LION GLOBAL INVESTORS

Market Report
3Q 2012
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MACRO OVERVIEW

The previous quarter saw a period of volatility as equities gave up much of their year-to-date gains in May on the back of a sharp rise in risk aversion, but managed to recover some of those gains in June.

After rising strongly in the first three months of the year on the back of the European Central Bank's liquidity injections, risk assets corrected in the second quarter of the year. This was driven by US economic data falling below expectations as the benefits of the previous round of stimulus faded, coupled with deteriorating conditions in the European sovereign debt markets. Spanish 10-year yields breached new highs, indicating investors' renewed loss of confidence as the country's banking sector came under more stress, and funds from the liquidity injections were largely used up in both Spain and Italy. In May and June, political uncertainties added to market concerns. The French Presidential election resulted in a change of leadership while an inconclusive Greek election resulted in a month of uncertainty as the risk of an imminent Greek exit from the EU suddenly rose. This was not to be as the pro-austerity party managed to form a government following a second round of elections. The quarter ended on an improved note with the EU leaders agreeing to bail out Spain's troubled banking sector and took steps towards a banking union which could break the negative feedback loop between sovereign debt and bank deleveraging.

Against this backdrop, global risk assets lost ground in 2Q 2012 (the MSCI Asia Pacific ex Japan Index declined 5.0% in that period); while "safe haven" assets outperformed (the World Government Bond Index was up 1.7%).[1]

In this quarter, we expect risk assets to trade in a range, with an upside bias on the back of central bank easing.

Global growth is expected to remain slow but to pick up gradually in the second half of this year. Central banks have stepped up policy easing measures to support growth, with rate cuts in China, Europe, Australia, and quantitative easing in the UK, among others. A substantial decline in oil prices has meant more money in the consumer's pockets and has kept inflation in check; this in turn allows central banks the flexibility to ease further.

However, the investment environment will remain plagued by uncertainties. The standoff with Iran over its nuclear ambitions is still a possible source of event risk. The ongoing efforts to contain the European debt crisis continue to be a challenge for policy makers. While progress has been made, politically difficult decisions lie ahead. In particular, the ceding of sovereign control over national banking sectors and greater fiscal union in return for more German support. The impending US fiscal cliff is likely to become an increasing source of concern for markets with various tax cuts and fiscal transfers due to expire by the end of this year. This will lead to a sharp slowdown in economic growth next year unless some of these measures are extended. At its current rate of spending, the US government is also likely to approach its debt ceiling again by the end of this year. Pragmatic decisions regarding both will likely be made only after the US Presidential Election in November, but there could be some discounting of the risks before then.

In China, fixed asset investment has been stepped up in response to a sharper-than-expected slowdown, and monetary policy is being eased more aggressively. However, between the effects of European deleveraging and China's own structural adjustments, it has to tread carefully to stimulate but not over stimulate. On balance, we expect China to be able to engineer a soft landing with GDP growth of 8% being a possibility for this year.

In terms of markets, July has started on a strong note for most asset classes. Factors such as reasonable equity valuations, relatively high cash levels, and improving risk appetite could continue to provide support to short-term performance. We expect market volatility to remain, in

[1] In local currency terms. (Source: Bloomberg)

view of the wall of worries mentioned above, but balanced against that, central banks' stimulus actions. As such, we expect risk assets to trade within a range, with potentially more upside towards the end of the year, as more clarity on the fiscal situation in the US surfaces and particularly, if further progress is made in Europe.

In this environment of uncertainty and low to zero interest rates, we see the search for yield as a theme that will continue. We expect credit spreads and dividend yields to continue to grind in a positive performance, albeit with some corrections along the way. We maintain our preference for high dividend yielding stocks and credits to generate steady returns. We are also looking out for buying opportunities in growth and cyclical Asian equities, as the valuation dispersion widens, and economies show signs of bottoming. Equity valuations are undemanding and this remains an attractive asset class for the longer term. We would take advantage of downside volatility to add to equities, along with higher yielding credits.

EQUITIES

US

United States			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI USA	**3,299.8**	**(3.2)**	**4.4**
S&P 500 INDEX	1,362.2	(2.9)	3.1
DOW JONES INDUS. AVG	12,880.1	(2.0)	3.8
NASDAQ COMPOSITE INDEX	2,935.1	(5.2)	5.8
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/¥	79.8	3.0	0.8
€/US$	1.3	4.8	14.3
£/US$	1.6	1.1	1.9
CHF/US$	0.9	(4.3)	(12.1)
US$/S$	1.3	(0.5)	(2.9)
MSCI USA	**2,011.0**	**2012E**	**2013E**
EPS growth (%)	15.1	8.6	12.8
P/E (x)	16.6	13.2	11.7
P/B (x)	2.2	n/a	n/a
DY (x)	2.1	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

The S&P 500 index staged a late rally in June to end 2Q 2012 down 3.3% in USD terms. However, at its worst point, the index slumped nearly 10% as deteriorating economic data and the European sovereign debt crisis weighed on market sentiment. Stocks rallied late in June as Eurozone leaders provided clarity on a Spanish bank bailout and banking integration of the Eurozone.

Defensive sectors outperformed, with Telecoms, Utilities and Consumer Staples leading sector gains. The Financials sector was the worst performer, down 7.3% amidst news of JPMorgan's US$9 billion trading loss and concerns over a possible contagion impact from the European sovereign debt crisis. The Technology sector also underperformed significantly, declining 7% on fears of a sharp decline in enterprise spending as a result of global slowdown. Large-cap stocks outperformed small-capitalization stocks.

Despite the uncertain economic backdrop, 1Q 2012 corporate earnings was solid, with 56% of companies beating sales estimates and 69% beating EPS estimates. 1Q 2012 sales and earnings grew 6% and 7% on a year-on-year basis respectively. Industrials and Consumer Discretionary sectors had the most positive earnings surprises, while Utilities and Telecoms sectors had the least.

Initial public offerings fell 34% in the second quarter on the back of worsening global economic conditions and Facebook's disappointing debut. Facebook's highly anticipated IPO was priced at more than 100 times earnings and saw its stock sank 18% from its 17 May IPO price.

Outlook/Strategy

Concerns over the sustainability of the US economic recovery have returned as recent economic data has surprised on the downside. Most recently, the Philly Fed survey, consumer confidence, retail sales and initial jobless claims have all come in weaker than expected. In June, the Federal Open Market Committee ("FOMC") significantly revised down its 2012 GDP outlook by 50 bps to 1.9% - 2.4%. At the same time, the Fed also announced the extension of Operation Twist which buys time for Bernanke to gather a consensus on further easing and look for more compelling evidence that the recovery is faltering.

The speed of the slowdown will dictate the timing of the next Fed move. One of the key factors will be the labour market as Bernanke had stressed that the Fed will take further easing action if the labour market does not improve. Further weakness in the labour market indicators would provide evidence for the Fed to trigger QE3 during the next FOMC meetings on 1 August and 13 September.

Another key driver of US growth in the second half is the impact of the year-end fiscal cliff, which is estimated to be 4.5% of GDP. While the cliff does not occur until 2013, the uncertain outcome of the fiscal cliff negotiations may cause a sharp slip in confidence and business activity in the second half of the year.

As we approach Q2 earnings season, companies have been guiding negatively and cautiously managing expectations. The ratio of negative-to-positive guidance is the highest since 1Q2010, with companies like Procter & Gamble, Fedex and Bed Bath and Beyond lowering their outlook for the quarter. This sharp deterioration in corporate guidance does not bode well for the 2Q earnings season. The rise in the value of the dollar, the plunge in energy prices and a global economic slowdown are substantial headwinds to 2Q earnings.

The cloudy macro outlook is offset by a reasonable stock market valuation. The S&P 500 index is trading at 12.2x consensus NTM earnings, 0.9 standard deviation below its long-term average multiple of 14x. Given our expectation of continued macro uncertainty and slowing earnings growth, we favor higher quality companies with sustainable and growing yield. Key risks to the growth outlook include China's hard landing, disorderly resolution of the European debt crisis and political uncertainty.

EUROPE

Europe			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI EUROPE	**3,382.9**	**(4.0)**	**(8.5)**
STXE 600 € Pr	251.2	(3.7)	(7.9)
S&P EUROPE 350 INDEX	1,029.2	(3.3)	(7.5)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
€/US$	1.3	4.8	14.3
£/US$	1.6	1.1	1.9
CHF/US$	0.9	(4.3)	(12.1)
US$/NOK	6.0	(3.5)	(9.9)
US$/SEK	6.9	(3.8)	(8.6)
MSCI EUROPE	**2,011.0**	**2012E**	**2013E**
EPS growth (%)	2.8	1.5	10.8
P/E (x)	10.3	10.1	9.1
P/B (x)	1.4	n/a	n/a
DY (x)	4.3	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

European equity markets had a rollercoaster quarter, declining 17.18% in May before recovering to end the quarter down 7.47%, in USD terms. This was largely due to political concerns in the Eurozone, the possibility of a Greek exit from the Eurozone and weaker global economic data. Investors also had to contend with the credit ratings downgrade of Spain by both Fitch and S&P.

Political events hogged the headlines in Europe. In a backlash against austerity measures, the incumbent French President Sakozy lost his re-election bid to the socialist candidate Francois Hollande while in Netherlands, the minority coalition government collapsed after failing to agree on additional budget cuts. In Greece, the results of the first elections were inconclusive but the surprise was the rise in voter support for the “anti-bailout” Syriza party. The second Greek elections were too close to call with voting intentions for Syriza and New Democracy parties being very close. There was relief when New Democracy party was able to form a coalition government with the PASOK and the Democratic Left parties.

S&P and Fitch downgraded the sovereign credit ratings of Spain by 2 and 3 notches respectively to BBB+ and BBB, citing a deeper recessionary situation and the higher cost of bailing out Spain’s banks. Spain has requested up to Euro 100 billion from Eurozone to shore up its banking system and the Eurozone may allow Spanish banks to be recapitalized directly, rather than lending via the state. In the event that the state does borrow from the fund, the Eurozone has agreed to waive the seniority of the loans to Spain.

The Healthcare sector was the best performing sector during the quarter, rising 1.26% as investors adopted a defensive stance during the quarter.

On the other hand, the IT sector underperformed the market, declining 15.96% as investors sold Nokia after the company gave another profit warning.

Outlook/Strategy

1Q 2012 results of European countries continue to suggest that they are facing margin pressure with 50% of the companies reporting results that were ahead of analysts' expectations while 60% of companies also had revenue growth ahead of consensus expectations.

Looking ahead, economists expect Eurozone GDP to contract 0.4% in 2012 and are likely to be in recession until 4Q 2012. This is a result of lower global GDP growth expectations and fiscal tightening in the peripheral Eurozone countries. The peripheral countries are expected to experience persistent and deeper recession while the northern Eurozone economies are expected to achieve better growth prospects. Consumption may also remain weak on weak economic outlook and possible job losses.

The MSCI Europe Index consensus earnings are expected to rise 4.0% in 2012 and 11.7% in 2013. In terms of valuations, the MSCI Europe Index trades at 10.6x consensus 2012 earnings and 9.5x 2013 earnings which appears reasonable when compared to its long-term average of 12.6x. We continue to maintain our overweight position in the luxury goods sector as we believe that stocks in the sector have unique portfolios of strong brands that will benefit from continued resilience in spending for luxury goods. We also maintain our overweight position in the consumer staples sector given the steady growth and defensive characteristics of this sector.

We remain vigilant of the sovereign default risks in Europe as well as the austerity measures being undertaken by the various governments as they could result in a deeper-than-expected economic slowdown. In addition, there is a possibility that China’s economic growth may slow more than expected, denting Europe’s exports to China. The US economic growth also bears watching as it may slow more than expected due to policy impasse.

JAPAN

Japan			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI JAPAN	814.0	(10.1)	(8.3)
TOPIX INDEX (TOKYO)	770.1	(10.2)	(9.3)
NIKKEI 225	9,006.8	(11.0)	(8.2)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/¥	79.8	3.0	0.8
MSCI JAPAN	**2011**	**2012E**	**2013E**
EPS growth (%)	51.6	(28.2)	78.5
P/E (x)	9.2	21.4	12.0
P/B (x)	1.0	n/a	n/a
DY (x)	2.6	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

For the quarter ended June 2012, the MSCI Japan Index was down 10.1% in local currency terms.

The market was down sharply in April and May as political change in various European countries raised concerns over the Eurozone, with Greece potentially exiting the Eurozone. Concerns spread to Spain and Italy, in particular over the non-performing assets at Spanish banks. China's economic data showed continuing deterioration while US employment data disappointed during the quarter. The Bank of Japan increased the size of its asset purchase program but this had little impact as overseas concerns overtook any domestic stimulus impact and the yen strengthened. The market finally rallied in June as the Greek election outcome showed continued support to stay in the Eurozone and European leaders took steps to contain fears over the Spanish banks. In Japan, the consumption tax hike bill was passed, setting the stage for consumption tax hikes from 5% to 8% in April 2014 and to 10% in October 2015, but the market reacted surprisingly positively, with domestic sectors leading the June rally.

For the quarter, defensive sectors outperformed in the down market with telecoms, pharmaceuticals and food & beverage declining the least while commodity-related sectors like steel, energy and glass declined the most.

Outlook/Strategy

The global economy appears to be at a crossroads where growth is clearly slowing but authorities are beginning to act to prevent further deterioration. Investors appear to be similarly worried about the weak conditions yet hopeful for stimulus actions and this is likely to result in volatile but directionless markets for the time being. Valuations remain undemanding. In Japan, consumption tax hikes scheduled for 2014 and 2015 may create upfront domestic demand in the short term but weakness thereafter.

We continue to focus our investments in companies operating in growth markets or are able to generate growth through their products. In the short term, we will focus on companies best positioned for Japan's recovery from last year's disaster-related disruptions. We are also looking for opportunities from the potential rebound in the Chinese economy in the second half of 2012.

ASIA PACIFIC EX-JAPAN

Asia Pacific ex-Japan			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI AC ASIA PACIFIC	123.5	(7.0)	(8.6)
MSCI AC ASIA ex JAPAN	276.4	(5.4)	(9.1)
MSCI AC ASIA PACIFIC ex JAPAN	244.1	(5.0)	(8.7)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
A$/US$	1.0	1.1	4.6
US$/CNY	6.4	(0.7)	1.7
US$/HK$	7.8	0.1	0.3
US$/INR	55.6	(7.6)	(19.7)
US$/IDR	9,433.0	(2.7)	(9.1)
US$/KRW	1,145.4	(0.7)	(6.8)
US$/MYR	3.2	(3.4)	(5.0)
US$/PHP	42.1	2.0	2.9
US$/S$	1.3	(0.5)	(2.9)
US$/TW$	29.9	(1.0)	(3.8)
US$/THB	31.6	(2.2)	(2.6)
US$/VND	20,905	(0.4)	(1.5)
MSCI AC ASIA PACIFIC	**2011**	**2012E**	**2013E**
EPS growth (%)	(8.1)	29.4	14.2
P/E (x)	14.8	11.5	10.0
P/B (x)	1.3	n/a	n/a
DY (x)	3.1	n/a	n/a
MSCI AC ASIA ex JAPAN	**2011**	**2012E**	**2013E**
EPS growth (%)	(1.6)	15.8	14.0
P/E (x)	12.7	11.0	9.6
P/B (x)	1.5	n/a	n/a
DY (x)	2.8	n/a	n/a
MSCI AC ASIA PAC ex JAPAN	**2011**	**2012E**	**2013E**
EPS growth (%)	2.7	11.5	13.2
P/E (x)	12.5	11.2	9.9
P/B (x)	1.6	n/a	n/a
DY (x)	3.4	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

Asian equity markets gave up a significant amount of the gains made in the first quarter with the MSCI AC Asia Pacific ex Japan Index ending the second quarter down by nearly 6% in Singapore dollar terms. This performance though, hid a highly volatile quarter with the Asian markets in April ending broadly unchanged, ending heavily down in May, before recovering in June. This lack of a clear direction reflects a lack of conviction by investors, mainly on the back of uncertainties caused by disappointing US macro data points, increasing concerns over China's growth and its response, and the ongoing European debt crisis. Investors' appetites for risk have thus remained correspondingly low.

This lack of conviction amongst investors resulted in trading volumes continuing to decline even further in the quarter. There was some fund outflow, but not enough to negate the inflows seen in the first quarter.

Over the quarter, the best performing market in Asia (in Singapore Dollar terms) was the Philippines, the only market to end the quarter in positive territory. The ASEAN markets generally performed better than North Asia, with Malaysia and Singapore outperforming the region, and Korea and Taiwan underperforming. India was the worst performing market in the region due to a currency that depreciated by over 8% against the Singapore Dollar over the quarter. Mirroring China, Australia also outperformed, though much of this was achieved in the month of April.

Sector-wise, performance in this quarter was dominated by the so-called defensive sectors. Thus, the Healthcare, Telecommunications, Utilities, Consumer Staples, and Finance sectors all outperformed, whilst the cyclical sectors such as Energy, Materials, Industrials and Information Technology, all underperformed. This reflected the risk-off profile of investors in the quarter.

Outlook/Strategy

To date, Asian equity markets have mainly been driven by external global macro events, and this is not expected to change going forward in the foreseeable future. More specifically, the macro environment and policy responses in Europe, the US and China will remain the key factors to watch as we head into the second half of this year. There are no easy or instant solutions to any of these factors, and we therefore expect the Asian markets to remain volatile before the global economy starts to recover back to pre-crisis levels. Another factor to consider is the Iranian nuclear issue, which could have significant ramifications on oil prices.

With the global economy slowing down by more than expected by investors, there will be increased focus on the ability of Asian countries to weather this slowdown using a mix of monetary and fiscal policy. With inflationary pressures declining, there is more scope than previously to keep interest rates low in real terms. In the case of China, we still expect more easing to be implemented in the second half, but continue to emphasise that this is not a repeat of 2009 i.e. China will only do enough to protect its own growth, but no more than that.

As in the previous quarter, Asian equities are still relatively cheap on a historical basis, but with the emphasis on the return of capital rather than return on capital, this in itself will not be sufficient to generate further investor interest in the Asian markets. Furthermore, we believe that consensus earnings forecasts are still too high, and thus expect downgrades in the second half of this year.

In summary, the outlook remains too opaque to feel confident that the worst is behind us. Relatively cheap valuations will provide some support, but we need to see real progress on the macro factors discussed above before investors become less risk-averse.

- ***AUSTRALIA***

Australia			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI AUSTRALIA	2,976.2	(4.1)	(7.4)
S&P/ASX 200 INDEX	4,094.6	(5.6)	(11.1)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
A$/US$	1.0	1.1	4.6
MSCI AUSTRALIA	**2011**	**2012E**	**2013E**
EPS growth (%)	18.8	(0.4)	8.7
P/E (x)	11.8	11.8	10.9
P/B (x)	1.7	n/a	n/a
DY (x)	5.1	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

The MSCI Australia market fell 4.1% in local currency terms for 2Q 2012.

Stock markets in the second quarter were driven lower by a weaker outlook for global growth and mounting tensions in the Eurozone, this time with Spain and Greece taking turns in the spotlight. Investors' resolve was tested as Greece edged towards the brink when its general elections were inconclusive. Not helping was weaker-than-expected economic data out of China, which added more headwinds to already weakened global economic conditions.

Domestically, the Reserve Bank of Australia (RBA) offered some relief from the stronger currency and weaker economic conditions by starting its interest rate cuts. The impact on the economy, however, is going to be more muted than in the past as banks have not fully passed on the rate cuts and having already cut 75 bps, the RBA looks set to be in a wait-and-see mode. The approach of June results saw expectations for a number of companies' earnings guidance being lowered with Boral (building materials), JB Hi-Fi (retail) and Toll Holdings (logistics) among them, again revealing how soft domestic economic conditions have been. Equity raisings picked up pace as Billabong, Brambles, Echo Entertainment and Ten Network executed on their plans to lower financial gearing. In terms of performance, the mining-heavy materials sector lagged for the sixth successive quarter, and the energy sector was hit by falling oil prices. Defensive sectors out-performed with telecoms, healthcare, utilities and consumer staples all registering positive returns.

Outlook/Strategy

Weaker earnings guidance was a consistent feature over the past few quarters. Although the RBA has cut official cash rates by 75 bps over the last 2 months, confidence remains impaired. Business conditions and confidence deteriorated over June, near 3-year lows and as monetary policy takes time to show results, these weak data points should continue. With FY13 expected EPS growth still at about 10%, the prospect of further downward revisions seems to be in order. In particular, the resource sector is now expected to post no growth in FY12, but a bounce is expected in FY13, predicated on commodity prices rising. These numbers are likely to be revised down given recent commodity price movements. Thus, the absence of any sustained positive earnings growth will continue to see the Australian market lag its global peers.

The Australian market is slightly below 11x on PER currently, which is on the low side of where it has traded in recent years. This suggests investor skepticism in earnings growth forecasts has been discounted to some extent. Dividend yields are also high relative to bond yields. At present the trailing dividend yield is in fact higher than bond yields, which has happened only 3% of the time over the past 40 years. Value is clearly available in this market. However, as discussed above, earnings have to stabilize before sustained performance from the market is realistic.

- ***CHINA/HONG KONG***

China/Hong Kong			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI CHINA	**317.0**	**(5.6)**	**(16.3)**
SHANGHAI SE COMPOSITE	2,225.4	(1.2)	(19.4)
SHENZHEN SE COMPOSITE IX	921.4	2.9	(20.3)
MSCI HONG KONG	**44,734.7**	**(5.0)**	**(8.4)**
HANG SENG INDEX	19,441.5	(5.7)	(13.2)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/CNY	6.4	(0.7)	1.7
US$/HK$	7.8	0.1	0.3
MSCI CHINA	**2011**	**2012E**	**2013E**
EPS growth (%)	10.4	9.0	11.7
P/E (x)	9.5	8.7	7.8
P/B (x)	1.5	n/a	n/a
DY (x)	3.4	n/a	n/a
MSCI HONG KONG	**2011**	**2012E**	**2013E**
EPS growth (%)	24.5	(11.1)	10.6
P/E (x)	12.2	14.0	12.7
P/B (x)	1.3	n/a	n/a
DY (x)	3.2	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

After a rally in the first quarter of 2012, the Greater China markets gave back some of the gains in the second quarter.

Hong Kong was the top performing market during the quarter, with MSCI Hong Kong down 4.18% in SGD terms. China came in second with a 4.77% decline and Taiwan lost the most to end the quarter down by 8.79%. Among the key sectors, China Consumer Discretionary (-17%), China Materials (-15%) and Taiwan Technology (-10%) were the weakest, primarily due to China's economic slowdown being expected to extend at least until the end of the 2nd quarter. Taiwan Consumer Staples (+7%) was one of few that made positive returns. Other outperforming sectors included Hong Kong Utilities (-1%), China/Hong Kong Financials (-2%) and China Telecom (-3%).

China's 1st quarter real GDP growth slowed to 8.1% and other macro data points suggested that economic slowdown would last till the end of the 2nd quarter. Consumer inflation, as measured by the Consumer Price Index improved significantly during the 2nd quarter, falling from 3.6% in March to 2.2% in June. As such the People's Bank of China started to loosen monetary policy by cutting banks' Reserve Requirment Ratio ("RRR") in May and interest rates in June. With more accommodative monetary policy and more fiscal stimulus towards the 2nd half, we maintain our view of a "soft-landing" for China's economy. Residential property sales saw signs of pick-up in May and June, with lower mortgage rates likely to have triggered some renewed interest back into the market.

Hong Kong saw a deceleration in retail sales growth in 2nd quarter, from 14.5% in March to 8.8% in May, on the back of both the high base effect in 2011 and also the weaker spending on luxurious goods by Chinese tourists. After the Chief Executive election in March, investors grew cautious on the Hong Kong property market as the new Chief

Executive CY Leung mentioned his intentions to increase the supply of public housing during his elections campaign. We nonetheless do not expect a drastic change in the housing policy to disturb consumer confidence, especially under the current highly fragile external economic environment.

Business and consumer sentiment remained weak in Taiwan with exports showing continuous negative growth from March to June. GDP growth slowed to 0.39% in the 1st quarter and the weak momentum might intensify in the 2nd. The proposal of a Capital Gain Tax (CGT) and the subsequent resignation of the Finance Minister added extra uncertainties to the stock market. Meanwhile, price increases in power tariff and gasoline, which is part of the overall Tax Reform package, also led to widespread concerns over higher operating expenses for corporates. Looking at the Q1 results and Q2 company guidance, we are slightly more positive on upstream semiconductor plays due in part to inventory replenishment.

Outlook/Strategy

Despite the weak earnings in 4Q 2011 and soft economic data points in 1Q 2012, we believe the authorities have numerous monetary and fiscal tools to engineer a soft-landing for the remainder of the year. For instance, the major banks' Required Deposit Reserve Ratio was raised from 15.5% in 2009 to 21.5% in 2011 in order to contain inflation and control excessive credit expansion. With inflation under control, there is plenty of room to lower the RRR to allow for more liquidity injection into the system, both to support SMEs as well as to resume fixed asset investments.

The MSCI China Index currently has a consensus EPS growth rate of around 6.2% and is trading at 9.7x 2012 PE. We believe the earnings outlook is too conservative. At this level, the market is already pricing in the expectation of a challenging environment, the potential for earnings disappointments and a lack of certainty in the short term.

Our favorite investment themes for China in FY2012 remain as (i) consumption; (ii) resumption of capital investment; (iii) beneficiaries of the expected launch of pricing reforms for oil and gas; (iv) beneficiaries of falling input cost.

Our economic view on Hong Kong is a neutral one. The near-term economic outlook for Europe remains uncertain, but that of the US is improving. Their impact on the overall merchandise exports of Hong Kong will offset each other. We expect Hong Kong's economic growth to be underpinned by domestic demand, given a low interest rates and low unemployment environment. The MSCI Hong Kong Index is currently trading at around 15.1x 2012 PE. Earnings growth will be impacted by the anticipated absence of considerable property revaluation gains this year. Our investment strategy in Hong Kong remains to be stock-specific. We particularly like those counters that could benefit from a global economy recovery and also those with stable income/cash flows and low volatility. The internationalization of the Renminbi ("Rmb") and the ongoing financial de-regulation initiatives are expected to provide more offshore business opportunities such as the cross-border utilization of Rmb deposits for Hong Kong banks.

In addition to the above themes, we strongly believe in other key stock picking criteria such as high earnings visibility, cheap valuations, and strong cash flow.

- ***INDIA***

India			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI INDIA	468.1	(0.9)	(6.9)
BSE SENSEX 30 INDEX	17,430.0	2.2	(7.5)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/INR	55.6	(7.6)	(19.7)
MSCI INDIA	**2011**	**2012E**	**2013E**
EPS growth (%)	7.6	13.6	14.0
P/E (x)	15.0	13.2	11.6
P/B (x)	2.6	n/a	n/a
DY (x)	1.4	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

The MSCI India Index fell 0.85% in local currency terms in 2Q 2012.

The best performing sectors were Consumer Staples, Health Care and Finance, whereas the underperforming sectors were Consumer Discretionary, Information Technology and Telecom Services. During the quarter, the Indian Rupee had a very weak performance and depreciated by 9.36% to 55.63, due to a combination of weak trade balance and risk aversion. Inflation continued to remain sticky with the Wholesale Price Index at 7.55% by the end of May, compared with the 7.69% at end-March 2012.

Outlook/Strategy

Falling global commodity (specifically, crude oil) prices should provide some respite from India’s sticky inflation problem as we move towards the end of the calendar year. This might provide some much needed leeway for the Central Bank to undertake meaningful rate cuts, without having to fear a spike in demand-pull inflation. Prime Minister Manmohan Singh has taken up the additional responsibility of the Finance Minister’s role, and this has given hopes that he may revive the growth momentum of the Indian economy.

- ***KOREA***

Korea			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI KOREA	501.4	(7.7)	(8.2)
KOSPI INDEX	1,854.0	(8.0)	(11.7)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/KRW	1,145.4	(0.7)	(6.8)
MSCI KOREA	**2011**	**2012E**	**2013E**
EPS growth (%)	(16.1)	41.1	15.3
P/E (x)	12.6	8.9	7.7
P/B (x)	1.2	n/a	n/a
DY (x)	1.3	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

Following a sharp correction in May, equities had a rebound in June, underpinned by improved sentiment over a better outcome for the second Greek elections, and the reaching of an EU summit agreement. Nonetheless the MSCI Korea Index still ended the quarter down 7.7%, with defensive sectors, namely utilities and consumer stocks outperforming while energy, industrial and material were the worst performing sectors. Foreigners sold a net amount of US$4.3 billion over the period, reducing the year-to-date inflows down to only US$5.3 billion. Average equity market turnover dwindled continually over the period from March 2012 onwards as investors grew concerned over the macro uncertainties.

On the macro front, 1Q 2012 GDP expanded 2.8% on a year-on-year basis with monthly economic releases alluding to further weakness in 2Q 2012. The manufacturing Purchasing Managers' Index declined for three straight months to below the key 50 threshold level in June, while both business and consumer sentiment weakened. Korea's CPI inflation slowed to 2.2% on a year-on-year basis in June, led mainly by declines in gasoline and food prices but the Producer Price Index eased more significantly to 0.8% on a year-on-year basis, on the back of declining commodities prices. Turning from inflation fears to growth concerns, the Bank of Korea kept the base rate unchanged at 3.25% for the 12th consecutive month at the June MPC meeting, but acknowledged rising downside risks from the Europe situation as well as China's slowing growth.

Outlook/Strategy

While the EU summit agreement was deemed significant, investors' sentiments remained fairly muted as global growth slowed considerably and the outlook for earnings remained sluggish.

Despite the Korea government's pump-priming effort to support the economy, Korea's GDP growth for 2012 is being revised down on weaker readings from recent global economic indicators, with the Korean government lowering its forecast to 3.3% from 3.7%.

We expect earnings visibility for the cyclical sectors to remain relatively low amid uncertainties in Europe. With election-year policies possibly pressuring large corporations ahead of the presidential election in December 2012 and a time lag expected between policy actions and corporate earnings recovery, we see downside risks to earnings forecasts which may cap near-term performance for the Korean market. Nonetheless valuations are attractive both relative to historical and versus its regional peers, which is likely to provide downside support to share prices. Against this backdrop, we see stock selection as key to performance.

- ***TAIWAN***

Taiwan			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI TAIWAN	153.5	(8.3)	(12.3)
TAIWAN TAIEX INDEX	7,296.3	(7.3)	(15.7)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/TW$	29.9	(1.0)	(3.8)
MSCI TAIWAN	**2011**	**2012E**	**2013E**
EPS growth (%)	(29.1)	21.9	23.4
P/E (x)	18.0	14.8	12.1
P/B (x)	1.7	n/a	n/a
DY (x)	4.0	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

The MSCI Taiwan ended the quarter down 8.33% as the market was sold off following the proposal of a capital gain tax which still remains under prolonged discussion till date as varied versions of the proposals remain under consideration. In addition, the postponement of the 8th cross-strait conference and downwards revision of 3Q PC shipment from US tech companies created a further overhang on the outlook for Taiwan, while weaker readings from recent global economic indicators triggered concerns over consumer end-demand, especially for tech products. Defensive sectors, namely Consumer Staples and Telecoms bucked the downtrend to chalk up positive returns on the back of investors' flight to safety from riskier assets to high dividend yield names. Technology stocks were the key losers, as earnings were revised down on concerns over end-demand and supply problems.

Macro-wise, May's trade surplus widened to US$2.26 billion versus US$0.69 billion in April as exports decreased 6.3% on a year-on-year basis while imports contracted a more significant -10.5% on a year-on-year basis in the previous month. Industrial production declined -0.21% on a year-on-year basis in May while the unemployment rate worsened to 4.25% from 4.19% over the same period. The central bank held the discount rate at 1.875%, but viewed rising external risks, slowing domestic growth pace, as well as an inflationary trend, as factors that require close monitoring.

Outlook/Strategy

While the EU summit agreement was deemed significant, investors' sentiment remained fairly muted as global growth slowed considerably and earnings' outlook remained sluggish.

Macro developments will certainly play a key role in determining the performance for Taiwan equities. Nonetheless, while the macro economic outlook remains pivotal, we view a number of concerns and earnings revisions for some of the tech counters as already being reflected. New product launches going into the second half, and relatively attractive valuations would likely help underpin share prices. We continue to favour mobile devices such as smartphones and tablets and their corresponding key component suppliers as we expect such convergence devices to benefit from the new Windows 8 operating system. We will focus on bottom-up stock selection amidst the uncertain global environment.

Compulsory short covering activities could lend downside support to share prices as the AGM season nears. Nonetheless, we are somewhat cautious as share prices have performed on a year-to-date basis and valuations are no longer at depressed levels. Concerns over tax reform moves could continue to weigh on sentiments and prompt further profit-taking. We expect dividend yield plays to gain traction, while selected tech stocks could benefit from scheduled product launches.

- ***SINGAPORE***

Singapore			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI SINGAPORE	565.4	(3.1)	(4.2)
FTSE STRAITS TIMES INDEX	2,878.5	(3.9)	(7.8)
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/S$	1.3	(0.5)	(2.9)
MSCI SINGAPORE	**2011**	**2012E**	**2013E**
EPS growth (%)	(5.0)	7.8	9.8
P/E (x)	14.2	13.1	12.0
P/B (x)	1.4	n/a	n/a
DY (x)	3.4	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

The rally in the equities markets in the first quarter fizzled out on the back of renewed concerns regarding the development of the European debt crisis, mixed economic data from the US and weaker-than-expected growth from China. During the quarter, the standout outperformer was the Telecommunications sector, on the back of its defensive characteristics. The agriculture commodities stocks were the worst performers, with firms such as Wilmar showing continued weakness in their results and general volatility in soft commodity prices.

On the macro-economy front, export-related data have shown signs of moderating after a strong showing in the previous quarter. Domestic-demand oriented economic data such as employment and retail sales have been resilient while recent inflation data have shown signs of easing.

Outlook/Strategy

We are positive on the long-term potential of the Singapore equity market, and expect strong growth from the key long-term drivers: offshore and marine tourism, tourism and Singapore's position as the business hub of Asia. We find the market attractive on current valuations, which is significantly below its long-term mean. In the near term, we expect volatility and range-bound trading from the market due to its sensitivity to the global economy.

- ***ASEAN - Malaysia/Indonesia/Philippines/Thailand/Vietnam ex Singapore***

ASEAN ex Singapore			Date: June 30, 2012
Market performance	**Last close**	**%3M chg**	**%12M chg**
MSCI MALAYSIA	**332.7**	**(0.1)**	**2.0**
FTSE Bursa Malaysia KLCI	1,599.2	0.9	1.3
MSCI INDONESIA	**1,385.8**	**(4.8)**	**(0.7)**
JAKARTA COMPOSITE INDEX	3,955.6	(3.6)	1.7
MSCI PHILIPPINES	**304.8**	**1.9**	**21.6**
PSEi - PHILIPPINE SE IDX	5,246.4	3.2	22.3
MSCI THAILAND	**654.2**	**(2.8)**	**12.7**
STOCK EXCH OF THAI INDEX	1,172.1	(2.6)	12.5
HO CHI MINH STOCK INDEX	**422.4**	**(3.9)**	**(2.4)**
Exchange rate	**Last close**	**%3M chg**	**%12M chg**
US$/IDR	9,433.0	(2.7)	(9.1)
US$/MYR	3.2	(3.4)	(5.0)
US$/PHP	42.1	2.0	2.9
US$/THB	31.6	(2.2)	(2.6)
US$/VND	20,905.0	(0.4)	(1.5)
MSCI MALAYSIA	**2011**	**2012E**	**2013E**
EPS growth (%)	7.8	12.4	10.7
P/E (x)	16.6	14.8	13.4
P/B (x)	2.1	n/a	n/a
DY (x)	3.0	n/a	n/a
MSCI INDONESIA	**2011**	**2012E**	**2013E**
EPS growth (%)	18.9	12.0	14.9
P/E (x)	14.7	13.1	11.4
P/B (x)	3.4	n/a	n/a
DY (x)	2.8	n/a	n/a
MSCI PHILIPPINES	**2011**	**2012E**	**2013E**
EPS growth (%)	5.1	12.7	13.1
P/E (x)	19.1	17.0	15.0
P/B (x)	2.8	n/a	n/a
DY (x)	2.2	n/a	n/a
MSCI THAILAND	**2011**	**2012E**	**2013E**
EPS growth (%)	13.2	22.0	16.3
P/E (x)	13.7	11.2	9.6
P/B (x)	2.2	n/a	n/a
DY (x)	3.2	n/a	n/a
HO CHI MINH STOCK INDEX	**2011**	**2012E**	**2013E**
EPS growth (%)	7.9	38.9	15.2
P/E (x)	10.0	7.2	6.2
P/B (x)	1.5	n/a	n/a
DY (x)	4.3	n/a	n/a

Source: Bloomberg, Citi, Credit Suisse, Thomson, CEIC, MSCI

Market Review

In 2Q 2012, the MSCI South East Asia Index fell by 4.3% in USD terms, outperforming the broader MSCI Asia-Pacific ex-Japan's decline of 6.4%. This was mainly due to the strong performance of the Philippine market and pesos which was up for the quarter when all the other South-East Asian markets and currencies were down. The Philippine market attracted significant foreign inflows as investors bet that the market's sovereign rating will be the next to be upgraded to investment grade by the rating agencies after Indonesia.

The worst performing market for the quarter was the Indonesian market. Investors took profits and reduced their positions in Indonesia as (i) positive macro news flow is already in the price (e.g. the sovereign upgrade to investment grade last year); (ii) tightening liquidity flows as current account and trade numbers have both turned deficit and hence, more reliant on foreign capital inflows; and (iii) a slew of regulatory noises and rules that were perceived to be nationalistic.

Outlook/Strategy

In periods of uncertainty and caution, the ASEAN markets usually outperform the north Asian markets, given that ASEAN is more domestic driven and less leveraged to the global economy in terms of trade. We are focusing our stock selection to companies that are leveraged to domestic economy and consumption.

For Indonesia, we see value emerging after the recent sell down. We are looking to accumulate companies with revenue leveraged to the USD and the domestic economy, as well as costs denominated in Indonesian Rupiah. The domestic economy is going through an investment phase now as its existing infrastructure is insufficient to support its current level of economic growth.

Our economic view on Thailand is a neutral one. While its valuation is among the cheapest in the region, it is around its 5-year average PE levels. The low valuation is actually due to the low PEs of the energy stocks. The cyclical recovery story in Thailand this year after the flood impact in 2011 and earnings boost from the cut in corporate tax rate from 30% to 23% in 2012 is well known.

We continue to view Malaysia less favourably because of its high valuation and risk from the upcoming general election. Regarding the Philippines, we maintain a less than favourable outlook on the country as well, given that the market's valuation is now the highest in the whole of Asia-Pacific region.

FIXED INCOME

- ***SINGAPORE***

Market Review

The second quarter of 2012 proved to be more challenging than the first as markets became more focused on the increased concerns surrounding the Eurozone and slowing global growth, including from China. Risky assets suffered, particularly in May and US government bond yields declined to record lows, with Singapore Government Securities' ("SGS") yields falling as well. The long-end SGS outperformed in total return terms but 5-year yields fell 24 bps, compared to 20-year yields which fell 21 bps. There were positive foreign inflows on the shorter dated SGS in June, even as risk assets recovered. An improved Singapore Dollar ("SGD") outlook and the expectation of monetary easing from the Eurozone, the US and China put a cap on yields and encouraged fund flows to SGD bonds. In June, there was corporate bond issuance of about SGD1.7 billion, ranging from Statutory Board bonds to property companies as well as new issuers.

Outlook/Strategy

The third quarter of 2012 started on a strong note after the EU summit beat the market's extremely low expectations with its surprise announcement of the possibility of direct bank recapitalisation by the EMU rescue fund. Markets reacted positively to the news. However, on the economic front, data from both Europe and the US are pointing to a weakening global outlook.

Domestically, the recent MAS survey in June reflected improved expectations of 3% growth for 2012, up from 2.5% in the March survey. June's Purchasing Managers' Index remained above the 50 mark which implies expansion in activity but the sub-indices reflect that exports remain dependent on the overall global growth outlook. Inflation expectations remain high at 4.2% but lower than the printed figure of 5% in the last 3 months to May. Domestic fundamentals are neutral for fixed income assets, but the global macro outlook and accommodative monetary policies are supportive of bonds.

The supply schedule of SGS looks favourable, with SGD8.1 billion maturing in 2H 2012. Net issuance may be marginal or negative. On the other hand, gross issuance in corporate bonds has already crossed SGD15 billion and a substantial amount is in the more than 10-year tenor. There has been an increased demand for corporate bonds from new investors. Private banking clients and corporates have increased allocations from cash and/or equities. This expands the investor base from banks, fund managers and insurance funds.

The expected change in treatment of existing capital instruments by banks from 1 Jan 2013 and the loss-sharing terms required under Basel III to qualify as capital, implies that local banks may look to refinance their capital securities which are due to mature or are callable in the next 2 years, before the end of the year. Corporate bonds issuance will continue to grow as banks and companies seek to refinance in this low interest rate environment while market sentiment is still conducive.

Demand and supply dynamics are expected to be neutral-to-supportive for bonds. Overall, SGS yields will continue to be mainly driven by US Treasury yields and external factors.

- ***ASIA***

  Market Review
  Asian credit markets had a weak second quarter, with spreads of the JP Morgan Asian Credit index drifting wider by 17 bps, as Greek euro exit fears, global macro weakness and Spain's emergence into the front row of the European debt crisis led to an escalation of risk aversion and resulted in markets being sold off in April and May. However, the JP Morgan credit composite index was up by 2.6% at quarter-end, helped by the lowering of US treasury yields as a result of investors seeking safe-haven instruments.

  In terms of sector, Sovereign, Quasi-sovereign and Corporates recorded a return of 2.44%, 2.5% and 2.7% respectively. By rating, the High Yield segment continued to outperform, gaining 2.9% versus the Investment Grade segment of 2.5%. By country, China outperformed on the back of strong performance in the Chinese property sector, supported by robust May presales number, a lack of new issuances and the repayment of offshore bonds by issuers as well as a gradually loosening credit environment. Indonesia lagged mainly due to the drag from the coal mining names in response to falling Newcastle benchmark coal prices.

  New supply amounted to US$27 billion for the second quarter, slightly down from the US$35 billion in the first quarter. Most of the new issuances were from the investment grade segment, which partly explains the underperformance of the segment. Nonetheless, robust inflows into the Emerging Market USD bond funds, amounting to US$8.8 billion into the region on a year-to-date basis, continues to show support to the primary market.

  Outlook/Strategy
  With the positive news from the EU summit regarding the European bank capitalization roadmap, we expect markets to stabilise in the near future. We still find the high-yield sector offering value, given the attractive carry and limited supply in the space on a year-to-date basis. We continue to overweight high-yield bonds with a focus on companies with sound credit fundamentals and healthy balance sheets.

- ***US/EUROPE***

  Market Review
  The second quarter of 2012 proved to be more challenging than the first as markets became more focused on the increased concerns surrounding the Eurozone and slowing global growth. Credit spreads widened amidst the risk aversion and excess returns were generally negative across all classes of risky assets although total returns were still positive as government bond yields declined to record lows.

  For the quarter, the CDX IG index widened 21 bps to close the first half of 2012 at 112 while the T-spread for the JPMorgan US Liquid Index widened 25 bps to 219. US Treasuries ("UST") rallied with the 10-year yield reaching an all-time low of 1.43% in the beginning of June, following the release of data showing that the US had added a lower-than-expected number of new jobs – only sixty-nine thousand - for the month of May. For the quarter, the yield on the 10-year UST dropped 50 bps to close at around the 1.64% level.

  The third quarter of 2012 started on a strong note after the EU summit beat market's extremely low expectations with its surprise announcement of the possibility of direct bank recapitalisation from the EMU rescue fund. Market response was positive although the mechanism and timing of the banking rescue is still uncertain and despite unpromising headlines already appearing regarding the haggling among northern European countries about the details.

On the economic front, data from both Europe and US are pointing to a weakening outlook. Like the US Federal Reserve, most economists have marked down their forecasts for growth for the rest of the year. This reflects three developments: (1) the heightened risks surrounding the future of the Euro, which has depressed sentiment and credit growth prospects particularly in Europe, (2) growing uncertainty about how the impending US fiscal cliff and longer-term fiscal challenges in the US will be dealt with, and (3) the reluctance of policymakers in key emerging market economies, particularly China, to provide more stimulus for growth. Post these revisions, the global economy is expected to decelerate to a growth rate that is noticeably below its pre-crisis trend of about 4%.

Outlook/Strategy

Given this outlook, global inflation is projected to slow significantly this year from last year's elevated pace. The drop in oil prices in recent weeks is easing headline inflation in both advanced and emerging economies. All these developments point to further central banks easing, particularly in the developed world. The European Central Bank is generally expected to cut rates in early June and to engage in another round of Long Term Refinancing Operations ("LTRO") in the months ahead. Speculation is rife that the US Fed would soon engage in further balance sheet expansion. Given the recent move to extend Operation Twist, this looks unlikely at the moment unless unemployment trends higher again. The outlook in major Emerging Market economies is mixed, with monetary policy easing ahead in Brazil, but probably not in China or India.

Against this backdrop, investors who are seeking yield will likely continue to focus on credit while US rates are likely to remain in their current low trading range.

LION GLOBAL INVESTORS

APPENDIX 1

Market Valuations

Valuation as of date 30 Jun 2012	EPS Growth (%)			3-mth chg. In EPS est. (%)		P/E (x)			P/B (x)	DY (%)
	2011	2012E	2013E	2012E	2013E	2011	2012E	2013E	current	current
Asia/Pacific										
Japan	**51.6**	**(28.2)**	**78.5**	**(0.8)**	**(2.7)**	**9.2**	**21.4**	**12.0**	**1.0**	**2.6**
Topix Index	56.2	13.0	24.3			13.1	11.6	9.3	1.1	2.5
Nikkei 225	58.2	10.0	21.1			13.8	12.5	10.4	1.2	2.3
Australia	**18.8**	**(0.4)**	**8.7**	**(1.8)**	**(2.8)**	**11.8**	**11.8**	**10.9**	**1.7**	**5.1**
S&P/ASX 200 Index	14.3	13.4	12.2			12.5	11.0	9.8	1.7	5.3
China	**10.4**	**9.0**	**11.7**	**(1.6)**	**(1.8)**	**9.5**	**8.7**	**7.8**	**1.5**	**3.4**
Shanghai SE Composite Index	23.0	16.0	13.5			9.8	8.4	7.4	1.7	2.7
Shenzhen SE Composite Index	41.8	25.7	19.6			17.2	13.7	11.4	2.6	1.0
Hong Kong	**24.5**	**(11.1)**	**10.6**	**(0.6)**	**(0.7)**	**12.2**	**14.0**	**12.7**	**1.3**	**3.2**
Hang Seng Index	(6.2)	10.6	10.5			10.2	9.2	8.4	1.4	3.8
India	**7.6**	**13.6**	**14.0**	**(0.6)**	**(1.2)**	**15.0**	**13.2**	**11.6**	**2.6**	**1.4**
BSE Sensex 30 Index	6.1	14.0	7.4			13.7	12.0	11.2	2.6	1.8
Indonesia	**18.9**	**12.0**	**14.9**	**(1.2)**	**(1.2)**	**14.7**	**13.1**	**11.4**	**3.4**	**2.8**
Jakarta Composite Index	44.0	17.0	17.1			14.3	12.2	10.5	2.7	2.3
Korea	**(16.1)**	**41.1**	**15.3**	**0.5**	**1.2**	**12.6**	**8.9**	**7.7**	**1.2**	**1.3**
KOSPI Index	139.6	17.0	11.9			9.4	8.1	7.2	1.0	1.4
Malaysia	**7.8**	**12.4**	**10.7**	**(1.2)**	**(1.1)**	**16.6**	**14.8**	**13.4**	**2.1**	**3.0**
FTSE Bursa Malaysia KLCI	5.5	10.6	11.5			14.8	13.4	12.0	2.3	3.6
Philippines	**5.1**	**12.7**	**13.1**	**1.3**	**1.3**	**19.1**	**17.0**	**15.0**	**2.8**	**2.2**
PSEi - Philippine SE Idx	11.7	11.7	8.3			16.4	14.7	13.6	2.7	2.4
Singapore	**(5.0)**	**7.8**	**9.8**	**1.2**	**(0.3)**	**14.2**	**13.1**	**12.0**	**1.4**	**3.4**
Straits Times Index	(28.5)	12.2	10.6			13.6	12.2	11.0	1.3	3.3
Taiwan	**(29.1)**	**21.9**	**23.4**	**(4.7)**	**(4.7)**	**18.0**	**14.8**	**12.1**	**1.7**	**4.0**
Taiwan Taiex Index	43.9	24.1	10.1			15.1	12.2	11.1	1.6	3.2
Thailand	**13.2**	**22.0**	**16.3**	**1.1**	**1.3**	**13.7**	**11.2**	**9.6**	**2.2**	**3.2**
Stock exchange of Thai Index	22.2	17.1	21.4			12.6	10.7	8.8	2.1	3.7
Vietnam	**7.9**	**38.9**	**15.2**	**n/a**	**n/a**	**10.0**	**7.2**	**6.2**	**1.5**	**4.3**
Asia Pacific	**(8.1)**	**29.4**	**14.2**	**(1.1)**	**(1.9)**	**14.8**	**11.5**	**10.0**	**1.3**	**3.1**
Asia ex Japan	**(1.6)**	**15.8**	**14.0**	**(1.0)**	**(1.0)**	**12.7**	**11.0**	**9.6**	**1.5**	**2.8**
Asia Pac ex Japan	**2.7**	**11.5**	**13.2**	**(1.2)**	**(1.4)**	**12.5**	**11.2**	**9.9**	**1.6**	**3.4**
Europe	**2.8**	**1.5**	**10.8**	**(1.9)**	**(1.9)**	**10.3**	**10.1**	**9.1**	**1.4**	**4.3**
DJ Stoxx 600 € Pr	45.1	12.5	9.5			10.8	9.6	8.8	1.4	4.3
S&P Europe 350 Index	43.1	12.1	9.1			10.6	9.4	8.6	1.4	4.4
United States	**15.1**	**8.6**	**12.8**	**(1.3)**	**(1.3)**	**16.6**	**13.2**	**11.7**	**2.2**	**2.1**
S&P 500	5.4	12.3	11.5			13.1	11.7	10.5	2.2	2.2
Dow Jones Industrial Average	5.8	10.1	9.1			12.4	11.2	10.3	2.7	2.7
NASDAQ Composite Index	4.5	18.3	15.9			15.7	13.3	11.5	3.1	1.1

3-mths chg in EPS for Australia and Japan correspond to June 2012-2013 and March 2012-2013, respectively.
Source: Credit Suisse, Bloomberg, MSCI, Thomson

LION GLOBAL INVESTORS

APPENDIX 2

Date: June 30, 2012

Economic data	Real GDP % YoY 2011E	Real GDP % YoY 2012E	Real GDP % YoY 2013E	CPI % YoY 2011E	CPI % YoY 2012E	CPI % YoY 2013E	Current Official policy rate (%)	Government bond yield (%) 2 yr	Government bond yield (%) 5 yr	Government bond yield (%) 10 yr	Government bond yield (%) 10-2yr	Exchange rates	Exchange rates Spot	Exchange rates % 3M chg	Exchange rates %12M chg	Unemploy-ment (% of labor force) 2012E	Current account balance (% GDP) 2012E	Fiscal balance (% GDP) 2012E	Business confidence latest	Business confidence % 3M chg	Consumer confidence latest	Consumer confidence % 3M chg
Asia/Pacific																						
Japan	-0.7	2.7	1.4	-0.3	0.2	-0.1	0.09	0.1	0.2	0.8	0.7	US$/¥	79.8	3.0	0.8	4.5	1.5	-10.5	48.3	0.6	40.7	1.5
Australia	2.0	3.7	3.4	3.4	1.8	3.2	4.25	2.5	2.5	3.0	0.6	A$/US$	1.0	1.1	4.6	5.3	-4.1	-3.0	48.8	3.8	95.6	-0.5
China	9.2	7.8	7.9	5.4	2.9	3.1	3.50	2.4	2.8	3.3	1.0	US$/CNY	6.4	-0.7	1.7	4.2	2.0	-2.4	127.3	-0.7	104.2	4.2
Hong Kong**	5.0	2.5	3.8	5.3	4.0	3.0	0.50	0.2	0.4	1.0	0.8	US$/HK$	7.8	0.1	0.3	3.5	9.4	0.8	74.2	8.2	79.2	11.7
India*	6.5	6.4	6.9	8.8	7.4	6.5	8.50	8.1	8.2	8.2	0.1	US$/INR	55.6	-7.6	-19.7	N/A	-3.5	-8.0	N/A	N/A	81.2	-100.0
Indonesia	6.5	6.4	6.9	5.4	4.4	4.7	5.75	5.1	5.5	6.2	1.1	US$/IDR	9,433	-2.7	-9.1	6.1	-1.9	-1.8	N/A	N/A	114.4	6.6
Korea	3.6	2.8	3.6	4.0	2.8	3.0	3.25	3.3	3.4	3.6	0.3	US$/KRW	1,145.4	-0.7	-6.8	3.3	1.8	1.2	83.0	3.8	101.0	0.0
Malaysia	5.1	5.0	5.3	3.2	2.3	3.1	3.00	3.0	3.2	3.5	0.5	US$/MYR	3.2	-3.4	-5.0	3.0	8.2	-5.0	116.5	20.6	114.3	7.5
Philippines	3.9	4.9	5.3	4.8	3.3	3.8	4.00	2.6	5.1	5.9	3.3	US$/PHP	42.1	2.0	2.9	7.0	3.1	-2.4	44.5	9.9	N/A	N/A
Singapore**	4.9	3.6	5.0	5.2	4.4	3.3	0.39	0.2	0.4	1.6	1.5	US$/S$	1.3	-0.5	-2.9	2.2	14.9	1.0	2.0	-113.3	N/A	N/A
Taiwan	4.0	2.8	3.6	1.4	1.9	2.1	1.88	0.8	1.0	1.2	0.4	US$/TW$	29.9	-1.0	-3.8	4.3	8.7	-1.6	N/A	N/A	30.1	-100.0
Thailand	0.1	4.7	4.6	3.8	2.9	3.2	3.00	3.2	3.3	3.5	0.3	US$/THB	31.6	-2.2	-2.6	1.2	1.1	-4.7	53.8	-3.1	77.1	0.7
Vietnam**	5.9	5.0	5.3	18.6	9.1	7.3	9.00	9.6	9.7	10.0	0.4	US$/VND	20,905	-0.4	-1.5	4.7	-1.2	-4.5	N/A	N/A	N/A	N/A
Europe																						
Euro Area	1.5	-0.7	-0.8	2.7	2.3	1.6	1.00	0.1	0.6	1.6	1.5	€/US$	1.3	4.8	14.3	11.1	0.0	-3.3	-0.9	248.1	-19.8	3.7
UK	0.6	-0.4	0.6	4.5	2.6	1.8	0.50	0.3	0.7	1.7	1.5	£/US$	1.6	1.1	1.9	8.6	-1.7	-6.7	92.9	1.5	41.0	-22.6
Switzerland	2.1	1.4	0.8	0.2	-0.9	-1.4	0.00	-0.2	0.1	0.7	0.9	CHF/US$	0.9	-4.3	-12.1	3.2	12.4	0.5	19.7	-428.3	N/A	N/A
Sweden	4.0	2.8	3.6	3.0	1.2	1.6	1.50	1.0	1.2	1.6	0.6	US$/SEK	6.9	-3.8	-8.6	7.8	7.0	-0.1	101.5	-2.6	9.7	7.8
Norway	2.5	3.0	2.9	1.3	1.3	1.8	1.50	1.3	1.5	2.4	1.1	US$/NOK	6.0	-3.5	-9.9	3.3	14.3	13.6	N/A	N/A	22.4	31.8
United States	1.7	2.1	2.0	2.5	1.7	1.5	0.25	0.3	0.7	1.6	1.3	-	-	-	-	8.1	-3.2	-7.8	53.7	-4.1	62.0	-10.8

Source: Bloomberg, CEIC, CIRA Estimates

* India: Wholesale price index (WPI) is used to measure inflation
** Hong Kong: Hong Kong base rate (HKBASE Index) is used as official policy rate
Singapore: 3-month SIBOR is used as offical policy rate
Vietnam: Base lending rate is used as official policy rate

30-Jun-12	Spot	% chg 3M	% chg 12M
VIX	17.1	10.3	3.4
Gold (US$/ounce)	1,577.4	-4.8	4.5
WTI Crude oil (US$/barrel)	85.0	-18.4	-15.3

Source: Bloomberg