



### Market Commentary

July 2009

The Asean40 Index entered the month of July on a sluggish note due to the lack of positive news at the end of June and as cautious winds swept investors in ahead of second quarter U.S. earnings reports. Investors held their breath with hopes that good results would be a possible indicator of recovery to the economy. Unfortunately, with the release of weak non-farm payroll data as a start to the month, Dow Jones took a slight plunge, leaving Asian markets in negative territory. The negative sentiment continued to the following week, with the release of weaker-than expected unemployment rates in U.S. and Europe, further spurred by speculation of a second stimulus plan by the U.S. to help boost the economy. However, the market changed direction mid-month, bouncing back on positive news from Wall Street. The release of better-than expected second quarter results by the industry movers such as Goldman Sachs, IBM, Google, JP Morgan and Apple brought in a new light to investors. Expectedly, markets all across the globe were experiencing new highs and trading sessions

were closing in positive territory. Investors and the public, in general, turned optimistic, deeming the tides have changed and recovery to the economy was well in line. Regional markets in Asia were not left behind, as bourses rebounded immensely, with Hong Kong breaking the 20,000 barrier and Tokyo trading higher for more than nine successive sessions to also break the 10,000 barrier. Despite the current turmoil in the region, overall markets remained resilient. Midmonth bombings in Jakarta and the wild spread of the H1N1 pandemic regionally did not create much dent to the market performance. Into its final week, investors began to retreat into their cautious moods as fear that the current rally in the market might be too much to handle and take its toll. Fear of a bubble and overheating to the market caused investors to begin profit taking and directly bring the current rally to a halt. As the month drew to a close, the regional markets received a booster in the form of positive news from the East, alongside a good trading session from Wall Street, to help regional markets end the month on a positive note. The Asean40 index closed the month with a significant gain of 905.37 points, 14% higher than the previous month to reach a high of 7,393.76 points. All regional bourses closed in positive territory, with JCI paving the way (18.4%). Major stock gainers for July were Bank Mandiri (31.5%), Unilever Indonesia (25.4%) and Axiata (24.1%), while the only loser was Advanced Info (-4.4%).

### Corporate News

July 2009

#### Indonesia

**Astra International** posted a third straight quarterly decline in profit as sales of cars, motorcycles and palm oil fell. Net income at the company that sells Toyota cars fell 5.2% to Rp2.37tr (US\$238m) in the three months ended 30 Jun 09, from Rp2.5tr, a year earlier. Profit had declined 16% in the preceding three months. Sales dropped 5.2% to Rp23.22tr. The slowdown in sales of cars at the local units of Toyota and rivals eased in the quarter after the central bank cut borrowing costs for eight straight months. New car sales in Indonesia may rise at least 11% next year as economic growth in Asia's third-most populated nation accelerates.

**Bank Mandiri**, Indonesia's largest financial-services company by assets, posted its biggest quarterly profit in five years as lending rose. Net income rose 26% to Rp1.52tr (US\$152m) in the three months ended 30 Jun 09 from Rp1.22tr a year earlier, the highest since 1Q04.

**Telekomunikasi Indonesia** said 1H09 net profit fell 4.1% y-y as higher interest expenses outweighed gains in sales. Net income in the six months ended 30 Jun 09 declined to Rp6.04tr (US\$607m) from Rp6.30tr a year earlier. Sales climbed to Rp30.67tr from Rp30.21tr, while interest expenses rose to Rp938bn from Rp573.8bn.

**Unilever Indonesia** said 1H09 net profit advanced 9.5% as sales increased. Net income in the six months to 30 Jun 09 rose to Rp1.50tr (US\$151m) from Rp1.37tr a year earlier and sales climbed to Rp8.96tr from Rp7.62tr.

Fund Manager

**Corporate News**

July 2009

**Malaysia**

**Bumiputra-Commerce Holdings** has completed its disposal of 49% equity interest in PT CIMB Sun Life to PT Sun Life Indonesia Services.

**IOI Corp** does not expect its proposed rights issue to affect its ability to pay dividends in the short term and says its major shareholder is ready to pick up shares that are not taken up.

**Petronas Gas** expects to spend over RM1bn in three years to overhaul two of its gas processing plants (GPPs) in Terengganu to improve efficiency. Two of the six GPPs in the state were old and needed to be overhauled. Petronas Gas has four GPPs in Kertih, of which two will be overhauled there, and two in Paka.

**Public Bank's** 1H09 net profit fell 8.5% to RM1.2bn. The yoy drop in 1H earnings reflects the non-recurrence of 1QFY08's RM200m goodwill payment and the impact of (1) a 12bp drop in margin, (2) 16.2% slide in unit trust income, and (3) 17.5% rise in overheads. Loan growth remained strong at 14.4% yoy in Jun 09, driven by residential and non-residential mortgages. The net NPL ratio inched down to 0.8% in Jun 09 from 0.83% three months ago.

**Telekom Malaysia** signed a business partnership agreement with CPCNet Hong Kong, a wholly-owned unit of CITIC 1616 Holding to provide CPCNet with managed ICT services including Multi Protocol Label Switching Virtual Private Network, Metro-E and Managed Customer Premise Equipment.

**Tenaga Nasional (TNB)** and **Sarawak Energy (SEB)** have finalised the purchase of Sime Darby Power Link, enabling the two parties to gain access to and leverage on the preliminary studies conducted on the High Voltage Direct Current (HVDC) transmission cable connecting the Bakun hydroelectric plant in Sarawak and Bentong in Pahang.

**Singapore**

**Keppel Land's** 2Q09 core net profit of S\$54m was within expectations but below the Street's. 2Q09 revenue rose 34% yoy to S\$250m on stronger sales in China and Singapore. Better recognition of MBR and Reflections also boosted the bottom line. KepLand is planning project releases in 2H09 to capitalise on the property wave. It also has exposure to a resurgent Chinese property market through its latest Tianjin JV project.

**Singapore Airlines Ltd** suffered a quarterly core net loss of S\$305.3m during 1Q, the first since SARS and only the second ever in its history, underlining the difficult operating environment. Demand, and especially yield, declined much more than expected for both the passenger and cargo segments. Even without the S\$287m in realised fuel hedging loss, SIA would have still incurred core net loss of S\$18.3m.

**Wilmar International** has elected to float shares in its mainland subsidiary on the Hong Kong market in preference to a Shanghai listing. Wilmar has asked its financial advisers, Bank of China International, Goldman Sachs and Morgan Stanley to prepare the Hong Kong share sale, which is tipped to raise US\$3bn-4bn (RM10.7bn-14.3bn).

**Thailand**

**Bangkok Bank (BBL)** may post zero loan growth this year after seeing its outstanding loans fall by 6.26% in the first half. The bank has cut the upper range of its loan targets to 3% growth for the full year from 4% earlier. The forecast is based on the economy posting a contraction of 3-4% this year. BBL, the country's largest bank, had outstanding loans of 1.1 trillion baht as of June, down from 1.18 trillion at the end of 2008. Working-capital loans have also shrunk with the decline in commodities prices over the past several months.

National oil conglomerate **PTT Plc (PTT)** is expanding its bond issue size to 35 billion baht by exercising a green-shoe option worth 5 billion baht to sell at the end of this month. The 5-billion-baht allocation will be made mostly to serve retail investors. Details for the new offering, including terms, have yet to be announced, but a company survey showed investors favoured seven-year debentures thanks to the higher annual returns. PTT, the largest company listed on the Thai stock market, may also float more bonds in the second half of the year if the market response and costs are appropriate. PTT issued 30 billion baht in bonds last year.

**Fund Manager**

**Economic News**

July 2009

**Indonesia**

Indonesia needs to “gradually” build its foreign-exchange reserves to maintain investor confidence during a global economic crisis. Indonesia’s reserves fell 4.9% to US\$57.58bn in Jun 09 from a record US\$60.56bn in Jul 08. The central bank, which has reduced its benchmark rate for eight straight months needs a more “cautious stance,” going forward.

Bank Indonesia has room to further cut interest rates to stoke economic growth as inflation is “not an issue” this year. They want to maintain the momentum of economic growth but don’t know when and by how much the central bank’s policy rate will be reduced if needed. Inflation in Indonesia may slow to around 4% this year. The inflation rate may rise next year as commodity and oil prices have started to increase amid the global economic recovery. That may imply the central bank will tighten its monetary policy.

**Malaysia**

Bank Negara Malaysia (BNM) decided to leave the Overnight Policy Rate (OPR) unchanged at 2.00%. It aid the accelerated implementation of the fiscal stimulus, the continued access to financing and the lower rate of inflation will contribute to the improvement in the domestic economy in the second half of 2009 and into 2010. The assessment is that with the current low interest rates and with the fiscal stimulus gaining traction, the prevailing policy measures are sufficient to provide support to economic activity.

The international reserves of Bank Negara Malaysia fell by US\$0.3bn to US\$91.2bn (RM321.7bn) as at 15 Jul 09 from US\$91.5bn as at end-Jun. The reserves position is sufficient to finance 8.8 months of retained imports and is 3.8 times the short-term external debt.

A new RM10bn unit trust fund could be launched soon which might boost equities. Prime Minister Najib Razak announced the establishment of the Amanah Saham 1Malaysia (AS 1Malaysia) fund consisting of 10bn units on July 11 on the occasion of his 100th day in office. To be managed by Permodalan Nasional Bhd (PNB), the fund is accessible to all Malaysians and follows on the heels of an earlier fund of 3.3bn units which were speedily snapped up by investors looking for safer investment options.

**Singapore**

Singapore’s industrial production fell for the first time in three months in June as electronics and chemicals output dropped and a surge in pharmaceuticals manufacturing eased. Manufacturing production declined 9.3% yoy following a revised 2.1% gain in May. The median forecast was for a 6.4% drop.

Singapore’s exports dropped the least in nine months in June. Non-oil exports declined a seasonally adjusted 5.2% last month from May (-5.3% in May). Economists had expected a 1.3% increase. Meanwhile the year-on-year contraction narrowed to 11% (-12.3% in May). Electronics shipments dropped 21.5% in June (-21.8% in May) and non-electronic shipments, which includes petrochemicals and pharmaceuticals, fell 4.6% in June.

Singapore’s consumer price index (CPI) fell 0.5% in June from May’s levels, and compared to last June, fell by 0.5% too. This marks a third consecutive month of year-on-year CPI declines, but observers say deflationary pressures are easing. Midmonth, the central bank raised its 2009 inflation forecast. It now expects CPI to range between a 0.5% contraction and a 0.5% increase, up from its previous forecast range of a one per cent fall to no change.

**Fund Manager**

### Economic News

July 2009

#### Philippines

The Philippines posted a budget deficit in Jun 09 as the government increased spending to counter slowing economic growth. The shortfall of PHP30.2bn (US\$629m) widened the six-month deficit to PHP153.4bn. Spending increased 38% yoy in June to PHP119.8bn and revenue rose 2.3% to PHP89.6bn.

The Philippines' debt rating was raised to the highest level in more than four years by Moody's Investors Service, which cited the country's resilient financial system, foreign reserves, and a stable peso. The rating on government debt was raised one level to Ba3 from B1, the rating company said. That's the first upgrade since 1997 and brings the measure to three levels below investment grade, the same as Indonesia's and above Pakistan, Mongolia and Fiji.

#### Thailand

Thailand's central bank lowered its economic forecasts for 2009 and 2010 due to dominating negative risk factors. The economy revised the GDP forecast range to -3.0% to -4.5% (vs. -3.5% to -1.5% in April estimates) for 2009 and +3.0-5.0% (1.5% to 3.5%) for 2010.

Thailand's exports fell for an eighth month in June, falling 25.9% yoy following a 26.6% contraction in May. Imports fell at a slower pace of 29.3% after declining 34.7% in May.

	31 July 2009	YTD (USD) %	M-M (USD) %
INDU Index	9,171.61	4.5	8.6
MXAPJ Index	362.70	46.6	12.0
Asean40 Index	7,393.76	47.7	14.0
Hang Seng Index	20,573.33	43.0	11.9
HSCEI Index	12,123.59	53.6	10.6
JCI Index	2,323.24	90.8	18.4
KLCI Index	1,174.90	32.0	9.6
KOSPI Index	1,557.29	42.6	16.7
PSEi Index	2,798.33	47.9	15.0
SENSEX Index	15,670.31	65.0	8.1
SET Index	624.00	41.9	4.7
STI Index	2,659.20	50.4	14.6
TWSE Index	7,077.71	54.2	10.0

Fund Manager

### Risk Reward Trade-off Charts: 6 Months Risk vs Returns

July 2009

The Asean40 Index has a superior risk return profile over a 6-month period compared to other major indices. The Asean40 Index clearly lies above the “Efficient frontier” as shown in the below charts except for comparisons to ASEAN country indices as it falls slightly lower from the “Efficient frontier”.

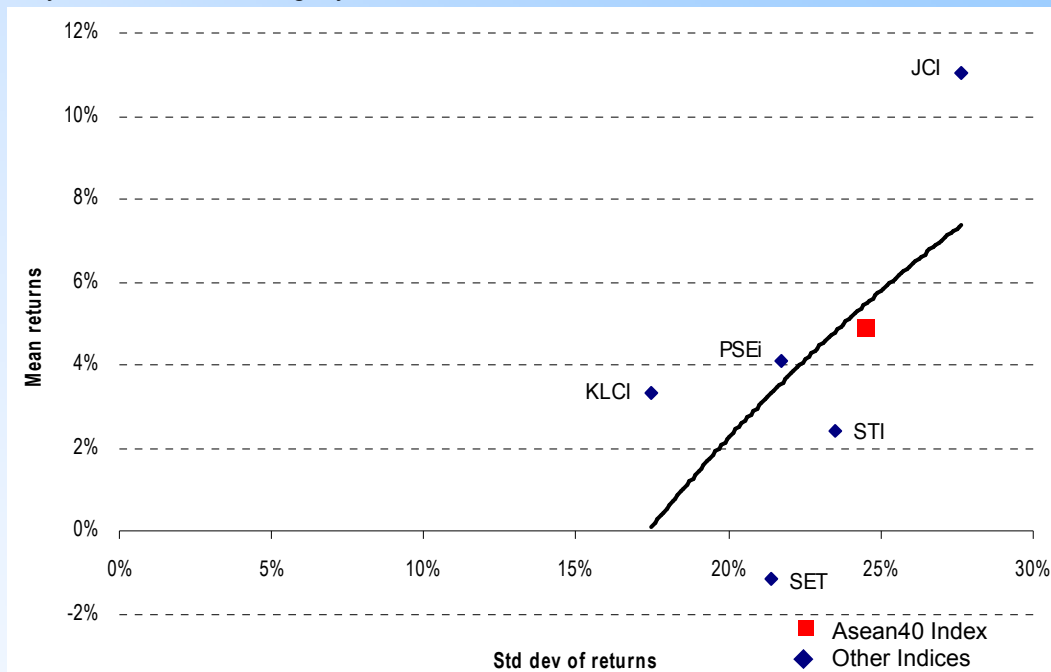


Figure 1: Asean40 Index compared to ASEAN country indices of KLIC, FSSTI, JCI, SET and PSEi

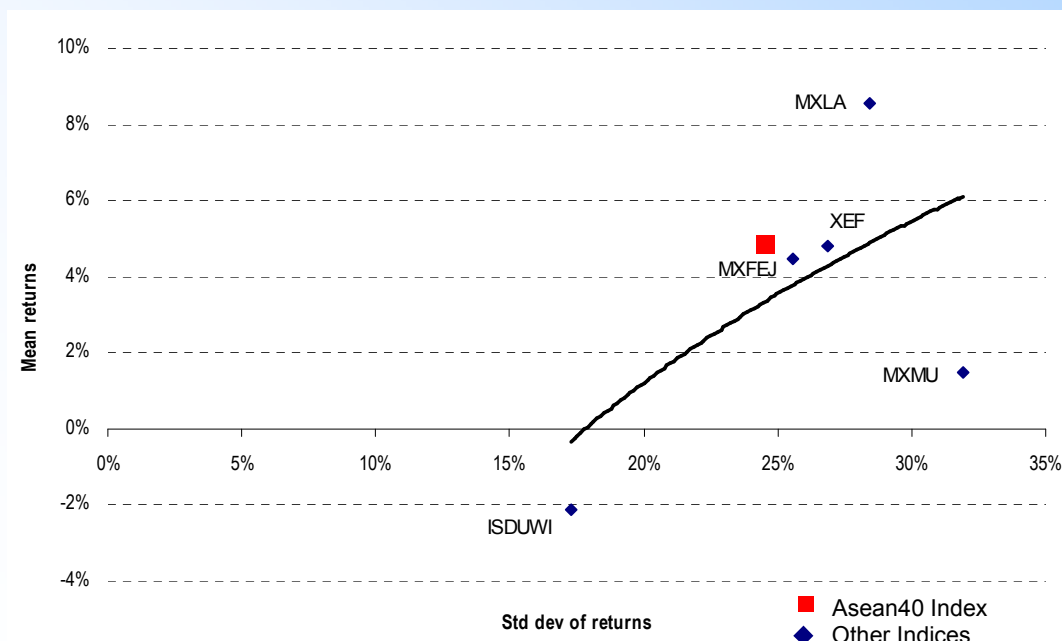


Figure 2: Asean40 Index compared to MSCI country and global indices

### Risk Reward Trade-off Charts: 6 Months Risk vs Returns

July 2009

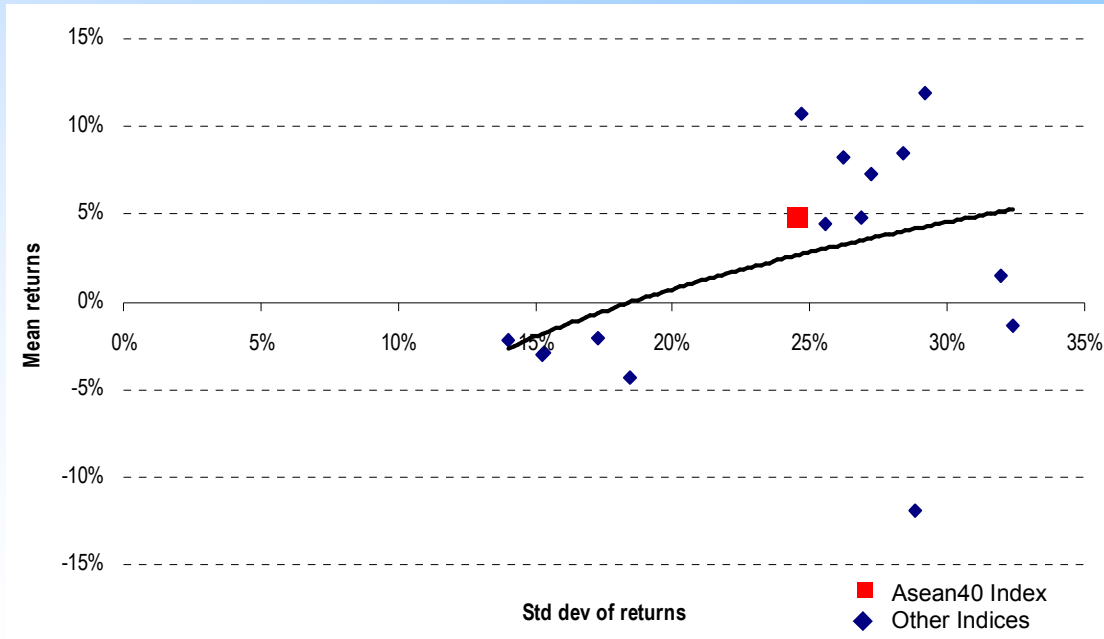


Figure 3: Asean40 Index compared to MSCI country, regional and global indices

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