



Market Commentary

May 2009

It has been another good month for the Asean40 Index after recording a strong performance in April. The Asean40 Index started off the month of May on a concrete platform amid growing optimism that the US economy was stabilising following another round of better than expected economic data. The rally was further supported by the positive release of banks stress test results and better unemployment data in the US which pushed the index past the 6,000 level mark. However, the rally took a breather as investors took profits given the lack of any fresh leads to stimulate the market. Thereafter, the index continued heading south on fresh worries over the health of the US economy. The second half of the month saw the index regained its momentum thanks to better than expected major US retailers' earnings report. The index rose to break the 6,200 level on renewed optimism that the global economies may start recovering later this year. Nonetheless, the index traded in a tight range for the next few sessions before moving upward as sentiment was affected by a huge rise

in consumer confidence in the US. It was further buoyed by encouraging industrial production numbers from Japan and India which helped the index closed the month at 6,435.65, its high for the year. Consequently, the Asean40 Index registered a hefty monthly gain of 871.29 points, up by 16.0% from the previous month. All regional bourses ended the month in positive territories with STI (+24.4%) topping the list. Major stock gainers for the month were City Development (+66.4%), Capitaland (+57.2%) and Wilmar International (+39.0%), while stock losers were MISC-Foreign (-6.9%), Telekom Malaysia (-5.6%) and Singapore Technologies (-4.5%).

Corporate News

May 2009

Indonesia

Bank Mandiri received a total of USD400m in long-term loans from 15 international financial institutions. Two of the financial institutions were Agence Francaise de Developpement, a French government foreign-aid agency, and International Finance Corp., the investment unit of the World Bank.

Perusahaan Listrik Negara borrowed USD1.06bn from Chinese lenders to build three power plants. Listrik Negara yesterday signed a USD605m loan agreement with Export-Import Bank of China (Cexim), and a USD455mn deal with Bank of China Ltd. The projects are part of Indonesia's plan to add 10,000 megawatts of capacity to meet increasing demand.

Malaysia

IOI Properties is banking on the strategic location of its newly launched Taman Kepas Utama within Iskandar Malaysia as the project's main selling point. IOI is looking at RM1bn in gross development value and the project will keep the developer busy for the next 10 years.

Sime Darby is expected to open its third full-fledged 300-bed hospital in Desa Park City, Kuala Lumpur, by 2012 to ride on the recession proof medical industry. The group is in the midst of planning for the new 300-bed hospital, and a ground-breaking ceremony will be held by year-end to mark the start of construction works.

Sime Darby Property has achieved more than RM600m in sales through its Parade of Homes promotion, since its launch on March 6. Sime Darby Property said the Parade of Homes showcase, which covers both residential and commercial properties, has seen the sale of over 900 units to date. The promotion ends on June 15.

Bumiputra-Commerce Holdings expects CIMB Thai Bank Pcl to start contributing to profits next year. While its first contribution may not be remarkable, the unit will probably make up a tenth of the group's earnings in three years.

Fund Manager

Corporate News

May 2009

Malaysia

CIMB Thai Bank is targeting loan growth of 15% this year, higher than rivals, and aims to boost its ROE in the longer term. CIMB Thai planned to give about 12bn baht in loans to customers in 2009, concentrating on the export and construction sectors.

Two investment companies controlled by Malaysia's Lim family have sold their entire 9.5% direct stake of 914.9m shares in Genting Singapore, a Singapore-listed subsidiary of **Genting Bhd** via placing agreements. Post divestment, the Lim family's interest in Genting Singapore would be indirectly via Genting Bhd, which owns an unchanged 54.4% stake in Genting Singapore.

Singapore

SingTel's 35% associate Bharti has reinitiated efforts to acquire MTN Group via a partial cash and share-swap deal. MTN is a South African-listed company with mobile operations in 21 countries. Bharti and MTN have agreed to discuss the potential deal until 31 Jul 09. This follows failed efforts by Bharti to acquire MTN in May 08.

Singapore Airlines has expanded its code-share agreement with EgyptAir, effectively providing a daily connection between Singapore and Cairo. With the expanded agreement, customers can fly SIA to Dubai, then EgyptAir from Dubai to Cairo on the three days SIA does not operate to Cairo. Additionally, travelers from Singapore can connect via EgyptAir to destinations such as Luxor and Sharm el-Sheikh, via Cairo. The agreement also enables EgyptAir customers to make use of code-share flights on SIA from Singapore to Bangkok, Sydney and Melbourne.

Thailand

PTT Plc's subsidiary, PTT Exploration and Production Plc (PTTEP) is confident it can increase petroleum production to 900,000 barrels of oil equivalent per day (boed) by 2020. The country's sole petroleum explorer expects output from its fields will increase to 301,000 boed in 2013 and to 900,000 boed seven years later, almost four times the current 240,000 boed.

Economic News

May 2009

Indonesia

Indonesia's current account swung into a surplus of USD1.8bn in the first quarter of this year from a deficit in the previous three quarters. This was due to lower than expected oil imports.

Indonesia's GDP rose 4.4% y-y in 1Q09, weaker than 5.2% in 4Q08, as the global downturn chilled activity. This is the slowest annual pace in five years and came in line with market expectations for a rise in GDP of 4.4% and the finance ministry's prediction of a GDP increase of 4.3 - 4.8%.

Malaysia

The international reserves of Bank Negara Malaysia rose by USD0.3bn to USD88bn (RM321.5bn) as at 15 May 09 from USD87.7bn as at end-Apr. The reserves position is sufficient to finance 8.3 months of retained imports and is 3.8 times the short-term external debt.

Malaysia's 1Q09 GDP contracted by 6.2% y-y from a growth of 0.1% y-y in 4Q08 but the prognosis for improved economic conditions look brighter in 2H09. Export demand continues to be weak and the environment is still challenging. The private sector will continue to be the main driver of the economy and that was why it was imperative for financial institutions to continue providing financing.

Economic News

May 2009

Singapore

Singapore's industrial production unexpectedly declined the least in seven months in April 09 as a slump in demand from the island's biggest markets eased. Manufacturing which accounts for about a quarter of Singapore's economy, dropped 0.5% y-y following a revised 32.8% decline in March. The median forecast was -21%.

Singapore's consumer prices fell for the first time since June 2005 last month as transport and housing costs dropped amid the deepest recession in the nation's 44-year history. The consumer price index declined 0.7% y-y in Apr 09, after gaining 1.6% in March. The median forecast was for a 0.6% gain. Prices declined 1.1% in April, without adjusting for seasonal factors.

Singapore's exports fell for a 12th month in April, as non-oil domestic exports dropped 19.2% y-y after contracting a revised 17.3% in March. Economists had expected an 18.9% drop.

Philippines

The Philippines economy grew at the slowest pace in a decade last quarter as exports collapsed. Real GDP increased 0.4% y-y in 1Q09, worse than the 2.4% y-y median estimate. On a q-q basis, GDP fell 2.3%, the biggest quarterly contraction since at least 1994. The government may cut its 2009 economic-growth target near to the lower end of the current 3.1-4.1% range.

The Philippines central bank cut its benchmark interest rate by 25bps to 4.25% to boost the economy after first-quarter growth slumped to the weakest in a decade.

The Philippines posted its first budget surplus in eight months in April as government spending missed targets amid lower tax revenue. The surplus of 7.9bn pesos (USD166m) narrowed the four-month deficit to 111.8bn pesos.

Thailand

Thailand's economy shrank by 7.1% in 1Q09, as compared to a 4.2% decline in 4Q08, marking the deepest decline in a decade as exports and spending slumped. The median estimate was for a 6.5% drop.

Thailand's custom exports declined for a sixth straight month in April as shipments dropped 26.1% y-y to USD10.4bn as compared to a decline of 23.1% in March. Shipments last month were disrupted by anti-government protests that forced government agencies to extend their holiday closure. Falling prices of agricultural crops such as rice and rubber also reduced the export value.

	29 May 2009	YTD (USD) %	M-M (USD) %
INDU Index	8,500.33	-3.1	4.1
MXAPJ Index	321.71	30.1	13.9
Asean40 Index	6,328.76	26.4	16.0
Hang Seng Index	18,171.00	26.3	17.0
HSCEI Index	10,428.19	32.1	14.6
JCI Index	1,916.83	41.4	11.3
KLCI Index	1,044.11	19.1	7.3
KOSPI Index	1,395.89	24.1	4.4
PSEi Index	2,389.31	27.6	15.9
SENSEX Index	14,625.25	51.6	36.3
SET Index	560.41	24.5	17.1
STI Index	2,329.08	32.2	24.0
TWSE Index	6,890.44	50.1	16.8

Fund Manager

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

May 2009

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

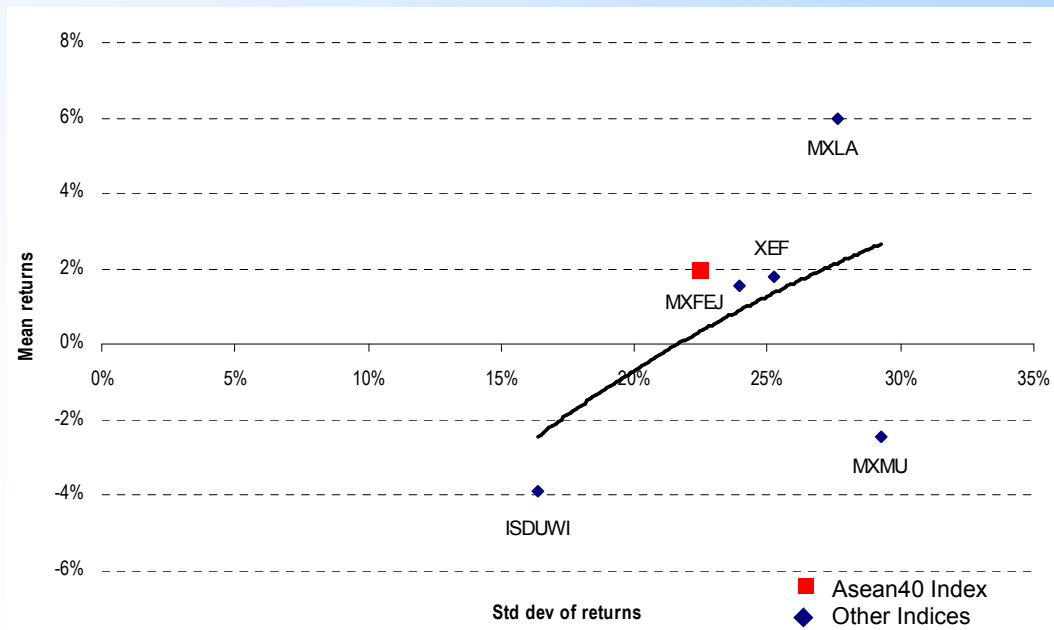


Figure 2: Asean40 Index compared to MSCI country and global indices

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

May 2009

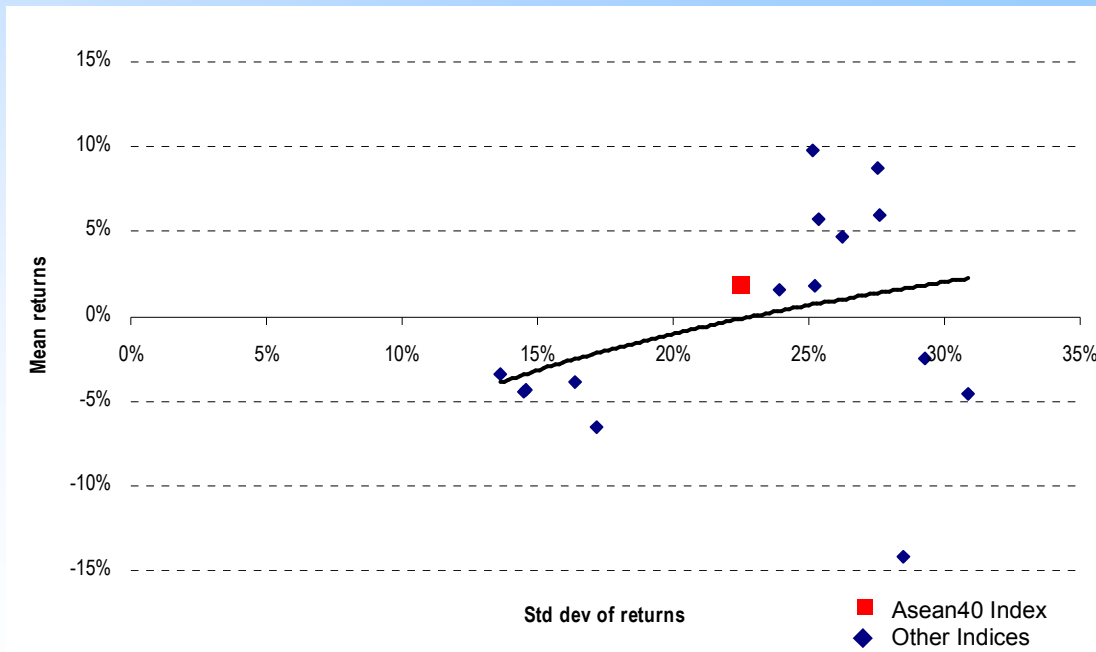


Figure 3: Asean40 Index compared to MSCI country, regional and global indices

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Fund Manager