

## **Adjustments to FSM Portfolios for October 2008**

### **Aggressive Portfolio**

#### **Monthly Commentary**

The month of October was a terrible time for capital markets, as investors continued to suffer from uncertainty relating to the global economic situation. Worries over credit markets have eased slightly, with various governments coming in to guarantee bank deposits as well as interbank loans. The US\$700 billion Troubled Asset Rescue Package (TARP) finally came into place as approved by the US Congress on 3 October 2008, and troubles in the financial sector seem to be abating.

Stock markets have fallen as risk-aversion hit new highs. Money has fled risky assets in emerging market economies and high yielding bonds into the safety of money market instruments, carry trades continued to unwind, driving down traditionally high yielding currencies like the Australian Dollar (AUD) and sending the Japanese Yen (JPY) to multi-year highs. Volatility, as depicted by the VIX Index, burst past 80 points to levels never seen before.

The Aggressive Portfolio is the worst affected portfolio by the recent drawdown in the equity market. It has dropped by 28.62% since inception. This is not surprising, considering this portfolio has more than 90% invested in equities. About 20% of this portfolio has exposure into global emerging markets and Malaysia equity funds which have been more defensive comparing to Asia Pacific funds in the previous month. Nonetheless, we will continue to observe the valuations of our favorite markets and position ourselves for the eventual recovery.

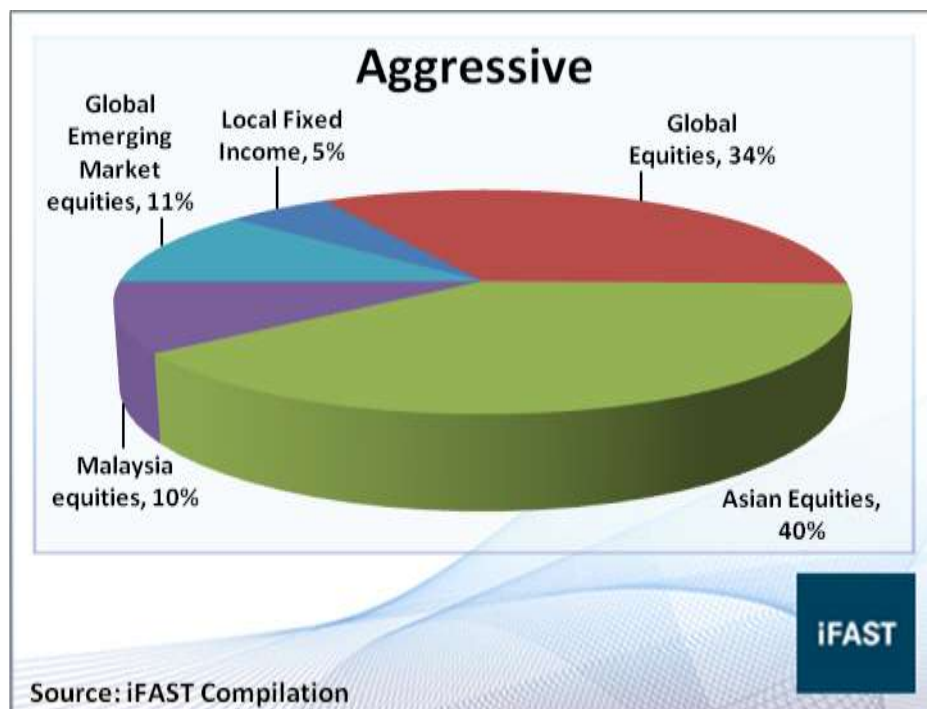
**Table 1: Year-to-date Performance of Markets**

<b>Market</b>	<b>Indices</b>	<b>YTD as at 31 Oct 08</b>
US	SPX Index	-29.32%
Japan	NKY Index	-31.39%
Tech	NDX Index	-31.41%
World	MXWO Index	-35.45%
Asian Tech	BPRTECH Index	-38.34%
Taiwan	TWSE Index	-39.76%
Malaysia	KLCI Index	-40.24%
Europe	SXXP Index	-43.07%
Hong Kong	HSI Index	-45.85%
Singapore	FSSTI Index	-46.20%
Emerging Markets	MXEF Index	-50.93%
China	HSMLCI Index	-51.61%
Asia ex-Japan	MXASJ Index	-51.83%
Thailand	SET Index	-55.58%
Korea	KOSPI Index	-56.52%
Indonesia	JCI Index	-57.66%
India	SENSEX Index	-58.80%

Source: Bloomberg and iFAST compilations. All returns in Ringgit Malaysia terms.

### Actions Taken in October 2008

- 1) Added RM1000 into Prudential Asia Pacific Equity Fund.



**Table 2: Aggressive Portfolio Returns**

Date of Inception:	7 August 2008
Total Amount Invested	RM21,000.00
Portfolio Value As At End October 2008	RM14,988.95
Absolute Return:	<u>-28.62%</u> as at end October 2008

Source: iFAST Compilations

### Reasons for Action Taken

We have recently upgraded the star rating for Asia ex-Japan to the highest rating (5 stars - very attractive) as the valuation for Asia ex-Japan equity markets have become more attractive. Consistent with our recent upgrade, we are adding RM1000 to Prudential Asia Pacific Equity Fund into the portfolio by expecting a positive growth in the next 3 years.