



MONTHLY UPDATE

Market Environment — December 2009

The Taiwan Greater China Fund's net asset value (NAV) in December underperformed its primary benchmark, the Taiwan China Strategy Index (TCS Index) as computed by MSCI, and also underperformed the US\$ returns for both the Taiwan Stock Exchange Index (TAIEX) and the MSCI Taiwan Index. The Fund's share price also underperformed all three indices as the discount to NAV widened during December. The Fund's NAV increased 8.0% while its share price increased 7.4%, compared to a 8.8% increase in the TCS Index, a 8.7% increase in the TAIEX and a 8.5% gain in the MSCI Taiwan Index. The Fund's discount to net asset value averaged 11.1% during December, with a high of 12.2%, a low of 9.7%, and a closing value of 11.4%. During the month, the Taiwan dollar appreciated 0.6% against the U.S. dollar.

The TAIEX in 2009 showed a strong recovery, gaining 88.3% during the year. It is now only 16.5% off its most recent high of October 2007. -December economic news was mostly focused on issues relating to the Mainland in advance of the 4th Cross Strait conference held at the end of the month in Taichung. Three agreements came out of that conference but discussion did not include the proposed Economic Cooperation Framework Agreement (ECFA). Preliminary talks on that agreement are set for January and Taiwan officials hope that a formal agreement can be reached by May or June 2010, at the 5th Cross Strait conference. It is anticipated that the ECFA would reduce restrictions on trade between the two sides, and that it would likely be implemented gradually, with textiles, machinery and petrochemicals to be early beneficiaries of bilateral tariff reductions. This agreement is important because the ASEAN-China free-trade agreement (FTA) became effective January 1st and China and Korea have completed their first stage of negotiations on an FTA. So the lack of an FTA with China could put Taiwan exports to China at a disadvantage to other countries in the region.

Total Return	1 Month	3 Month	6 Months	YTD	1 Year	3 Years	5 Years
Fund (US\$ NAV) **	8.0%	9.6%	37.2%	88.3%	88.3%	1.5%	33.6%
Fund (US\$ Share Price)	7.4	7.6	31.1	80.2	80.2	-3.8	29.8
TCS Index (US\$)	8.8	9.9	39.3	96.6	96.6	6.0	41.6
TAIEX (US\$)	8.7	9.6	34.0	88.0	88.0	19.6	60.2
MSCI Taiwan Index (US\$)	8.5	8.1	32.4	79.2	79.2	4.0	32.7
NT\$/US\$	0.6	5.1	2.6	2.5	2.5	1.9	-0.6

* **Past results are not necessarily indicative of future performance of the Fund.** Rates of return and principal value will fluctuate and you may have a gain or a loss when you sell shares. Performance figures reflect reinvested dividends and capital gains. Dividends and capital gains reinvested are on a net basis, after the deduction of applicable taxes. The returns shown above for the MSCI Taiwan Index and the TCS Index are also calculated on a net basis but the TAIEX is measured on a gross return basis, with the full reinvestment of all dividends received. Returns for the Fund, TCS Index, MSCI Taiwan and TAIEX are in US Dollars. Source: Bloomberg except MSCI for TCS Index. For more information and important disclosures on the TCS Index and the MSCI Taiwan Index, please see the Fund's website at <http://www.taiwangreaterchinafund.com/>. Returns, except 12-month period, are not annualized.

** **Total returns reflect changes in NAV per share during each period** and assume that dividends and capital gains distributions, if any, were reinvested. These percentages are not an indication of the performance of a shareholder's investment in the Fund based on market price

Portfolio Management

The Fund currently holds over 98% of its assets in equities. Equity holdings are well diversified among top quality stocks, with investment decisions based on a fundamental approach to securities and economic analysis. Portfolio holdings and sector composition are subject to change. 1002

<i>Top Ten Holdings</i> as of Dec 31, 2009		<i>Industry Diversification</i> as of Dec 31, 2009	
<u>Company</u>	<u>% of Net Assets</u>	<u>Ten Largest Sectors</u>	<u>% of Net Assets</u>
Hon Hai Precision Ind. Co.	13.1%	Computer Systems & Hardware	25.0%
MediaTek, Inc.	7.9	Semiconductors	19.2
Taiwan Semiconductor Mfg. Co	6.5	Plastics & Petrochemicals	11.0
Au Optronics Corp.	4.8	Electronic Components	9.2
Asustek Corp.	4.4	Flat Panel Display	8.8
Nan Ya Plastics Corp.	4.2	Steel	4.3
China Steel Corp.	4.2	Food	4.0
Formosa Plastics Corp.	3.9	Financials	3.7
Formosa Chemical & Fiber Corp.	2.9	ODM & Peripherals	2.7
Quanta Computer	2.8	Cement	2.6

Per Share Standing at December 31, 2009

NAV
\$7.1755

NYSE
\$6.36

The Taiwan Greater China Fund

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The opinions and forecasts expressed are those of the portfolio manager and may not actually come to pass. The information presented is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of a particular security. **Fund shares are not FDIC insured and are not deposits or other obligations of, or guaranteed by, any bank. Fund shares involve investment risk, including possible loss of principal.**