

The Core Issues of Open-Ended Funds in China: Conflicts of Interest and Ownership Structure

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Abstract

Open-ended funds have been the subject of the important and ongoing reforms in China. The conflict of interest problem, facing the shareholders, the board of directors and the depositary, puts its roots in the ownership structure of fund management companies. This paper, firstly, argues that securities companies, trust companies and banks should not be the holding shareholders of the fund management companies, that is, the proportion of shares held by them should be limited. Secondly, the empirical findings are consistent with the view that ownership dispersion yields ownership concentration as ownership dispersion helps to minimize problems with conflicts of interest in most cases.

Keyword: Conflict of Interest, Ownership, Open-Ended Fund, China

1. Introduction

In China, an Open-ended fund is referred to as a collective investment scheme “of which the total fund shares are unfixed and of which the fund share may be subscribed to or redeemed at the time and place stipulated in the fund contract”¹. Initially, the fund management company issues open-ended funds to fund holders who provide the money which is held by the third party, depositary or bank. After that, the management company invests the money raised from the public in a range of securities and Open-ended funds can be traded at a price based on their net asset value² (NAV) which directly reflects the fund’s performance.

Over the past few years, open-ended funds have inevitably become a focus of attention in China because Chinese financial markets have developed rapidly on the back, at least in part of, open-ended funds. In China, the open-ended fund industry is very late but it has achieved remarkable progresses. In 2001, the first open-end fund, Hua An Innovation Investment Fund, was launched. At the end of December in 2003, there were 56 open-ended securities investment funds (it was calculated one by one for series funds. If the series funds were

1 The Law of Securities Investment Funds of the People’s Republic of China 2003 s. 5.

2 The net asset value of open-ended funds is calculated by dividing the total fund’s value of all the securities in its portfolio minus liabilities by the number of fund shares outstanding. This is usually calculated at the end of every trading day.

collected together, there would be only 41 funds) with total net assets of CNY 169.922 billion under management³. From 2004 to 2009, the development of China's Open-Ended Fund was extraordinarily rapid⁴. The new statistics show that the total amount of open-ended funds had increased to more than RMB 2,183 billion yuan⁵ by the end of 2009 in China (i.e. the amount of open-ended funds' net asset value achieved 349.85 billion dollars⁶). Despite the open-ended funds faced the challenge of redemption during the financial crisis, there were still 557 open-ended funds in February 2010.

Nowadays, it is widely admitted that, open-ended funds are playing an important role in the modern financial sector. Firstly, open-ended funds could be good investment vehicles for the old as the population starts aging soon and needs safe retirement investment. China moves toward an aging country, which creates an environment that is leading the growing money to shift from the retirement savings to the open-ended fund industry. Secondly, open-ended funds are allocating the pool of available savings to the most productive projects. As open-ended funds can offer individual fund holders a good way to invest small sums of money for their cash can be "pooled" into a much larger fund. Thirdly, they could be popular with households. For the purpose of spreading risk, professional fund managers can invest in a spread of investments by building a balanced portfolio. Many households would favor open-ended funds over other investment vehicles provided that open-ended funds' performance is better than other investments. Obviously, open-ended funds are of great importance to create a deep, liquid and efficient financial market.

However, it is by no means clear that open-ended funds have functioned as well as they might. A number of fund companies have been engaging in insider trading⁷, market manipulation, and

3 China Securities Regulatory Commission, "China's Securities and Futures Markets" (2004), http://www.csrc.gov.cn/pub/csrc_en/.../P020090225529630009496.doc, p.32 [Accessed December 10, 2011].

4 Lili Lu and Xiaoqian Wang, "How does the China's Open-End Fund perform?" (2010), <http://www.diva-portal.org/smash/get/diva2:373901/FULLTEXT01>, p.1 [Accessed August 26, 2012].

5 Ying Liu, "The Third Quarterly Report on the Size of Open-ended Funds" (2009), http://www.chinafund.cn/datacenter/200911/200911_132045.html [Accessed January 15, 2009].

6 Lili Lu and Xiaoqian Wang, "How does the China's Open-End Fund perform?" (2010), <http://www.diva-portal.org/smash/get/diva2:373901/FULLTEXT01>, p.1 [Accessed August 26, 2012].

7 The China Securities Regulatory Commission (CSRC) has been especially cracking down on misconducts involving conflicts of interest because they hold back the development of the open-ended fund industry.

Tang Jian was the first fund manager under investigation by the CSRC for insider trading. He was working at the China International Fund Management Co. Ltd, a joint venture between JP Morgan Asset Management (UK) and Shanghai International Trust & Investment Co. Ltd. In 2007, he was fined 50,000 yuan and disqualified from engaging in the fund business.

In 2008, the CSRC announced the decisions to punish Liming Wang, a well-known manager at Southern Fund based on allegations concerning insider trading. Liming Wang was banned from engaging in the fund business for life.

It is reported that the CSRC conducted an investigation of Zhang Ye, a fund manager of Rongtong Fund Management Co. Ltd in April 2009. He took the advantage of his position to have access to the Fund's investment and research information, bought and sold the same securities. Finally, the regulator made a decision to cancel Zhang Ye's qualification and imposed a fine of 4 million yuan.

In another illustrative case, Huang Lin, a manager at Franklin Templeton Sealand Fund Management Co. Ltd in Shanghai, bought and

other inappropriate market activities. Open-ended funds cannot operate reasonably, efficiently and remain relatively free of scandals in the financial industry, because conflicts of interest⁸ yet remain unsettled.

The conflict of interest problem puts its roots in the ownership of fund management companies. Admittedly, open-ended funds are not always managed by folks who do have their fund holders' best interest in mind. Once open-ended funds are unreliable, people will come to the view that it is not sensible to buy them, which will lead to the collapse of the whole fund industry.

Many commentators have noted that China has come to the stage of reform of the ownership structure in fund management companies⁹. In fact, for the purpose of fostering an environment in which China's open-ended fund industry continues to thrive, the China Securities Regulatory Commission (CSRC) has sought to protect the interest of fund holders. Yet it seems few of the previous studies, if viewed in totally, address concerns about the ownership structure's role in solving the conflict of interest problem. Therefore in the following parts of this paper, there are three main questions to be addressed:

- a. What are the basic relationships in fund management companies out of which the conflicts of interest arise in China?
- b. Should banks, trust companies or securities companies be the holding shareholders¹⁰ of fund management companies?
- c. Which type of ownership structure is better for an efficient and reliable legal form of open-ended funds in China, ownership concentration or ownership dispersion?

sold securities ahead of transactions in the same securities by the open-ended fund he managed from May 2007 to July 2008. The CSRC fined him 300,000 yuan and barred him from engaging in the fund business and holding the position of director, supervisor or senior management personnel in a listed company for 10 years.

The following cases were Invesco's Tu Qiang, and Great Wall Fund Management Co.'s Liu Hai and Han Gang. The CSRC imposed administrative penalties on these fund managers for illegal using non-disclosed information. It shall be noted that in these cases, Han Gang is the first manager to be found criminal over insider trading, who got a one-year sentence and a fine of 310,000 yuan.

In addition, Xu Chunmao, a fund manager of Everbright Pramerica Fund, was subject to the criminal penalties and was sentenced to 3 years in prison with 3 years' probation.

⁸ It is not easy to define conflicts of interest. They imply the existence of a loyalty of an "agent" towards another person or organization (the "principle") conflicting with an interest (or with another duty) of the agent.

⁹ Jianchao Wang, "Gu Quan Jie Gou Yu Ji Xiao: Ji Yu Zhong Guo Ji Jin Guan Li Gong Si De Fen Xi" (2006), <http://www.docin.com/p-64310248.html> [Accessed October 10, 2010].

¹⁰ The holding shareholder is referred to as a shareholder whose capital contribution occupies 50% or more of the total capital of a limited liability company, or a shareholder whose shares occupy more than 50% of the total equity shares of a joint stock limited company, or a shareholder whose capital contribution or proportion of shares is less than 50% but who enjoys a voting right according to its capital contribution or the shares it holds are large enough to impose an big impact upon the resolution of the shareholders' meeting or the shareholders' assembly. Please see Section 217 (2) of the Company Law of the People's Republic of China 2006 (revised in 2005).

First, this paper introduces the definition of open-ended funds, their legal nature and makes the analysis of principle-agent relationship in Part 2. Then, Part 3 and Part 4 form the heart of this paper. Part 3 proceeds to identify the actual problems - conflicts of interest with open-ended funds. The most significant contribution made by Part 4 is identifying the ownership structure of fund management companies and attempting to propose further reform. Finally, Part 5 concludes.

2. The Description of Open-Ended Funds in China

2.1 The Definition of Open-Ended Funds

Section 5 of the *Law of Securities Investment Funds of the People's Republic of China 2003* identifies the specific characteristics of arrangement that falls within the scope of open-ended fund regime in China. According to this section, the Open-ended fund is "the fund of which the total fund shares are unfixed and of which the fund share may be subscribed to or redeemed at the time and place stipulated in the fund contract."¹¹

2.2 The Legal Nature of Open-Ended Funds

The legal nature of the open-ended funds is open to debate. On one hand, some scholars argue that the legal nature of the open-ended fund is a contract incorporating trust agreed upon by three parties-the manager (i.e. the fund management company), the depositary, and the fund holders. A particular term that has been agreed is that money will be held by the depositary and will be invested by the management company. On the other hand, the open-ended fund seems to fall within the category of trust, because "when a person has rights which he is bound to exercise upon behalf of another or for the accomplish of some particular purpose he is said to have those rights in trust for that other or for that purpose and he is called a trustee."¹² And the trustee often provides skilled management for the trustor. The previous theories must be necessarily incomplete, but they carry us a long way towards explaining the legal nature of the open-ended funds.

It is very important to distinguish between the contract and the trust. The contract or trust deed only creates the personal rights against the other parties. On the contrary, the trust creates a proprietary interest in the beneficiaries.

From my perspective, the legal nature of the open-ended fund is a trust rather than a contract in China. The evidences could be found in the legislative activities in the past. First, China introduced the concept of trust into its civil law-based system with *the Trust Law of the People's Republic of China* in 2001, on the basis of which *the Law of Securities Investment Funds of the People's Republic of China* came into effect in 2003. In other words, principles of trust are the fundamental sources of open-ended funds in China. The second evidence is the first draft of *the*

¹¹ The Law of Securities Investment Funds of the People's Republic of China 2003 s.5.

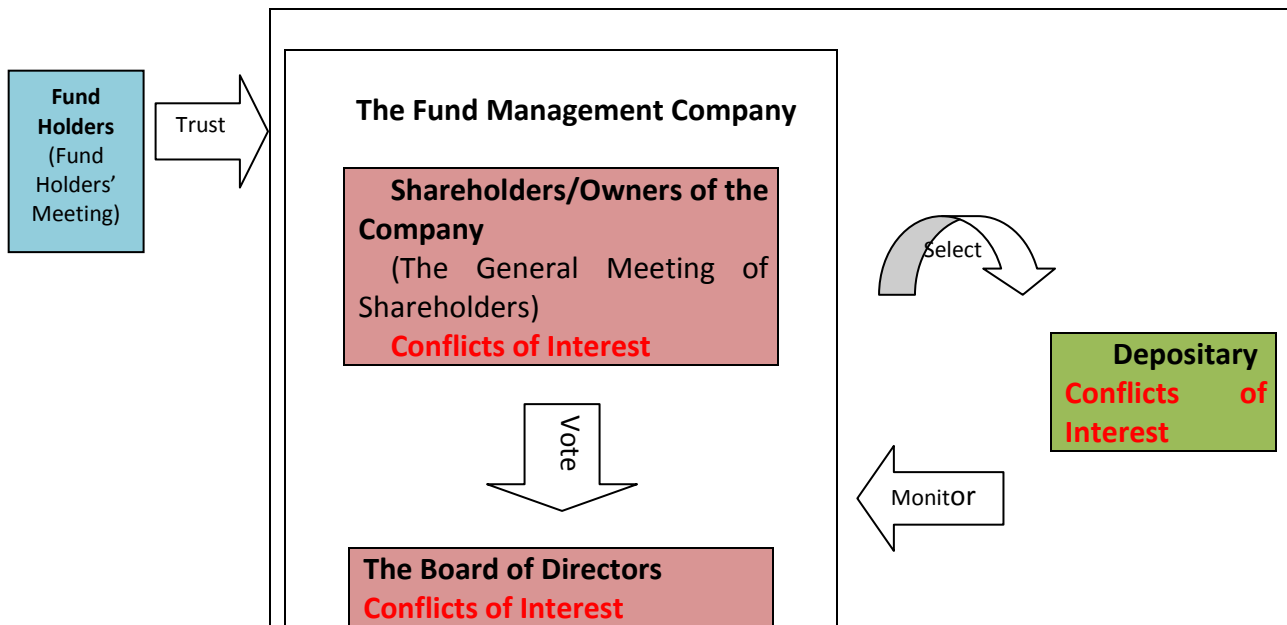
¹² F. W. Maitland, *Lectures on Equity*, 2nd edn (Cambridge: Cambridge University Press, 1936), p.44.

Law of Securities Investment Funds of the People’s Republic of China, which was submitted to the Standing Committee of the National People’s Congress¹³ (NPC), replaced the term “contractual funds” with “trust funds”¹⁴. In this respect, it is not true to take the contract as the legal nature of open-ended funds in China. Open ended funds are set up by a contract or a deed but the latter is just one creation reason of the former.

2.3 The Principal-Agent Relationship Analysis

This section discusses the relevant relationships as to the open-ended funds. The relationships of Chinese open-ended funds are really complicated and become the problem area where conflicts of interest arise.

Chart 1



2.3.1 The Fund Holders - Fund Manager and Fund Depository Relationship

The fund holders - the fund manager (The fund manager shall be assumed by the fund management companies¹⁵) and the fund depository relationship is defined as the trust created

13 The National People’s Congress is the highest state body and the legislative department of China.

14 Xudong Zhang, Lutao Shen and Shengwen Zhou, “Zheng Quan Tou Zi Ji Jin Fa An Shen Yi Cheng Xu Qi Dong” (2002),

<http://www.htsec.com/htsec/jsp/gpzx-content/content.jsp?guid={C89D9553-9D60-11D7-965B-00A0C92674A3}&type=16> [Accessed October 17, 2010].

15 Both the Law of Securities Investment Funds of the People’s Republic of China 2003 and the Company Law of the People’s Republic of China 2006 govern the operation of open-ended fund management companies. While the Company Law of the People’s Republic of China 2006 is a general law, the Law of Securities Investment Funds of the People’s Republic of China 2003 is a special law that is created to look after the

by the contract. *The Law of Securities Investment Funds of the People's Republic of China 2003* states that:

The fund manager and the fund depositary shall perform the duties of trustees in accordance with the present Law and the fund contract. A holder of fund shares shall enjoy the benefits and bear the risks¹⁶.

First, the trust relationship between the open-ended fund holders and the fund management company is very clear. The rights and obligations of the fund management company and fund share holders shall be stipulated in the fund contracts¹⁷. For one thing, a fund management company shall distribute profits to the holders of fund shares in time, convene the fund share holders' meeting, exercise litigation rights or carry out other legal action in the interests of the fund share holders¹⁸. And a fund share holder can require the convening of the fund share holders' meeting, exercise the rights of voting with respect to the matters proposed at the fund share holders' meeting or bring lawsuits against the fund management company at certain circumstances¹⁹. For another, the fund management company shall perform the duties of the trustee in accordance with the present Law and the fund contract²⁰. It is worth pointing out that the fund management company is supposed to be bound by the terms of the contract and the law, which often provide that fund management companies shall be responsible to the fund holders.

Second, the question is whether the fund depositary can be characterized as a trustee or a fiduciary to fund holders. It suffices to point out that the fund depositary has the duties of the trustee to the fund holders as well. Firstly, the fund depositary shall keep the fund property safely, provide the clearing and settlement services at the investment orders of the fund manager pursuant to the stipulations of the fund contract and so on²¹. Secondly, the fund share holders who represent more than 10% of the fund shares shall have the right to convene the meeting by themselves, where the fund depositary fails or is unable to convene the meeting²². In addition, the fund holders have the rights to bring lawsuits against fund depositary²³ and change the fund depositary²⁴. In a word, the fund depositary shall have the duties of the trustee to the fund holders as well.

special relationships within the fund management companies.

16 The Law of Securities Investment Funds of the People's Republic of China 2003 s.3.

17 The Law of Securities Investment Funds of the People's Republic of China 2003 s.3.

18 The Law of Securities Investment Funds of the People's Republic of China 2003 s.19.

19 The Law of Securities Investment Funds of the People's Republic of China 2003 s.70.

20 The Law of Securities Investment Funds of the People's Republic of China 2003 s.3.

21 The Law of Securities Investment Funds of the People's Republic of China 2003 s.29.

22 The Law of Securities Investment Funds of the People's Republic of China 2003 s.72.

23 The Law of Securities Investment Funds of the People's Republic of China 2003 s.70.

24 The Law of Securities Investment Funds of the People's Republic of China 2003 s.71.

In short, like a joint trustee²⁵, the manager and the depositary have a fiduciary role to play together. Section 83 of *the Law of Securities Investment Funds of the People's Republic of China 2003* prescribes that:

“Where, in the course of performing their respective duties, the fund managers or fund custodians violate any provision of this Law or any provision in the fund contracts, thus causing losses to the fund assets or the holders of fund units, they shall bear their respective responsibilities for their own acts and pay compensation in accordance with law; and where losses are caused to the fund assets or the holders of fund units as a result of the joint acts of the fund managers and the fund custodians, they shall bear joint and several responsibility to pay compensation.”

2.3.2 The Fund Manager-Shareholders Relationship

What is the relationship between the fund manager and the shareholders in China? It is necessary to discuss this question by referring to *the Company Law of the People's Republic of China 2006*, as the relationship between the fund manager and the shareholders is ambiguous in *the Law of Securities Investment Funds of the People's Republic of China 2003*.

Arguably, the shareholders are the owners of the fund management company and therefore the shareholders' assembly can be taken as the company's organ of power²⁶. Recently, China has established two investor-friendly legal systems. The primary one is “a cumulative voting system”. When the shareholders' assembly elects directors or supervisors, the shareholder can multiply his voting rights by the number of candidates and vote them all for one candidate for director or supervisor²⁷. The second one is a shareholders' representative litigation system. This introduction of the statutory derivative action empowers the shareholders, who are holding 1% or more of the total shares of the company, to bring a lawsuit against directors or senior managers in the people's court²⁸.

In Summary, the modern company law imposes the fiduciary duty on the manager. The management company is supposed to be responsible to shareholders as an agent or a fiduciary.

3 Conflicts of Interest Facing Shareholders, the Board of Directors and the Depositary

Undoubtedly, as shown in Chart 1, there are conflicts of interest facing shareholders, the board of directors and the depositary.

²⁵ “The joint trustees shall bear several and joint liability if they incur debts to a third party when handling the trust affairs. The declaration of will made by the third party to any of the trustees shall have the same effect to other trustees.” Please see Section 32 of the Trust Law of the People's Republic of China 2001.

²⁶ The Company Law of the People's Republic of China 2006 s.99.

²⁷ The Company Law of the People's Republic of China 2006 s.106.

²⁸ The Company Law of the People's Republic of China 2006 s.152.

3.1 Conflicts of Interest Facing Shareholders of the Fund Management Company

Arguably, the shareholders are the owners of the fund company and therefore they are able to make important decisions by exercising their voting rights. In some circumstances, however, their own interest may conflict with that of the fund holders. In particular, when the shares of the fund management company are concentrated, the holding shareholder, who usually holds a large number of shares in the investment fund company, has the ability to influence the board of directors' decision. The holding shareholders' involvement in the fund business tends to make the situation worse.

3.2 Conflicts of Interest Facing the Board of Directors

The board of directors bears fiduciary duties to fund holders, shareholders and other clients. The conflicts of interest of these persons put the board of directors in the spotlight.

Primarily, the board of directors shall be responsible to fund holders' meeting. The fund investment company raises money by issuing funds and therefore fund holders become the trustor of the fund management company. However, as shown in Chart 1, the ownership of the fund management company is held by shareholders. The board of directors represents the interest of the owners (shareholders) and the management is accountable to the general meeting of shareholders with voting rights as well. By contrast to the shareholders, the fund holders' position is too weak. The first reason is that most fund holders lack full information and expertise. The second reason is that fund holders' rights are limited. For example, albeit the fund share holders' meeting can change the fund manager²⁹ if necessary, it is very hard for them to do so because the fund holders shall hold more than 10% of the fund shares³⁰.

Secondarily, the management company manages a variety of funds or an umbrella fund³¹, as well as other financial services so that it is supposed to account for many clients. Inevitably, there is a potential for the board of directors to confront the conflicts of interest of clients.

3.3 Conflicts of Interest Facing the Depositary

The depositary, from a legal perspective, is an entity that is separate and distinct from the fund management company. The former aims to monitor the investment activities of the latter to some extent.

29 The Law of Securities Investment Funds of the People's Republic of China 2003 s.70.

30 The Law of Securities Investment Funds of the People's Republic of China 2003 s.72.

31 An umbrella fund is a collective fund containing several sub-funds, each of which invests in a different market or country. The umbrella fund structure makes it cheaper for fund holders to move from one sub-fund to another. Please visit the website at

<http://www.finance-glossary.com/define/umbrella-fund/1969/0/U> [Accessed May 21, 2011].

Chinese laws aim to separate the fund manager and the fund depositary operations to deal with the conflicts of interest. First with regard to employees, the directors, supervisors, managers and other practitioners of a fund management company cannot hold any position in the fund depositary³². Second with respect to the ownership structure, a fund depositary and a fund management company cannot be the same party, and cannot make capital contribution to or hold the shares of each other³³.

In Contrary, the management company cannot stand the requisite distance away from the depositary particularly in practice. The initiators of the fund management company (e.g. securities companies, trust companies or banks) usually become the holding shareholders of the management company. Often the depositary is selected as a reward for being a friend or colleague of the person or entity that starts the open-ended funds. Consequently, the depositary's interest for the holding shareholders may conflict with its paramount duty to act solely in the best interest of the fund holders. While fund holders have the legal rights to remove them, it is not realistic to expect fund holders to sever that special relationship between the holding shareholders and the depositary.

4 Ownership Structure

4.1 Drawbacks of the Existing Ownership Structure

Chinese fund management companies contain a high degree of ownership concentration albeit there has been a reduction in recent years. In China, shareholdings are often not held by individuals or institutional investors who have no relationship to the company, but rather by securities companies, trust companies or banks who initiate the fund management companies.

The semi-annual reports of Northeast Securities Co., Ltd (Stock Code: 000686.SZ) and Huatai Securities Co., Ltd (Stock Code: 601688.SH) show that four fund management companies distributed high profits to shareholders, directors or senior officers while fund holders paid for the investment loss in the first six months of 2010. Generally, it is estimated the rate of profits of shareholders after tax reached 30% in the whole fund industry.

Taking a close look at the ownership structure of fund management companies, we will find that the remarkable characteristic is over-concentration. For example, the semi-annual report of Huatai Securities Co., Ltd indicates that Huatai Securities Co., Ltd holds 45% of shares of China Southern Fund Management Co., Ltd and 49% of shares of Huatai-Pinebridge Fund Management Co., Ltd. Likewise, the semi-annual report of Northeast Securities Co., Ltd demonstrates Orient Securities Co., Ltd holds 21% of shares of Yinhua Fund Management Co., Ltd and 46% of shares of Orient Fund Management Co., Ltd³⁴.

32 The Law of Securities Investment Funds of the People's Republic of China 2003 s.18.

33 The Law of Securities Investment Funds of the People's Republic of China 2003 s.28.

34 Jie Wang, "Ji Jin Gong Si Shui Hou Li Run Gao Da 30%: Gei Ji Min Pei Qian Gei Gu Dong Zhuan Qian" (2010),

<http://biz.xinmin.cn/2010/08/10/6214345.html> [Accessed August 27, 2012].

The ownership concentration cannot help solve the conflict of interest problem for the following reasons. In the first place, the conflicts of interest facing the shareholders cannot be solved as it is very easy for the holding shareholders to make some management decisions which are beneficial to them. In practice, the ownership concentration provides the board of directors with the incentive to follow the shareholders' management decisions closely. In the second place, the conflicts of interest facing the board of directors still exist. As most shares are held by the holding shareholder, it is difficult for other shareholders to change the directors when their agents cannot fulfill their function. Similarly, the holding shareholder would be reluctant to keep an arm's length distance from the depository. In consequence, fund holders may lose money that they have invested at the hands of dishonest or reckless agents.

4.2 Should Banks, Securities Companies or Trust Companies Be the Holding Shareholders of the Fund Management Company?

Securities companies, trust companies and investment banks are important capital intermediaries which can make securities investment and can be the shareholders of the fund management company. Hence, their capacity as shareholders is very clear.

But the position of commercial banks calls into question in regard of separation of business. Commercial banks³⁵ are referred to as those banks which are established to absorb public deposits, issue loans, arrange settlement of accounts and engage in other business in accordance with *the Law of the People's Republic of China on Commercial Banks 2003* and *the Company Law of the People's Republic of China 2006*. On one hand, *the Law of the People's Republic of China on Commercial Banks 2003* introduced the separation of bank types according to their business. For example, Section 43 provides that no commercial banks are allowed to undertake the business of trust and investment and securities dealing business, nor shall they invest in non-bank financial institutions and enterprises, unless it is otherwise prescribed by the state. Commercial banks may be seen as distinct from investment banks that do not take deposits but make securities investment and so on. On the other hand, the principle of separation of business has been challenged in the modern world. The main reason is profit margins became ever thinner for traditional lenders that did not normally engage in capital market activities. At the same time, investment banks needed an ever larger capital and funding base in order to compete successfully under the new conditions³⁶. Financial innovation, as a result, led to the eradication of the traditional boundaries between commercial and investment banking. According to *Measures for the Pilot Management of Establishing Fund Management Companies by Commercial Banks 2005*, the fund management company can be established with direct investment of commercial banks as main shareholders. Therefore, it can be seen that commercial banks can be the holding shareholders of Chinese fund companies in modern times.

35 The Law of the People's Republic of China on Commercial Banks s.2.

36 Emilius Avgouleas, "The Reform of 'Too-Big-Too-Fail' Bank: A New Regulation Model for the Institutional Separation of 'Casino' from 'Utility' Banking" (2010), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1552970, p.10 [Accessed November 15, 2010].

Nowadays, securities companies, trust companies and banks (both commercial banks and investment banks) can be the holding shareholders of the fund management company, but the remaining question, which needs to be answered, is whether these financial institutions should be the holding shareholders. Part 3 has examined the conflicts of interest that arise when more than two functions take place under one roof. In fact, securities companies, trust companies and banks would sit in the seat of holding shareholders if many shares are concentrated in their hands. Undoubtedly, they should have a fiduciary obligation to the fund holders and act in the best interest of these investors. However, they cannot ignore their own interest and therefore may maximize profits with regard to their own economic incentives as holding shareholders. In this regard, it is worth proposing that the proportion of shares held by them should be limited.

4.3 Which Type of Ownership Structure Is Better for An Efficient And Reliable Legal Form of Open-Ended Funds in China, Ownership Concentration Or Ownership Dispersion?

To understand which type of ownership structure is better, this part investigates the relation between the ownership structure and the performance of Chinese fund companies.

4.3.1 Sources of Data

Generally, the most important data have been collected over the period from the documentation of the CSRC, China Galaxy Securities Co., Ltd and Chinese fund management companies. Information about the performance of open-ended funds is gathered from the report on the NAV growth rate of open-ended funds published by China Galaxy Securities Co. Ltd³⁷. With respect to the ownership structure of Chinese fund companies, a large amount of significant data are collected directly from the fund companies' websites. Those data, which are not found in these sources, are gathered from the official reports of the CSRC or other websites.

4.3.2 Sample Description

It is expected that the performance and the ownership structure of fund management companies are correlated. Hence, in the sample, both the data about the growth rate of NAV and the ownership pattern should be considered.

As shown in Table 1 (see Table 1 for the list of management fund companies in Appendix), here is the sample considering the past one year, the past two years, the past three years and the period since inception as four observation periods. The closing date is 16 July 2010.

Notwithstanding there are various types among 163 open-ended funds in China in terms of their different investment strategies, some data are excluded for the following reasons. The first reason is that if all of fund companies of the same type fall within the category of ownership concentration, that is, more than 40% of shares are held by one shareholder, the analysis of

³⁷ Please visit the website at <http://fund.sohu.com/s2010/yhzqkfsjj2010-07-16/>. [Accessed August 29, 2012].

such type of open-ended funds cannot help ascertain which ownership pattern is better for corporate performance. Secondly, if there are not more than six companies within one type of open-ended funds, the data about this type cannot be used here because they lose generality. Thirdly, Sino-foreign fund management companies are excluded as special cases in that the laws and regulation applicable to them are different from domestic ones. Fourthly, China Asset Management Co. Ltd is not considered. The main reason is the data about its ownership has dramatically increased from 33% in 2004 to 100% in 2010, which is against the regulation of the CSRC³⁸. At last, there are 5 types of open-ended funds in the final sample-standard stock funds, standard index funds, flexible configuration funds, regular bond funds (first class) and regular bond funds (second class).

The ownership structure can be divided into two groups, ownership concentration and ownership dispersion. In the former case, the proportion of shares held by one shareholder ranges from 40% to 49%. In the latter case, the percentage varies from 20% to 29%. Few of the fund companies in the sample fall within the range from 1% to 20% or that from 30% to 39%, and therefore the intermediate situation cannot be discussed in this paper.

4.3.3 Date Analysis

If the growth rate of NAV is considered as the measure of open-ended fund performance, this part aims to compare the growth rate of NAV for the fund management companies about concentrated ownership (40%-49%) with that connected to those companies with dispersed ownership (20%-29%).

The first step is to calculate the average of the growth rate of NAV connected to these two groups (the first group includes the fund management companies with concentrated ownership and the second group covers fund management companies with dispersed ownership) respectively during the survey period. The formula is as following:

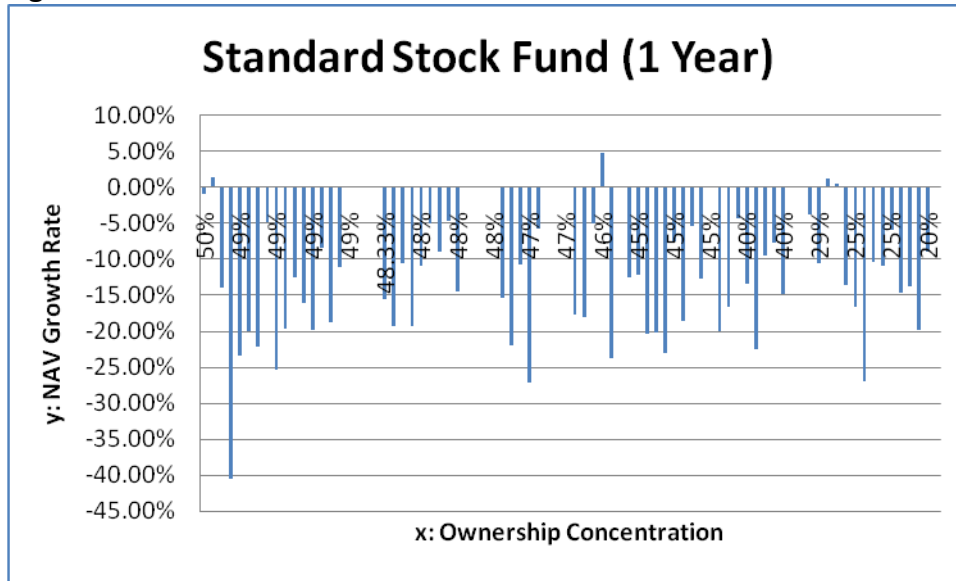
$$\bar{y} = \frac{1}{n} \sum_{i=1}^n y_i$$

The second step is to compare the performance concerning two different groups and to conclude.

38 According to CSRC rules, no single shareholder should own more than 49% of shares in a domestic fund management company. In 2010, China Asset Management Co. Ltd was a domestic fund management company rather than a sino-foreign company.

1. Standard Stock Fund

Figure 1

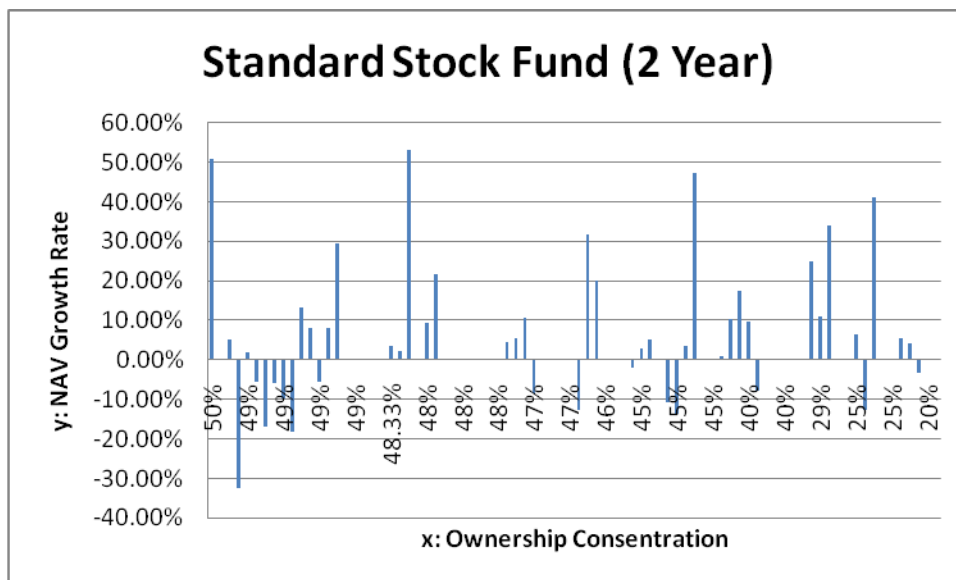


Ownership Concentration: $\bar{y}_1 = -14.34\%$

Ownership Dispersion: $\bar{y}_2 = -11.00\%$

$\bar{y}_1 < \bar{y}_2$

Figure 2

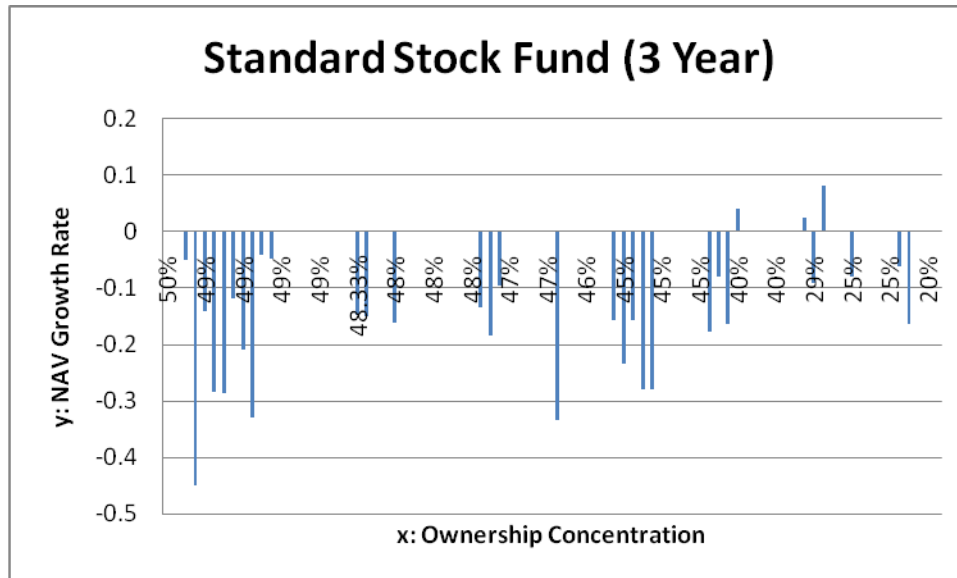


Ownership Concentration: $\bar{y}_1 = 5.80\%$

Ownership Dispersion: $\bar{y}_2 = 12.37\%$

$$\bar{y}_1 < \bar{y}_2$$

Figure 3

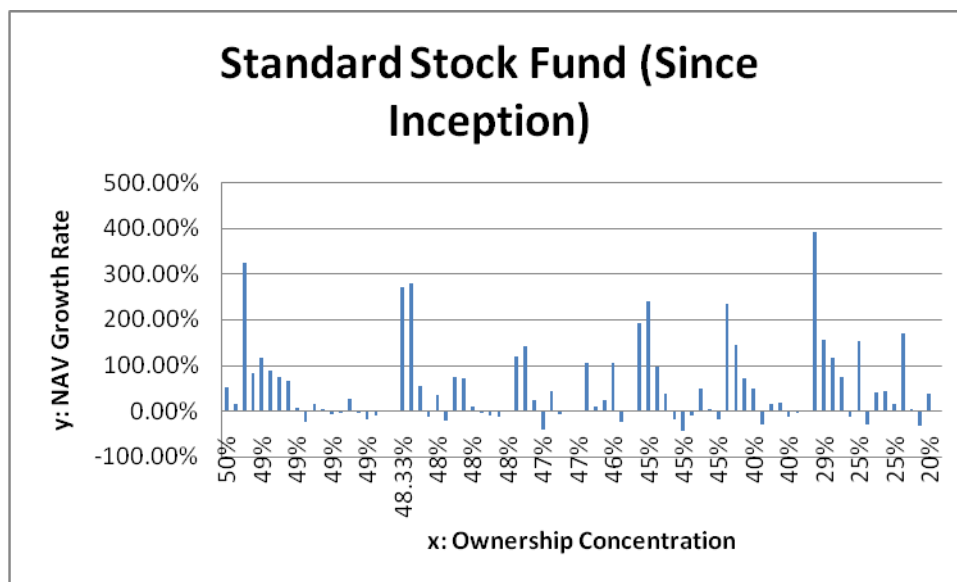


Ownership Concentration: $\bar{y}_1 = -19.90\%$

Ownership Dispersion: $\bar{y}_2 = -4.81\%$

$$\bar{y}_1 < \bar{y}_2$$

Figure 4



Ownership Concentration: $\bar{y}_1 = 45.03\%$

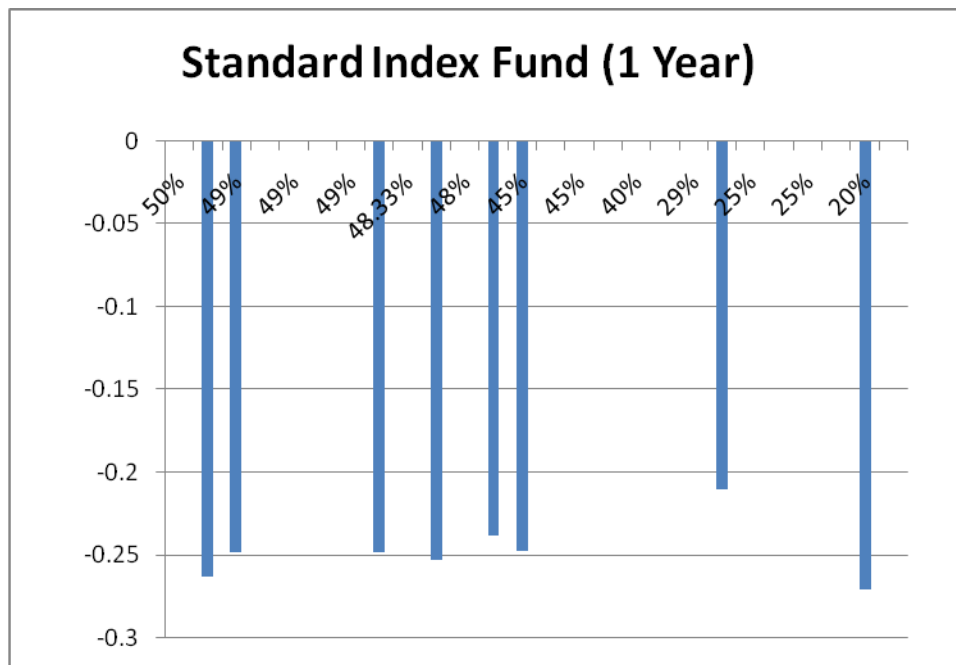
Ownership Dispersion: $\overline{y_2} = 74.77\%$

$$\overline{y_1} < \overline{y_2}$$

In Figure 1, Figure 2, Figure 3 and Figure 4, data are presented to reveal that ownership dispersion is better than ownership concentration with regard to standard stock funds.

2. Standard Index Fund

Figure 5

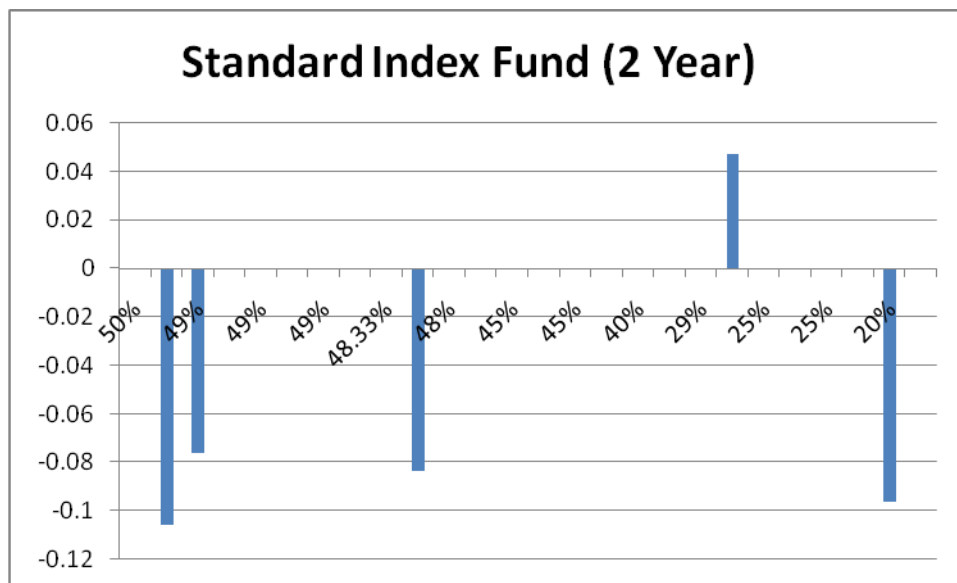


Ownership Concentration: $\overline{y_1} = -24.97\%$

Ownership Dispersion: $\overline{y_2} = -24.05\%$

$$\overline{y_1} < \overline{y_2}$$

Figure 6

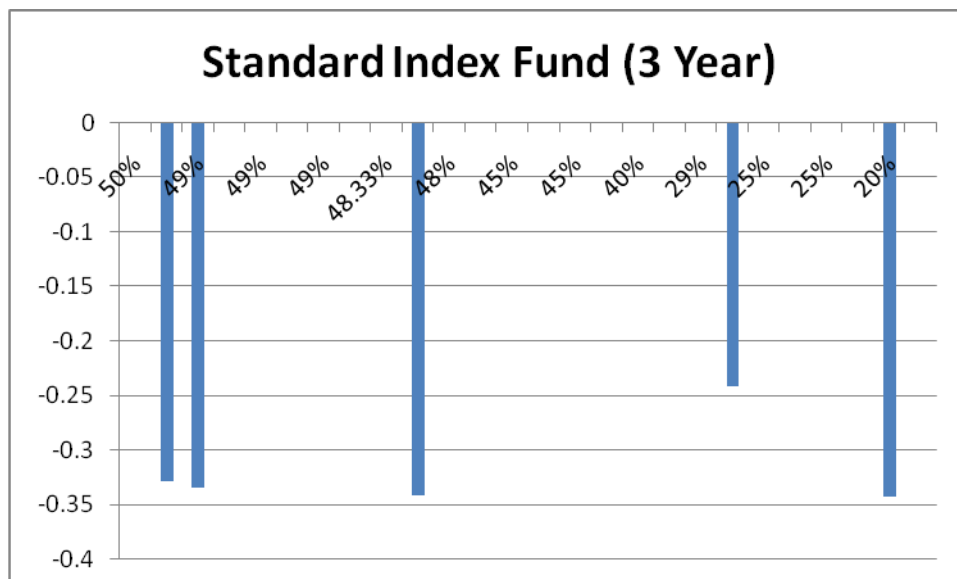


Ownership Concentration: $\bar{y}_1 = -8.85\%$

Ownership Dispersion: $\bar{y}_2 = -4.86\%$

$\bar{y}_1 < \bar{y}_2$

Figure 7

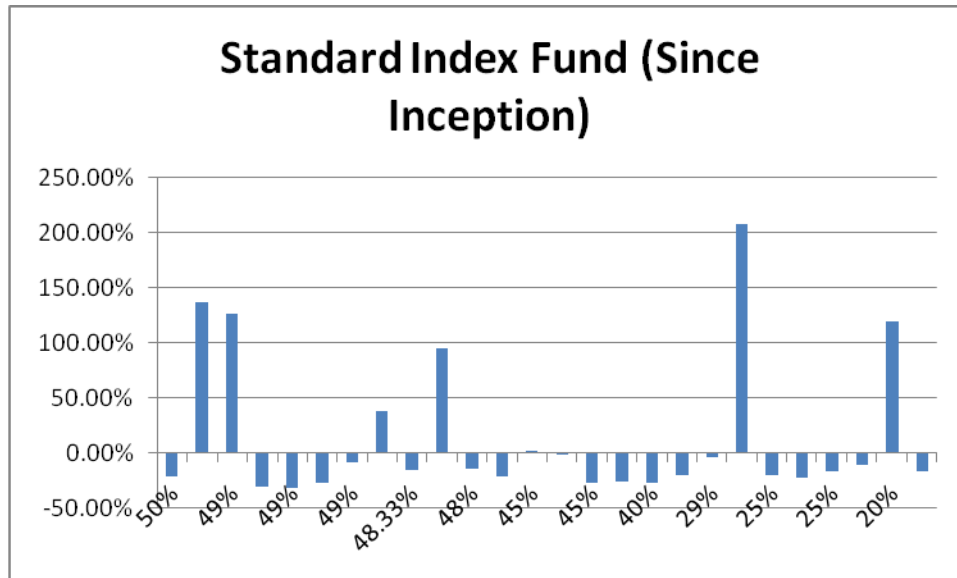


Ownership Concentration: $\bar{y}_1 = -33.45\%$

Ownership Dispersion: $\bar{y}_2 = -29.13\%$

$$\bar{y}_1 < \bar{y}_2$$

Figure 8



Ownership Concentration: $\bar{y}_1 = 8.75\%$

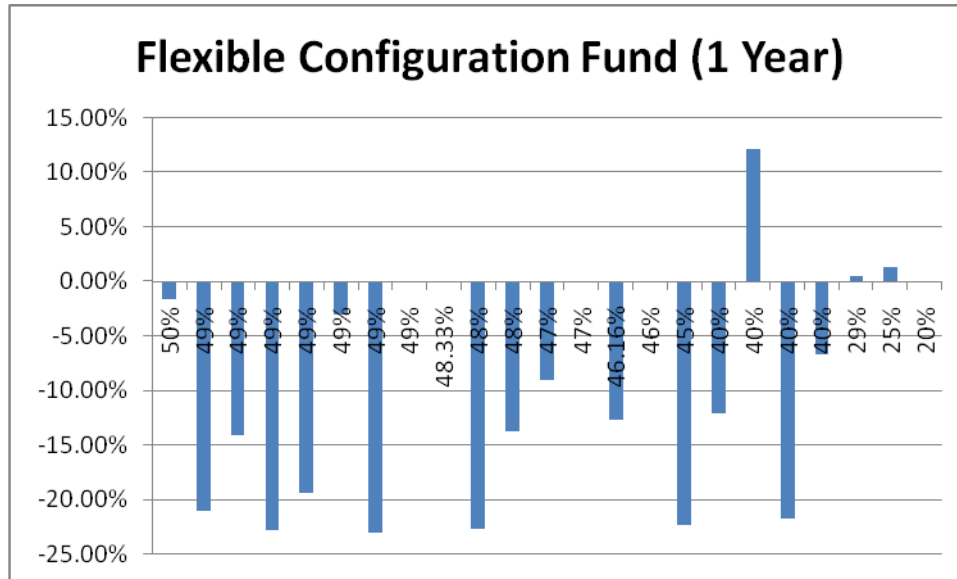
Ownership Dispersion: $\bar{y}_2 = 24.04\%$

$$\bar{y}_1 < \bar{y}_2$$

In the case of standard index funds, Figure 5, Figure 6, Figure 7 and Figure 8 do provide the evidence that ownership dispersion is better than ownership concentration.

3. Flexible Configuration Fund (The upper limit of stocks is 80%.)

Figure 9

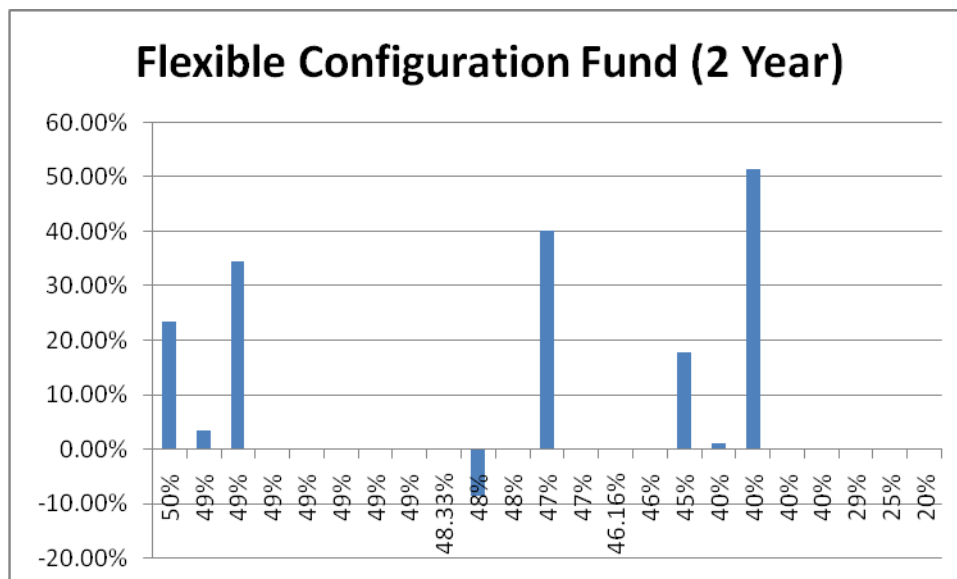


Ownership Concentration: $\bar{y}_1 = -13.32\%$

Ownership Dispersion: $\bar{y}_2 = -0.93\%$

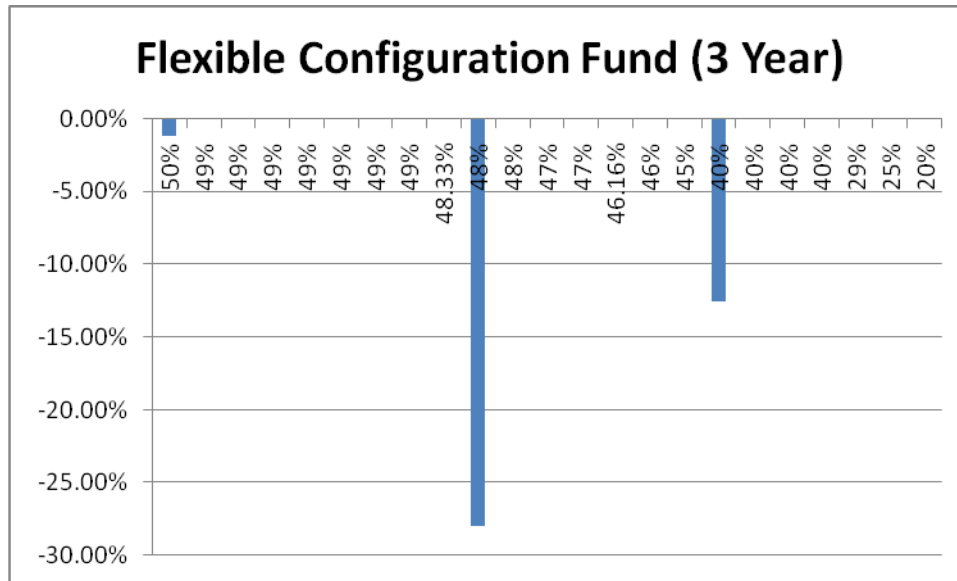
$\bar{y}_1 < \bar{y}_2$

Figure 10



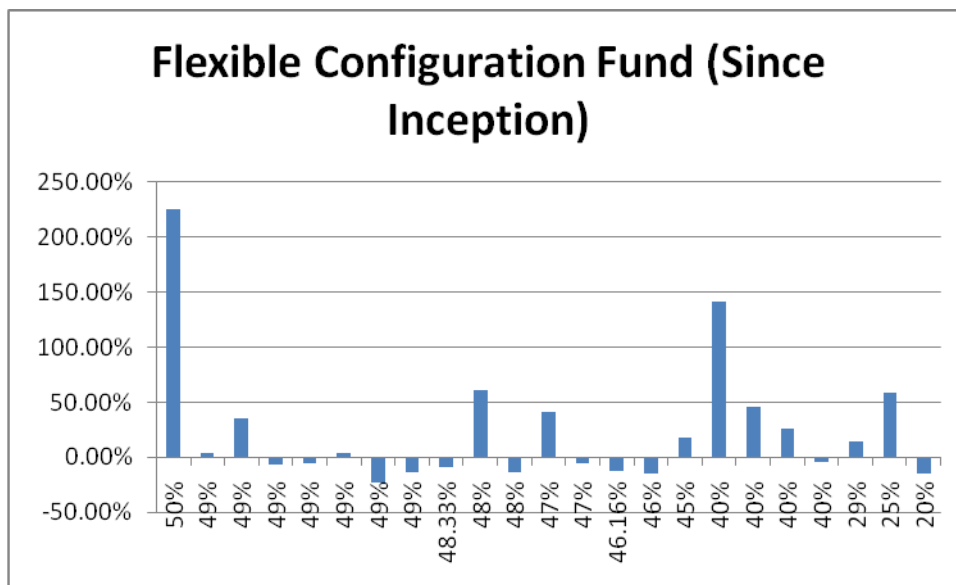
There are no statistics falling within the range of ownership dispersion during the 2-year period so that no comparison can be made between ownership concentration and ownership dispersion.

Figure 11



There are few fund management companies with dispersed ownership which had existed for three years by 16 July 2010. As a result, no comparison can be made between ownership concentration and ownership dispersion during the 3-year period.

Figure 12



Ownership Concentration: $\bar{y}_1 = 24.45\%$

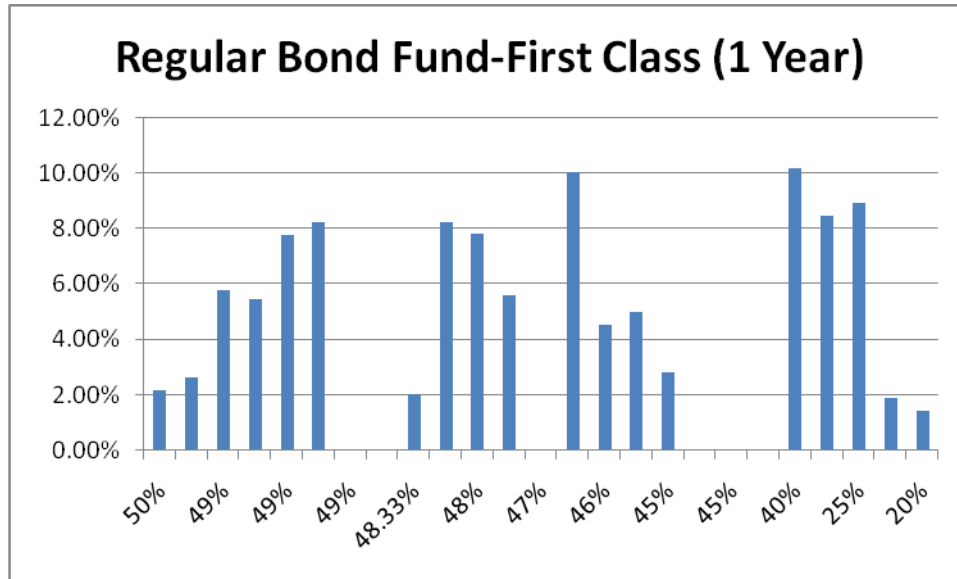
Ownership Dispersion: $\bar{y}_2 = 18.68\%$

$\bar{y}_1 > \bar{y}_2$

To sum up, Figure 9 indicates that ownership concentration leads to worse firm performance than the dispersed ownership during a full year period, but Figure 12 shows that ownership concentration is slightly better than ownership dispersion during the period from the establishment.

4. Regular Bond Fund (First Class)

Figure 13

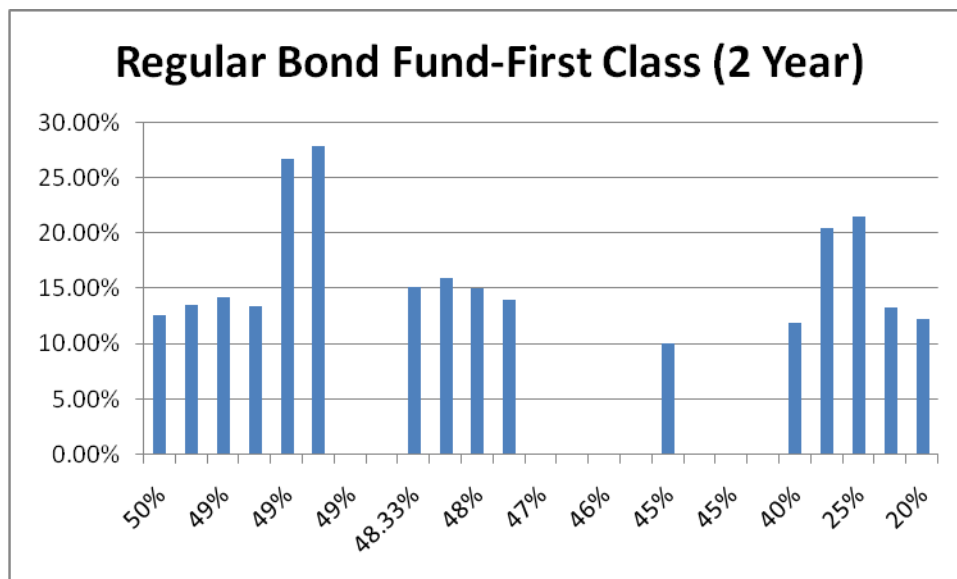


Ownership Concentration: $\bar{y}_1 = 5.90\%$

Ownership Dispersion: $\bar{y}_2 = 5.18\%$

$\bar{y}_1 > \bar{y}_2$

Figure 14

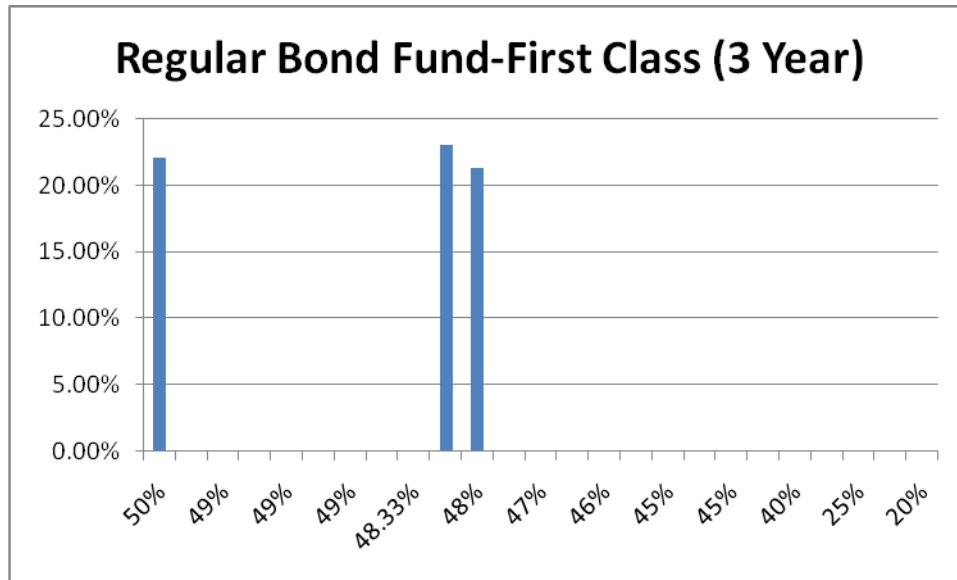


Ownership Concentration: $\bar{y}_1 = 15.89\%$

Ownership Dispersion: $\bar{y}_2 = 16.91\%$

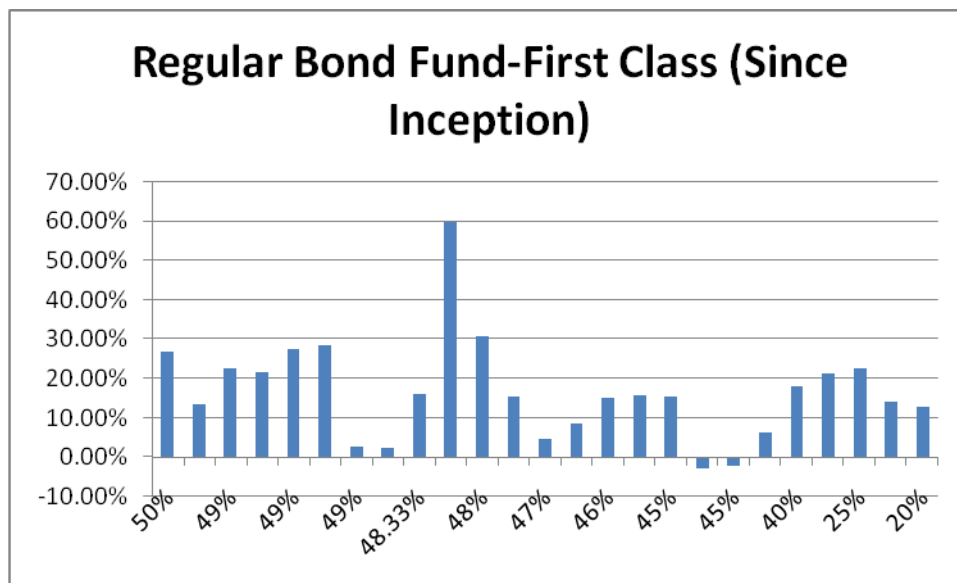
$$\bar{y}_1 < \bar{y}_2$$

Figure 15



There are no statistics falling within the range of ownership dispersion in Figure 15 because none of the fund management companies had existed for 3 years by 16 July 2010. In consequence, the comparative analysis method cannot be used here.

Figure 16



Ownership Concentration: $\bar{y}_1 = 16.44\%$

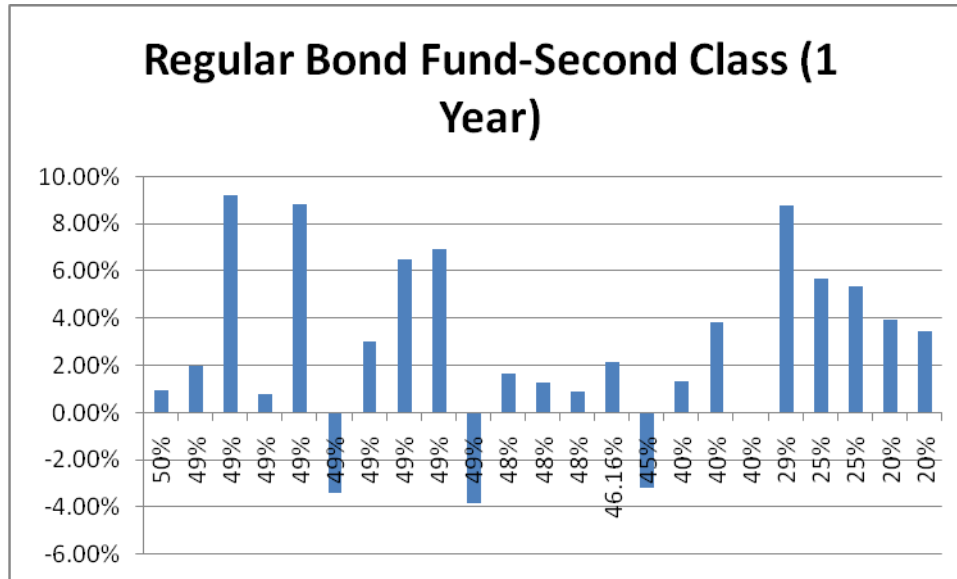
Ownership Dispersion: $\bar{y}_2 = 17.61\%$

$\bar{y}_1 < \bar{y}_2$

It can be seen that Chinese regular bond funds (first class) cannot work well when the ownership is concentrated in most cases.

5. Regular Bond Fund (Second Class)

Figure 17

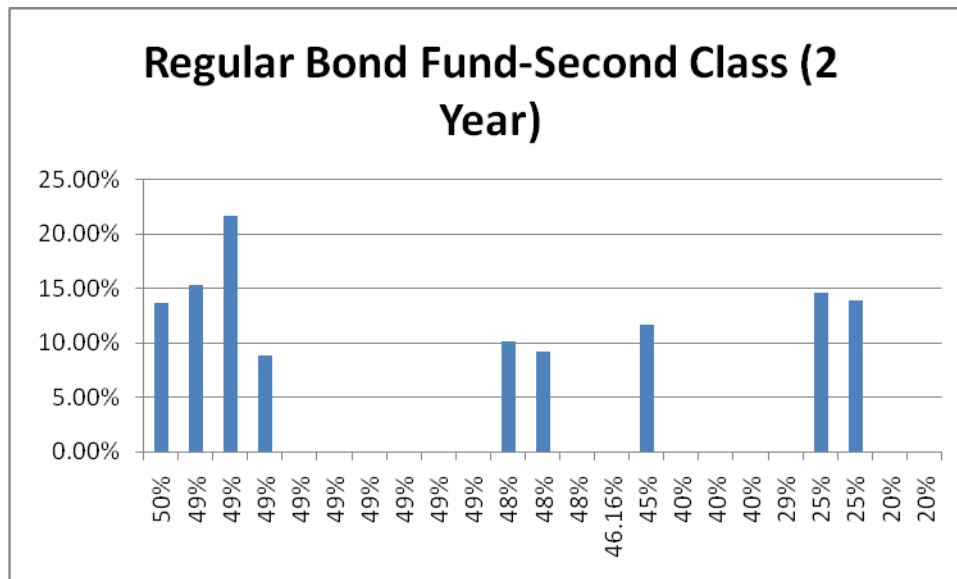


Ownership Concentration: $\bar{y}_1 = 2.28\%$

Ownership Dispersion: $\bar{y}_2 = 5.43\%$

$\bar{y}_1 < \bar{y}_2$

Figure 18



Ownership Concentration: $\bar{y}_1 = 12.89\%$

Ownership Dispersion: $\overline{y_2} = 14.20\%$

$$\overline{y_1} < \overline{y_2}$$

Figure 19

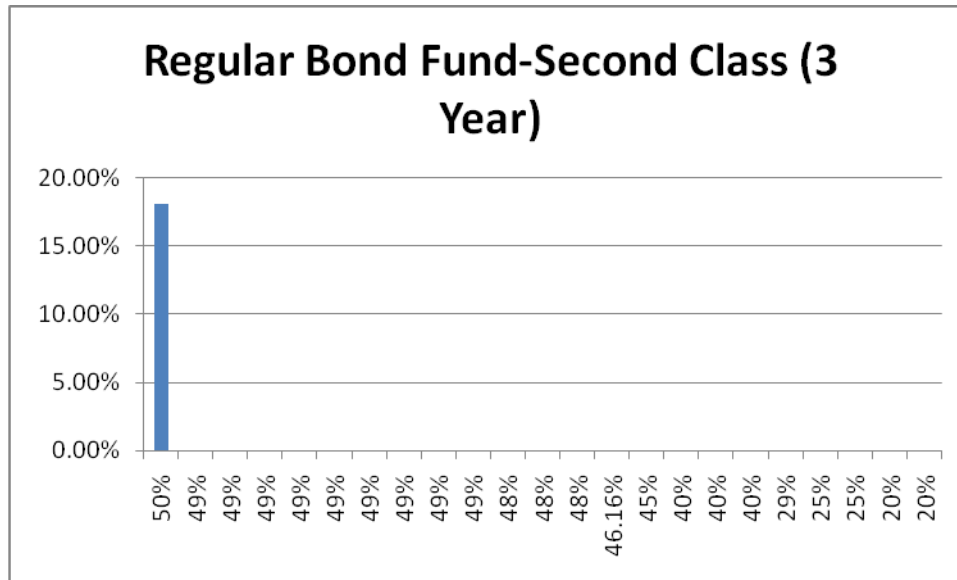
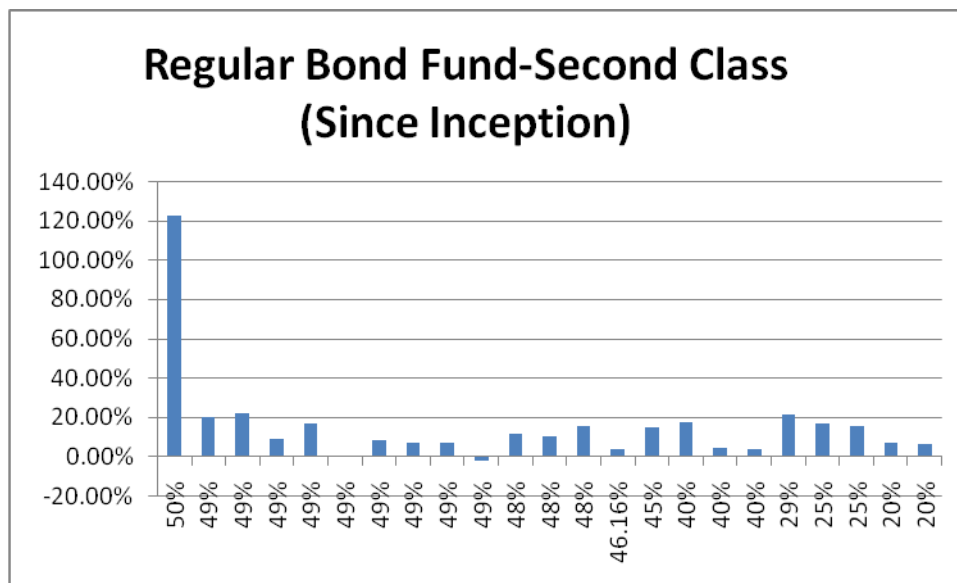


Figure 19 indicates that there is only one regular bond fund (second class), Galaxy Income Fund, had existed for 3 years by 16 July 2010. Therefore, it is really hard to make comparative analysis from the evidence during the 3-year period.

Figure 20



Ownership Concentration: $\bar{y}_1 = 10.39\%$

Ownership Dispersion: $\bar{y}_2 = 13.14\%$

$\bar{y}_1 < \bar{y}_2$

With regard to regular bond funds (second class), the evidences support that ownership dispersion results in better performance than ownership concentration.

In summary, the findings are consistent with the view that ownership dispersion yields ownership concentration in most cases as ownership dispersion helps minimize problems with conflicts of interest.

5. Conclusion

Recently, the concern of Open-ended funds has been highlighted for financial industry reforms in China. Even if it is possible to design an appropriate system like Chinese wall³⁹ or independent directors, so that, at least, separating and monitoring could contribute a little in terms of preventing conflicts of interest, the holding shareholders would not stand the requisite distance away from open-ended funds business particularly in practice.

The key issue about conflicts of interest, facing the shareholders, the board of directors, the depositary, puts its roots in the ownership structure of fund management companies. Firstly, this paper argues that securities companies, trust companies and banks should not be the

³⁹ A Chinese wall is referred to as a system designed to prevent confidential information being disclosed from one group to another, usually as a means of restricting the flow of information, which could be a conflict with their current business.

holding shareholders of the fund management companies, that is, the proportion of shares held by them should be limited. Secondly, the empirical findings are consistent with the view that ownership dispersion yields ownership concentration as ownership dispersion helps to minimize problems with conflicts of interest in most cases.

Appendix

Table 1

Fund Code	Fund Name	NAV (yuan)	1 Year (52 weeks)	2 Years (104 weeks)	3 Years (156 weeks)	Since Inception	Ownership
			% in NAV	% in NAV	% in NAV	% in Cumulative NAV	
Standard Stock Fund							
519668	Galaxy Competitive Advantage Growth Stock Fund	1.23	-0.85%	50.79%	--	50.64%	50%
519670	Galaxy Industry Selected Stock Fund	1.02	1.49%	--	--	16.10%	50%
160505	Bosera Theme Industry Stock Fund	1.59	-13.85%	5.18%	-5.09%	324.04%	49%
213002	Baoying Coastal Area Growth Stock Fund	0.45	-40.54%	-32.69%	-44.94%	82.22%	49%
161903	Wanjia Utility Service Stock Fund	0.66	-23.36%	1.84%	-14.01%	116.51%	49%
519994	Changxin Jinli Trend Stock Fund	0.63	-20.03%	-5.72%	-28.44%	88.57%	49%
519993	Changxin Income-increasing Dynamic Strategic Fund	0.72	-22.23%	-17.05%	-28.56%	72.95%	49%
580002	Soochow Value Growth Double Power Stock Fund	1.18	-4.80%	-5.81%	-11.76%	65.30%	49%
213003	Baoying Strategic Growth Stock Fund	0.81	-25.38%	-9.66%	-20.94%	7.42%	49%

410003	Huafu Growth Trend Stock Fund	0.59	-19.71%	-18.39%	-32.97%	-24.98%	49%
50008	Bosera Tertiary Industry Growth Stock Fund	0.97	-12.50%	13.21%	-4.16%	15.66%	49%
50009	Bosera Emerging Growth Fund	0.66	-16.10%	7.92%	-4.88%	4.14%	49%
213008	Baoying Resource Selected Stock Fund	0.82	-19.91%	5.69%	--	-8.26%	49%
580003	Soochow Industry Wheel Moving Stock Fund	0.95	-8.38%	8.05%	--	-4.61%	49%
50010	Bosera Licence Value Stock Fund	1.14	-18.73%	29.59%	--	25.97%	49%
519185	Wanjia Selected Stock Fund	0.88	-11.11%	--	--	-5.64%	49%
519987	Changxin Hengli Advantage Stock Fund	0.81	--	--	--	-19.10%	49%
580006	Soochow New Economy Stock Investment Fund	0.91	--	--	--	-9.40%	49%
50014	Bosera Business Growth Stock Fund	1.00	--	--	--	-0.10%	49%
580007	Soochow New Business Stock Fund	1.00	--	--	--	-0.10%	49%
162703	GF Small-Cap Growth Stock Fund	1.73	-15.48%	3.40%	-14.81%	270.49%	48.33%
270005	GF Jufeng Stock Fund	0.63	-19.27%	2.25%	-15.01%	278.06%	48.33%
270008	GF Core Selected Stock Fund	1.38	-10.50%	53.08%	--	53.08%	48.33%
270021	GF Juri Stock Fund	0.87	-19.20%	--	--	-12.90%	48.33%
519017	Dacheng Positive Growth Stock Fund	0.92	-10.85%	9.40%	-16.04%	34.68%	48%

519019	Dacheng Jingyang Leading Stock Fund	0.73	-5.06%	21.80%	--	-21.15%	48%
519089	New Century Selected Growth Stock Fund	1.36	-8.87%	--	--	73.96%	48%
90007	Dacheng Strategy Return Stock Fund	0.95	-4.70%	--	--	70.12%	48%
420003	Tianhong Yongding Value Growth Stock Fund	0.93	-14.42%	--	--	9.52%	48%
90009	Dacheng Industry Wheel Moving Stock Fund	0.95	--	--	--	-5.40%	48%
420005	Tianhong Cyclical Strategy Stock Fund	0.89	--	--	--	-10.70%	48%
519093	New China Diamond Quality Corporation Stock Fund	0.86	--	--	--	-14.40%	48%
90011	DaCheng Dual Core Power Stock	1.00	--	--	--	-0.10%	48%
519018	China Universal Equilibrium Growth Stock Fund	0.69	-15.30%	4.58%	-13.37%	119.00%	47%
590001	China Post Core Selected Stock Fund	1.19	-22.00%	5.39%	-18.52%	142.17%	47%
519068	China Universal Growth Focus Fund	1.08	-10.64%	10.74%	-9.59%	22.11%	47%
590002	China Post Core Growth Stock Fund	0.58	-27.17%	-8.66%	--	-41.55%	47%
519069	China Universal Value Selected Stock Fund	1.37	-5.71%	--	--	44.07%	47%
470008	China Universal Strategic Income Stock Fund	0.92	--	--	--	-8.20%	47%
470009	China Universal Private Vitality Stock Fund	0.97	--	--	--	-2.90%	47%
590005	China Post Core Theme Stock Fund	0.98	--	--	--	-2.00%	47%
163503	China Nature Core Growth Stock Fund	0.47	-17.72%	-12.73%	-33.49%	103.68%	46.16%
350005	China Nature Innovation Pioneer Stock Fund	1.09	-17.95%	31.69%	--	9.08%	46.16%

400007	Orient Strategy Growth Stock Fund	1.23	-5.02%	20.00%	--	22.51%	46%
630002	Huashang Prosperous Growth Stock Fund	1.67	4.91%	--	--	103.73%	46%
400011	Orient Core Power Stock Fund	0.76	-23.72%	--	--	-23.51%	46%
630006	Huashang Industry Upgrade Stock Fund	1.00	--	--	--	-0.20%	46%
160105	China Southern Positive Allocation Stock Fund	1.02	-12.47%	-2.02%	-15.58%	192.00%	45%
160106	China Southern High Growth Stock Fund	1.36	-12.06%	2.96%	-23.32%	240.55%	45%
202003	China Southern Blue Growth Stock Fund	1.16	-20.36%	5.09%	-15.63%	96.25%	45%
290004	First-Trust Goodquality Life Stock Fund	0.98	-20.12%	0.37%	-28.05%	38.08%	45%
202005	China Southern Composition Selected Stock Fund	0.79	-23.06%	-10.78%	-27.99%	-19.92%	45%
202007	China Southern Longyuan Industry Theme Stock Fund	0.59	-7.55%	-13.66%	--	-43.33%	45%
202009	China Southern Shengyuan Dividend Stock Fund	0.85	-18.65%	3.58%	--	-9.78%	45%
202011	China Southern Selected Value Stock Fund	1.14	-5.35%	47.44%	--	48.62%	45%
290006	First-Trust Blue Chip Selected Stock Fund	0.91	-12.72%	--	--	3.67%	45%
202019	China Southern Strategy Optimizing Stock Fund	0.82	--	--	--	-17.60%	45%
320003	Lion Stock Fund	0.88	-19.98%	0.99%	-17.84%	232.68%	40%
200006	Greatwall Consumption Increasing Stock Fund	0.79	-16.62%	10.30%	-7.96%	143.20%	40%

320005	Lion Value Growth Stock Fund	0.84	-4.21%	17.42%	-16.41%	70.37%	40%
162006	Greatwall Jiufu Core Growth Stock Fund	1.14	-13.36%	9.80%	4.03%	48.70%	40%
200008	Greatwall Brand Selected Stock Fund	0.71	-22.57%	-7.72%	--	-28.54%	40%
200010	Greatwall Double Power Stock Fund	1.14	-9.46%	--	--	13.65%	40%
320007	Lion Growth Stock Fund	1.04	-7.69%	--	--	17.59%	40%
210003	Gold Eagle Industry Advantage Stock Fund	0.87	-14.83%	--	--	-13.37%	40%
210004	Gold Eagle Stable Growth Stock Fund	0.95	--	--	--	-4.60%	40%
320011	Lion Mid-cap and Small-cap Growth Stock Fund	0.98	--	--	--	-2.00%	40%
519001	Yinhua Core Value Selected Stock Fund	1.27	-3.79%	25.04%	2.54%	390.09%	29%
180010	Yinhua Sustaining Growth Stock Fund	1.45	-10.47%	10.95%	-9.15%	154.97%	29%
180012	Yinhua Wealth Theme Stock Fund	1.06	1.20%	33.95%	8.25%	116.15%	29%
180013	Yinhua Leading Strategy Stock Fund	1.37	0.50%	--	--	74.67%	29%
161810	Yinhua Inner Demand Selected Stock Fund	0.86	-13.58%	--	--	-12.32%	29%
110009	E Fund Value Selected Stock Fund	1.00	-16.52%	6.53%	-8.04%	151.01%	25%
110029	E Fund Tech-Ex Stock Fund	0.62	-26.98%	-12.79%	--	-31.24%	25%
110011	E Fund Mid-cap and Small-cap Stock Fund	1.36	-10.42%	41.27%	--	40.72%	25%
110013	E Fund Kexiang Stock Fund	1.20	-10.82%	--	--	42.95%	25%

			%				
110015	E Fund Industry Leading Enterprise Stock Fund	1.13	-5.91%	--	--	16.11%	25%
40005	Hua An Hongli Stock Fund	2.12	-14.67%	5.50%	-6.13%	170.36%	20%
40007	Hua An Mid-cap and Small-cap Growth Stock Fund	1.00	-13.73%	4.01%	-16.34%	3.40%	20%
40008	Hua An Strategic Selected Stock Fund	0.65	-19.91%	-3.17%	--	-32.21%	20%
40011	Hua An Core Selected Stock Fund	0.96	-8.92%	--	--	37.34%	20%
40016	Hua An Industry Wheel Moving Stock Fund	0.99	--	--	--	-0.52%	20%
Standard Index Fund							
519671	Galaxy Shanghai and Shenzhen 300 value Index Fund	0.79	--	--	--	-21.00%	50%
519180	Wanjia 180 Index Fund	0.59	-26.27%	-10.59%	-32.87%	136.27%	49%
50002	Bosera Yufu Fund	0.72	-24.82%	-7.62%	-33.43%	126.10%	49%
50013	Bosera SSE Super broader ETF Feeder Fund	0.69	--	--	--	-30.60%	49%
510020	Bosera SSE Super broader ETF Fund	0.19	--	--	--	-31.77%	49%
410008	Hua Fu CSI 100 Index Fund	0.73	--	--	--	-26.64%	49%
163001	Changxin China 100 Index Fund	0.92	--	--	--	-8.40%	49%
270010	GF CSI 300 Index Fund	1.25	-24.84%	--	--	37.71%	48.33%
162711	GF 500 Index Fund	0.85	--	--	--	-15.30%	48.33%
519300	Dacheng CSI 300 Index Fund	0.80	-25.32%	-8.34%	-34.06%	95.18%	48%
90010	DaCheng China Securities Divident Index Fund	0.86	--	--	--	-14.40%	48%

470007	China Universal Shanghai Composite Index Fund	0.79	-23.80%	--	--	-20.90%	47%
202015	China Southern CSI 300 Index Fund	0.98	-24.76%	--	--	2.56%	45%
160119	China Southern 500 Index Fund	0.95	--	--	--	-0.51%	45%
159903	China Southern Shenzhen Composition Fund	0.99	--	--	--	-27.25%	45%
202017	China Southern Shenzhen Composition ETF Feeder Fund	0.75	--	--	--	-25.16%	45%
320010	Lion CSI 100 Index Fund	0.73	--	--	--	-27.20%	40%
161811	Yinhua CSI 300 Index Fund	0.81	--	--	--	-19.40%	29%
161812	Yinhua CSI 100 Index Fund	0.96	--	--	--	-3.60%	29%
159901	E Fund Shenzhen Stock 100 Exchange Trade Fund	3.14	-21.00%	4.74%	-24.06%	207.02%	25%
110020	E Fund Shanghai and Shenzhen 300 Fund	0.80	--	--	--	-20.10%	25%
110019	E Fund SE100 ETF Feeder Fund	0.78	--	--	--	-22.50%	25%
510130	E Fund SSE MID Cap ETF Fund	2.43	--	--	--	-16.43%	25%
110021	E Fund SSE MID Cap ETF Feeder Fund	0.89	--	--	--	-11.00%	25%
510180	Shanghai Stock 180 Exchange Trade Open-ended Index Fund	0.57	-27.10%	-9.60%	-34.19%	118.59%	20%
40180	Hua An Shanghai Stock 180 ETF Feeder Fund	0.84	--	--	--	-16.20%	20%
Flexible Configuration Fund (The upper limit of stocks is 80%.)							
150103	Galaxy Yintai Financing Dividend Fund	0.88	-1.54%	23.47%	-1.18%	224.88%	50%
519991	Changxin Double Return Selected Dynamic Asset Allocation Mixed Type Fund	0.78	-21.04%	3.47%	--	3.26%	49%
519183	Wanjia Double Engine Dynamic Asset Allocation Mixed Type Fund	0.91	-14.10%	34.50%	--	34.73%	49%

410006	Huafu Strategy Selected Dynamic Asset Allocation Mixed Type Fund	0.93	-22.72%	--	--	-6.81%	49%
213006	Baoying Core Advantage Dynamic Asset Allocation Mixed Type Fund	0.78	-19.31%	--	--	-5.62%	49%
580005	Soochow Enterprising Strat Mod Allc Fund	1.04	-2.96%	--	--	3.83%	49%
410007	Hua Fu Value Growth Dynmc Alloc Fund	0.77	-23.01%	--	--	-23.06%	49%
50012	Bosera Strategy Flexible Configuration Fund	0.86	--	--	--	-13.38%	49%
270022	GF Domestic Demand Gr Fund	0.90	--	--	--	-9.60%	48.33%
420001	Tianhong Selected Mixed Type Fund	0.51	-22.68%	-8.37%	-27.95%	60.94%	48%
519091	New China Resource Advantage Dynamic Asset Allocation Fund	0.87	-13.67%	--	--	-13.50%	48%
519066	China Universal Blue Chip Sustaining Dynamic Asset Allocation Mixed Type Fund	1.27	-8.96%	40.17%	--	40.17%	47%
590003	China Post Core Forward Strategy Advantage Dynamic Mixed Fund	0.88	--	--	--	-5.40%	47%
350007	China Nature Trend Selected Dynamic Asset Allocation Fund	0.87	-12.70%	--	--	-12.70%	46.16%
630005	Huashang Alpha Dynamic Asset Allocation Fund	0.85	--	--	--	-15.20%	46%
290005	First-Trust Advantage Growth Dynamic Asset Allocation Mixed Fund	1.06	-22.31%	17.78%	--	17.90%	45%
210001	Golden Eagle Component Stocks Preferred Fund	0.62	-12.02%	1.28%	-12.53%	141.21%	40%
320006	Lion Dynamic Asset Allocation Mixed Type Fund	1.00	12.16%	51.54%	--	45.63%	40%
210002	Golden Eagle Dividend Value Dynamic Asset Allocation Mixed Type Fund	1.02	-21.69%	--	--	25.91%	40%

200011	Great Wall Booming Industrial Champion Balanced Fund	0.96	-6.62%	--	--	-4.10%	40%
180018	Yinhua Harmonious Theme Dynamic Asset Allocation Mixed Type Fund	1.05	0.48%	--	--	13.44%	29%
110012	E Fund Kehui Dynamic Asset Allocation Mixed Type Fund	1.40	1.38%	--	--	58.19%	25%
40015	Hua An Dynamic Asset Allocation Mixed Type Fund	0.84	--	--	--	-15.60%	20%
Regular Bond Fund (First Class)							
519666	Galaxy Yinxin Tianli Bond Fund	1.00	2.20%	12.61%	22.12%	26.85%	50%
519667	Galaxy Yinxin Tianli Bond Fund	1.01	2.66%	13.55%	--	13.51%	50%
50106	Bosera Stable Value Bond A Fund	1.09	5.80%	14.22%	--	22.64%	49%
50006	Bosera Sustaining Value Bond B Fund	1.08	5.46%	13.47%	--	21.50%	49%
410005	Huafu Income Strengthen Bond B Fund	1.13	7.80%	26.81%	--	27.33%	49%
410004	Huafu Income Strengthen Bond A Fund	1.13	8.26%	27.89%	--	28.48%	49%
519186	Wanjia Stable Growth Bond A Fund	1.03	--	--	--	2.80%	49%
519187	Wanjia Stable Growth Bond C Fund	1.02	--	--	--	2.42%	49%
270009	GF Strengthen Bond Fund	1.11	2.03%	15.18%	--	16.10%	48.33%
90002	Dacheng Bond A/B Fund	1.05	8.24%	15.99%	23.10%	59.55%	48%
92002	DaCheng Bond C Fund	1.03	7.83%	15.01%	21.33%	30.61%	48%
519078	China Universal Strengthen Income Bond A Fund	1.05	5.59%	14.00%	--	15.25%	47%
470078	China Universal Enhanced Bond C Fund	1.05	--	--	--	4.70%	47%
400009	Orient Sustaining Return Bond Fund	1.08	10.05%	--	--	8.40%	46%
630103	Huashang Income Strengthen Bond B Fund	1.10	4.52%	--	--	14.92%	46%
630003	Huashang Income Strengthen Bond A Fund	1.10	5.00%	--	--	15.67%	46%
202102	China Southern Multi-Advantage Strengthen Bond C Fund	1.04	2.81%	10.04%	--	15.52%	45%

291007	First-Trust Enhanced Income Bond C Fund	0.97	--	--	--	-2.69%	45%
290007	First-Trust Enhanced Income Bond A Fund	0.98	--	--	--	-2.31%	45%
202103	China Southern Duoli Bond A Fund	1.05	--	--	--	6.11%	45%
320004	Lion Optimizing Income Bond Fund	1.13	10.18%	11.92%	--	17.90%	40%
110018	E Fund Increasing Return Bond B Fund	1.10	8.47%	20.53%	--	21.14%	25%
110017	E Fund Strengthen Return Bond A Fund	1.11	8.92%	21.57%	--	22.42%	25%
40009	Hua An Sustaining Income Bond A Fund	1.11	1.88%	13.27%	--	13.99%	20%
40010	Hua An Stable Income Bond B Fund	1.10	1.44%	12.27%	--	12.90%	20%
Regular Bond Fund (Second Class)							
151002	Galaxy Income Fund	1.55	0.92%	13.60%	18.05%	122.42%	50%
161902	Wanjia Strengthen Income Bond Fund	1.10	1.95%	15.30%	--	19.74%	49%
213007	Baoying Strengthen Income Bond A /B Fund	1.14	9.21%	21.59%	--	22.12%	49%
560005	Yimin Multi-advantage Bond Fund	1.05	0.77%	8.77%	--	9.04%	49%
213917	Baoying Strengthen Income Bond C Fund	1.13	8.81%	--	--	16.43%	49%
582001	Soochow High Credibility Sustaining Bond A Fund	0.99	-3.42%	--	--	0.25%	49%
519989	Changxin Lifeng Bond Fund	1.04	3.00%	--	--	7.84%	49%
50111	Bosera Credit Bond C Fund	1.05	6.50%	--	--	6.50%	49%
50011	Bosera Credit Bond A/B Fund	1.06	6.89%	--	--	7.00%	49%
582201	Soochow Youxin Stable Bond C Fund	0.99	-3.84%	--	--	-2.34%	49%
420102	Tianhong Yongli Bond B Fund	1.01	1.66%	10.14%	--	11.14%	48%
420002	Tianhong Yongli Bond A Fund	1.01	1.26%	9.19%	--	10.07%	48%
90008	Dacheng Surging Income Bond Fund	1.05	0.89%	--	--	15.46%	48%

350006	China Nature Sustaining Double Profit Bond Fund	1.04	2.15%	--	--	3.83%	46.16%
290003	First-Trust Double Interest and Double Return Bond Fund	1.04	-3.16%	11.62%	--	14.37%	45%
200009	Greatwall Sustaining Profit Increase Bond Fund	1.11	1.32%	--	--	17.49%	40%
320008	Lion Increase Income Bond A Fund	1.04	3.79%	--	--	4.00%	40%
320009	Lion Increase Income Bond B Fund	1.04	--	--	--	3.50%	40%
180015	Yinhua Strengthen Income Bond Fund	1.10	8.74%	--	--	21.14%	29%
110008	E Fund Stable Income Bond B Fund	1.08	5.66%	14.54%	--	16.36%	25%
110007	E Fund Stable Income Bond A Fund	1.08	5.33%	13.85%	--	15.50%	25%
40012	Hua An Strengthen Income Bond A Fund	1.04	3.95%	--	--	6.65%	20%
40013	Hua An Strengthen Income Bond B Fund	1.03	3.46%	--	--	6.05%	20%

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