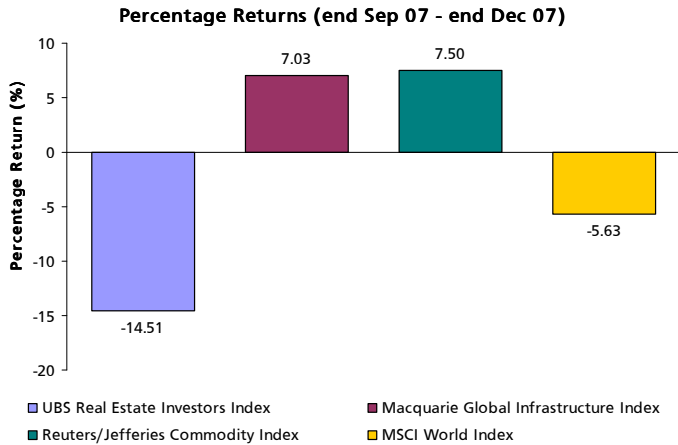


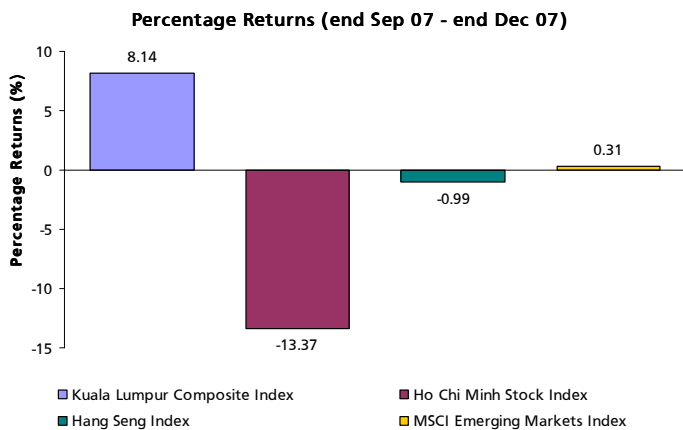


GLOBAL MARKETS



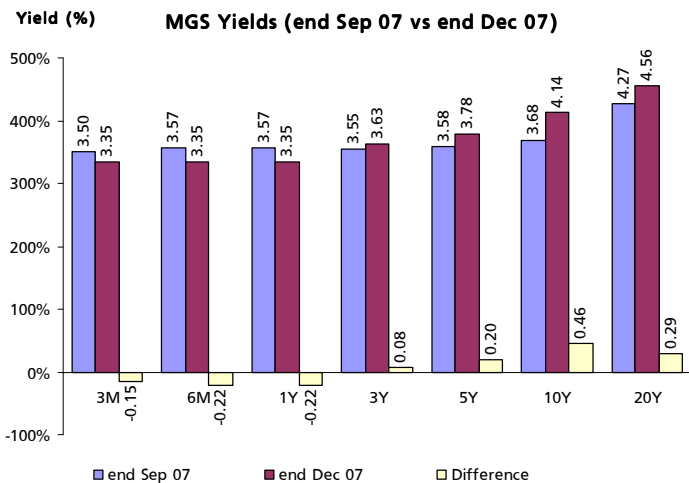
- World stock markets were generally volatile, caused by the US sub-prime mortgage crisis. In turn, this raised concerns that higher corporate borrowing costs and a tighter credit environment would spur debt defaults and reduce corporate earnings
- Competitive assets led the global infrastructure index higher, whereas surging demand for commodities due to economic expansion edged prices to record highs. The case for higher commodity prices is supported by weakening in the US Dollar.
- As for the infrastructure sector over the longer term, we expect attention to shift towards regulated assets with defined revenue profiles (often inflation-linked), high barriers to entry, strong strategic positions, and predictable cash flows.
- The global property sector was hit by news that Centro failed to secure refinancing for maturing debts. This triggered negative sentiment and a sell-down in property stocks in major markets.
- In valuation terms, property securities appeal as they now trade at discounts to net asset values (e.g. North America: 15% discount; source: JP Morgan, January 2008). Further, property fundamentals are more resilient in Asia due to better economic conditions.

REGIONAL MARKETS



- Malaysia did well, led by plantation stocks that benefited from a surge in crude palm oil prices. In the near term, Malaysia is expected to perform well on speculation of election and commodity upswing.
- HWANGDBS IM remains focused on thematic plays and domestic-centered stocks while retaining a cash buffer to capitalize on buying opportunities.
- Emerging markets and Greater China were resilient quarter-on-quarter. While initially rising (led by QDII flows), stocks in these regions tapered off towards year end on concerns on the impact of the US sub-prime mortgage on regional economies. However, the Vietnamese market fell when the government announced a limit on securities loan. Also, inflation hit 13% in 2007, the highest in 11 years.
- Overall, emerging market, Greater China and Vietnam economies are expected to be economically resilient yet robust, driven by domestic factors such as consumerism and infrastructure spending. Stock valuations are more appealing with the correction (especially in Vietnam) and may be poised to recover going forward.

LOCAL FIXED INCOME MARKET



- Although Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") at 3.50%, the MYR yield curve steepened on concerns of higher inflation. Government bond yields from the 3- to 20-year segments rose (i.e. prices fell).
- Inflation for November 2007 rose 2.3%, the highest in 9 months. This was due to higher food and tobacco prices. Inflation fears are compounded by expectation of reduction in petrol subsidies, toll rate hikes and rise in electricity tariffs.
- Short-term deposit rates were relatively stable throughout the quarter as the local MYR market was insulated from any credit and liquidity crisis emanating in capital markets elsewhere. Moreover, a spate of bond issues by multinationals e.g. Binariang, Tesco, Standard Chartered Bank were successfully launched.
- BNM is expected to allow the MYR to appreciate to contain imported inflation whilst keeping the OPR steady. This, along with ample liquidity in the system, should encourage demand for quality bonds, which potentially lead to higher prices.

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