

INK™

Investment News and Knowledge Newsletter



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Printed by
 Colours Pte Ltd
 L024/07/2008

NTUC Income's Investment Desk



In the last issue of INK, we presented a summary of the market situation as at end December 2008. We have also provided an interesting topic on “Funds Rating Systems” to help you appreciate the methodology behind the two most widely used funds rating systems, ‘Morningstar’ and ‘Lipper Leader’ rating system. We hope this information has been useful to you, especially when it comes to choosing a fund.

Predictions concerning the world’s equities markets are flying fast and furious. Opinions range from very bearish outlooks to strong convictions that the year could end on a positive note. Earnings deterioration and credit market losses could exert downward pressures on equities, while economic stimulus policies and government intervention may contribute to an eventual market recovery.

In this issue of INK, we will present a market overview and our investment outlook for the coming months. In addition, we are pleased to provide a special feature to highlight NTUC Income’s ‘Lipper Leader’ funds to give you a better understanding of the strategies employed as well as the investment opportunities within these funds. You will also find out more about our latest “Pick a Treat” promotion featuring our popular protection and savings plans, an update on our funds’ performances and useful investment tips on the recession and what it means to investors.

Should you have any comments or suggestions on the editorial line-up, do drop us an email at mk@income.com.sg.

We look forward to your continued support.

Liong Tong Kap
 SVP & Chief Investment Officer



Market Overview

(as of end March 2009)



In the fourth quarter of 2008, global economic activity contracted at an annualised rate of -6.6%, led by sharp declines in Japan, Germany and the U.S.. Unemployment in the U.S. reached 7.6% and a revised Gross Domestic Product (GDP) report showed that the economy had contracted by a 6.2% in the fourth quarter.

Over in Europe, the German economy shrank by 2.1% in the fourth quarter and business confidence hit an all-time low. The Japan and Hong Kong economy also felt the effects of the global slowdown, shrinking 3.3% and 2.5% respectively in the fourth quarter. Similarly, GDP fell at an annualised rate of 16.4% in Singapore, while exports shrank in February for the tenth consecutive month. Chinese exports and manufacturing also declined, though new loans surged to record highs as the government urged banks to support its massive stimulus measures.

Equity markets around the world registered another month of sharp negative returns in February, with the MSCI World Index ending 9% lower in SGD terms. The defensive telecom sector, while negative, held up best. Deepening problems in the financials sector, disappointment regarding the U.S. fiscal stimulus package and more downbeat economic data undermined investor confidence. U.S. and Europe Governments again stepped in to boost the confidence of the financial institutions with cash injections.

Towards the end of March, more details of the U.S. Public-Private Investment Program - which is the equivalent of a 'bad bank' and a vehicle to remove the toxic assets which are clogging up the balance sheets of banks - were released. Equity markets were more receptive in this instance and the indices

rose sharply. Majority of the regional and country market indices have reversed their sharp fall and ended in positive territory for the first quarter of 2009.

Investment Outlook

Trends in global production and trade suggest that another large decline in global GDP is in store for the first two quarters of 2009. The U.S. forecast calls for a mild improvement in the second half, with the economy growing by 3.5% in the third quarter and 3.0% in the fourth quarter. The European forecast features a return to growth in the final quarter of the year. The near simultaneous collapse in demand in almost all major trading partners in the wake of Lehman's bankruptcy pushed most European economies into deep recession.

The forecast for Japan envisions a return to positive growth in the third quarter mirroring the U.S., while China's growth picks up despite the collapse in export, as there are tentative signs that Beijing's supportive macro policies are helping to stabilise domestic demand.

As 2009 begins and predictions for the performance of the world's equities markets fly fast and furious, opinions fall in a very broad spectrum of potential outcomes. While the bearish case is very bearish indeed, there are those who believe 2009 could end on a very positive note. There are credible points in each camp, but this year may well be an instance where the first half proves the doubters prescient and wise while the second half proves the bullish case just as brilliantly conceived. Only time will tell.

In the mean time, earnings deterioration in a recessionary environment and credit market losses could lead to additional headwinds facing global equity markets in 2009, while economic stimulus policies and financial market interventions by governments around the world may contribute to an eventual market recovery.

Market	Indices	1-year (ended 31 Mar 09)	3-month (ended 31 Mar 09)	1-month (ended 31 Mar 09)
Asia ex Japan Equities	MXASJ (MSCI Asia ex Japan Index)	-39.9%	6.2%	12.0%
Asia Pacific ex Japan Equities	MXAPJ (MSCI Asia Pac ex Japan Index)	-40.4%	5.2%	12.9%
Emerging Market Equities	MXEF (MSCI Emerging Market Index)	-43.1%	6.5%	12.5%
Technology	NDX (NASDAQ 100 Stock Index)	-23.4%	8.2%	9.1%
World Bonds	WGBI (Citigroup World Government Bond Index)	6.2%	0.9%	1.0%
World Equities	MXWD (MSCI World Index)	-38.8%	-5.9%	6.3%
China	SHCOMP (Shanghai Stock Exchange Composite Index)	-22.6%	38.0%	12.3%
Europe	SX5P (Dow Jones STOXX 50 Index)	-44.4%	-12.4%	5.1%
Hong Kong	HSI (Hang Seng Stock Index)	-34.2%	0.0%	4.5%
India	SENSEX (Bombay Stock Exchange Index)	-45.9%	2.3%	8.4%
Japan	NKY (Nikkei Composite Index)	-28.2%	-11.9%	4.1%
Malaysia	KLCI (Kuala Lumpur Stock Exchange Composite Index)	-32.4%	0.1%	-1.9%
Singapore	FSSTI (FT Singapore Straits Times Index)	-43.5%	-3.5%	6.6%
South Korea	KOSPI (Korea Stock Index)	-43.4%	7.6%	25.4%
Taiwan	TWSE (Taiwan Stock Exchange Index)	-39.9%	16.4%	16.0%
Thailand	SET (Stock Exchange of Thailand Index)	-48.4%	-0.6%	0.4%
U.S.	SPX (Standard & Poor 500 Index)	-33.5%	-6.4%	6.9%

Source: Bloomberg. All returns in SGD terms with no dividend reinvested. Information is correct as of 31 March 2009.



Key Highlight

PICK A TREAT



How to get your treats*?

1st \$200 monthly premium
\$80 voucher

Every subsequent \$100 monthly premium
Additional \$50 voucher

The best time to give yourself a treat is now.

Hurry, promotion ends 30 June 2009!

Protect your financial security and enjoy insurance coverage at the same time with our popular protection and savings plans.

reosave

- 5% annual cash back and attractive returns
- Flexibility to re-invest your cash with us to enjoy potentially higher returns
- Coverage for death and total and permanent disability

vivolife

- Freedom to choose your premium payment terms
- Premium waiver benefit upon retrenchment
- Annuity option with additional 5% cash value in your retirement
- Coverage for dread diseases, death and total and permanent disability

i-Term[†]

- Affordable premium rate with insurance coverage
- Guaranteed renewal which covers you up to age 84[^]
- Discounts of up to 15%[#] for high coverage amounts and those in good health

Act Now

Simply sign up for any of the above plans and choose your favourite shopping vouchers from Takashimaya, Best Denki or NTUC FairPrice*.

For more details, please speak to any of our insurance advisers, call **62 INCOME (6246 2663)** or visit **www.income.com.sg** today!

[†] This policy does not have any cash value.

[^] Applicable for sum assured of \$750,000 and above. For sum assured below \$750,000, guaranteed renewal will be up to age 79.

[#] Amount of discount depends on the coverage amount and/or health condition of the insured. The definition of good health will be determined by NTUC Income. The insured has to meet certain minimum health standards during the underwriting process before discounts are given. All decisions by NTUC Income are final.

* Terms and conditions apply.



Funds in the News

Unit prices as of 31 March 2009

Core Funds	Offer Price	Bid Price	Fund Size	Launch Date	CPF Rating	3-year Performance Ending Mar 09 (p.a.)
Global Equity	1.346	1.300	\$194.345mil	01/04/1998	4A	-17.8%
Singapore Bond	1.422	1.374	\$196.729mil	01/03/2000	2A**	5.2%
Singapore Equity	1.492	1.442	\$100.646mil	02/01/2003	4B	-9.5%
Global Bond	1.154	1.115	\$118.925mil	02/01/2003	2A**	0.7%
Mixed Assets & Combined Funds						
Combined Fund (Growth)	1.207	1.166	\$203.679mil	02/01/2003	3A	-9.6%
Combined Fund (Balanced)	1.228	1.186	\$177.466mil	02/01/2003	3A**	-6.0%
Combined Fund (Conservative)	1.217	1.176	\$13.851mil	02/01/2003	3A**	-2.8%
Prime	4.452	4.301	\$157.360mil	02/08/1973	3B**	-1.4%
Trust	1.628	1.573	\$70.878mil	01/05/1994	3B**	-2.0%
Enhanced	1.181	1.141	\$67.850mil	01/09/1995	3B**	-2.6%
Specialised Funds						
Takaful	0.454	0.439	\$19.154mil	01/09/1995	4A	-9.7%
Technology	0.156	0.151	\$51.477mil	01/10/2000	4B	-17.3%
Money Market Fund ^{††}	1.096	1.096	\$52.807mil	01/05/2006	N.A.	N.A.

Notes

1. NTUC Income has streamlined its reporting requirements for our investment-linked policy (ILP) funds to bring greater value to Income's stakeholders. The figures shown will reflect the fund size of the investment-linked portfolios held by policyholders only, without investments held by NTUC Income. There is no change in the actual fund size of the investment-linked portfolios held by NTUC Income's policyholders.

2. The Europe Equity, Japan Equity, Amanah Equity and Amanah Bond Funds are closed with effect from 1 March 2009.

1A Lower risk, Broadly Diversified

2A Low to medium risk, Broadly Diversified

3A Medium to high risk, Broadly Diversified

4A Higher risk, Broadly Diversified

1B Lower risk, Narrowly Focused

2B Low to medium risk, Narrowly Focused

3B Medium to high risk, Narrowly Focused

4B Higher risk, Narrowly Focused

** These funds are available for investment using the CPF Special Account. All funds (except Japan, Money Market Fund and Amanah Bond) are available for investment under the CPF Ordinary Account.

^{††} Only available for Cash and SRS investment.



Investment 101

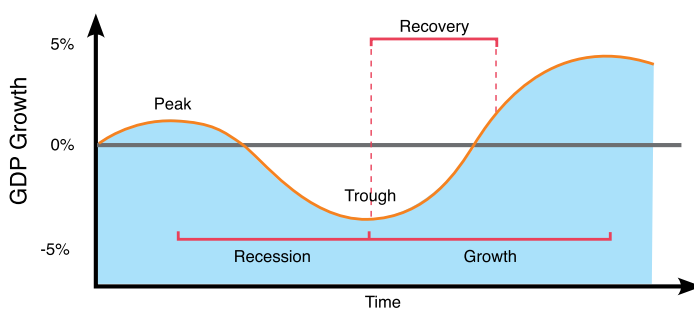
Recession: Understanding and Surviving It

Falling property prices, job losses and shrinking economic output - do they sound familiar to you? These are indications of the strength of the economy and the telltale signs of a recession.

By taking a closer look at the business cycle, we can have a better understanding of the current state of the economy. Broadly, we can segregate the business cycle into four periods of activity over a period of several years.

Peak	Generally, a peak marks the end of a period of growth and start of a recession. At the peak of the business cycle, business activity reaches a temporary maximum where the economy is at or near full employment, income levels are rising and Gross Domestic Product (GDP) is at its upper limit. The environment is rosy for businesses and investors alike, despite rising prices due to inflation – another classic sign of a peak.
Recession	In a recession, there is a general slowdown of economic activity over a sustained period of time or what we call a business cycle contraction. The clear signs of a recession are the decline in income levels and increase in unemployment rates occurring after a period of growth and prosperity. Prices of goods, however, are unlikely to fall unless the recession is prolonged or severe. Such factors will cause the economy to move into negative growth territory.
Trough	Also referred to as a phase of depression, GDP output and employment rate during this period of the economy will bottom out and remain so until the next phase of the business cycle arrives.
Growth	The growth phase of the business cycle sees an increase in the level of economic activity with corresponding increase in GDP output, production, income levels and employment rates. The economy undergoes a period of expansion and witnesses a more positive economic climate.

Phases of the Business Cycle



In this diagram, there is no movement during the Peak and Trough phases as these are representations of the maximum and minimum levels of economic strength, respectively. As an investor, you would be most interested in the Recession and Growth phases as they point us to where the economy is heading. In reality, the business cycles do not always go through the phases sequentially. In a double-dip recession, for example, the economy goes through two cycles of recession with a short recovery in between but without a peak.

What should an investor do during a recession?

Having an understanding of the business cycle will only benefit you if you can utilise the knowledge to improve your portfolio returns. Here are four tips to help you along:

Short Selling: There is still money to be made in a bear market. The more experienced investors would attempt to profit from the falling prices of stocks, which they believe are overvalued, by selling short. This technique can be risky as it involves precise market timing and goes contrary to the overall direction of the market.

Value Investing: Taking advantage of low prices to scoop up bargain stocks in anticipation of better times returning to the economy is essentially what value investing is about. Using this technique, investors who see the potential in high quality companies that are selling for cheap will systematically buy into such companies.

Dollar-cost Averaging: Investors who adopt a disciplined approach in investing in the market will commit to invest the same amount of money each period over a longer investment horizon. Any short-term dip will therefore be barely a blip for such an investor. Importantly, the dollar-cost averaging strategy helps to remove the emotional factor from your investment strategy, allowing you to focus on your long-term investment goals and avoid the pitfalls of buying high and selling low in the market.

Diversification: If you do not have the luxury of a long-term investment horizon, diversification is a useful strategy you can consider. By investing in various asset classes such as bonds, real estate or the money markets, you will not find yourself at the mercy of the stock market.

The key to successful investing is to have a good grasp of the market conditions, understand your needs and goals and select a style that works for you. Recession is just a normal phase of a business cycle. Do not fear a recession but make it work for you!

Article contributed by the editorial team.

IMPORTANT NOTES

This material is not to be construed as an offer or solicitation for the subscription, purchase or sale of any investment-linked policy (ILP) fund. The information and descriptions contained in this material are provided solely for general informational purposes and do not constitute any financial advice. It does not have a regard to the specific investment objectives, financial situation and particular needs of any persons.

Investments are subject to investment risks including the possible loss of the principal amount invested. Past performance, as well as the prediction, projection or forecast on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of the ILP fund. The performance of the ILP fund is not guaranteed and the value of the units in the ILP fund and the income accruing to the units, if any, may fall or rise. A product summary relating to the ILP fund is available. A potential investor should read the product summary before deciding whether to subscribe for units in the ILP fund.

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Information is correct as of 20 April 2009