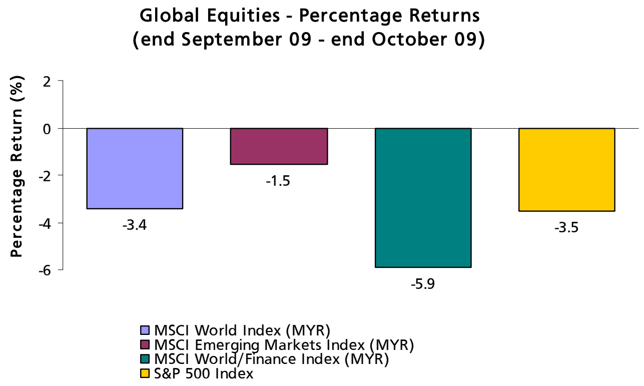
GLOBAL EQUITIES

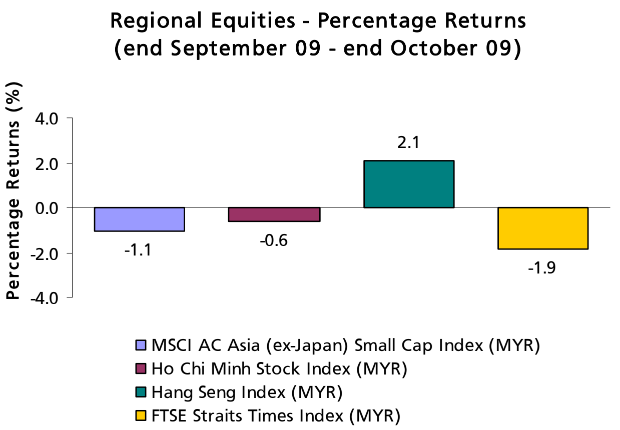


Source: Bloomberg

- Volatility made a comeback in global equity markets over the historically weak month of October. Global equity markets, as represented by the MSCI World Index, ended lower for the month on the back of profit taking activity, concerns over monetary policy direction globally and the strength of the economic recovery.
- When translated into MYR terms, the MSCI World shed 3.4% for the month while the MSCI Emerging Market (EM) Index lost 1.5% over October 2009.
- EM markets outperformed broader global peers which were dragged down by negative monthly performances in developed markets such as the US, UK, Japan and Australia.
- After a strong rebound in the global financial sector over the past two quarters, the sector gave back some ground as can be seen by the MSCI World/Finance Index which fell by 5.9% (in MYR terms) over October 2009.
- In the US, the S&P 500 Index declined by 3.5% for the month despite the vast majority of companies that reported third quarter 2009 results that beat analyst expectations.
- However, the reversal of market momentum globally was not unexpected given its strong performance since March 2009. Fundamentally, economies remain on track for a recovery and major corporations globally continue to show improvements in operations.

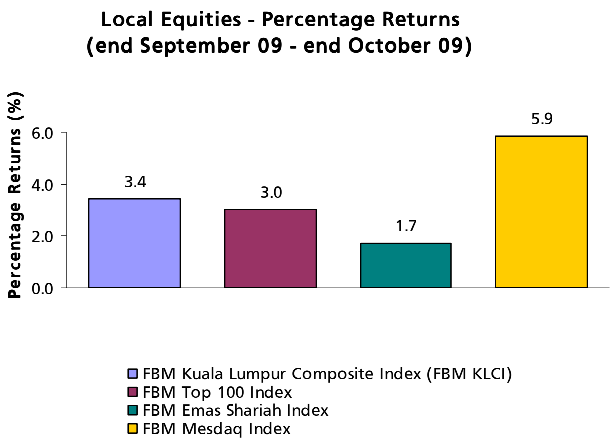
REGIONAL EQUITIES

- Asian equity markets were mixed over the month with key markets such as Taiwan, Korea and India ending October 2009 in the red.
- However, Chinese equities as measured by the Shanghai Composite Index provided some support, gaining 8% in local currency terms.
- The China A-share equity market was well supported by China's third quarter 2009 Gross Domestic Product (GDP) data which showed a growth of 8.9% over-a-year-ago, firmly indicating that the nation's growth is re-accelerating.
- Other indicators are also supportive of this view as exports and production numbers showed healthy increases, suggesting that the fiscal packages rolled out by the Chinese government are filtering through the broader economy.
- The Hang Seng Index also benefited from the performance of the domestic Chinese equities, rising 2.1% (in MYR terms) over the month.
- The Vietnamese market continued to be supported by strong domestic retail investor demand and edged higher in local currency terms. However, the Vietnamese Dong (which is closely tied to the performance of the US Dollar) weakened against the Ringgit Malaysia (MYR) over the month, leading to a marginal decline of 0.6% after translation to MYR.



Source: Bloomberg

LOCAL EQUITIES

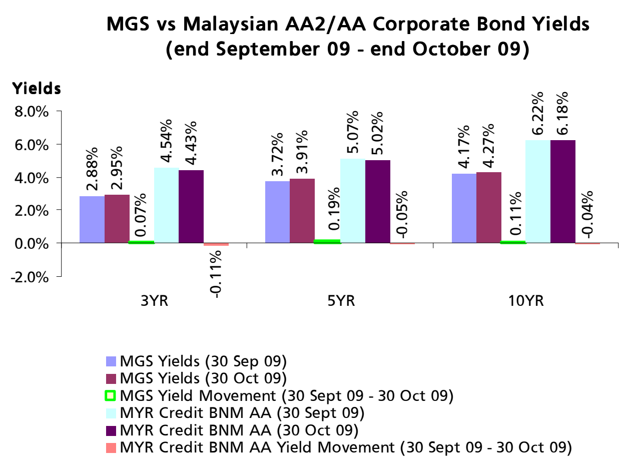


Source: Bloomberg

- In October 2009, Malaysian equities outperformed its regional peers except for China. The FTSE Bursa Malaysia Top 100 Index ("FBM100") recorded a gain of 3%, while the FTSE Bursa Malaysia Emas Shariah Index gained 1.7% over the month.
- Regional peers such as Singapore and Indonesia equities performance in were -1.9% and -4.4% (MYR Terms) respectively over the same period.
- Consolidation in regional markets was due to profit taking activities as well concerns on the sustainability of the market rally.
- The key highlight in October 2009 was the announcement of Malaysia Budget 2010 where a 5% real property gains tax (RPGT) was reintroduced and a smaller 2010 fiscal deficit forecast of 5.6% , down from projected deficit of 7.4% in 2009.
- However, the overall Budget's effect on the local equity market was minimal.
- The Manager remains cautious over the remaining months of 2009 as profit taking activity may continue after a stellar performance in equity markets since March 2009.
- However, the Manager believes that downside risk from this point is relatively contained as markets are on the recovery track over the short to medium term.
- The Manager will continue to pursue bottom-up opportunities in the market.

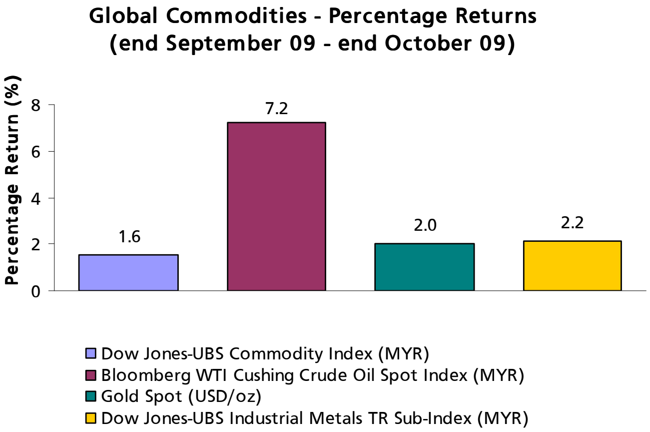
LOCAL & GLOBAL FIXED INCOME

- Over October 2009, Malaysia government announced the Budget 2010 which was positive for the local fixed income market due to expectation of smaller Government bond issuances but larger private debt securities (PDS) issuances next year.
- The larger PDS issuance will add more depth to the local market. The lower supply of Government bonds and the distribution of the auctions would be supportive of Malaysian Government Security (MGS) prices going forward.
- Corporate bond yields closed lower over the month on active trading volume. Activities were supported by keen interest among high grade names and the surge of new bond offerings.
- In view of a strengthening economic recovery in the Asia-Pacific region, Reserve Bank of Australia became the first G20 nation to hike rates.
- Asian dollar bonds weakened initially as sentiment was dampened by losses along regional equities markets as well as supply concerns amidst the current congestion in primary issuance.
- However, losses were pared after the release of upbeat 3Q09 GDP in the US boosted risk appetite amongst bond investors.



Source: Bloomberg

GLOBAL COMMODITIES

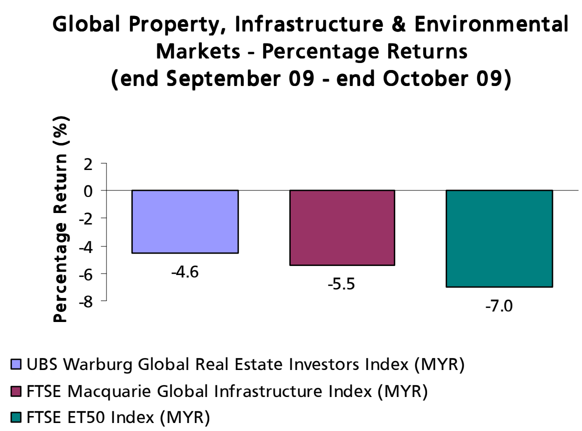


Source: Bloomberg

- Commodities outperformed gobal equity markets in October, driven by expectations of a huge GDP number in China (@ 8.9% for Q3 2009) and the continued weakness of the USD.
- Overall, the commodity market outperformed the broader equity market during the month by returning 1.6% as measured by the Dow Jones-AIG Commodity Index, while the MSCI World Index was down 3.4%.
- Oil price finally broke out of its recent range after 5 months to close at USD77 per barrel for the month..
- Gold continued to be the investor's favourite as an alternative currency to the US Dollar and an attractive store of value in times of crisis. Gold price continued to trend upwards and reached USD1045 per ounce at month end.
- Base metals have also been strong despite building levels of inventory; copper made a 13 month high of USD6,665, despite inventories rising almost 42% since early July.
- Wheat market has rallied almost 25% from the lows of early October despite the fact that the global wheat crop will likely be the second largest in history.
- The Target Fund Manager have been, and will continue to be, extremely vigilant for any signs of a reversal in all risk assets and the US dollar. While the currency stays weak, commodity markets will likely perform well.

GLOBAL THEMES: PROPERTY, INFRASTRUCTURE & ENVIRONMENTAL

- Global REIT markets experienced some gains at the beginning of the month but lost ground towards the end. Although US September quarter profit results continued to impress, investor sentiment was negatively impacted due to weak economic data. Global REIT markets followed the lead of the US and the global equity markets and was down for the month.
- The UBS Warburg Real Estate Investors Index returned -4.6%, underperforming the MSCI World Index which declined by 3.4% in MYR terms.
- Global equity markets posted their first negative month since February on mounting concerns late in the month regarding mixed macroeconomic data, the outlook for central bank policy and the sustainability of the global economic recovery. Infrastructure stocks overall were softer in October after having made further gains in September. Overall, the infrastructure sector, as measured by the FTSE Macquarie Global Infrastructure Index (MGII), was down 5.5%.
- The FTSE ET50 Index (MYR) which tracks the 50 largest listed companies within the environmental sector, declined by 7.0% for the month, underperforming the broader equity market. The fundamental outlook for the sector remains positive while earnings expectations are at realistic levels with potential for upside surprise. With credit markets and volatility back to more normal levels there is a continuation of risk appetite and willingness to pay average cycle multiples. With mergers and acquisitions activity returning and profitability improving the stock markets are expected to be well supported.



Source: Bloomberg