fundsupermart.com
INVEST GLOBALLY AND PROFITABLY

CONSERVATIVE PORTFOLIO

5 February 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:	RM36,000	**Absolute Return:**	11.9%	**Annualised Internal Rate of Return:**	6.2%
Portfolio Value:	RM38,371.44	**January '10 Return:**	-0.5%		

CONSERVATIVE PORTFOLIO

Fund Name	Target Allocation (%)	NAV		% Change
		31/12/2009	29/01/2010	
Affin Capital Fund	28%	0.5211	0.5232	0.4%
AmDynamic	28%	0.5732	0.5752	0.4%
RHB Asian Total Return Fund	24%	0.4358	0.4389	0.7%
OSK Smart Treasure	10%	0.6129	0.6042	-1.4%
OSK Global Equity Yield	10%	0.3451	0.3312	-4.0%

MARKET COMMENTARY

- Global equities corrected sharply in January which saw most equity markets closing the month in the red. The worst performers were the China and Hong Kong markets which saw a heavy sell down, declining 8.1% and 8.0% respectively. Indonesia was the only market covered by FSM in the green, returning 3.0%..
- The global correction was first triggered by China's unexpected hike in bank reserve requirements, raising the required reserve ratio by 50 basis points to 16.0% in an attempt to remove liquidity from the market so as to curb excessive bank lending.
- In US, president Obama proposed plans to reform the financial sector that left investors in a sea of uncertainty. He first proposed plans to implement a "Financial Crisis Responsibility Fee", which would be paid by the largest banks with assets larger than US$50 billion. The intention of the tax is to recover the anticipated cost of the TARP programme, currently estimated at US$117 billion.
- In addition to the proposed tax, the Obama administration announced a proposal which will see a clampdown on proprietary trading by commercial banks. The proposal aims to reduce excessive trading that is believed to result in excess market volatility. It also aims to limit the size of banks so as to prevent the creation of "too big to fail" institutions.
- Investors did not react well to these factors as we witnessed a flight to safety taking place in January. With the strong run last year and an end of year rally last December, this correction, as argued by the bears, is deemed overdue. Despite the sell down, there is a lack of substantial negative developments that suggest a return of the bears. Therefore we believe this correction to be temporary and the market will eventually pick up once again and continue its upward trend.

PORTFOLIO COMMENTARY

The above portfolio reflects the new allocation and changes being made. The previous portfolio was in the negative territory for the 2nd consecutive month at -0.5% in January 2010 from -0.7% in December 2009. The performance was mainly dragged down by Prudential Asia Pacific Equity, Alliance Global Equities Fund and OSK-UOB Global Equity Yield which declined by 5.2%, 4.8% and 4.0% respectively, in tandem with the correction in global equities. Nonetheless, Alliance Global Bond Fund and RHB Asian Total Return returned positive at +2.2% and +0.7% respectively.

ACTION TAKEN

The whole portfolio was revamped to take into account a more systematic manner of asset allocation so as to ensure that rewards for each profile would be more commensurate with the risks taken. For our portfolio, we switched our portfolio holdings into cash fund and subsequently switched to the current allocation. Consequently, sales charges are taken into account in this manner. We are adding in RM1,000 as our regular monthly investment into the pool of funds to form the new portfolio.