



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	0.4	-0.3	-5.7	63.6
MSCI Far East Free ex-Japan	0.3	-0.4	-5.9	60.0
MSCI China	2.2	-4.8	-6.6	51.9
MSCI Hong Kong	3.9	0.4	-3.0	43.2
MSCI India	1.3	-0.8	-4.1	119.3
MSCI Indonesia	-3.6	5.3	-1.7	136.3
MSCI Korea	-1.1	3.4	-5.9	85.8
MSCI Malaysia	0.7	1.3	-0.2	39.2
MSCI Philippines	5.4	3.3	-0.8	47.7
MSCI Singapore	0.7	0.9	-5.3	71.8
MSCI Taiwan	-3.6	-0.8	-9.9	53.4
MSCI Thailand	4.3	7.5	-1.2	67.0

Returns in Singapore dollars. Source: Bloomberg, 26 February 2010

Asian equity markets edged up in February despite concerns about Greece's debt problem. In contrast to European economies, Asian economies are in relatively better shape and most of the Asian countries have emerged from the recession to post very healthy GDP growth in 4Q09. As such, central banks in Asia are now beginning to normalise their policy stance. The People's Bank of China has led the way, tightening bank lending rules and hiking the required reserve ratio by 50 basis points. The outlook for Asian exports continues to be bright with the ISM index rising to 58.4 in January, its fastest pace since August 2004. The Asian equity market however underperformed the global equity market in February as China tightening concerns kept global risk appetite muted.





OUTLOOK AND STRATEGY

	Policy	Change	Comment
Consumer discretionary	Overweight	–	High savings rates and urbanisation underpin sustained domestic consumption growth in China. Effects of government stimulus package could trickle down to consumers.
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.

The volatility in equity markets is abating as markets have over the recent weeks priced in the uncertainties over China tightening and sovereign risk in the Eurozone. We believe that China's tightening is not likely to lead to a hard landing of the economy and the European Union has made it clear that they place systemic risk over the moral hazard question and that Greece will be supported.

We expect the focus of the market to return to fundamentals and see the ongoing recovery in corporate earnings as the key driver of the economy. We are halfway through the Asian reporting season and about half the companies have so far beat expectations. Foreign fund inflows into Asian equities have also turned positive again.

We continue to like Asia's robust domestic demand story which we believe will drive corporate earnings growth. In terms of sector allocation, we continue to overweight the Consumer sector on its lower exposure to policy risk and upgrade the Healthcare sector on favourable government policies. We are underweight Materials and the relatively defensive sectors like Telecoms and Utilities.



Contact Details

Address 80 Raffles Place UOB Plaza 2 Level 3 Singapore 048624
24-hour Hotline 1800 222 2228 (Local) • (65) 6222 2228 (International)
Fax (65) 6532 3868
Email uobam@uobgroup.com
Website uobam.com.sg

Regional Offices

Singapore

Institutional Investments
Dennis Siew
Senior Director

Retail Investments
Norman Wu
Senior Director

Regional Investments
Faizal M. Fazluddin
Senior Director

Structured Investments
Chong Jiun Yeh
Executive Director

International Business (China)
Jasmine Lim
Senior Director

Brunei

Kamal Muhd
General Manager

Japan

Masashi Ohmatsu
Chief Executive Officer

Malaysia

Lim Suet Ling
Chief Executive Officer

Taiwan

Juang San Tay
General Manager

Thailand

Vana Bulbon
Chief Executive Officer



Important Notice & Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd and its employees cannot be held liable for any errors, inaccuracies and/or omissions, howsoever caused, or for any action taken based on views expressed or information in this publication. UOB Asset Management Ltd does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. **Past performance of the Funds or the Manager and any forecasts on the economy or markets are not necessarily indicative of the future or likely performance of the Funds or the Manager. Any extraordinary performance may be due to exceptional circumstances which may not be sustainable.** Units are not deposits or other obligations of, or guaranteed or insured by, United Overseas Bank Limited, UOB Asset Management Ltd, UOB Group or any affiliates or distributors. Investments are subject to investment and foreign exchange risks including the possible loss of the principal amount invested. The value of units and any income from them may fall as well as rise. All applications for units must be made on the application forms accompanying the relevant Fund prospectus which may be obtained from the Managers. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors should read the relevant prospectus before deciding whether to invest in a Fund. Investors may wish to seek advice from a financial adviser before investing in any Fund. Should you choose not to seek such advice, you should consider whether the Fund in question is suitable for you.

UOB Asset Management Ltd Co. Reg. No. 198600120Z