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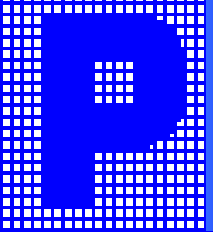
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Economic Structure in better shape – Households have better personal financial balance sheet; No housing market bubble or correction.



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If Trend Ain't Broken Don't Change It. Gold is likely to remain in high interest.

Equities – Prices losing upward momentum and market seems to realize that prices have gotten ahead of fundamental valuation. Corporate earnings will be key driver to market performance moving forward.

Commodities – Performance have been mixed among commodities. Interest in Gold remains high whereas oil price remains weak.

Fixed income – High yields continue to be in demand as risk appetite returns.

Equities – Signs of losing steam

As many would have expected, price action on equities has been sluggish as we approach the year end holiday season. We are seeing waning market interest in major equities as trading volume stays below average. On a side note, we view that policy stimulus measures cannot continue forever and are expected to fade out in 2010 as the global economy recovers. Performance has been mixed across global equities and Brazil continues to be the best performing market. Japan equities staged a strong rebound on the back of a depreciating yen. Table 1 below shows the overall monthly performance of selected global indices.

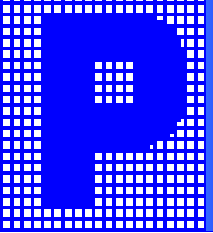
Table 1: Selected Equity Stock Market Index Returns

Rank	Country	Index	Dec. 16	1-month gain/loss	3-month gain/loss	6-month gain/loss	52 week High	52 week Low
1	Brazil	Bovespa	69310.81	4.03%	14.73%	35.36%	69785.41	35721.83
2	Japan	Nikkei 225	10177.41	3.94%	-0.91%	4.35%	10767	7021.28
3	Singapore	Straits Times	2796.1	0.45%	4.58%	22.25%	2812.19	1455.47
4	U.S.	S&P 500	1107.93	-0.12%	3.66%	21.49%	1119.13	666.79
5	World	MSCI World	1157.84	-1.49%	1.71%	20.61%	1183.33	684.07
6	Australia	All ordinaries	4676.1	-2.05%	0.50%	18.15%	4897.5	3090.8
7	Hong Kong	Hang Seng	21611.74	-5.81%	0.98%	18.97%	23099.57	11344.58

Source: Bloomberg, as of 16 December 2009

Report Highlights

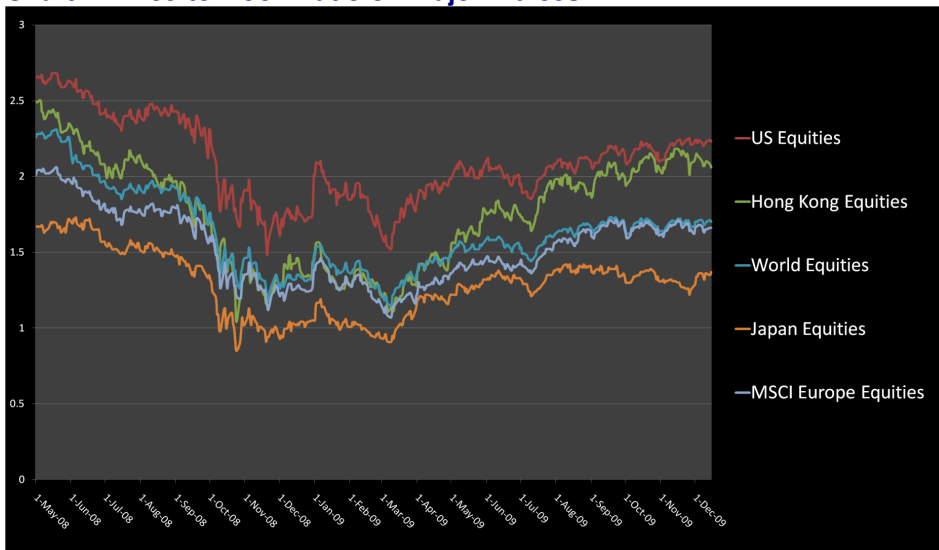
Performance of global equities has been mixed and Brazil continues to outperform other major indices.



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Relating back to our previous month outlook, we mentioned that equities are expected to stay sideway on the back of low trading volumes. Moving forward, we would expect market interest to gradually return at the start of the year as institutional players take up positions for the year 2010. At the current price levels, prices seem to have gotten ahead of fundamental valuation. The Price-to-Book ratio on major indices indicates that valuation is approaching the pre-crisis levels although further upside is still a possibility. Likewise, dividend yields have been trending down since March this year which is a sign of increasing overvaluation. Chart 1 and 2 below give a detailed graphical illustration.

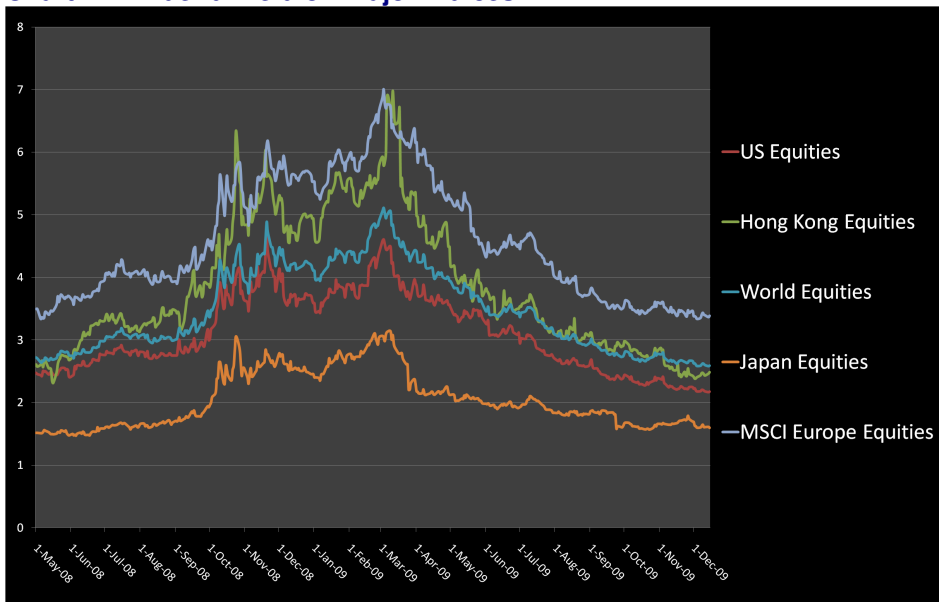
Chart 1: Price-to-Book Ratio on major indices



Source: Bloomberg, as of 16 December 2009

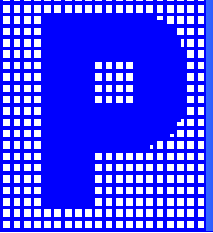
Price Book ratio trends up on the back of stock price recovery.

Chart 2: Dividend Yield on major indices



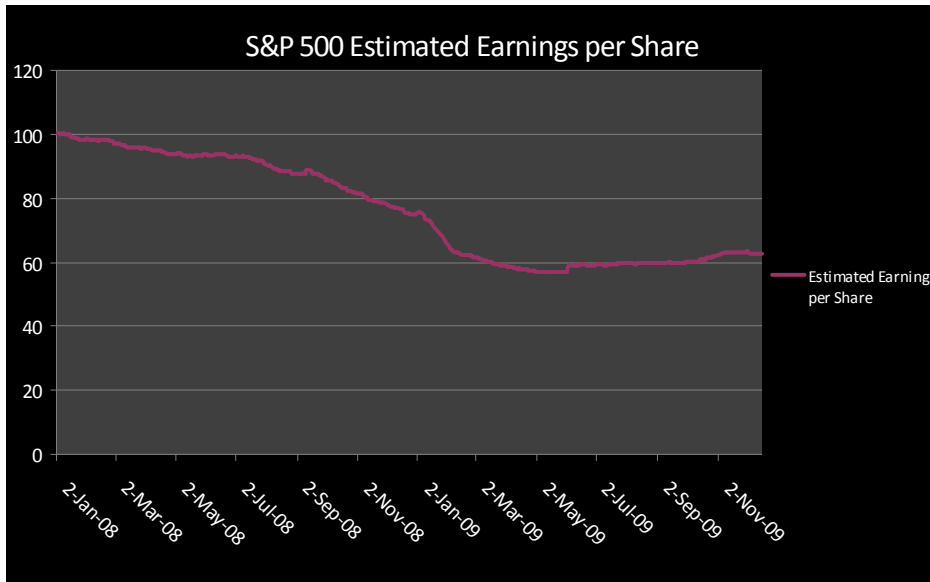
Source: Bloomberg, as of 16 December 2009

Dividend yields returning to pre-crisis levels.



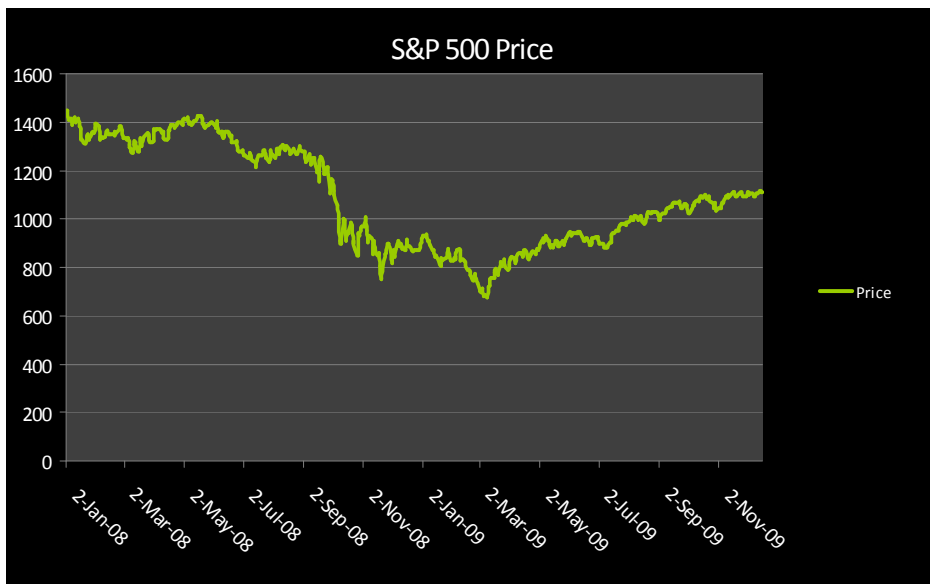
We are not suggesting a major correction for the time being and reiterate our neutral stance. However, we see that corporate earnings will be a key driver to market performance in the near term. On Chart 3, the estimated earnings per share on the S&P 500 has not increased as significantly as the recent 9 month run-up in stock prices (Chart 4). This will eventually be a sign of concern when investors realized that prices have gone ahead of earnings. However, on a bigger picture, earnings numbers should improve moving forward given the improvement in the overall economic environment.

Chart 3: S&P 500 Index Estimated Earnings per Share



Source: Bloomberg, as of 16 December 2009

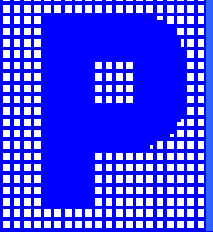
Chart 4: S&P 500 Index Price Performance



Source: Bloomberg, as of 16 December 2009

Estimated Earnings has not went up as significantly as the stock prices.

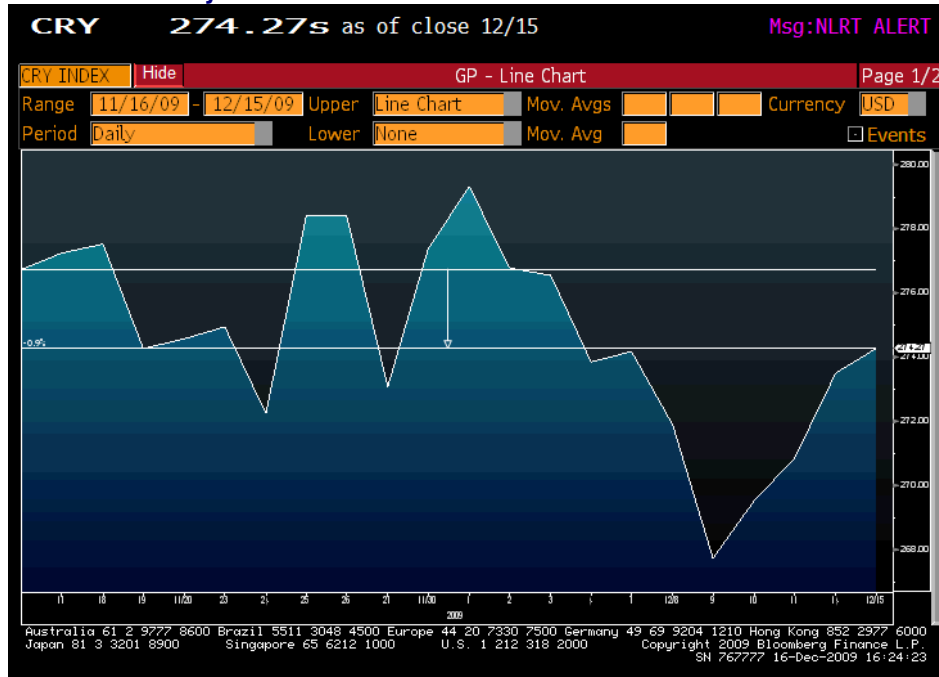
S&P 500 Index moves sideways. Neutral view in near term until new developments provides clearer signals.



Commodities – Mixed performance

The CRB Jefferies Index went down 0.9 percent, reflecting a bearish sign on the overall commodities market. Gold price went up to a high of 1227 before retracing back part of its earlier gains. Oil price is in a more bearish tone as it falls below the \$70(USD/bbl.) mark.

Chart 5: Monthly Return for the CRB Jefferies Index



Source: Bloomberg, as of 16 December 2009

There has been a high level of speculative activities in the gold futures market. Fundamentally, gold remains to be in high demand with concerns on US dollar still lingering. The upward channel in Chart 6 tells us that underlying trend is still towards the upside. On a technical basis, we would expect gold prices to find support at 1100 region with upside target at 1350. Crude oil price has been heading south for the past month. With the crude oil inventory remaining high, we maintain a bearish view on energy prices as a whole. Also, the OPEC has reiterated during the month that it is comfortable with the current oil price and is unlikely to make changes to the oil supply any time soon. On a whole, the \$60 (USD/bbl.) mark is still a realistic target in the medium term.

CRB index went down on a MoM basis. Performance is mixed among the various commodities.

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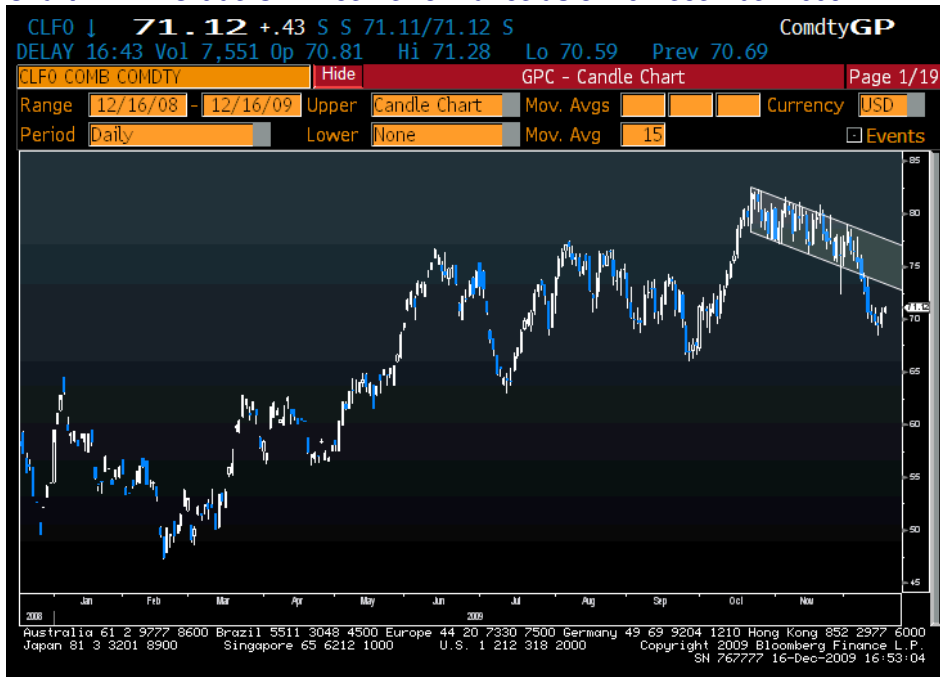
Chart 6: Gold Price Performance as of 16 December 2009



Source: Bloomberg, as of 16 December 2009

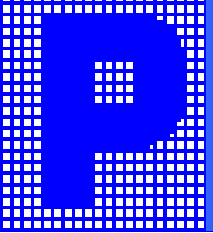
Gold price is in an upward channel. Near term target is at \$1350 (USD/t oz.)

Chart 7: WTI Crude Oil Price Performance as of 16 December 2009



Source: Bloomberg, as of 16 December 2009

Oil price heads south on the back of abundant supply and low market interest.



Fixed Income – Tactical selection will be vital

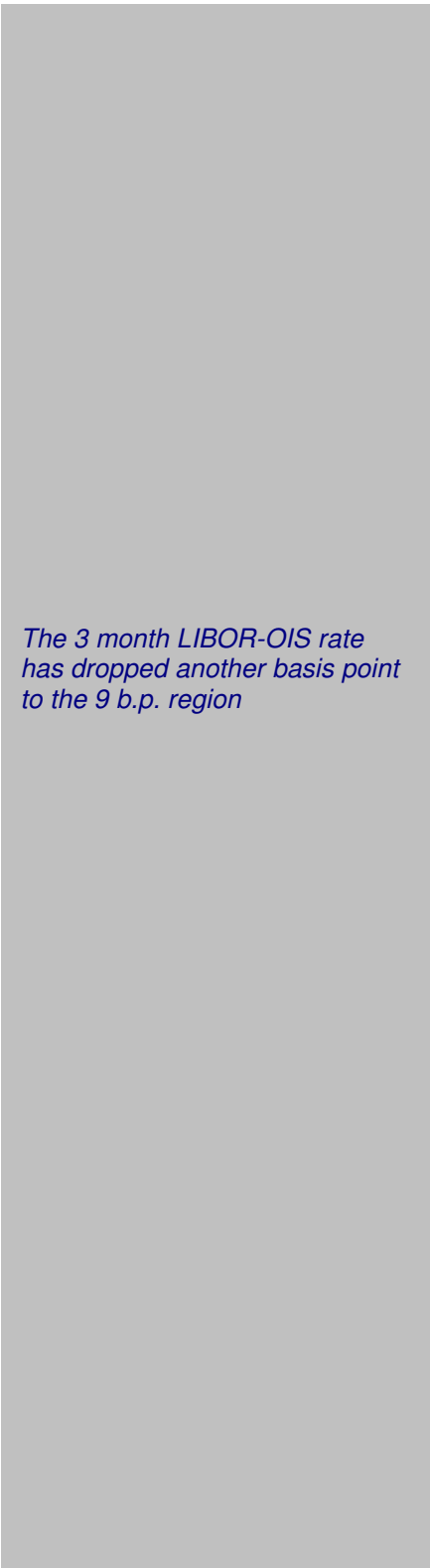
The US Fed rate has been kept at the lowest level in recent history and the US Fed Reserve mentioned on 17 Dec. that it is still wary of raising rates as economy stays fragile. Nevertheless, the US government bond market is likely to experience a heavy supply in 2010 as the US deficit is expected to swell by another US\$3.5 trillion over the next 3 years. High yields and emerging market bonds took in a cumulative inflow of more than US\$5.0 billion since the start of the year. Risk appetite continues to increase, favoring the high yielding bonds.

Chart 8: The 3 month LIBOR-OIS spread curve

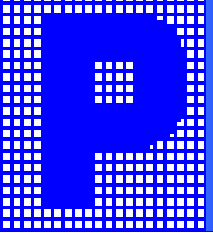


Source: Bloomberg, as of 16 December 2009

The spread between the LIBOR and OIS rate has reached pre crisis levels (Chart 8) and points to the highly liquid condition on the overall credit market. We feel that performance among the various bond categories will differ moving forward. With the current liquid credit market, high yield bonds are likely to continue to be in favor among the high yield seekers. Performance on the various global bond funds have been mixed recently and prudent selection on the various bond funds will be necessary moving forward.



The 3 month LIBOR-OIS rate has dropped another basis point to the 9 b.p. region



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Australia – A Tactical Gold Play

Financial and Natural Resources – One of the top three gold-producing countries and exports coal and iron ore at the same time.

Sound Banking System – First central bank to raise rates; Central bank’s outlook of economy remains highly positive.

Economic Structure in better shape – Households have better personal financial balance sheet; No housing market bubble or correction.

Introduction

Our focus of this month will be on Australian equities. Taking a look back on 2009, optimism has indeed run high. However, policy stimulus measures are expected to fade out in 2010 and economies with strong fundamentals should stand out against its peers upon stimulus withdrawal. Australia appears well-positioned to capitalize.

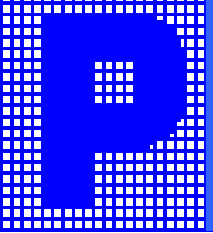
Table 1: Overall economic data on Australia

Gross Domestic Product (Q3/09)	
QoQ change	1 year change
0.2%	0.5%
Unemployment (Nov09)	
Last	1 year change
5.7%	1.3%
CPI (Q3/09)	
Change	1 year change
1.0%	1.3%
PPI (Q3/09)	
Change	1 year change
0.1%	0.2%

Source: Bloomberg, as of 18 December 2009

Report Highlights

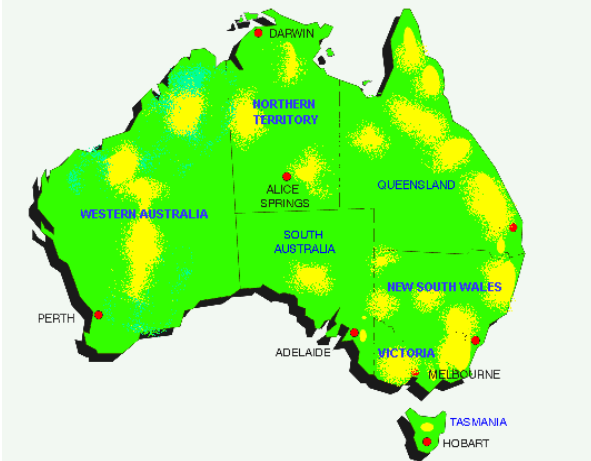
Australia has been one of the few countries to avoid a recession.



Financial resources and natural resources

Global investors might be engrossed in the soaring gold prices for the time being. However, the most likely beneficiaries will be the gold exporting countries on the back of increasing export revenue. Australia is ranked third in the world among the top gold-producing nations, producing about 300 tons annually. Coal and iron ore are the largest export items for Australia and are also in high demand at the present as the China's growth phenomenon continues to take spotlight. The Australian government has also taken prudent fiscal actions in stimulating the economy as the country avoids a recession. On the back of this is the massive amount of financial resources they have at their disposal.

Figure 1: Gold Reserves in Australia (In Yellow)



Source: www.gold-net.com.au/maps1.html

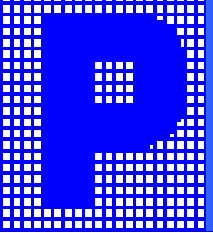
Gold reserves in Australia

Chart 1: Price Performance of Gold Price



Gold performance is still bullish supported by the upward channel.

Source: Bloomberg, as of 18 December 2009



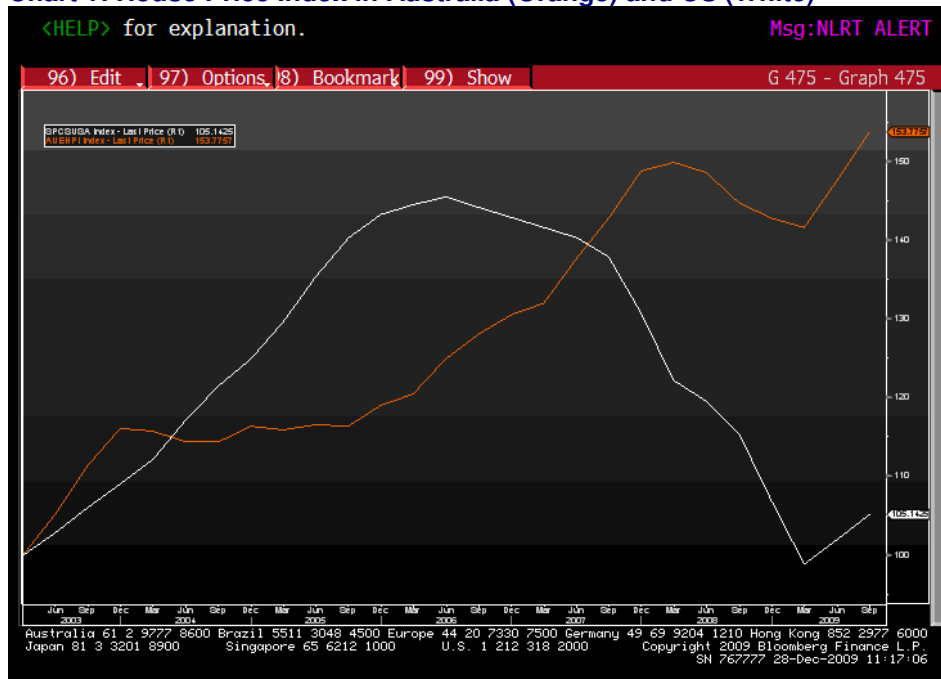
Sound Banking System

The Australian banks have taken only a slight hit from this crisis. Due to the fact that the banks' business model resembles a commercial-like banking structure, they tend to be more conservative than the highly leveraged Western counterparts. The outlook from the RBA central banker remains highly positive as they raised rates for 3 periods consecutively. This is a significant move because this is the first time it took such an aggressive move. Also, the overall stance of the Australia's monetary policy is in the expansionary segment as per mentioned by Glenn Stevens, the central banker. Moving forward, the central bank signals that it is comfortable with the current "normal range" of the rates and is unlikely to tighten its policy further.

Economic Structure in better shape

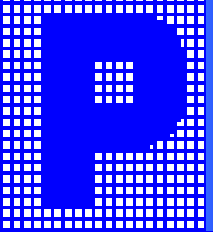
Two economic factors that are likely to propel Australia equities to perform better than the West will be the absence of housing bubble in Australia and the households tend to have a better personal financial balance sheet. In the case of US and UK, the prices of the property markets are likely to be a lingering concern in the near term but not for Australia.

Chart 1: House Price Index in Australia (Orange) and US (White)



US Housing Price is still recovering from its wounds while prices in Australia picks up strongly.

Source: Bloomberg, as of 18 December 2009



Overall view on Australia

In terms of monetary and fiscal policy, Australia has high consistency and transparency – qualities that investors value and are even more in demand at present than usual. We view that it is likely to benefit from significant foreign direct investment inflows over the medium term. The Asian continent is poised to be a major contributor in its foreign direct investments and trade exports given its geographical proximity. Chart 2 below shows the high correlation of global trade with Australian Equities.

Chart 1: Baltic Dry Index and Australian Equities



Baltic Dry Index is a good measure of global trade.

As mentioned earlier, Australia is well-positioned over the medium term to meet the demands of the fast-growing Asian region. The domestic commodity sector is an obvious beneficiary from Chinese and Indian demand. Rising metal and energy prices represent a significant terms of trade boost for Australia. At the same time, services may also benefit. In this context, the Chinese economic recovery is particularly supportive for Australia given the significant increase in trade links between the two countries over the last few years.

Recommended Fund

We recommend the LionGlobal Australia Fund which invests substantially in Australian Mining Blue chips. These companies are the world’s biggest natural resources companies and are performing strongly alongside with rising Asian domestic demand for raw materials at the time being. In the near term, recovery in global trade will have a positive impact on the Australian equities given the country’s export driven economy. On a whole, the fund has generated a return of close to 80% on a 1 year basis.

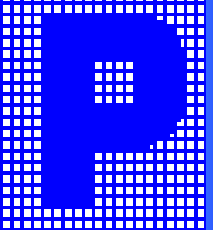


Table 2: Fund statistics

<i>Fund Facts</i>	<i>Figures</i>
Assets under Management (AUM)	28.27 million
1 Year Return	75.91%
Maximum Drawdown	-12.74%
Volatility	28.12%
Sharpe Ratio	2.88

Source: Bloomberg (as of 18 December)

Fund has a high Sharpe Ratio and a low Maximum Drawdown.

Table 3: Holdings of LionGlobal Australia Fund

Sector Allocation <small>(As At 30 October 2009)</small>		Top Holdings <small>(As At 30 October 2009)</small>	
	% of NAV	1	BHP Billiton Ltd
Financial	40.8	2	Commonwealth Bank of Australia
Basic Materials	29.6	3	Westpac Banking Corp Ltd
Consumer, Non-cyclical	9.2	4	Australia and New Zealand Banking Group Ltd
Energy	6.3	5	Rio Tinto Ltd
Communications	6.1	6	News Corp
Industrial	3.2	7	Woolworths Ltd
Consumer, Cyclical	1.2	8	Newcrest Mining Ltd
Cash & Cash Equivalent	3.6	9	Woodside Petroleum Ltd
	<hr/>	10	AXA Asia Pacific Hldgs Ltd
	100		

Source: Fund Factsheet, November 2009

Fund mainly invests in Mining Giants and Financial Sectors in Australia.



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Asset Class Update

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