



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	2.6	-3.2	-2.9	5.7
MSCI Far East Free ex-Japan	3.2	-3.0	-3.1	4.8
MSCI China	1.5	-2.3	-6.7	-3.4
MSCI Hong Kong	3.0	0.3	-2.9	-2.5
MSCI India	0.6	-4.0	2.4	20.6
MSCI Indonesia	2.5	1.8	15.8	31.3
MSCI Korea	4.6	-6.7	-1.2	11.9
MSCI Malaysia	2.5	0.1	10.1	17.8
MSCI Philippines	-0.1	-0.7	5.1	10.0
MSCI Singapore	5.0	0.4	1.5	10.4
MSCI Taiwan	4.0	-6.3	-9.9	3.4
MSCI Thailand	3.3	6.0	11.9	25.9

Returns in Singapore dollars. Source: Bloomberg, 31 July 2010

Asian equity markets rose in July as 2Q10's corporate earnings releases during the month exceeded expectations and lifted investor sentiments. While Asian export growth begins to moderate off very strong levels, faster growing Asian economies continue to fuel trade in the region. The month also saw Korea and Thailand join the ranks of Asian central banks taking steps to normalise monetary policies. We interpret this overall move as a sign of confidence from governments that the global economic recovery has so far remained intact.



**BEST ONSHORE FUND HOUSE
(SINGAPORE)**

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BEST FUND GROUP (OVERALL)



BEST FUND GROUP (OVERALL)



BEST EQUITY FUND GROUP



BEST MIXED ASSETS FUND GROUP



OUTLOOK AND STRATEGY

	Policy	Change	Comment
Industrials and Utilities	Overweight	–	The alternative energy sector is set to grow strongly as countries hasten their efforts to diversify energy sources. We favour Nuclear and Wind energy plays due to favourable long term dynamics. Growth potential is the strongest in Asia, with China, India and Korea leading the way. In Water & Waste Management, companies specialising in turning waste to energy look interesting, especially in China.
Healthcare	Overweight	–	Healthcare spending currently accounts for only 4.5% of GDP in China and we expect government policies to remain very favourable. January 2010's RMB850bn incremental healthcare budget and April 2010's New Healthcare Reform plan should boost pharmaceutical sales growth to 25% in the next two years.

We expect Asian economic growth momentum to slow as we enter the second half of the year. Purchasing manufacturing indices in the United States and China have peaked and are pointing to a moderation in exports growth over the next two quarters. Nonetheless, we remain positive as this typically happens a year into the economic recovery.

The 2Q10 earnings season has been encouraging so far with the majority of Asian corporates continuing to beat analysts' earnings estimates, boosting investor confidence in the recent month. Earning revisions have thus remained positive, albeit at a slower pace than at the beginning of the year. In our opinion, an overall downward earnings revision is not likely given that we do not expect a double-dip recession.

Over in Europe, concerns over its sovereign debt position and government efforts to reduce debt burdens may weigh on global demand. However, we think faster growing Asian economies should continue to fuel trade in the region. While we think policy tightening in Asia will persist, we believe the market is pricing these worries in and will focus again on fundamentals.

Our key strategy going forward is to maintain our growth bias and focus on Asia's robust domestic demand, which in our view will drive corporate earnings growth and valuation expansion.

We maintain our overweight positions in the Consumer, Technology, Healthcare and Industrials sectors as we target domestic consumption growth in these areas. We upgrade Financials on greater clarity in the sector and downgrade Energy on policy overhangs. We maintain our underweight in relatively slower growth sectors like Telecoms.



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