

## Investment Objective

To achieve capital appreciation through investing in equities, bonds and cash globally. The long term strategic allocation between equities and bonds is 40:60

## Investment Scenario & Strategy (4<sup>th</sup> Quarter, 2002)

- In the third quarter 2002, major stock markets globally, with the exception of Japan weakened considerably. The MSCI World Index declined by 18% in Singapore dollar term. Concern over the strength of recovery and heightened sensitivity to conflict in the Middle East weighed heavily on equities.
- The key US indices ended down The S&P 500 fell by 17% in Singapore dollar term. Concerns about the sustainability of consumer spending, weak investment data, widening of corporate credit spreads weighed heavily on the market.
- The MSCI Europe 15 index fell by 23% in Singapore dollar terms in the quarter. Technology and Insurance sectors were dragged down by high debt levels and solvency concerns. Continued weakness in the economy is also weighing on the banks.
- Japan posted decline in the quarter of 12% in Singapore dollar terms. The Yen, retraced its earlier gains as concerns mounted regarding Japan's fiscal position intensified. Particularly as the BoJ debate led to changes at the FSA and an accelerated timetable for NPL disposition. Resolution of banking sector problems is key to a sustained recovery – we remain underweight Japan.
- Non-Japan Asian (NJA) stock market performance also turned negative. The benchmark MSCI Far East Free ex-Japan fell 12% in Singapore dollar term during the quarter. The port strike in the US coupled with weaker end demand data is likely to weigh on the region's performance given it's export orientation.
- Government bonds had a better than anticipated quarter. Sovereign issues performed strongly as mixed economic data led to a rally in the markets. The Salomon G7 Bond Index closed the quarter up 3.7% in Singapore dollar terms. Strength in the government market did not flow through to the corporate credit market as spreads continued to widen.
- Our strategy is to retain a neutral exposure to equities. We remain defensive in our holdings, with a bias companies with a solid financial position and a yield bias. We continue to prefer Asia ex-Japan, but are seeing selected value in both the US and Europe. Given the rally in fixed income, we have moved to a moderate cash position, and anticipate shifting some of our weighting to corporate credits to get a yield pick up.

## Asset Allocation – By Region (as at 31 Oct 2002)

### Equities

North America	16.15%
Europe	11.25%
Asia	11.42%

### Bonds

North America	29.37%
Europe	20.79%

### Cash

11.02%

## Top Holdings (as at 31 Oct 2002)

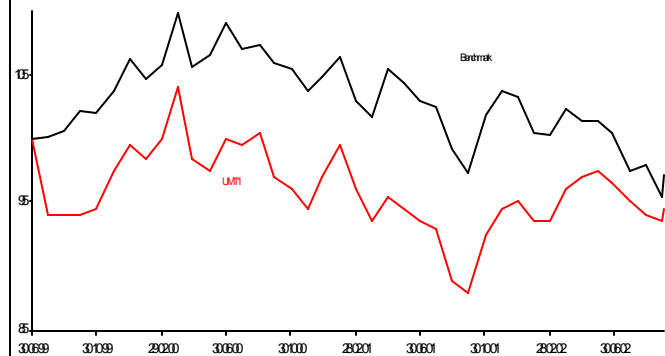
### Equities

KONICA CORP  
CITIGROUP INC  
NORTH FK BKCORP  
PEPSICO  
BP PLC

### Bonds

US TREASURY STRIPS	6.000%	AUG 2009
DEUTSCHE BUDES REPUBLIK	6.000%	JAN 2007
BRITISH TELECOM PLC	7.000%	MAY 2007
LEHMAN BROTHER	6.500%	APR 2008
CENDANT CORPORATION	6.875%	AUG 2006

30<sup>th</sup> Jun 99 to 31<sup>st</sup> Oct 02, Offer-Bid, Net, Based on S\$, Calculation Indexed



Performance	Fund	Benchmark
1 month	-4.55%	1.96%
3 month	-5.50%	-0.16%
6 months	-7.80%	-4.02%
1 year	-3.57%	-4.45%
3 years	-1.86%	-1.56%
Since Inception	-1.66%	-0.80%

Source : Micropal, Performance are in S\$, Offer-bid as at 31 Oct 02  
Performance figures for 1mth till 1 yr show the % change  
Performance figures for those exceeding 1 yr show the average annual compounded return  
Benchmark = 60% Sal G7 Gov Bond and 40% MSCI AC World Free

## Fund Details

Launch Date	April 1999 (Cash & CPF-OA, SA)
Bid/Offer Price	S\$0.9450/ 1.0000 (as at 31 Oct 2002)
Initial Investment	S\$1,000
Sub Investment	S\$100
Management Fee	1.50% p.a.
Subscription Fee	5%
Minimum RSP	S\$100/month, S\$500/quarter
Trustee	Bermuda Trusts (S) Ltd