



## MONTHLY UPDATE

### Market Environment — February 2010

The Taiwan Greater China Fund's net asset value (NAV) in February equaled both the performance of its primary benchmark, the Taiwan China Strategy Index (TCS Index) as computed by MSCI, and the US\$ return for the Taiwan Stock Exchange Index (TAIEX). The Fund's NAV outperformed the MSCI Taiwan Index. The Fund's share price outperformed all three indices as the discount to NAV continued to narrow in February. The Fund's NAV declined 3.1% while its share price declined 1.8%, compared to a 3.1% decrease in the TCS Index, a 3.1% decrease in the TAIEX and a 3.7% decline in the MSCI Taiwan Index. The Fund's discount to net asset value averaged 10.2% during February, with a high of 12.3%, a low of 7.9%, and a closing value of 9.3%. During the month, the Taiwan dollar depreciated 0.4% against the U.S. dollar.

After six quarters of negative YoY GDP growth, Taiwan's 4<sup>th</sup> quarter GDP grew by 9.22%, considerably in excess of forecasts. Taiwan's economic recovery continues to benefit from rising demand in China. Given the impact of Chinese New Year, which was in January in 2009 and in February in 2010, it is appropriate to combine both months in looking at export figures. In the first two months of the year, Taiwan's exports grew 54.0% YOY but exports to China grew 103.8%. The Taiwan government this month also loosened restrictions on investment in China by the LCD and semiconductor industries. Taiwan has agreed to allow a total of three investments in 6<sup>th</sup> generation or above technology as long as the investors have a Taiwan investment that is at least a generation ahead of the Chinese investment. This will allow the LCD industry to better compete with Korean companies operating in China. The Au Optronics board has just approved a US\$1.2 billion investment in a 7.5 Generation plant that will likely be in the Suzhou/Kunshan area. They are currently building an 8.5 Gen plant in Taiwan. At this time, investment in panel fabs is not allowed. In the case of semiconductors, companies can now apply to invest in or build factories that are two generations less advanced than in Taiwan.

<u>Total Return</u>	<u>1 Month</u>	<u>3 Month</u>	<u>6 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Fund (US\$ NAV) **	-3.1%	-2.2%	9.8%	-9.4%	79.1%	-7.8%	18.0%
Fund (US\$ Share Price)	-1.8	-0.3	14.8	-7.2	85.5	-6.9	17.1
TCS Index (US\$)	-3.1	-0.7	11.9	-8.7	86.3	-2.9	25.9
TAIEX (US\$)	-3.1	-1.6	11.9	-9.4	82.6	8.4	40.7
MSCI Taiwan Index (US\$)	-3.7	-2.2	9.8	-9.9	72.6	-5.3	16.4
NT\$/US\$	-0.4	0.3	2.6	-0.3	8.9	2.7	-3.1

\* **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

<u>Top Ten Holdings</u> as of Feb 26, 2010		<u>Industry Diversification</u> as of Feb 26, 2010	
<u>Company</u>	<u>% of Net Assets</u>	<u>Ten Largest Sectors</u>	<u>% of Net Assets</u>
Hon Hai Precision Ind. Co.	12.0%	Computer Systems & Hardware	24.8%
MediaTek, Inc.	7.8	Semiconductors	19.5
Taiwan Semiconductor Mfg. Co	6.5	Plastics & Petrochemicals	11.9
Nan Ya Plastics Corp.	5.0	Electronic Components	8.9
Au Optronics Corp.	4.5	Flat Panel Display	8.9
China Steel Corp.	4.5	Steel	4.5
Asustek Computer	4.4	Food	3.7
Formosa Plastics Corp.	4.4	Financials	3.6
Formosa Chemical & Fiber Corp.	3.3	ODM & Peripherals	2.4
Quanta Computer	2.9	Cement	2.4

Per Share Standing at February 26, 2010

NAV

\$6.5025

NYSE

\$5.9

**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.**