

PRU Dragon Peacock Fund

Fund Update

Commentary

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

The MSCI India fell 4%¹ in October in U.S. dollar terms on concerns regarding the withdrawal of stimulus measures and a mixed set of quarterly corporate results. India's central bank initiated the first step toward the removal of its record monetary stimulus when it ordered banks to retain more cash in government bonds but kept policy rates unchanged. Defensive sectors such as consumer staples and healthcare outperformed while telecom, energy and financials lagged. Meanwhile, the MSCI China Index advanced 6.4%¹ making it the best performing benchmark in the region for the month. Information technology, consumer staples, and healthcare outperformed the market while the defensive utilities and telecom sectors underperformed. China's solid pace of recovery was evident as it reported a real GDP growth rate of 8.9% year-on-year for the third quarter, the fastest pace in a year, prompting upgrades to full-year forecasts. The Fund advanced 0.2% (bid-to-bid basis), underperformed its benchmark of 0.4%.

Positive contributors

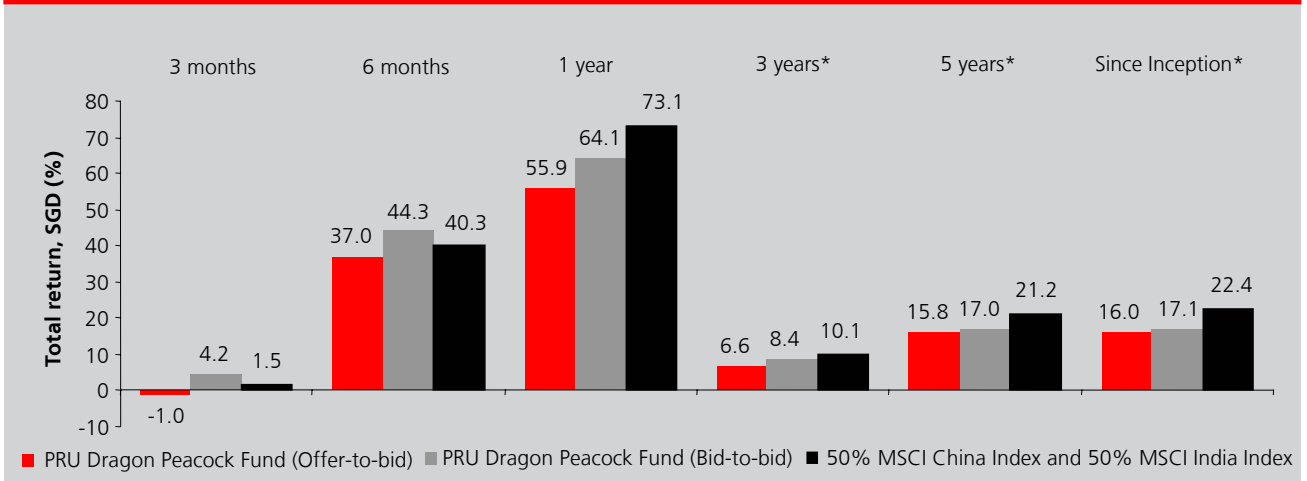
The Fund's overweight positioning in technology stocks contributed to performance with AAC Acoustic Technologies Holdings Inc. leading the charge. Shares continued to climb following better than expected earnings and progress expanding into new components. Mphasis Pte Ltd also moved higher recording robust quarter-on-quarter revenue and net-profit growth as it has been able to mine the clients of partner Hewlett Packard effectively. Underweight positioning in telecommunications stocks such as Reliance Communication Ltd and Idea Cellular Ltd helped relative performance. Hypercompetition in India is likely to pressure margins despite strong mobile subscriber additions.

Negative contributors

Consumer discretionary stocks were the primary detractors from performance with Sohu.Com Inc. and Maruti Suzuki India Limited leading the decline. Sohu was lower for the month despite reporting earnings that were in line with 3Q estimates as investors factored in slower game growth, however, the company stands to benefit from a solid pipeline and long-term advertising growth. Maruti Suzuki India Limited relinquished some of its earlier gains and although the market has some concerns regarding the possibility of higher commodity prices and capacity constraints, we are positive about the company's ability to maintain its leadership position in India as well as plans for expansion of its sales and service network. Li Ning Co Ltd fell 6.2% over the past month following the announcements of unexciting sales performance by the company and industry peers. The outlook for Li Ning is positive given the opportunity for growth, improving supply chain management and normalization of marketing expenses post Olympics.

¹ MSCI Barra, as at October 2009

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. *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 Beijing International Airport Company Ltd in October. The stock has enjoyed an 85% run-up since its February low but management expects traffic growth to soften for the rest of the year and non-aeronautical revenues to decline by about 10%. Anhui Conch Cement Co. Ltd was sold as valuation has become rich at current levels. Oil & Natural Gas Corporation was exited due to fundamental headwinds. Domestic crude production is struggling and overseas production has plateaued. New positions were established in Bharti Airtel Ltd and Onmobile Global Ltd. Bharti Airtel Ltd is favoured on valuation while Onmobile is a niche telecom technology company that is doing well on the international front.

Outlook

India's central bank is setting the scene to increase policy rates with its hawkish tone during its October credit policy review and on the back of accelerating inflation. We expect an increase in the cash reserve ratio (CRR) as the first tightening step followed with the possibility of repo and reverse rates rising in April 2010. In China, the latest macro economic data support the view that the economy is on the mend. Valuations are not too expensive and corporate earnings are providing positive surprises, prompting analysts to revise upwards their earnings estimates. On the monetary policy front, we believe that it's too early for concern regarding tightening policies.

Top 10 holdings (%)

Company	Fund
Bank of China Ltd	6.4
Industrial and Commercial Bank of China Ltd	6.1
Reliance Industries Ltd	4.7
Infosys Technologies Ltd	4.0
ICICI Bank Ltd	3.8
China Mobile Ltd	3.7
BYD Company Ltd	3.5
Axis Bank Ltd	3.5
Sterlite Industries (India) Ltd	3.4
Cnooc Ltd	2.7

Industry weighting (%)

Sector	Fund
Financials	31.3
Resources	20.5
General Industrials	10.3
Information Technology	8.7
Non-Cyclical Consumer Goods	7.5
Non-Cyclical Services	6.1
Basic Industries	4.9
Cyclical Services	4.4
Cyclical Consumer Goods	2.4
Others	3.9

Geographical breakdown (%)

Country	Fund
China Related	49.1
India Related	48.6
Others	2.3

Source: Prudential Asset Management (Singapore) Limited, as at 31 October 2009.

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