Singapore Update

Monthly Commentary

January 2012

Market Overview

- Singapore equities ended the month lower as wariness over Europe's debt crisis overshadowed recent optimism about the prospects for the US economy.
- The CPI rose in November because of higher cost of housing, transportation and food.
- Industrial production fell sharply in November due largely to the pharmaceutical cluster but electronics also dropped. Manufacturing stayed in a slump and is expected to remain muted in view of December's purchasing managers' index, which failed to break the 50-point mark.
- Non-oil domestic exports rose in November led by a recovery in demand from Europe, US, Japan, Malaysia, and Hong Kong, while shipments to China declined. Notably, both electronics and non-electronics accelerated.
- The government introduced new measures to cool the residential property market. The additional buyer's stamp duty will make it costlier for foreigners and investors to purchase homes in Singapore. Developers also face a shorter time frame of five years to sell all units in a residential project on newly acquired land.

Model Portfolio News

There were no major changes to the portfolio in December.

Note:
Any changes refer to those of our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.

Corporate News

In corporate news, **City Developments** together with Hong Leong Group and Hong Realty secured another residential site in a government land tender. Throughout the year, the company has been active acquiring well located sites at reasonable prices. We believe its sizeable low-cost land bank and good operating track record is advantageous relative to its peers. Elsewhere, **Singapore Airlines**' alliance with Virgin Australia was approved by Australia's competition regulator, enabling both carriers to strengthen their operational network.

We hold the companies highlighted above.

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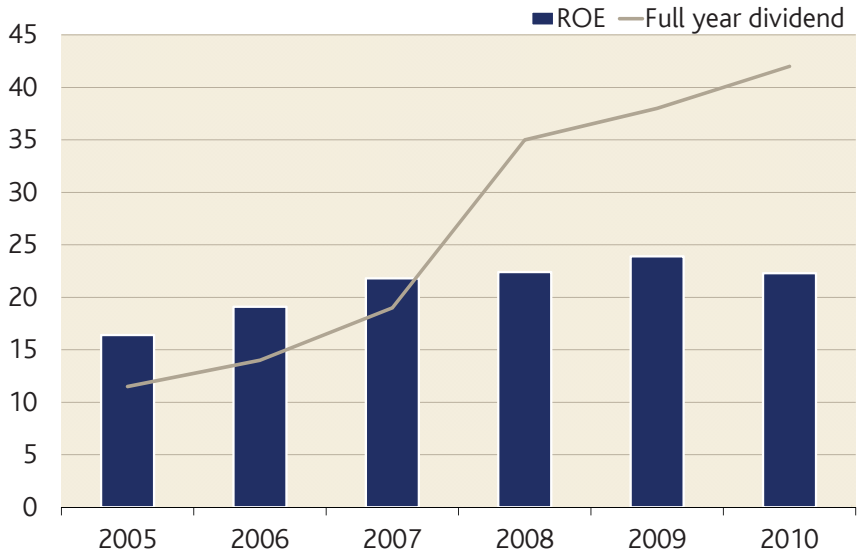
Focus – A rewarding experience

Keppel Corp: Shareholders' Return



Source: Keppel Corp Report to Shareholders 2010

Keppel Corp appears to have the right formula to keeping its shareholders happy. Since 2005, investors' returns have risen steadily with return on equity (ROE) averaging almost 22% per year. Dividend payout has also increased consistently, reaching 42 cents per share in 2010. In the nine months to September 2011, ROE was 20.8%. Total cash distribution paid to shareholders in the same period amounted to 40.6 cents. In the current environment of economic uncertainty and volatility, Keppel Corp stands out as a unwavering performer.

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