



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	2.5	3.8	6.9	6.9
MSCI Far East Free ex-Japan	2.3	4.4	6.6	6.6
MSCI China	-3.5	-1.9	-6.5	-6.5
MSCI Hong Kong	-2.3	1.7	9.3	9.3
MSCI India	7.6	2.0	19.4	19.4
MSCI Indonesia	0.6	-3.6	19.9	19.9
MSCI Korea	8.0	10.0	14.5	14.5
MSCI Malaysia	2.3	1.8	21.1	21.1
MSCI Philippines	6.0	-6.2	19.0	19.0
MSCI Singapore	1.8	3.5	8.2	8.2
MSCI Taiwan	9.3	14.4	8.1	8.1
MSCI Thailand	0.7	3.1	37.8	37.8

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

Asian equity markets were up for the month as Asian economies continued to lead the global recovery, with many of its economies posting strong growth in the third quarter of the year, driven by domestic demand. In most of the Asian economies, the strengthening currencies have helped to fend off pressure on consumer prices. On the global front, the US Congress' approval of a favourable tax package for the next two years, along with the steady release of improving economic data, has reduced the risk of the US slipping back into recession in the near-term. Similarly in Europe, the existence of the EU/IMF facility has reduced the risk of the peripheral debt crisis spreading globally.



**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
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 output gap closing, 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 that are 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.



Market Commentary

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