

MANAGER'S REPORT (CONTINUED)

OUTLOOK

We remain positive on China's economic outlook. Growth has consistently surprised on the upside, although some indications of a slowdown would be positive. We still believe that domestic consumption will become the key economic driver as investment and export growth decline. The government's austerity measures may have a short-term negative impact on sentiment. However, a more moderate growth rate is preferable in the long-term and we expect that market leaders will emerge as weaker industry participants are forced out of the market. We have added to domestic orientated companies on recent weakness.