

The Financial, Investment and Capital Market Environment in Singapore

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20 September 2010

Agenda

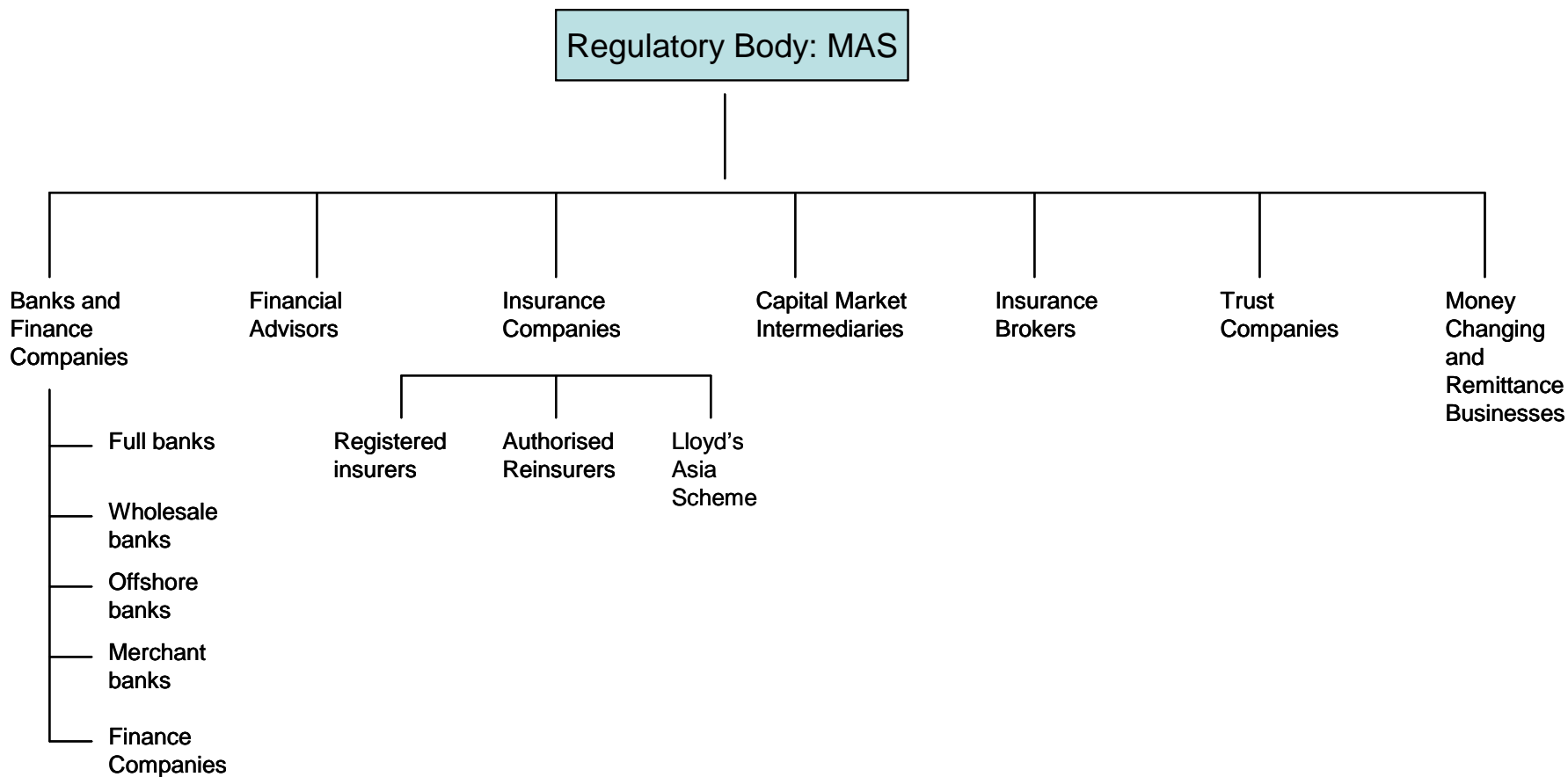
1. An Overview of the Structure of Financial and Investment Markets in Singapore
2. Role of Regulators and Government-Controlled Investment Funds and Vehicles
3. Scope and Overview of Investment Options
4. Relevant Policies in the Capital Markets
5. Key Institutional and Private Investors
6. Large Listed Companies in the Region
7. Recent Performance of Financial Markets
8. Challenges for the Financial Markets

Overview

- Well established and diversified financial sector offering a broad range of financial services
- Deep and liquid equity capital markets
- Singapore Exchange (SGX) – more than 200 global companies
- Largest Real Estate Investment Trust market in Asia ex-Japan
- Extensive range of both Singapore government securities and foreign corporate bonds
- One of the top 5 most active foreign exchange trading centres in the world
- 2nd largest over-the-counter derivatives trading centre in Asia
- Leading commodities derivatives trading hub
- Total assets under management of around S\$1 trillion
- Premier asset management location in Asia

Overview

Types of Institutions



Role of Regulators and Government-controlled Investment Funds and Vehicles

Market Regulators

- Monetary Authority of Singapore (MAS)
 - To act as the Central Bank of Singapore
 - To conduct integrated supervision of financial services and stability surveillance
 - To manage the official foreign reserves of Singapore
 - To develop Singapore as an international financial centre
- Singapore Exchange Limited
 - Issuer regulation
 - Member supervision
 - Market surveillance
 - Risk management

Role of Regulators and Government-controlled Investment Funds and Vehicles

- The Central Provident Fund (CPF)
 - Social security savings scheme jointly supported by employees, employers and the Government
 - The CPF Investment Scheme (CPFIS) provides the opportunity to invest CPF savings in a wide range of investments
 - Such investments include loan stocks, unit trusts, government bonds, bank deposits, endowment or investment-linked insurance policies (ILPs), ETFs and gold.
 - CPFIS-eligible investments sees demand from a wider pool of investors

Role of Regulators and Government-controlled Investment Funds and Vehicles

- Government of Singapore Investment Corporation (GIC)
 - “Over US\$100bn” in Assets under management (AuM), probably about US\$300bn
 - Manages fiscal reserves, and reinvested earnings
 - Invests in a wide portfolio of publicly traded products
 - Ranked in top 10 global real estate investment firms by AuM
 - One of the leading global private equity investors in the world
 - Is believed to manage the investment of funds on behalf of the CPF
- Temasek Holdings
 - Active major shareholder of most companies operating in Singapore
 - Portfolio of S\$186bn (US\$135bn) focused in Singapore (32%) and rest of Asia (46%), operating as a private-equity-type investor in overseas holdings
 - Corporate credit rating of AAA/Aaa
 - Issued 5 benchmark bonds ranging from 10 - 30 years, which extended the corporate yield curve and provided a high-quality pricing reference for other corporate debt issues.

Scope and Overview of Investment Options

Equities

- Equities market:
 - Total market capitalisation of S\$745bn at end-July 2010
 - Equities and equity options
 - REITs
 - Investment Funds/ Exchange Traded Funds
 - Global Depository Receipts
 - Business Trusts

Month-end Market Capitalisation (\$million)

	FY2010 Q3	FY 2010 Q4	Jun 2010	Jul 2010	Aug 2010	Aug 2009	YoY %
SGX Mainboard	675,969	696,808	696,808	738,044	734,143	592,556	24%
• Singapore Companies	430,529	424,895	424,895	445,722	434,762	376,333	16%
• Overseas Companies (excluding China) ⁽¹⁾⁽²⁾	212,448	238,856	238,856	257,313	264,867	184,121	44%
• China Companies ⁽²⁾	32,992	33,057	33,057	35,009	34,515	32,102	8%
SGX Catalist	5,847	5,481	5,481	5,727	5,719	5,627	2%
• Singapore Companies	4,029	3,552	3,552	3,735	3,737	4,270	-12%
• Overseas Companies (excluding China)	1,389	1,519	1,519	1,603	1,596	1,086	47%
• China Companies	429	410	410	388	385	271	42%
Total Market Capitalisation ⁽¹⁾⁽³⁾	681,816	702,288	702,288	743,771	739,861	598,183	24%

Source : Singapore Exchange

Number of Listings (month-end)

	FY2010 Q3	FY 2010 Q4	Jun 2010	Jul 2010	Aug 2010	Aug 2009
SGX Mainboard	631	632	632	632	634	625
• IPOs	7	3	3	1	1	3
• Delistings	5	1	1	2	0	3
SGX Catalist	132	131	131	135	131	131
• IPOs	0	1	1	4	0	2
• Delistings	1	1	1	0	4	1
Total Number of Listed Securities ^(a)	763	763	763	767	765	756
CLOB International	4	4	4	4	4	4
RTOs into existing vehicles	0	1	1	0	1	0

	FY2010 Q3	FY 2010 Q4	Jun 2010	Jul 2010	Aug 2010	Aug 2009
Singapore Companies	461	459	459	462	460	455
Overseas Companies (excluding China) ^(a)	149	152	152	152	152	151
China Companies ^(a)	153	152	152	153	153	150
Total Number of Listed Securities ^(a)	763	763	763	767	765	756

^(a) Exclude GDRs, Hedge Funds, Inactive Secondary Listings and Debt Securities.

	FY2010 Q3	FY 2010 Q4	Jun 2010	Jul 2010	Aug 2010	Aug 2009
Exchange Traded Funds	57	72	72	72	72	39
Company Warrants	82	80	80	81	83	72
Bonds/Notes	1,198	1,229	1,229	1,213	1,239	1,122

HEADLINES OF NEW PRODUCTS LAUNCHED/PLANNED TO BE LAUNCHED BY SGX

Feb-10	Singapore Exchange (SGX) will start trading its new Fuel Oil 380-centistoke futures contract (FO 380 Contract) on Monday, 22 February 2010.
Mar-10	SGX said it expects to offer options on the S&P CNX Nifty Index (Nifty) and related products in the coming year.
Mar-10	Singapore Commodity Exchange (SICOM), a subsidiary of SGX, will commence trading its new Gold Deferred Settlement Contract ("SICOM Gold")
Mar-10	SICOM announces the launch of its Robusta Coffee Futures Contract (SICOM Coffee)
Jun-10	Singapore Press Holdings (SPH), SGX and FTSE Group (FTSE) announced the launch of new Supersector and Sector indices to complement the family of FTSE Straits Times (ST) Indices which includes the Straits Times Index (STI).
Jun-10	SGX has successfully launched Asia's first dividend futures contract, the Nikkei Dividend Point Index Futures contract.
Jul-10	SGX will be clearing four new over-the-counter (OTC) Container Swap contracts starting from Monday, 2 August 2010.
Jul-10	SGX and Eurex, Europe's largest derivatives exchange, announced that they are partnering to launch the SGX EURO STOXX 50 Index futures and options on futures for the first time in Asia.
Jul-10	SGX and the London Metal Exchange (LME) today said they are jointly developing cash-settled mini monthly metals futures contracts to be traded and cleared through SGX.
Aug-10	SGX launched initiatives to enhance listing, trading and distribution of fixed income products. Target 1Q11 to see on-exchange secondary market for individuals and institutions to trade Singapore Government Securities (SGS)
Sep-10	American Depository Receipts (ADRs) of 19 major Asian companies will be quoted on SGX new GlobalQuote board from 22 October 2010

Source : Singapore Exchange

Fixed Income - Market Developments

- 1998** MAS implemented a series of measures
- Extend SGS yield curve (currently up to 20years)
 - Increase number of primary dealers
 - Increase issuance volume
 - Commercial brokers are allowed to offer services in the inter-bank market
 - Statutory Boards are encouraged to issue bonds
 - Allow foreign entities to issue SGD bonds
- 1999** Approved Bond Intermediaries (ABI) scheme was introduced
- provided tax incentives to non-residents on qualifying debt securities (QDS)
 - financial institutions earn fees by arranging QDS issues
- 2000** Allowed banks in Singapore to extend SGD credit facilities to non-residents
- for SGD equities, bonds and commercial property
- 2002** Further liberalisation of SGD non-internationalisation policy
- 2 restrictions were maintained:
- Lending for the purpose of speculating on SGD
 - Requirement to swap SGD funds raised to foreign currency if these proceeds are to be used offshore

Fixed Income - Market Developments

2004 ABI scheme and 7 other tax incentives were merged under the Financial Sector Incentive Scheme (FSI)

- All debt securities lead-managed by FSI-BM are treated as QDS
- All SGD funds raised by overseas companies are no longer required to convert to foreign currencies with the exception of foreign financial institutions

Expanded the range of securities beyond SGS for banks as part of their Minimum Liquid Asset (MLA) requirement

- Bonds issued by Singapore Statutory Boards
- Minimum BBB credit rating assets can be considered

2009 Expanded the range of collateral used in its standing facility

- SGD sovereigns, supnationals and sovereign-guaranteed companies
- AAA rated corporate debt securities or sukuks. Banks can now treat these as liquid Tier 2 assets, with zero risk weighting

Fixed Income

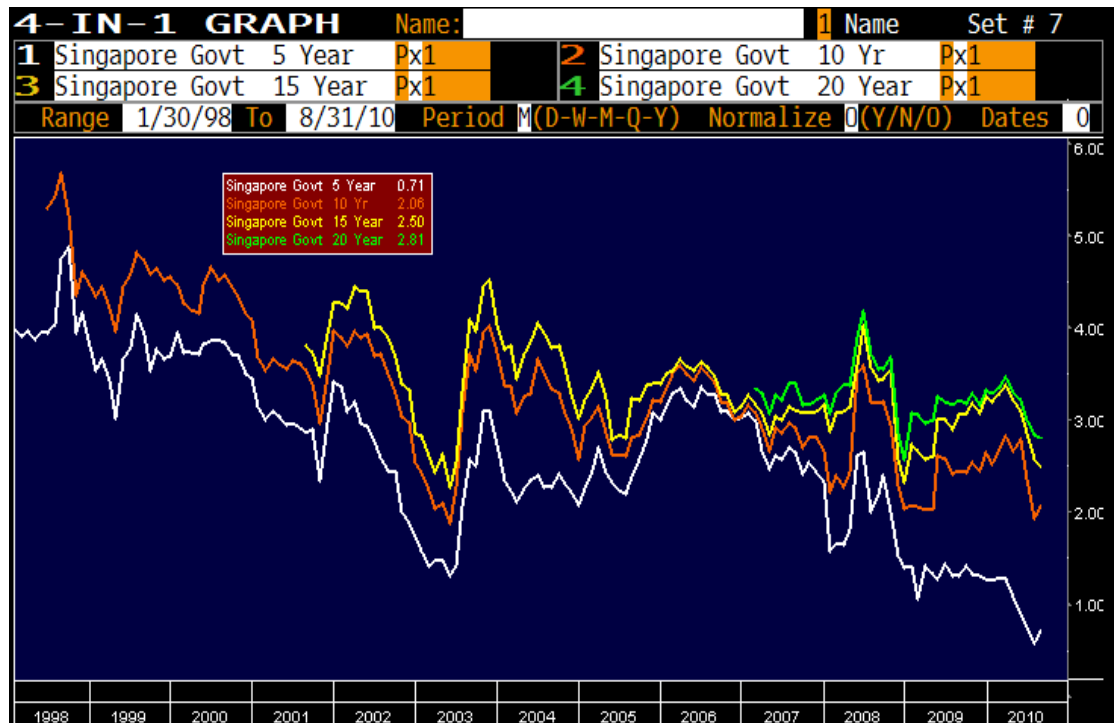
Government Bond market:

- A liquid risk-free (SGS) curve which currently extends to 20 years.
- Trading liquidity picked up markedly.

SGS Average Daily Turnover Volume (\$mil)

Period	Outright Purchases and Sales		Total Market	Repo Transactions
	All T-Bills	All Bonds		
2000 Dec	200	616	816	543
2001 Dec	288	1635	1923	1799
2002 Dec	185	1782	1967	2508
2003 Dec	161	2457	2618	2456
2004 Dec	263	1427	1690	2169
2005 Dec	270	1399	1669	2317
2006 Dec	294	1399	1693	3133
2007 Dec	457	1748	2205	2704
2008 Dec	645	2589	3234	2066
2009 Dec	957	1378	2335	1720

Source : MAS

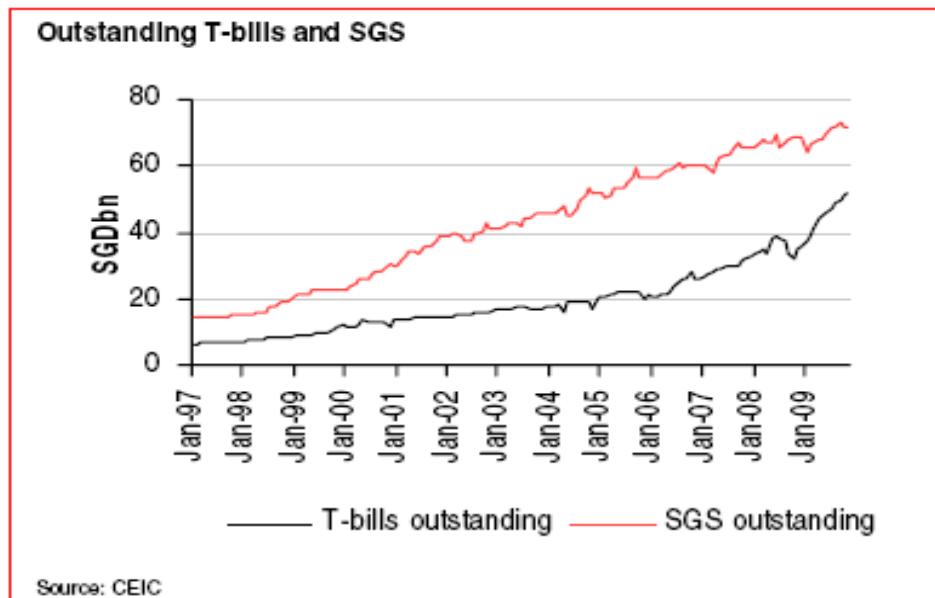


Source : Bloomberg

Fixed Income

Government Bond market:

- Total outstanding bonds and T-bills of S\$125.2bn (US\$91bn) in July 2010

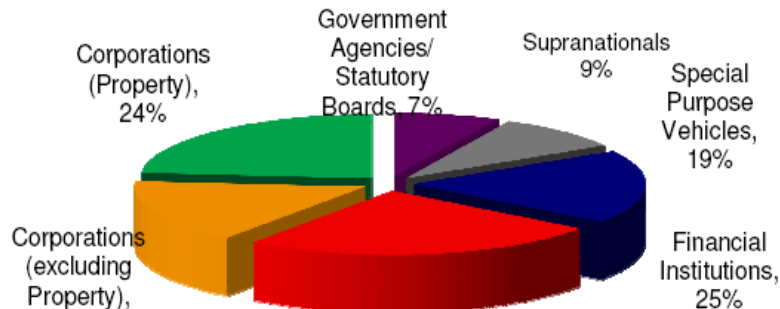


Fixed Income

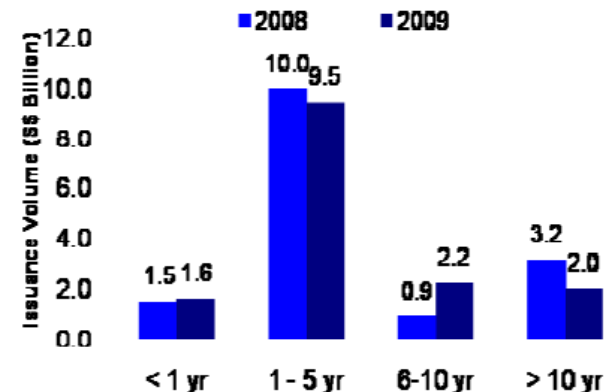
The Corporate Debt Market:

- A broader range of credits, including supranationals, agencies, statutory boards, foreign issuers and local corporates. Variety of issuers have expanded to include REITs, and special purpose vehicles (SPVs).

SGD Denominated Debt Issuer Profile (Based on Issuance)



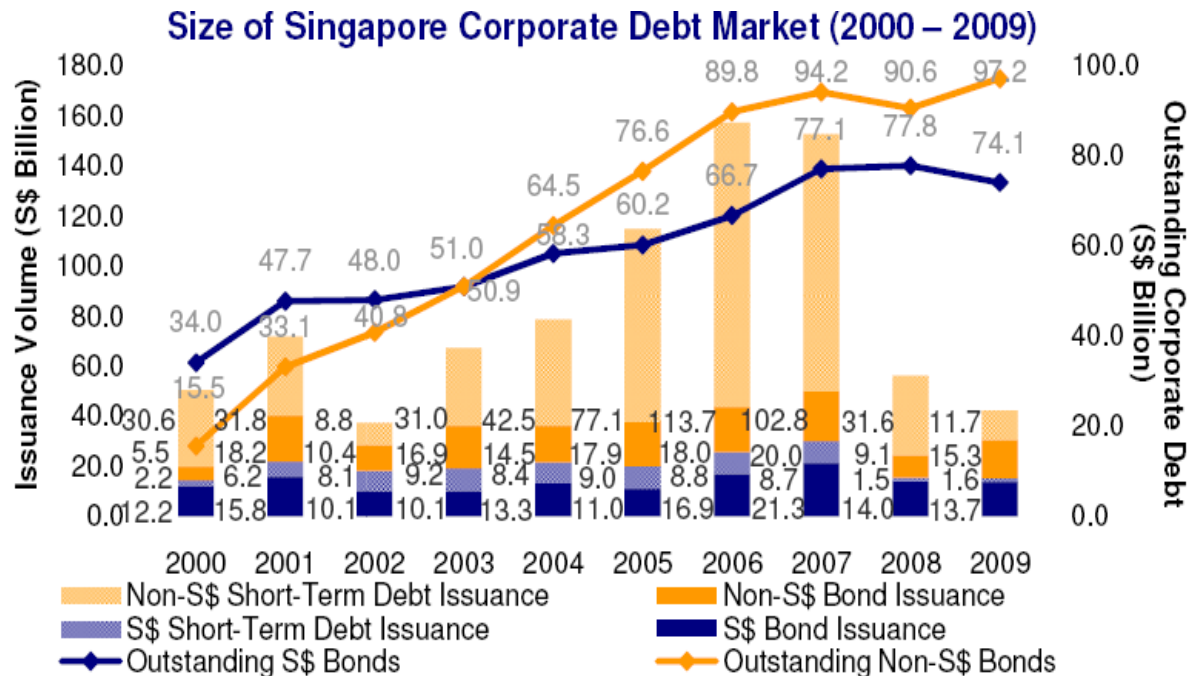
Maturity Profile of SGD Debt Issued



Fixed Income

The Corporate Debt Market:

- Total outstanding corporate debt of S\$171.3bn (US\$118bn) in 2009
- Non-SGD debt of US\$66.8bn (56.7% of total) in 2009. SGD debt of US\$51bn (43.3% of total) in 2009



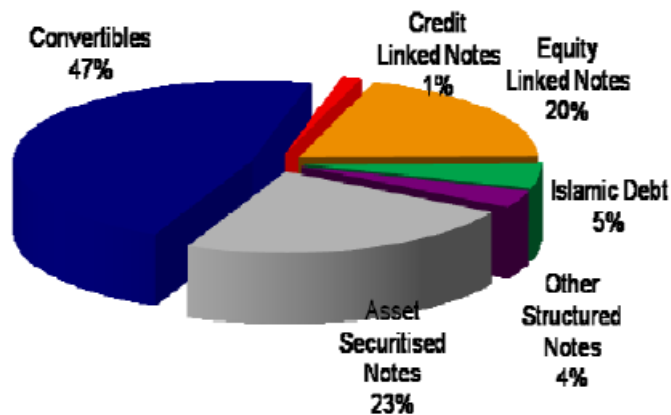
Source : MAS, as of 2009

Fixed Income

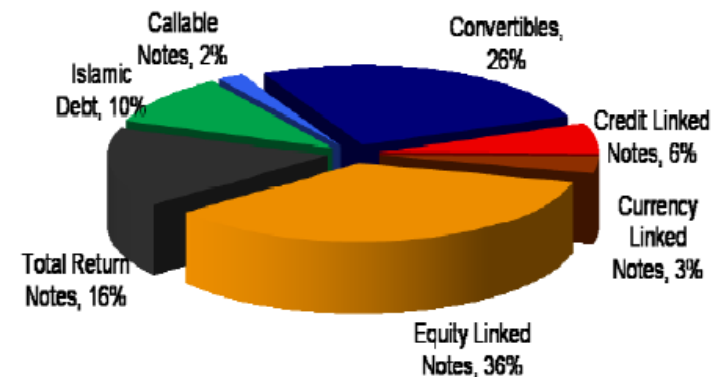
The Corporate Debt Market:

- Wide range of debt structures including fixed-coupon, floating-rate, asset-backed, equity-linked, mortgage-backed securities as well as more exotic structured products.
- SPV bond issuance has led to expansion in structured notes sector.

Profile of SGD Structured Debt Issued



Profile of Non-SGD Structured Debt Issued



Singapore: Bonds

	Treasury bills (T-bills)	Singapore Government Securities (SGS)	Corporate bonds
Issuer	Republic of Singapore	Republic of Singapore	Statutory Board, domestic corporates, foreign issuers
Currency	Singaporean Dollar (SGD)	Singaporean Dollar (SGD)	Singaporean Dollar (SGD)
Form	Scriptless	Scriptless	Physical or scriptless
Minimum denomination	SGD1,000	SGD1,000	SGD10,000-250,000
Tenors	3-month and 1-year	2, 5, 7, 10, 15 and 20 years	1- 20 years
Coupon/discount	Zero, issued at discount	Fixed	Fixed or floating
Frequency	None	Semi-annual	Semi-annual or annual
Amortising schedule	Bullet	Bullet	Bullet
Day count	Actual/365	Actual/365	Act/365 for corporates; Actual/Actual for Statutory Board
Amount outstanding	SGD51.6bn (Nov-09)	SGD71.6bn (Nov-09)	Est. SGD97.5bn (Sep-09)
Primary market			
Auction style	Uniform price auction	Uniform price auction	Public offer, private placement
Average issue size	SGD2.5-3.5bn (3mth T-bills), SGD2.5-3.3bn (12mth T-bills)	SGD1.5-3bn for new issues, SGD1-2.5bn for re-openings	SGD100m-500m
Issuance cycle	91-day weekly, 365-day semi-annual	Monthly (approximately, depending on SGS issuance calendar)	Ad hoc
Participants	11 primary dealers	11 primary dealers	Banks, insurance companies, asset management companies
Settlement	T+3	T+3 or 4	T+3
Secondary market			
Trading mechanism	OTC	OTC	OTC or exchange traded
Trading hours	9am-11:30am, 2pm-4:30pm	9am-11:30am, 2pm-4:30pm	9am-11:30am, 2pm-4:30pm
Quoting convention	Discount yield	Price to 2 decimal places	Price to 2 decimal places
Average bid-offer spreads	3-5bp	On-the-run: 5-40 cents, Off-the-run: 5-30 cents; in yield terms, 3bp	10-50 cents
Average trade size	SGD5-10m	SGD5m	SGD1m-5m
Volume	SGD600m per day	SGD2.6bn per day	SGD20-50m per day
Settlement	T+1	T+1	T+3
Clearing	DVP basis through the MEPS and MAS SGS book-entry system	DVP basis through the MEPS and MAS SGS book-entry system	Central Depository (Pte) Limited (CDP)
Main participants	Primary dealers, secondary dealers, brokers, finance companies, insurance companies, fund managers, corporations and individuals	Primary dealers, secondary dealers, brokers, finance companies, insurance companies, fund managers, corporations and individuals	Primary dealers, secondary dealers, brokers, finance companies, insurance companies, fund managers, corporations and individuals
Regulations for foreign investors			
Restriction on foreign investment	None	None	None
Custodian	Local custodian required	Local custodian required	Local custodian required
Profits tax	None	None	None
Interest income tax	None	None	Generally, none for QDS, otherwise 10-17%
Capital gains tax	None	None	None
Entry/exit	None	None	None

Non-resident access:

- Local currency funding:

- Onshore FX forward:

Credit facilities capped at SGD5m per financial entity

Yes

	Onshore IRS	Offshore CCS
Non-resident access:	No restriction	No restriction
Tenors	1-20 years	1-20 years
Liquid tenors	1-10 years	1-10 years
Average trade size	SGD25-50m (2yr), SGD20-30m (5yr), SGD10-25m (10yr)	SGD25-50m (2yr), SGD20-30m (5yr), SGD10-25m (10yr)
Bid/offer spreads under normal conditions (bp)	3bp	5-6bp
Fixing rate	6mth SOR	6mth SOR, 6mth USD Libor (basis swap)
Day count	Actual/365	Actual/365 (SGD), Actual/360 (USD)
Effective date	T+2 or T+3 (after 11:30am)	T+2 or T+3 (after 11:30am)
Fixing time (local time)	11am	11am
Fixing page	Reuters: ABSIRFIX01 Bloomberg: ABSI1	Reuters: LIBOR01 Bloomberg: BBAM1
Local market hours	9am-4:30pm	9am-4:30pm
Main participants	Interbank, corporates, hedge funds	Interbank, corporates, hedge funds

Source: HSBC

SGS Bond Futures:

- The bond futures market is based on the 5y Singapore Government Bond, was established in 2001 to facilitate hedging in the SGS market. However, the market did not quite take-off with minimal daily trading volumes and open interest.

OTC Derivatives market:

- 6th largest interest-rate derivatives centre in 2010 (BIS Survey)
- Average daily turnover of US\$77.9bn (interest rate derivatives)
- Average daily turnover of US\$175bn (SGX-DT)

Foreign Exchange

Background

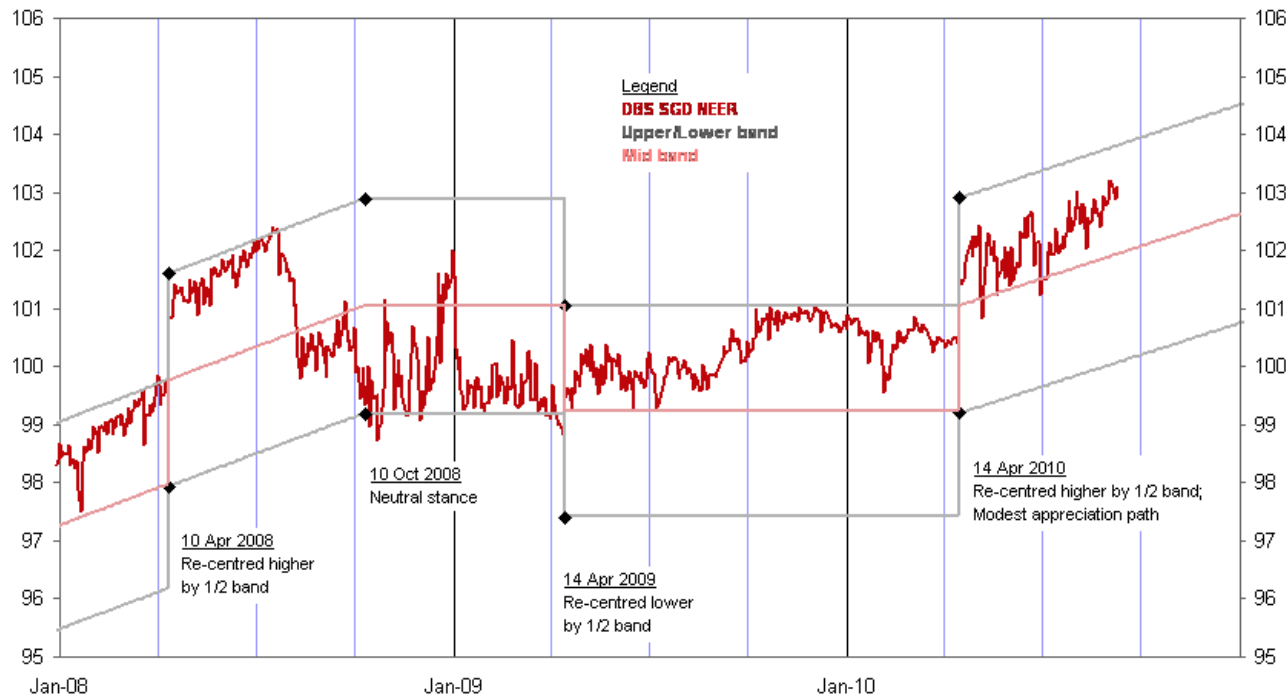
Before 1972	SGD was pegged to GBP
1972	With the floating of GBP, SGD was then pegged to USD
1973	Following devaluation of USD, MAS decided to float SGD
Since 1981	Singapore's monetary policy has centred on management of the exchange rate. The primary objective has been to promote price stability as a sound basis for economic growth

Features of Singapore's Exchange Rate System

1	SGD is managed against a basket of currencies of our major trading partners & competitors. The composition of the basket is revised periodically to take into account changes in Singapore's trade patterns.
2	MAS operates a managed float regime for SGD, whereby the trade-weighted effective exchange is allowed to fluctuate within an undisclosed policy band, instead of a fixed value. The band provides flexibility for the system to accommodate short-term fluctuations in the FX markets as well as some buffer in the estimation of the country's equilibrium exchange rate, which cannot be known precisely. MAS's intervention generally 'lean against the wind'. MAS will usually step in if the exchange moves outside the band, buying or selling foreign exchange to steer it back within the band.
3	Exchange rate policy is periodically reviewed. The policy is established at semi-annual meetings in April and October
4	Choice of exchange rate as the intermediate target of monetary policy implies that in the context of free capital movements, interest rates in Singapore are largely determined by foreign interest rates and investor expectations of future movements in the SGD.

Foreign Exchange Market

- 4th largest FX centre in the world
- 2nd largest in Asia (BIS survey)
- Average daily turnover of US\$266bn (5.3% of world turnover) in Apr-10



CURRENT MODEL

Major	48.6%	EmAsia	51.4%
USD	21.3%	MYR	15.1%
JPY	10.6%	CNY	13.4%
EUR	8.2%	THB	6.3%
AUD	4.9%	IDR	4.5%
GBP	3.5%	KRW	4.5%
		TWD	3.4%
		HKD	2.6%
		PHP	0.9%
		INR	0.7%

Weights are obtained by optimization method
Weights do not add up due to rounding errors

Relevant Policies in the Capital Markets

Relevant Policies & Regulations

- Singapore's government is generally very investor-friendly, and the MAS has a "Financial Sector Promotion" division which seeks to address investor concerns and fine-tunes fiscal policies to facilitate the growth of the financial sector
- Monetary policy is managed against a trade-weighted basket (S\$NEER) the composition of which is not disclosed (except that it is weighted by total trade with key trading partners) and adjusted frequently
- MAS Notice 757 restricts the lending of S\$ to non-resident Financial Institutions to S\$5mn in order to reduce the scope for S\$ currency speculation (a mild form of capital control)

Relevant Policies & Regulations

- Banking Sector – Basel II.
- Insurance Funds – Risk Based Capital
- Unit Trusts / ILPs – Code on Collective Investment Scheme, CPFIS

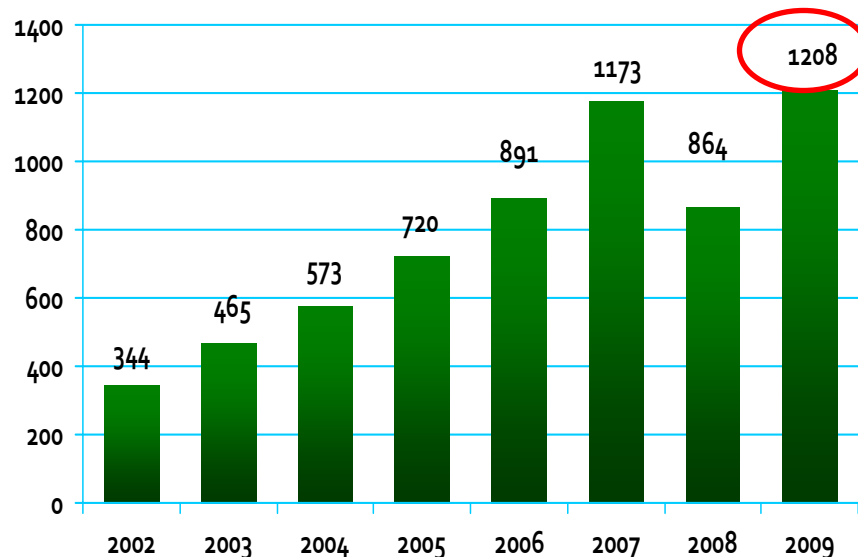
Relevant Policies & Regulations

Repatriation of capital	Capital repatriation (including repatriation of reinvested profits) is freely allowed in any currency.
Profit remittances	Remittance of profits is permitted in any currency without restriction.
Loan inflows and repayment	Qualifying offshore banks can lend up to S\$1bn to non-bank customers who are residents of Singapore. Other offshore banks may lend up to S\$500m to non-bank residents.
Remittance of royalties and fees	There is no limit on repatriating royalties or fees.
Restrictions on trade-related payments	There are no restrictions in Singapore on the use of import and export leads and lags, or on bilateral or multilateral netting.

Leading Private Fund Management Companies

Leading Center for Asset Management in Asia

AUM more than tripled in last seven years; 20% CAGR from 2002 to 2009



Assets Under Management (SGD Billion)

->80% sourced outside Singapore

Source – MAS

30 of the world's top 50 fund managers are here:

- Alliance Bernstein
- Fidelity
- Vanguard
- Franklin Templeton AM
- PIMCO
- EIM
- Legg Mason
- Stark Investments
- Wellington Management
- Pacific Alternative AMC
- AMP Capital Investors

Investors

- The MAS conducted its annual survey of the Singapore asset management industry, for the year ending 31 Dec 2009

Chart 1: Assets under Management

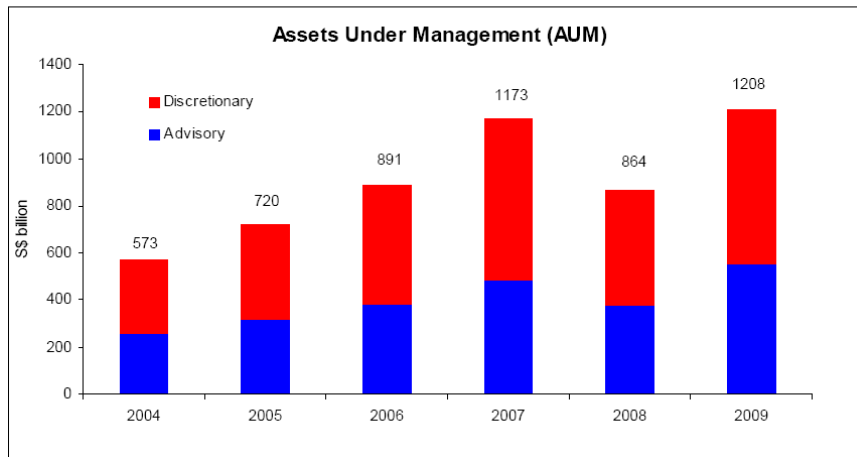
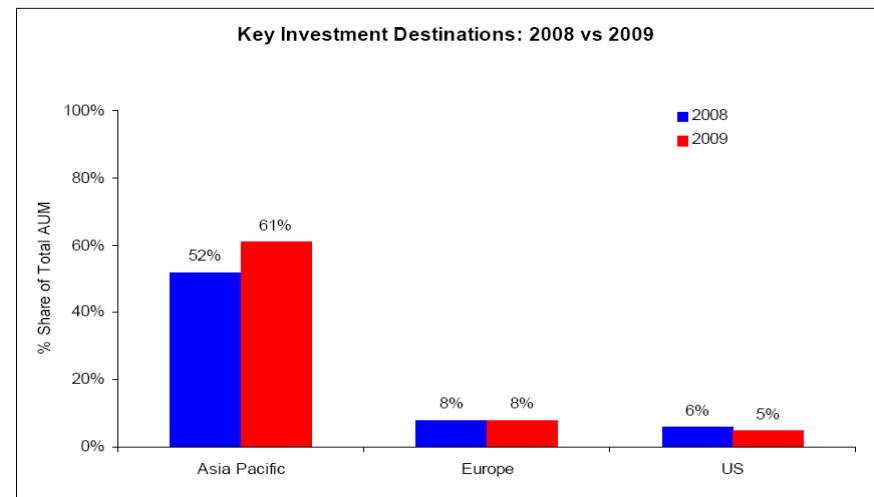


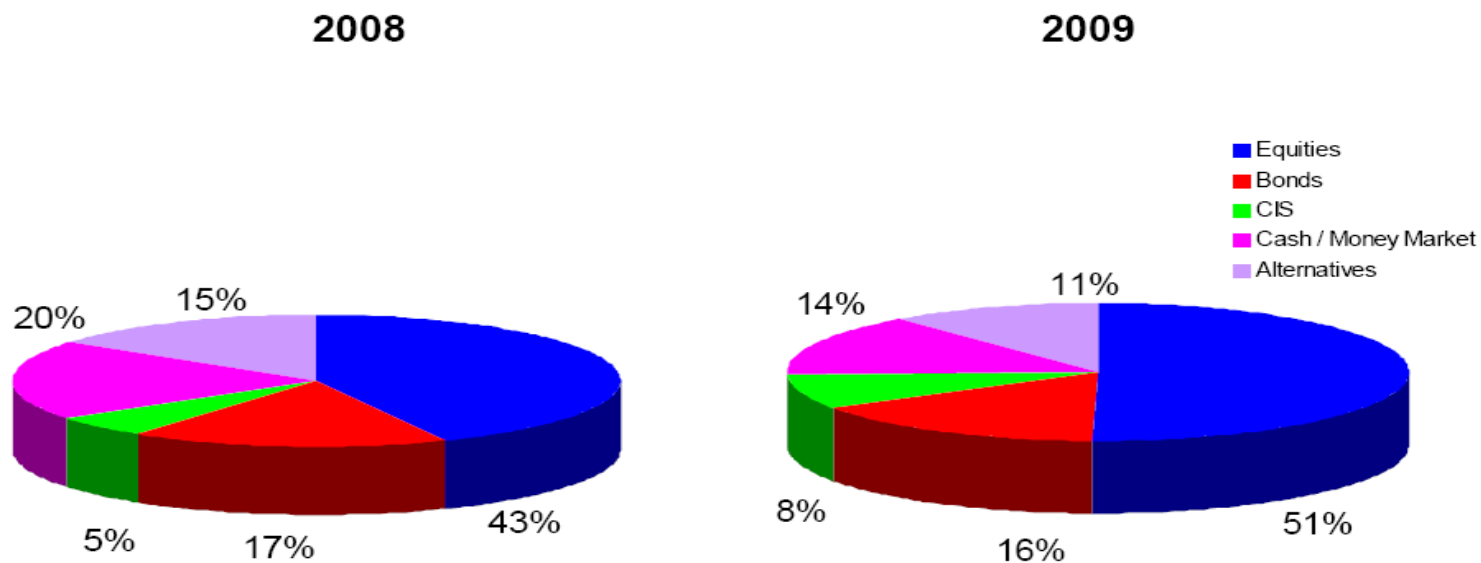
Chart 3: Investment of Funds by Region



Source : MAS

Investors

Chart 2: Investment of Funds by Asset Class



Source : MAS

Investors – Singapore Insurance Funds

2009 Assets (SIF) in S\$

Description	Industry Total			
	Par	Non Par	Linked	Total
ASSETS				
Equity securities	18,025,927,293	1,046,384,000	19,190,842,084	38,263,153,377
Debt securities	40,578,366,765	12,172,421,936	3,316,880,704	56,067,669,405
Land and buildings	2,452,932,554	205,643,446	0	2,658,576,000
Loans	4,076,435,961	109,470,056	6,856,551	4,192,762,568
Cash and deposits	3,155,923,786	779,346,633	820,151,179	4,755,421,598
Other invested assets	549,406,095	296,328,171	92,484,259	938,218,525
Investment income due or accrued	83,187,932	5,090,028	19,271,121	107,549,081
Outstanding premiums and agents' balances	138,202,320	110,572,634	3,795,839	252,570,793
Deposits withheld by cedants	0	0	0	0
Reinsurance recoverables (on paid claims)	5,116,882	16,221,810	1,248,950	22,587,642
Income tax recoverables	20,530,648	47,673	25,940,927	46,519,248
Fixed assets	124,901,969	34,039,109	0	158,941,078
Inter-fund balances and intra group balances (due from)	353,975,950	72,278,586	153,212,711	579,467,247
Other assets	224,091,819	51,091,948	69,465,490	344,649,257
Total Assets	69,788,999,974	14,898,936,030	23,700,149,815	108,388,085,819

Source : MAS

Large Listed Companies in the Region

China	Market Capitalisation (US\$bn)
IND & COMM BK	213.4
AGRICULTURAL	132.5
CHINA MERCH BK	44.7
CHINA PACIFIC	29.2
KWEICHOW MOUTA	22.8
SHANG PUDONG	22.7
SAIC MOTOR	21.5
CHINA MINSHENG	21.2
INDUSTRIAL BAN	21.0
AIR CHINA	19.4

HK	Market Capitalisation (US\$bn)
PETROCHINA CORP	268.4
CHINA CONSTRUCTION BANK	201.1
CHINA MOBILE	200.8
BANK OF CHINA	126.7
CHINA PETROLEUM	99.4
CHINA LIFE INSURANCE	95.9
CNOOC LTD	84.9
CHINA SHENHUA ENERGY	70.1
PING AN INSURANCE	62.0
BANK OF COMMUNICATIONS	54.6

INDIA	Market Capitalisation (US\$bn)
RELIANCE INDUSTRIES	71.5
ONGC	64.9
STATE BANK INDIA	41.9
TATA CONSULTANCY	38.6
INFOSYS TECH LTD	37.8
NTPC LTD	36.8
MMTC LTD	29.7
BHARTI AIRTEL	29.2
ITC LTD	27.7
ICICI BANK LTD	27.3

Indonesia	Market Capitalisation (US\$bn)
ASTRA INTERNATIONAL	26.1
TELEKOMUNIKASI INDONESIA	20.9
BANK CENTRAL ASIA	17.9
BANK MANDIRI	15.8
UNILEVER IND TBK	14.3
BANK RAKYAT INDONESIA	13.9
PERUSAHAAN GAS NEGARA	11.0
HM SAMPOERNA TBK	10.2
GUDANG GARAM TBK	9.9
UNITED TRACTORS	7.7

Korea	Market Capitalisation (US\$bn)
SAMSUNG ELECTRONICS	95.9
POSCO	39.3
HYUNDAI MOTOR	29.9
HYUNDAI MOBIS	20.4
HYUNDAI HEAVY INDUSTRIES	20.3
LG CHEM LTD	19.2
SAMSUNG LIFE INSURANCE	18.6
SHINHAN FINANCIAL GROUP	18.1
KB FINANCIAL GROUP	16.7
KOREA ELEC POWER	16.6

Malaysia	Market Capitalisation (US\$bn)
MALAYAN BANKING	19.8
CIMB GROUP HOLDINGS	19.3
SIME DARBY	16.0
PUBLIC BANK BHD	14.5
MAXIS BHD	13.1
TENAGA NASIONAL	12.9
MISC BHD	12.9
AXIATA GROUP BHD	12.3
IOI CORP BHD	12.3
GENTING BHD	11.9

Large Listed Companies in the Region

	Market Capitalisation (US\$bn)
Philippines	
PHILIPPINES LONG DISTANCE	10.5
SM INVESTMENTS	7.2
MANILA ELECTRIC	5.2
AYALA LAND INC	5.2
SAN MIGUEL	4.9
AYALA CORP	4.5
BANK PHILIPPINES	4.5
SM PRIME HLDGS	3.7
BANCO DE ORO UNI	3.6
ABOITIZ POWER	3.6

	Market Capitalisation (US\$bn)
Singapore	
SINGAPORE TELECOMM	36.6
WILMAR INTERNATIONAL	30.1
JARDINE STRATEGIC	29.3
JARDINE MATHESON	28.4
DBS GROUP HLDGS	24.2
OCBC BANK	21.8
UNITED OVERSEAS BANK	21.7
GENTING SINGAPORE	17.9
SINGAPORE AIRLINES	14.3
HONGKONG LAND	13.6

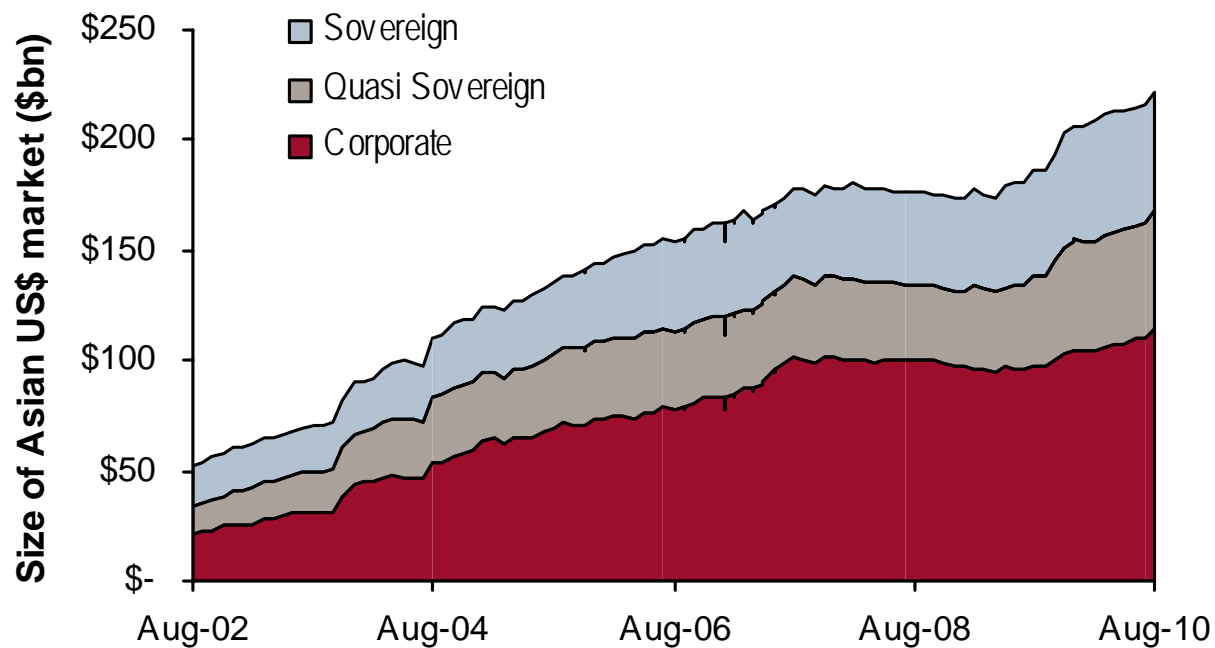
	Market Capitalisation (US\$bn)
Taiwan	
TSMC	49.9
HON HAI PRECISION	35.1
FORMOSA PETROCHEM	23.6
CHUNGWA TELECOM	21.1
HTC CORP	18.8
MEDIATEK INC	16.5
NAN YA PLASTICS	16.5
CATHAY FINANCIAL	15.7
FORMOSA PLASTIC	14.5
CHINA STEEL CORP	13.7

	Market Capitalisation (US\$bn)
Thailand	
PTT PCL	25.9
PTT EXPL & PRODUCTION	15.6
SIAM CEMENT PCL	12.2
SIAM COMM BK PCL	10.2
ADVANCED INFO SERVICE	9.5
BANGKOK BANK PUB	8.8
KASIKORNBANK PCL	8.1
CHAROEN POK FOOD	6.0
PTT CHEMICAL PLC	5.8
BANPU PUB CO LTD	5.7

In Singapore, around S\$7 billion of debt from large domestic corporates, statutory boards, foreign financial institutions and property-related firms was issued in 1Q2010.

Asia USD Credit market is US\$225 billion

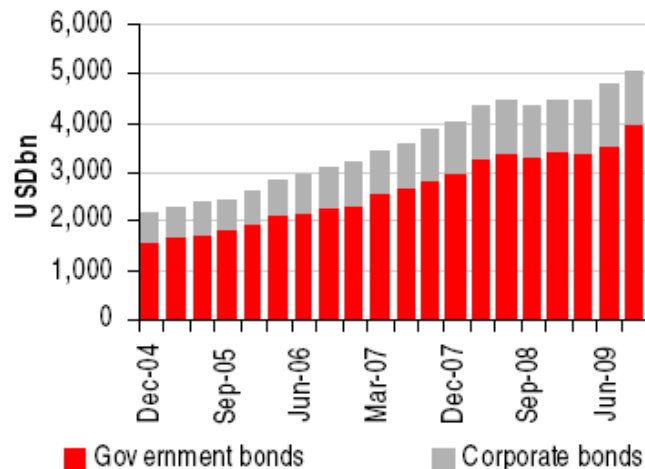
Asian USD Market has more than quadrupled since 2002



Asia local currency bond market

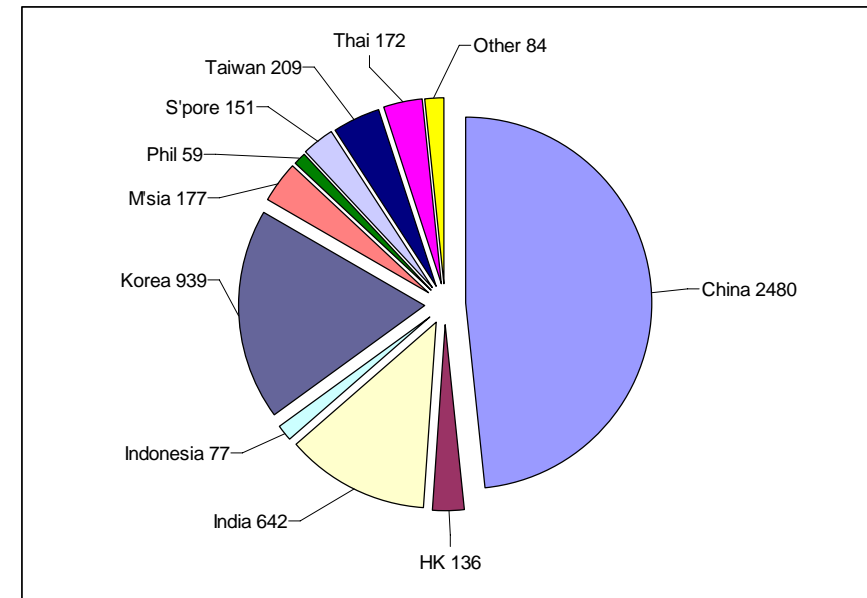
- Asia local currency bond market is about US\$5 trillion
- Government sector bonds dominate 80% of outstanding bonds
- China is the biggest Asian domestic bond market

Asian domestic bonds outstanding in Asia ex-Japan (USDbn)



Source: HSBC

Estimated size of Asia's local currency bonds by country (USDbn)



Recent Performance

JPM Singapore Government Bond Index Returns (as of 31 Aug 2010)

Maturity Buckets	Aug 10 Returns	YTD Returns	10 year Returns - 31 Aug 10 (annualised)
1-3y	-0.01%	0.88%	2.59%
3-5y	-0.34%	2.67%	4.25%
5-7y	-1.16%	6.25%	5.22%
7-10y	-1.78%	8.92%	5.84%
>10y	1.29%	11.21%	4.95%
Index	-0.09%	5.58%	4.48%

**The >10y bucket inception date is 1/10/01*

- JPM Singapore Government Bond Index (SGD) comprises of all SGS with maturities 13 months or longer.
- Singapore Govt All (SGD) – UOB Singapore Government Bond Index which comprises of all SGS with maturities 12months or longer.

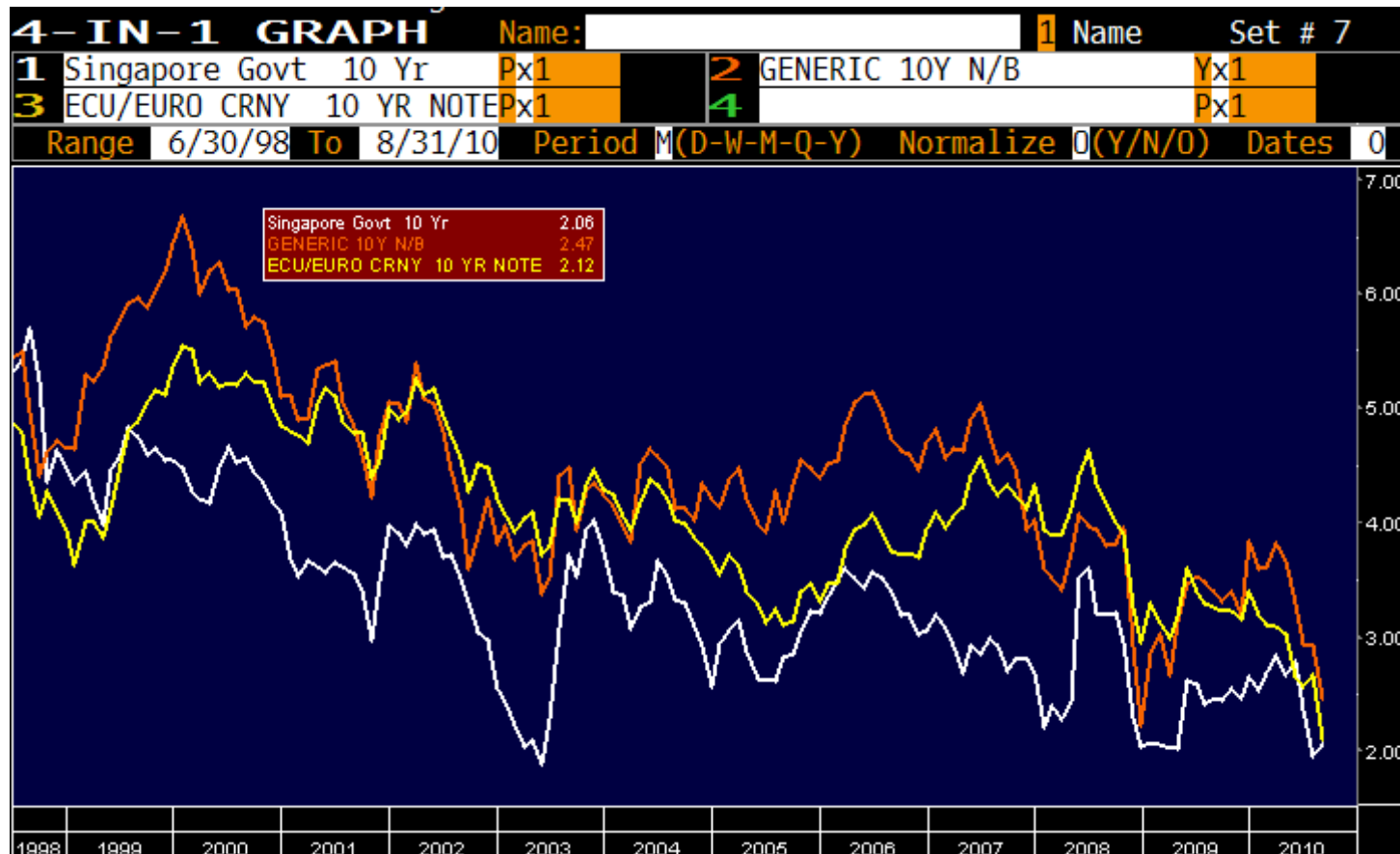
Recent Performance



- JACI – JP Morgan Asia Credit Index (USD) comprises of Asian USD Sovereign & Corporate bonds.
- EMBI+ – JP Morgan Emerging Market Index (USD) comprises of external Currency denominated debt instruments of emerging markets.

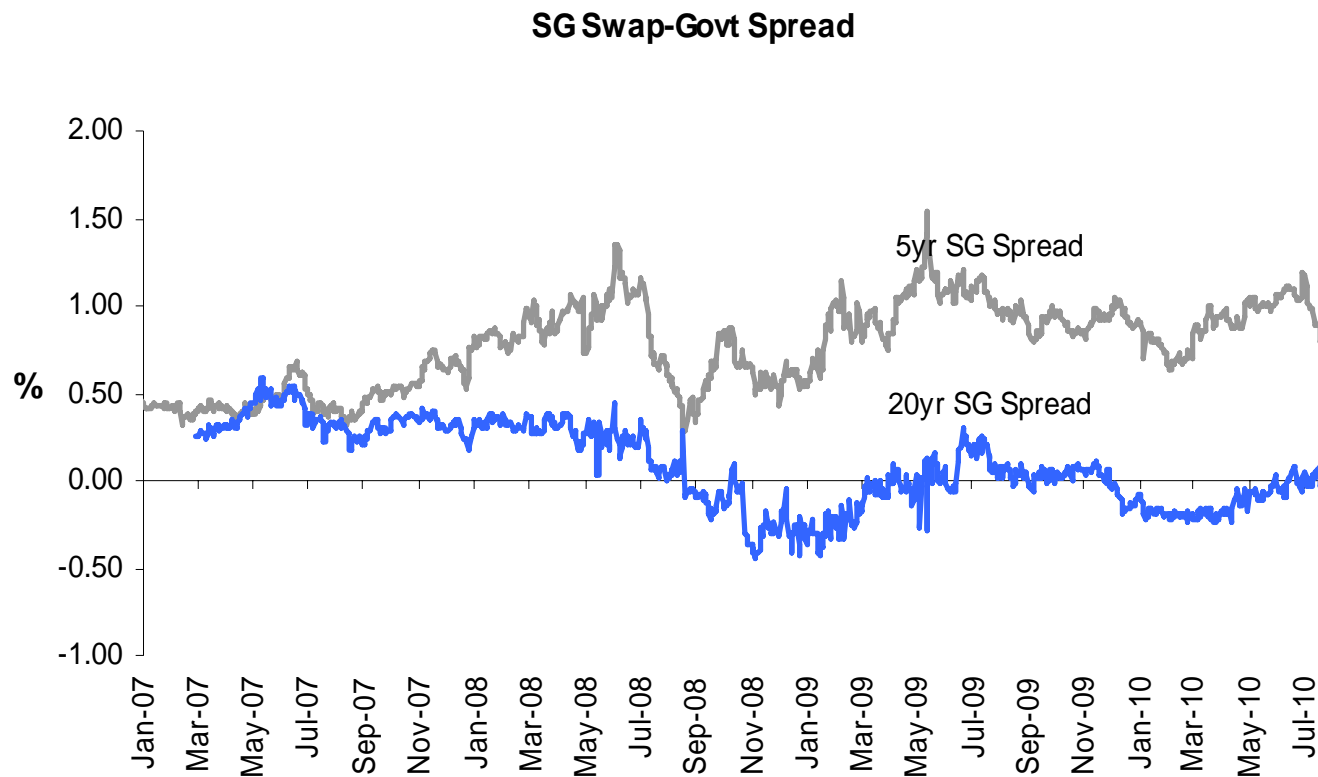
Source: Bloomberg

Recent Performance



Source: Bloomberg

Recent Performance



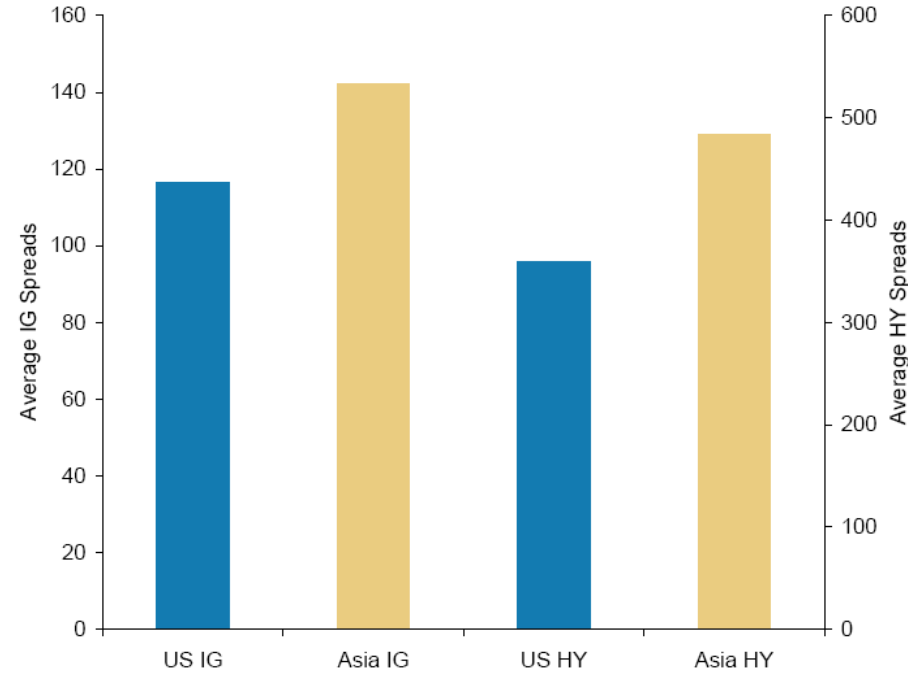
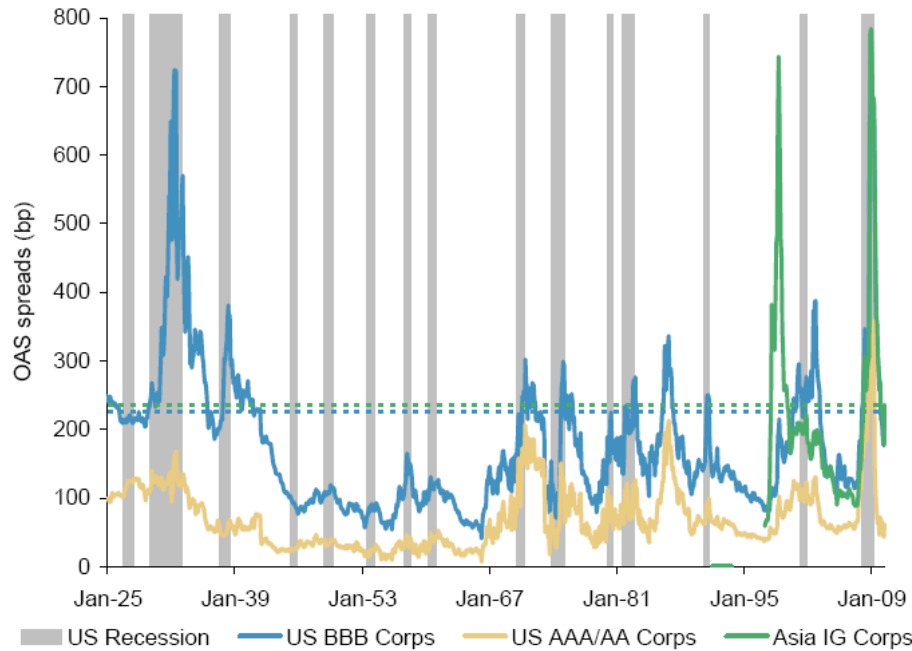
Source: Bloomberg

Recent Performance

Crisis periods aside, credit spreads are at typical recession levels... Asia Still Trades Wide to Equivalent US Credit

..and Asia still trades wide to US credit

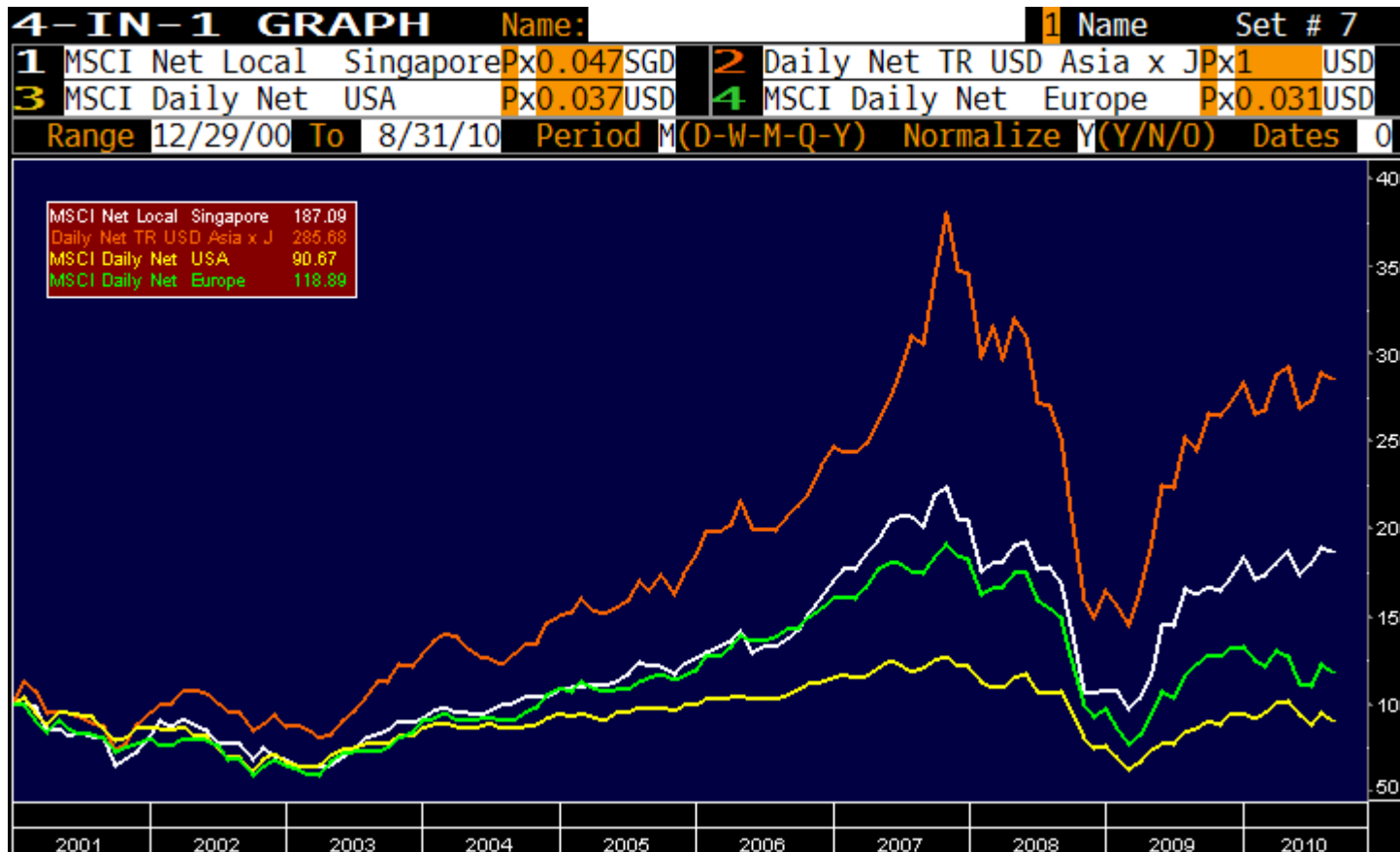
(OAS Spreads (bp))



Source: FactSet, Yield Book, Morgan Stanley Research (as of 25 Aug 2010)

Source: Moody's, Yield Book, NBER, FactSet, Bloomberg, Morgan Stanley Research

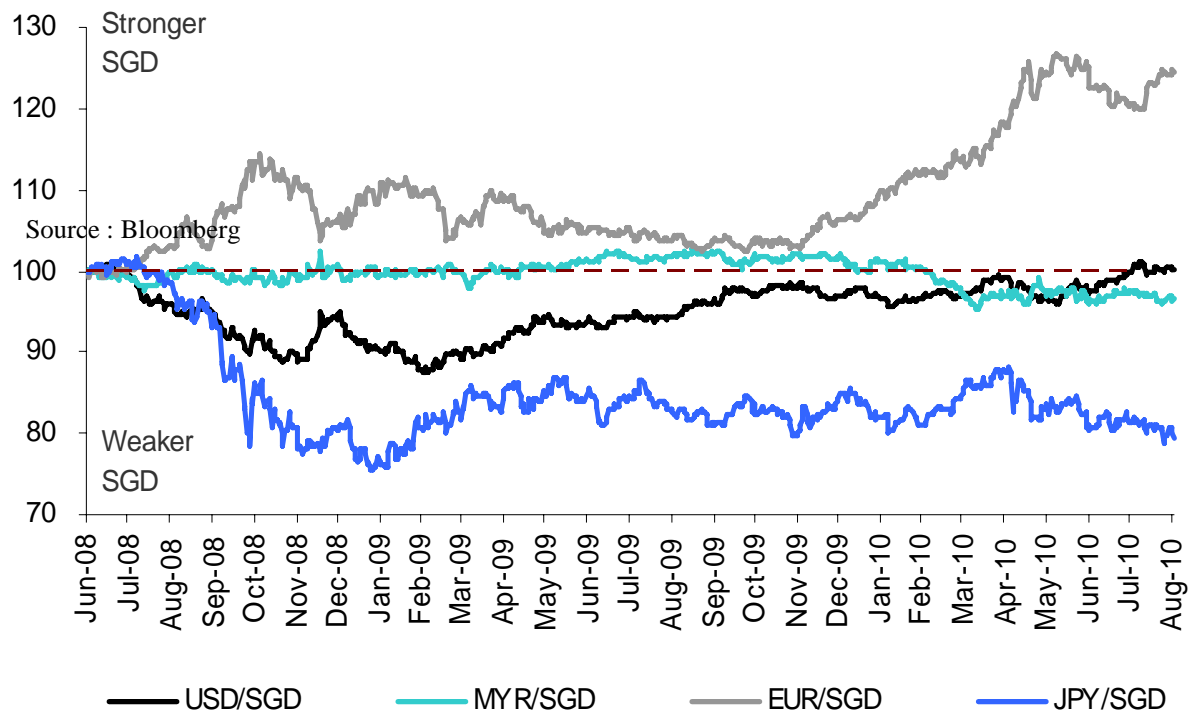
Recent Performance



Source: Bloomberg

Recent Performance

Currency Movement



Source : Bloomberg

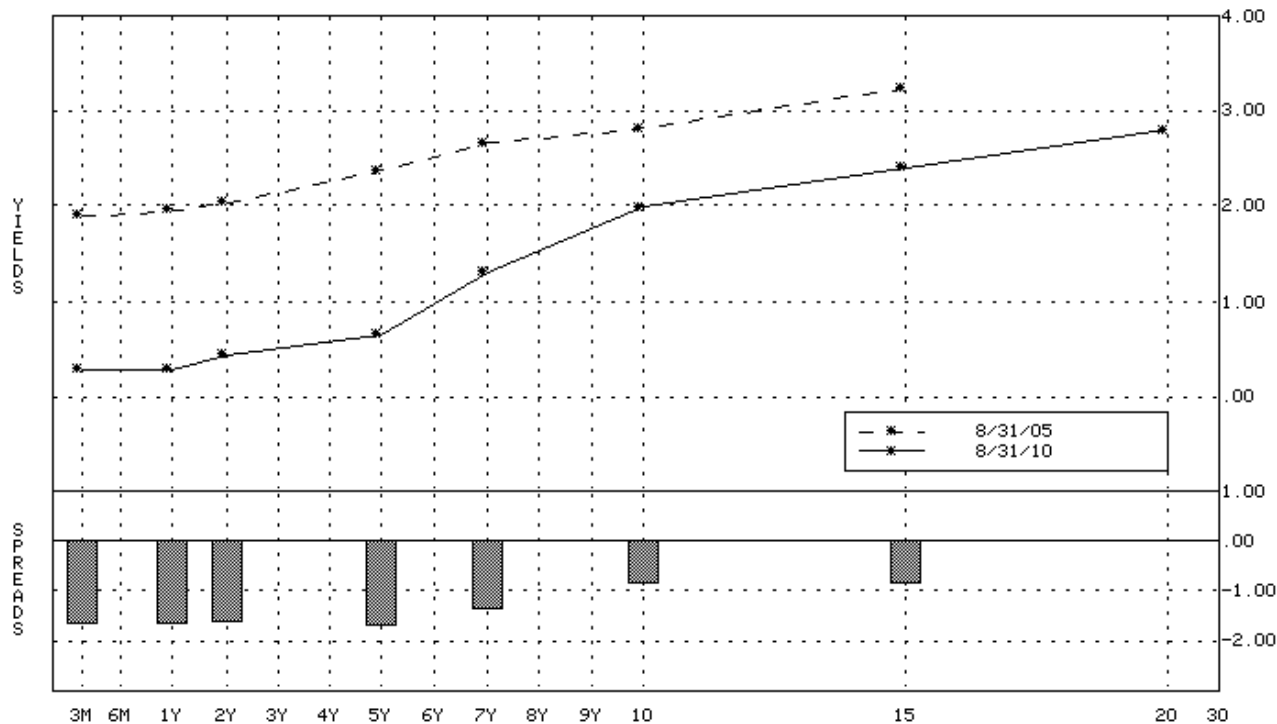
Challenges

- Low yield / relatively flat credit curve
- Current bank deposit rates are very low. SGS yields have also fallen substantially. Some investors may be chasing higher yields by investing in less liquid corporate bonds and/or buying long-dated bonds, without knowing the risks taken.

YIELD CHANGES FOR SINGAPORE GOVT

8/31/10 vs 8/31/05

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Challenges

Issuer	Coupon	Maturity	Industry	Yield
CCT MTN PTE LTD	3.150	24-Jan-11	Real Estate	0.80
HOTEL PROPERTIES LTD	3.300	7-Mar-11	Real Estate	1.54
CAPITALAND TREASURY LTD	4.080	15-Mar-11	Real Estate	1.20
ASCOTT CAPITAL PTE LTD	4.700	7-Jul-11	Real Estate	1.34
HOTEL PROPERTIES LTD	5.000	5-Mar-12	Real Estate	2.04
CITY DEVELOPMENTS LTD	4.850	16-Apr-12	Real Estate	1.64
CITY DEVELOPMENTS LTD	3.380	25-Apr-12	Real Estate	1.67
KEPPEL LAND LTD	4.250	21-May-12	Real Estate	1.47
ASCOTT CAPITAL PTE LTD	4.380	14-Aug-12	Real Estate	2.00
CITY DEVELOPMENTS LTD	3.450	10-Sep-12	Real Estate	1.84
ASCOTT CAPITAL PTE LTD	3.580	28-Sep-12	Real Estate	2.12
ASCOTT REIT MTN PTE LTD	4.110	1-Oct-12	Real Estate	2.23
HOTEL PROPERTIES LTD	4.750	8-Oct-12	Real Estate	2.24
HOTEL PROPERTIES LTD	3.350	29-Jan-13	Real Estate	2.60
CITY DEVELOPMENTS LTD	2.565	4-Feb-13	Real Estate	1.88
KEPPEL LAND LTD	2.770	4-Feb-13	Real Estate	1.91
FCT MTN PTE LTD	2.830	12-Feb-13	Real Estate	1.92
HOTEL PROPERTIES LTD	4.050	6-Mar-13	Real Estate	2.35
PARKWAY LIFE MTN PTE LTD	-	23-Mar-13	Real Estate	1.54
CCT MTN PTE LTD	3.500	10-Jun-13	Real Estate	2.42
ASCENDAS REAL ESTATE INV	5.000	22-Jul-13	Real Estate	2.10
CDLHT MTN PL	1.220	19-Aug-13	Real Estate	1.05
CDLHT MTN PTE LTD	2.355	19-Aug-13	Real Estate	2.22
CDLHT MTN PTE LTD	1.360	19-Aug-13	Real Estate	1.36
MAPLETREE TREASURY SVCS	4.600	20-Aug-13	Real Estate	1.98
HOTEL PROPERTIES LTD	4.000	6-Nov-13	Real Estate	2.79
CITY DEVELOPMENTS LTD	2.920	21-Apr-14	Real Estate	2.30
ASCOTT CAPITAL PTE LTD	5.150	28-May-14	Real Estate	2.66
CITY DEVELOPMENTS LTD	3.880	8-Oct-14	Real Estate	2.30
CAPITALAND TREASURY LTD	3.800	30-Oct-14	Real Estate	2.58
CITY DEVELOPMENTS LTD	3.820	13-Nov-14	Real Estate	2.33
CMT MTN PTE LTD	3.288	28-Jan-15	Real Estate	2.77
KEPPEL LAND LTD	3.510	3-Feb-15	Real Estate	2.40
FCT MTN PTE LTD	3.500	12-Feb-15	Real Estate	2.47
HOTEL PROPERTIES LTD	3.980	27-Apr-15	Real Estate	3.34
WING TAI HOLDINGS	3.300	26-May-15	Real Estate	3.12
STARHILL GLOBAL REIT MTN	3.405	13-Jul-15	Real Estate	3.23
HOTEL PROPERTIES LTD	3.600	21-Jul-15	Real Estate	3.42
CITY DEVELOPMENTS LTD	2.480	3-Sep-15	Real Estate	2.51
CMT MTN PTE LTD	3.850	15-Mar-17	Real Estate	3.54
CAPITAMALLS ASIA TREASUR	3.950	24-Aug-17	Real Estate	3.68
KEPPEL LAND LTD	3.158	25-Aug-17	Real Estate	3.16
CMT MTN PTE LTD	3.550	1-Sep-17	Real Estate	3.61
MAPLETREE TREASURY SVCS	4.450	7-Mar-18	Real Estate	3.38
CAPITALAND TREASURY LTD	4.350	31-Oct-19	Real Estate	3.74
HK LAND TREASURY SG	3.430	14-May-20	Real Estate	3.35
CAPITALAND TREASURY LTD	4.300	31-Aug-20	Real Estate	4.12

Issuer	Coupon	Maturity	Industry	Yield
ICICI BANK UK PLC	4.040	29-Nov-10	Financials	1.07
KIM ENG HOLDINGS	2.300	28-Jan-11	Financials	0.98
HYUNDAI CAPITAL SERVICES	2.650	26-Feb-11	Financials	0.97
NATIONAL AGRICULTURAL CO	1.500	20-Jul-11	Financials	1.27
ICICI BANK LTD/HONG KONG	1.513	17-Aug-11	Financials	1.44
ICICI BANK LIMITED	3.920	15-Feb-12	Financials	2.18
GENERAL ELEC CAP CORP	3.485	8-Mar-12	Financials	1.74
ICICI BANK LIMITED	3.300	3-May-12	Financials	2.26
GENERAL ELEC CAP CORP	2.960	18-May-12	Financials	1.81
GE CAP AUSTRALIA FUNDING	4.515	12-Jun-12	Financials	1.88
KIM ENG HOLDINGS	2.400	5-Jul-12	Financials	2.17
VTB CAPITAL SA (VTB BANK	4.200	11-Aug-12	Financials	3.28
RABOBANK NEDERLAND	2.100	10-Sep-12	Financials	0.96
DEUTSCHE BANK AG	3.250	10-Oct-12	Financials	1.92
MORGAN STANLEY	3.585	23-Oct-12	Financials	2.09
WESTPAC BANKING CORP	1.955	22-Jan-13	Financials	1.01
GENERAL ELEC CAP CORP	3.030	11-Feb-13	Financials	2.13
CITIGROUP INC	4.980	20-Jun-13	Financials	2.53
STANDARD CHARTERED BANK	2.220	5-Jul-13	Financials	1.89
GENERAL ELEC CAP CORP	3.930	7-May-14	Financials	2.52
ANZ NATIONAL (INT'L) LTD	2.950	27-Jul-15	Financials	2.42
UNITED OVERSEAS BANK LTD	4.950	30-Sep-16	Financials	1.77
UNITED OVERSEAS BANK LTD	4.100	3-Sep-19	Financials	2.63

Challenges

Liquidity

- Domestic market size is relatively small. For companies that is looking to raise funds, this will be a constraint.
- The issue sizes are relatively small, pricing is determined by demand and supply rather than fundamentals / valuations.
- Small local companies are less globally known - pricing is a discovery game.
- For fixed income, some issuers only issue once in a long time, usually no credit curve available.
- Results in wide bid-offer spreads - transaction costs will constrain trading activities.

Challenges

Lack of hedging instruments

- No active SGS futures market. Hedging of interest rates are usually via interest rate swaps which require legal documentation such as ISDA and CSA. Bid-offer spread is still relatively wide.
- Credit Default Swap (CDS) markets do not trade most of the Singapore issuers - no hedging instrument for credit risks.
- SGD bonds generally cannot be delivered against CDS. Most CDS are quoted in USD.
- There is insufficient long-dated assets for insurance companies

Challenges

Rating / Investment guidelines

- Most local issuers are not rated. In most cases, investment guidelines for global-based funds tend to require minimum ratings.
- Local regulatory guidelines for Collective Investment Schemes (CIS), insurance funds, banks' risk weighting for assets make reference to ratings.
- Results in unfair pricing, between rated and unrated issuers with similar credit profiles.
- More difficult to obtain information relating to unlisted and unrated companies.

New products

- A whole host of new products to be traded on SGX.
- New products might attract more funds into Singapore or may lead to a cannibalisation of traditional products.

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