



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	-1.4	1.5	-1.4	12.3
MSCI Far East Free ex-Japan	0.1	3.5	0.1	13.8
MSCI China	-0.8	-4.7	-0.8	1.4
MSCI Hong Kong	1.4	2.7	1.4	18.6
MSCI India	-13.1	-12.6	-13.1	9.6
MSCI Indonesia	-10.2	-14.3	-10.2	5.4
MSCI Korea	1.9	12.2	1.9	22.5
MSCI Malaysia	0.5	1.3	0.5	22.8
MSCI Philippines	-10.8	-16.3	-10.8	12.9
MSCI Singapore	-0.6	1.4	-0.6	14.5
MSCI Taiwan	2.9	16.5	2.9	18.9
MSCI Thailand	-9.2	-6.4	-9.2	32.2

Returns in Singapore dollars. Source: Bloomberg, 31 January 2011

Asian equity markets were mildly positive in January as 4th quarter US GDP rose 3.2% on the back of resilient consumer and business spending. In the first FOMC meeting in the US, monetary policy was kept unchanged as expected. The Committee commented that current economic conditions still required an exceptionally accommodative monetary stance, hence, holding the fed funds rate in a range of 0.0% to 0.25% for “an extended period”, and to continue its programme of purchasing longer-term Treasury securities with a target of US\$600 billion by the end of the second quarter of 2011. In Asia, while growth has moderated amid weaker external demand, domestic economic activity continues to provide strong support to the growth momentum. Driven by high commodity and food prices, as well as poor weather, inflationary pressure is now a key concern in Asia. The recent political unrest in Egypt led to a sell-off in Asian markets in the last week of the month as risk aversion heightened.



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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
Consumer	Overweight	–	Domestic consumption growth across Asia is expected to provide cushion for moderation in exports growth in the region.
Healthcare	Overweight	–	Healthcare spending currently accounts for only 4.5% of GDP in China and we expect government policies to remain very favourable.
Industrials	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.

Inflation concern has now become the focus in Asian economies, and we expect fiscal tightening and policy risks to come to the fore. The sources of inflation include rising commodities prices, the narrowing output gap, foreign fund inflows and asset price appreciation. We believe that governments in Asia will continue to try to combat the rise in inflation with higher interest rates and currencies, as well as using administrative measures to target specific segments of the market. We expect that moderate and stable inflation accompanied by some degree of monetary tightening will not end the rally in Asian equities, but the market could react negatively to new administrative measures. We look to reduce exposure to countries likely to be most impacted such as Indonesia, India and China, while increasing exposure to Korea and Taiwan.

At the corporate level, earnings growth remains intact and we believe that valuations remain fair, which provide opportunities for investing in the region. Consensus earnings estimates have ticked up in the last quarter with earnings growth estimates of 12% for companies in the MSCI Far East ex-Japan index in 2011.

We maintain our overweight positions in the Consumer, Technology, Healthcare and Industrials sectors as we target domestic consumption growth in these areas. We maintain our underweight in relatively slower growth sectors like Telecoms. We are underweight the Financials sector due to our negative view on the real estate sector, where further property cooling measures remain an overhang. However, we have turned more positive on Chinese banks on improving net interest margins and low valuations.



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