRADING IN CHINA | 41 |
| 4.4 LISTING REQUIREMENTS FOR DOMESTIC MFS IN CHINA..... | 43 |
| 4.5 PROBLEMS AND CHARACTERISTICS OF THE CHINA FUND MANAGEMENT INDUSTRY | 44 |
| CHAPTER 5 THE PERFORMANCE OF MFS IN CHINA..... | 47 |

| | | |
|--|--|-----------|
| 5.1 | THE PERFORMANCE OF OLDER MFs IN CHINA..... | 47 |
| | 5.1.1 Data | 47 |
| | 5.1.2 Methods of Performance Evaluation | 50 |
| | 5.1.3 Results..... | 55 |
| | 5.1.4 Limitations of the measurements..... | 59 |
| 5.2 | PERFORMANCE OF NEW MFs IN CHINA..... | 61 |
| | 5.2.1 Data | 61 |
| | 5.2.2 Result..... | 62 |
| CHAPTER 6 STRATEGY TO DEVELOP THE MF INDUSTRY IN CHINA..... | | 63 |
| 6.1 | MUTUAL FUNDS AND DOMESTIC FINANCIAL ASSETS | 63 |
| 6.2 | UNPRECEDENTED CHANCES FOR THE DEVELOPMENT OF MUTUAL FUNDS..... | 66 |
| 6.3 | SOLUTIONS FOR THE OLDER MFs IN CHINA | 68 |
| CHAPTER 7 CONCLUSION..... | | 70 |
| REFERENCES..... | | 72 |