

**BEIJING OLYMPICS WILL STRENGTHEN INVESTORS PERCEPTIONS OF
CHINA**

With the highly anticipated Beijing Olympics only two weeks away, the **Association of Investment Companies, (AIC)** has looked at the impact of the Olympics on the Chinese economy by collating the views of investment company managers with holdings in China.

In general, managers are positive about the future of China, believing that the Olympics will promote the country and its economy in an optimistic light. Moreover, managers believe that China is set to be the world's economic power house for decades to come.

The effects of the Olympics on the Chinese economy

The Olympics have certainly attracted new investments in areas such as infrastructure, transport and tourism. However, investment managers do not believe the games have boosted the Chinese economy to such an extent that it will be adversely affected once the event has finished and the hype has died down.

With concerns that post the Olympics the Chinese economy will suffer, **Pinakin Patel, Pacific Client Portfolio Manager at JP Morgan Asset Management** commented that: "the spending on the games amounts to less than 2.5% of China's fixed asset investment in any one year." He also believes that the Olympics will greatly benefit the city of Beijing and its future growth plans commenting that of the US \$34 billion spent on the games, US \$26 billion will be spent on infrastructure for the city itself.

This thought is echoed by **John Millar, Manager of Martin Currie Pacific** who said: "The Olympic games have provided a major economic boost to the Beijing region. The 2008 Olympics represents the second largest public works project ever undertaken in China. Beijing has spent US \$34 billion to build the Olympic village, improve its transportation and telecommunication infrastructure, restore historic heritage sites and create a cleaner environment."

Peter Hames, Manager of Edinburgh Dragon Trust plc said: “The games in themselves are not a significant factor behind investors’ interest in the country. Instead it is the phenomenal growth the economy has achieved, expanding at about 9% a year over the last decade, and its future potential.”

National Pride

With the Olympics bringing millions of visitors to Beijing, it is an opportunity for the Chinese to show the world how much they have developed. **Peter Dalglish, Manager of Pacific Assets** said: “As far as the State Council (China’s cabinet) are concerned, the Olympics is an opportunity to demonstrate to the world just what China can do and how far it has evolved over the past decade.”

John Millar, Manager of Martin Currie Pacific added: “The forthcoming Olympics in Beijing will place the eyes of the world on China. As we saw with South Korea in 1988, such an event can have a major impact on the international perceptions of a country. As an investor, I believe the Olympics will be more a symbol of national pride than a genuine watershed for the Chinese economy.”

The credit crunch

The managers believe that while China has not been immune from the impact of the credit crunch it has held up well.

Peter Hames, Manager of Edinburgh Dragon Trust plc said: “While China’s economy has slowed recently due to the credit crunch, it will be a key driver for global growth for decades to come.”

Pinakin Patel, Pacific Client Portfolio Manager at JP Morgan Asset Management notes that while China has not been immune to the effects of the credit crunch, the country has been able to withstand a fragile global economy commenting that: “China’s exports to Asia remain strong which has helped offset the decreased demand for Chinese goods to the US, while European demand has remained stable.”

Even though China’s economy may be affected to an extent by the credit crunch and perhaps will be more so if markets continue to fall, **Peter Dalglish, Manager of Pacific Assets** commented: “Due to buoyant revenue receipts last year, China enjoys a relatively rare position of being able to support the economy through fiscal pump priming if needed. Infrastructure and healthcare would be the most likely

beneficiaries as the government could justify the expenditure as being part of its objective to achieve a more 'harmonious society' ”.

Top 12 Investment Companies with the highest % exposure to China

Fund	Country	%	Country	%	Country	%	Total (%)
JPMorgan Chinese	China	42	Hong Kong	30	Taiwan	26	98
Henderson TR Pacific	China	30	Hong Kong	13	Taiwan	9	52
Pacific Assets	China	16	Hong Kong	19	Taiwan	17	52
Fidelity Asian Values	China	6	Hong Kong	30	Taiwan	15	51
INVESCO Asia	China	5	Hong Kong	27	Taiwan	15	47
Schroder Asia Pacific	China	7	Hong Kong	25	Taiwan	12	44
JP Morgan Asian	China	12	Hong Kong	19	Taiwan	7	38
Henderson Far East Income	China	6	Hong Kong	15	Taiwan	17	38
Edinburgh Dragon	China	7	Hong Kong	19	Taiwan	7	33
Martin Currie Pacific	China	10	Hong Kong	13	Taiwan	9	32
Aberdeen New Dawn	China	3	Hong Kong	19	Taiwan	7	29
Aberdeen Asian Income	China	2	Hong Kong	9	Taiwan	12	23

Investment Companies with highest exposure to China

Share Price Total Return on £100 to 30 June 2008 (less 3.5% Charges)

Duration (Years)		1	3	5	10
Fund	Sector				
JPMorgan Chinese	Country Specialists: Asia Pacific	90.95	153.75	210.16	281.6
Henderson TR Pacific	Asia Pacific - Excluding Japan	86.48	143.81	199.95	281.36
Pacific Assets	Asia Pacific - Excluding Japan	82.6	152.24	248.42	301.57
Fidelity Asian Values	Asia Pacific - Excluding Japan	88.16	149.36	231.03	253.5
INVESCO Asia	Asia Pacific - Excluding Japan	94.6	153.66	237.93	267.42
Schroder Asia Pacific	Asia Pacific - Excluding Japan	88.99	143.53	235.91	404.67
JPMorgan Asian	Asia Pacific - Excluding Japan	91.67	154.67	233.7	424.14
Henderson Far East Income	Asia Pacific - Excluding Japan	93.82	118.51	180.89	426.48
Edinburgh Dragon	Asia Pacific - Excluding Japan	98.94	147.89	239.83	303.09
Martin Currie Pacific	Asia Pacific - Including Japan	81.1	136.22	227.52	258.1
Aberdeen New Dawn	Asia Pacific - Excluding Japan	91.38	138.18	245.6	538.9
Aberdeen Asian Income	Asia Pacific - Excluding Japan	102.76	-	-	-

- Ends -

For Further Information please contact:

Annabel Brodie-Smith
 Communications Director
 AIC
 020 7282 5580
 07798 62 44 49

Emily Conrad-Pickles
 PR & Marketing Executive
 AIC
 020 7282 5551
 07799414790

Notes to editors:

1. Performance figures are to 30 June 2008 and are mid market share price with net income reinvested and a 3.5% deduction for charges, stamp duty and market spread. Sector average performance figures include non AIC Members. Source: AIC using Fundamental Data.
2. Discrete annual % returns – share price total return on £100 less 3.5%

Duration (Years)		1	1	1	1	1
Performance From		30/06/2007	30/06/2006	30/06/2005	30/06/2004	30/06/2003
Performance To		30/06/2008	30/06/2007	30/06/2006	30/06/2005	30/06/2004
JPMorgan Chinese	Country Specialists: Asia Pacific	90.95	131.52	119.69	120.12	105.97
Henderson TR Pacific	Asia Pacific - Excluding Japan	86.48	132.03	117.29	115.33	112.26
Pacific Assets	Asia Pacific - Excluding Japan	82.6	151.19	113.52	122.34	124.21
JPMorgan Asian	Asia Pacific - Excluding Japan	91.67	135.36	116.08	123.31	114.1
Martin Currie Pacific	Asia Pacific - Including Japan	81.1	127.09	123.07	109.81	141.65
Advance Developing Markets	Global Emerging Markets	106.58	130.83	136.86	132.37	126.72
JPMorgan Emerging Markets	Global Emerging Markets	100.86	135.03	135.75	151.32	123.65
Edinburgh Dragon	Asia Pacific - Excluding Japan	98.94	117.72	118.23	128.55	117.48
Schroder AsiaPacific	Asia Pacific - Excluding Japan	88.99	133.1	112.84	128.99	118.67
Fidelity Asian Values	Asia Pacific - Excluding Japan	88.16	133.35	118.32	128.94	111.71

3. The Association of Investment Companies was founded in 1932 to represent the interests of the investment trust industry – the oldest form of collective investment. Today, the AIC represents a broad range of closed ended investment companies, incorporating investment trusts and other closed ended investment companies and VCTs. The AIC's members believe that the industry is best served if it is united and speaks with one voice. The AIC's mission statement is to help Members add value for shareholders over the longer term. The AIC has 356 members and the industry has total assets of approximately £99 billion.