

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

### **Conservative 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 Conservative Portfolio has inched down as no asset other than cash and cash equivalents in the form of money market funds would have delivered positive returns in the previous month. The two equity funds in the portfolio which invest into global and Asia Pacific ex-Japan have respectively plunged by 19% and 23%. However the portfolio is blessed that it only down by 7.94% (since inception as of 7 August 2008) as the portfolio did not increase its equity exposure in the last month's additional investment. Nonetheless, we will continue to observe the valuations of our favorite markets and position ourselves for the eventual recovery.

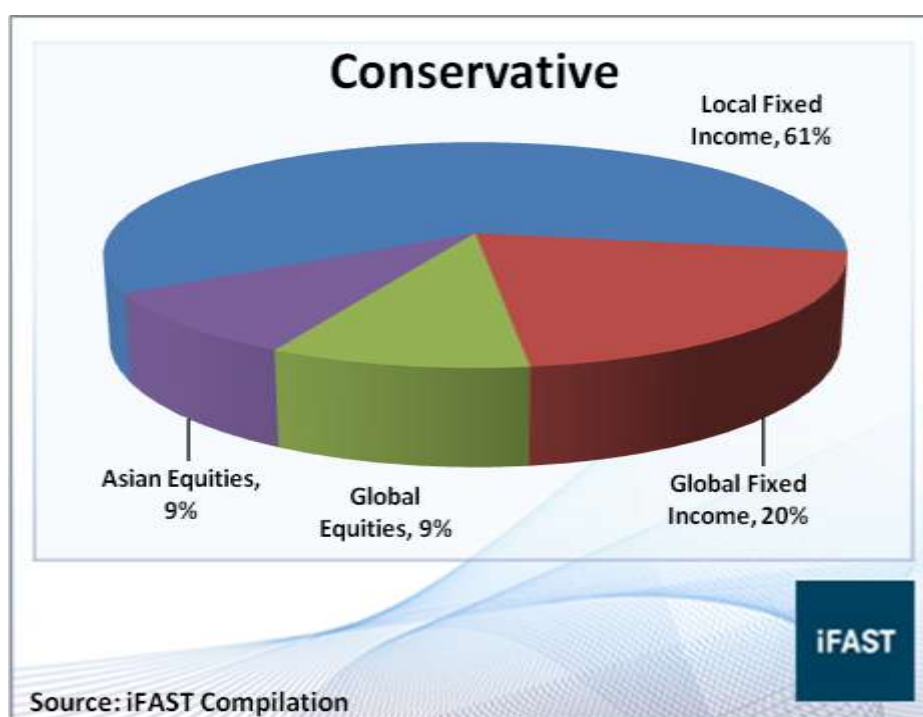
**Table 1: Year-to-date Performance of Markets**

<b>Market</b>	<b>Indices</b>	<b>YTD as at 30 Nov 08</b>
Japan	NKY Index	-28.40%
US	SPX Index	-33.12%
Tech	NDX Index	-37.68%
World	MXWO Index	-38.41%
Malaysia	KLCI Index	-40.06%
Asian Tech	BPRTECH Index	-43.93%
Taiwan	TWSE Index	-44.06%
Hong Kong	HSI Index	-44.93%
Europe	SXXP Index	-46.00%
Singapore	FSSTI Index	-47.89%
China	HSMLCI Index	-48.52%
Emerging Markets	MXEF Index	-53.64%
Asia ex-Japan	MXASJ Index	-53.74%
Thailand	SET Index	-56.75%
Korea	KOSPI Index	-60.59%
India	SENSEX Index	-61.36%
Indonesia	JCI Index	-61.40%

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

### **Actions Taken in October 2008**

- 1) Added RM500 into Alliance Global Equity Fund.
- 2) Added RM500 into Prudential Asia Pacific Equity.



**Table 2: Conservative Portfolio Returns**

<b>Date of Inception:</b>	<b>7 August 2008</b>
<b>Total Amount Invested</b>	RM21,000.00
<b>Portfolio Value As At End October 2008</b>	RM19,332.02
<b>Absolute Return:</b>	<u>-7.94%</u> as at end October 2008

Source: iFAST Compilations

**Reasons for Action Taken**

Last month we had invested into global fixed income fund which has been the most defensive (performance in October 2008) fund in this portfolio. Therefore this month we are making up to increase the equity exposure for this fund by adding RM1000 to two funds within the portfolio.

We have added RM500 into the Prudential Asia Pacific Equity Fund consistent with our upgrade in the Asia Pacific Ex-Japan star rating to 5 stars. We are also adding RM500 into the Alliance Global Equity Fund by means of diversify into global equities for the Conservative Portfolio.