



# ALLIANCE INVESTMENT MANAGEMENT

Alliance Investment Management Berhad (334195-K)

## ALLIANCE ASIAN BOND FUND (AABF)

JUNE 2012

The Fund's investment objective is to generate long term capital appreciation for investors by investing in fixed-income or debt securities denominated primarily in U.S. Dollars and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranational in the Asian region. These countries include, but are not limited to China, Hong Kong, SAR, Taiwan, South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

### THE FUND IS SUITABLE FOR INVESTORS WHO:

- Are seeking long-term capital growth on investments;
- Do not expect any distribution on investment; and
- Wish to diversify investment portfolio by investing in foreign markets.

### MANAGER'S COMMENTS

#### Market Review

Intensifying event risk in Europe kept investors on edge in May. Worries that a Greek exit would result in a break-up of the Eurozone saw risk assets sell off, while government bonds and the USD rallied on flight to safety demand. Softer US economic data and disappointing growth indicators in China added to the negative sentiment. In the US, non-farm payrolls increased by a smaller-than-expected 69,000 in May, suggesting that job creation was losing steam. Meanwhile, China's industrial production and fixed asset investment softened in April. US Treasuries rallied on the back of risk aversion, with the 10-year yield falling 36bps to 1.56%. Credit spreads widened, with the JACI investment grade spread up by 37bps to 303bps, while the high yield spread 54bps to 491bps. In price terms, however, investment grade credits saw small gains on the back of the move in Treasuries. Asian currencies were broadly weaker against the USD, with the INR posting the steepest falls. The portfolio's investments in high yield bonds and Asian currencies contributed to the negative return of the fund. The portfolio sold bonds in Yanlord, Pohang and JTC and bought bonds in Development Bank of Kazakhstan, Country Gardens, and Bank of Ceylon over the month.

#### Market Outlook

With markets having substantially discounted the weak economic environment, we believe that valuations have become quite cheap and have increased high yield exposure on the back of the recent sell-off. We expect Chinese properties to perform reasonably well should policy easing in China extend to the housing market. We maintained the underweight in Indonesia given its over-valuation. We continue to look for bonds with low volatility like SGD-secured bonds, which will help reduce the overall portfolio volatility in this period of heightened market movements. We intend to manage inherent US interest rate risk by initiating shorts in US Treasury futures contracts. The portfolio will deploy cash to new issues that give good concessions in the current environment.

### FUND DETAILS AS AT 31 MAY 2012

Unit net asset value (NAV)	RM0.5689
Fund size	RM1.472 mil (2.588 mil units)
Fund currency	Ringgit Malaysia (RM)
Fund inception	19 May 2006
Offer price at inception	RM0.50
Annual management fee	1.00% of NAV
Annual trustee fee	0.07% of NAV, subject to a minimum fee of RM18,000
Exit fee	Nil
Maximum sales charge	Up to 1.00 of NAV per unit
Redemption payment period	Up to 10 days
Investment manager	Alliance Investment Management Berhad
Distribution policy	Income distribution (if any) will be paid once a year, by way of reinvestment in the form of additional units

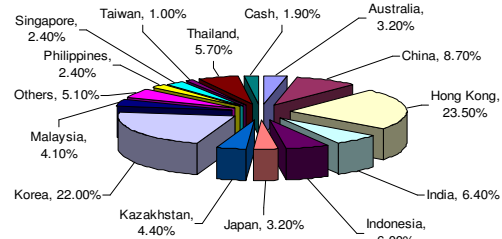
### LARGEST HOLDINGS OF FABF\*\* AS AT 31 MAY 2012\*

PCCW 4.25% Feb 2016	3.1%
Kookmin Bank 7.25% May 2014	3.1%
Woori Bank 5.875% Apr 2021	2.9%
Kazmunaygas National 11.75% Jan 2015	2.8%
Chong Hing Bank Ltd. 6% Nov 2020	2.6%

\*as percentage of NAV

\*\* Fullerton Asian Bond Fund (FABF) which is the predetermined Target Fund

### COUNTRY EXPOSURE\* AS AT 31 MAY 2012

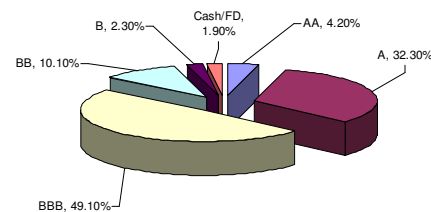


\*Includes cash.

As percentage of NAV. Asset exposure is subject to change on a daily basis.

Source: Fullerton Fund Management Company Ltd

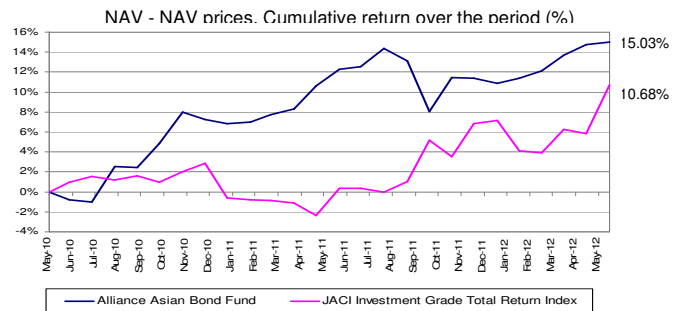
### CREDIT RATING\* AS AT 31 MAY 2012



\*As percentage of NAV. Asset exposure is subject to change on a daily basis.

Source: Fullerton Fund Management Company Ltd

### PERFORMANCE RECORD AS AT 31 MAY 2012



Source: Perkasa Normandy Sdn Bhd as at 31 May 2012

### LIPPER FUND PERFORMANCE TABLE

%	3 Months	6 Months	1 Year	3 Years	5 Years
AABF	2.61	3.28	2.48	9.26	19.52
Index*	6.45	3.59	10.30	3.37	28.38

\*JACI Investment Grade Total Return Index

Source: Lipper Hindsight, as at 31 May 2012

Benchmark: Perkasa Normandy Sdn Bhd

### 3-YEAR VOLATILITY AS AT 30 APRIL 2012

N/A

Before investing, you are advised to read and understand the contents of the Master Prospectus dated 30 January 2012, which has been registered with the Securities Commission (SC). The SC takes no responsibility for the contents of the Master Prospectus, which is obtainable at the Head Office of Alliance Investment Management Berhad (AIMB), AIMB tied-advisers, all branch offices of Alliance Bank Malaysia Berhad and other appointed Institutional Unit Trust Advisers (IUTAs). You should consider the fees and charges involved and consult your financial or other professional advisers if you are in doubt about any feature or nature of the Fund. The prices of units and distribution, if any, may go down as well as up and past performance of the Fund is not indicative of its future performance. Any issue of units to which the Master Prospectus relates to will only be made on receipt of the application form referred to in and accompanying the Master Prospectus.

The Manager wishes to highlight the specific risks of the fund are currency risk and decline in value risk. The specific risks of the target fund are interest rate risk, liquidity risk and credit risk. These risks and other general risks are elaborated in the Master Prospectus.