

ABSTRACT

In this paper, I want to know something more about mutual fund industry and its status quo and prospects in China.

First, the mutual fund's special organizational structure makes it a typical carrier of Principal-Agent Paradigm. In the principal-agent relationship, open-end fund is prior to closed-end fund in the aspects of information disclosure and investors' interest protection.

Secondly, mutual funds in China can be divided into 2 stages. Although closed-end funds still dominate the second stage, there are many differences between stage 1 and stage 2. Because mutual funds in stage 2 is under the Interim Measure.

Thirdly, on the whole, both older mutual funds and new mutual funds in China underperformed than the market during the past few years. Once investors do not have confidence in this market, the cart of developing mutual fund industry in China would be stuck in this mud although it is being pushed very hard by the government. For *God Help Those Who Help Themselves*.

Fourthly, China will reform the financial market substantially in the next century with the deepening open-and-reform policy. And the problem of bad financial assets structure will be solved gradually with the help of the mutual fund industry development in the future. Chances for the fund management industry are unprecedented in China's economic history.

In conclusion, there are full of thorns and flowers on the way to develop mutual fund industry in China.