

The portfolio aims to achieve long term capital appreciation by investing 90% into bond funds and 10% into equity funds. The target allocation may change with our views on financial markets. Currently we have an **overweight position in equities** and we are targeting to have an exposure of 80% to bond funds and 20% to equity funds.

Total Investment:	\$100,000	Absolute Return: (Since inception: 20 Nov 2002)	16.7%	Annualised	
Portfolio Value:	\$116,706	Jul 2010 Return:	2.6%	Internal Rate of Return:	3.6%

CONSERVATIVE PORTFOLIO

Fund Name	Target Allocation (%)	NAV (SGD)		% Change
		30/6/2010	29/7/2010	
LionGlobal Singapore Fixed Income	24	1.34	1.352	0.9
Schroder ISF Global Corporate Bond SGD	16	11.58	11.73	1.3
Legg Mason Asian Bond Trust	16	1.246	1.284	3.0
UOB United GEMS Portfolios S\$*	12	1.442	1.442	0.0
PRU Monthly Income Plan CI A	12	0.978	1.007	3.0
Aberdeen Global Opportunities	10	0.7337	0.7694	5.0
Aberdeen Global Emerging Markets	10	1.6173	1.6985	4.9

* Dividend ex date 1 July 2010, amount unknown but fund's NAV negatively impacted. Performance will be revised once dividend amount made known

MARKET COMMENTARY

- July was a spectacular month for global equities as the rally went into full swing after the World Cup ended. The top performing markets were Brazil, Europe and Australia, returning 10.1%, 8.7% and 8.5% respectively in July (in SGD terms as of 31 July 2010). Part of the strong gains for Europe and Australia is attributed from the appreciation of EUR and AUD against SGD, rising 3.7% and 4.6% respectively.
- IMF upgraded the forecast of world output growth rate to 4.6% from April's forecast of 4.2%. However, the upward revision is mainly due to better-than-expected first half and IMF highlighted increased risks brought by the escalation of financial stress and contagion prompted by rising concern over sovereign risk moving forward.
- US earnings season for 2Q 2010 reporting kicked off on 12 July 2010 with Alcoa reporting 2Q earnings. Based on companies that have reported their quarterly earnings as at end July, there has been net positive surprises as S&P 500 index rallied 6.9% in USD terms for July.
- Results for the stress test on 91 European financials which represent 65% of EU banking sector were released on 23 July 2010. 7 banks did not pass the threshold level of 6% Tier 1 capital ratio required based on the scenario analysis. However, they only require recapitalization of 3.5 billion euro, a far cry from consensus expectation of 30 to 35 billion euro. While the stress test conditions were criticized as being too lenient, the market reception of the stress test result has been positive as the Stoxx 600 index rallied 4.9% in EUR terms for July.

PORTFOLIO COMMENTARY

The portfolio gained 2.6% in July following a 1.2% gain in June. All the portfolio's funds managed a positive return in July. Our top-up into both Aberdeen Global Opportunities and Aberdeen Global Emerging Markets in June was a good call as equity outperformed fixed income as investor's appetite for risk returned. Aberdeen Global Opportunities gained 5.0% while Aberdeen Global Emerging Markets gained 4.9%. The bottom performing fund was UOB United GEMS Portfolios S\$ whose return was flat. This is however due to a dividend issuance with ex-date on 1 July 2010. The performance will be revised upwards to reflect the actual return once the dividend amount is made known.

ACTION TAKEN

Having rebalanced in June, followed by the strong performance of equities, our allocation for the fixed income has fallen in July. Therefore, our monthly \$1000 will be topped into the following funds to bring the portfolio closer to the intended allocation.

Monthly top-up:

1. \$500 into PRU Monthly Income Plan CI A
2. \$500 into UOB United GEMS Portfolios S\$