

Nov 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:	RM44,000.00	Absolute Return:	5.19%	Annualised	
Portfolio Value:	RM46,284.44	Oct 2010 Return:	-0.96%	Internal Rate of Return:	3.31%

CONSERVATIVE PORTFOLIO

Fund Name	Target Allocation (%)	NAV		% Change
		30/09/2010	29/10/2010	
AmBond	28%	1.1228	1.1298	0.62
AmDynamic Bond	28%	0.592	0.5987	1.13
RHB Asian Total Return Fund	24%	0.4321	0.4288	-0.76
Alliance Global Equities Fund	10%	0.5099	0.5319	4.31
Kenanga Growth Fund	10%	1.6537	1.7244	4.28

MARKET COMMENTARY

- Most of the markets under our coverage continued to turn in a positive performance in October though gaining at a moderate pace. There were only two markets with negative returns. Japan retreated by 1.8% while India retreated 0.2% (as of 31 October 2010 in local currency terms). China was the strongest performing market in October as the Shanghai A index and CSI 300 index gained 14.4% and 15.1% respectively while the other markets managed only modest gains ranging from 0.5% to 6.3%.
- Stronger-than-expected earnings helped extend the strong September rally. For example, as of 22 October 2010, 79.1% of companies in US have reported stronger-than-expected profit. Improving investor sentiments and anticipation of further quantitative easing by Federal Reserve led investors to buy riskier assets, helping to lift up equity prices in general.
- Despite the cooling measures taken by the Chinese government earlier this year, China recorded 9.6% y-o-y growth in 3Q 10, surprising the market on the upside. As a result, the China A-share market saw one of its best months this year as investors ignored the new cooling measures introduced. The Chinese central bank unexpectedly hiked the reserve requirement ratio (RRR) for six major Chinese banks on 11 October 2010, as well as increased the benchmark interest rate by 25 basis points with effect from 20 October 2010.
- The recent US\$10 billion 4.5-year Treasury Inflation-Protected Securities (TIPS) issued by the US government saw an overwhelming response as investors bid up the price of the TIPS to US\$105.50 per US\$100 face value, or at a yield of 5.5%, according to the US Treasury Department. With a coupon rate of 0.5% p.a, the adjusted principal should inflation remain flat, will result in a negative yield, an anomaly that indicates concerns over inflation (investors believe inflation is going to surge in the future).

PORTFOLIO COMMENTARY

The portfolio value declined 0.96%. All funds in the portfolio, except RHB Asian Total Return Fund were positive for the month. "Overweight" in Malaysia benefitted the portfolio performance, with Kenanga Growth Fund gained 4.28%. Equities remain attractive relative to bonds; therefore, we maintain "overweight" position in equities for portfolio. The exposure of Malaysia bond in the portfolio has declined below our target level, topping up the Malaysia bond exposure.

ACTION TAKEN

- Monthly top-up:
1. RM1,000 into AmBond