



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	-6.8	-0.8	-6.5	13.3
MSCI Far East Free ex-Japan	-6.9	-1.2	-7.0	12.7
MSCI China	-4.5	-2.4	-8.8	7.9
MSCI Hong Kong	-5.1	-5.4	-8.2	2.6
MSCI India	-8.2	2.1	-2.0	22.3
MSCI Indonesia	-5.7	9.1	7.3	57.3
MSCI Korea	-11.5	-0.4	-6.3	24.0
MSCI Malaysia	-5.1	4.7	4.4	25.8
MSCI Philippines	-2.8	3.7	2.8	24.0
MSCI Singapore	-7.5	-1.3	-6.5	16.3
MSCI Taiwan	-7.9	-1.7	-11.4	2.9
MSCI Thailand	-0.8	6.1	4.7	34.8

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

Asian equity markets were down in May as risk aversion returned on concerns over Europe's sovereign debt woes. The announcement of the €750bn Eurozone debt rescue package only calmed markets for a short period. In Asia, policy normalisation continued in countries like China and Malaysia, with the aggressive moves in China contributing further to volatility. Fundamentally, Asian economies continue to show firm growth, with 1Q GDP data in most economies exceeding expectations. Asian export growth was strong in April, in line with the consistent strength in the recent US ISM surveys.



**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
Industrials and Utilities	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. Growth potential is the strongest in Asia, with China, India and Korea leading the way. In Water & Waste Management, companies specialising in turning waste to energy look interesting, especially in China.
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.

In the past few months, risk aversion has driven by policy uncertainty not just in Europe but also in China, where tightening in the property market has been more aggressive than expected. Markets are however now beginning to price a downturn in the real economy. The development of events in the Eurozone led the market to draw parallels with what took place in the US in 2008 - the rescue of Bear Stearns, the collapse of Lehman, the Troubled Asset Relief Program (TARP) rescue and the final spillover into the real economy.

We do not believe we will see a repeat of what happened after Lehman. For one, we believe the policymakers have learnt the lessons of Lehman and are unlikely to make a similar policy error. Also, the global business cycle is at a different point compared to September 2008 when the Lehman episode occurred.

Fear can however be self-fulfilling and there is a risk that business and consumer confidence is meaningfully affected if markets stay volatile, resulting in another pullback in spending and hiring. We have been sanguine about the recovery of the global economy and the concomitant recovery of corporate earnings but recognise that spillover risks are rising.

We continue to hold a positive view on Asian markets, as Asian economies remain in good shape with most countries running healthy current account surpluses and low government debt-to-GDP ratios. Real GDP growth in Asia is likely to peak in the second quarter and moderate going into the second half of the year. Slower growth should take some pressure off inflation. Although concerns over Europe's sovereign debt woes and policy tightening in Asia will persist, we believe the market is pricing these in and will focus again on fundamentals. In our view, the ongoing improvement in the global economy and the recovery in corporate earnings are likely to drive equity markets higher in the coming months.



Market Commentary

June 2010

Our key strategy going forward is to maintain our growth bias and focus on Asia's robust domestic demand. We maintain our overweight position in the Consumer sector. We have also upgraded Industrials and Utilities as we see attractive opportunities in the alternative energy and water treatment space. We are upgrading Technology to overweight on buoyant demand and the third quarter is also seasonally strong. We underweight Financials on concerns over policy risks and we also underweight the relatively slower growth sectors like Telecoms. We downgrade the Energy sector as there are risks that a resource tax is implemented.



Market Commentary

June 2010

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