

Utilization Status Report of the Labor Funds (this year up to the end of May)

The economic performance of May 2014 differs among global main economies. US ISM Manufacturing index fell 1.7 to 53.2 compared to last month. ISM Non-Manufacturing index climbed to 56.3 in May, an increase of 1.1 from last month and the record high from last August. US unemployment rate was steady at 6.3%, and non-agriculture employment increased by 217,000. US employment figures were better than expected. The Euro zone Manufacturing PMI slipped 1.2 to 52.2 in May from last month. However, the Euro zone Service PMI climbed to 53.2, an increase of 0.1 from last month and at three-year high. The Euro zone unemployment rate released recently eased down 0.1% to 11.7% in April but still at high level. Meanwhile, China Manufacturing PMI rose for the third successive month to 50.8 in May, up 0.4 from last month and at five-month high. Non-Manufacturing PMI climbed 0.7 to 55.5 compared to last month and hit record high from last November. It shows China's economy is recovering from slump in the beginning of this year.

The stock market kept climbing in May due to global finance market affected by economic data better than expected, prosperous M&A transactions, and expectation of the ECB's further monetary easing policy. MSCI World Index, MSCI Emerging Market Index, and Taiwan Stock Exchange Capitalization Weighted Stock Index rose 2.13%, 3.43% and 3.24% respectively in May; and 4.22%, 3.84% and 5.39% respectively this year.

The overall asset under management of the labor funds is NTD2.4519 trillion by May, 2014, including 1.1575 trillion of the Labor Pension Fund, 609 billion of the Labor Retirement Fund, 571.7 billion of the Labor Insurance Fund, 92.6 billion of the Employment Insurance Fund, 11.2 billion of the Occupation Incidents Protection Fund and 9.9 billion of the Overdue Wages Payment Fund. Return of the labor funds continue to grow steadily through global diversified investments. This year up to the end of May, the overall labor funds earned 81.3 billion after marked to market, 28.5 billion more than up to previous month. The return of the Labor Pension Fund, the Labor Retirement Fund, the Labor Insurance Fund, the Employment Insurance Fund, the Occupation Incidents Protection Fund and the Overdue Wages Payment Fund were 3.63%, 4.01%, 3.17%, 0.42%, 0.36% and 0.49% respectively.

Looking ahead, the latest Global Economic Prospects released by the World Bank on June 10 pointed out that factors like the cold weather in U.S., Ukraine crisis and China's economic rebalancing suppressed global economic expansion in the first half of the year, and revised down this year's global economic growth rate by 0.4% to 2.8%. The ECB cut deposit rate from 0% to negative 0.1% on June 5, in order to prevent the eurozone from sliding into deflation, and has become the first major

central bank to implement negative interest rates. In respect of the domestic economy, the Directorate-General of Budget, Accounting and Statistics adjusted this year's economic growth rate upward from 0.16% to 2.98% on May 23, considering that while corporates become more active in raising salary and the stock index is climbing steadily, private consumption growth is expected to be driven by income and wealth effects

The global economy continues recovering through expansionary policies in most countries, but uncertainty and risk still exist. The Bureau of Labor Funds will keep up with global financial situation, expand diversified investments and focus on management of investment risk. The investment allocation and strategy shall be adjusted timely in accordance with changes in the market to obtain long-term stable income, so as to achieve the goal to protect labors' economic security and retirement.

Status of the Funds Utilization of Bureau of Labor Funds

May31, 2014

Funds	Fund Utilization Balance (Unit:NT\$ million)	Overall Performance	
		Return (Unit:NT\$ million)	Yield Rate
Labor Pension Fund (The New Fund)	1,157,557	40,621	3.63%
Labor Retirement Fund (The Old Fund)	608,979	23,340	4.01%
Labor Insurance Fund	571,692	16,851	3.17%
Employment Insurance Fund	92,567	381	0.42%
Occupation Incidents Protection Fund	11,208	41	0.36%
Overdue Wages Payment Fund	9,893	47	0.49%
Sum of Labor Funds	2,451,896	81,281	3.47%
National Pension Fund	180,421	5,183	3.00%
Total Assets under Management	2,632,317		

