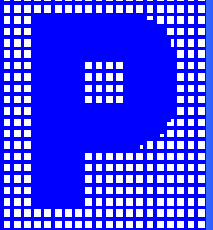


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March 2009

## Balanced Funds

With the continued deterioration of the financial system, many assets trade at fire sale prices, giving rise to opportunities to value investors who accumulate and hold assets for the long term. Asset prices cannot continue their downtrend in a persistent fashion, as each bout of selling would almost bound to attract fund managers who would support prices as they look to valuation measures as their gauge of future asset prices based on dividend discount models.

### Time to test water in risky assets

Figure 1 shows the performance of the Fed Fund Effective rate vs the Fed Fund Target Rate. The effective rate measures the rate at which the dealers are willing to lend the Fed Fund deposits to one another. The fact that the Fed fund rate is close to the target rate shows that the credit markets are not very stressed. The Federal Reserve began paying interest on the deposits to help bring the effective rate close to the target rate.

Our key assumption to invest in balanced funds is that the fed fund effective continues to trade close if not higher than the Fed target rate. If this happens, we will see a slow gradual thawing of credit markets which could eventually see more cash flow to equity holders.

### Which Balanced Funds?

The short term outlook for the economy is that of a U-shape recovery, with the recovery probably happening at the end of this year, although depending on the shape of the financial (banking) industry, could happen faster than what most observers expect. With a gradual recovery expected and while the financial landscape consolidates, investors can accumulate assets as downward pressures on these assets increase in the short term.

Giving an outright call to accumulate equities would still be too risky as the downside risks still persist in the system, which is why we would consider balanced funds that have a majority of the portfolios in safer assets with some exposure to risky assets, like equities.

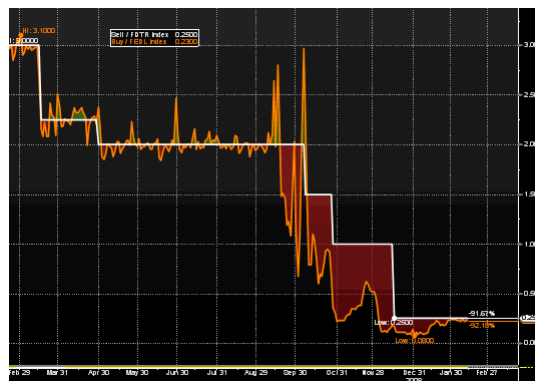


Figure 1: Fed Fund Effective vs Fed Target Rate, Source: Bloomberg

### UOB United GrowthPath Today Fund Performance (as of 13 Feb 2009)

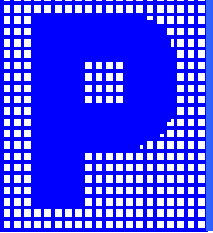
	1 mth	3 mth	YTD	1 Year	3 Year	5 Year
Absolute Return	-1.25	0.27	-0.63	-8.60	-0.63	0.55
Maximum Drawdown				-11.7		
Volatility				6.18		
Semi variance				7.23		
Sortino Ratio				-1.33		

Table 1: UOB United Growth Path Today performance Source: Bloomberg

### DBS Eight Portfolio A Fund Performance (as of 13 Feb 2009)

	1 mth	3 mth	YTD	1 Year	3 Year	5 Year
Absolute Return	-1.32	-0.10	-0.31	-11.6	-2.71	-0.50
Maximum Drawdown				-13.0		
Volatility				5.56		
Semi variance				6.45		
Sortino Ratio				-1.98		

Table 2: DBS Eight Portfolio A performance Source: Bloomberg



### Which Balanced Funds?

With the above in mind, we have narrowed the selection to the UOB United Growth Path Today and the DBS Eight Portfolio A as two possible candidates. Both funds maintain a conservative stance to equity investment and have a majority of the portfolio in sovereign bonds.

Table 1 and Table 2 shows the performance of the funds, but the UOB United Growth Path Today (UGT) has displayed better risk management, just by comparing the drawdown performance of the funds in the past 1 year.

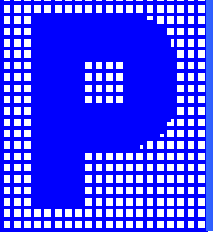
### UGT vs Various Benchmarks

We conduct a regression analysis of the fund against various financial benchmarks. There are two periods of study, the first being from Feb 2004 to Feb 2009 and the second from Feb 03 to Feb 08. The results are shown in Table 3.

The fund is very much correlated with the equity indexes, namely the MSCI Singapore and MSCI World Index which are proxies for developed market equity indexes. While increasingly less positively correlated with the Commodity, LIBOR and Singapore Government Bond index.

	R Squared Value	
	Feb 04 to Feb 09	Feb 03 to Feb 08
<i>vs Reuters / Jefferies CRB Index</i>	0.337	0.662
<i>vs US 3 month LIBOR Rate</i>	0.392	0.729
<i>vs MSCI Singapore</i>	0.928	0.966
<i>vs MSCI World</i>	0.765	0.945
<i>vs UOB Singapore Government Bond Index</i>	0.351	0.831

Table 3: R Squared Values vs various benchmarks  
Source: Bloomberg



### New fund available on POEMS

- a. DWS Asia Select Fund (SGD)
- b. DWS Asia Select Fund (USD)

*DWS Asia Select is a value driven Asian equity fund which seeks to invest in financially sound and currently underpriced Asia-focused companies.*

*This fund is available on POEMS online @ 1.5% sales charge*

### Regular Savings Plan promotion

**@ 1.5% on selected unit trust funds online.**

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### Upcoming seminars in March 2009

No	Date	Time	Venue	Theme	Speaker
1	5 Mar (Thurs)	12.30pm- 1.30pm	<a href="#">Raffles City Futures Seminar Room Level 7</a>	Fidelity Asia Outlook and Fund Update	Catherine Yeung, Fidelity Investment Director
2	12 Mar (Thurs)	12.30pm- 1.30pm	<a href="#">Raffles City Presentation Room Level 6</a>	Consider the UOB United Growth Path Today as part of your investment	UOB Asset Management
3	13 Mar (Fri)	12.30pm- 1.30pm	<a href="#">Raffles City Futures Seminar Room Level 7</a>	Adopt a "play it safe" strategy with Unit Trust Regular Savings Plan	Unit Trust Marketing
4	16 Mar (Mon)	12.30pm- 1.30pm	<a href="#">Raffles City Presentation Room Level 6</a>	Outlook for Singapore equities: Are we near a bottom? What is so unique about SGAM Singapore Dividend Growth Fund?	Charles Wong, SG Asset Management
5	30 Mar (Mon)	12.30pm- 1.30pm	<a href="#">Raffles City Presentation Room Level 6</a>	Asia Outlook - Looking beyond uncertainty	Aberdeen Asset Management
6	1 Apr (Wed)	12.30pm- 1.30pm	<a href="#">Raffles City Presentation Room Level 6</a>	Asean Outlook and Funds Update	Lim Fang Suan, Portfolio Manager, LionGlobal



# PHILLIP SECURITIES PTE LTD

## UTalk March 2009

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