



As at 30 June 2006

PRU Dragon Peacock Fund

Both China and India recovered from their multi-month lows, initially on returning investor confidence that global growth was not about to stall and then on a stronger rally after the Fed's 29 June policy statement that further interest rate hikes may end soon.

With hitherto high Indian valuations again falling towards attractive levels, foreign investors again returned to the market. This market bounced back nearly 20% from its June low, and closed the month 2.4% higher in Singapore dollar terms. China also rallied with a 2.4% gain in Singapore dollar terms. Against this volatile background, the Fund rose by 1.87% but underperformed its benchmark by 0.74%. Good stock selection in China boosted performance, but this was insufficient to offset being underweight and a poor stock selection in India. Being exposed to India's banks hurt the Fund as these stocks reacted to the rising interest rate fears.

June's selling threw up value in all markets such that the Fund Manager took the opportunity to buy cheap stocks as and when they appeared, continuing the strategy in both China and India embarked on during May. Although current jitters may continue, the underlying fundamentals and outlook for both markets remain solid.

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