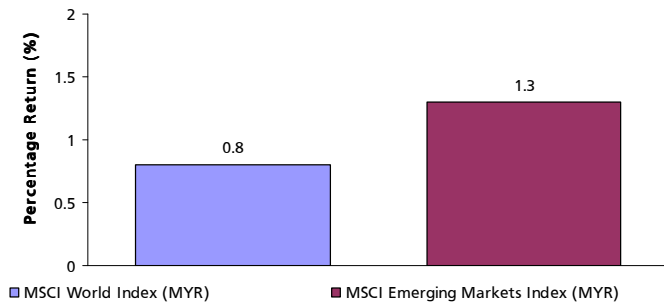




GLOBAL EQUITIES

Global Equities - Percentage Returns
(end Mar 08 - end Jun 08)

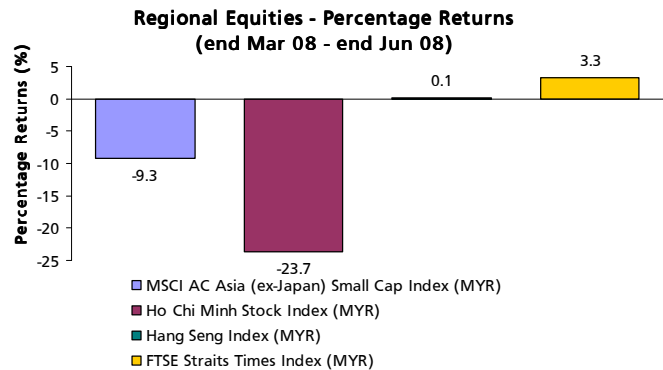


Source: Bloomberg

- The second quarter of 2008 started off brightly as global equities generally rebounded strongly over April. A slew of positive news-flow and general belief that the lows recorded in March could have been the market bottom provided impetus for the April rally.
- However, sentiment remained fickle and equities consolidated over the subsequent months, wiping out almost entirely all gains achieved in April and proving that April's performance was merely a technical bounce from the lows recorded in March. Emerging markets ("EM") were only marginally more resilient as compared to broader global equities.
- The consolidation took place as concerns gravitated towards the threat of global inflation. Soaring crude oil prices and other commodities combined with negative economic data, potentially signaling a more prolonged decline in global growth than earlier anticipated weighed heavily on global and EM equities.
- General expectations are that equity markets will continue to be held hostage by high crude oil prices. Despite a return of bearish sentiment, analysts are still cautiously optimistic of global Gross Domestic Product ("GDP") growth to remain positive for the year.

REGIONAL EQUITIES

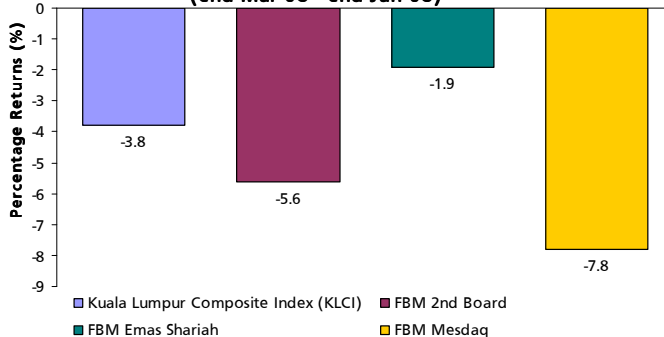
- Asian equities underperformed other equity markets over the quarter as inflation concerns featured more significantly in the fast growing region. Additionally, concerns over secondary and spill-through effects from the economic slowdown experienced in the US affected confidence over the highly export-driven Asian markets.
- The combination of expected weakness in manufacturing exports and high crude oil prices (particularly affecting the cost of transportation and logistics) affected markets around the region.
- Vietnamese equities were the worst performing, recording a 24% decline over the quarter. However, proactive government actions to tackle inflation – such as scaling down on large governmental projects and pursuing aggressive monetary tightening policies – were beginning to see positive results. From mid-June onwards, the Ho Chi Minh Stock Index rolled off successive days of positive performances, regaining some of the huge losses incurred over the quarter.



Source: Bloomberg

LOCAL EQUITIES

Local Equities - Percentage Returns
(end Mar 08 - end Jun 08)

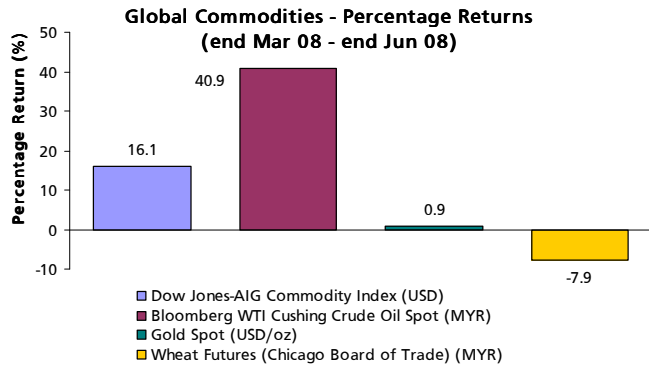


Source: Bloomberg

- Malaysian equities primarily took cues from regional and global market peers over the quarter. However, an escalation of political risk compounded the negative performances of domestic equities.
- The volatile political landscape remained the key topic of focus for Malaysian capital markets in June. Foreign investments were seen exiting from the country as risk appetite declined globally and fears of delays and lack of follow through on economic development plans by the ruling coalition.
- The withdrawal of foreign funds in turn prompted a sell-down by domestic investors, and causing the Kuala Lumpur Composite Index to record its second worst monthly performance for the year in June, wiping off all gains and more achieved at the start of the quarter.
- Expectations are that politics will continue to dominate the local front and will weigh negatively on Malaysian equities until a clearer sign of stability is seen. In light of the situation, the Manager holds a defensive position in respect of domestic equities and will retain a cash buffer to cushion the impact from any weakness seen in Malaysian equities.



GLOBAL COMMODITIES

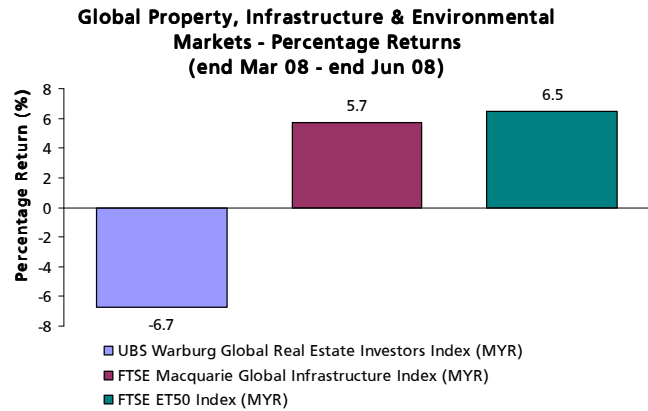


Source: Bloomberg

- Global Commodities gained on high prices in oil and food. The commodity sector outperformed the broader equity markets, with the Dow Jones-AIG Commodity Index gaining 16%.
- Within the commodity sphere, energy sector outperformed the metals and agricultural sector for the 3 months ending June 08. Crude oil price hit a record high of USD 142 per barrel in June as momentum built and prices accelerated sharply.
- For base metals, supply disruptions and robust demand had sent prices of aluminium, copper and tin higher by 30% so far this year. For the rest of the year, metals should offer significant upside. Precious metals should trend higher after a period of correction and consolidation.
- Wheat market should suffer in the next two months as harvest continues, while the corn market is expected to correct in the coming months. Oilseeds prices should reach new highs in the later quarter due to low soybean stocks and higher energy prices.

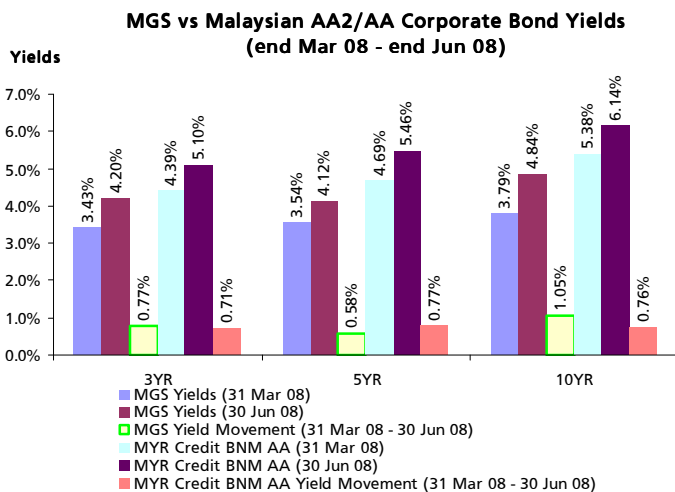
GLOBAL PROPERTY, INFRASTRUCTURE AND ENVIRONMENTAL MARKETS

- Major REIT markets including the US, Europe, UK, Australia, Japan, Singapore and Hong Kong declined for the quarter as investor sentiment turned increasingly negative on the back of rising oil and food prices, worsening credit crisis and global slowdown. The UBS Warburg Global Real Estate Investor Index (MYR) underperformed the broader equity market. Global REITs are expected to continue to be volatile in respect of uncertainties over the global economy. However, REIT markets in the US, Australia, Japan and Asia are trading at a significant discount to net asset value (NAV) despite the expectation of an increase in cap rates, and present good buying opportunities.
- Infrastructure securities outperformed the broader equity markets, with the FTSE Macquarie Global Infrastructure Index (MGII) returning 6%. The sector's integrated utilities benefited from high energy prices.
- Environmental stocks, as measured by the FTSE ET50 Index (+6.5%), outperformed the general equity markets for the second quarter ended June 08. The outperformance of the sector against global equities were driven by the continued strength of the fundamentals of the sector and positive environmental policy developments. Continued spending in the industrial and utilities sectors can underpin growth in the coming quarters.



Source: Bloomberg

LOCAL FIXED INCOME MARKET



Source: Bloomberg

- The local fixed income market experienced a tough second quarter for 2008. A general reduction in subsidies by the Government and an outflow of foreign interest from Malaysia due to the heightened political uncertainty weighed down on Ringgit bonds.
- Yields of Malaysian Government Securities ("MGS") across all tenures rose over the quarter, shifting the curve upwards. Malaysian corporate bond yields also shifted upwards alongside MGS yields. Yields of Malaysian AA corporate credits were up approximately 75 basis points higher for the quarter across all tenures.
- Despite persistent calls from the general public for a rate hike, Bank Negara Malaysia ("BNM") has so far retained the Overnight Policy Rate ("OPR") at 3.5%.
- However, pressure is mounting for a rate hike soon and market participants have already started to price in a potential hike of at least 50 basis points by the end of the year. The key focus will be on BNM's next meeting at the end of July.