

Market Commentary

The first quarter of 2011 was one that was accompanied by strong turbulence – of both natural and human origins. Come second quarter, asset markets are entering an even more uncertain period. However, the good news is that fundamentals remain sound. The global economy remains in good shape, corporate earnings are growing and valuations are at moderate levels. These are conditions in place for a continuation of the bull-run in risky assets.

However, amid sound fundamentals, external shocks made the market environment more worrying (particularly in March). External shocks that happened in the first quarter include sudden and widespread uprising in Middle East and North Africa (MENA), high oil prices and the triple disaster in Japan. These have come at a time when emerging markets are still struggling with rising inflation and interest rates.

As tragic as the events in Japan have been, they are not a game changer for the global economy. Of greater concern is the situation in MENA, in particular the political instability in countries neighboring Saudi Arabia, and its potential impact on oil prices.

Most importantly, the global equity bull market is entering a more mature and demanding phase. Confirmation of sustained economic recovery is no longer sufficient to continue the rally. That only works when valuations are at cyclical lows; valuations are now at mid-cycle levels.

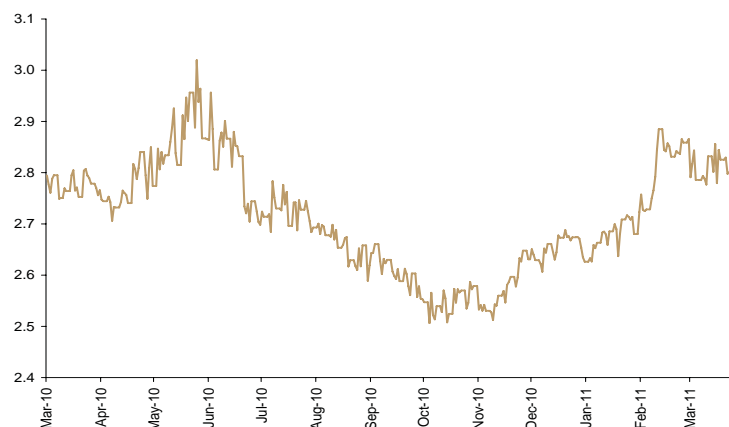
We remain neutral equities and underweight bonds. The next phase of the economic cycle is more likely to be inflationary and negative for bonds, rather than deflationary. This is notwithstanding ongoing concerns over the Euro area and geopolitical developments in MENA. Within the key asset classes, we are overweight alternative investments.



Equities

Amidst the fear and volatility in equities that followed the Japan earthquake, we recommended accumulating Asia ex-Japan and even Japanese equities. Japan was never going to be a game changer for regional, let alone global asset markets. There are more important global dynamics at play – monetary conditions, oil prices, and China's efforts to engineer a soft economic landing being among the most important.

Figure 1: S&P 500 Index as a ratio of the MSCI Asia Pacific ex-Japan Index



Source: Bloomberg, data as of March 2011

Undeniably, there are significant threats to the equity bull market. The radiation fallout from the Fukushima nuclear power plants remains a wild card. War and political unrest in MENA threatens to keep oil significantly above where they were at the start of the year. And the sovereign debt problem facing Portugal, Ireland, Greece and Spain will continue to be a recurring concern.

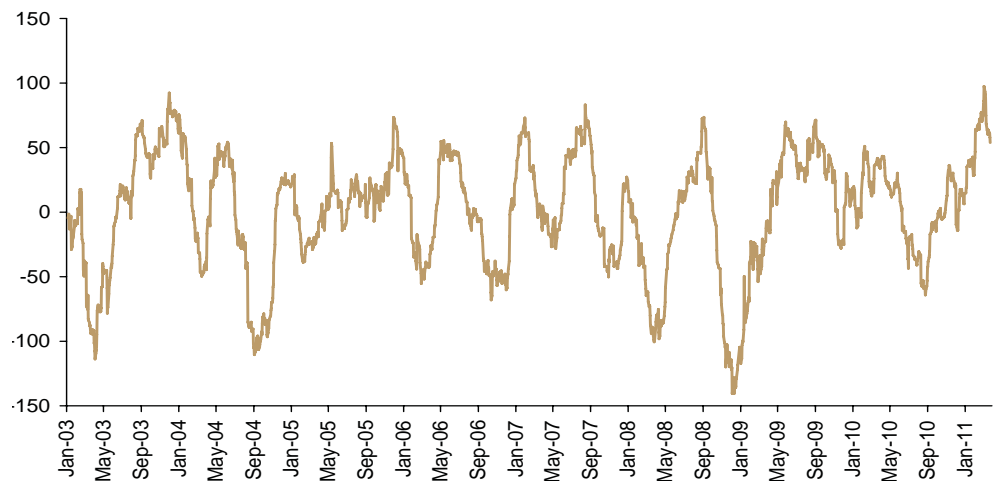
But it remains too early to call an end to the bull market that started two years ago.

Short of a radiation fallout shutting down large parts of Honshu, the Japanese economy will return to its prior growth trajectory. The global economy will continue on its growth path and corporate earnings will continue to expand. While the increase in oil price is a tax on consumers, history tells us that it takes even stronger price increases to force a recession. Meanwhile, negative real interest rates around the world continue to make capital preservation strategies punitively expensive.

Our overweight call for US equities at the start of the year has been rewarded with outperformance by the S&P500 versus the MSCI Asia Pacific ex-Japan. (Figure 1) The theme was higher inflation and interest rates in Asia ex-Japan versus growth with zero interest rates in the US.

Since then, Asia ex-Japan has made some progress towards normalising monetary conditions. And while monetary conditions remain very loose in the US, we are mindful that equities markets are anticipatory. That is, they could soon start to price in the likelihood of Fed funds rate hikes, particularly given that core inflation in the US is starting to show some life after a long period of decline. Meanwhile, there has been a re-pricing of risk in Asia ex-Japan vis-à-vis US equities – that is, absolute losses in Asia and gains in the US. Apart from that, the burden of expectations is growing on the US. The US economic surprise index suggests significant risk of disappointment vis-à-vis heightened market expectations. (Figure 2) We are downgrading the US to neutral weight.

Figure 2: Citigroup US Economic Surprise Index



Source: Bloomberg, data as of March 2011

Reflecting the growing, albeit cautious optimism over China engineering an economic soft-landing, we are upgrading China from underweight to neutral.

In Japan, there are now attractive long-term investment opportunities among global titans which have had their stock prices and valuations beaten down along with the broad market. Up till now, we have had zero weighting in Japan given long-standing structural concerns. We now recommend taking on some weight in Japan on the valuation argument.

Fixed Income

Bond markets across the world will continue to be pressured by rising inflation and interest rates. Policy normalisation from crisis levels will continue with sustained economic growth.

The disaster in Japan, political turmoil in the Middle East, and renewed sovereign debt problems in Portugal have had negligible impact on bond yields which ticked back up after the initial shocks. And they are unlikely to stop central banks from raising rates. Even the European Central Bank (ECB) has started to hike rates. During the ECB policy meeting on 7 April, benchmark rates were hiked by 25 basis points, with a couple more hikes expected this year.

Government bond yields everywhere are probably too low for this stage of the economic cycle.



As the economic recovery continues, rates and yields will push higher. Meanwhile, demand for global bonds has weakened from last year but supply remains strong.

But in Asia ex-Japan and emerging markets, the peak of interest rate hikes is probably another two quarters away. And some markets may have already priced in these rate hikes ahead of policy makers. If fears of an economic hard landing prove unfounded, as we believe they are, perceptions of credit quality for emerging market bonds will improve.

We remain underweight global bonds but neutral Asia ex-Japan.

Commodities

The broad commodities complex (represented by the Commodity Research Bureau / Reuters US Spot All Commodities or CRB Index) has been trading with a very high correlation to US equities. (Figure 3) And there could be a correction in both US equities and commodities over the quarter on disappointment over growth related economic data. We are downgrading commodities from overweight to neutral for 2Q 2011.

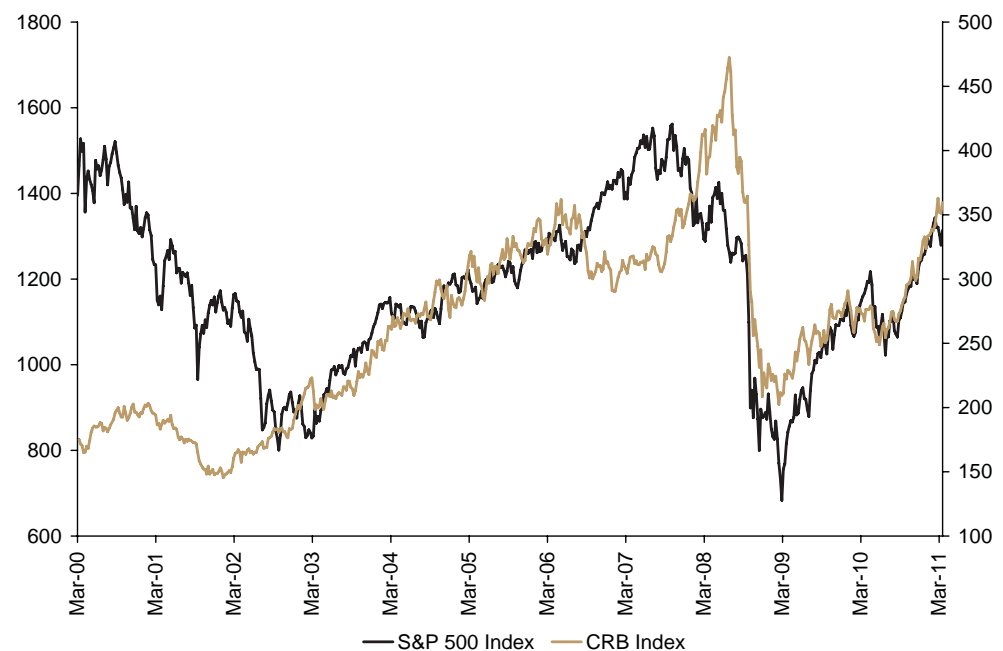
But medium-term demand growth for commodities from emerging markets continues to argue for buying on corrections.

The risk premium from the political situation in MENA is likely to keep oil prices stubbornly high through the course of the quarter. Indeed, any threat to Saudi Arabian political stability is likely to push oil prices even higher. In a more benign scenario – one in which Libya stabilises and Saudi Arabian politics remain jittery but stable – oil prices could pull back below \$100 per barrel. But they are unlikely to stay much below \$100 per barrel so long as the Chinese economy continues to grow strongly. A “scarcity mentality” is likely to return on continued erosion of OPEC spare capacity. Investors should be looking to buy oil on any pullbacks in anticipation of a return in the China growth story.

Over recent months, China has been running down base metal inventories and importing less. This led to concerns that the Chinese economy could suffer a sharper than expected slowdown. However, any slowdown in China is likely to be moderate. Demand growth is continuing and price declines in base metals are likely to draw out Chinese inventory rebuilding. Among base metals, the demand and supply equations look most attractive for copper and lead.

Meanwhile, inflationary concerns – fed by high oil prices – are likely to be supportive of gold. Gold, which had been consolidating below \$1430/oz, is starting to look attractive again, both as a long-term hedge against USD weakness and as a nearer-term hedge against inflationary fears and geopolitical instability.

Figure 3: Commodities trading at high correlation to US equities



Source: Bloomberg, data as of March 2011



Currencies

The US dollar should continue to weaken against commodity and Asia ex-Japan currencies as long as global economic growth remains intact and the equity bull market survives.

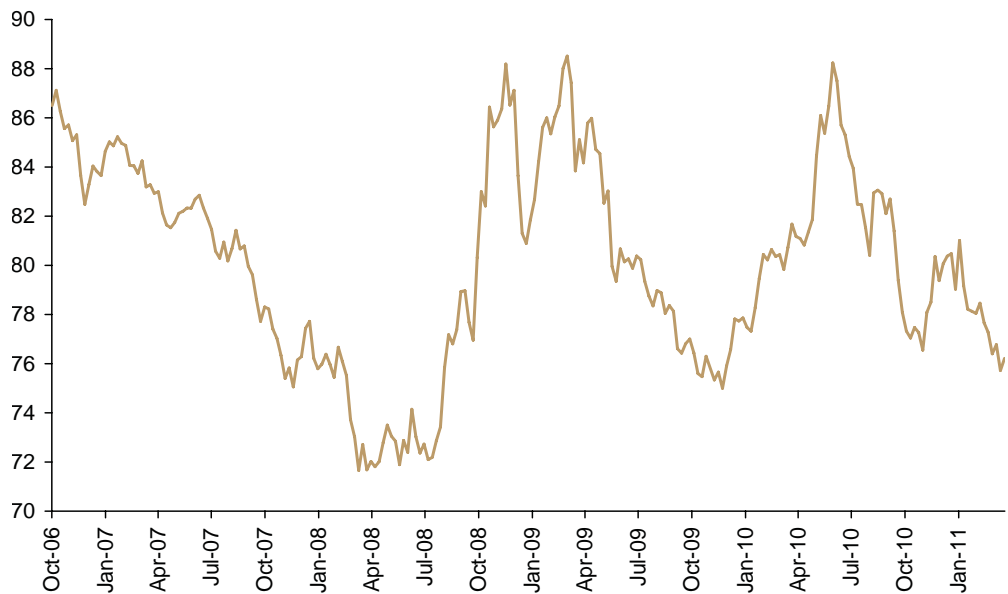
Three factors could determine the outcome for the US dollar over the coming months. The first is fear driven by geopolitics or a new financial crisis. The second is global growth. And the third is interest rate differentials.

The geopolitics of MENA failed to save the US dollar index (DXY) from its downtrend over recent months. (Figure 4) Neither did the triple disaster in Japan. It would take a much bigger shock to revive the US dollar and at this stage there is nothing on the horizon that looks likely to do that.

Euro area sovereign debt concerns will continue to simmer in the background but are unlikely to be significant enough to drive a reversal in favour of the US dollar.

And while economic data could soon disappoint heightened market expectations, the global economy is likely to continue growing. A hard landing in China appears unlikely. A double-dip recession in the US is just as unlikely.

Figure 4: US dollar (DXY) index trading lower despite geopolitical shocks and natural disasters



Source: Bloomberg, data as of March 2011

This leaves us with only interest rate differentials which should continue to work against the US dollar given the likelihood of the Fed staying on hold until the end of the year while rates are going up in the emerging markets and even in Europe.

Understanding Portfolio Strategies

Tactical vs Strategic Asset Allocation

Understanding Strategic & Tactical Asset Allocation Strategies

In the last quarter of 2010, five strategic asset allocation (SAA) models for investors with varying risk levels were developed in consultation with Morningstar Associates LLC. With a target time horizon of five years, these portfolios are diversified across many types of asset class and investment styles. From the second quarter of 2011 onwards, we will be showcasing a set of Tactical Asset Allocation (TAA) models which incorporate the bank's quarterly views on the various asset classes and regions.

With these initiatives directing investors towards managing their wealth based on a diversified portfolio, we think that it is important to have a clear concept over how you can make use of strategic and tactical asset allocation models.

Strategic Asset Allocation – a long-term perspective

The most important characteristic of a SAA is its key focus on having an asset mix aligned with one's risk profile for the long term. When we mean long term, it could be for five years or even longer as required by the investor. The key behind the formation of a SAA is that the weights given to the different asset classes are based on long-term capital market expectations which tend to be relatively stable over a long period of time. In the long run, expectations tend to follow structural economic factors such as population growth, demographic changes, government policies and productivity.

The key underlying factor is that long-term asset returns are determined by fundamentals over the long-term. The risk and return characteristics of different asset classes tend to vary at different points on the business cycle. For instance, equities tend to see an upturn during periods of economic expansion accompanied by stronger earnings and bond prices tend to fall during periods of high inflation and rising interest rates. However, the theory goes that asset risks and returns should normalise to a certain level over the long-term.

Factors that would affect investment markets in the shorter time horizon would matter less to the SAA model in comparison to the TAA.

Tactical Asset Allocation – a short to medium term strategy

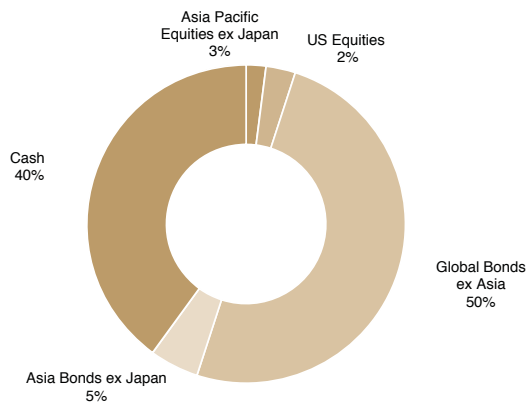
Short term factors can either be sporadic in nature and event-driven including natural disasters, political upheavals and global market crises or cyclical in nature driven by the business and economic cycles. And it's precisely these short term factors that would potentially drive the TAA decision.

In contrast to SAA, the TAA is a short to medium term decision on the portfolio asset mix that is based on views related to recent events related to business cycles and/or market sentiment. A tactical overlay essentially means that the strategic portfolio is modified to allow for a tactical overweight or underweight in the different asset classes or regions. The tactical weightage would be dependent on the views over the shorter-term on the latest happenings in the economy and market.

How to make use of the strategic and tactical asset allocation strategies?

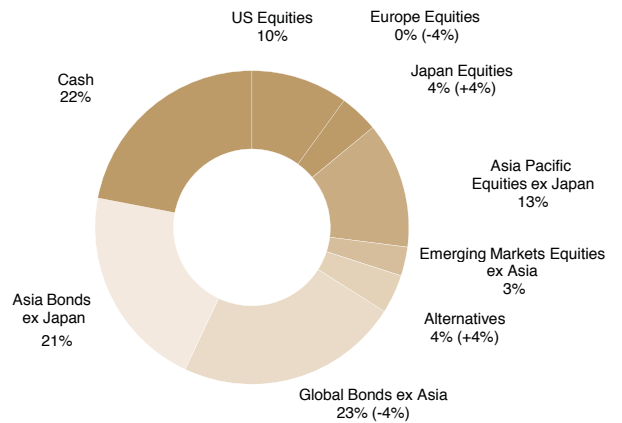
In practice, investors typically start out with the SAA and incorporate the tactical overlay once they can relate to and appreciate the reasons behind the tactical views. However, investors who do not wish to take on tactical views can simply invest in a strategic portfolio and rebalance on a periodic basis – say every six months or a year. Our SAA models will be reviewed on a yearly basis but they are largely expected to remain relatively stable. With these differentiating factors in mind, we hope that investors can better make use of these portfolios when making their next asset allocation decision.

1. Defensive



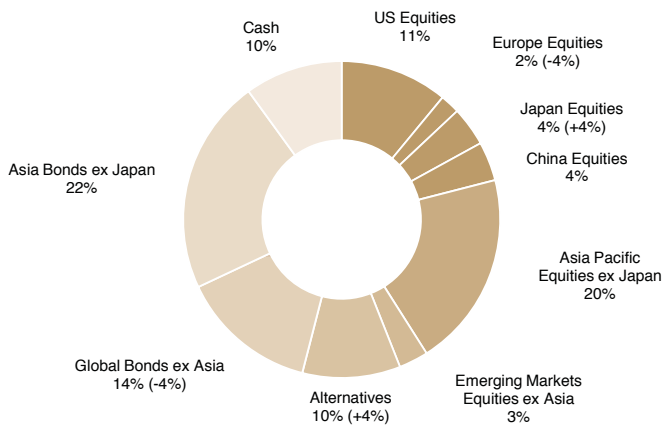
Capital preservation with minimal risk exposure

2. Conservative



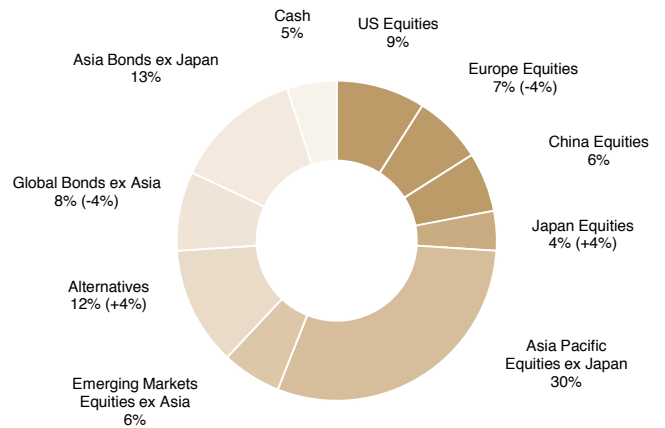
Capturing some capital growth with low risk exposure

3. Balanced



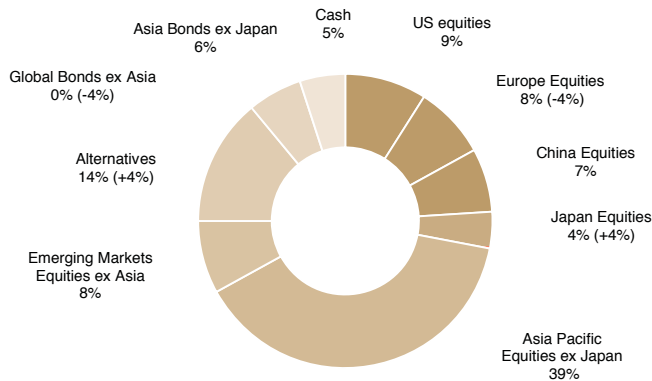
Capturing modest capital growth through a balanced risk-and-return approach

4. Growth



Higher wealth enhancement through greater exposure to risky assets

5. Aggressive



Maximising capital growth potential through exposure to a large portion in risky assets

Notes:
 Percentages denote actual tactical asset allocation weights.
 Figures in brackets refer to the tactical weight shifts versus the strategic allocation.
 For example, Japan 4% (+4%) represents an overweight of 4% in comparison to the neutral weight of 0%.

Tactical Asset Allocation – 2Q 2011

Asset Class	Region	Q1	Q2	Rationale for Weighting
Equities	US	Overweight	Neutral	Markets could soon start to price in the likelihood of Fed funds rate hikes, particularly given that core inflation in the US is starting to show some life after a long period of decline. Burden of expectations is also growing on the US. The US economic surprise index suggests significant risk of disappointment vis-à-vis heightened market expectations.
	Europe	Underweight	Underweight	Sovereign debt woes still present downside risks to the peripheral Europe economies. Inflation expectations are also building in the Euro zone and the ECB has already delivered a 25 basis points rate hike in April. Period of ultra loose monetary policy has ended.
	China	Underweight	Neutral	Cautiously optimistic that China will achieve an economic "soft landing". Expectations of monetary tightening looks to have been largely priced into the Chinese market.
	Japan	Neutral	Overweight	There are now attractive long-term investment opportunities among global titans which have had their stock prices and valuations beaten down along with the broad market. We previously have had zero weighting in Japan given long-standing structural concerns but are taking on some weight on Japan based on a valuation argument.
	Asia Pacific	Neutral	Neutral	Compared to the end of last year, Asia ex-Japan has made some progress towards normalising monetary conditions. The corrections in a number of Asian markets had been notable, suggesting much negatives could already be in the price. This suggests an improved 12-month risk/reward outlook for Asian ex-Japan equities on an absolute basis. We maintain our view that Asia should be rewarded for its superior economic fundamentals over the course of the year.
	Emerging Markets	Neutral	Neutral	Most economies are likely to continue monetary policy tightening. However, since the tightening started last year, there has been some progress on the economic front that would potentially slow down the pace of inflation. Thus, pace of tightening could moderate. Forward looking indicators suggest pace of economic growth to remain robust
	Bonds	Global	Underweight	Underweight
Asia ex-Japan		Neutral	Neutral	The peak of interest rate hikes is probably two quarters away and markets may have already priced in this expectation. Perceptions of credit quality for emerging market bonds may improve if fears of an economic hard landing prove unfounded.
Alternatives		Overweight	Overweight	Commodities could see technical corrections in 2Q 2011 after gains of past nine months on disappointment over growth related economic data. Meanwhile, we favour hedge funds due to their low correlation strategies such as event-driven risk arbitrage and convertible arbitrage. Inflationary concerns are likely to be supportive of gold. Gold is starting to look attractive again both as a long-term hedge against USD weakness and a nearer term hedge against inflationary fears and geopolitical instability. Among base metals, the demand and supply equations continue to look very attractive for copper.
Cash		Neutral	Neutral	Global interest rates are low, though likely poised to gradually edge up through the course of this year.

Strategic Asset Allocation Models

Investment Objectives of the Model Portfolios

The DBS Model Portfolios have been developed in consultation with Morningstar Associates, LLC based on a set of capital market assumptions. Morningstar Associates, LLC, is the industry leader in fund of funds management, investment consulting and retirement advisory services, has developed five portfolios for DBS Bank.

Each portfolio is diversified across many types of asset classes and investment styles in order to benefit from the top performing asset classes and reduce the impact of lower performing asset classes.

- **Defensive** - This model is ideally suited for investors who are seeking to preserve their capital and are uncomfortable sustaining losses. Its 5% allocation to equities means the portfolio will have lower returns while striving to reduce risk exposure over the medium to long term. To help minimise risk, this model has a sizeable allocation to cash, global and Asia ex-Japan bonds.
- **Conservative** - This model is ideally suited for investors who are fairly risk adverse and are seeking more stable returns. Its 30% allocation to equities strives to capture some growth potential, without assuming too much risk over the medium to long term.
- **Balanced** - This portfolio is ideally suited for investors who are seeking a balance between risk and returns. Although the 44% allocation to equities and 6% allocation to alternative investments give this model a riskier profile than either the Defensive or Conservative models, it is better positioned for modest growth over the medium to long term.
- **Growth** - This model is ideally suited for investors seeking to grow their capital and who can tolerate higher risk and considerable market volatility over the medium to long term. Although its 62% allocation to equities (with a sizeable bias to Asian equities) and 8% exposure to alternative investments position the model for growth, it also exposes the investor to potentially high losses.
- **Aggressive** - This model is ideally suited for investors who are seeking to maximise growth and can tolerate losses and market fluctuations over the medium to long term. Its 75% allocation to equities and 10% exposure to alternative investments position the investor to capture the upside of the market, but also expose them to the potential of sustaining extensive losses on the downside. This model has the highest allocation to Asia Pacific and China equities, while still maintaining some exposure to bonds and cash.

The target investment horizon of the Model Portfolios is five years.

Strategic Asset Allocation Models for 2011

		Defensive	Conservative	Balanced	Growth	Aggressive
Equities	US	2%	10%	11%	9%	9%
	Europe	0%	4%	6%	11%	12%
	China	0%	0%	4%	6%	7%
	Japan	0%	0%	0%	0%	0%
	Asia Pacific ex China	3%	13%	20%	30%	39%
	Emerging Markets ex Asia	0%	3%	3%	6%	8%
	Equities	5%	30%	44%	62%	75%
Bonds	Global ex Asia	50%	27%	18%	12%	4%
	Asia ex Japan	5%	21%	22%	13%	6%
	Bonds	55%	48%	40%	25%	10%
Alternatives		0%	0%	6%	8%	10%
Cash		40%	22%	10%	5%	5%
Expected Return (%)		1.95	5.39	7.45	9.61	11.06
Expected Risk (%)		4.41	8.89	12.14	15.73	18.27

To find out more, talk to any of our Treasures Relationship Managers now!

Notes:

- The expected annual return of the strategic portfolio is based on capital market assumptions derived from Morningstar's econometric model that relies on historic, current and forecasted data on the indices highlighted below. The information is for reference only.
- The expected risk (or annual standard deviation) of the strategic portfolio represents the expected risk level of the portfolio based on historical asset class relationships (correlations) and volatility, using monthly returns from 2001 to 2010 based on the indices highlighted below. The information is for reference only.
- Morningstar Associates' model portfolios started on 1 October 2010. Morningstar reviews the strategic asset allocation on an annual basis.
- The classification of the investor types in the 5 model portfolios is based on the classification of DBS Financial Needs Analysis. Based on the model portfolios, the Aggressive one is the highest risk, followed by Growth, Balanced and Conservative, and Defensive is the least risky one.
- The above model portfolios are effective from April to June 2011 and are subject to change.
- The expected return and the average quarterly drawdown are based on the following indices for calculation:
 - o Equity: US - Russell 3000 TR USD; Europe - FTSE World Europe TR EUR; Japan - Topix TR JPY; Asia Pacific ex Japan - MSCI Pacific Ex Japan NR USD; Emerging Market ex China - MSCI EM Ex Asia NR USD; China - MSCI AC Zhong Hua NR USD
 - o Bond: Global Aggregate - BarCap Global Aggregate TR USD; Asia Pacific - BarCap Asian Pac non Japan TR USD
 - o Alternatives: 10% S&P Global REIT TR USD (Property), 30% DJ UBS Commodity TR USD (Commodities), 30% S&P GSCI Gold TR (Gold) and 30% Greenwich Global HF (Hedge Funds)
 - o Cash: BofAML HKD LIBOR 1 Mon CM TR SGD

Morningstar Associates' Asset Allocation Approach:

A hallmark of Morningstar Associates' asset allocation approach is to broadly diversify the models across investment styles, sectors, sub-asset classes, market caps, and regions. This approach aims to ensure that some part of the portfolio will be performing well in most markets, while the long-term gains of all parts will accrue to investors over time.


In determining the asset allocation targets, Morningstar Associates uses a multifaceted approach that features of a number of sophisticated mathematical models to forecast returns on various asset classes. The modeling process is designed to provide asset targets appropriately aligned with current market conditions and investor expectations. Morningstar Associates also subjects the asset allocation models to 10,000 simulations to determine how well or poorly they stand up to different market conditions over a five-year period and then make any necessary adjustments.


Morningstar Associates refines the asset allocation targets based on local market characteristics and behaviors. This results in significant overweight to the Asian markets, both equity and fixed income, in the DBS Asset Allocation Models, although each model retains varying degrees of exposure to the global markets.

In determining the most efficient asset targets for the DBS Asset Allocation Models, Morningstar Associates also factored in a couple of client considerations. First, a maximum quarterly drawdown constraint was imposed for each model. The maximum quarterly drawdown is the largest percentage quarterly loss that Morningstar Associates will tolerate for each model over the past 10 years. By accommodating the drawdown, the asset mix can be optimised to better meet investor's long-term performance and risk expectations, as well as better understand each model's risk potential. In addition, Morningstar Associates maintained a minimum 5% allocation to cash in each model to provide a buffer against market volatility.

Funds Select List

Icon	Fund Name	Launch Date ¹ (D/M/Y)	Fund Size (Million)	Cumulative Performance ² (%)					3yr Ann Volatility ³ (%)	3yr Sharpe Ratio ⁴	Morningstar Overall Rating ⁵	Risk Level ⁶
				3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs				
	Aberdeen Pacific Equity Fund	05/12/1997	1,130.00	-2.83	0.75	9.90	5.31	6.94	23.80	0.22	★★★★	P4
	DWS Asia Premier Trust	14/11/1994	78.23	0.18	7.33	9.34	2.55	4.72	24.55	0.10	★★★★	P4
	Fidelity South East Asia	15/05/2006	10,374.27	0.83	6.87	10.78	4.93	N/A	24.94	0.20	★★★★	P4
	First State Dividend Advantage	16/11/2004	1,076.64	-3.69	-2.01	5.92	3.49	7.68	20.16	0.17	★★★★★	P4
	Schroder Asian Equity Yield Fund	03/01/2005	133.06	-1.59	2.19	7.98	-1.11	2.11	21.86	-0.05	★★	P4
	Schroder Asian Growth	08/05/1991	265.54	-1.85	1.69	10.91	5.51	6.83	26.92	0.20	★★★★	P4
	Templeton Asian Growth	25/10/2007	20,560.75	1.27	5.27	14.31	6.88	N/A	28.49	0.24	★★★	P4
	DWS China Equity Fund	04/01/2005	598.82	-2.16	-2.47	-4.43	2.43	13.01	24.85	0.10	★★★★	P4
	First State Regional China	27/09/1993	526.16	-2.91	-2.99	4.91	3.20	10.73	22.67	0.14	★★★★	P4
	Schroder ISF Japanese Equity Alpha	27/02/2004	345.76	-0.80	9.92	0.10	-0.57	-8.95	20.78	-0.03	★★★	P4
	Allianz RCM US Equity Fund	11/08/2009	241.20	4.41	12.62	2.02	N/A	N/A	N/A	N/A	—	P4
	Franklin Mutual Beacon Fund	25/10/2007	1,724.05	2.77	8.48	-0.80	-3.67	N/A	17.86	-0.21	★★★	P4
	Franklin US Opportunities	25/10/2007	2,995.28	3.64	13.35	10.38	4.95	N/A	20.56	0.24	★★★★★	P4
	Schroder European Equity Alpha	25/04/2005	43.59	6.26	5.80	1.58	-6.27	-3.47	25.89	-0.24	★★	P4
	Templeton European Fund	25/10/2007	230.20	7.04	7.79	0.16	-8.50	N/A	22.43	-0.38	★★★	P4
	Schroder BRIC Fund	09/01/2006	332.36	0.92	2.81	-0.08	-3.05	5.67	27.60	-0.11	★★★	P4
	Schroder Global Emerging Market Opportunities Fund	19/01/2007	149.42	-0.21	0.99	N/A	N/A	N/A	N/A	N/A	—	P4
	Templeton Latin America Fund	25/10/2007	4,977.50	-5.03	-0.41	0.72	2.35	N/A	30.74	0.08	★★★	P4
	BGF World Gold Fund	08/07/2008	11,125.65	-4.24	5.62	32.6	N/A	N/A	N/A	N/A	—	P4
	DB Platinum Commodity	18/07/2008	474.82	6.38	15.98	12.65	N/A	N/A	N/A	N/A	—	P4
	DBS Global Property Securities	11/04/2005	65.96	3.98	7.94	11.91	-5.22	-4.42	28.20	-0.19	★★★★	P4
	First State Global Resources	25/07/2005	946.24	-0.34	16.77	18.84	0.38	8.14	32.03	0.01	★★★★	P4
	MAN AHL Trend	07/12/2010	475.84	-7.42	N/A	N/A	N/A	N/A	N/A	N/A	—	P4
	Schroders Alternative Solutions	07/07/2008	230.27	2.55	12.40	16.59	N/A	N/A	N/A	N/A	—	P4
	Gold and Precious Metals Fund											
	Schroder Strategic Bond Fund	04/07/2005	13.00	0.41	1.43	5.86	3.04	3.05	5.06	0.60	★★	P2
	Templeton Global Total Return Fund	25/10/2007	19,730.26	1.39	0.77	-0.03	10.33	N/A	10.10	1.02	★★★★★	P3
	Templeton Global Bond Fund	25/10/2007	48,856.46	0.13	-1.10	-3.12	7.65	N/A	7.92	0.97	★★★★★	P2

BONDS 	Asia Pacific Bonds (ex Japan)	Launch Date ¹ (D/M/Y)	Fund Size (Million)	Cumulative Performance ² (%)					3yr Ann Volatility ³ (%)	3yr Sharpe Ratio ⁴	Morningstar Overall Rating ⁵	Risk Level ⁶
				3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs				
	DBS Asia Bond Fund (Class A)	01/08/2005	65.39	0.65	0.65	3.88	0.63	1.23	6.05	0.10	★★★	P2
	DBS Shenton Income Fund	31/01/1989	494.90	1.06	0.38	3.56	-0.53	0.03	6.22	-0.09	★★★	P2

	Money Market Fund	Launch Date ¹ (D/M/Y)	Fund Size (Million)	Cumulative Performance ² (%)					3yr Ann Volatility ³ (%)	3yr Sharpe Ratio ⁴	Morningstar Overall Rating ⁵	Risk Level ⁶
				3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs				
	DBS Enhanced Income Fund	29/09/2000	173.79	0.66	1.17	2.57	1.67	2.22	2.05	0.81	★★★	P2

Notes:

- Fund launch dates are sourced from fund manager fact sheets.
- Cumulative performance and fund sizes are sourced from Morningstar Workstation. All data presented are as of 31 March 2011. Cumulative performance data are bid-to-bid, in SGD.
- Volatility is a statistical measure of risk. 3 year Annual Volatility is calculated here by using the annualised standard deviation of the previous 36 monthly returns. The higher the standard deviation, the greater the volatility, therefore, the risk is higher. Approximately 68% of the annual total return of the fund is expected to range between +1 and -1 standard deviation from the annual average return, assuming a fund's return falls in a standard normal distribution.
- Sharpe ratio is a measure of the fund's performance against the 3-month SIBOR rate, adjusted for risk. The higher the positive ratio, the higher is the historical risk-adjusted performance of the fund. The risk free rate in the sharpe ratio calculation is the 3-month SIBOR of 0.438% (as of 31 March 2011).
- The rating is assigned by Morningstar Asia Limited in accordance with the principle of NAV-to-NAV or bid-to-bid, based on the NAV or Bid price of the relevant fund captured by it on 31 March 2011. No rating will be assigned for the funds which have been established for less than three years or with performance data less than three years; for investment market sector with less than five funds, no rating will be assigned to the funds in such group. Within each investment market sector, five stars will be assigned to the top 10% of the funds in such sector, the next 22.5% of the funds will be assigned four stars, the next 35% of the funds will be assigned three stars, the next 22.5% of the funds will be assigned two stars, and the remaining 10% of the funds will be assigned one star. A fund with high rating does not mean that it is suitable for all investors, nor does it suggest that it will continue to provide good performance as it has in the past.

The Morningstar Overall Rating attempts to provide investors with a tool for a simplified screening process for fund selection and should not be considered as recommendations to buy or sell the relevant funds.
- The risk level is assigned to a fund by DBS Bank Limited based on its assessment of the risk level of the respective fund, data as of 31 March 2011 and is for information and reference only. DBS Bank Limited may revise the risk level assigned to a fund from time to time without prior notice. P1 refers to the lowest risk rating while P5 is the highest.
- For fund sizes which are provided in USD denominated currency, it is converted to SGD based on an exchange rate of 1.26. (Source from Bloomberg, as at 31 March 2011).

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