UOB Asset Management 大華資產管理

Market Commentary

April 2009

ASIA EX-JAPAN EQUITY

EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	12.0	6.2	6.2	-39.9
MSCI Far East Free ex-Japan	12.1	6.4	6.4	-38.8
MSCI China	12.4	7.4	7.4	-29.6
MSCI Hong Kong	2.1	5.0	5.0	-36.3
MSCI India	10.5	4.3	4.3	-48.0
MSCI Indonesia	19.2	7.1	7.1	-49.5
MSCI Korea	24.4	4.4	4.4	-44.2
MSCI Malaysia	-1.5	2.0	2.0	-33.3
MSCI Philippines	4.9	10.4	10.4	-34.8
MSCI Singapore	6.8	-3.7	-3.7	-45.3
MSCI Taiwan	14.1	14.8	14.8	-41.8
MSCI Thailand	1.4	-0.3	-0.3	-49.6

Returns in Singapore dollars. Source: Bloomberg, 31 March 2009

Asian equity markets continued to be volatile during the first few months of the year, but ended the quarter almost flat. Asian markets were sold down in the first two months amid concerns of deterioration in the global economy and elevated risk aversion. However, most Asian markets recovered some losses during the month of March after the US Treasury revealed details of the much-awaited plan to get rid of the toxic assets in the banking system to aid recovery of the financial industry. Overall, the Asian equity market outperformed the global equity market in 1Q09.

OUTLOOK AND STRATEGY

	Policy	Change	Comment
Consumer staples	Overweight	–	High savings rates and urbanisation underpin sustained domestic consumption growth in China. Elsewhere in Asia, low real interest rates should be supportive of credit-led consumption.

A clear and complete solution to stabilise the banking sector remains key for a sustainable recovery of the global economy and equity markets. The US Financial Stability Plan offers a fair chance that bank stabilisation could take place within this present quarter and that we should soon begin to see definite signals that the US economy is beginning to turn. Our current expectations are for the bottom of the US economy to occur in the last quarter of 2009, and for equity markets to turn before that.

The key risk for the global economy is a prolonged delay in resolving the issues in the financial sector. The extraordinary and extreme level of uncertainty created by the bankruptcy filing of Lehman Brothers led to the sharp plunge in consumer and business confidence worldwide. Ongoing uncertainty would reduce the "multiplier" effects of monetary and fiscal stimuli. Households would be more likely to save rather than spend their tax cuts and businesses would likely continue to retrench labour and rein in capital spending.

We are cautious given the credit quagmire that still plagues the global economy and the continued deterioration in the macroeconomic environment both globally and in the various Asian economies. Hence, we prefer Consumer Staples, Conglomerates, Utilities and Telecom Services.

The bright spot in the region is China where there are signs of stabilisation in the economy. One leading indicator, the Purchasing Managers Index, has continued to improve and was already above 50 in March, indicating growth is coming back. Property transaction volume, which has been a signpost we are looking out for, has also continued to improve over the last four months through March. We note that valuations for Asia ex-Japan stocks are still attractive. In PB terms, Asia ex-Japan has fallen to 1.5x, still well below the long run average of 2.0x, though well above the trough of 0.9x reached in 1983 and 1998. We continue to monitor developments in the global economy closely and look to invest in good quality companies where we view the risk-adjusted rewards to be attractive.

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) 6534 3909
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

Alternative Investments
Ho Yew Weng
Director

Malaysia
Lim Suet Ling
Chief Executive Officer

Thailand
Vana Bulbon
Chief Executive Officer

Brunei
Kamal Muhd
General Manager

China
Jasmine Lim
Senior Director

Taiwan
Juang San Tay
General Manager

Important Notice & Disclaimers

This publication shall not be copied, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares 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 decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available as at the date of this document and reflects prevailing conditions and our views as of the date of the document, all of which are accordingly subject to change at any time without notice. UOB Asset Management 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. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.**

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