FUND PERFORMANCE UPDATE
July 2010

Overview: Cautiously positive

Asian risky assets delivered a generally positive month amidst continued volatility in global markets. Asian credits and most long-end Asian government bonds were well-supported, while Asian stocks edged higher. Only Asian currencies ended mixed despite the shift to a flexible exchange rate regime for the CNY. We remain constructive on the Asian economies, and think that a double-dip recession is unlikely. However, the path ahead could be volatile as Europe continues to deal with its sovereign debt problems. Eventually, we think that the issues are likely to be mostly containable, with the EU-IMF aid package acting as a sufficient buffer in the medium term for austerity measures in the fiscally-challenged nations to gain market credibility.

We are adopting a cautious stance in the short term, and expect trading in Asian credits and Asian equities to remain volatile. However, we remain constructive longer term on Asian government bonds and risky assets, including credits, currencies and stocks. We like government bonds in Korea and Indonesia, as well as their respective currencies. We also favour consumer discretionary stocks in Asia, and stock markets in Singapore, China and Hong Kong.

Asian and Global Credits: Bumpy road to recovery

Slower pace of spread widening; Europe underperformed
Spreads of major high-grade bond indices globally widened between 7-22bp in June, while in Europe and the U.S., high-yield credit spreads largely tightened. The pace of spread widening for high-grade credits moderated, suggesting that some calm may have returned to credit markets. Bonds in the U.S. and Asia outperformed those in Europe as the European debt crisis remained a concern. In Asia, new issuance volume in June was much lower than in previous months. However, secondary trading was firm, especially for a new high-yield issue by an Indonesian corporate, suggesting that demand remained healthy for attractive new issues.

Weaker leading indicators sparked double-dip fears
Leading indicators from the U.S. and China were weaker than expected in June, sparking renewed concerns that the global economy could be headed for a double-dip recession. Investors were further spooked when the U.S. FOMC June statement cautioned that the debt problems in Europe could slow American economic growth. However, liquidity among the European banks appeared better than investors had expected. In June, the banks rolled over

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a much lower-than- expected amount of borrowings into the ECB's new 3-month lending facility, from its previous 12-month lending facility.

Bumpy road ahead but long-term fundamentals intact
Our longer-term outlook for Asian credit markets remains constructive, though we are cautious that the coming months will likely remain volatile due to lingering concerns over the debt problems in Europe. Our base case scenario for global growth is that of a slow and gradual recovery, but a double-dip recession cannot be completely ruled out. We will keep a close eye on the unfolding of the European crisis and other pertinent global events, along with key economic indicators. Meanwhile, we continue to be cautious on USD-denominated high-yield Asian credits due to a heavy supply pipeline and weak credit metrics.

Asian Rates: Remain constructive on Asia

UST rallied on weak data and heightened concerns over Europe
U.S. Treasuries (UST) rallied in June on the back of weak economic data and heightened concerns over the fiscal troubles in peripheral Europe. Greece's 5-year CDS spread reached an all-time high of 1125bp due to speculation that Greece may have to tap into the EU-IMF package, as well as the announcement that it was putting up some of its islands for sale. For the first time this year, the 10-year UST yield dipped below 3%, and the yield curve bull-flattened.

Long-end government bonds outperformed in most Asian markets
Continuing macro concerns provided support to long-end government bonds in most Asian markets. In Indonesia, Moody's upgrade of its rating outlook further lifted government bonds. Bank Indonesia's move to increase the maturity range of its debt instruments was also viewed positively by the markets. Central banks in Taiwan and New Zealand raised their policy rates by 0.125% and 0.25% respectively. While the move by New Zealand was widely expected, Taiwan's was against consensus. Correspondingly, government bonds in China and Taiwan were sold off.

Remain constructive on Asian economies but expect volatility ahead
We remain constructive on the Asian economies. While we think that a double-dip recession is unlikely in Asia, the path ahead will likely be volatile due to continued concerns over Europe's debt problems. We think that Europe's fiscal debt crisis is likely to be mostly containable, unlike the 2008 credit crisis resulting from the Lehman bankruptcy. The EUR750b EU-IMF aid package, which covers the funding needs for Greece, Spain, Portugal and Ireland over the next three years, should act as a sufficient buffer in the medium term for austerity measures to gain market credibility.

Most Asian central banks likely to pause on tightening measures
We believe most Asian central banks will pause on their monetary tightening measures amid heightened economic uncertainty. Therefore, we expect to see a general bull-flattening in most Asian government yield curves. The exception would be India, where policy rates are widely expected to move higher to contain rising inflation. In particular, we are bullish Korean Treasury Bonds as we think that rate hike expectations in Korea have been over-discounted. We are also positive on Indonesia due to strong economic fundamentals and subdued inflation. Indonesian government bonds, which offer some of the highest yields in Asia, should be supported by foreign inflows, reduced volatility of the IDR and the recent credit rating upgrade by Moody's, in our view.

Asian FX: Maintain exposure to Asian currencies

China announced exchange rate regime shift

The People's Bank of China (PBOC) has adopted a new exchange rate regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. The daily fixing of the USD/CNY now appears to be referenced off the prior day's spot close, rather than the prior day's fix. This makes intraday trading of the CNY more relevant, which is consistent with a shift to a more "market-determined" regime. The initial reaction to the policy change was a strengthening in Asian currencies, which subsequently fizzled out as global risk aversion continued to dominate risk markets. Asian currencies ended the month with mixed performances against the dollar.

CNY revaluation positive for Asian currencies but effects will likely be gradual

We believe that a CNY revaluation will be generally positive for Asian currencies. Countries which compete with China for exports will now have more leeway to permit their currencies to appreciate in tandem with the CNY. However, we do not expect the CNY to strengthen aggressively in the near term because it has already appreciated substantially on a trade-weighted basis over the past few years. We look to maintain our exposure to Asian currencies. In our view, Asian currencies such as KRW and IDR still have substantial upside against the USD in the medium term, due to strong external balances and foreign reserves.

Asian Equities: Accumulate on weakness

Asia ex-Japan the only regional equity index to post gains

Asia was the only major region among global equity markets to post a gain in June. The MSCI AC Asia ex-Japan Index edged up 0.7% over the month, with Indonesia, India and Singapore outperforming, and Korea and Taiwan among the major underperformers. Among sectors, telcos and consumer staples outperformed due to their defensive characteristics, while tech and materials lagged on concerns over slowing growth. The shift in exchange rate regime for the CNY led to a temporary spike in Asian equities as investors thought that a flexible CNY will alleviate some pressure for monetary tightening in China. However, stocks weakened towards month-end with weak data from China and the U.S.

Data pointed to continued Asian growth, though momentum is moderating

Economic data across Asia was generally mixed. Industrial production in India and South Korea remained strong while Chinese production moderated. The PMI manufacturing index, a leading indicator for the Chinese economy, moderated to 53.9 in May from 55.7 in April, but remained above 50, suggesting that China's economy has not been derailed from its expansionary track. Retail spending in Singapore weakened unexpectedly, while Chinese retail sales growth accelerated to 18.7% YOY in May, from 18.5% in April.

Look to opportunistically accumulate positions on market weakness

We expect Asian markets to remain volatile in the near term, and be driven mainly by key global events, particularly the debt crisis in Europe. Nonetheless, we believe that Asian stocks will likely grind higher in the longer term on the back of steady upgrades to corporate earnings and fair valuations. Apart from Indonesia, the Asian stock markets trade at earnings multiples generally below the past five years' average. As such, we will look to opportunistically accumulate positions on market weakness. We continue to place greater emphasis on stock selection over country allocation. We are positive on the consumer discretionary sector in countries with growing incomes, such as China and Indonesia.

Overweight Singapore, China and Hong Kong
Among countries, we remain overweight Singapore as economic growth continues to be underpinned by FDI inflows and tourism arrivals. We also continue to like China due to its resilient economic growth and the likelihood that a flexible CNY regime will alleviate some pressure for monetary tightening. Wage pressures in China, which has been drawing attention in recent months, could lead to higher costs for companies. However, higher wages are also likely to boost discretionary spending, and provide an important impetus for corporate spending on automation. These trends could provide interesting stock-picking ideas, in our view. We also like Hong Kong, where continued low interest rates and the potential for a stronger CNY bode well for asset prices.

In light of this, we reviewed performance and provide our Investment Managers' strategy and outlook for the following funds:

- Shenton Thrift Fund
- Shenton Twin City Fund
- Shenton Income Fund
- Shenton Global Opportunities Fund
- Shenton Asia Pacific Fund
- DBS Asia Bond Fund
- DBS Asia Knowledge Fund
- DBS Global Property Securities Fund
- DBS Enhanced Income Fund
- MyHome Fund – HomeGrowth

SHENTON THRIFT FUND
July 2010

Highlights

- The Fund gained 2.74% in June, underperforming its benchmark which returned 3.01%, owing largely to our overweight and stock picks in the technology and healthcare sectors. Meanwhile, our underweight in consumer discretionary as well as higher cash level detracted from performance somewhat.

- We continue to be overweight cyclical sectors with higher earnings growth, while underweighting the defensive telco and policy-vulnerable property sectors. We are neutral on banks. We will remain overweight the IT sector but look to take some profit on our healthcare holdings.

- June was a positive month for Singapore stocks as investor anxiety over Europe lessened and focus was shifted back towards Singapore's strong fundamentals. China's FX regime shift on 19 June also lent some support to Singapore equities. Economic data continued to point to a healthy level of domestic economic activity, with industrial production up a staggering 58.6% YOY in May, led by electronics and biomedical production. However inflationary pressures have also crept up along with the pick-up in economic activity, with CPI up 3.2% YOY in May.

- We remain positive on Singapore equities in the medium-term given the strong economic backdrop, but expect volatility in the months ahead due to external global events. We are especially cautious that any further escalation in Europe's debt troubles is likely to again trigger a sharp deterioration in market sentiment. We are also wary of a potential slowdown in the global economy, which could severely hurt Singapore's exports.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
Shenton Thrift Fund	SGD	*+2.74%	*-2.87%
Benchmark (FSSTI Index)	SGD	*+3.01%	*-2.14%

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Underperformed benchmark due to sector allocation and stock selection

The Fund gained 2.74% in June, underperforming its benchmark which returned 3.01% in June 2010, owing to both sector allocation and stock selection, particularly the underweight in consumer discretionary and overweight in technology and healthcare sectors. The higher cash level also detracted performance in the rising market.

Strategy

Overweight selected cyclicals versus defensive sectors; neutral on banks

We continue to be overweight cyclical sectors with higher earnings growth, while underweighting the defensive telco and policy-vulnerable property sectors. We are cautious on the property sector due to the potential for more property curbs. As property share prices are not significantly below their revalued net asset values, we believe there could be further downside in the event of additional measures. We are neutral on bank stocks as they are trading at mid-cycle valuations.

Selectively stock-pick in IT and healthcare

Our stock picks in the IT and healthcare sectors have done well, and we will remain overweight the IT sector but look to take some profit on our healthcare holdings. We have taken profit on and reduced our exposure to off-benchmark non-Singapore companies in the current uncertain investment environment.

Market Review**

% Change^	Month	YTD
STI Index	3.01	-2.14
FTSE STI Mid-Cap Index	3.13	-2.05
FTSE STI Small-Cap Index	3.14	-9.6

Source: Bloomberg, 30 June 2010 (^In local currency, price return basis)

Positive month for Singapore stocks

After May's dismal performance, Singapore's equity markets turned in a better showing in June as investors became somewhat less anxious about the news out of Europe and refocused on the generally-positive fundamentals in Singapore. Economic data continued to paint a positive picture of broad-based economic growth in Singapore. China's decision to end the yuan's peg to the USD on 19 June also lent some support to Singapore equities. However, towards the end of the month, concerns over slowing economic growth in China and the rest of the world, as well as dampened consumer sentiment in the U.S., dominated the markets and resulted in some month-end weakness.

Industrial production and export data continued to be strong

Economic data continued to point to a healthy level of domestic economic activity. Singapore's industrial production growth accelerated, led by electronics and biomedical production, which rose sharply by 51.8% and 116.7% YOY respectively, partially due to a low-base effect. Industrial production was up for the sixth consecutive month, increasing by 58.6% YOY in May, after a revised 49.7% in April. Excluding biomedical manufacturing, output grew 30.6%. Non-oil domestic exports increased for the seventh consecutive month, climbing 24.4% YOY in May.

CPI continued to trend up

Inflationary pressures have also crept up along with the pick-up in economic activity. Singapore's CPI increased by 0.6% MOM in May, largely reflecting the rising costs of

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transport and housing. Transport cost increased by 3.4% due to the higher prices of cars, while housing cost rose 0.2% as a result of higher accommodation costs. Year-on-year, CPI went up by 3.2% in May, due largely to higher transport, housing and food costs.

Market Outlook**

Positive on Singapore equities but cautious of worsening European crisis
We remain positive on Singapore equities in the medium-term given the strong economic backdrop, but expect returns to be volatile in the coming months due to external global events. In particular, anxiety over the public finances of weaker European economies will likely persist and take a considerable period to resolve, and any further escalation in Europe's debt troubles is likely to again trigger a sharp deterioration in market sentiment. Moreover, the implementation of structural reforms and austerity measures in the coming months could potentially throw a spanner in global economic recovery.

… and other non-domestic issues which could lead to a global slowdown
There are also increasing doubts about the strength of the recovery in the U.S. and Chinese economies for the second half of 2010. Singapore's economy, with only a small domestic demand base, and being highly sensitive global demand, would be negatively affected by a global slowdown if export demand falters. Further steps by the Chinese authorities to curb property price increases, which have not been meaningfully contained despite the measures already introduced, could also severely dampen sentiment, in our view.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*
** *Data Source: Bloomberg as of end June 2010.*

The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of the major local banks. The new interest rate for the Special, Medisave and Retirement Accounts ("SMRA") is pegged to the yield of the 10-year Singapore government bond plus 1%. The CPF Board pays a minimum interest of 2.5% p.a. for all accounts. From 1 January 2008, an extra interest rate of 1% p.a. is paid for the first S$60,000 of the CPF members' combined balance in the OA and Special Account ("SA"), including up to S$20,000 in the OA. From 1 April 2008, the first S$20,000 in the OA and SA will not be allowed to be invested under the CPF Investment Scheme ("CPFIS"). From 1 May 2009, CPF members must set aside S$30,000 in their SA before they can invest their SA monies under CPFIS. From 1 July 2010, the first S$40,000 of members' SA balance will no longer be allowed to be used for CPFIS investments.

SHENTON TWIN CITY FUND
July 2010

Highlights

- The Fund's NAV rose 1.82% in June, underperforming the benchmark by 47bp. Our relative overweight in mid-cap, tech and energy stocks, and underweight in telcos and banks, hurt the Fund's performance.

- We continue to be constructive on the growth outlook of Singapore and Hong Kong. In view of the slowing global economy, we have started to take profit on export-related and mid-cap off-benchmark counters. We prefer cyclicals over the telco, utility and property sectors. Our cash level is now high following some profit-taking activity, and is ready to be tactically re-deployed as opportunities arise.

- June was a positive month for Singapore stocks as investors re-focused on Singapore's strong fundamentals. China's FX regime shift on 19 June also lent some support to the market. Recent data releases continued to point to a healthy level of domestic economic activity, though inflationary pressures have also crept up alongside. Hong Kong stocks gained in the month of June, but H-shares marginally declined. Recent data including retail sales affirmed a strong growth in domestic consumption. The Hong Kong property and Chinese banking sectors were among the market's top-performing sectors over the month.

- We remain positive on Singapore equities in the medium-term but expect volatility to remain elevated. We are especially cautious that any further escalation in Europe's debt troubles could again trigger a sharp deterioration in market sentiment. We are also wary of a potential slowdown in the global economy, which could severely hurt Singapore's exports. We continue to believe that a stronger yuan will boost Chinese asset prices and provide support for H-shares, and view China's move to a flexible yuan as a market positive for Hong Kong. We expect slowing growth concerns to keep volatility high and sentiment subdued in the near term.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
Shenton Twin City Fund	SGD	*+1.82%	*-4.24%
Benchmark (FSSTI + HSI Composite Index)	SGD	*+2.29%	*-5.53%

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Strong stock selection offset by weak sector allocation
The Fund's NAV rose 1.82% in June, underperforming the benchmark by 47bp. Our relative overweight in mid-cap, tech and energy stocks, and underweight in telcos and banks, which were among this month's top-performing sectors, hurt the Fund's performance.

Strategy

Continue to favour cyclicals; reduce export-related and mid-cap off-benchmark counters
We continue to base our sector and stock selections on the growth outlook of Singapore and Hong Kong, which remains positive, in our view. In view of the slowing global economy, and potential decline in external demand, we have started to take profit on export-related and mid-cap off-benchmark counters. We still favour the cyclical sectors, especially selected commodity, industrial and consumer discretionary stocks. We are underweight the telco, utility and property sectors.

Emphasize sector and tactical allocation
We expect trading volatility to increase and the broad market to remain range-bound in the near term, and will continue to emphasize sector allocation in managing the portfolio. In view of the current uncertain market environment, we have raised cash by reducing some of our mid-cap counters. Our cash level is now high and ready to be tactically re-deployed as opportunities arise.

Market Review**

Singapore

% Change^	Month	YTD
STI Index	3.01	-2.14
FTSE STI Mid-Cap Index	3.13	-2.05
FTSE STI Small-Cap Index	3.14	-9.6

Source: Bloomberg, 30 June 2010 (^In local currency, price return basis)

Positive month for Singapore stocks
After May's dismal performance, Singapore's equity markets turned in a better showing in June as investors became somewhat less anxious about the news out of Europe and refocused on the generally-positive fundamentals in Singapore. Economic data continued to paint a positive picture of broad-based economic growth in Singapore. China's decision to end the yuan's peg to the USD on 19 June also lent some support to Singapore equities. However, towards the end of the month, concerns over slowing economic growth in China and the rest of the world, as well as dampened consumer sentiment in the U.S., dominated the markets and resulted in some month-end weakness.

Industrial production and export data continued to be strong
Economic data continued to point to a healthy level of domestic economic activity. Singapore's industrial production growth accelerated, led by electronics and biomedical production, which rose sharply by 51.8% and 116.7% YOY respectively, partially due to a low-base effect. Industrial production was up for the sixth consecutive month, increasing by 58.6% YOY in May, after a revised 49.7% in April. Excluding biomedical manufacturing, output grew 30.6%. Non-oil domestic exports increased for the seventh consecutive month, climbing 24.4% YOY in May.

CPI continued to trend up

Inflationary pressures have also crept up along with the pick-up in economic activity. Singapore's CPI increased by 0.6% MOM in May, largely reflecting the rising costs of transport and housing. Transport cost increased by 3.4% due to the higher prices of cars, while housing cost rose 0.2% as a result of higher accommodation costs. Year-on-year, CPI went up by 3.2% in May, due largely to higher transport, housing and food costs.

Hong Kong

% Change	Month	YTD
HSI Index	**1.84%**	**-7.97%**
HSCEI Index	**-0.24%**	**-10.38%**

Source: Bloomberg, 30 June 2010 (^In local currency, price return basis)

HSI gained but H-Shares closed marginally lower

Hong Kong stocks gained modestly in the month of June, with the HSI up 1.8%, led by defensive counters. The top-performing index stock was China Resource Power, while Chinese banking, utility and telecommunication stocks also held up relatively better than the broad market. Selected Hong Kong property companies outperformed, and were among the top 10 best-performing index stocks. H-Shares, on the other hand, closed marginally lower, dragged down by Chinese commodity stocks.

Recent data affirmed strong growth in domestic consumption

Hong Kong's first quarter GDP expanded 8.3% YOY, with exports and retail spending continuing their strong uptrend. Retail sales in April rose 15.6% YOY, confirming strong domestic consumption growth, backed by improving income and job conditions and expansion in inbound tourism. Hong Kong's unemployment rate edged up marginally but remained low at 4.6%.

Hong Kong property and Chinese banking sectors held up better

Hong Kong property stocks performed well as market sentiment improved over the surprising-good sale of the Hermitage project, the first residential development launched since tighter measures on marketing tactics were introduced. The Chinese banking sector also held up well following news that the upcoming Agriculture Bank of China IPO, possibly the world's largest-ever, has been heavily oversubscribed.

Market Outlook**

Singapore

Positive on Singapore equities but cautious of worsening European crisis

We remain positive on Singapore equities in the medium-term given the strong economic backdrop, but expect returns to be volatile in the coming months due to external global events. In particular, anxiety over the public finances of weaker European economies will likely persist and take a considerable period to resolve, and any further escalation in Europe's debt troubles is likely to again trigger a sharp deterioration in market sentiment. Moreover, the implementation of structural reforms and austerity measures in the coming months could potentially throw a spanner in global economic recovery.

… and other non-domestic issues which could lead to a global slowdown

There are also increasing doubts about the strength of the recovery in the U.S. and Chinese economies for the second half of 2010. Singapore's economy, with only a small domestic demand base, and being highly sensitive global demand, would be negatively affected by a global slowdown if export demand falters. Further steps by the Chinese authorities to curb property price increases, which have not been meaningfully contained despite the measures already introduced, could also severely dampen sentiment, in our view.

Hong Kong

Shift in FX regime allows greater yuan flexibility and bodes well for asset prices

CNY forwards have continued to strengthen following China's move to peg the yuan to a basket of foreign currencies. We view the regime shift, which allows two-way flexibility of the yuan, as a positive one, as the CNY has been under growing external pressure to appreciate due to ongoing trade friction and imbalances, as well as the country's strong economic recovery. We continue to believe that a stronger yuan will boost Chinese asset prices, as well as help temper inflation in China and reduce monetary tightening pressures, thus providing support for H-shares.

Slowing growth concerns likely to keep volatility high and sentiment subdued

We expect Hong Kong equities to remain volatile in the near term amid heightened concerns over the slowing global growth outlook, which we believe will be affirmed by weaker economic data in the months ahead. In our view, China's economy will remain resilient, though growth will likely be slower in 2H10 than in the first half of the year. We expect market sentiment and risk appetite to remain subdued for now.

Valuation is below historical mean; earnings upgrades have peaked

Hong Kong's market valuation is currently below its historical mean, with the HSI trading at 13.3x FY10 PE. The historical PE range for the HSI is 8.8x to 21.3x over the last four years. In our view, though earnings growth should remain relatively healthy, there is an increased risk of earnings downgrades given the slower growth environment.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

SHENTON INCOME FUND
July 2010

Highlights

- The Fund posted a return of 0.49% in June 2010, driven mainly by the performance of high-grade credits which benefited from the rally in U.S. Treasuries (UST). Our holdings in Indonesian and Australian government bonds, as well as exposure to IDR and MYR, also added to returns.

- We like Asian local currency sovereign bonds in countries with sound fundamentals and over-inflated rate hike expectations, particularly government bonds from Korea and Indonesia. We continue to be cautious on USD-denominated high-yield Asian credits on the heavy supply pipeline and weak credit metrics. We will maintain our exposure to Asian currencies on the positive growth outlook.

- U.S. Treasuries rallied on weak economic data and concerns over the escalation of Europe's troubles. Fears of a slowing global economic recovery further boosted long-end government bonds in most Asian markets. The People's Bank of China adopted a new FX regime whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. Spreads of major high-grade bond indices globally widened between 7-22bp in June, though the pace of widening has moderated; European credits underperformed its global peers. Leading indicators in the U.S. and China were weaker in June, re-igniting double-dip fears.

- We remain constructive on the Asian economies but expect volatility ahead. We expect to see most Asian central banks pause on their policy-tightening measures in the coming months. We are especially positive on Indonesia on strong fundamentals and subdued inflation. We believe the recent yuan revaluation will be generally positive for Asian currencies, but do not expect to see a substantial appreciation in the CNY in the short term. Our longer-term outlook for Asian credit markets remains constructive, though we are cautious of increased volatility in the coming months due to Europe's debt problems.

Performance Review

	Currency	Performance	
		June 2010 (% change)	**Year-to-Date** (cumulative)
Shenton Income Fund	SGD	*+0.49%	*+2.81%
Benchmark (DBS 12m SGD Fixed Deposit Rate for 20k to 50k)	SGD	*+0.04%	*+0.22%

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Fund posted positive return in June
The Fund posted a return of 0.49% in June 2010, driven mainly by the performance of high-grade credits which benefited from the rally in U.S. Treasuries (UST). Our holdings in Indonesian and Australian government bonds, as well as exposure to IDR and MYR, also added to returns. Additionally, the Fund participated in, and took profit on, selected new HK lower tier 2 bank capital issues over the month.

Strategy

Remain positive on selected local currency Asian sovereign bonds
We remain positive on Asian local currency sovereign bonds in countries with sound fundamentals and over-inflated rate hike expectations. Moreover, Asian central banks, except India, are likely to put rate normalization on hold, in our view. We especially favour government bonds from Korea and Indonesia.

Remain cautious on high-yield Asian credits
We continue to be cautious on USD-denominated high-yield Asian credits. We think that this asset class will face further price pressure from the impending heavy supply pipeline and weak credit metrics. We will only selectively participate in new issues which are attractive on both fundamental and technical grounds.

Maintain exposure to Asian currencies
We look to maintain our exposure to Asian currencies as we believe the Asian recovery story remains intact despite market weakness in Europe. In our view, Asian currencies such as KRW and IDR still have substantial upside against the USD in the medium term due to strong external balances and FX reserves.

Market Review**

Asia Rates and FX

UST rallied as markets on weak data and heightened concerns over Europe
U.S. Treasuries (UST) rallied in June on the back of weak economic data and heightened concerns over the escalation of fiscal troubles in peripheral Europe. Greece's 5-year CDS spread reached an all-time high of 1125bp due to speculation that Greece may have to tap into the EU-IMF package, as well as the announcement that it was putting up some of its islands for sale. Lackluster U.S. home sales data and a weakening in China's economic indicators further spooked the market on concerns that the global recovery is stalling. Despite China's pledge to allow more flexibility in the CNY exchange rate, and the announcement of a more watered-down U.S financial reform bill, risk assets were sold off. For the first time this year, the 10-year UST yield dipped below 3%, and the yield curve bull-flattened.

Long-end government bonds outperformed in most Asian markets
Continued troubles in the peripheral European countries and concerns over a slowing economic recovery provided support to long-end government bonds in most Asian markets. In Indonesia, Moody's upgrade of the country's rating outlook further lifted government bonds. Bank Indonesia's move to increase the maturity range of its debt instruments by issuing 9-month and 12-month Bank Indonesia Certificates (SBI), which were previously limited to 1-month, 3-month and 6-month maturities, was also viewed positively by the markets.

Taiwan and New Zealand hiked rates

Central banks in Taiwan and New Zealand (CBC and RBNZ, respectively) raised their policy rates by 12.5% and 0.25% respectively. While RBNZ's move was widely expected, CBC's was against consensus. Correspondingly, government bonds in China and Taiwan were sold off.

China announced FX regime shift

The People's Bank of China (PBOC) has adopted a new FX regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. The daily fixing of the USD/CNY now appears to be referenced off the prior day's spot close, rather than the prior day's fix. This made intraday trading of the CNY more important in the new FX policy, which is consistent with a shift to a more "market-determined" exchange rate regime. The initial 'knee-jerk' reaction to the policy change was a strengthening in Asian currencies, which subsequently fizzled out as global risk aversion continued to dominate risk markets. Asian currencies ended the month with mixed performances against the dollar.

Table 1: MOM change in Policy Rates, Government Yields and Currencies for Asia (bp)

	Policy Rate	Change in Policy Rate	Change in 2Y Yield	Change in 5Y Yield	Change in 10Y Yield	Currency Return vs USD
China	531	0	30	17	8	0.68%
Taiwan	138	13	(5)	10.6	2	-0.51%
Korea	200	0	23	8	2	-1.60%
India	525	0	30	(0)	2	-0.18%
Indonesia	650	0	(45)	(66)	(56)	1.11%
Vietnam	800	0	(88)	(74)	(47)	-0.39%
Thailand	125	0	(13)	(12)	(17)	0.28%
Philippines	400	0	3	(6)	(7)	-0.23%
Singapore	-	-	(3)	(15)	(42)	0.20%
Malaysia	250	0	6	(7)	(10)	0.77%
Australia	450	0	1	(33)	(28)	0.42%
New Zealand	275	25	12	(23)	(22)	1.71%

Source: Bloomberg, 30 June 10

Global Credit

Slower pace of spread widening; Europe underperformed

Spreads of major high-grade bond indices globally widened between 7-22bp in June, while, in Europe and the U.S., high-yield credit spreads largely tightened (Table 1). The pace of spread widening for high-grade credits moderated in June, suggesting that some calm may be returning after the storm in May. On a total return basis (Table 2), the U.S. and Asia outperformed Europe in both the high-grade and high-yield categories as European debt remained the focus of concern among credit investors.

Table 1: Global Credit Indices (Credit Spreads)

	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD
30-Jun-10	158	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	151	134	218	704	476	812	42	35	45	133	123	174
30-Apr-10	109	99	173	571	352	638	(8)	12	(7)	(18)	6	(8)

Source: U.S. (Credit Suisse), Europe and Asia (JP Morgan)

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Table 2: Global Credit Indices (Total Return)

Total Returns (Respective Currency)						
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD
30-Jun-10	2.26%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.33%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)
30-Apr-10	1.94%	0.49%	1.11%	2.52%	0.67%	1.23%

Source: U.S. (Credit Suisse), Europe and Asia (JP Morgan)

Weaker leading indicators sparked double-dip fears
Leading indicators from the U.S. and China were weaker than expected in June, re-igniting concerns that the global economy could be headed for a double-dip recession. The U.S. FOMC June statement, which cautioned that Europe's debt problems could slow American economic growth, further stoked investor fears.

European banks borrowed less than expected; fears about bank finances eased
European banks which borrowed EUR442 billion from the ECB's 12-month lending facility last year rolled over a much lower-than-expected amount into the new 3-month lending facility in June. This likely indicates that the majority of these banks have access to market financing, and credit investors were relieved at the apparent sign of improving liquidity in the European banking sector.

Selected Asian credits performed well
Asia saw USD3b of new issuance in June, comprising of high-grade bonds from Asian financial issuers and a high-yield issue by an Indonesian corporate. Although June's new issuance volume was much lower than in previous months, the secondary market performance of the high-yield Indonesian corporate bond was positive, reflecting that there is still demand for selected issues which offer value, despite the generally risk-aversive market tone.

Market Outlook**

Asia Rates and FX

Remain constructive on Asian economies but expect volatility ahead
We remain constructive on the Asian economies. While we think that a double-dip recession is unlikely in Asia, the path ahead will likely be volatile due to continued concerns over Europe's debt problems. The scheduled release of European bank stress test results in July and potential downgrades of European sovereign ratings are likely to add to market jitters. Having said that, we think that Europe's fiscal debt crisis is likely to be mostly containable, unlike the 2008 credit crisis resulting from the Lehman bankruptcy. The EU-IMF EUR750b aid package, which covers the funding needs for Greece, Spain, Portugal and Ireland up over the next three years, should act as a sufficient buffer in the medium term for austerity measures to gain market credibility.

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Most Asian central banks likely to pause on tightening measures

We believe most Asian central banks will pause on their aggressive policy-tightening measures amid heightened market uncertainty due to the austerity measures in Europe. Therefore, we expect to see a general bull-flattening trend in most Asian government yield curves. The exception would be India, where the Reserve Bank of India (RBI) is widely expected to hike policy rates for the second time this year as its wholesale price index (WPI) has continued to surprise on the upside. In particular, we are bullish Korean Treasury bonds (KTBs) as we think that rate hike expectations in Korea have been over-discounted. We are also positive on Indonesia due to the country's strong fundamentals and subdued inflation. Resilient foreign flows, reduced volatility of the IDR and the recent credit rating upgrade by Moody's are also likely to lend support to Indonesian government bonds, whose yields are still amongst the highest yields Asia.

CNY revaluation positive for Asian currencies but effects will likely be gradual

We reiterate our view that a yuan revaluation will be generally positive for Asian currencies, as we believe China's export competitors from the Asian countries have more leeway to permit currency appreciation in tandem with the CNY. However, we do not expect the CNY to strengthen aggressively in the near term because, on a trade-weighted basis, it has already appreciated substantially over the past few years. In addition, as the new FX regime adopts a basket of currencies and allows two-way flexibility, there is a strong possibility that the CNY may even depreciate against the USD, especially in the event of a sharp depreciation of the euro against the greenback.

Global Credit

Bumpy road ahead but long-term fundamentals intact

Our longer-term outlook for Asian credit markets remains constructive, though we are cautious that the coming months will likely remain volatile due to lingering concerns over Europe's debt problems. It has been observed in the past that credit markets tend to focus more on short-term technicals, such as headlines, rather than on long-term fundamentals. Our base case scenario for global growth is that of a slow and gradual recovery rather than a double-dip recession. However, the latter cannot be completely ruled out, and we will be keeping a close eye on the unfolding of the European crisis and other pertinent global events, along with key economic indicators.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

SHENTON GLOBAL OPPORTUNITIES FUND
July 2010

Highlights

- The Fund's NAV fell 3.74% in June 2010, while the MSCI DC World Index fell 3.83%. The main detractors from performance were energy and basic materials stocks, while our stock holdings in Singapore and South Korea helped returns somewhat.

- We are increasingly bearish on commodity-related stocks on slowing growth in China and most developing countries. We expect China's inflation to peak in the coming months, and will look to add back some China positions. We expect earnings growth to slow in the coming months, and will be increasingly focused on companies with stable cash flows and sound structural growth stories.

- Global equity markets started the month well, but closed slightly lower in June, as weak data from China and the U.S. triggered the return of risk aversion. Weaker leading indicators warned of a slower second half globally, while economic data from the U.S. reflected a weak labour and housing market, suggesting that the U.S. economy could face considerable headwinds ahead.

- We maintain our view that the U.S. economy will continue to heal, but has currently hit a soft patch. We expect leading indicators from the major economies to continue to trend down, and see a possibility that Asian governments could ease monetary policy in 2H10. We are optimistic on yuan appreciation following China's FX regime shift, and believe that a stronger currency will alleviate some pressure for monetary tightening and aid in China's transition to a less export-dependent economy.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
Shenton Global Opportunities Fund	SGD	*-3.74%	*-13.25%
Benchmark (MSCI DC World Index)	SGD	*-3.83%	*-11.43%

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Fund declined along with global equities despite initial gains
The Fund's NAV fell 3.74% in June 2010, while the MSCI DC World Index declined 3.83%, as global equities failed to hold on to initial gains and took a tumble in the last week of June. The main detractors from performance were energy and basic materials stocks, led by industry leaders BHP Billiton and Rio Tinto. Our stock holdings in Singapore and South Korea helped returns somewhat, as these markets managed to end the month in the positive territory. The Fund's worst performers for the month were Tencent (-13%), Amazon (-12.9%) and Transocean (-18.3%).

Strategy

Reduce commodity exposure on slowing growth in China and developed countries
We expect China's PMI data to continue to trend downwards in the short term with June's number potentially falling below market estimates. Other developed economies have started to show slowing growth as well. Given this backdrop, we are increasingly bearish on commodity-related stocks. We have reduced our basic materials positions and will continue to do so; this sector has been downgraded to underweight from neutral previously.

Look to add back some China positions on peaking inflation
China's inflation is expected to peak in the coming months, and with PMI numbers continuing to fall below expectations, we believe the government may start to loosen monetary policy in the not-too-distant future. We believe this will be a major catalyst for Chinese stocks, which is quite under-owned by most investors at this point in time. We will look to add back some China positions, especially if see confirming signs that inflation has peaked. In the meantime, we continue to reduce our holdings in Europe and the U.S.

Focus on companies with stable cash flows and sound structural growth stories
The large number of upward earnings revisions earlier in the year can be mainly attributed to the low base effect from early-2009, and we expect earnings growth to slow towards the second half of 2010 and going into 2011. In view of this, we will be increasingly focused on companies with stable cash flows and sound structural growth stories, which tend to do well in this type of environment.

Market Review**

% Change^	Month	YTD
S&P 500 Index	-5.4	-7.6
MSCI Europe Index	0.9	-18.3
MSCI Japan Index	-2.1	-3.6
MSCI Asia ex Japan	1.7	-3.8

Source: Bloomberg, 30 June 2010 (^In USD, price return basis)

Global equity markets continued to decline in June despite initial gains
Global equity markets continued to decline in June, with the MSCI World Index ending the month at 1041 points, from 1079 points in May. The month started relatively well, with an improvement in market sentiment seen in early June as investors appeared somewhat less anxious about the news out of Europe. In Australia, resource companies had a temporary mid-month bounce after the replacement of Kevin Rudd by Julia Gillard as Australia's prime minister raised hopes that a planned tax on resource companies' profits may be softened. China's shift to a flexible exchange rate regime for the CNY also temporarily buoyed markets mid-month. However, towards month end, weak data from China and the U.S. triggered the

return of risk aversion, and global equity markets lost their earlier gains to end the month generally lower.

Weaker leading indicators warn of a slower second half globally
Recent releases of leading economic indicators appear to signal slower second-half growth globally. The OECD Composite Leading Indicators (CLIs), which increased by 0.4 points to 104 points in April, have seen a declining rate of month-on-month growth for nine consecutive months, suggesting that the pace of expansion could be slowing. China's Purchasing Managers Index (PMI) also dipped by a larger-than-expected 1.8 points to 53.9 in May, indicating that China's growth is moderating. Investor concerns became more acute after the Conference Board Leading Economic Index (LEI) for China was revised from 1.7% (which was inflated due to a calculation error) to 0.3% in April, the smallest gain this year.

Labour and housing data suggestive of headwinds to U.S. growth
Recent economic data from the U.S. points to a weak labour and housing market, and suggests that the U.S. economy could face considerable headwinds ahead. Private-sector job growth in May was markedly weaker than expected. Though non-farm payrolls rose 431,000 in May, most of these were temporary hires to help with the U.S. census, and only 41,000 private-sector jobs were added. U.S. housing starts fell more than expected in May, by 10% to 593,000, as the homebuyer tax credit that has buoyed construction activity over the past two months expired.

Market Outlook**

U.S. continues to heal, but has hit a soft patch for now
With the scheduled expiration of the homebuyer tax credit in April and the consensus opinion of economists that unemployment will remain high for a while, the plunge in new home sales in May should not come as a surprise to most, in our opinion. We maintain our view that the U.S. economy will continue to heal, but has currently hit a soft patch. We expect housing to remain weak and unemployment to continue to hover around 10% in the coming months. However, we will keep a close eye on the unemployment rate, as a convincing improvement could signal a turnaround for the economy, in our view.

Expect continued downtrend in leading indicators; Asian policy easing could follow
Leading indicators from the U.S., China and most of Asia have been declining from earlier this year, and we expect the downtrend to continue in the coming months. Some Asian countries, like China, which have started to tighten monetary policy have indicated that they could begin policy easing in the second half of the year, and we believe that that would be the most immediate catalyst for equity markets.

CNY revaluation a market positive for Chinese economy
The People's Bank of China (PBOC) has adopted a new exchange rate regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. We are optimistic of CNY appreciation, which will alleviate some pressure for monetary tightening and aid in China's transition to a less export-dependent economy. However, we do not expect the currency to aggressively strengthen in the near term because it has already appreciated substantially on a trade-weighted basis over the past few years.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*
** *Data Source: Bloomberg as of end June 2010.*

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SHENTON ASIA PACIFIC FUND
July 2010

Highlights

- The Fund underperformed its benchmark in June as both country and sector allocation proved detrimental to returns. The portfolio's bias towards mid-cap stocks and cyclical sectors also hurt performance.

- We expect Asian markets to remain volatile in the near term, and look to opportunistically accumulate selected stocks on weakness. We remain positive on Singapore due to its strong growth prospects. We continue to favour China on its resilient growth and the shift to yuan flexibility, which will alleviate some pressure for monetary tightening, in our view. We also like Hong Kong as we believe that its sustained low interest rates and the potential for a stronger yuan bode well for asset prices. We remain overweight the consumer discretionary sector on Asia's growing wealth.

- Global equities ended the month generally lower, as softer economic data from the U.S. stoked fears of a potential double-dip recession. Asia ex-Japan performed relatively better, with Indonesia leading the region, on optimism that the reform progress will continue. Singapore also did well on the back of economic data pointing to strong growth momentum, while export-oriented Korea and Taiwan were the biggest underperformers for the month. Among sectors, telcos and consumer staples outperformed while tech and materials lagged.

- Recent trade data continued to point to resilient exports and we expect growth in the Asia ex-Japan region to remain healthy despite concerns over Europe and other global events. We expect domestic demand to underpin corporate earnings, and the markets to grind higher on the back of steady upgrades to corporate earnings and fair valuations, to end the year with modest returns. With the exception of Indonesia, the region's valuations look attractive. We expect volatility to persist due to global events and policy normalization to be put on hold in most Asian countries

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
Shenton Asia Pacific Fund	SGD	*+0.66%	*-6.16%
Benchmark (MSCI Asia x Japan Index)	SGD	*+1.42%	*-4.30%

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Fund underperformed its benchmark
The Fund underperformed its benchmark in June, gaining 0.66% versus the benchmark's return of 1.42%, as both country and sector allocation proved detrimental to returns. The overweight in HK/China dragged on performance on the sharp decline of Chinese stocks, which underperformed most of its regional peers over the month. The portfolio's tilt towards mid-cap stocks and cyclical sectors (IT, consumer discretionary) also hurt performance.

Strategy

Look to opportunistically accumulate positions on market weakness
We expect Asian markets to remain volatile in the near term, and be driven mainly by key global events, particularly Europe's ongoing debt concerns, as well as monetary policy direction by central bankers around the world. We remain cautious but will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations attractive.

Positive on Singapore on strong growth
We remain overweight Singapore stocks due to generally healthy balance sheets and the potential for further earnings surprises, especially in mid-cap companies. Economic growth continues to be underpinned by FDI inflows and tourism arrivals. The underlying strength of the economy is affirmed by May's industrial production data, which rose for the sixth consecutive month.

Favour China/HK on flexible yuan and likely pause in tightening
We continue to like China on the country's resilient economic growth and the likelihood that the shift to flexible CNY will help to alleviate some of the pressure for monetary tightening. Wage pressures have been on the increase following recent labour strikes, many of them at foreign-owned manufacturing facilities. Though higher wages may lead to higher costs in the short run, they also serve as an important impetus for companies to boost automation and raise efficiency, in our view. Moreover, we expect workers' rising disposable incomes to drive consumer spending and be positive for the economy. In Hong Kong, continued low interest rates and the potential for a stronger yuan bodes well for asset prices.

Overweight consumer discretionary sector on growing Asian wealth
We continue to place greater emphasis on stock selection over country allocation. We are positive on the consumer discretionary sector in countries with growing wealth, such as China and Indonesia, where we see the potential for an increase in discretionary spending.

Market Review**

MSCI AC Gross Return (% Change in SGD Terms)	Jun 2010	Year to Jun 2010
Indonesia	6.29%	14.31%
India	4.09%	1.96%
Singapore	3.56%	-1.76%
Thailand	3.46%	10.77%
Malaysia	3.03%	8.73%
Hong Kong	2.87%	-4.05%
Philippines	2.37%	7.83%
AC Asia ex-Japan	1.51%	-4.11%
AC Far East ex-Japan	1.18%	-4.86%
China	1.07%	-6.48%
Korea	0.72%	-4.36%
AC Asia Pacific ex Japan	0.51%	-7.42%
Taiwan	-2.10%	-13.23%

Source: Bloomberg, 30 June 2010

Asia ex-Japan the only regional index to post gains

June was another rough month for global equities, as softer economic data from the U.S. stoked fears of a potential double-dip recession. The MSCI AC Asia ex-Japan Index was up a marginal 0.7% over the month, the only major regional index to post gains. Indonesia, India and Singapore outperformed the region, while Korea and Taiwan were the major underperformers. Among sectors, telcos (+4.7%) and consumer staples (+6.3%) outperformed due to their relatively defensive nature, while tech (-3.5%), and materials (-0.1%) stocks lagged on concerns over slowing growth.

Data pointed to continued Asian growth, though momentum moderating

Economic data across the region was generally mixed. Industrial production in India and South Korea remained strong while Chinese production moderated. The PMI manufacturing index, a leading indicator for the Chinese economy, moderated to 53.9 in May from 55.7 in April, but remained above the 50-reading, suggesting that China's economy has not been derailed from the expansionary track. Retail spending in Singapore weakened while Chinese retail sales sustained its strong momentum into May, accelerating slightly to 18.7% YOY, versus 18.5% in April.

Enthusiasm over CNY flexibility overshadowed by fears over slowing growth

The People's Bank of China (PBOC) announced an exit from the yuan's dollar peg in favour of a currency basket peg, and emphasized continued exchange rate reform. This led to a temporary spike in Asian equities as investors believe that a flexible yuan will alleviate some of the pressure for monetary tightening. However, towards the end of the month, weak data from China and the U.S., which added to concerns of slowing economic growth, dominated the markets and resulted in month-end weakness.

Data affirmed strong growth momentum in Singapore

Recent data continued to affirm the underlying strength of Singapore's economy, and drove the Straits Times Index (STI) higher for the month. May's industrial production jumped 58.6% YOY (6.9% MOM), versus a revised 49.7% YOY the prior month. Strength was broad-based, with pharmaceuticals the biggest growth driver, followed by electronics production which moderated but remained robust. Inflation crept up for the second month in May, rising 0.6% MOM, or 3.2% YOY, led by the increase in energy prices.

ASEAN markets did relatively better in June

ASEAN markets fared relatively better in June, as Indonesia led the region higher on optimism that the bureaucratic reforms instituted under Sri Mulyani will continue. Despite political violence in May, domestic demand in Thailand has remained resilient, lending support to share prices. Stock markets in Malaysia and Philippines were lackluster as investors took a wait-and-see approach to the recently-announced 10th Malaysia Plan and the cabinet line-up under newly elected President Aquino.

Weaker Korean won weighed on equity returns

Korea's macro data remained healthy with GDP expanding 2.1% QOQ in 1Q10, from flat in 4Q09. Exports also continued to strengthen, growing 41.9% YOY in May, after expanding 29.8% YOY the previous month. Alarmed by the Korean won's recent sharp swings caused by Europe's debt problems, and with the Korean won looking set to appreciate (and potentially lead to increased capital inflows), the Korean authorities imposed currency controls aimed to curb rapid shifts in capital flows. This triggered a sell-off in the Korean won which weighed on equity returns.

Signing of long-awaited ECFA failed to excite

The much-awaited free trade agreement between China and Taiwan was signed on 29 June in Chongqing, marking a significant milestone in cross-strait relations. The Economic Cooperation Framework Agreement (ECFA) will boost economic ties via increased trade and capital flows. However, despite the news, the Taiwan bourse underperformed its regional peers on the back of a 12.5bp interest rate hike by the central bank, as well as the introduction of a slew of property curbs.

Market Outlook**

Growth in Asia likely to remain healthy, with exports resilient

The headline U.S. ISM manufacturing index eased slightly to 59.7 in May, from 60.4 in April. However, the leading indicator for shipments, i.e., new orders minus inventory, for Asia actually rose to 20.1. This suggests the region's trade cycle should remain well-supported for the time being, even if shipments may slow sequentially. Coupled with strong macro data on economic growth from Singapore, China and Thailand, we maintain our view that we do not expect the Eurozone's sovereign debt issues and slowing global growth to derail the region's recovery.

Market valuation ex-Indonesia is fair

We expect domestic demand in the Asian countries to remain resilient and underpin corporate earnings, and the market to grind higher on the back of steady upgrades to corporate earnings and fair valuations. With the exception of Indonesia, the region trades at earnings multiples generally below the past five years' average.

	Earnings Growth		PER (x)			Trailing PBR		Trailing Yield	
	2010	2011	2010	2011	12-mth Fwd PE, 5-Yr Avg	Current	5-Yr Avg	Current	5-Yr Avg
Asia ex-Jpn	37.4	12.6	12.9	11.4	12.9	1.9	2	2.1	2.6
China	24.8	16.6	13.3	11.4	13.4	2.4	2.7	2.3	2.1
HK	23.7	8.9	15.9	14.6	15.9	1.5	1.7	3.0	3.0
India	27	21.7	16.9	13.9	16.1	3.5	4.1	0.9	1.1
Indonesia	21	19.8	14.7	12.3	11.8	4.3	3.8	1.7	2.9
Korea	51.6	6.3	9.4	8.8	10.4	1.5	1.6	1.3	1.7
Malaysia	28.5	15.2	15.5	13.5	14.0	2.1	2.0	2.2	2.7
Philippines	23.8	12.1	14.9	13.3	13.5	2.6	2.3	2.8	2.6
Singapore	20.6	10.5	14.1	12.8	14.1	1.8	1.9	3.0	3.1
Taiwan	90.1	11.7	12.8	11.3	14.7	1.8	1.9	2.7	4.2
Thailand	18.6	18.3	11.4	9.7	10.0	2.0	1.9	3.3	3.9

Source: Bloomberg, CSFB, 28-Jun-2010

Volatility to persist due to external events; normalization likely to be on hold

We expect Asian stock markets to remain volatile in the near term, and trade in a wide range on concerns over global events, particularly the lingering debt crisis in the Eurozone. Governments will likely put normalization measures on hold to help sustain the fledging economic recovery. Against this backdrop, we believe that stocks are likely to remain supported as the region's economies continue to recover, and amid favourable liquidity conditions due to a delay in monetary tightening. We expect markets to end the year with modest returns.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

monthlyoutlook

DBS ASSET MANAGEMENT

DBS ASIA BOND FUND
July 2010

Highlights

- The Fund posted a return of 0.52% in June 2010, driven mainly by the performance of high-grade credits which benefited from the rally in U.S. Treasuries (UST). Our holdings in Indonesian and Australian government bonds, as well as exposure to IDR and MYR, also added to returns.

- We like Asian local currency sovereign bonds in countries with sound fundamentals and over-inflated rate hike expectations, particularly government bonds from Korea and Indonesia. We continue to be cautious on USD-denominated high-yield Asian credits on the heavy supply pipeline and weak credit metrics. We will maintain our exposure to Asian currencies on the positive growth outlook.

- U.S. Treasuries rallied on weak economic data and concerns over the escalation of Europe's troubles. Fears of a slowing global economic recovery further boosted long-end government bonds in most Asian markets. The People's Bank of China adopted a new FX regime whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. Spreads of major high-grade bond indices globally widened between 7-22bp in June, though the pace of widening has moderated; European credits underperformed its global peers. Leading indicators in the U.S. and China were weaker in June, re-igniting double-dip fears.

- We remain constructive on the Asian economies but expect volatility ahead. We expect to see most Asian central banks pause on their policy-tightening measures in the coming months. We are especially positive on Indonesia on strong fundamentals and subdued inflation. We believe the recent yuan revaluation will be generally positive for Asian currencies, but do not expect to see a substantial appreciation in the CNY in the short term. Our longer-term outlook for Asian credit markets remains constructive, though we are cautious of increased volatility in the coming months due to Europe's debt problems.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
DBS Asia Bond Fund	SGD	*+0.52%	*+2.96%

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Fund posted positive return in June

The Fund posted a return of 0.52% in June 2010, driven mainly by the performance of high-grade credits which benefited from the rally in U.S. Treasuries (UST). Our holdings in Indonesian and Australian government bonds, as well as exposure to IDR and MYR, also added to returns. Additionally, the Fund participated in, and took profit on, selected new HK lower tier 2 bank capital issues over the month.

Strategy

Remain positive on selected local currency Asian sovereign bonds

We remain positive on Asian local currency sovereign bonds in countries with sound fundamentals and over-inflated rate hike expectations. Moreover, Asian central banks, except India, are likely to put rate normalization on hold, in our view. We especially favour government bonds from Korea and Indonesia.

Remain cautious on high-yield Asian credits

We continue to be cautious on USD-denominated high-yield Asian credits. We think that this asset class will face further price pressure from the impending heavy supply pipeline and weak credit metrics. We will only selectively participate in new issues which are attractive on both fundamental and technical grounds.

Maintain exposure to Asian currencies

We look to maintain our exposure to Asian currencies as we believe the Asian recovery story remains intact despite market weakness in Europe. In our view, Asian currencies such as KRW and IDR still have substantial upside against the USD in the medium term due to strong external balances and FX reserves.

Market Review**

Asia Rates & FX

UST rallied as markets on weak data and heightened concerns over Europe

U.S. Treasuries (UST) rallied in June on the back of weak economic data and heightened concerns over the escalation of fiscal troubles in peripheral Europe. Greece's 5-year CDS spread reached an all-time high of 1125bp due to speculation that Greece may have to tap into the EU-IMF package, as well as the announcement that it was putting up some of its islands for sale. Lackluster U.S. home sales data and a weakening in China's economic indicators further spooked the market on concerns that the global recovery is stalling. Despite China's pledge to allow more flexibility in the CNY exchange rate, and the announcement of a more watered-down U.S financial reform bill, risk assets were sold off. For the first time this year, the 10-year UST yield dipped below 3%, and the yield curve bull-flattened.

Long-end government bonds outperformed in most Asian markets

Continued troubles in the peripheral European countries and concerns over a slowing economic recovery provided support to long-end government bonds in most Asian markets. In Indonesia, Moody's upgrade of the country's rating outlook further lifted government bonds. Bank Indonesia's move to increase the maturity range of its debt instruments by issuing 9-month and 12-month Bank Indonesia Certificates (SBI), which were previously limited to 1-month, 3-month and 6-month maturities, was also viewed positively by the markets.

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Taiwan and New Zealand hiked rates

Central banks in Taiwan and New Zealand (CBC and RBNZ, respectively) raised their policy rates by 12.5% and 0.25% respectively. While RBNZ's move was widely expected, CBC's was against consensus. Correspondingly, government bonds in China and Taiwan were sold off.

China announced FX regime shift

The People's Bank of China (PBOC) has adopted a new FX regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. The daily fixing of the USD/CNY now appears to be referenced off the prior day's spot close, rather than the prior day's fix. This made intraday trading of the CNY more important in the new FX policy, which is consistent with a shift to a more "market-determined" exchange rate regime. The initial 'knee-jerk' reaction to the policy change was a strengthening in Asian currencies, which subsequently fizzled out as global risk aversion continued to dominate risk markets. Asian currencies ended the month with mixed performances against the dollar.

Table 1: MOM change in Policy Rates, Government Yields and Currencies for Asia (bp)

	Policy Rate	Change in Policy Rate	Change in 2Y Yield	Change in 5Y Yield	Change in 10Y Yield	Currency Return vs USD
China	531	0	30	17	8	0.68%
Taiwan	138	13	(5)	10.6	2	-0.51%
Korea	200	0	23	8	2	-1.60%
India	525	0	30	(0)	2	-0.18%
Indonesia	650	0	(45)	(66)	(56)	1.11%
Vietnam	800	0	(88)	(74)	(47)	-0.39%
Thailand	125	0	(13)	(12)	(17)	0.28%
Philippines	400	0	3	(6)	(7)	-0.23%
Singapore	-	-	(3)	(15)	(42)	0.20%
Malaysia	250	0	6	(7)	(10)	0.77%
Australia	450	0	1	(33)	(28)	0.42%
New Zealand	275	25	12	(23)	(22)	1.71%

Source: Bloomberg, 30 June 2010

Global Credit

Slower pace of spread widening; Europe underperformed

Spreads of major high-grade bond indices globally widened between 7-22bp in June, while, in Europe and the U.S., high-yield credit spreads largely tightened (Table 1). The pace of spread widening for high-grade credits moderated in June, suggesting that some calm may be returning after the storm in May. On a total return basis (Table 2), the U.S. and Asia outperformed Europe in both the high-grade and high-yield categories as European debt remained the focus of concern among credit investors.

Table 1: Global Credit Indices (Credit Spreads)

	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD
30-Jun-10	158	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	151	134	218	704	476	812	42	35	45	133	123	174
30-Apr-10	109	99	173	571	352	638	(8)	12	(7)	(18)	6	(8)

Source: US (Credit Suisse), Europe and Asia (JP Morgan), 30 June 2010

Table 2: Global Credit Indices (Total Return)

Total Returns (Respective Currency)						
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD
30-Jun-10	2.26%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.33%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)
30-Apr-10	1.94%	0.49%	1.11%	2.52%	0.67%	1.23%

Source: US (Credit Suisse), Europe and Asia (JP Morgan), 30 June 2010

Weaker leading indicators sparked double-dip fears

Leading indicators from the U.S. and China were weaker than expected in June, re-igniting concerns that the global economy could be headed for a double-dip recession. The U.S. FOMC June statement, which cautioned that Europe's debt problems could slow American economic growth, further stoked investor fears.

European banks borrowed less than expected; fears about bank finances eased

European banks which borrowed EUR442 billion from the ECB's 12-month lending facility last year rolled over a much lower-than-expected amount into the new 3-month lending facility in June. This likely indicates that the majority of these banks have access to market financing, and credit investors were relieved at the apparent sign of improving liquidity in the European banking sector.

Selected Asian credits performed well

Asia saw USD3b of new issuance in June, comprising of high-grade bonds from Asian financial issuers and a high-yield issue by an Indonesian corporate. Although June's new issuance volume was much lower than in previous months, the secondary market performance of the high-yield Indonesian corporate bond was positive, reflecting that there is still demand for selected issues which offer value, despite the generally risk-aversive market tone.

Market Outlook**

Asia Rates & FX

Remain constructive on Asian economies but expect volatility ahead

We remain constructive on the Asian economies. While we think that a double-dip recession is unlikely in Asia, the path ahead will likely be volatile due to continued concerns over Europe's debt problems. The scheduled release of European bank stress test results in July and potential downgrades of European sovereign ratings are likely to add to market jitters. Having said that, we think that Europe's fiscal debt crisis is likely to be mostly containable, unlike the 2008 credit crisis resulting from the Lehman bankruptcy. The EU-IMF EUR750b aid package, which covers the funding needs for Greece, Spain, Portugal and Ireland up over the next three years, should act as a sufficient buffer in the medium term for austerity measures to gain market credibility.

Most Asian central banks likely to pause on tightening measures

We believe most Asian central banks will pause on their aggressive policy-tightening measures amid heightened market uncertainty due to the austerity measures in Europe. Therefore, we expect to see a general bull-flattening trend in most Asian government yield curves. The exception would be India, where the Reserve Bank of India (RBI) is widely expected to hike policy rates for the second time this year as its wholesale price index (WPI) has continued to surprise on the upside. In particular, we are bullish Korean Treasury bonds (KTBs) as we think that rate hike expectations in Korea have been over-discounted. We are also positive on Indonesia due to the country's strong fundamentals and subdued inflation. Resilient foreign flows, reduced volatility of the IDR and the recent credit rating upgrade by Moody's are also likely to lend support to Indonesian government bonds, whose yields are still amongst the highest yields Asia.

CNY revaluation positive for Asian currencies but effects will likely be gradual

We reiterate our view that a yuan revaluation will be generally positive for Asian currencies, as we believe China's export competitors from the Asian countries have more leeway to permit currency appreciation in tandem with the CNY. However, we do not expect the CNY to strengthen aggressively in the near term because, on a trade-weighted basis, it has already appreciated substantially over the past few years. In addition, as the new FX regime adopts a basket of currencies and allows two-way flexibility, there is a strong possibility that the CNY may even depreciate against the USD, especially in the event of a sharp depreciation of the euro against the greenback.

Global Credit

Bumpy road ahead but long-term fundamentals intact

Our longer-term outlook for Asian credit markets remains constructive, though we are cautious that the coming months will likely remain volatile due to lingering concerns over Europe's debt problems. It has been observed in the past that credit markets tend to focus more on short-term technicals, such as headlines, rather than on long-term fundamentals. Our base case scenario for global growth is that of a slow and gradual recovery rather than a double-dip recession. However, the latter cannot be completely ruled out, and we will be keeping a close eye on the unfolding of the European crisis and other pertinent global events, along with key economic indicators.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

DBS ASIA KNOWLEDGE FUND
July 2010

Highlights

- The Fund underperformed its benchmark in June as both country and sector allocation proved detrimental to returns. The portfolio's bias towards mid-cap stocks and cyclical sectors also hurt performance.

- We expect Asian markets to remain volatile in the near term, and look to opportunistically accumulate selected stocks on weakness. We remain positive on Singapore due to its strong growth prospects. We continue to favour China on its resilient growth and the shift to yuan flexibility, which will alleviate some pressure for monetary tightening, in our view. We also like Hong Kong as we believe that its sustained low interest rates and the potential for a stronger yuan bode well for asset prices. We remain overweight the consumer discretionary sector on Asia's growing wealth.

- Global equities ended the month generally lower, as softer economic data from the U.S. stoked fears of a potential double-dip recession. Asia ex-Japan performed relatively better, with Indonesia leading the region, on optimism that the reform progress will continue. Singapore also did well on the back of economic data pointing to strong growth momentum, while export-oriented Korea and Taiwan were the biggest underperformers for the month. Among sectors, telcos and consumer staples outperformed while tech and materials lagged.

- Recent trade data continued to point to resilient exports and we expect growth in the Asia ex-Japan region to remain healthy despite concerns over Europe and other global events. We expect domestic demand to underpin corporate earnings, and the markets to grind higher on the back of steady upgrades to corporate earnings and fair valuations, to end the year with modest returns. With the exception of Indonesia, the region's valuations look attractive. We expect volatility to persist due to global events and policy normalization to be put on hold in most Asian countries

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
DBS Asia Knowledge Fund	SGD	*+0.03%	*-9.68%
Benchmark (MSCI AC FE x Japan Index)	SGD	*+0.90%	*-6.20%

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Fund underperformed its benchmark

The Fund underperformed its benchmark in June, gaining 0.03% versus the benchmark's return of 0.90%, as both country and sector allocation proved detrimental to returns. The overweight in HK/China dragged on performance on the sharp decline of Chinese stocks, which underperformed most of its regional peers over the month. The portfolio's tilt towards mid-cap stocks and cyclical sectors (IT, consumer discretionary) also hurt performance.

Strategy

Look to opportunistically accumulate positions on market weakness

We expect Asian markets to remain volatile in the near term, and be driven mainly by key global events, particularly Europe's ongoing debt concerns, as well as monetary policy direction by central bankers around the world. We remain cautious but will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations attractive.

Positive on Singapore on strong growth

We remain overweight Singapore stocks due to generally healthy balance sheets and the potential for further earnings surprises, especially in mid-cap companies. Economic growth continues to be underpinned by FDI inflows and tourism arrivals. The underlying strength of the economy is affirmed by May's industrial production data, which rose for the sixth consecutive month.

Favour China/HK on flexible yuan and likely pause in tightening

We continue to like China on the country's resilient economic growth and the likelihood that the shift to flexible CNY will help to alleviate some of the pressure for monetary tightening. Wage pressures have been on the increase following recent labour strikes, many of them at foreign-owned manufacturing facilities. Though higher wages may lead to higher costs in the short run, they also serve as an important impetus for companies to boost automation and raise efficiency, in our view. Moreover, we expect workers' rising disposable incomes to drive consumer spending and be positive for the economy. In Hong Kong, continued low interest rates and the potential for a stronger yuan bodes well for asset prices.

Overweight consumer discretionary sector on growing Asian wealth

We continue to place greater emphasis on stock selection over country allocation. We are positive on the consumer discretionary sector in countries with growing wealth, such as China and Indonesia, where we see the potential for an increase in discretionary spending.

Market Review**

MSCI AC Gross Return (**% Change in SGD Terms)**	**Jun 2010**	**Year to Jun 2010**
Indonesia	6.29%	14.31%
India	4.09%	1.96%
Singapore	3.56%	-1.76%
Thailand	3.46%	10.77%
Malaysia	3.03%	8.73%
Hong Kong	2.87%	-4.05%
Philippines	2.37%	7.83%
AC Asia ex-Japan	1.51%	-4.11%
AC Far East ex-Japan	1.18%	-4.86%
China	1.07%	-6.48%
Korea	0.72%	-4.36%
AC Asia Pacific ex Japan	0.51%	-7.42%
Taiwan	-2.10%	-13.23%

Source: Bloomberg, 30 June 2010

Asia ex-Japan the only regional index to post gains
June was another rough month for global equities, as softer economic data from the U.S. stoked fears of a potential double-dip recession. The MSCI AC Asia ex-Japan Index was up a marginal 0.7% over the month, the only major regional index to post gains. Indonesia, India and Singapore outperformed the region, while Korea and Taiwan were the major underperformers. Among sectors, telcos (+4.7%) and consumer staples (+6.3%) outperformed due to their relatively defensive nature, while tech (-3.5%), and materials (-0.1%) stocks lagged on concerns over slowing growth.

Data pointed to continued Asian growth, though momentum moderating
Economic data across the region was generally mixed. Industrial production in India and South Korea remained strong while Chinese production moderated. The PMI manufacturing index, a leading indicator for the Chinese economy, moderated to 53.9 in May from 55.7 in April, but remained above the 50-reading, suggesting that China's economy has not been derailed from the expansionary track. Retail spending in Singapore weakened while Chinese retail sales sustained its strong momentum into May, accelerating slightly to 18.7% YOY, versus 18.5% in April.

Enthusiasm over CNY flexibility overshadowed by fears over slowing growth
The People's Bank of China (PBOC) announced an exit from the yuan's dollar peg in favour of a currency basket peg, and emphasized continued exchange rate reform. This led to a temporary spike in Asian equities as investors believe that a flexible yuan will alleviate some of the pressure for monetary tightening. However, towards the end of the month, weak data from China and the U.S., which added to concerns of slowing economic growth, dominated the markets and resulted in month-end weakness.

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Data affirmed strong growth momentum in Singapore

Recent data continued to affirm the underlying strength of Singapore's economy, and drove the Straits Times Index (STI) higher for the month. May's industrial production jumped 58.6% YOY (6.9% MOM), versus a revised 49.7% YOY the prior month. Strength was broad-based, with pharmaceuticals the biggest growth driver, followed by electronics production which moderated but remained robust. Inflation crept up for the second month in May, rising 0.6% MOM, or 3.2% YOY, led by the increase in energy prices.

ASEAN markets did relatively better in June

ASEAN markets fared relatively better in June, as Indonesia led the region higher on optimism that the bureaucratic reforms instituted under Sri Mulyani will continue. Despite political violence in May, domestic demand in Thailand has remained resilient, lending support to share prices. Stock markets in Malaysia and Philippines were lackluster as investors took a wait-and-see approach to the recently-announced 10th Malaysia Plan and the cabinet line-up under newly elected President Aquino.

Weaker Korean won weighed on equity returns

Korea's macro data remained healthy with GDP expanding 2.1% QOQ in 1Q10, from flat in 4Q09. Exports also continued to strengthen, growing 41.9% YOY in May, after expanding 29.8% YOY the previous month. Alarmed by the Korean won's recent sharp swings caused by Europe's debt problems, and with the Korean won looking set to appreciate (and potentially lead to increased capital inflows), the Korean authorities imposed currency controls aimed to curb rapid shifts in capital flows. This triggered a sell-off in the Korean won which weighed on equity returns.

Signing of long-awaited ECFA failed to excite

The much-awaited free trade agreement between China and Taiwan was signed on 29 June in Chongqing, marking a significant milestone in cross-strait relations. The Economic Cooperation Framework Agreement (ECFA) will boost economic ties via increased trade and capital flows. However, despite the news, the Taiwan bourse underperformed its regional peers on the back of a 12.5bp interest rate hike by the central bank, as well as the introduction of a slew of property curbs.

Market Outlook**

Growth in Asia likely to remain healthy, with exports resilient

The headline U.S. ISM manufacturing index eased slightly to 59.7 in May, from 60.4 in April. However, the leading indicator for shipments, i.e., new orders minus inventory, for Asia actually rose to 20.1. This suggests the region's trade cycle should remain well-supported for the time being, even if shipments may slow sequentially. Coupled with strong macro data on economic growth from Singapore, China and Thailand, we maintain our view that we do not expect the Eurozone's sovereign debt issues and slowing global growth to derail the region's recovery.

Market valuation ex-Indonesia is fair

We expect domestic demand in the Asian countries to remain resilient and underpin corporate earnings, and the market to grind higher on the back of steady upgrades to corporate earnings and fair valuations. With the exception of Indonesia, the region trades at earnings multiples generally below the past five years' average.

	Earnings Growth		PER (x)			Trailing PBR		Trailing Yield	
	2010	2011	2010	2011	12-mth Fwd PE, 5-Yr Avg	Current	5-Yr Avg	Current	5-Yr Avg
Asia ex-Jpn	37.4	12.6	12.9	11.4	12.9	1.9	2	2.1	2.6
China	24.8	16.6	13.3	11.4	13.4	2.4	2.7	2.3	2.1
HK	23.7	8.9	15.9	14.6	15.9	1.5	1.7	3.0	3.0
India	27	21.7	16.9	13.9	16.1	3.5	4.1	0.9	1.1
Indonesia	21	19.8	14.7	12.3	11.8	4.3	3.8	1.7	2.9
Korea	51.6	6.3	9.4	8.8	10.4	1.5	1.6	1.3	1.7
Malaysia	28.5	15.2	15.5	13.5	14.0	2.1	2.0	2.2	2.7
Philippines	23.8	12.1	14.9	13.3	13.5	2.6	2.3	2.8	2.6
Singapore	20.6	10.5	14.1	12.8	14.1	1.8	1.9	3.0	3.1
Taiwan	90.1	11.7	12.8	11.3	14.7	1.8	1.9	2.7	4.2
Thailand	18.6	18.3	11.4	9.7	10.0	2.0	1.9	3.3	3.9

Source: Bloomberg, CSFB, 28-Jun-2010

Volatility to persist due to external events; normalization likely to be on hold

We expect Asian stock markets to remain volatile in the near term, and trade in a wide range on concerns over global events, particularly the lingering debt crisis in the Eurozone. Governments will likely put normalization measures on hold to help sustain the fledging economic recovery. Against this backdrop, we believe that stocks are likely to remain supported as the region's economies continue to recover, and amid favourable liquidity conditions due to a delay in monetary tightening. We expect markets to end the year with modest returns.

Loss of confidence due to Europe's woes a possible risk

Even as Europe's financial woes linger, we expect the direct impact to Asia to be fairly contained, given the strong fundamentals and fiscal positions of most Asian countries. Moreover, the peripheral European countries, Greece, Portugal, Ireland and Spain, which will be implementing austerity measures to pare down their debt, account for only about 3.2% of world GDP. However, we are cautious that the indirect impact on Asia could turn out to be less benign if sentiment turns more negative. Investor risk appetite could falter and lead to rising credit costs; and if businesses and consumers lose confidence, slowing growth and rising interest rates could ensue.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

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DBS GLOBAL PROPERTY SECURITIES FUND
July 2010

Highlights

- The Fund delivered a return of negative 2.75% in the month of June, outperforming its benchmark by 0.13%. The outperformance was mainly due to stock selection in Europe and Singapore; as well as our overweight stance in Hong Kong.

- We remain neutral to slightly underweight in the U.S. and Canada. We are cautious on Europe, and neutral on the UK. We remain overweight the Asia Pacific ex-Japan region due to relatively stronger economic fundamentals in the region.

- Global property stocks continued to decline in June, with the FTSE EPRA/NAREIT Global Index down 2.4% in USD terms. The decline was milder than that of broader global equities, which continued to be weighed down over the European debt crisis and concerns over global growth.

- In the U.S. and Canada, we continue to see an economic and property recovery. In Europe, we are defensively positioned. In the UK, real estate stocks are likely to be range-bound in the short term. In Japan, JREIT valuations continue to be attractive. In the Asia-Pacific ex-Japan region, the economic environment is likely to remain supportive of property stocks.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
DBS Global Property Securities Fund	SGD	*-2.75%	*-4.36%
Benchmark	SGD	*-2.88%	*-0.28%
UBS Global Investors Index Total Return	SGD	*-2.88%	*-2.73%

Outperformed due to stock selection in Europe and Singapore

The Fund delivered a return of negative 2.75% in the month of June, outperforming its benchmark by 0.13%. The outperformance was mainly due to stock selection in Europe and Singapore; as well as our overweight stance in Hong Kong (HK). Our stock selection in the UK, U.S., Canada and Japan detracted from value. Overweight positions which added most value during the month were PSP Swiss Property, Unibail-Rodamco and Keppel Land.

Strategy

Neutral on the U.S., Canada and UK, and cautious on Europe

We remain neutral to slightly underweight in the U.S. and Canada. In Canada, we find that property stocks are attractively valued, and our bias is to add to positions there specifically in the senior housing sector. In the U.S., we are overweight property types like apartments with short-term leases, which are better-leveraged to a property upswing. We remain cautious on Europe, and have shifted the portfolio towards Sweden and Switzerland, where fiscal and economic issues are less likely to impact the property and equity markets. We are neutral on the UK but are more positive on the West End office market compared to the City. In Japan, we are biased toward Grade B office stocks, which we feel will perform better in the current economic environment, and where valuations are also more attractive.

Remain overweight Asia Pacific ex-Japan

We remain overweight the Asia Pacific ex-Japan region due to relatively stronger economic fundamentals in the region. We continue to favour HK developers, Singapore hotel and office owners, and Australian REITs with residential and industrial development activity. We have also initiated a position in Thai developer Asian Property Development as residential sales activity is likely to pick up sharply following a respite in recent political troubles.

Market Review**

Global property stocks continued to correct

Global property stocks continued to decline in June, with the FTSE EPRA/NAREIT Global Index down 2.4% in USD terms. The decline was milder than that of broader global equities, which continued to be weighed down over the European debt crisis and concerns over global growth. The Americas region unwound some of its outperformance of the last four months, underperforming during the month. The European and Asia Pacific regions outperformed. Within these regions, the Eurozone area, Hong Kong and Singapore edged higher during the month.

U.S. stocks pulled back despite positive developments

During the month, U.S. property stocks pulled back in line with U.S. equity markets, with the FTSE EPRA/NAREIT U.S. Index down 5.8%. In our view, this was primarily driven by increased risk aversion, with employment data for the month being perceived negatively. Investors continued to be supportive of capital raisings. During the month, HCP and Duke Realty raised nearly USD800m in total, while Hudson Pacific Properties completed its IPO in which it raised nearly USD250m. The apartment sector saw vacancies decline for the first time in two years, to 7.8% in 2Q10 from 8.0% in 1Q10, while asking rents rose 0.4% QOQ. The CMBS market is also showing signs of recovery. Glimcher Realty said it recently closed a 10-year USD45m mortgage loan originated by Goldman Sachs which is slated to be sold in the CMBS market.

European property stocks recovered, while those in the UK fell

European property stocks recovered in June, with the FTSE EPRA/NAREIT Eurozone Index up 1.7%. Scandinavian and Swiss investment property markets continued to see increased investor interest since they are less affected by the ongoing debt crisis. In Germany, unemployment fell in May, boosting hopes of a consumer revival. However unemployment rates in Spain, Portugal and Ireland all rose. UK real estate stocks continued to fall, with the FTSE EPRA/NAREIT UK Index down 2.2%. International investors continued to drive the investment property market. Qatari investors continued their acquisition spree this month, with Barwa Real Estate acquiring the Park House development from Land Securities for GBP250m. The Burlington Arcade in Mayfair, the world's oldest mall, is also close to being purchased by a U.S. investor for around GBP100m, equating to an investment yield of 4.5%.

Japanese property stocks continued to suffer

Property stocks in Japan fell 10.8% during the month, as measured by the FTSE EPRA/NAREIT Japan Index. Despite the decline, real estate stocks outperformed Japanese equities. Tokyo office vacancy continued its rise, and was at 9.1% at the end of June. This is higher than the peak vacancy in the previous cycle of 8.6%, in August 2003. On the economic front, news flow continues to be positive. Japanese vehicle sales grew 20.6% YOY in June and industrial production was up 20.2% YOY in May, pointing to a modest economic recovery.

Australian REITs eased but outperformed general equities

Australian REITs (A-REITs) eased over the month, with the S&P/ASX 200 A-REIT Index falling 2.2%. As most of the A-REITs went ex-dividend during the month, total return on the index was a milder negative 0.9%. The A-REITs outperformed general Australian equities as investors sought after their defensive qualities. During the month, the Reserve Bank of Australia (RBA) kept its cash rate on hold at 4.5%, citing the potential that events in Europe will affect global economic growth as a factor in its decision. Australia's GDP grew at 0.5% QOQ in 1Q10, in line with expectations, though this is slower than the 1.1% expansion in 4Q09. Employment gained 26,900 in May, beating expectations of 20,000. This led unemployment to fall to 5.2%, against expectations of 5.5%.

HK property stocks buoyed by positive auction result

HK property stocks recovered during the month, with the Hang Seng Property Index edging up 3.0%. Residential prices edged up, with the Centa-City Leading Index gaining 1.2% for the month. Secondary residential transactions eased 16%, however, to 9,130 units. During the month, an auction for a residential site in Homantin was won by Sun Hung Kai Properties at a price of HKD10.9b, well above market expectations of HKD7.2-10.6b. Following the successful auction, a consortium led by Sino Land launched a residential project called The Hermitage, selling about 500 units in a two-week period. At the end of the month, the Lands Department announced that two residential sites had been triggered for auction. Both located in Kowloon, the sites are expected to be worth a total of HKD6.6b, and will be auctioned on 17 August. Interest is expected to be keen given the relatively small investment involved.

Chinese property stocks mixed as sales volumes continued to correct

Chinese property stocks delivered mixed performances during the month as residential sales continued to remain soft. According to JP Morgan data, primary residential sales in eight major cities eased 6% MOM in June, though the YOY decline was a much steeper 63%. Towards the end of the month, more evidence of price reductions appeared, leading to a rebound in sales volumes in the final week of June. During the month, the government announced a clearer definition of second-home buyers, which would apply across the nation. We believe the new definition is more logical, though it is likely that fewer buyers will now qualify as first-home buyers. During the month, the Chinese government announced a more flexible exchange rate regime for the CNY. While this boosted Chinese property stocks, we believe that the impact on company fundamentals is limited.

Singapore property stocks gained as residential prices rose
Singapore property stocks gained marginally in June, with the FTSE ST Real Estate Index up 2.6%. During the month, the Urban Renewal Authority (URA) announced that Singapore private residential prices rose 5.2% QOQ in 2Q10, according to its flash estimates. The latest increase puts the URA index at an all-time high, exceeding its previous peak in 2Q96 by 1.5%. Secondary market prices for Housing Development Board (HDB) flats also rose 3.8% QOQ. HDB resale prices are now 17.5% higher than their previous peak in 4Q96. Primary sales in the private residential sector fell 51% MOM in May to 1,078 units. The month saw foreign developers actively bidding for land in Singapore. Two land tenders were won by foreign developers Qingdao Construction of China and Lend Lease from Australia. SP Setia of Malaysia was also active in the bidding.

Market Outlook**

Continue to believe in economic and property recovery in the U.S. and Canada
In the U.S. and Canada, we continue to see an economic and property recovery. U.S. REITs should benefit from job growth and more stable financial markets. If we continue to see sustained negative economic news flow it would cause us to revisit our recovery thesis. In such a scenario, not only would earnings estimates prove too high, but capital values could fall. This would negatively impact market sentiment in the export-dependent Asia-Pacific markets as well.

Europe real estate stocks expected to struggle
In Europe, we are defensively positioned as we expect the region to continue underperforming due to concerns over the sovereign debt crisis there. We continue to see investors being cautious about making new investments in Europe. We expect that the current round of fiscal tightening undertaken by governments in many of the European countries will have a negative effect on aggregate consumer demand. We also expect that the wider spreads on corporate debt will negatively impact earnings of firms which need to refinance. We continue to be positioned primarily in Northern Europe and Switzerland.

UK property stocks likely to be range-bound
In the UK, property capital values have held up despite the tough economic conditions, given healthy investor appetite for London real estate. Foreign pension funds and sovereign wealth funds continue to be active in the physical market along with other large institutional investors. However, with the government taking tough measures to reduce the fiscal deficit, we believe that UK real estate stocks are likely to be range-bound in the short term.

Japan stocks attractive, but will be driven by global events and politics
In Japan, although property markets are bottoming, we expect that global events will drive stocks in the near term. The recent change of political leadership has had little effect on property stocks, and JREITs continue to opportunistically raise capital to acquire assets. JREIT valuations continue to be attractive, based on the spread of distribution yields over the the 10-year government bond yield. With government yield curve showing no sign of steepening, we continue to see upside for some of the JREITs whose fundamentals are stabilizing.

Remain positive on the Asia-Pacific ex-Japan region

We continue to believe that there will not be a double-dip recession in the Asia-Pacific ex-Japan region. As such, the economic environment is likely to remain supportive of property stocks. Through the global financial crisis, property stocks in the Asia-Pacific ex-Japan region have become more resilient against another credit crunch. In particular, the Chinese developers and REITs in Australia and Singapore have strengthened their balance sheets significantly, via robust residential sales and significant equity raisings, respectively. Valuations remain attractive, and significant declines in primary sales volumes in markets like Singapore and China should lead to an easing in new cooling measures for the residential sector.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Content Source: DBS Asset Management Ltd and Urdang Securities Management, Inc., June 2010.*

The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of the major local banks. The new interest rate for the Special, Medisave and Retirement Accounts ("SMRA") is pegged to the yield of the 10-year Singapore government bond plus 1%. The CPF Board pays a minimum interest of 2.5% p.a. for all accounts. From 1 January 2008, an extra interest rate of 1% p.a. is paid for the first S$60,000 of the CPF members' combined balance in the OA and Special Account ("SA"), including up to S$20,000 in the OA. From 1 April 2008, the first S$20,000 in the OA and SA will not be allowed to be invested under the CPF Investment Scheme ("CPFIS"). From 1 May 2009, CPF members must set aside S$30,000 in their SA before they can invest their SA monies under CPFIS. From 1 July 2010, the first S$40,000 of members' SA balance will no longer be allowed to be used for CPFIS investments.

DBS ENHANCED INCOME FUND
July 2010

Highlights

- The Fund recorded a gain of 0.16% for the month of June 2010, against the benchmark's return of 0.04%. Year-to-date, the Fund gained 1.75% on a total return basis.

- In view of Europe's deepening debt woes and the growing threat of a global economic slowdown, we will remain defensive, and look to further reduce the Fund's current holdings in selected European banks and high-beta positions in general. We retain our bias for Asia Pacific investment grade credits in the medium term.

- Spreads of major high-grade bond indices globally widened between 7-22bp in June, though the pace of widening has moderated. European credits generally underperformed its global peers. Leading indicators in the U.S. and China were weaker in June, re-igniting double-dip fears.

- Our longer-term outlook for Asian credit markets remains constructive, though we are cautious of increased volatility due to Europe's debt problems. Our base case scenario for global growth is that of a slow and gradual recovery rather than a double-dip recession, though we remain watchful, should the situation in Europe take a turn for the worst.

Performance Review

	Currency	Performance	
		June 2010 (% change)	**Year-to-Date** (cumulative)
DBS Enhanced Income Fund	SGD	*+0.16%	*+1.75%
Benchmark (3M SIBOR)	SGD	*+0.04%	*+0.25%

Fund recovered from previous month's slight mark-to-market losses
The Fund recorded a gain of 0.16% for the month of June 2010, against the benchmark's return of 0.04%, due to a moderate tightening in credit spreads. Year-to-date, the Fund gained 1.75% on a total return basis.

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No major changes in the Fund's characteristics

As of 30 June 2010, the Fund's overall duration (see Note 1) increased slightly to 1.07 years, while the estimated yield (see Note 2) was at 2.44% (hedged, in SGD terms),. The average credit rating of the Fund remained unchanged at A. The Fund is diversified across 76 bonds, with 59 issuers from 9 countries, at an average weight of 0.87% per issuer. During the month, we increased our cash allocation to 8.71%. The total allocation to cash and non-credit AAA (see Note 3) issues stood at 11.11% of the Fund.

Strategy

Remain defensive on concerns over Europe and slowing global growth

In view of Europe's deepening debt woes and the growing threat of a global economic slowdown, we will remain defensive, and look to further reduce the Fund's holdings in selected European banks and high-beta positions in general. Over the medium term, we intend to keep the Fund's characteristics mostly unchanged, and retain our bias for Asia Pacific investment grade credits (of selected issuers).

Market Review

Global Credit

Slower pace of spread widening; Europe underperformed

Spreads of major high-grade bond indices globally widened between 7-22bp in June, while, in Europe and the U.S., high-yield credit spreads largely tightened (Table 1). The pace of spread widening for high-grade credits moderated in June, suggesting that some calm may be returning after the storm in May. On a total return basis (Table 2), the U.S. and Asia outperformed Europe in both the high-grade and high-yield categories as European debt remained the focus of concern among credit investors.

Table 1: Global Credit Indices (Credit Spreads)

	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD	USD	EUR	USD
30-Jun-10	158	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	151	134	218	704	476	812	42	35	45	133	123	174
30-Apr-10	109	99	173	571	352	638	(8)	12	(7)	(18)	6	(8)

Source: U.S. (Credit Suisse), Europe and Asia (JP Morgan)

Table 2: Global Credit Indices (Total Return)

Total Returns (Respective Currency)						
Month	US HG	EU HG	ASIA HG	US HY	EU HY	ASIA HY
	USD	EUR	USD	USD	EUR	USD
30-Jun-10	2.26%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.33%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)
30-Apr-10	1.94%	0.49%	1.11%	2.52%	0.67%	1.23%

Source: U.S. (Credit Suisse), Europe and Asia (JP Morgan)

Weaker leading indicators sparked double-dip fears
Leading indicators from the U.S. and China were weaker than expected in June, re-igniting concerns that the global economy could be headed for a double-dip recession. The U.S. FOMC June statement, which cautioned that Europe's debt problems could slow American economic growth, further stoked investor fears.

European banks borrowed less than expected; fears about bank finances eased
European banks which borrowed EUR442 billion from the ECB's 12-month lending facility last year rolled over a much lower-than-expected amount into the new 3-month lending facility in June. This likely indicates that the majority of these banks have access to market financing, and credit investors were relieved at the apparent sign of improving liquidity in the European banking sector.

Selected Asian credits performed well
Asia saw USD3b of new issuance in June, comprising of high-grade bonds from Asian financial issuers and a high-yield issue by an Indonesian corporate. Although June's new issuance volume was much lower than in previous months, the secondary market performance of the high-yield Indonesian corporate bond was positive, reflecting that there is still demand for selected issues which offer value, despite the generally risk-aversive market tone.

Market Outlook

Global Credit

Bumpy road ahead but long-term fundamentals intact
Our longer-term outlook for Asian credit markets remains constructive, though we are cautious that the coming months will likely remain volatile due to lingering concerns over Europe's debt problems. It has been observed in the past that credit markets tend to focus more on short-term technicals, such as headlines, rather than on long-term fundamentals. Our base case scenario for global growth is that of a slow and gradual recovery rather than a double-dip recession. However, the latter cannot be completely ruled out, and we will be keeping a close eye on the unfolding of the European crisis and other pertinent global events, along with key economic indicators.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*
** *Data Source: Bloomberg as of end June 2010.*

Note 1: Duration is defined as the weighted average of duration to maturity or call date, whichever is lower, of the Fund.

Note 2: Yield is defined as the weighted average of yield to maturity or call date, whichever is lower, of the Fund.

Note 3: Non-Credit AAA is defined as issuers that are AAA sovereigns, AAA Supranationals and Singapore statutory boards. Such issuers typically do not carry any meaningful credit spread component as their expected default risks are very low.

monthlyoutlook

DBS ASSET MANAGEMENT

MYHOME FUND – HomeGrowth
FUND PERFORMANCE UPDATE
July 2010

Highlights

- The Fund returned 0.18% for the month.

- June was a positive month for Singapore stocks as investor anxiety over Europe lessened and focus was shifted back towards Singapore's strong fundamentals. China's FX regime shift on 19 June also lent some support to Singapore equities. Economic data continued to point to a healthy level of domestic economic activity, with industrial production up a staggering 58.6% YOY in May, led by electronics and biomedical production. However inflationary pressures have also crept up along with the pick-up in economic activity, with CPI up 3.2% YOY in May.

- Singapore Government Securities (SGS) rose in tandem with U.S. Treasuries (UST) in June on risk aversion, though the former's rally was more muted. The SGD ended the month almost flat against the USD despite gains in the early part of the month on the announcement of China's new yuan regime. However, the SGD's rally was short-lived as global risk aversion returned to dominate the market towards the later part of the month.

Performance Review

	Currency	Performance	
		June 2010 (% change)	Year-to-Date (cumulative)
MyHome Fund - HomeGrowth	SGD	+0.18%	-1.31%

The Fund returned 0.18% for the month. In the month of June 2010, holdings in the DBS Singapore STI ETF contributed 3.02% positively while ABF Singapore Bond Index Fund contributed 1.65% positively.

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Strategy

MyHome Fund – HomeGrowth seeks capital growth through largely Singapore-dollar denominated assets. The investment focus is to passively invest the assets of the Fund in Singapore-dollar denominated fixed income securities and Singapore-listed equities (or in one or more different mutual fund(s) and unit trust(s) reflecting an underlying investment in such fixed income securities and equities) in the proportion of 20:80.

Market Commentary**

% Change^	Month	YTD
Singapore Straits Times Index	+3.0%	-2.1%
iBoxx ABF Singapore	+1.7%	+3.6%

Source: Bloomberg, 30 June 2010 (^in local currency, price return basis)

Equity

Positive month for Singapore stocks
After May's dismal performance, Singapore's equity markets turned in a better showing in June as investors became somewhat less anxious about the news out of Europe and refocused on the generally-positive fundamentals in Singapore. Economic data continued to paint a positive picture of broad-based economic growth in Singapore. China's decision to end the yuan's peg to the USD on 19 June also lent some support to Singapore equities. However, towards the end of the month, concerns over slowing economic growth in China and the rest of the world, as well as dampened consumer sentiment in the U.S., dominated the markets and resulted in some month-end weakness.

Industrial production and export data continued to be strong
Economic data continued to point to a healthy level of domestic economic activity. Singapore's industrial production growth accelerated, led by electronics and biomedical production, which rose sharply by 51.8% and 116.7% YOY respectively, partially due to a low-base effect. Industrial production was up for the sixth consecutive month, increasing by 58.6% YOY in May, after a revised 49.7% in April. Excluding biomedical manufacturing, output grew 30.6%. Non-oil domestic exports increased for the seventh consecutive month, climbing 24.4% YOY in May.

CPI continued to trend up
Inflationary pressures have also crept up along with the pick-up in economic activity. Singapore's CPI increased by 0.6% MOM in May, largely reflecting the rising costs of transport and housing. Transport cost increased by 3.4% due to the higher prices of cars, while housing cost rose 0.2% as a result of higher accommodation costs. Year-on-year, CPI went up by 3.2% in May, due largely to higher transport, housing and food costs.

Fixed Income

SGS rallied, though performance muted compared to UST

Singapore Government Securities (SGS) rallied in tandem with U.S Treasuries (UST) in June, but with relatively muted gains. Both yield curves bull-flattened substantially on the back of heightened concerns over Europe's debt crisis and slowing global economic growth. Even the announcements of a watered-down U.S. financial regulatory reform bill, increased CNY flexibility and commitment from the G20 towards fiscal consolidation did little to calm the markets. The 10-year SGS yield declined by 42bp MOM and ended the month at 2.37%, the lowest it's been since September 2009. The SGD2.5b 2-year SGS auction received strong demand, with a cutoff yield of 0.52%, as compared to the pre-auction market level of 0.55%. The bid-to-cover ratio was 2.1 times and average yield was 0.49%.

SGD rally following yuan revaluation was short-lived

The People's Bank of China (PBOC) has adopted a new FX regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. The SGD's immediate reaction to the yuan revaluation was a 1.4% rally against the USD; given that China is one of Singapore's major trading partners, the immediate spike in the SGD was not surprising. However, the rally was short-lived as global risk aversion returned to dominate the market, and the SGD eventually gave up all its gains and ended the month almost flat versus the USD.

* *Data Source: DBS Asset Management Ltd as of 30 June 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

** *Data Source: Bloomberg as of end June 2010.*

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