

INVEST TALK

A quarterly newsletter by UOB Investment Services Division



April 2004 Issue

ASIA: Where Opportunities Still Abound

After the handsome rally in 2003, and an encouraging start to 2004, what lies on the horizon for the equity markets in Asia?

by Judith Oliver, Research Analyst

The intermediate outlook for Asia is positive. Economic growth in 2004 is expected to be highest in Asia, with China once more leading the way. The average growth rate for the world has been forecast for 4.4%¹ but Asia is likely to grow much faster, at 7.5%.

Across Asia, exports are up, domestic demand is firm and business spending has also recovered. This picture appears to be true even in Japan where exports have risen strongly with business and consumer spending picking up.

Asia markets are cheap

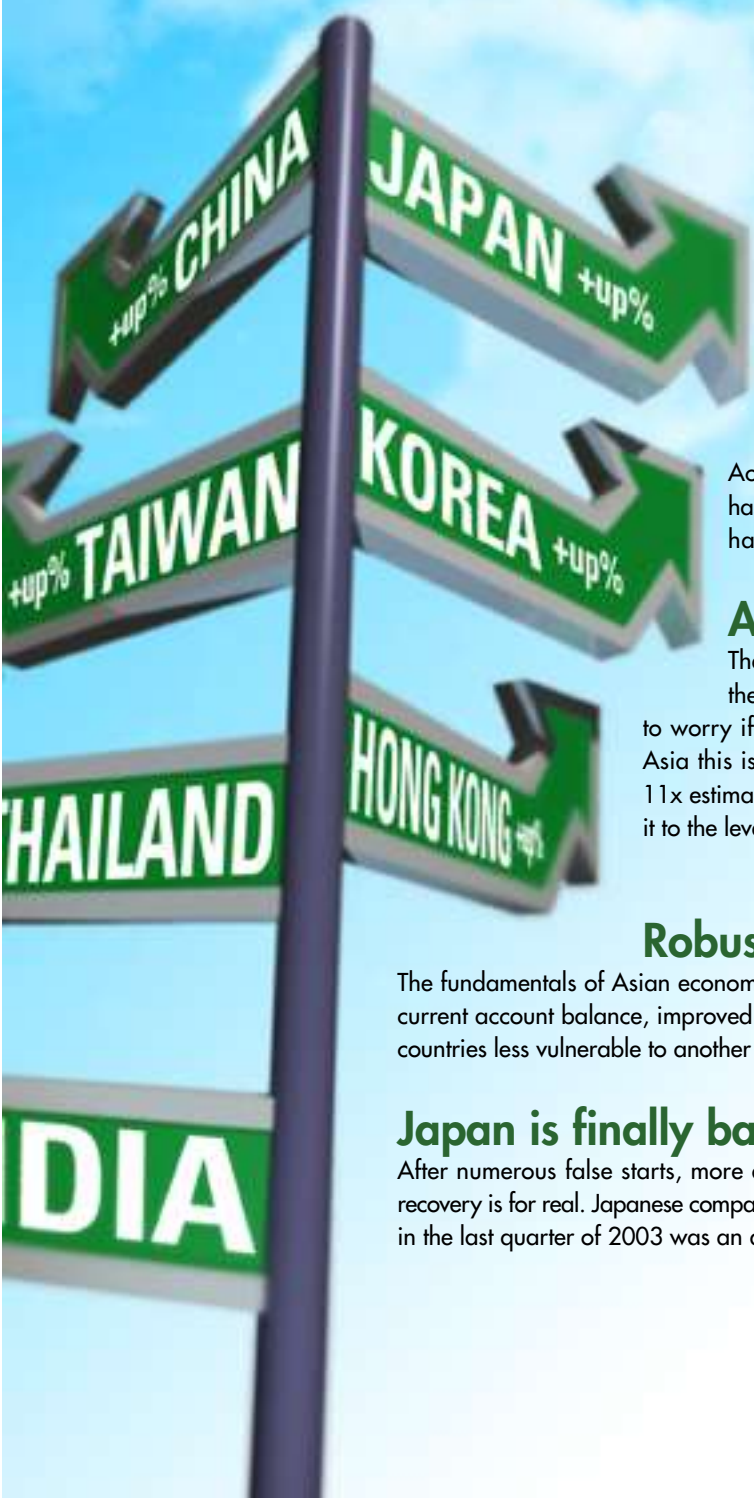
The good news about Asian markets is that they are still not expensive. After the run up in the global equity markets last year, many investors have begun to worry if the equity markets have risen too high and if the rally is sustainable. In Asia this is less of a concern. Based on I/B/E/S estimates, Asia ex-Japan trades at 11x estimated earnings for 2004. The multiples are at the low end when you compare it to the levels of the region's market over the last 10 years.

Robust fundamentals

The fundamentals of Asian economies have strengthened significantly since the 1997 financial crisis. Healthy current account balance, improved corporate governance and prudent government policies have made Asian countries less vulnerable to another crisis and is setting the economies on the road to recovery.

Japan is finally back

After numerous false starts, more and more people believe that Japan has recovered and that this time the recovery is for real. Japanese companies have undergone radical surgery and the country's economic performance in the last quarter of 2003 was an annualized growth rate of 7%- the best in 10 years.



“Although the case for Asia is **strong**, investors should still expect some market volatility.

Opening up of Asian stock markets

Asia's stock markets are still relatively restricted compared to the developed economies. Foreign participation in particular is limited. But this is changing. For example foreigners can now buy China's 'A' shares, previously restricted to domestic investors. The 'A' shares make up two-thirds of the listed stocks in China. The turnover of the market is larger than Hong Kong's and comparable to Korea². In another instance of how swiftly things are moving, Taiwan abolished its restricted foreign investor scheme (QFII) last year, 2 years ahead of schedule. The liberalisation of Asian markets will attract more global funds which means that investors are likely to stay for the long term.

Deregulation is occurring at a time when many of Asia's economies are taking off. Many state-owned companies are expected to list on the Asian markets and these listings are likely to receive enormous attention from domestic and foreign investors. But what might be even more rewarding for investors is the opportunity to invest in many small Asian companies that are also slated to be listed in the Asian equity markets.

Watch the small caps

Small companies typically grow faster than the bigger boys. Over the very long run, small companies have outperformed big companies. In Asia, the right conditions are there for small companies to flourish. The region is at the point where its population is ready to be mass consumers. GDP per capita may be low but once a product is cheap enough, explosive growth in demand should take place. In mass consumer markets, barriers to entries are often low and small companies can flourish.

Small companies in Asia have an added edge when compared to small companies elsewhere because of their runaway success in outsourcing. China is the principal workshop of the world while India has established a firm foothold in business services.

Volatility will still be there

Although the case for Asia is strong, investors should still expect some market volatility. Many countries in the region will be holding elections this year and this signifies a lot of political uncertainties. The unexpected impeachment of President Roh in South Korea highlights the sort of risks investors must be ready for. For the longer term however, the most important consideration is the region's prospects for economic growth, and we feel that Asia is still the place where opportunities still abound.

Footnotes

Sources:

- 1 UBS estimates. Global Economic Perspectives, 3 February 2004
- 2 CEIC; UBS Accessing China's Domestic Securities Market – QFII

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Expecting the Japanese markets to rise?

Here's how
to lock in a
40%²
profit

Participate in
the **Recovery**
of the Japan
Market with

OPPORTUNITY JAPAN



The Opportunity Japan Fund¹ managed by UOB Asset Management Ltd, lets you participate in the recovery of the Japan markets with a downside buffer for your capital invested whilst giving you a lock-in return feature of a potential 40%² payout! Who says you cannot have the sushi and eat it?

How Does This Fund Work?

Opportunity Japan is a 5-year investment; the potential payout of the fund is linked to the performance of Nikkei 225 Index. At the close of the launch, we will determine the initial level of Nikkei 225 Index.

- **Lock in potential of 40%² payout and more:** If the index reaches or exceeds the lock-in level of 140%² of its initial level at any month end during the 5-year maturity period, the potential payout of 40%² will be locked in, regardless of how the Nikkei 225 Index performs later on. Should the index reach a level beyond 140%² of its initial level at maturity, investors can expect to enjoy a potential payout of up to 100%³.
- **Downside buffer for your capital:** Even if the lock-in level is not achieved, you are expected to receive 100% capital³ + any positive index performance at maturity if the Nikkei 225 Index does not fall to or below 70% of its initial level on any business day during the 5-year maturity period.
- **Participate in the full performance of the index:** If the lock-in level is not achieved and the index falls to or below 70% of its initial level on any business day during the maturity period, investors will participate in the performance of index and will receive the return of the index performance* at maturity.

** The index can be above or below its initial reference level at maturity. In the event that the index falls below its initial level at maturity, investors will have to take the negative performance of the index.*

Is this a Guaranteed or Protected Fund?

Opportunity Japan is not a capital guaranteed or protected fund. However, if Nikkei 225 does not fall to or below 70% of its initial level during the 5-year maturity period, customers will receive 100%³ of the capital invested at maturity.

Available in USD

The Opportunity Japan Fund can be bought in SGD and USD. Opportunity Japan Fund (USD) gives you a fixed payout of 2.5% at the end of Year 1. The potential payout of the USD Fund at maturity is based on US dollars and will follow the structure of the SGD fund.

Footnotes

1. Opportunity Japan (SGD), Opportunity Japan (USD) are sub-fund of the United Multi-Strategy Funds.
2. For each of the Fund, a potential payout of 40% will be locked in if the Nikkei 225 Index reaches or exceeds the lock-in level of 140% of its Initial Level on any Observation Date during the 5-year maturity period of that Fund. The "Initial Level" means the level of the Nikkei 225 Index on the relevant investment start date of a Fund. An "Observation date" means the last business day of a month on which the Nikkei 225 Index is open for normal operations.
3. Investors should note that the Opportunity Japan is not a guaranteed or capital protected fund. The realisation proceeds which investors will receive on the maturity date are subject principally to the default and credit risks of the issuers of the debt securities and the counterparty of the swap which the fund invests in. In the event of a default by the issuers of the debt securities or the counterparty of the swap, investors may not get back their capital invested.

Disclaimer

A copy of the prospectus of the Opportunity Japan (SGD) and Opportunity Japan (USD) (the "Funds") is available and may be obtained from UOBAM or any of its appointed agents. Investors must read the prospectus before deciding to purchase units of the Funds. The value of units of the Funds and the income from them, if any, may fall as well as rise. Investments in unit trusts are not deposits or other obligations of, or guaranteed or insured by United Overseas Bank Limited, UOBAM or any subsidiary or associate of the UOB Group or any of their affiliates, or by any distributors of the Funds. Investors should note that the Funds are not guaranteed or capital protected funds. The realisation proceeds which investors will receive at maturity are subject principally to the default and credit risks of the issuers of the debt securities and the counterparties of the swaps which the Funds invest in. This advertisement is for your information only and does not have any regard to your specific investment objective(s), financial situation or any of your particular needs. You may wish to seek advice from a financial adviser before purchasing units in the Funds. In the event that you choose not to seek advice from a financial adviser, you should consider whether the Funds are suitable for you.

Want to tap into Asia's imminent revival?

A potential 21%² total payout in as early as 2 years?

A Fund that is rewarding in every way Take a look at

GOAL 120+



In the next few years, Asia is likely to be telling one of the world's best investment success story. Goal 120+¹ offers the opportunity to tap into Asia's imminent revival. What's more, it offers a potential 21%² payout in as early as 2 years.

For a start, investors will get an attractive initial fixed payout of 9% at the end of year 1. The fund participates in the performance of a basket of 3 Asian indices. If each of these indices rises by 30% of its initial level on the investment start date (the "Trigger Event") on any anniversary date³ from the second to the tenth anniversary date, investors will be entitled on that anniversary date to a potential 12% bonus payout and an early return of 100% of the capital invested⁴. However, if the Trigger Event does not occur, investors will still be entitled to a 0.8%⁵ fixed payout on each anniversary date from the second to the tenth anniversary date, or until the anniversary date on which the Trigger Event occurs⁶, whichever is earlier.

How Does This Fund Work?

Goal 120+ offers a capital protected⁴ investment opportunity for those who believe that Asia will be the star economic zone going forward. The fund invests in fixed income securities for capital protection and will enter into an equity-linked swap for the periodic payouts. Fund Features:

- + 9% First Year Payout**
Enjoy attractive first year initial fixed payout of 9%.
- + Potential Bonus Payout of 12%**
An additional potential bonus payout of 12% will be yours if each of the 3 Asian Indices (Nikkei 225 Index, Hang Seng Index and KOSPI 200) increases by 30% or more of its initial value on any anniversary date from the second to the tenth anniversary date (upon which the fund will terminate).
- + Potential Early Capital Repayment**
Your 100% capital⁴ will be paid back to you (together with the potential bonus payout above) on the anniversary date on which the Trigger Event occurs. Thus, potentially, you may enjoy an early redemption of your investment capital as well.
- + Otherwise, fixed annual payout of 0.8%**
If the Trigger Event doesn't occur, you will still be entitled to a fixed payout of 0.8%⁵ on each anniversary date from the second to the tenth anniversary date, or until the anniversary date on which the Trigger Event occurs⁶, whichever is earlier.

Available in USD

A US dollar version of the fund⁷ is available and you can enjoy both a higher initial fixed payout of 11% at the end of 1st year and 1.15%⁵ fixed payout from the second to the tenth anniversary date if the Trigger Event does not occur on any anniversary date.

Footnotes

1. "Goal 120+" refers to the sub-fund of the United Multi-Strategy Funds known as Goal 120+ (SGD).
2. The potential 21% payout in 2 years comprises an initial 9% payout at end of year 1 and a potential bonus 12% payout at end of year 2 if each of the Nikkei 225 Index, Korea Stock Price 200 Composite Index (KOSPI 200) and Hang Seng Index rises, at the end of the 2nd year, to 130% of its initial level on the investment start date.
3. An anniversary date means any annual anniversary of the investment start date of the fund, save that in the event that date is not a business Day, the anniversary date will be deemed to fall on the next following business day.
4. Goal 120+ (SGD) is not a guaranteed fund as the capital protection is provided by collateralised debt obligations (CDOs), credit-linked notes (CLNs), debt securities, and/or deposits and not by a guarantee. No guarantee is given, express or implied, that investors will receive the capital protection on the fund's maturity or termination (whichever is earlier). Investors should note that only those who hold all their units in the fund until the fund's maturity or termination (whichever is earlier) will be entitled to receive the capital protected value on that date.
5. A fixed payout of 0.8% (in the case of the Goal 120+ (SGD)) or 1.15% (in the case of Goal 120+ (USD)) will be provided to investors on each anniversary of the investment start date from the 2nd anniversary until the anniversary date on which the Trigger Event or until the 10th anniversary, whichever is earlier.
6. Please note that if the Trigger Event occurs on any anniversary date from the second to the tenth anniversary date, investors will be entitled to the potential bonus 12% payout on that anniversary date but not the 0.8% fixed payout.
7. The USD version of the Fund refers to the sub-fund of the United Multi-Strategy Funds known as Goal 120+ (USD)

Disclaimer

A copy of the prospectus of the Goal 120+ (SGD) and Goal 120+ (USD) (the "Funds") is available and may be obtained from UOBAM or any of its appointed agents. Investors must read the prospectus before deciding to purchase units of the Funds. The value of units of the Funds and the income from them, if any, may fall as well as rise. Investments in unit trusts are not deposits or other obligations of, or guaranteed or insured by United Overseas Bank Limited, UOBAM or any subsidiary or associate of the UOB Group or any of their affiliates, or by any distributors of the Funds. The Funds are capital protected funds and not guaranteed funds. No guarantee is given, express or implied, that investors will receive the stated payouts on the relevant dates or the capital protected value on the maturity or termination of the Funds (whichever is earlier).

This advertisement is for your information only and does not have any regard to your specific investment objective(s), financial situation or any of your particular needs. You may wish to seek advice from a financial adviser before purchasing units in the Funds. In the event that you choose not to seek advice from a financial adviser, you should consider whether the Funds are suitable for you

What Do You Need In Life: **GROW** your savings with **UOB Life Maxi Savings Plan**



Aspirations grow with you no matter which stage of life you are in. Besides ensuring that your life is sufficiently insured, you would want to fulfill dreams such as going for a well-deserved holiday, owning a car, furthering your studies and even upgrading your home.

These dreams will turn to reality only when you make it a habit to start saving now. However, saving may seem like a daunting task and for many, the motivation to save is working towards achieving a particular goal. Since the discipline to save in this case signifies wanting more than what you are able to otherwise afford, let us try to see savings from another perspective.

Do you know that savings can be just as rewarding as when you spend your money? When you save, you get a sense of pride that you are in control of your finances. When you manage your finances, you have the gratification of seeing your money GROW. What better time than starting right now?!

Besides watching your nest eggs grow, you should also consider income protection via insurance coverage. If an unfortunate incident such as death and total permanent disability were to happen, the insurance coverage can be utilised for medical or final expenses. The insurance coverage thus functions like a buffer to your hard earned savings!

With UOB Life Maxi Savings, we can help you do just that! Put aside less than \$100 per month. In 15 years' time, that monthly discipline brings home more than \$20,000! A brief benefit table for different savings amounts is illustrated for your comparison below :-

	End of Year	Monthly Premium/ Savings	Total Amount Paid	Death/ Total Permanent Disability	Maturity Value (incl. bonuses)
Life Maxi Savings Plan*	15	\$95.33	\$17,159.40	\$18,231.50 [#]	\$20,317.80 [#]
Life Maxi Savings Plan[^]	15	\$199.98	\$35,996.40	\$40,670.28 [#]	\$45,324.33 [#]

*Benefits based on male aged 25, non-smoker, term of 15 years, Sum Assured of \$13,000.

[^] Benefits based on male aged 25, non-smoker, term of 15 years, Sum Assured of \$29,000.

[#] Amount consists of both guaranteed and projected returns. Terms and conditions apply.

Annual Bonuses That Grow

Your savings grow through the accumulation of reversionary bonus throughout the term of your policy

Bumper Maturity Benefit

Upon maturity of your plan, you will enjoy a lump sum payout of:-

- (i) Maturity Bonus guaranteed at 108% of your initial sum assured, and
- (ii) Terminal Bonus of up to 300% of the accumulated annual bonuses.

Life Protection and Critical Illness Coverage

- (i) Life protection for Death and Total and Permanent Disability starts increasing from the 2nd policy year onwards.
- (ii) You can have the option to include Critical Illness coverage

To get started on a more rewarding way to save with **UOB Life Maxi Savings Plan**, visit any UOB Group branch today. For more information call **1800 22 22 121** or log on to **www.uobgroup.com**

Buying a life assurance is a long-term commitment. An early termination of the policy usually involves high costs and the surrender value may be less than the total premiums paid. The precise terms and conditions of this assurance plan are specified in the policy. As the bonus rates used are not guaranteed, the actual benefits payable may vary according to the future experience of the Life Fund. You may wish to seek advice from our Personal Bankers at any of our branches before making this purchase. In the event that you choose not to seek advice from our Personal Bankers, you should consider whether this product is suitable for you.

The Goal 120+ Funds and Opportunity Japan Funds are available for a minimum of S\$1,000/ US\$1,000 investment in the SGD and USD Funds respectively from **now until 30 April 2004 only**. So make your investment today!

Receive a complimentary S\$20 Tangs voucher* with every S\$10,000 invested.

Visit any UOB Group branch today! For more information, call **1800 22 22 121** or log on to **www.uobgroup.com**.

* Terms and Conditions apply.



亚洲市场： 仍然充满丰富的商机

在经历2003年可喜的复苏，2004年的良好开端后，摆在投资者面前的亚洲股票市场又是怎样的前景呢？

撰稿：Judith Oliver, 研究分析员

亚洲市场仍然呈现乐观的中期前景。2004年亚洲预期将取得世界范围的最高经济增长，而中国将再次成为增长的火车头。对世界平均增长的预测是4.4%¹，而亚洲将可能取得更快的7.5%增长。

纵观亚洲，出口在增长，内需坚稳，商业开支也已恢复。这样画面同样显现在日本，它的出口出现了强力增长，消费开支也在上升。

价格便宜的亚洲市场

关于亚洲市场的一个好消息是，这里的价格仍然并不昂贵。在经历去年全球股市复苏后，许多投资者开始担心股市是否上涨过高，复苏能否持续。在亚洲，这倒不必过于担心。依据I/B/E/S的估计，亚洲除日本外2004年将有11X估计收益额。如果将此同区域市场过去10年的水平相比，这个倍数是偏低的。

强稳的基础

亚洲经济的基础自1997年金融危机后已经有了显著增强。良好的来往户头平衡，改善的企业监管以及审慎的政府政策，使亚洲国家不再在危机面前像上次那么脆弱，并使经济步上复苏之路。

日本再次站起

越来越多的人相信日本这次是真的已经复苏。日本经济经过了激烈的手术后，2003年最后一季的表现取得7%年平均增长-这是过去10年最好的表现。

亚洲股市的开放

同发达经济体相比，亚洲股市仍然有较多限制，特别是在外国参与方面。但这正在改变。比如，外国人现在可以购买中国原本只限于国内投资者的“A”股。“A”股构成中国上市股票的三分之二。市场交易量超过香港，同韩国不相伯仲²。另外，台湾去年废除了有限制的外国投资者计划（QFII），比预期提早了两年。亚洲市场的开放将吸引更多的全球资金，投资者将更注重长期投资。

放松管制同许多亚洲经济体的起飞并行。许多国有公司预期将在亚洲股市上市，并且这些上市可能引起国内外投资者的极大兴趣。而对投资者可能更具回报的是投资许多亚洲小公司的机会，这些公司同样有上市计划。

关注小公司

小公司通常比大公司增长更快。从过去较长时期看，小公司比大公司的表现更出色。亚洲有小公司发展的适合条件。本地区的人口正在成为大众消费者。虽然人均国内生产总值可能较低，但当价格低到一定程度时，就会发生刺激需求的强力增长。在大众消费者市场，通常壁垒较低，适于小公司发展。

同其它地区的小公司相比，亚洲的小公司由于在外包方面的成功，另多一个优势。中国是全球的主要加工厂，印度则在商业服务方面建立了优势。

波动仍将存在

尽管亚洲市场前景乐观，投资者仍可预期一些市场波动。区域内许多国家将在今年内举行选举，意味着可能的政治不确定因素。韩国对总统出入意料的弹劾，提醒投资者对类似风险的准备。然而从长远看，地区经济增长前景仍是最重要的考虑因素。我们相信亚洲将是充满商机的所在。

资料来源：

1 UBS预估。Global Economic Perspective, 2004年2月3日

2 CEIC; UBS Accessing China's Domestic Securities Market - QFII

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