Adjustments to FSM Portfolios for September 2008

Conservative Portfolio

Monthly Commentary

At the end of September 2008, all equity markets under our coverage have fallen more than 15% (in Ringgit Malaysia terms, year-to-date), with the worst performers India and China having lost 44.2% and 38.7% since the start of 2008 (See Table 1). September was a particularly turbulent month, with bank failures and credit worries galore. Despite the financial troubles stemming from the US housing market, the US equity market remained relatively resilient compared to the performance of other key markets. The S&P 500 has only lost a paltry 16.0%, which contrasts to the huge falls of markets in Korea, China and India. The overall Asian stock market (as represented by the MSCI Asia ex-Japan index) fell a hefty 37.0% year-to-date, more than twice the fall of the US equity benchmark.

September was a tumultuous month for markets, as investors tried to digest a host of significant events in the US financial sector. Mortgage lenders Fannie Mae and Freddie Mac were placed under conservatorship while insurance giant AIG received US$85 billion worth of government aid. Troubled banks fell like flies in September as we saw the likes of Lehman Brothers, Merrill Lynch, Washington Mutual and Wachovia either failing or being taken over. The voting down of a US$700 billion bailout plan to purchase troubled mortgage securities was badly received by the market with over US$1 trillion wiped off US stocks on news of the negative vote.

Volatility hurt global stock markets, as investors fled to the safe-haven of US government debt. As uncertainty dominated financial markets, the 3-month US Treasury Bill yield fell below zero for the first time since 1940. Higher-risk instruments like emerging market bonds and stocks suffered in the uncertain financial climate. Positions in high-yield credit instruments suffered due to increasing credit fears on the failure of several large financial institutions. As markets plummeted, our portfolios have also declined.

The Conservative Portfolio is the most defensive portfolio and has slightly eroded by 2.67% since its inception on August 7th 2008. The downside of this portfolio has been cushioned the 80% holdings in local fixed income funds. The portfolio benefitted from its diversification into global fixed income funds which have delivered a 0.93% return during the same period.

Table 1: Year-to-date Performance of Markets

Markets	Indices	YTD as at 30 September 08
US	SPX Index	-15.95%
Japan	NKY Index	-17.68%
Tech	NDX Index	-20.10%
World	MXWO Index	-20.73%
Asian Tech	BPRTECH Index	-25.81%
Taiwan	TWSE Index	-25.90%
Singapore	FSSTI Index	-26.84%
Europe	SXXP Index	-26.97%
Malaysia	KLCI Index	-27.01%
Indonesia	JCI Index	-29.90%
Hong Kong	HSI Index	-30.35%
Emerging Markets	MXEF Index	-32.99%
Thailand	SET Index	-33.28%
Asia ex-Japan	MXASJ Index	-36.95%
Korea	KOSPI Index	-37.97%
China	HSMLCI Index	-38.74%
India	SENSEX Index	-44.22%

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

<u>Actions Taken in September 2008</u>

1) Added RM1, 000 into Alliance Global Bond Fund.

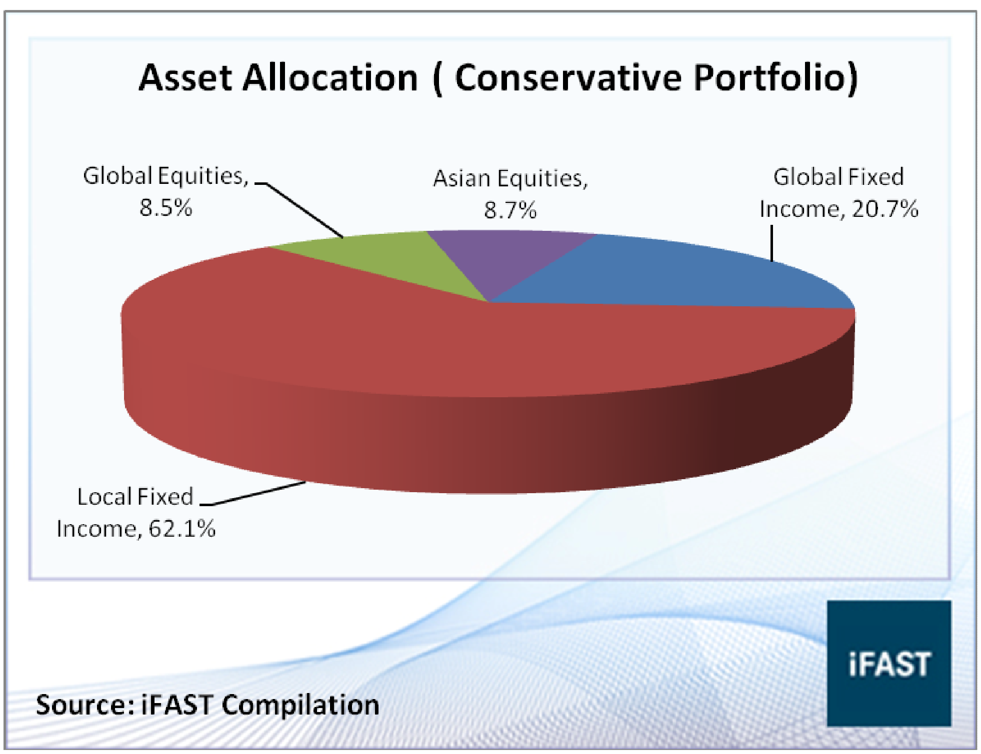

Table 2: Conservative Portfolio Returns

Date of Inception:	7 August 2008
Total Amount Invested	RM20,000.00
Portfolio Value As At End September 2008	RM19,465.10
Absolute Return:	-2.67% as at end September 2008

Source: iFAST Compilations

Reasons for Action Taken

To reduce the volatility of this portfolio, we have decided to increase the exposure into Alliance Global Bond Fund. This fund will benefit from appreciation of global currencies against Ringgit Malaysia and can further diversify its fixed income holdings.

The equity market is expected to remain volatile at least until mid of 2009. We will continue to seek for opportunities to invest into global equities with attractive valuations.