

INKTM Special Lipper Rated Funds

Investment News and Knowledge Newsletter

Special Issue April 2009 / MICA (P) 289/03/2009

The Lipper Leader Rating System helps to guide investors and their advisers in selecting funds that suit individual investment styles and goals. The Lipper Ratings are derived from highly sophisticated formulas that analyse funds against clearly defined criteria. The funds are then rated against its peers in each criteria category, and only those that truly stand out are awarded Lipper Leader (LL) status.

Under this rating system, half of Income's Investment-linked Plans were rated Lipper Leader in the respective "Total Return", "Consistent Return" and "Preservation" metric as of end of the third quarter of 2008. These funds include Income Global Bond, Income Singapore Bond and Income Trust, which are featured in this special issue of INK.

FUNDS	INCOME GLOBAL BOND	INCOME SINGAPORE BOND	INCOME TRUST
LIPPER SCORE	LIPPER LEADER IN ALL METRICS (Third Quarter 2008)	LIPPER LEADER IN ALL METRICS (Third and Fourth Quarter 2008)	LIPPER LEADER IN "CONSISTENT RETURN" METRIC (Third and Fourth Quarter 2008)
Investment Objective	The objective of this fund is to provide a medium to long term fixed rate of return by investing mainly in global bonds.	The objective of this fund is to provide a medium to long term fixed rate of return through investing mainly in bank deposits, corporate bonds rated at least "A" by Standard and Poor's or secured on collaterals such as properties and receivables. The expected average duration of the fund is at least 4 years.	To achieve long-term capital appreciation by investing in stocks and fixed income securities in Singapore. The strategy is to be value oriented.
Investment Scope	The fund will invest mainly in global government and corporate bonds, mortgage-backed securities and asset backed securities. The portfolio will have an average "A" rating by Standard & Poor's. (in Singapore dollars)	This fund invests mainly in bank deposits, corporate bonds rated at least "A" by Standard and Poor's or secured collaterals such as properties and receivables. The fund may invest up to 30% in high quality unsecured or unrated bonds. (in Singapore dollars)	The fund is fully invested in Singapore stocks (60%) and bonds (40%). (in Singapore dollars)
Fund Manager	Pacific Investment Management Company, LLC (PIMCO) was founded in 1971. Funds under management totalled US\$829 billion. Headquartered in Newport Beach, California, it is an institutional money manager specialising in fixed income management. PIMCO's global investment process includes both top-down and bottom-up decision-making, holding a long-term view to guard against periodic bouts of euphoria and depression that often characterise financial markets. PIMCO has expertise and resources committed to virtually every sector of the global bond market. It has a network of offices in New York, Singapore, Tokyo, London, Sydney and Munich.	Incorporated in 1970, NTUC Income is one of the largest insurance companies in Singapore. In its 38 years of operation, NTUC Income has matured into a leading insurer with assets of more than \$20 billion. Today, it is the first and only domestic insurer in Asia to be rated "AA" by Standard and Poor's (S&P). Its highly qualified team manages its funds with a long-term value approach. With a strong commitment to serve its social purpose, NTUC Income also seeks to achieve the best value for its policyholders. It is also the manager of Singapore's longest running investment-linked fund – the Prime Fund, since 1973.	

Find out what our Fund Managers from PIMCO and NTUC Income, says about the strategies employed, the reasons for choosing these funds and the outlook for the coming months and in the long run.

1. Why do you think investors will be attracted to these funds in such a difficult time for the economy?

Income Global Bond: Traditionally, bonds offer investors fixed-income payments, portfolio diversification and a hedge against an economic slowdown. Given the current market turmoil, bonds have benefited from these "defensive" characteristics.

Protection Against Economic Slowdown - Most bonds pay a fixed income and can help protect investors against an economic slowdown for several reasons. When the prices of goods and services are rising (i.e. "inflation"), a bond's fixed income becomes less attractive because that income buys fewer goods and services. On the other hand, an economic slowdown is also typically bad for corporate profits and stock returns, adding to the attractiveness of bond income as a source of return.

Interest Payment - Most bonds provide the investor with "fixed" income, where the bond issuer sends the bondholder an interest payment on a set schedule (e.g. quarterly, annually).

Diversification - Diversification means not "putting all of your eggs in one basket." Investors have long turned to the bond market because the performance of stocks and bonds is often non-correlated. Historically, market factors that are likely to have a negative impact on the performance of stocks have little to no impact on bonds and in some cases can actually improve bond performance.

Income Singapore Bond: It aims to provide returns that are higher than fixed deposit rates over the medium to long term through investing in a diversified portfolio of good quality Singapore dollar fixed income securities. Being a bond fund, it provides diversification benefits to investors who invest only in equities.

Income Trust: These balanced funds will allow investors to participate on the upside as they have the equity component to them. At the same time, the downside compared to a pure equity fund is lower. A "moderate-to-high risk appetite" investor is suitable to subscribe for these funds.

2. What kind of investor would benefit most from these funds?

Income Global Bond: Bonds offer a wide range of choices for investors seeking price protection. The unique characteristics of the many bond issuers in today's market create opportunities for investors with a broad spectrum of risk or return objectives. The Global Bond Fund offers a high quality core allocation to the broad sectors of this asset class including government bonds, investment grade corporate bonds and securitised bonds (mortgage-backed securities and asset-backed securities). As such, this type of fund can serve as a core allocation in any investor's portfolio.

Income Singapore Bond: Investors who are looking for investments that are less volatile than equities may consider this fund.

Income Trust: Investors who wish to participate in the growth story of Asia should participate in this fund. Asia has a better growth profile compared to other parts of the world.

3. How volatile are Asian, Singapore and global equity fixed income markets at this point? Do you anticipate any stabilisation over the next two quarters? What do you foresee in the year 2009 for each of these funds?

Income Global Bond: While the global fixed income markets have experienced high volatility over the last year compared to historical levels, relative to other asset classes (e.g. equities), this volatility has been generally contained and manageable for investors. Our belief is that the groundwork is being laid to restore stability in the markets, but that this will take time and may or may not occur in the next two quarters. As previously mentioned, the bond market tends to be a good place for investors seeking price protection in difficult environments.

PIMCO expects pressures of global deleveraging to drive developed economies into one of the most severe recessions since World War II in 2009. Conditions should improve by 2010 as policy responses in the U.S. and elsewhere gain traction. Recovery of risk appetites in financial markets will be a leading indicator for recovery. A global depression, while possible, is a low probability outcome that policymakers will exhaust all realistic options to avoid.

Income Singapore Bond: Singapore's Gross Domestic Product (GDP) was revised downwards to -4.2% Year-on-Year (YOY) in the fourth quarter of 2008, bringing the full year 2008 growth to just 1.1% YOY compared to 7.8% in 2007. While manufacturing continued to be the major drag, the service sector was revised down significantly to -1.3% YOY in the fourth quarter of 2008, led by wholesale and retail trade as well as financial services.

Economists are likely to downgrade their 2009 growth forecasts given the sharper than expected deterioration in economic conditions globally. Meanwhile, Consumer Price Index (CPI) slowed from 4.3% in December 2008 to 2.9% in January 2009. Inflation is expected to slow further on the back of slowing demand and lower commodity and energy costs. Against this backdrop, the market continues to expect the Monetary Authority of Singapore to ease policy further in the upcoming semi-annual monetary policy meeting in April, most likely through a downward re-centering of the Nominal Effective Exchange Rate (S\$NEER) policy band.

Income Trust: The Asian and Singapore equity markets will continue to experience high volatility, as the economy will worsen in the near term. However, I am hopeful that stabilisation may happen in the next two to three quarters as the fiscal stimulus packages instituted by most Asian governments will have positive effects on the Asian economies. 2009 will be a year where we would see the developed and developing countries of the world coming together to debate and come up with regulatory frameworks for market participants. I believe this will help to stabilise investor confidence and form a base for Asian equity markets.

4. What is the long-term outlook for Singapore and Asia as well as globally relative to each fund?

Income Global Bond: PIMCO believes that the global economic system will not revert to its pre-crisis state, and what used to be parameters have now become variables. We expect to see the following:

- A multi-year shift in the balance between private and public ownership and control of market sensitive sectors.
- Consolidation of the sell side (e.g. investment banks) through mergers and acquisitions.
- Reduction of leverage will also affect the buy side (e.g. fund managers).
- People to shift from an age of entitlement, when they consumed on the basis of future income, to an age of thrift, when they not only worry about income but also about wealth destruction.

As a fund manager, we need to navigate the cyclical dislocation as well as the fundamental secular realignment. Not only should we think about opportunities to benefit the journey, but also how to position portfolios for the secular destination, e.g. a new global economy.

Income Singapore Bond: The Singapore government bond market is expected to remain well-supported and benefit from investors' continued low risk appetite for risk assets. The short-term interest rates are likely to remain at current low levels. The supply concern from increased government spending should be much more muted compared to a number of other Asian markets on the back of Singapore's large fiscal surplus. The current wide credit spreads offered by selected high quality corporate bonds provide attractive yield enhancement over the long term.

Income Trust: From a long-term perspective (more than one year), we believe that the Asian and Singapore markets should perform relatively better than the European and U.S. markets. The reason being, Asian markets do not have the huge excesses and bubbles to grapple with during this global financial crisis. Furthermore, with the market decline from negative financial and trade flows, valuations of these markets are at attractive levels.

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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You should seek advice from a qualified adviser if in doubt. If you choose not to, you will have to take sole responsibility to ensure that this product is appropriate to your financial needs and insurance objectives. Buying a life insurance policy is a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

Information is correct as of 20 April 2009

Source: NTUC Income website dated 30 March 2009

<http://www.investmentview.com/resources/pdf/Lipper%20Leaders%20Methodology.pdf>

Third Quarter 2008 Performance & Risk - Monitoring Report at http://www.imas.org.sg/downloads/imas/CPF%20Quarterly%20Report%20Q3%202008_16Feb2009.pdf

Fourth Quarter 2008 Performance & Risk - Monitoring Report at http://www.imas.org.sg/downloads/imas/CPF%20Quarterly%20Report%20Q4%202008_16Feb2009.pdf

