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CONSERVATIVE PORTFOLIO

Aug 2010

The portfolio aims to achieve a slow but steady return by investing 90% into bond funds and 10% into equity funds. The target allocation may change with our views on financial markets. Currently we have an ***overweight position in equities*** and we are targeting to have an exposure of 80% bond funds and 20% equity funds.

Total Investment:	RM41,000.00	**Absolute Return:**	4.56%	**Annualised Internal Rate of Return:**	3.37%
Portfolio Value:	RM42,870.73	**July '10 Return:**	1.43%		

CONSERVATIVE PORTFOLIO

Fund Name	Target Allocation (%)	NAV		% Change
		30/06/2010	31/07/2010	
AmBond	28%	1.1133	1.1236	0.93
AmDynamic Bond	28%	0.5943	0.6018	1.26
RHB Asian Total Return Fund	24%	0.4363	0.4333	-0.69
Alliance Global Equities Fund	10%	0.4613	0.4859	5.33
Kenanga Growth Fund	10%	1.4868	1.5633	5.15

MARKET COMMENTARY

- Confidence returned to markets in July as global equities erased much of the losses in prior months. Better-than-expected corporate results lifted investor sentiment and counteracted concerns of global economic slowdown.
- IMF's latest forecast points to a better growth outlook, according to the World Economic Outlook for July 2010. The world is expected to grow at a higher rate of 4.6% this year, 0.4% higher than April's forecast. On the other hand, with only seven of the 91 European banks failed the stress test, led by financials, European equities posted a strong rebound although some argue the tests were not strict enough. The panic sentiment measured by the VIX index closed at 23.50 on 30 July, compared to 34.54 on 30 June.
- While some argue the strong corporate results largely represent historical business performance, various leading indicators like manufacturing PMI suggest the recovery is slowing. However, a slower growth is not equivalent to a double-dip recession because the low-base effect will eventually diminish in any recovery phase. We believe the strong fundamentals supported by earnings suggest the global economy will continue to grow amid a slower pace. Valuations of many equity markets become attractive.
- We remain mindful of the developments in Europe, including the likely eventual sovereign default and the possibility of negative spillover. In the developed economies, healthy corporate earnings might be a leading indicator to labour market recovery which subsequently helps support consumption. In Asia, increases in interest rates ought to be viewed as normalizing rather than tightening. Moreover, the Asian governments have fiscal ammo to give a stimulus jab to the economies if the need arises.

PORTFOLIO COMMENTARY

The portfolio value rose by 1.43%. Our previous fund selection changed to Kenanga Growth Fund and Alliance Global Equities Fund helped to support the portfolio performance as the highest gainer was Alliance Global Equities Fund which rose 5.33% while Kenanga Growth Fund has the second highest return of 5.15%. It was further supported by bond funds such as AmDynamic Bond and AmBond which rose 1.26% and 0.93% respectively. The only loser was RHB Asian Total Return Fund which was down by 0.69%.

ACTION TAKEN

The portfolio's allocation to Asian bond is currently 21.31%, below the targeted 24.0% for the Conservative Portfolio, and we will utilise our month-end addition to top up Asian bonds. Our monthly addition of RM1,000 is as follows:

Monthly top-up:

1. RM1,000 into RHB Asian Total Return Fund