

# PRU Dragon Peacock Fund

## Fund Update

### Commentary

#### PRU Dragon Peacock Fund ( the "Fund") performance and market overview

The MSCI India advanced 4.29%<sup>1</sup> in June fuelled by macroeconomic data as the government announced on the last day of May a stronger than expected 8.6%<sup>2</sup> growth in GDP for the three months ended March from a year earlier. The highlight in June, however, was the government's announcement regarding the deregulation of fuel prices which will help oil marketing companies to cut under-recoveries, easing the pressure on the government and bringing down the fiscal deficit. Consumer goods outperformed as expectations of a better than average monsoon season eased inflation concerns while strong demand helped the auto sector move higher. Metals ended in the red and banks underperformed on expectations of a rate increase. Meanwhile, the MSCI China Index climbed 1.27%<sup>1</sup> as the People's Bank of China ("PBoC") pledged to increase the flexibility of China's exchange rate. The PBoC ruled out a one-time revaluation of the currency that has been held at about 6.83<sup>2</sup> yuan a dollar since mid-2008. Shares climbed on speculation the move will help boost growth. Focus in June was on defensive growth sectors with consumer staples leading the outperformers followed by telecom and consumer discretionary. Information Technology underperformed and the materials sectors also lagged. The Fund advanced 1.7% (bid-to-bid basis), underperforming its benchmark's advance of 2.5%.

#### Positive contributors

Energy stocks were the leading contributor to relative performance on a sector level with overweight Oil India leading the charge. The company advanced on the back of a gas price hike, government deregulation of auto fuels and steady growth in production. Stock selection also contributed to performance in the information technology sector as overweight Travelsky Technology Limited ("Travelsky") advanced while underweight Tencent Holdings ("Tencent") declined. Travelsky, the leading provider of IT solutions for China's aviation industry, stands to benefit from long-term growth in domestic travel. Tencent declined due to deceleration of gaming revenues and market reaction to the news that the Ministry of Culture will ban secondary trading and monetization of gaming points.

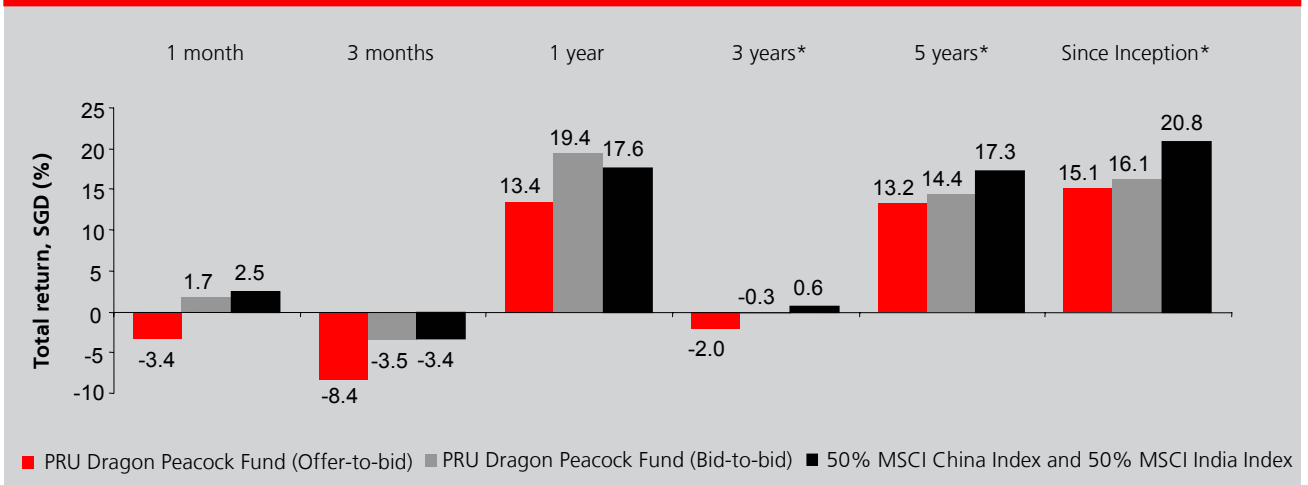
#### Negative contributors

The leading detractor from performance in June was China Zhongwang Holdings. The decline was due to the fact that the US International Trade Commission approved a US Commerce Department investigation that there was enough evidence to show aluminium extrusions imported from China had harmed the domestic industry, leading to a further probe into aluminium goods made in China. The company continues to run at full capacity due to domestic demand but this business provides lower margins. Financials led detractors on a sector basis with overweight Franshion Properties declining. The recent share decline alongside the broader sector amid policy tightening aimed at the residential market appears unwarranted for the commercial builder.

<sup>1</sup> MSCI Barra, as at June 2010

<sup>2</sup> JP Morgan, as at July 2010

## Fund Performance



Benchmark: 50% MSCI China Index and 50% MSCI India Index

Source: Prudential Asset Management (Singapore) Limited and Bloomberg. S\$; net income reinvested; Offer-bid includes 5% Initial Sales Charge. Inception Date: 18 June 2004 \*Annualised.

The charts above are included for illustrative purposes only. Past performance and any projection or forecast are not necessarily indicative of the future or likely performance of the Fund.

## Changes to the Portfolio

The Fund manager exited Li Ning Company Limited, a manufacturer of footwear, apparel and accessories for sport and leisure. Valuations have become less attractive as order book growth has increased but lagged behind peers. We prefer Shenzhou International Holdings in this space and initiated a new position in June. The company benefits from solid growth, forward earnings visibility and an experienced management team with sound strategies.

## Outlook

India has been slightly behind the curve in terms of policy tightening in our view. Given the growth and inflation outlook, the risk to rates is on the upside. We anticipate another rate hike at the Reserve Bank of India's next policy meeting slated on July 27. Domestic demand remains resilient and strong GDP growth is likely to continue. While India's exposure to Europe is limited, concern regarding sovereign debt and austerity measures may provide an environment of risk aversion pending the resolution of debt concerns. In China, the recent deceleration in growth has reduced the risk of aggressive rate hikes, however, the capital market may be concerned regarding the risk of a hard landing, in our view.

## Top 10 holdings (%)

Company	Fund
Bank of China Ltd	7.9
Reliance Industries Ltd	5.9
Infosys Technologies Ltd	5.2
Industrial and Commercial Bank of China Ltd	4.6
Axis Bank Ltd	4.0
China Mobile Ltd	3.6
Cnooc Ltd	2.8
ICICI Bank Ltd	2.7
Rural Electrification Corporation Ltd	2.6
Focus Media Holding Ltd	2.5

## Industry weighting (%)

Sector	Fund
Financials	30.4
Resources	15.8
Information Technology	9.9
General Industrials	8.7
Non-Cyclical Consumer Goods	6.1
Non-Cyclical Services	6.1
Basic Industries	5.5
Cyclical Consumer Goods	5.0
Cyclical Services	4.6
Others	7.9

## Geographical breakdown (%)

Country	Fund
China Related	48.3
India Related	47.9
Others	3.8

Source: Prudential Asset Management (Singapore) Limited, as at 30 June 2010.

## Contact details

**Prudential Asset Management (Singapore) Limited** (Registration No. 199407631H)

30 Cecil Street #20-01 Prudential Tower Singapore 049712

Tel: 63179 618 Fax: 6536 3521

Website: [www.prufunds.com.sg](http://www.prufunds.com.sg)

## Important Information

This newsletter is solely for information and may not be published, circulated, reproduced or distributed in whole or part to any other person without the prior written consent of Prudential Asset Management Singapore Limited ("PAMS") (Company Reg No. 199407631H).

This newsletter should not be construed as an offer or solicitation for the subscription, purchase or sale of any securities mentioned herein. There is no assurance that any securities discussed herein will remain in the Fund's portfolio at the time you receive this newsletter or that securities sold have not been repurchased. The securities discussed do not represent the Funds' entire portfolio and in the aggregate may represent only a small percentage of the Fund's portfolio holdings. Whilst PAMS has taken all reasonable care to ensure that the information contained in this newsletter is not untrue or misleading at the time of publication, PAMS cannot guarantee its accuracy or completeness.

Please note that the Luxembourg-domiciled International Opportunities Funds has established a similar sub-fund within the umbrella fund of International Opportunities Funds having the same investment objective and focus as the PRU Dragon Peacock Fund (the "IOF sub-fund"). In the event that the IOF sub-fund be approved by the Authority as a recognised scheme available for direct investment by the retail public in Singapore, the Manager may, in consultation with the Trustee, and subject to the approval of the relevant authorities, (i) seek to terminate the PRU Dragon Peacock Fund and exchange existing Units in the PRU Dragon Peacock Fund for shares in the IOF sub-fund; or (ii) change the investment policy of the PRU Dragon Peacock Fund from a direct investment portfolio to a feeder fund investing all or substantially all of its assets into the IOF sub-fund. Investors should note that in the event of an exchange Units for shares in the IOF sub-fund, there is no assurance that the fees and charges of the IOF sub-fund would not be higher than that of the PRU Dragon Peacock Fund. Investors should not invest in the PRU Dragon Peacock Fund in anticipation of investing in the IOF sub-fund as there is no certainty whether the IOF sub-fund may be recognised for offer to the retail public in Singapore.

A prospectus in relation to the Fund is available and a copy of the prospectus may be obtained from PAMS and its distribution partners. **Potential investors should read the prospectus before deciding whether to subscribe for or purchase units in the Fund.** The value of units in the Fund and the income accruing to the units, if any, may fall or rise. Past performance of the Fund and PAMS is not necessarily indicative of the future or likely performance of the Fund or of PAMS. The prediction, projections or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of the Funds or the managers. PAMS and its related and affiliated corporations together with their respective directors and officers may have or may take positions in the securities mentioned in this documentation and may also perform or seek to perform broking and other investment services for the corporations whose securities are mentioned in this documentation as well as other parties. An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. Investments in the Fund are not deposits or other obligations of, or guaranteed or insured by PAMS or any of its related corporations. Investors may wish to seek advice from a financial adviser before making a commitment to invest in units of the Fund. In the event an investor chooses not to seek advice from a financial adviser, the investor should consider whether the Fund is suitable for him. Investors should not act on it without first independently verifying its contents. Any opinion or estimate contained in this document is subject to change without notice. PAMS and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America. As at end June 2010, the Investment Manager had approximately S\$ 61.09 billion of assets under management, of which approximately S\$46.87 billion were discretionary funds managed in Singapore.