



MONTHLY UPDATE

Market Environment — January 2010

The Taiwan Greater China Fund's net asset value (NAV) in January underperformed its primary benchmark, the Taiwan China Strategy Index (TCS Index) as computed by MSCI, but outperformed the US\$ return for the Taiwan Stock Exchange Index (TAIEX) and equaled the performance of the MSCI Taiwan Index. The Fund's share price outperformed all three indices as the discount to NAV narrowed during January. The Fund's NAV declined 6.5% while its share price declined 5.5%, compared to a 5.9% decrease in the TCS Index, a 6.6% decrease in the TAIEX and a 6.5% decline in the MSCI Taiwan Index. The Fund's discount to net asset value averaged 10.5% during January, with a high of 11.8%, a low of 9.3%, and a closing value of 10.4%. During the month, the Taiwan dollar depreciated 0.1% against the U.S. dollar.

After gaining 88.1% in US\$ terms during 2009, the TAIEX gained another 2.7% through the middle of the January. But then news out of China, coupled with nervousness about Greece, cast a negative tone on the market for the remainder of the month and the TWSE ended down 6.6%. A combination of a 10.4% 4th quarter Chinese growth rate and a higher than forecast December inflation rate of 1.9% made the market worry that the Chinese government will raise interest rates and reign in credit growth, and that this could impact the global recovery. Any slowing of China's growth will also affect Taiwan as China's domestic stimulus policies were a boon in 2009 and this has continued into January of 2010. Taiwan's total exports for January were up 75.8% but direct exports to China were up 187.8% over a year earlier. It should be noted that Chinese New Year in 2009 was in January so that does have an impact on the figures, but China's strong recovery is still significant. Taiwan and China also had their first talks on a bi-lateral trade agreement in Beijing but it appears that a May/June signing may be ambitious.

<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) **	-6.5%	6.1%	12.7%	-6.5%	93.3%	-3.2%	28.3%
Fund (US\$ Share Price)	-5.5	8.1	11.7	-5.5	89.6	-6.7	23.7
TCS Index (US\$)	-5.9	7.9	14.8	-5.9	102.6	2.3	37.3
TAIEX (US\$)	-6.6	6.0	12.0	-6.6	94.7	14.8	53.1
MSCI Taiwan Index (US\$)	-6.5	5.4	10.7	-6.5	86.3	0.0	28.0
NT\$/US\$	-0.1	-1.8	-2.6	-0.1	-5.2	-3.1	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

<u>Top Ten Holdings</u> as of Jan 29, 2010		<u>Industry Diversification</u> as of Jan 29, 2010	
<u>Company</u>	<u>% of Net Assets</u>	<u>Ten Largest Sectors</u>	<u>% of Net Assets</u>
Hon Hai Precision Ind. Co.	12.4%	Computer Systems & Hardware	24.8%
MediaTek, Inc.	7.9	Semiconductors	19.5
Taiwan Semiconductor Mfg. Co	6.6	Plastics & Petrochemicals	11.9
Au Optronics Corp.	4.8	Electronic Components	8.9
Asustek Corp.	4.8	Flat Panel Display	8.9
Nan Ya Plastics Corp.	4.6	Steel	4.5
China Steel Corp.	4.4	Food	3.7
Formosa Plastics Corp.	4.1	Financials	3.6
Formosa Chemical & Fiber Corp.	3.1	ODM & Peripherals	2.4
Delta Electronics	2.8	Cement	2.4

Per Share Standing at January 29, 2010

NAV

\$6.7081

NYSE

\$6.01

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.**