



### Market Commentary

April 2010

April started on a good note, as markets all across the globe opened higher driven by a stream of positive data from the US. The release of better than expected growth from the US consumer confidence data paired with strong growth in the US manufacturing sector pushed regional markets higher as the month began to unfold. Markets continued to gain more momentum as the US services sector grew at its fastest pace in four years for the month of March, sending the Dow Jones to break the 11,000 psychological mark. In Europe, however, investors began to indulge in heavy profit taking as news that the European Union may not be able to entirely save Greece from its debt issues. Investors in the region took cue from Europe and regional markets began spiralling down. Subsequently in the US, markets nose dived and posted its biggest lost since February when the SEC announced it was going to press charges against Goldman Sachs for securities fraud. Regional markets were not spared and plunged in tandem with global markets. To add to this, US recorded a rise in their weekly job claims which clouded investors with an air of uncertainty on the condition of

the economy and its road to recovery. As the month progressed, markets were temporarily uplifted by strong corporate earnings from the US, namely the financial companies. However, strong corporate earnings were unable to keep markets in the positive when Standard & Poor's began a series of downgrading. The rating agency slashed Portugal's credit rating, downgraded Greece's debt rating and subsequently downgraded Spain. Fortunately, the Asean40 benefitted from the earlier rally and was able to close 3.9% higher m-m, with commendable gains of 336.77 points to end at 8,962.58 for April. Bourses closed mixed, with JCI being the best performing market, gaining 7.9% and SET being the worst performing, losing 2.8%. Major gainers were Unilever Indonesia (12.6%), Astra International (11.2%) and MISC (11.1%), while major losers were Bangkok Bank (-13.1%), Siam Commercial Bank (-12.5%) and Advanced Info Service (-11.4%).

### Corporate News

April 2010

#### Indonesia

**Bank Mandiri's** 1Q10 profit gained 43% from a year earlier on new lending, and as it set aside less money to cover bad loans. Net income increased to Rp2tr (USD222 m) from Rp1.4tr a year ago. Net interest income climbed 5.5% to Rp4.63tr, the bank said in a statement.

**Bank Rakyat Indonesia** plans a two-for-one stock split after the company's shares reached Rp9,000/share to entice trading in the stock. Additionally, plans to acquire a stake in Bank Agroniaga may be postponed to the third quarter this year from the original plan of May 10. Both banks are working on the terms of the purchase, including the price of the acquisition.

**Telekomunikasi Indonesia's** net profit rose 6.7% from a year earlier to Rp11.3tr as the biggest telephone company in Southeast Asia's largest economy expanded its broadband ventures. Revenue rose 6.4% to Rp64.6tr from Rp60.7tr. Wire line customers last year dropped 3% from a year earlier to 8.38mn while the number of fixed wireless users rose 19% to 15.1mn. The customer base of Telekomunikasi Selular grew 25% in FY09 to 81.6mn. Users of Speedy, Telkom's broadband services, grew 77.5% in FY09 to 1.1mn. Telkom will spend USD2bn on capital expenditures, including for acquisitions of media and information services companies.

#### Malaysia

**Axiata** announced its headline FY10 KPIs, with revenue growth of 12.1%, EBITDA growth of 14.1% and ROIC of 10.7%. In establishing the KPIs, the Management took the following into consideration: 1) Increasing competition in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia; 2) Concentration of the Group's business activities is in the emerging markets of South and South East Asian region; 3) Currency volatility, liquidity shortages and higher interest rates; and 4) No significant change in foreign exchange rate versus prior year.

**Corporate News**

April 2010

**Malaysia**

CIMB Thai Bank recorded a net profit of 348m baht for the first quarter ended March 31 compared with a net loss of 257m baht for the previous corresponding period, helped by better balance sheet management. The subsidiary of **CIMB Group Holdings** is rightsizing the deposit book as part of better balance sheet management “continued to bear fruit” as this lowered funding costs and helped improve the bank’s net interest margin.

**Plus Expressways** hopes to offer technical and consultancy services to highway operators overseas by early next year. The company sees opportunities to export its expertise to Vietnam, the Middle East and some South African nations. Meanwhile, PLUS is expecting its toll collection to increase 3-4% this year, after growing 7% last year.

**Tenaga Nasional** has allocated RM125m this year to enhance the electricity supply system in Penang. The allocation was to upgrade the system that encompassed the Phasor measurement unit (PMU) and cable installation. On the electricity supply in Penang, although there was rapid development, electricity supply in the state was sufficient.

**Singapore**

**Keppel Corp** is hoping to capitalize on the strength of the Brazilian market and the expected demand for offshore support vessels (OSVs) with high local content by investing USD50 million in another yard there. The new yard, expected to be operational by the second half of the year, will focus on the construction of OSVs. It will also be equipped to undertake the fabrication of offshore modules, which will be an added advantage for Keppel to support the execution of major projects in Brazil.

Singapore-listed **Noble Group** has received its first physical fuel oil cargo and will start selling marine fuels next month. The cargo, about 100,000-tonne of high-viscosity fuel oil from the Caribbean, completed discharge operations onto Noble's 270,000-tonne floating storage facility. The tanker 'Hercules' began operations at the start of April and is anchored off Malaysia's southern Tanjung Pelepas port, allowing it to trade in the Singapore physical market.

**Sembcorp** is getting ready to build a second combined cycle/cogeneration plant in Jurong Island expected to cost around \$1 billion. It has applied to the Energy Market Authority for an additional generation license of around 1,000 megawatts, and also issued information documents inviting possible engineering, procurement and construction contractors for the new plant investment. The project will more than double the capacity of Sembcorp's current 815-MW multi-utilities plant supplying electricity, steam and cooling water at Jurong Island's Tembusu sector.

**Thailand**

Oil and gas conglomerate **PTT** is diversifying into renewable energy, and expects that 10% of its future revenue will come from this source. The Energy Ministry had set a target of 20% of Thailand's energy needs coming from renewable sources within 15 years. Hence, PTT is interested in investing in renewable-energy projects such as solar and wind-generated electricity and ethanol production, to meet future demand.

**Siam Cement Group** expects to beat its revenue growth forecast of 10% this year. The company is confident in the group's financial performance after posting better-than-expected results in the first quarter with sales rising by 24% year-on-year to 68.64 billion baht. Net profit grew by 32% from a year earlier to 6.85 billion baht due to increased sales of paper and building materials, as well as higher equity income from petrochemical joint ventures. Earnings gained 29% from the previous quarter on the recovery of the construction sector and SCG Paper, whereas sales soared by 11%.

**Economic News**

April 2010

**Indonesia**

Indonesian legislators and the government agreed to raise electricity tariff rates by 10% on average starting in July 10 to reduce the cost of power subsidies. That's below the 15% increase previously proposed by the Government.

Indonesia's bank lending growth may reach 20% this year, or the higher end of the central bank's forecast of between 18%-20%.

Indonesia is studying an option to sell Islamic treasury bills for the first time. The government may also sell Islamic bonds to individual investors in October or November and conventional bonds in August.

Indonesia's sovereign debt rating may reach investment grade within one year. Standard & Poor's raised the country's sovereign credit rating to a 12-year high of BB from BB-.

**Malaysia**

The CPI for March rose by 1.3% yoy to 113.2 (1.2% in February). Compared with the previous month, the CPI remained unchanged at 113.2. Ytd, the inflation increased by 1.3% yoy. Economists had projected it would advance to 1.5% yoy for March.

Bank Negara Malaysia's international reserves amounted to RM313.1bn (USD95.7bn) as at 15 Apr. The reserves position is sufficient to finance 8.8 months of retained imports and is four times the short-term external debt. That compared to RM311.7bn (USD95.3bn) as at 31 Mar.

The Government's public debt was RM362.4bn (53.7% of GDP) as at 31 December 09. A major portion of the debt was domestic debts amounting to RM348.6bn (96.2% of total debt) while the remaining RM13.9bn (3.8%) was external debts.

The World Bank has upgraded its 2010 growth forecast for the Malaysian economy to 5.7% (vs. estimated +4.1% in its November Outlook), 5.3% for 2011 and 5.6% for 2012. The upgrade reflected growing investor confidence and improving business sentiment towards the Malaysian economy. While growth in developed economies remained uncertain, Malaysia would benefit from the better prospects of Asia leading the global recovery.

**Philippines**

The Philippine central bank will consider raising interest rates in the coming months as it boosts inflation forecasts amid an economic recovery. Bangko Sentral ng Pilipinas pared a lending program for banks by reducing the budget for its so-called rediscounting facility to PHP20bn pesos (USD450m) from PHP40bn, effective 3 May. Policy makers kept the benchmark interest rate at a record-low 4%.

Remittances sent home by Philippine citizens abroad climbed 7.1% yoy to USD1.41bn in February (8.5% in January), supporting consumption as the economy recovers from last year's global slump. The global recovery is boosting demand for Filipino nurses, sailors and engineers as companies expand and consumers spend more.

**Singapore**

Singapore's visitor arrivals registered a 17.3% yoy growth to reach 928,000 in March (24.2% in February). It marked the highest ever recorded in the month of March and the fourth consecutive month of record visitor arrivals.

Singapore's consumer prices rose 1.6% yoy in March (1.0% in February), marking the highest level in 12 months amid an economic rebound that has led policy makers to allow the island's currency to strengthen. On a mom basis, prices rose 0.1% (0.4% in Feb), without adjusting for seasonal factors. Economists had projected the inflation would increase 1.8% yoy and 0.2% mom for March.

Singapore's industrial production grew at a faster pace than analysts estimated, bolstering an economic recovery that has prompted the central bank to allow the currency to strengthen. Output at factories surged 43% yoy in March, after a revised 17.9% gain the previous month and accounts for about a quarter of Singapore's economy. The median forecast surveyed was for a 30.3% gain.

**Economic News**

April 2010

**Thailand**

Thailand's economy may have grown between 8%-9% in 1Q as the global economic recovery boosted export orders. The first quarter wasn't significantly impacted by political protests in Bangkok. Still, economic growth may slow in the second quarter.

Thailand's tourist arrivals may fall as much as 10% this year as visitors shun the nation after anti-government protests turned violent. The number of foreign tourists may drop to as low as 12.7m, compared with 14.1m last year. The nation may lose as much as THB100bn (USD3.1bn) in tourism revenue.

Thailand's Cabinet approved its fiscal budget for next year, and plans to increase spending by 22% to help bolster the economy amid political turmoil. The government plans to spend THB2.07tr in the 2011 budget period, which will start Oct. 1. The budget proposal will be discussed by Cabinet again on May 11 before being forwarded to the parliament for approval.

Thailand's central bank left its benchmark interest rate unchanged at 1.25% for an eighth meeting, refraining from increasing borrowing costs as political unrest threatens to slow the country's economic recovery. The Thai central bank's next step will be interest-rate normalization.

	30 April 2010	YTD (USD) %	M-M (USD) %
INDU Index	11,008.61	5.6	1.4
MXAPJ Index	427.79	2.7	1.2
Asean40 Index	8,962.58	8.6	3.9
Hang Seng Index	21,108.59	-3.6	-0.6
HSCEI Index	12,181.20	-4.8	-1.7
JCI Index	2,971.25	22.1	7.9
KLCI Index	1,346.38	13.0	4.2
KOSPI Index	1,741.56	3.9	4.8
PSEi Index	3,290.09	11.7	5.5
SENSEX Index	17,558.71	5.4	1.2
SET Index	763.51	7.5	-2.8
STI Index	2,974.61	5.2	5.2
TWSE Index	8,004.25	-0.1	2.5

### Risk Reward Trade-off Charts: 6 Months Risk vs Returns

April 2010

The Asean40 Index has a superior risk return profile over a 6-month period compared to other major indices. The Asean40 Index clearly lies above the “Efficient frontier” as shown in the below charts except for comparisons to ASEAN country indices as it falls slightly lower from the “Efficient frontier”.

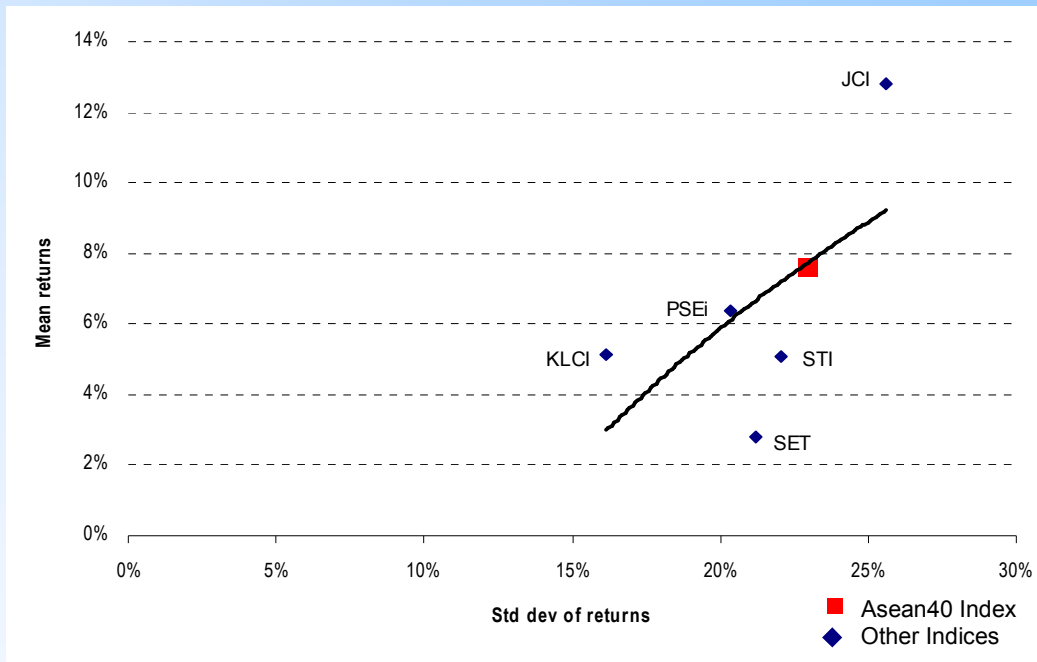


Figure 1: Asean40 Index compared to ASEAN country indices of KLCI, FSSTI, JCI, SET and PSEi

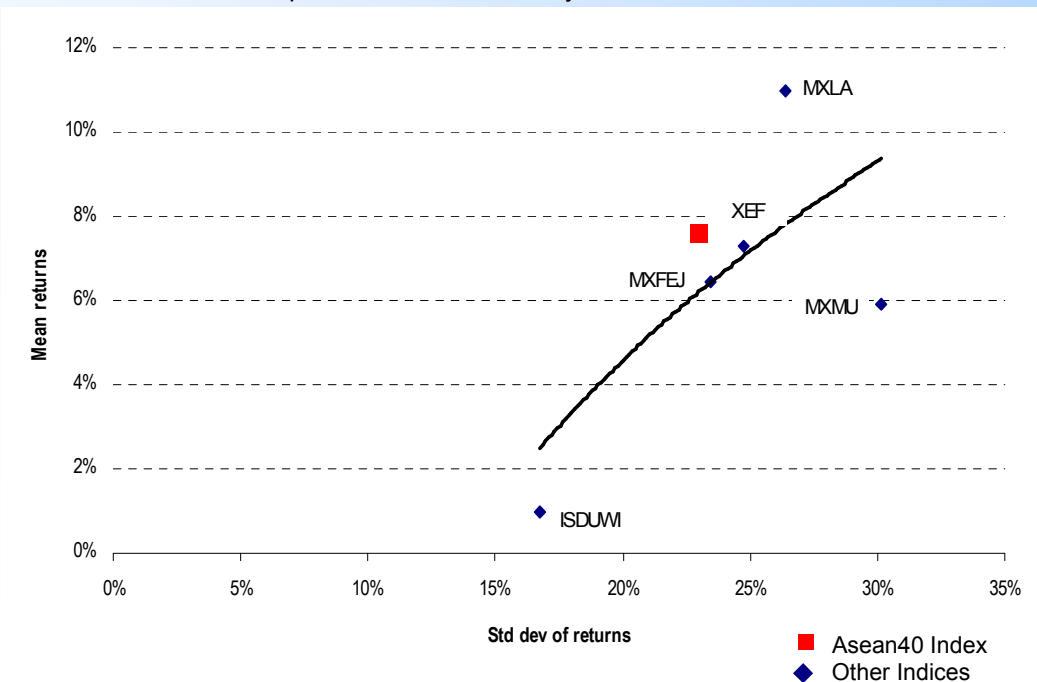


Figure 2: Asean40 Index compared to MSCI country and global indices

### Risk Reward Trade-off Charts: 6 Months Risk vs Returns

April 2010



Figure 3: Asean40 Index compared to MSCI country, regional and global indices

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