

## FUND PERFORMANCE UPDATE August 2010

### Overview: Eurozone concerns blowing over

*Asian risky assets mostly gained in July. Investors emphasized the strong economic data from Europe and corporate earnings reported during the month over weaker U.S. economic data and results of the European bank stress tests, which were generally treated with scepticism. As the market switches focus to the durability of the U.S. economic recovery, we remain sanguine over rate hikes in Asia and believe that Asian credits should remain well-supported. We also think that current volatility in Asian stocks should give way to modest gains by year-end. We continue to like Indonesian government bonds, as well as Asian currencies, bank capital bonds, and consumer discretionary stocks.*

### Asian Rates: Benign view given lack of inflation

#### ***Risky assets supported despite scepticism over European bank stress tests***

Risky assets remained well supported in July, even though market reaction was mixed at best to the results of the European bank stress test released in July. Even though fewer banks failed the test than had been expected, investors generally thought that the macro-economic shock scenarios considered were not rigorous enough. Strong earnings data from the U.S. continued to support risky assets, pushing the S&P 500 to a 6.9% gain for the month. The U.S. Treasury (UST) yield curve steepened, with the 30-year being sold off while the short- to mid-end of the curve dipped lower. The benchmark 10-year yield spent most of the month hovering around 3%, before ending the month lower at 2.91%.

#### ***Market focus shifts to durability of U.S. recovery***

The European bank stress test, although widely criticized for its benign stress scenarios, has nonetheless assuaged investors' worst fears about the financial health of European banks. With the EUR rallying 6.5% against the USD during the month, investors now appear to be more focused on the durability of the U.S. recovery rather than the debt crisis in Europe. Fears of slower U.S. growth was renewed during the month with a discouraging read from the Fed's Beige Book, softer U.S. economic data and speculation that the Fed may engage in another round of quantitative easing. In our view, this should continue to cap UST yields, although they are already at historically-low levels.

#### ***Central banks across Asia hiked policy rates***

In July, several central banks in Asia moved to normalize their monetary policies, with Thailand and Korea tightening for the first time this year. The Bank of Korea raised its policy rate by 25bp to 2.25%, its first hike since the financial crisis. However, Korean government bond yields bull-flattened despite the move. Malaysian government bonds were also mostly

stable after Bank Negara hiked its policy rate by 25bp for the third time this year, with strong foreign inflows continuing to depress yields. The Reserve Bank of India was the most hawkish this month, hiking rates twice in July in an attempt to tame double-digit inflation. Indian government bond yields widened as a result.

### ***Continue to favour Indonesian government bonds***

We continue to favour Indonesian government bonds due to attractive yields and the potential for IDR appreciation. Given the lack of any significant inflation threat in Asia (apart from India), we think that most Asian central banks will likely pause on, or moderate their pace of, further tightening in the coming months. Malaysia, for example, has signalled a pause in further rate hikes given muted inflation and global slowdown concerns. Although inflation has trended up in the regional economies, they are still at manageable levels in our view, and most of the recent high readings could be due to a low base from 2009. Moreover, the negative output gap in the developed economies has helped keep global goods prices in check, lowering inflationary pressures in Asia.

## **Asian FX: Remain positive on Asian currencies**

### ***Weak U.S. economic data dragged USD down***

Weaker-than-expected U.S. economic data dragged the USD lower against most major currencies in July. Among the Asian currencies, the KRW was the top performer with a 3.3% gain against the USD on strong exports and foreign inflows into the equity market. The SGD came in a close second, gaining 2.7% against the USD. This came on the back of strong economic growth data and a statement from the IMF lauding the Monetary Authority of Singapore for its efficient monetary policy and stating their view that the SGD REER should strengthen over time. However, the VND weakened against the USD and breached the upper end of the policy band, following Fitch's downgrade of the country's sovereign credit rating to B+ on weak external balances and low foreign exchange reserves.

### ***USD weakness likely to persist***

We believe that recent weakness in the USD will be reinforced by speculation over a second round of quantitative easing in the U.S., which was sparked by a warning by Fed Chairman Bernanke that the U.S. economic outlook remains "unusually uncertain". Adding to the pressure was a comment by Moody's that the AAA credit rating enjoyed by the U.S. may need to be reviewed if current projections for its debt are realized.

### ***Remain positive on Asian currencies***

We look to maintain our exposure to the Asian currencies, which should continue to appreciate against the USD in our view, given robust economic growth, healthy fiscal positions, and attractive interest rate differentials. The IDR in particular, recently broke through the psychological barrier of 9,000 to the USD, and looks set to continue strengthening on strong foreign inflows and attractive interest yields relative to the rest of Asia. We also believe that Bank Indonesia is becoming more amenable to an appreciating currency in view of rising inflation in the country.

## **Asian Credit: Moving down the credit curve**

### ***Spreads tightened, reversing trend of past two months***

Over the month of July, spreads of major global high-grade bond indices tightened 8-23bp. Better-than-expected 2Q10 earnings, an upbeat IMF report on global growth prospects and improved economic data from Europe lifted investor sentiment across markets. As risk appetite returned, high-yield credits generally outperformed high-grade on a total return basis. While the results of the European bank stress test were widely considered to be a non-event,

the improved level of disclosure came as a positive surprise. Most banks, apart from a few German banks, have released detailed information about their sovereign debt exposure.

### ***Primary markets in Asia generally buoyant***

Credit markets in Asia saw a strong resurgence in primary market activity in July. A total of USD3.95b of high-grade bonds were issued, comprising six new bonds and two which were retaps of existing issues. The high-yield credit market was also busy with new issuance activity to the tune of USD1.6b. In general, most of the new issues traded better in the secondary market, with the exception of a high-grade Chinese quasi-government resource company bond which was issued at a tight spread.

### ***Expect Asian credits to remain well-supported in near term***

Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view. Favourable technical factors versus the developed markets should also support continued inflows into the Asian markets. Given our constructive near-term view on Asian credits, we recommend moving down the credit curve to the BBB sector, as we expect the quest for yield in the current low interest rate environment to result in spread compression between the BBB and A sectors. We also continue to be positive on Asian bank capital bonds, and especially favour issues which offer value in terms of yield and credit quality, as well as the potential for price appreciation in the event of being called.

## **Asian Equities: Near-term volatility to give way to modest gains**

### ***Asia ex-Japan equities closed higher in July; Singapore led***

Asian equities generally rebounded in July along with global equity markets. Sentiment was lifted with strong earnings results in the U.S. and Asia, better-than-expected economic data from Europe, and the results of the European bank stress test not revealing any new concerns. Hopes for policy loosening in China were also raised as inflation appeared to wane. Among the Asian markets, Singapore and Taiwan gained the most while India eased under profit-taking pressure. Economic data from Singapore accelerated markedly, with 2Q10 GDP growth surging to 19.3% YOY and 26.0% QOQ on an annualized basis, according to advanced estimates. 1Q10 GDP growth was also revised up to 16.9% YOY from 13.1%. As a result, the government raised its 2010 GDP growth forecast to 13-15% from 7-9%.

### ***Asian stock markets to end the year with modest returns***

We expect Asian stocks to end the year with modest returns, even though markets could remain volatile in the near term as investors swing between risk-on and risk-off modes. Corporate earnings and margins continue to surprise on the upside, providing reasons to remain positive in the medium to long term. We expect robust earnings growth and healthy valuations to lift Asian equity markets when investors gain clarity over the debt issues in Europe and monetary policy direction by central banks around the world. We maintain our view that economic growth in the Asian region will not be derailed by sovereign debt problems in the Eurozone.

### ***Continue to accumulate positions on market weakness***

We continue to accumulate positions on market weakness, and place greater emphasis on stock selection over country allocation. In particular, we are positive on consumer discretionary stocks in countries with growing wealth, such as China and Indonesia. We remain positive on Singapore due to strong economic growth, generally healthy corporate balance sheets and the potential for further earnings surprises, especially among the mid-cap companies. We are also overweight Korea on strong earnings momentum and attractive valuations. We are now neutral on Indonesia, where valuations are at a premium to the region and against its historical average.

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

August 2010

### Highlights

- The Fund gained 5.18% in July, underperforming its benchmark which returned 5.37%, owing to both sector allocation and stock selection, particularly our underweight in the consumer discretionary sector and stock picks in the industrial sector.
- We continue to be overweight cyclical sectors with higher earnings growth, while underweighting the defensive telco and policy-vulnerable property sectors. We continue to favour the IT sector and are increasingly positive on the domestic consumption theme on strong tourist arrivals and the economy's growth momentum.
- The Singapore stock market resumed June's rally on the back of positive economic data, and as fears over the European debt situation continued to subside. The release of European bank stress test results and Chinese equity markets rally also helped. Economic data continued to point to strong growth, with the Singapore economy expanding by 16.9% YOY in 2Q10. 2010's GDP growth forecast was revised up to 13-15%, from 7-9% previously.
- We continue to believe that global growth remains resilient, but will likely moderate for the rest of the year. We do not expect to see a repeat in 2H10 of the unusually-strong growth experienced by the Singapore economy in the first half, but maintain our view that the country's recovery will remain on track, with the stock market ending the year with healthy but modest gains.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
Shenton Thrift Fund	SGD	*+5.18%	*+2.16%
Benchmark (FSSTI Index)	SGD	*+5.37%	*+3.11%

### ***Underperformed benchmark due to sector allocation and stock selection***

The Fund gained 5.18% in July, underperforming its benchmark which returned 5.37%, owing to both sector allocation and stock selection, particularly our underweight in the consumer discretionary sector and stock picks in the industrial sector. Top-performing stock holdings within our portfolio include CDL Hospitality Trusts, Ezra Holding Ltd and Tencent Holding Ltd, while our underweights in Jardine Cycle & Carriage Ltd and Jardine Strategic are among the worst-performing positions for the month.

## **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 see value emerging in the offshore & marine sector as the improvement in its order book has yet to be reflected in share prices for the sector, in our view. We are neutral on bank stocks as they are trading at mid-cycle valuations.

### ***Positive on IT and domestic consumption***

We continue to like the IT sector, where our stock picks have done well, and will remain overweight there. We are increasingly positive on the domestic consumption theme on strong tourist arrivals and the economy's sustained growth momentum. Within this space, we especially like gaming counters.

## **Market Review\*\***

<b>% Change<sup>^</sup></b>	<b>Month</b>	<b>YTD</b>
STI Index	5.37	3.11
FTSE STI Small-Cap Index	5.47	-4.66

Source: Bloomberg, 31 July 2010 (<sup>^</sup>In local currency, price return basis)

### ***Singapore stocks continued to climb***

The Singapore stock market resumed June's rally on the back of positive economic data, and as fears over the European debt situation continued to subside. The release of the European bank stress test results, though rather uneventful, also helped to improve risk sentiment somewhat. Singapore stocks also benefited from the rebound in the Chinese equity markets, as risk sentiment improved on expectations that China will pause on further tightening in view of the recent slowdown in economic activities and effectiveness of recent property curbs.

### ***Economic data continued to show strong economic performance***

Data from the Department of Statistics show that the Singapore economy grew more rapidly in 2Q10 than previously indicated. The economy expanded by 16.9% YOY, higher than the 15.5% estimated in May. Advance estimates for 2Q10 indicate that the economy has continued to expand strongly. Real GDP is expected to grow by 19.3 % from the same period last year. On a sequential basis, the economy grew by 26.0% in the second quarter. Manufacturing output increased 26.1% YOY in June. Excluding biomedical manufacturing, output grew 24.8%. For 1H10, manufacturing output increased by 41.6%, with growth driven by the biomedical manufacturing cluster, and a strong expansion in the electronics cluster. The launch of the Integrated Resorts and higher visitor arrival numbers contributed to significant growth in the tourism-related sector. Visitor arrivals to Singapore climbed 26.7% to 950,000 in Jun 2010, the highest ever recorded in the month of Jun.

### ***2010's GDP forecast revised upward***

Following the better economic performance in 1Q10 and stronger-than-expected economic growth in 2Q10, the Ministry of Trade and Industry (MTI) revised its growth forecast upward in mid-July, expecting the Singapore economy to expand by 13-15% in 2010, from 7-9% previously.

## **Market Outlook\*\***

### ***Increasing signs of a slowing global economy***

We continue to believe that global growth remains resilient, but will likely moderate for the rest of the year. The string of negative reports that we have seen from the U.S. continues to point to an economy that is slowing. In the EU, domestic demand could remain under pressure as unresolved issues around the debt situation persist. Slowing growth is also evident in Japan, where factory output declined 1.5% in June, exports faltered and unemployment rose. However, we maintain our view that though global growth will most likely slow, a double-dip recession is unlikely at this point.

### ***Anticipating a slower but still-healthy second-half for Singapore***

Given this backdrop, we do not expect to see a repeat in 2H10 of the unusually-strong growth experienced by the Singapore economy in the first half. Signs of slowing have already begun to emerge – most recently, the decrease in June's manufacturing output of 23.4% (on a seasonally-adjusted MOM basis). Nonetheless, we maintain our view that the recovery in Singapore will remain on track, with the stock market ending the year with healthy but modest gains.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 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

August 2010

### Highlights

- The Fund's NAV rose 3.49% in July, underperforming the benchmark by 21bp due to unfavourable stock selection.
- We continue to base our sector and stock selections on the positive growth outlook of Singapore and Hong Kong. We especially favour the cyclical sectors, especially selected commodity, industrial and consumer discretionary stocks. We will continue to take profit on selected stocks which have performed well and whose valuations are looking too rich. We continue to emphasize sector and tactical allocation in managing the portfolio.
- The Singapore stock market rallied on the back of positive economic data and as fears over Europe's debt situation continued to subside. The release of European bank stress test results and the Chinese equity market rally also helped. Economic data continued to point to strong growth, with the Singapore economy expanding by 16.9% YOY in 2Q10. The HSI rose 4.5%, led by cyclical sectors, particularly banking stocks, while H-shares was up 3.8%. Recent data including retail sales affirmed a strong growth in domestic consumption in Hong Kong. Hong Kong and China's property and related stocks were among the market's top-performers over the month.
- We continue to believe that global growth remains resilient, but will likely moderate for the rest of the year. We expect the Singapore economy to remain resilient but 2H10's growth to be slower than 1H10's, with the stock market ending the year with healthy but modest gains. In Hong Kong, we expect slowing growth concerns to keep volatility high and sentiment subdued in the near term. Valuation is currently marginally below historical mean, and earnings upgrades appear to have peaked.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
Shenton Twin City Fund	SGD	*+3.49%	*-0.90%
Benchmark (FSSTI + HSI Composite Index)	SGD	*+3.70%	*-2.03%

#### ***Fund underperformed benchmark on unfavourable stock selection***

The Fund's NAV rose 3.49% in July, underperforming the benchmark by 21bp. Our stock selection in the consumer discretionary and telecommunication sectors was the primary detractor from performance.

## Strategy

### ***Continue to favour cyclicals; take profit selectively***

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 selected stocks which have performed well and whose valuations are looking too rich. 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 stock markets to remain range-bound in the near term, and will continue to emphasize sector allocation in managing the portfolio. Volatility has remained elevated in recent months, and as such we intend to manage our stock positions tactically. As our cash level is now low, we look to opportunistically take profit on stocks whose valuations have become stretched.

## Market Review\*\*

### Singapore

<b>% Change<sup>^</sup></b>	<b>Month</b>	<b>YTD</b>
STI Index	5.37	3.11
MSCI Small-Cap Index	5.53	4.99

Source: Bloomberg, 31 July 2010 (<sup>^</sup>In local currency, price return basis)

### ***Singapore stocks continued to climb***

The Singapore stock market resumed June's rally on the back of positive economic data, and as fears over the European debt situation continued to subside. The release of the European bank stress test results, though rather uneventful, also helped to improve risk sentiment somewhat. Singapore stocks also benefited from the rebound in the Chinese equity markets, as risk sentiment improved on expectations that China will pause on further tightening in view of the recent slowdown in economic activities and effectiveness of recent property curbs.

### ***Economic data continued to show strong economic performance***

Data from the Department of Statistics show that the Singapore economy grew more rapidly in 2Q10 than previously indicated. The economy expanded by 16.9% YOY, higher than the 15.5% estimated in May. Advance estimates for 2Q10 indicate that the economy has continued to expand strongly. Real GDP is expected to grow by 19.3 % from the same period last year. On a sequential basis, the economy grew by 26.0% in the second quarter. Manufacturing output increased 26.1% YOY in June. Excluding biomedical manufacturing, output grew 24.8%. For 1H10, manufacturing output increased by 41.6%, with growth driven by the biomedical manufacturing cluster, and a strong expansion in the electronics cluster. The launch of the Integrated Resorts and higher visitor arrival numbers contributed to significant growth in the tourism-related sector. Visitor arrivals to Singapore climbed 26.7% to 950,000 in Jun 2010, the highest ever recorded in the month of Jun.

### ***2010's GDP forecast revised upward***

Following the better economic performance in 1Q10 and stronger-than-expected economic growth in 2Q10, the Ministry of Trade and Industry (MTI) revised its growth forecast upward in mid-July, expecting the Singapore economy to expand by 13-15% in 2010, from 7-9% previously.

## Hong Kong

% Change	Month	YTD
HSI Index	<b>4.48%</b>	<b>-3.85%</b>
HSCEI Index	<b>3.83%</b>	<b>-6.95%</b>

Source: Bloomberg, 31 July 2010 (^In local currency, price return basis)

### **HSI gained; H-Shares marginally underperformed**

Hong Kong stocks continued to move higher in the month of July, with the HSI up 4.5%, led by cyclical sectors. The Hong Kong banking sector outperformed, as hopes for more merger and acquisition activity were raised following the privatization of Industrial and Commercial Bank of China (Asia). HSBC, the largest constituent of the index, rose to a three-month high, and was among the top-performing index counters. H-Shares underperformed the HSI, despite the strong rally in the A-shares market.

### **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 continued to grow in May, rising 19.7% YOY, from April's 15.6% YOY, confirming strong domestic consumption growth on the back of improving income and job conditions and expansion in inbound tourism. Hong Kong's unemployment rate for April-July remained low, and unchanged from March-May, at 4.6%.

### **Property and related sectors performed well**

Hong Kong property stocks were boosted following the auction of a rare residential site on Hong Kong's prestigious Victoria Peak for HKD10.4b. Property developer Nan Fung snagged the winning bid, and will develop the site through a joint venture with Wharf Holdings. The price was 30% higher than the opening bid, and at the higher end of the HKD8.1b-11.5b forecast by market watchers. Chinese property and related sectors, particularly building materials, also did well over the month on attractive valuations and increased expectation of an easing in policy tightening.

## Market Outlook\*\*

### Singapore

#### **Increasing signs of a slowing global economy**

We continue to believe that global growth remains resilient, but will likely moderate for the rest of the year. The string of negative reports that we have seen from the U.S. continues to point to an economy that is slowing. In the EU, domestic demand could remain under pressure as unresolved issues around the debt situation persist. Slowing growth is also evident in Japan, where factory output declined 1.5% in June, exports faltered and unemployment rose. However, we maintain our view that though global growth will most likely slow, a double-dip recession is unlikely at this point.

#### **Anticipating a slower but still-healthy second-half for Singapore**

Given this backdrop, we do not expect to see a repeat in 2H10 of the unusually-strong growth experienced by the Singapore economy in the first half. Signs of slowing have already begun to emerge – most recently, the decrease in June's manufacturing output of 23.4% (on a seasonally-adjusted MOM basis). Nonetheless, we maintain our view that the recovery in Singapore will remain on track, with the stock market ending the year with healthy but modest gains.

## Hong Kong

### ***Slowing growth concerns likely to keep volatility high and sentiment subdued***

Amid concerns over slowing global growth, Hong Kong equities will likely remain volatile in the near term, in our view. We expect to see weaker economic data in the months ahead, which will affirm the slowing global growth outlook. We believe the economies within greater China 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 marginally below historical mean; earnings upgrades have peaked***

Hong Kong's market valuation is currently marginally below its historical mean, with the HSI trading at 14.1x 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 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## SHENTON INCOME FUND August 2010

### Highlights

- The Fund posted a gain of 1.64% in July 2010 due to the appreciation in Asian currencies versus the USD, bull flattening in Asian bond yield curves and tightening in global credit spreads.
- We continue to like Indonesian government bonds due to attractive yields and the potential for IDR appreciation. We will maintain our exposure to Asian currencies as we expect further USD weakness amid slowing U.S. growth. We also believe that Asia's strong fundamentals and attractive interest rate differentials should continue to drive Asian currencies higher. We continue to favour selected Asian bank capital issues.
- Market reaction to the European Bank Stress Test was slightly positive in general, as investors appeared somewhat reassured over the stress test results, which showed that only 7 out of 91 banks tested failed were required to raise their capital by EUR3.5b. Several central banks in Asia hiked their policy rates over the month, including Thailand, Korea, Malaysia and India. Weaker-than-expected U.S. economic data dragged the dollar lower against most major currencies in July. Credit spreads across all markets and regions tightened from the previous month on improved risk sentiment on the back of positive economic data from Europe. Asian credit markets saw a strong resurgence in primary market activity in July in both high-grade and high-yield markets.
- We expect investor fears over slowing U.S. growth to continue to keep a lid on UST yields. We expect that, amid subdued inflation in Asia and decelerating global growth, most Asian central banks will likely pause on, or moderate their pace of, further tightening in the coming months. We expect further USD weakness amid the weak U.S. economic outlook and speculation of a second QE. Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
Shenton Income Fund	SGD	*+1.64%	*+4.49%
Benchmark (DBS 12m SGD Fixed Deposit Rate for 20k to 50k)	SGD	*+0.04%	*+0.26%

### ***Fund posted positive return in July***

The Fund posted a gain of 1.64% in July 2010, owing to the Fund's exposures in Asian currencies, which appreciated against the USD over the month, as well as the bull flattening in Asian bond yield curves. The Fund's holdings of USD-denominated credits also benefited as credit spreads tightened across global markets in July.

## **Strategy**

### ***Continue to favour IDR recap bonds***

We remain constructive and will maintain our overweight on Indonesian government bonds, due to the attractive yields offered and potential for IDR appreciation. We believe that Bank Indonesia is getting more amenable to an appreciating rupiah in view of the country's rising inflation; the recent breakthrough of USD/IDR below the key psychological level of 9000 supports our view.

### ***Maintain exposure to Asian currencies***

We look to maintain our exposure to Asian currencies as we believe the weakness in USD will persist on sluggish U.S. growth and speculation of a second quantitative easing (QE). Moreover, fundamentals in the region remain strong and attractive interest rate differentials should continue to drive Asian currencies higher, in our view.

### ***Continue to prefer on Asian bank capital***

We continue to be bullish on Asian bank capital bonds. We especially favour selected issues which offer value in terms of yield and good credit quality, as well as the potential for price appreciation in the event of being called.

## **Market Review\*\***

### **Asia Rates & FX**

#### ***European bank stress test largely a non-event***

Market reaction to the results of the European bank stress test released in the last week of July was mixed at best. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors were skeptical as the macro-economic shock scenarios built into the test were deemed not rigorous enough. Of most concern to investors was that the sovereign bond losses were applied only to the trading books and not to the accrual books, as the test did not consider there was a risk of any sovereign default. Risk asset markets nevertheless remained well supported as investors there appeared somewhat relieved over the stress test results. Meanwhile, strong earnings data from the U.S. further supported risky assets, pushing the S&P higher to close the month with a 6.9% gain. The U.S. Treasury (UST) yield curve ended the month steeper, with the 30-year being sold off (i.e. yield higher) while the short to mid part of the curve dipped lower. The benchmark 10-year yield spent most of the month hovering around 3 percent, before ending the month lower at 2.91%.

#### ***Central banks across Asia hiked policy rates***

In July, several central banks in Asia moved to normalize their monetary policies, with Thailand and Korea tightening for the first time this year. After a 16-month pause, the Bank of Korea (BOK) raised its policy rate by 25bp to 2.25%, Korea's first rate hike since the financial crisis. Korean government bonds held up well following the move, with a bull-flattening of the yield curve. Malaysian government bonds were also mostly held stable, except for the shorter maturities, after Bank Negara Malaysia hiked its policy rate by 25bp for the third time

this year. Strong foreign inflows into the MYR bond market continued to play their part in depressing yields in the belly and longer end of the government curve. Within Asia, India's central bank was the most hawkish, hiking its repo and reverse repo rate twice in July in an attempt to tame its double-digit inflation, currently the highest amongst the regional and G20 economies.

### **Weak U.S. economic data dragged dollar down**

Weaker-than-expected U.S. economic data dragged the dollar lower against most major currencies in July. Meanwhile, global equity markets rebounded on improved risk sentiment following strong earnings results out of the U.S. and Asia, better-than-expected economic data from Europe, as well as some reassurance over the results of the European bank stress test. Among the Asian currencies, the KRW was the top performer with a 3.3% gain versus the dollar on strong exports and foreign inflows into the equity market. The SGD came in a close second, gaining 2.7% against the USD. This came on the back of strong economic growth data and a statement from the IMF lauding the Monetary Authority of Singapore (MAS) for the country's efficient monetary policy and stating their view that the SGD REER should strengthen over time. In Vietnam, however, the VND weakened against the USD and breached the upper end of the policy band, following Fitch's downgrade of the country's sovereign credit rating to B+ on weak external balances and low foreign-exchange reserves.

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	(2)	(2)	(2)	0.09%
Taiwan	138	0	(2)	-17.8	(6)	0.56%
Korea	225	25	(7)	(6)	(11)	3.27%
India	575	50	82	25	27	-0.06%
Indonesia	650	0	(25)	(39)	(30)	1.38%
Vietnam	800	0	(40)	(38)	(34)	-0.17%
Thailand	150	25	69	7	29	0.50%
Philippines	400	0	(7)	(24)	(33)	1.88%
Singapore	0.03	-	(2)	(17)	(42)	2.74%
Malaysia	275	25	7	(12)	(4)	1.08%
Australia	450	0	12	8	11	6.76%
New Zealand	300	25	0	(4)	(1)	5.11%

Source: Bloomberg, 30 July 10

### **Global Credit**

#### **Spreads tightened, reversing trend of past two months**

For the month of July 2010, spreads of major global high-grade bond indices tightened 8-23bp from the previous month (Table 1). Better-than-expected 2Q10 earnings, an upbeat IMF report on global growth prospects and improved economic data from Europe lifted

investor sentiment across markets. As risk appetite returned, high-yield generally outperformed high-grade credits on a total return basis (Table 2).

**Table 1: Global Credit Indices (Credit Spreads)**

Month	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
	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-Jul-10	135	114	232	656	395	738	(23)	(25)	(8)	(31)	(68)	(75)
30-Jun-10	159	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	152	134	218	704	476	812	42	35	45	133	123	174

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-Jul-10	2.02%	0.66%	1.46%	2.92%	2.43%	4.00%
30-Jun-10	2.27%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.34%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)

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

### **European bank stress test largely a non-event**

Market reaction to the results of the European bank stress test released in the last week of July was rather mixed, but slightly positive in general. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors were skeptical as the macroeconomic shock scenarios built into the test were deemed not rigorous enough. However the amount of disclosure came as a positive surprise - most banks except a few German banks have released detailed information about their sovereign debt exposure. All in all, investors appeared somewhat reassured over the stress test results and risk markets remained well supported over the month.

### **Primary markets in Asia were generally buoyant**

Credit markets in Asia saw a strong resurgence in primary market activity in July. A total of USD3.95b of high-grade bonds were printed, comprising six new bonds and two which were retaps of existing issues. The high-yield credit market was also busy with new issuance activity to the tune of USD1.6b. In general, most of the new issues traded better in the secondary market, with the exception of a high-grade Chinese quasi-government resource company bond which was issued at a tight spread.

## **Market Outlook\*\***

### **Asia Rates and FX**

#### **Market focus shifts to durability of U.S. recovery**

The European bank stress test, although widely criticized for its benign stress scenarios, has nonetheless assuaged investors' worst fears about the financial health of European banks. Investors' attention seems now to be more focused on the durability of the U.S. recovery than on Europe's debt woes, as reflected in the 6.5% rally in the EUR/USD. A discouraging Fed's Beige Book, softer U.S. economic data and speculation that the Fed may engage in

another round of quantitative easing has renewed investor fears over slowing U.S. growth. In our view, this should continue to keep a lid on UST yields, although they are already at historically-low levels.

### ***Central banks in Asia unlikely to tighten aggressively in the near term***

Several central banks in Asia have jumped on the rate-hike bandwagon recently. However, given the lack of any significant inflation threat (except for maybe India), we think that most Asian central banks will likely pause on, or moderate their pace of, further tightening in the coming months. In our view, although inflation has trended up in the regional economies, they are still at manageable levels and most of the high readings could be due to the low base effect from last year. Moreover, the negative output gap in the developed economies has helped to keep global goods prices in check, which has in turn lowered inflationary pressures in the open economies of Asian countries. Malaysia, for example, has signaled a pause in further rate hikes given muted inflation and global slowdown concerns, having already moved ahead of other central banks in rate normalization. India, however, may buck the trend and continue to tighten in the coming months due to its stubbornly-high wholesale price index (WPI), which has remained in the double digits for five straight months.

### ***USD weakness likely to persist***

U.S. Fed Chairman Bernanke's warning that the U.S. economic outlook remains "unusually uncertain", which fueled speculation of a second QE in the U.S., will further reinforce the recent weakness in the USD, in our view. Adding oil to the fire was a comment by Moody's that the AAA credit rating enjoyed by the U.S. may need to be reviewed if current projections for its debt are realized, which has put the frail fiscal position of the U.S. back in the spotlight. Against this backdrop, we believe that the ASEAN economies, with their robust growth and healthy fiscal positions, should continue to see their currencies appreciate against the USD. The IDR is a case in point; having recently broken through the psychological barrier of 9,000 per dollar it looks set to continue strengthening on strong foreign inflows and attractive interest yields relative to the rest of Asia.

## **Global Credit**

### ***Expect Asian credits to remain well-supported in near term***

Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view. Moreover, favourable market technicals versus the developed markets should also be supportive of continued inflows into the Asian markets. Given our constructive near-term view on Asian credits, we recommend moving down the credit curve to the BBB (i.e. lowest investment grade) sector, as we expect the quest for yield in the current low interest rate environment will result in spread compression between the BBB and A sectors.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## SHENTON GLOBAL OPPORTUNITIES FUND

August 2010

### Highlights

- The Fund's NAV rose 5.53% this month versus the MSCI DC World Index's gain of 5.23%. Our European stocks drove performance on the back of strong economic data and the uneventful release of European bank stress results. Our Asian stocks also helped performance.
- We have increased the Fund's exposure to South Korea and China as we expect upcoming data to indicate an earlier bottoming in these economies than the rest of the world. The Fund will maintain an Asian bias, but we will look to opportunistically add back some U.S. stocks, as we see good value in selected sectors/counters. We continue to focus on companies with stable cash flows and sound structural growth stories.
- Global equity markets rebounded in July on improved sentiment. The European bank stress test results faced some skepticism, but seemed to have assuaged investors' worst fears about the financial health of European banks. While U.S. second quarter earnings came in better than expected, economic data was disappointing, and renewed investor fears over slowing growth.
- We expect U.S. business spending and exports to remain strong amid strong corporate earnings and generally positive guidance. We believe that a stabilization of the European financial markets is in the horizon, which bodes well for equity markets around the world. Amid subdued inflation and easing property prices, we expect the Chinese government to adjust policy in less direct ways, which would be key near-term catalysts for the Chinese stock market, in our view.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
Shenton Global Opportunities Fund	SGD	*+5.53%	*-8.46%
Benchmark (MSCI DC World Index)	SGD	*+5.23%	*-6.80%

### **Fund gained in July, led by European stocks**

The Fund's NAV rose 5.53% this month as global markets rebounded after two months of consolidation. The MSCI DC World Index gained 5.23%. While all the stocks in the Fund generally closed higher, European stocks were the outperformers on the back of strong economic data and the uneventful release of European bank stress results. Improved sentiment in China also helped boost Asian stocks. The month's top-performing stocks were Ishares MSCI Spain (+24%), Anhui Conch (+18.6%) and Asian Property Development (+17%).

## **Strategy**

### **Increase exposure to South Korea and China**

We have increased the Fund's exposure to South Korea and China, while keeping our positions in the developed markets stable. Our current focus is on basic materials and higher-beta names as we expect upcoming data to indicate an earlier bottoming in the economies of China and South Korea than the rest of the world. We are also optimistic that the Chinese government will loosen policy towards the end of this year or early next year. The Fund is now more than one-third invested in China and South Korea.

### **Maintain Asian-bias, but look to gradually add some U.S. positions**

We have reduced our allocation to developed markets in recent months, and it currently stands at around 50% of the Fund's total exposure. While we intend to maintain an Asian-bias in the medium term, we also see value in U.S. stocks, which have been shunned by investors in recent years. We will therefore look for opportunities to take profit on some of our Asian stocks that have outperformed, and use the cash to add some U.S. positions.

### **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\*\***

<b>% Change<sup>^</sup></b>	<b>Month</b>	<b>YTD</b>
S&P 500 Index	<u>6.9</u>	<u>-1.2</u>
MSCI Europe Index	<u>11.5</u>	<u>-8.9</u>
MSCI Japan Index	<u>3.5</u>	<u>-0.2</u>
MSCI Asia ex Japan	<u>5.8</u>	<u>1.8</u>

Source: Bloomberg, 31 July 2010 (^In USD, price return basis)

### **Global equity markets rebounded on improved sentiment**

Global markets, as measured by the MSCI World Index, rebounded in July. The MSCI World Index, which began the month at 1041 points, closed 8% higher at 1125 points. Global risk assets, including equities, rallied on improved sentiment following strong economic data from Europe and U.S. corporate earnings, as well as the uneventful release of the European banks stress test results. Expectations for policy loosening in China also boosted stock markets in China and most of Asia.

### ***European bank stress test largely a non-event***

Market reaction to the results of the European bank stress test released in the last week of July was mixed at best. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors remained skeptical as the macro-economic shock scenarios built into the test were deemed not rigorous enough. Risk asset markets nevertheless remained well supported, as, at the very least, the results seemed to have assuaged investors' worst fears about the financial health of European banks.

### ***U.S. positive corporate earnings marred by weak economic data***

U.S. second quarter earnings came in better than expected. Of the 336 S&P500 companies that have reported by 29 July, 53% exceeded consensus estimates. Economic data, on the other hand, was generally weak. The U.S. economy grew by a less-than-expected 2.4% in the second quarter, versus a revised 3.7% in the first quarter. The Conference Board Consumer Confidence Index fell to 50.4 in July, from an upwardly-revised 54.3 in June, and was the lowest level since February. U.S. housing remained under pressure as housing starts dropped 5% to a seasonally-adjusted annual rate of 549,000 in June, the lowest level in eight months. Notwithstanding the positive earnings results, fears over slowing U.S. growth were renewed by the disappointing economic data. A warning by Fed Chairman Bernanke that the U.S. economic outlook remains "unusually uncertain" further stoked investor worries.

## **Market Outlook\*\***

### ***U.S. business spending and exports likely to remain strong***

Although recent weak data on consumer spending, home sales and factory orders points to a U.S. economy that is losing momentum, we expect business spending and exports to remain strong. Corporate earnings have been generally better than expected, and so far, more companies have raised guidance than lowered it.

### ***European markets appear to be stabilizing***

It may be too early to say the European markets have turned the corner, but it does appear that things are getting better. Trading volatility in the European markets has finally eased over the last two months. Recent economic data was also mostly positive. The European bank stress test, despite being widely criticized for its benign stress scenarios, has nonetheless assuaged investors' worst fears about the financial health of European banks. We believe that a stabilization of the European financial markets is in the horizon, which bodes well for equity markets around the world.

### ***Expect policy adjustment in China to create near-term catalysts***

Signs of an economic slowdown in China are becoming more apparent with inflation moderating and property prices declining. Against this backdrop, we expect that while the government continues to reiterate its stance of promoting policy consistency, it may subtly adjust policy in less direct ways, for example by accelerating the approval of investment projects and reducing its intervention in the real estate market. These will be key near-term catalysts for the Chinese stock market, in our view.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## SHENTON ASIA PACIFIC FUND

August 2010

### Highlights

- The Fund outperformed its benchmark in July, gaining 3.38% versus the benchmark's return of 3.06%. Country allocation contributed positively as the country overweights in Singapore, Korea and Greater China drove relative performance.
- We remain cautiously optimistic and will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations are currently attractive.
- Asia ex-Japan equities generally rebounded in July on better-than-expected economic data from Europe. Hopes for policy loosening in China were raised as economic momentum decelerated, and inflation pressures appeared to decrease. Singapore and Indonesia led the region's gains while Philippines and India lost ground under profit-taking pressure.
- We expect the Asian markets to remain volatile in the near term but end the year with modest returns. We remain positive on Singapore and Korea while we downgraded Indonesia to neutral near-term despite maintaining a positive longer-term view. We favour the banking sector in Thailand due to low valuations and are bullish on the consumer discretionary sector in Asia.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
Shenton Asia Pacific Fund	SGD	*+3.38%	*-2.99%
Benchmark (MSCI AC Daily TR Net Asia ex Japan Index)	SGD	*+3.06%	*-1.38%

### ***Fund outperformed its benchmark***

The Fund outperformed its benchmark in July, gaining 3.38% versus the benchmark's return of 3.06%. Country allocation contributed positively as the country overweights in Singapore, Korea and Greater China drove relative performance. However, stock selection focusing on mid-cap names in Korea, Hong Kong and China detracted from returns. Stocks that did well for the Fund include CDL Hospitality Trusts; Weichai Power; Far Eastern New Century Corp; China Overseas Land & Investment; and Powertech Technology.

## **Strategy**

### ***Look to opportunistically accumulate positions on market weakness***

We remain cautiously optimistic and will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations are currently attractive.

### ***Positive on Singapore backed by strong domestic growth***

The underlying strength of the economy was affirmed by the government's latest upwards revision in 2010 GDP growth forecast to 13-15% from 7-9%. Economic growth continues to be underpinned by FDI inflows and tourism arrivals. We remain overweight Singapore stocks due to generally healthy balance sheets and the potential for further earnings surprises, especially in mid-cap companies.

### ***Overweight Korea on strong earnings and attractive valuations***

The economic recovery appears intact in Korea, as reflected in better-than-expected GDP data and robust corporate earnings releases in 2Q10. Earnings momentum has also turned positive in July, with consensus earnings growth currently at 54.1% for 2010, but projected to slow to about 5.8% next year. Valuations remain attractive, trading at price-to-earnings ratios of 9.3x and 8.8x for 2010 and 2011 respectively versus the 5-year historical average of 10.4x. The price-to-book ratio of about 1.5x is in line with the 5-year historical average of 1.6x.

### ***Downgrade Indonesia to neutral near-term; remain positive longer-term***

We are now neutral on Indonesia, as valuations are at a premium to the region and against its historical average. We expect that share prices have priced in a buoyant 2H10 for corporate earnings, due to faster economic growth and acceleration in government spending. However, we remain positive longer term as we view Indonesia's ongoing reform positively for the country's long-term economic growth.

### ***Positive on Thai banks on interest rate upcycle***

In Thailand, we favour the banks as valuations are undemanding and the interest rate upcycle is likely to be a driver for earnings. We view the 25bps interest rate hike by the Bank of Thailand on 14 July as an indication that rates have bottomed, since real interest rates remain negative even after the hike. Following the hike, the Thai banks immediately raised commercial lending and deposit rates, indicating strong pricing power. On the macro front, data has been positive, business and consumer confidence have been resurgent, and politics appear to be stabilizing. The probability of early elections appears low, and prospects for a stronger coalition government are improving. This has been largely due to waning anti-government sentiment in reaction to the deadly end to the political protests held earlier this year.

### ***Overweight consumer discretionary sector on growing Asian wealth***

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. We continue to place greater emphasis on stock selection over country allocation.

## Market Review\*\*

### MSCI Indices

(Returns in SGD Terms)

Country Benchmarks	% Chg Jul 2010	% Chg YTD
SHANGHAI SE A SHARE INDX	5.8%	-21.5%
Singapore	5.4%	3.2%
Taiwan	4.9%	-7.5%
Indonesia	4.2%	18.3%
Korea	3.2%	0.1%
Thailand	2.5%	14.4%
AC Asia ex-Japan	2.5%	-1.2%
Malaysia	2.3%	11.7%
Hong Kong	2.0%	-1.2%
China	1.4%	-5.0%
HANG SENG CHINA ENT INDX	0.4%	-10.1%
Philippines	-0.1%	7.9%
India	-1.2%	0.0%

Source: Bloomberg, 2 August 2010

### **Asia ex-Japan closed higher in July**

Asia ex-Japan equities generally rebounded in July on better-than-expected economic data from Europe. Hopes for policy loosening in China were also raised as inflation pressures appeared to decrease. The release of strong quarterly earnings across the U.S. and Asia boosted confidence and helped offset disappointing U.S. macro economic data. Singapore and Indonesia led the region's gains while Philippines and India lost ground under profit-taking pressure.

### **Optimism for Chinese shares fueled by expectations for policy loosening**

While the MSCI China and the H-shares indices lagged the regional bourses, Shanghai listed A-shares rose 5.8% during the month on rising expectations for potential policy loosening in the near term. 2Q10 real GDP expanded 10.3% YOY, slowing from the 11.9% registered in 1Q. Industrial production in June rose 13.7% YOY, down from 16.5% YOY the prior month. Inflation eased, with June CPI coming in at 2.9% YOY in June versus 3.1% YOY in May. This data confirmed a broad slowdown in growth momentum and fueled hopes for policy loosening. Sentiment also improved following the successful take-up of the Agriculture Bank of China IPO and the Bank of China rights issue.

### **Positive data reinforced growth momentum in Singapore**

Advanced 2Q10 data showed GDP growth in Singapore surging to 19.3% YOY and 26.0% QOQ, on an annualized basis. 1Q10 GDP growth was also revised up to 16.9% from 13.1%. The manufacturing sector expanded 45.5% YOY and 63.0% QOQ, annualized, on strong growth in electronics and biomedical output. The services sector grew 11.4% YOY, driven by healthy global trade flows and the opening of the integrated resorts. Similarly, June NODX grew a robust 28.7% YOY with higher demand for electronic goods and a rebound in pharmaceutical exports. Based on the positive economic data, the government revised up its 2010 GDP growth forecast to 13-15% from 7-9%.

### **ASEAN markets mixed in July**

Performance for the ASEAN markets was slightly mixed in July. Indonesian stocks continued to power ahead despite its valuations being deemed one of the most overvalued in the region. Healthy FDI inflows continued to affirm the structural improvement in its investment climate.

Philippines shares sold off as profit-taking set in on near-term fiscal disappointment. The Aquino administration revised the annual deficit forecast to PHP325b, or 3.8% of GDP, from around PHP300b despite its vow to exercise fiscal discipline. With Thai growth underpinned by a resilient domestic economy and activity on the Malaysia bourse picking up with the M&A and privatization themes back in the limelight, share prices on both bourses remained well-supported.

### ***Korean shares boosted by better-than-expected GDP growth and 2Q10 earnings***

Positive macro and micro data supported share prices on the Korea Stock Exchange. 2Q10 GDP expanded a better-than-expected 7.2% YOY and 1.5% QOQ, with growth stemming from a recovery in facility investments and exports, as well as a strong pick-up in inventory restocking. The strong growth is reflected at the micro level as well, with 63% of the 49 companies (representing 49% of MSCI market capitalization) that reported 2Q10 results beating estimates by a weighted average of 17%.

## **Market Outlook\*\***

### ***Asian markets expected to end the year with modest returns backed by healthy growth***

We expect Asian markets to remain volatile in the near term as risk-on risk-off trades continue to dominate. However, corporate earnings and margins continue to surprise on the upside, providing us with reasons to remain positive in the medium to long term. We expect the robust earnings growth and healthy valuations to lift Asian equity markets higher when investors gain clarity over Europe's debt issues and monetary policy direction by central banks around the world. We maintain our view that economic growth in the region will not be derailed by sovereign debt problems in the Eurozone. The headline U.S. ISM manufacturing index eased slightly to 59.7 in May, from 60.4 in April. However, the reading remained above the 50 mark which indicates continued expansion. Macro data on economic growth from Singapore, Korea and Thailand also remain healthy.

### ***Policy normalization, not monetary tightening***

Some Asian central banks, including Taiwan, India and Korea, have begun to raise rates to pre-empt the build-up of inflationary pressure on increased evidence of a broad-based economic recovery. We view these moves as policy normalization rather than monetary tightening. We believe policymakers are cognizant of the risks of over-tightening amidst a backdrop of global uncertainty.

### ***Market valuation ex-Indonesia is fair***

We expect domestic demand in the Asian countries to remain resilient and support corporate earnings. We see the market steadily grinding 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
<b>Asia ex-Jpn</b>	37.2	12.3	13.1	11.6	13	2	2	2.1	2.6
<b>China</b>	24	16.5	13.5	11.6	13.4	2.4	2.7	2.3	2.1
<b>HK</b>	20.1	8.4	16.2	14.9	15.9	1.5	1.7	2.8	3.0
<b>India</b>	23.7	21.4	17.4	14.3	16.1	3.3	4.1	0.9	1.1
<b>Indonesia</b>	20.5	20.3	15.2	12.7	11.9	4.1	3.8	2.1	2.9
<b>Korea</b>	54.1	5.8	9.3	8.8	10.4	1.5	1.6	1.2	1.7
<b>Malaysia</b>	23.2	15.8	15.9	13.7	14.0	2.1	2.0	2.3	2.7
<b>Philippines</b>	24.3	11.8	15.1	13.5	13.5	2.7	2.4	2.8	2.6
<b>Singapore</b>	21.1	9.7	14.6	13.3	14.1	1.7	1.9	2.9	3.1
<b>Taiwan</b>	88.9	12.0	13.2	11.7	14.7	1.9	1.9	2.6	4.2
<b>Thailand</b>	18.9	18.0	11.8	10.0	10.0	1.9	1.9	3.2	3.9

Source: Bloomberg, CSFB, 26-Jul-2010

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## DBS ASIA BOND FUND August 2010

### Highlights

- The Fund posted a gain of 1.69% in July 2010 due to the appreciation in Asian currencies versus the USD, bull flattening in Asian bond yield curves and tightening in global credit spreads.
- We continue to like Indonesian government bonds due to attractive yields and the potential for IDR appreciation. We will maintain our exposure to Asian currencies as we expect further USD weakness amid slowing U.S. growth. We also believe that Asia's strong fundamentals and attractive interest rate differentials should continue to drive Asian currencies higher. We continue to favour selected Asian bank capital issues.
- Market reaction to the European Bank Stress Test was slightly positive in general, as investors appeared somewhat reassured over the stress test results, which showed that only 7 out of 91 banks tested failed were required to raise their capital by EUR3.5b. Several central banks in Asia hiked their policy rates over the month, including Thailand, Korea, Malaysia and India. Weaker-than-expected U.S. economic data dragged the dollar lower against most major currencies in July. Credit spreads across all markets and regions tightened from the previous month on improved risk sentiment on the back of positive economic data from Europe. Asian credit markets saw a strong resurgence in primary market activity in July in both high-grade and high-yield markets.
- We expect investor fears over slowing U.S. growth to continue to keep a lid on UST yields. We expect that, amid subdued inflation in Asia and decelerating global growth, most Asian central banks will likely pause on, or moderate their pace of, further tightening in the coming months. We expect further USD weakness amid the weak U.S. economic outlook and speculation of a second QE. Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view.
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### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
DBS Asia Bond Fund	SGD	*+1.69%	*+4.71%

### ***Fund posted positive return in July***

The Fund posted a gain of 1.69% in July 2010, owing to the Fund's exposures in Asian currencies, which appreciated against the USD over the month, as well as the bull flattening in Asian bond yield curves. The Fund's holdings of USD-denominated credits also benefited as credit spreads tightened across global markets in July.

## **Strategy**

### ***Continue to favour IDR recap bonds***

We remain constructive and will maintain our overweight on Indonesian government bonds, due to the attractive yields offered and potential for IDR appreciation. We believe that Bank Indonesia is getting more amenable to an appreciating rupiah in view of the country's rising inflation; the recent breakthrough of USD/IDR below the key psychological level of 9000 supports our view.

### ***Maintain exposure to Asian currencies***

We look to maintain our exposure to Asian currencies as we believe the weakness in USD will persist on sluggish U.S. growth and speculation of a second quantitative easing (QE). Moreover, fundamentals in the region remain strong and attractive interest rate differentials should continue to drive Asian currencies higher, in our view.

### ***Continue to prefer on Asian bank capital***

We continue to be bullish on Asian bank capital bonds. We especially favour selected issues which offer value in terms of yield and good credit quality, as well as the potential for price appreciation in the event of being called.

## **Market Review\*\***

### **Asia Rates & FX**

#### ***European bank stress test largely a non-event***

Market reaction to the results of the European bank stress test released in the last week of July was mixed at best. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors were skeptical as the macro-economic shock scenarios built into the test were deemed not rigorous enough. Of most concern to investors was that the sovereign bond losses were applied only to the trading books and not to the accrual books, as the test did not consider there was a risk of any sovereign default. Risk asset markets nevertheless remained well supported as investors there appeared somewhat relieved over the stress test results. Meanwhile, strong earnings data from the U.S. further supported risky assets, pushing the S&P higher to close the month with a 6.9% gain. The U.S. Treasury (UST) yield curve ended the month steeper, with the 30-year being sold off (i.e. yield higher) while the short to mid part of the curve dipped lower. The benchmark 10-year yield spent most of the month hovering around 3 percent, before ending the month lower at 2.91%.

#### ***Central banks across Asia hiked policy rates***

In July, several central banks in Asia moved to normalize their monetary policies, with Thailand and Korea tightening for the first time this year. After a 16-month pause, the Bank of Korea (BOK) raised its policy rate by 25bp to 2.25%, Korea's first rate hike since the financial crisis. Korean government bonds held up well following the move, with a bull-flattening of the yield curve. Malaysian government bonds were also mostly held stable, except for the shorter maturities, after Bank Negara Malaysia hiked its policy rate by 25bp for the third time

this year. Strong foreign inflows into the MYR bond market continued to play their part in depressing yields in the belly and longer end of the government curve. Within Asia, India's central bank was the most hawkish, hiking its repo and reverse repo rate twice in July in an attempt to tame its double-digit inflation, currently the highest amongst the regional and G20 economies.

### **Weak U.S. economic data dragged dollar down**

Weaker-than-expected U.S. economic data dragged the dollar lower against most major currencies in July. Meanwhile, global equity markets rebounded on improved risk sentiment following strong earnings results out of the U.S. and Asia, better-than-expected economic data from Europe, as well as some reassurance over the results of the European bank stress test. Among the Asian currencies, the KRW was the top performer with a 3.3% gain versus the dollar on strong exports and foreign inflows into the equity market. The SGD came in a close second, gaining 2.7% against the USD. This came on the back of strong economic growth data and a statement from the IMF lauding the Monetary Authority of Singapore (MAS) for the country's efficient monetary policy and stating their view that the SGD REER should strengthen over time. In Vietnam, however, the VND weakened against the USD and breached the upper end of the policy band, following Fitch's downgrade of the country's sovereign credit rating to B+ on weak external balances and low foreign-exchange reserves.

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	(2)	(2)	(2)	0.09%
Taiwan	138	0	(2)	-17.8	(6)	0.56%
Korea	225	25	(7)	(6)	(11)	3.27%
India	575	50	82	25	27	-0.06%
Indonesia	650	0	(25)	(39)	(30)	1.38%
Vietnam	800	0	(40)	(38)	(34)	-0.17%
Thailand	150	25	69	7	29	0.50%
Philippines	400	0	(7)	(24)	(33)	1.88%
Singapore	0.03	-	(2)	(17)	(42)	2.74%
Malaysia	275	25	7	(12)	(4)	1.08%
Australia	450	0	12	8	11	6.76%
New Zealand	300	25	0	(4)	(1)	5.11%

Source: Bloomberg, 30 July 10

## **Global Credit**

### **Spreads tightened, reversing trend of past two months**

For the month of July 2010, spreads of major global high-grade bond indices tightened 8-23bp from the previous month (Table 1). Better-than-expected 2Q10 earnings, an upbeat IMF report on global growth prospects and improved economic data from Europe lifted

investor sentiment across markets. As risk appetite returned, high-yield generally outperformed high-grade credits on a total return basis (Table 2).

**Table 1: Global Credit Indices (Credit Spreads)**

Month	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
	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-Jul-10	135	114	232	656	395	738	(23)	(25)	(8)	(31)	(68)	(75)
30-Jun-10	159	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	152	134	218	704	476	812	42	35	45	133	123	174

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-Jul-10	2.02%	0.66%	1.46%	2.92%	2.43%	4.00%
30-Jun-10	2.27%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.34%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)

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

### **European bank stress test largely a non-event**

Market reaction to the results of the European bank stress test released in the last week of July was rather mixed, but slightly positive in general. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors were skeptical as the macroeconomic shock scenarios built into the test were deemed not rigorous enough. However the amount of disclosure came as a positive surprise - most banks except a few German banks have released detailed information about their sovereign debt exposure. All in all, investors appeared somewhat reassured over the stress test results and risk markets remained well supported over the month.

### **Primary markets in Asia were generally buoyant**

Credit markets in Asia saw a strong resurgence in primary market activity in July. A total of USD3.95b of high-grade bonds were printed, comprising six new bonds and two which were retaps of existing issues. The high-yield credit market was also busy with new issuance activity to the tune of USD1.6b. In general, most of the new issues traded better in the secondary market, with the exception of a high-grade Chinese quasi-government resource company bond which was issued at a tight spread.

## **Market Outlook\*\***

### **Asia Rates & FX**

#### **Market focus shifts to durability of U.S. recovery**

The European bank stress test, although widely criticized for its benign stress scenarios, has nonetheless assuaged investors' worst fears about the financial health of European banks. Investors' attention seems now to be more focused on the durability of the U.S. recovery than on Europe's debt woes, as reflected in the 6.5% rally in the EUR/USD. A discouraging

Fed's Beige Book, softer U.S. economic data and speculation that the Fed may engage in another round of quantitative easing has renewed investor fears over slowing U.S. growth. In our view, this should continue to keep a lid on UST yields, although they are already at historically-low levels.

### ***Central banks in Asia unlikely to tighten aggressively in the near term***

Several central banks in Asia have jumped on the rate-hike bandwagon recently. However, given the lack of any significant inflation threat (except for maybe India), we think that most Asian central banks will likely pause on, or moderate their pace of, further tightening in the coming months. In our view, although inflation has trended up in the regional economies, they are still at manageable levels and most of the high readings could be due to the low base effect from last year. Moreover, the negative output gap in the developed economies has helped to keep global goods prices in check, which has in turn lowered inflationary pressures in the open economies of Asian countries. Malaysia, for example, has signaled a pause in further rate hikes given muted inflation and global slowdown concerns, having already moved ahead of other central banks in rate normalization. India, however, may buck the trend and continue to tighten in the coming months due to its stubbornly-high wholesale price index (WPI), which has remained in the double digits for five straight months.

### ***USD weakness likely to persist***

U.S. Fed Chairman Bernanke's warning that the U.S. economic outlook remains "unusually uncertain", which fueled speculation of a second QE in the U.S., will further reinforce the recent weakness in the USD, in our view. Adding oil to the fire was a comment by Moody's that the AAA credit rating enjoyed by the U.S. may need to be reviewed if current projections for its debt are realized, which has put the frail fiscal position of the U.S. back in the spotlight. Against this backdrop, we believe that the ASEAN economies, with their robust growth and healthy fiscal positions, should continue to see their currencies appreciate against the USD. The IDR is a case in point; having recently broken through the psychological barrier of 9,000 per dollar it looks set to continue strengthening on strong foreign inflows and attractive interest yields relative to the rest of Asia.

## **Global Credit**

### ***Expect Asian credits to remain well-supported in near term***

Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view. Moreover, favourable market technicals versus the developed markets should also be supportive of continued inflows into the Asian markets. Given our constructive near-term view on Asian credits, we recommend moving down the credit curve to the BBB (i.e. lowest investment grade) sector, as we expect the quest for yield in the current low interest rate environment will result in spread compression between the BBB and A sectors.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## DBS ASIA KNOWLEDGE FUND

July 2010

### Highlights

- The Fund outperformed its benchmark in July, gaining 4.18% versus the benchmark's return of 3.28%. Country allocation contributed positively as the country overweights in Singapore, Korea and Greater China drove relative performance.
- We remain cautiously optimistic and will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations are currently attractive.
- Asia ex-Japan equities generally rebounded in July on better-than-expected economic data from Europe. Hopes for policy loosening in China were raised as economic momentum decelerated, and inflation pressures appeared to decrease. Singapore and Indonesia led the region's gains while Philippines and India lost ground under profit-taking pressure.
- We expect the Asian markets to remain volatile in the near term but end the year with modest returns. We remain positive on Singapore and Korea while we downgraded Indonesia to neutral near-term despite maintaining a positive longer-term view. We favour the banking sector in Thailand due to low valuations and are bullish on the consumer discretionary sector in Asia.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
DBS Asia Knowledge Fund	SGD	*+4.18%	*-5.90%
Benchmark (MSCI AC FE x Japan Index)	SGD	*+3.28%	*-3.13%

### ***Fund outperformed its benchmark***

The Fund outperformed its benchmark in July, gaining 4.18% versus the benchmark's return of 3.28%. Country allocation contributed positively as the country overweights in Singapore, Korea and Greater China drove relative performance. However, stock selection focusing on mid-cap names in Korea, Hong Kong and China detracted from returns. Stocks that did well for the Fund include CDL Hospitality Trusts; Weichai Power; Far Eastern New Century Corp; China Overseas Land & Investment; and Powertech Technology.

## **Strategy**

### ***Look to opportunistically accumulate positions on market weakness***

We remain cautiously optimistic and will look to opportunistically accumulate positions on market weakness, as we believe that macro fundamentals in Asia continue to look positive, and valuations are currently attractive.

### ***Positive on Singapore backed by strong domestic growth***

The underlying strength of the economy was affirmed by the government's latest upwards revision in 2010 GDP growth forecast to 13-15% from 7-9%. Economic growth continues to be underpinned by FDI inflows and tourism arrivals. We remain overweight Singapore stocks due to generally healthy balance sheets and the potential for further earnings surprises, especially in mid-cap companies.

### ***Overweight Korea on strong earnings and attractive valuations***

The economic recovery appears intact in Korea, as reflected in better-than-expected GDP data and robust corporate earnings releases in 2Q10. Earnings momentum has also turned positive in July, with consensus earnings growth currently at 54.1% for 2010, but projected to slow to about 5.8% next year. Valuations remain attractive, trading at price-to-earnings ratios of 9.3x and 8.8x for 2010 and 2011 respectively versus the 5-year historical average of 10.4x. The price-to-book ratio of about 1.5x is in line with the 5-year historical average of 1.6x.

### ***Downgrade Indonesia to neutral near-term; remain positive longer-term***

We are now neutral on Indonesia, as valuations are at a premium to the region and against its historical average. We expect that share prices have priced in a buoyant 2H10 for corporate earnings, due to faster economic growth and acceleration in government spending. However, we remain positive longer term as we view Indonesia's ongoing reform positively for the country's long-term economic growth.

### ***Positive on Thai banks on interest rate upcycle***

In Thailand, we favour the banks as valuations are undemanding and the interest rate upcycle is likely to be a driver for earnings. We view the 25bps interest rate hike by the Bank of Thailand on 14 July as an indication that rates have bottomed, since real interest rates remain negative even after the hike. Following the hike, the Thai banks immediately raised commercial lending and deposit rates, indicating strong pricing power. On the macro front, data has been positive, business and consumer confidence have been resurgent, and politics appear to be stabilizing. The probability of early elections appears low, and prospects for a stronger coalition government are improving. This has been largely due to waning anti-government sentiment in reaction to the deadly end to the political protests held earlier this year.

### ***Overweight consumer discretionary sector on growing Asian wealth***

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. We continue to place greater emphasis on stock selection over country allocation.

## Market Review\*\*

### MSCI Indices

(Returns in SGD Terms)

Country Benchmarks	% Chg Jul 2010	% Chg YTD
SHANGHAI SE A SHARE INDX	5.8%	-21.5%
Singapore	5.4%	3.2%
Taiwan	4.9%	-7.5%
Indonesia	4.2%	18.3%
Korea	3.2%	0.1%
Thailand	2.5%	14.4%
AC Asia ex-Japan	2.5%	-1.2%
Malaysia	2.3%	11.7%
Hong Kong	2.0%	-1.2%
China	1.4%	-5.0%
HANG SENG CHINA ENT INDX	0.4%	-10.1%
Philippines	-0.1%	7.9%
India	-1.2%	0.0%

Source: Bloomberg, 2 August 2010

### **Asia ex-Japan closed higher in July**

Asia ex-Japan equities generally rebounded in July on better-than-expected economic data from Europe. Hopes for policy loosening in China were also raised as inflation pressures appeared to decrease. The release of strong quarterly earnings across the U.S. and Asia boosted confidence and helped offset disappointing U.S. macro economic data. Singapore and Indonesia led the region's gains while Philippines and India lost ground under profit-taking pressure.

### **Optimism for Chinese shares fueled by expectations for policy loosening**

While the MSCI China and the H-shares indices lagged the regional bourses, Shanghai listed A-shares rose 5.8% during the month on rising expectations for potential policy loosening in the near term. 2Q10 real GDP expanded 10.3% YOY, slowing from the 11.9% registered in 1Q. Industrial production in June rose 13.7% YOY, down from 16.5% YOY the prior month. Inflation eased, with June CPI coming in at 2.9% YOY in June versus 3.1% YOY in May. This data confirmed a broad slowdown in growth momentum and fueled hopes for policy loosening. Sentiment also improved following the successful take-up of the Agriculture Bank of China IPO and the Bank of China rights issue.

### **Positive data reinforced growth momentum in Singapore**

Advanced 2Q10 data showed GDP growth in Singapore surging to 19.3% YOY and 26.0% QOQ, on an annualized basis. 1Q10 GDP growth was also revised up to 16.9% from 13.1%. The manufacturing sector expanded 45.5% YOY and 63.0% QOQ, annualized, on strong growth in electronics and biomedical output. The services sector grew 11.4% YOY, driven by healthy global trade flows and the opening of the integrated resorts. Similarly, June NODX grew a robust 28.7% YOY with higher demand for electronic goods and a rebound in pharmaceutical exports. Based on the positive economic data, the government revised up its 2010 GDP growth forecast to 13-15% from 7-9%.

### **ASEAN markets mixed in July**

Performance for the ASEAN markets was slightly mixed in July. Indonesian stocks continued to power ahead despite its valuations being deemed one of the most overvalued in the region. Healthy FDI inflows continued to affirm the structural improvement in its investment climate. Philippines shares sold off as profit-taking set in on near-term fiscal disappointment. The

Aquino administration revised the annual deficit forecast to PHP325b, or 3.8% of GDP, from around PHP300b despite its vow to exercise fiscal discipline. With Thai growth underpinned by a resilient domestic economy and activity on the Malaysia bourse picking up with the M&A and privatization themes back in the limelight, share prices on both bourses remained well-supported.

### ***Korean shares boosted by better-than-expected GDP growth and 2Q10 earnings***

Positive macro and micro data supported share prices on the Korea Stock Exchange. 2Q10 GDP expanded a better-than-expected 7.2% YOY and 1.5% QOQ, with growth stemming from a recovery in facility investments and exports, as well as a strong pick-up in inventory restocking. The strong growth is reflected at the micro level as well, with 63% of the 49 companies (representing 49% of MSCI market capitalization) that reported 2Q10 results beating estimates by a weighted average of 17%.

## **Market Outlook\*\***

### ***Asian markets expected to end the year with modest returns backed by healthy growth***

We expect Asian markets to remain volatile in the near term as risk-on risk-off trades continue to dominate. However, corporate earnings and margins continue to surprise on the upside, providing us with reasons to remain positive in the medium to long term. We expect the robust earnings growth and healthy valuations to lift Asian equity markets higher when investors gain clarity over Europe's debt issues and monetary policy direction by central banks around the world. We maintain our view that economic growth in the region will not be derailed by sovereign debt problems in the Eurozone. The headline U.S. ISM manufacturing index eased slightly to 59.7 in May, from 60.4 in April. However, the reading remained above the 50 mark which indicates continued expansion. Macro data on economic growth from Singapore, Korea and Thailand also remain healthy.

### ***Policy normalization, not monetary tightening***

Some Asian central banks, including Taiwan, India and Korea, have begun to raise rates to pre-empt the build-up of inflationary pressure on increased evidence of a broad-based economic recovery. We view these moves as policy normalization rather than monetary tightening. We believe policymakers are cognizant of the risks of over-tightening amidst a backdrop of global uncertainty.

### ***Market valuation ex-Indonesia is fair***

We expect domestic demand in the Asian countries to remain resilient and support corporate earnings. We see the market steadily grinding 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
<b>Asia ex-Jpn</b>	37.2	12.3	13.1	11.6	13	2	2	2.1	2.6
<b>China</b>	24	16.5	13.5	11.6	13.4	2.4	2.7	2.3	2.1
<b>HK</b>	20.1	8.4	16.2	14.9	15.9	1.5	1.7	2.8	3.0
<b>India</b>	23.7	21.4	17.4	14.3	16.1	3.3	4.1	0.9	1.1
<b>Indonesia</b>	20.5	20.3	15.2	12.7	11.9	4.1	3.8	2.1	2.9
<b>Korea</b>	54.1	5.8	9.3	8.8	10.4	1.5	1.6	1.2	1.7
<b>Malaysia</b>	23.2	15.8	15.9	13.7	14.0	2.1	2.0	2.3	2.7
<b>Philippines</b>	24.3	11.8	15.1	13.5	13.5	2.7	2.4	2.8	2.6
<b>Singapore</b>	21.1	9.7	14.6	13.3	14.1	1.7	1.9	2.9	3.1
<b>Taiwan</b>	88.9	12.0	13.2	11.7	14.7	1.9	1.9	2.6	4.2
<b>Thailand</b>	18.9	18.0	11.8	10.0	10.0	1.9	1.9	3.2	3.9

Source: Bloomberg, CSFB, 26-Jul-2010

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

## DBS GLOBAL PROPERTY SECURITIES FUND

August 2010

### Highlights

- The Fund returned 7.6% for the month of July, outperforming its benchmark by 0.22%. Our stock selection in the U.S. and Canada, as well as Japan and Hong Kong (HK), added to performance, while management fees and our overweight in HK detracted from performance.
- In the U.S., we continue to like hotel stocks selectively, while in Europe, we continue to be cautious due to the sovereign debt crisis. In Japan, we continue to like our exposure to Grade B office. We remain overweight the Asia-Pacific ex-Japan region.
- Global property stocks rebounded in July after declining for two consecutive months, gaining 10.2% in USD terms according to the FTSE EPRA/NAREIT Global Index. Property stocks in Europe outperformed, while those in the Asia-Pacific region underperformed.
- In the U.S. and Canada, we continue to see an economic and property recovery. In Europe, we see investors being cautious about making new investments. Shares of large office JREITs are likely to be supported by the recent peak in Tokyo office vacancy. We believe that the macroeconomic outlook for the Asia Pacific ex-Japan region remains supportive of property stocks.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
DBS Global Property Securities Fund	SGD	*+7.60%	*+2.82%
Benchmark	SGD	*+7.38%	*+7.08%

### ***Outperformed due to stock selection***

The Fund returned 7.6% for the month of July, outperforming its benchmark by 0.22%. Our stock selection in the U.S. and Canada, as well as Japan and HK, added to performance, while management fees and our overweight in HK detracted from performance. In the U.S. and Canada, our exposure to hotel stocks and office REITs, as well as our increased exposure to senior housing stocks added value. In Japan, our exposure to Grade B office stocks drove performance.

## **Strategy**

### ***Like U.S. hotels, high-quality European retail, and Japan Grade B office***

In the U.S., we continue to like hotel stocks selectively. Hotels continue to see better occupancy and RevPAR, but are more sensitive to negative economic news. We will increase our exposure to defensive sectors like healthcare if we feel that valuations have priced in too robust a recovery. In Europe, we continue to be cautious due to the sovereign debt crisis, and remain positioned primarily in Northern Europe and Switzerland. We remain cautious on Southern Europe. We prefer high-quality retail names which have underperformed in the recent rally. In the UK, we intend to trade between office names to take advantage of valuation gaps. In Japan, we continue to like our exposure to Grade B office but might increase our Grade A exposure if we expect incremental news flow to be positive. We will also reduce our underweight in Japan if the economy shows stronger growth.

### ***Continue to overweight Asia Pacific ex-Japan***

We remain overweight the Asia-Pacific ex-Japan region due to more attractive macroeconomic fundamentals. Within the region, we are overweight HK developers and office landlords, as well as Singapore hotel and office owners. We also have an off-benchmark exposure to a Thai developer. In addition, we have also reinitiated an off-benchmark position in a Chinese developer, due to our more constructive view of the segment. We are underweight the Australian REITs (A-REITs).

## **Market Review\*\***

### ***Global property stocks rebounded in July***

Global property stocks rebounded in July after declining for two consecutive months, gaining 10.2% in USD terms according to the FTSE EPRA/NAREIT Global Index. The sector outperformed broader global equities, which also gained during the month. Property stocks in Europe outperformed, while those in the Asia-Pacific region underperformed.

### ***U.S. property stocks gained on strong earnings***

In July, property stocks in the U.S. gained in line with their global peers on strong corporate earnings, which took precedence over the announcement of weaker economic data. Brookfield Office Properties, one of the largest real estate firms in North America, announced during the month that it will shift its focus to become a global pure-play office company. It also announced the acquisition of an interest in a portfolio of Australian office properties from Brookfield Asset Management and the divestment of its residential land and housing business. Equity markets continued to be supportive of capital raisings by property companies, with Glimcher Realty Trust raising USD100m in a public offering towards the end of July.

### ***European property stocks continued to recover on better sentiment***

European property stocks continued their recovery on the back of a further improvement in sentiment. Overall economic news flow continues to be encouraging. The Dutch unemployment rate fell to 5.6% in June from 5.5% a month ago. The German PMI for July

rose to 61.2, indicating an improving economic environment. Unibail-Rodamco announced a EUR1.8b payout to its shareholders, returning capital to investors after selling some of its assets at attractive prices.

### ***UK property stocks rose as GDP grew faster than expected***

UK REITs had a good month on the back of strong economic data. UK GDP growth of 1.1% in 2Q10 was almost double consensus expectations and the largest increase since 2006. International investors and large corporations continue to be active in the UK market. U.S.-based investor, Carlyle Group, exchanged contracts to buy six London assets for GBP671m. The buildings comprised 1.6m sqf of primarily central London office space. After the end of the month, British Land agreed to develop a new headquarters for UBS on their City of London Broadgate Estate. UBS will pay an initial headline rent of GBP54.50 psf with inflation-linked increases over an average lease length of 18.2 years.

### ***Japanese property on the mend***

Japanese property stocks were broadly unchanged during the month in USD terms. Japanese REITs (JREITs) outperformed the non-REITs as investors worried over a possible slowdown in the Japanese economy. The increase in unemployment to 5.3% in June was a source of concern. However, June industrial production and vehicle production grew 18% and 26% YOY respectively, pointing to a continued recovery in the Japanese economy. In July, Tokyo office vacancy saw its first decline since January 2008, easing 4bp MOM to 9.1%. Tokyo condominium sales for June increased to nearly 4,000 units, which is more than any other month in 2010.

### ***Australian REITs edged up on thin news flow***

Australian REITs (A-REITs) edged up over the month, with the S&P/ASX 200 A-REIT Index gaining 1.0%. News flow was thin as the sector entered the pre-reporting "blackout" period. Speculation of M&A activity drove share prices of Dexis Property Group and ING Industrial Fund, which were touted as acquisition candidates. In July, the Reserve Bank of Australia kept its cash rate on hold at 4.5% for the second month in a row, as the impending results of the European bank stress test and lower-than-expected 2Q10 inflation gave reason for a pause. Employment continued to surge, rising 45,900 in June, beating consensus of 15,000 and marking the ninth gain in 10 months.

### ***HK property stocks gained amidst brisk transactions***

HK property stocks rose 6.7% during the month, according to the Hang Seng Property Index. Residential prices continued to edge up, with the Centa-City Leading Index gaining 2.2% for the month. Activity in the primary market was brisk, with several new projects being launched, including Lime Stardom and Larvotto, developed by separate consortia led by Sun Hung Kai Properties. In all, 1,500 units were sold in July according to JP Morgan data, more than three times what was transacted in June. The secondary market was also active, with 13,195 units transacted in July according to JP Morgan, up 9.3% MOM. In land sale activity, a luxury site at Mount Nicholson Road was sold by auction during the month for HKD10.4b, on the high end of consensus expectations.

### ***Chinese property stocks surged as sales picked up***

Chinese property stocks mostly saw strong gains during the month, as transaction volumes picked up from the lows which followed the introduction of policy tightening measures in April. According to JP Morgan data, primary sales in eight major cities rose 16% MOM in July, though this was still down 53% YOY. Sector leader China Vanke performed even better, reporting a 72% MOM and 28% YOY surge in property sales value in June. The company had succeeded in stoking demand by reducing its ASP by 14% MOM. However, there remain few signs of significant price reductions across the industry. During the month, there were persistent reports that banks were easing on granting mortgages to third home purchasers. However, this was subsequently denied by various government bodies.

### ***Singapore property stocks rose despite cooling primary sales***

Singapore property stocks gained in July, with the FTSE ST Real Estate Index up 6.7%. During the month, the Urban Renewal Authority announced that Singapore private residential prices rose 5.3% QOQ in 2Q10, marginally more than its flash estimate of 5.2%. Primary sales activity continued to cool, with sales falling 22% MOM to 847 units. However, sales activity picked up towards month-end, with The Scala by Hong Leong Holdings seeing brisk sales. Visitor arrivals to Singapore rose 26.7% YOY to 950,000 in June, the seventh consecutive month of record visitor arrivals. In major transactions, Kirin Holdings bought a 14.7% stake in Fraser & Neave (F&N) from Temasek Holdings for SGD1.3b. F&N bought Starhub Center from CapitaCommercial Trust for SGD380m to be redeveloped as a residential project.

## **Market Outlook\*\***

### ***North America should continue to recover***

In the U.S. and Canada, we continue to see an economic and property recovery. U.S. REITs should benefit from the gradually improving economic environment. Companies continue to express increasing confidence in business visibility. Both bond and equity markets should continue to be supportive of companies raising capital. Upcoming economic releases, particularly of unemployment and industrial production data should provide additional insight about the economic recovery.

### ***Continue to be cautious in Europe***

In Europe, we continue to see investors being cautious about making new investments. Unibail's decision to return capital may indicate that investors are too optimistic about opportunities for companies to deploy capital profitably, in our view. The strict fiscal policies being implemented across Northern Europe and in the UK will negatively impact consumer demand, we believe. Even though corporate bond spreads have narrowed compared to a few months ago, they remain materially higher than before the crisis.

### ***UK likely to mark time***

In the UK it is very unlikely, in our view, that the current pace of growth for the property market will be sustained in the coming quarters. This is due to the imminent implementation of VAT hikes and fiscal tightening measures. We expect capital values to hold up given investor appetite for London real estate. Foreign pension funds and sovereign wealth funds continue to be active in the market along with other large institutional investors. With the government taking tough measures to reduce the fiscal deficit, we feel that the UK market is likely to mark time in the short term. We also do not expect capital values to increase materially in the immediate time frame.

### ***Japanese office stocks could stage a recovery***

Shares of large office JREITs are likely to be supported by the recent peak in Tokyo office vacancy, in our view. We also expect office developers to be positively impacted given their project pipelines. We believe that selected JREITs continue to trade at attractive spreads over the 10-year JGB yield. With the government yield curve showing no signs of steepening, we continue to see upside for these JREITs.

### ***Macro conditions continue to support property stocks in Asia Pacific ex-Japan***

We continue to believe that the macroeconomic outlook for the Asia Pacific ex-Japan region remains supportive of property stocks. We also do not expect aggressive interest rate hikes in Asia due to a lack of inflationary pressure. While policy-tightening remains the key risk for stocks of residential developers, we believe that home prices should continue to be restrained by policies already put in place, and that further tightening will be incremental if any. Valuations are undemanding, and appear to have discounted a more muted physical

market due to the policy tightening. In particular, we are now more convinced that Chinese property stocks have found their bottom following the current round of policy tightening. We believe that valuations have discounted a correction in home prices, and that shares should trend up as sales volumes recover in response to lower selling prices.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Content Source: DBS Asset Management Ltd and Urdang Securities Management, Inc., July 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

August 2010

### Highlights

- The Fund recorded a gain of 0.32% for the month of July 2010, against the benchmark's return of 0.04%. Year-to-date, the Fund gained 2.07% on a total return basis.
- 
- The Fund will roughly maintain its current Asia-Pacific exposure of 78.4%, given the region's stronger fundamentals and attractive valuations.
- 
- Credit spreads across all markets and regions tightened from the previous month on improved risk sentiment following better-than-expected 2Q10 earnings, an upbeat IMF report on global growth prospects and improved economic data from Europe. Asian credit markets saw a strong resurgence in primary market activity in July in both high-grade and high-yield markets.
- 
- We expect Asian credits to remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings. Moreover, favourable market technicals versus the developed markets should also be supportive of continued inflows into the region, in our view.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
DBS Enhanced Income Fund	SGD	*+0.32%	*+2.07%
Benchmark (3M SIBOR)	SGD	*+0.04%	*+0.29%

#### ***Fund benefited from credit market rally***

The Fund recorded a gain of 0.32% for the month of July 2010, against the benchmark's return of 0.04%, as it benefited from the credit rally which came on the heels of better-than-expected corporate earnings. Year-to-date, the Fund gained 2.07% on a total return basis.

#### ***No major changes in the Fund's characteristics***

As of 30 July 2010, the Fund's overall duration (see Note 1) increased slightly to 1.09 years, while the estimated yield (see Note 2) was marginally lower at 2.36% (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 0.95%

per issuer. During the month, cash allocation increased to 10.72%. The total allocation to cash and non-credit AAA (see Note 3) issues stood at 14.41% of the Fund.

## Strategy

### **Continue to prefer Asia Pacific issuers**

The Fund allocates about 78.4% of its portfolio to credits from Asia-Pacific issuers. We look to roughly maintain this weightage given the region's stronger fundamentals and attractive valuations. In view of slowing global growth, we maintain a bias for issuers with high credit quality and strong liquidity positions. Over the medium term, we intend to keep the Fund's characteristics mostly unchanged.

## Market Review

### Global Credit

#### **Spreads tightened, reversing trend of past two months**

For the month of July 2010, spreads of major global high-grade bond indices tightened 8-23bp from the previous month (Table 1). Better-than-expected 2Q10 earnings, an upbeat IMF report on global growth prospects and improved economic data from Europe lifted investor sentiment across markets. As risk appetite returned, high-yield generally outperformed high-grade credits on a total return basis (Table 2).

*Table 1: Global Credit Indices (Credit Spreads)*

Month	Credit Spread Over Government Benchmark (Bp)						Change in Credit Spread (MoM)					
	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-Jul-10	135	114	232	656	395	738	(23)	(25)	(8)	(31)	(68)	(75)
30-Jun-10	159	139	240	687	464	813	7	5	22	(17)	(12)	1
31-May-10	152	134	218	704	476	812	42	35	45	133	123	174

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-Jul-10	2.02%	0.66%	1.46%	2.92%	2.43%	4.00%
30-Jun-10	2.27%	0.37%	1.26%	1.69%	1.11%	2.30%
31-May-10	(0.34%)	0.20%	(0.44%)	(3.47%)	(2.43%)	(4.51%)

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

#### **European bank stress test largely a non-event**

Market reaction to the results of the European bank stress test released in the last week of July was rather mixed, but slightly positive in general. Though only a total of 7 out of 91 banks tested failed the stress test and were ordered to raise their capital by EUR3.5b, which was much less than expected, investors were skeptical as the macroeconomic shock scenarios built into the test were deemed not rigorous enough. However the amount of disclosure came as a positive surprise - most banks except a few German banks have released detailed information about their sovereign debt exposure. All in all,

investors appeared somewhat reassured over the stress test results and risk markets remained well supported over the month.

### ***Primary markets in Asia were generally buoyant***

Credit markets in Asia saw a strong resurgence in primary market activity in July. A total of USD3.95b of high-grade bonds were printed, comprising six new bonds and two which were retaps of existing issues. The high-yield credit market was also busy with new issuance activity to the tune of USD1.6b. In general, most of the new issues traded better in the secondary market, with the exception of a high-grade Chinese quasi-government resource company bond which was issued at a tight spread.

## **Market Outlook**

### **Global Credit**

#### ***Expect Asian credits to remain well-supported in near term***

Asian credits should remain well-supported in the current environment of slowing growth, subdued inflation and strong corporate earnings, in our view. Moreover, favourable market technicals versus the developed markets should also be supportive of continued inflows into the Asian markets. Given our constructive near-term view on Asian credits, we recommend moving down the credit curve to the BBB (i.e. lowest investment grade) sector, as we expect the quest for yield in the current low interest rate environment will result in spread compression between the BBB and A sectors.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 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.*

## MYHOME FUND – HomeGrowth FUND PERFORMANCE UPDATE July 2010

### Highlights

- The Fund returned 5.27% for the month.
- The Singapore stock market resumed June's rally on the back of positive economic data, and as fears over the European debt situation continued to subside. The release of European bank stress test results and Chinese equity markets rally also helped. Economic data continued to point to strong growth, with the Singapore economy expanding by 16.9% YOY in 2Q10. 2010's GDP growth forecast was revised up to 13-15%, from 7-9% previously.
- The Singapore Government Securities (SGS) yield curve bull-flattened in July on concerns over the global economic slowdown and flush liquidity conditions. The SGD strengthened significantly, appreciating 2.7% against the USD on strong growth and foreign inflows, as well as positive statements from the IMF.

### Performance Review

	Currency	Performance	
		July 2010 (% change)	Year-to-Date (cumulative)
MyHome Fund - HomeGrowth	SGD	+5.27%	+3.89%

The Fund returned 5.27% for the month. In the month of July 2010, holdings in the DBS Singapore STI ETF contributed 5.36% positively while ABF Singapore Bond Index Fund contributed 1.64% positively.

### 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\*\*

<b>% Change<sup>^</sup></b>	<b>Month</b>	<b>YTD</b>
Singapore Straits Times Index	+5.4%	+3.1%
iBoxx ABF Singapore	+1.6%	+5.3%

Source: Bloomberg, 31 July 2010 (<sup>^</sup>in local currency, price return basis)

### Equity

#### **Singapore stocks continued to climb**

The Singapore stock market resumed June's rally on the back of positive economic data, and as fears over the European debt situation continued to subside. The release of the European bank stress test results, though rather uneventful, also helped to improve risk sentiment somewhat. Singapore stocks also benefited from the rebound in the Chinese equity markets, as risk sentiment improved on expectations that China will pause on further tightening in view of the recent slowdown in economic activities and effectiveness of recent property curbs.

#### **Economic data continued to show strong economic performance**

Data from the Department of Statistics show that the Singapore economy grew more rapidly in 2Q10 than previously indicated. The economy expanded by 16.9% YOY, higher than the 15.5% estimated in May. Advance estimates for 2Q10 indicate that the economy has continued to expand strongly. Real GDP is expected to grow by 19.3 % from the same period last year. On a sequential basis, the economy grew by 26.0% in the second quarter. Manufacturing output increased 26.1% YOY in June. Excluding biomedical manufacturing, output grew 24.8%. For 1H10, manufacturing output increased by 41.6%, with growth driven by the biomedical manufacturing cluster, and a strong expansion in the electronics cluster. The launch of the Integrated Resorts and higher visitor arrival numbers contributed to significant growth in the tourism-related sector. Visitor arrivals to Singapore climbed 26.7% to 950,000 in Jun 2010, the highest ever recorded in the month of Jun.

#### **2010's GDP forecast revised upward**

Following the better economic performance in 1Q10 and stronger-than-expected economic growth in 2Q10, the Ministry of Trade and Industry (MTI) revised its growth forecast upward in mid-July, expecting the Singapore economy to expand by 13-15% in 2010, from 7-9% previously.

### Fixed Income

#### **Strong rally in SGS especially in the belly of curve**

Singapore Government Securities (SGS) rallied across the board and outperformed U.S Treasuries (UST) in July, with the benchmark SGS 7-year and 10-year yields dipping by more than 40bp. The SGS yield curve saw a massive bull flattening on the back of concerns over a global economic slowdown and flush liquidity conditions. Also, the overwhelming success of Temasek Holding's 40-year new bond issue - which was 1.7 times oversubscribed, mainly by insurance companies - supported SGS prices as well. Singapore's GDP growth in 2Q10 was strong, accelerating to 19.3% YOY, aided largely by the volatile biomedical sector. CPI rose 2.7% YOY in June, coming in below market estimates of 3.5%. The main downside impetus came from the lower costs of transportation, housing and clothing. The Monetary Authority of Singapore's (MAS') announcement that it will issue negotiable MAS bills with maturities of up to three months, starting 2Q11, as an additional tool to maintain money market stability, lent further support to SGS prices.

***USD/SGD dipped to lowest level of the year***

Weaker-than-expected U.S. economic data in the month caused the USD to weaken against most other global currencies. Meanwhile, global equity markets rebounded on improved risk sentiment following strong earnings results out of the U.S. and Asia, better-than-expected economic data from Europe, as well as some reassurance over the results of the European bank stress test. The Singapore dollar had a strong performance in July, appreciating 2.7% against the USD on strong growth and foreign inflows, as well as a statement from the IMF lauding the MAS for the country's efficient monetary policy and stating their view that the SGD REER should strengthen over time. The USD/SGD ended the month at 1.3601, which was the lowest level seen this year, while our in-house SGD NEER model indicated that the SGD NEER was trading at the upper end of the policy band.

\* *Data Source: DBS Asset Management Ltd as of 31 July 2010, all indicative returns in SGD NAV-NAV, calculated on cumulative basis.*

\*\* *Data Source: Bloomberg as of end July 2010.*

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