

INVEST TALK

A quarterly newsletter by The Investment Services Division

July 2002 Issue



Can we afford Education for our future generation?

Over the past 20 years, the cost of education has more than tripled. Typically, tuition fees would amount to \$5,650 p.a at a local university and \$30,000 p.a. for an overseas education in USA currently. However, with cost of education rising at almost 3 times as fast as the rate of inflation, the actual costs would have inflated into an enormous amount by the time a newborn baby reaches university entry age.

based on courses (other than Medicine & Dentistry) offered by National University Of Singapore

A university education not only serves as an important gateway to the working world, but also improves the knowledge, skills and attitudes of individuals. The need of education is apparent with the paper-chase trend so evident in Singapore. Thus, despite a decline in affordability, the demand for education is still increasing amongst Singaporeans. As a result, parents would have to devote a larger portion of their income for their children's education, leaving lesser savings for household and retirement or even incur greater debt.

All parents would want to see to their children's education need in hope of a brighter future for them. However, many parents fear that they would not be able to set aside enough savings for their children's education as it has become increasingly expensive.

How Can UOB Help You?

To help you start early and save regularly, **UOB Life** has launched **Junior's Life**, the safest way to secure your child's future!

You can rest assure that **Junior's Life** caters to most budgets. Choose from a range of monthly premium amounts, starting from a low of \$75 up to \$300, regardless of age**. The maturity amount will come in timely, on the child's 18th or 21st birthday, to help him embark on that university education!

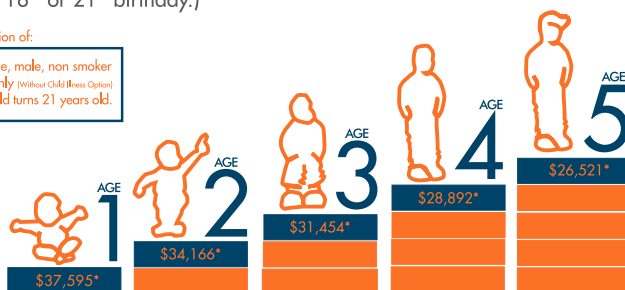
**Subject to a minimum & maximum entry age, maturity benefits vary with different entry ages

Besides helping you achieve your long-term savings goal, Junior's Life also provides:

- Life coverage for the child against death and total permanent disability.
- Option to cover the parent and have all future premiums waived should anything untoward happens to the parent.
- Option to cover the child with Additional Child Illness Coverage. (The stipulated sum assured will be payable upon diagnosis of the illnesses covered AND the plan will still continue with maturity amounts still payable upon the child's 18th or 21st birthday.)

A graphical representation of:

Payor is 35 years of age, male, non smoker
Premium at \$100 monthly (Without Child Illness Option)
Policy matures when child turns 21 years old.



*Projected maturity benefit at 21 years of age when you begin investing at the specific age categories.

editor's NOTE

At UOB, we understand the sacrifices that we often make in order to carve out a better future for our families and ourselves. This is especially true for those of us who have children...

All parents share the common goals of providing for their children and ensuring that they get a good education. With increasing costs of living and education, providing our children with a brighter future is often met with difficulty - but it does not have to be. Find out more about how UOB Life Assurance's **Junior's Life** can help you secure a better future for your children in this issue.

When we delve into investments, the performance of the US equity market continues to be hampered by the quality of corporate earnings and the broader corporate governance concerns. This has placed Asian companies in a better light and the improved macro economic and corporate governance in Asia as well as attractive stock valuations have fueled investors' interest in the Asian markets. This is further supported by the strong domestic demand in many of the Asian economies.

As always, do stay focused on your long-term investment objectives.

Yours Truly,
Tan Boon Chye
Vice President
Head, Investment Services Division
Personal Financial Services

Take up a policy before 15th September 2002 and get back your first month's premium. UOB is giving away Toys "R" Us shopping vouchers of equivalent value to your one month's premium. So you can enjoy up to \$300 worth of Toys "R" Us vouchers for your shopping pleasures. **Secure your child's future today! For more information, speak to our UOB Personal Bankers at any UOB Group branch or Invest Shop or call our hotline at 1800 22 22 121 (24 hours).**



Ensuring A Lifetime Of Income



Annuities may be the answer for retirees who don't want to outlast their nest egg. A common concern among retirees these days is that they will outlive their retirement funds. If you are reaching retirement age and have a substantial sum of money awaiting you, one of the things you can do to ensure that you don't outlast your nest egg is to invest in an annuity.

Usually offered by insurance companies or banks, this is a financial instrument designed to provide a constant stream of income to retirees.

There are two types of annuities: the immediate and the deferred. For the former, annuity income will start immediately after a lump sum is paid by the annuitant. For deferred annuities, payment of income will only commence at the end of a pre-defined period of time, such as 10 years.

■ The allure of annuities

According to Tan Beng Lee, president of the Life Insurance Association of Singapore (LIA), an annuity is a "pretty simple and worry-free" investment for retirees. "When you are retired after having worked hard all those years, would you want to trouble yourself with sorting out the investment issues of your money? With an annuity, a constant sum of money will be automatically credited to your bank account every month. The best part of it is that it guarantees you income as long as you live," Tan explains.

The risk of outliving one's retirement funds is a genuine issue among retirees today as life expectancy, boosted by advanced medical technology and better-quality healthcare, is gradually rising. Lately, demand for annuities in Singapore has been climbing. According to LIA's latest quarterly report, sales of annuities surged 77 per cent from S\$86 million in 1Q2001 to S\$152 million in 1Q2002 while sales of most other insurance products slumped over the period. The better sales of annuities, says Tan, indicate that Singaporeans are becoming more aware of the importance of a regular stream of income during retirement.

"The concept of leaving it to the insurance company to manage your money and pay you a fixed income for life is an attractive proposition," Tan points out. "Most annuities have a 10 to 15-year minimum guarantee period but if you outlive that period and live up to 100 years old, the insurance company still has to pay you," Tan notes.

■ The main shortcomings of annuities

Like any other investment product, annuities, despite having many attractive features, have their shortcomings. One commonly cited disadvantage is their fixed payable amount, which can be eroded by inflation over time. The high initial investment of an annuity can be another "put-off" for investors. It may cost the investor several thousand dollars to invest in an annuity in Singapore. For example, the minimum investment for Central Provident Fund (CPF)-approved annuities that can be bought using CPF savings can be as high as S\$70,000. Although income from all CPF-approved annuities is tax-exempt, income from non-CPF (or cash) annuities, like any other income source, is subject to tax.

■ Death during and after the guarantee period

If the annuitant dies after the guarantee period of an annuity, the insurance company will cease the annuity payment. So annuitants generally will benefit most if they live longer than the period they are expected to live. On the other hand, should death occur during the guarantee period, the annuity stream of income will be passed on to the annuitant's beneficiary until the expiration of the guarantee period.

Alternatively, the remaining annuity payments can be converted into a lump sum to be paid to the beneficiary.

Adapted from The Edge Singapore Issue No 11 (May 13, 2002)

At UOB, we offer a comprehensive range of annuities by UOB Life Assurance. Speak to our UOB Personal Bankers for more details.



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THE EDGE
SINGAPORE

Turning Uncertainties Into Opportunities

It has been a challenging past 12 months or so for financial markets, with the tragic events of September 11, global economic weakness and concern with company profits pushing equity markets sharply lower.

While you may be concerned about the recent volatility, history reminds us of several points:

■ 'Time in' is more important than 'timing'. There is nothing unusual about stock market falls - stock market returns generally revert to the 'average' with the best gains often occurring after big falls.

■ It is important for you to manage your savings and diversify your portfolio. Consider taking advantage of what we currently define as "sweet spot" of the investment cycle and stay focused on your long-term investment objectives.

Overall, equities are expected to rise in value in 2002. They should benefit from improving company profits, which should pick up on the back of the global economic recovery. To help you build a prosperous future, you can invest in the range of funds managed by Henderson Global Investors in this opportune time. What's more, these funds are now also included under the CPF Investment Scheme, a chance to better maximise your CPF savings and obtain best possible returns. And if you participate in our latest "Choose a Prosperous Future" promotion before 31st July 2002, you will enjoy greater savings.

You may use your cash or CPF funds or sign up for a Regular Savings Plan (RSP). RSP provides you with the benefit of "dollar cost averaging" which will help you to capitalise on investment opportunities in today's volatile climate.

Discounts for Henderson's "Choose a Prosperous Future" promotion

- Ongoing 1.5% discount for monthly RSP (for investments through CPF only);
- Up to 1.5% discount for lump sum investments.

Have you heard about the seminar that will change your investment outlook? Check the Promotions Page for more information. Don't miss out on this opportunity!!

Equity and Bond Markets

Outlook for Q3, 2002

CURRENT QUARTER OUTLOOK				
REGION/ SECTOR	Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
EQUITIES				
US		■		<ul style="list-style-type: none">Economic outlook is improving with stronger than expected durable goods orders and stabilizing business investment spendingHowever, the continued corporate weakness remains a concern.US economy is expected to lead the way towards a global recovery, but other markets offer better value.
Europe		■		<ul style="list-style-type: none">Eurozone equities provide an attractive long-term investment opportunity. Valuations relative to the bond market are attractive and there is an increasing focus on shareholder value from the corporate sector.In addition, pension reforms can be expected in several Eurozone countries over the coming years and this should spur the broadening and deepening of capital markets.The relative strength of the UK economy during the global slowdown has highlighted its defensive qualities. However, as the recovery takes place, it is unlikely to benefit to the same extent as the more growth-sensitive regions.
Japan	■			<ul style="list-style-type: none">The economy is still mired in a protracted recession amid rising unemployment and falling pricesThe Moody's downgrade of Japan's sovereign rating reflects growing concerns with the banking sector's mounting bad debt problem and the slow pace of reforms in Japan.
Asia ex Japan			■	<ul style="list-style-type: none">Market valuations are relatively more attractiveAsian countries like Korea and China continue to be well-Japan supported by strong domestic demand and increased consumer confidenceAbundant liquidity due to global monetary policy easing should support the growth of the Asian markets in 2002On going government commitment towards economic reforms, greater corporate governance and transparency, should attract investments from institutions and MNCs.The pre-emptive rate hike by the central banks of Australia and Korea should create an environment for a more sustainable economic cycle over time.
Emerging Markets			■	<ul style="list-style-type: none">Sector most likely to benefit from a rebound in global economic activityEmerging markets have shown resilience in the face of Argentina economic collapse.Economic fundamentals in these countries are improving.Market valuation is attractive relative to other markets such as the US markets
				
Bonds				
US		■		<ul style="list-style-type: none">Although much of the recovery has been priced into the US bond market, bonds will continue to struggle as the economic recovery gathers pace.However, inflation has remained subdued. As such, the Fed may not be forced into interest rates tightening.A recent Morgan Stanley report suggests that the Fed may opt to cut interest rate in bid to ward off recessionary pressures.
Europe		■		<ul style="list-style-type: none">The outlook for government bonds has become less positive.Higher energy prices and wage demands could increase inflationary pressures.
Asia		■		<ul style="list-style-type: none">Improving economic outlook to provide strong support to Asian credits.However, Japan's recent credit rating downgrade reflects the banking sector's bad debt problems and the slow pace of reforms in Japan
Emerging Markets			■	<ul style="list-style-type: none">Emerging markets have shown resilience in the face of Argentina economic collapse.Credit fundamentals should continue to improve.

Source: Market outlook and portfolio weighting recommendations are compiled from a survey with various fund managers.

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Interview with

UOBAM United Asia Fund Portfolio Manager

Asian economies and equity markets have rebounded strongly since the financial crisis in 1998. We speak to Ms Janet Liem Bee Kwong, the Portfolio Manager for UOBAM United Asia Fund, for her insight to Asian equity markets and investment opportunities in the region.

■ Why should we invest in Asia?

To date, the MSCI Asia ex-Japan Index posted gains of 11.5%, massively outperforming the World Index which dropped 4.2% as of April 30th this year. There are various reasons to explain the renewed investors' interest in the Asian markets. Firstly, the Enron scandal and several other corporate shenanigans in the US have placed Asian companies in a better light. Secondly, macro-economic and corporate governance in Asia have generally improved since the 1997 Asian economic crisis. More importantly, stocks valuations are still well below the US and European markets while the earnings outlook has improved.

■ What is the outlook for Asian economies and equity markets?

We expect continued upgrading of growth forecasts in Asia based on strength of domestic private consumption. Given mixed signals from the US, we have seen some correction in Asian equities and this should be viewed as an opportunity to invest as cyclical global economic forces remain supportive of an upturn, albeit a mild one.

■ Going forward, what should be the investment strategy for the region?

We believe that earnings are at attractive levels should the global recovery take shape. The region trades on 15x '02 earnings and 1.6x book value. We continue to favour Korea, China and Thailand in particular. Given our view of a benign inflation environment and continued geo-political tension, our portfolio is broadly diversified, with a tilt towards dividend yield plays.

■ What are the risks involved?

Growth in the major economies of US, Europe and Japan is likely to remain slow. Meanwhile, valuation levels, quality of corporate earnings and corporate governance concerns are likely to hamper investment performance. Other major concerns are the continuing threat of terrorism and the Middle East conflict. While each of these has the potential to roil the financial markets, history has shown that such setbacks are usually temporary providing attractive buying opportunities for investors.

■ Why should we invest in UOBAM United Asia Fund?

The Fund is well diversified across countries and sectors in the Asia ex-Japan region and it focuses on companies with high growth potential, superior management teams and sound financial position. Investments in the Fund are driven by comprehensive bottom-up research and managed by a dedicated team of investment professionals with an average of 10 years' experience.

Performance of Fund

The Fund has consistently out-performed its benchmark and achieved returns of 100.52%* since its inception.

Performance @ 31/5/02	6 mths	1 Yr	3 Yrs	5 Yrs	Since Launch*
United Asia Fund	18.9%	16.2%	14.8%	-1.9%	100.5%
Benchmark Index #	17.3%	9.6%	-12.0%	-32.4%	95.7%

#MSCI AC FE Fr xJapan Grs USD. Source: S&P Micropal, Bid-Bid, Net, SGD.

Disclaimer: Past performance is not necessarily indicative of future performance. Investments in unit trusts are not deposits, or other obligations of, or guaranteed or insured by United Overseas Bank Limited. Investments are subjected to investment and foreign exchange risks including possible loss of the principal amount invested. The value of the units and the income from them may fall as well as rise. All applications for the funds must only be made on application forms accompanying the prospectus. Investors should read the prospectus for details. This article should not be construed as an offer or solicitation for the subscription, purchase or sale of the fund in question.

The New Look of UOB Invest Shop



UOB Invest Shop has been given a new facelift. Renovation to Invest Shops is currently being carried out in phases and you will soon be experiencing greater ambience when you visit your Personal Financial Consultants at your favourite Invest Shop branch. With the new look, you can continue to look forward to friendly service from our Personal Financial Consultants who will do what they are best at, that is, to assist you in your financial planning and investment needs.

Here's a glimpse of how our new Invest Shop at our new location at Toa Payoh looks like!



latest
PROMOTIONS

Single Premium Endowment

Invest in UOB Life's selected range of Single Premium Insurance Products with any UOB branches between 8th July and 15th September 2002, and get free Tangs shopping vouchers*.

For every \$10,000 invested, you will get \$20 Tangs shopping vouchers. So the more you invest, the greater the amount you have to shop with. Hurry, a chance not to be missed for Tangs vouchers are almost like cash. You can choose to purchase from a wide array of products, ranging from fashion, beauty, electronics and more. So ask for UOB Life's Single Premium offer with your familiar UOB Personal Banker today!



***Terms & Conditions**

- 1.Plans eligible: UOB Life Maxi Dollars, UOB Life Guaranteed Rewards, UOB Life Guaranteed Cash Plan.
- 2.All applications must be dated within the promotional dates of 8th July to 15th September 2002.
- 3.UOB reserves the right to substitute the gift with another of a similar value without prior notice.

myfuture Promotion

Congratulations to the winners of *myfuture* promotion by OUB Manulife! These winners will each receive a weekend spa package for 2 at Raffles The Plaza, South Tower*. The lucky draw was conducted on 21st Jun 2002 and winners will be notified by OUB Manulife.

Winner's Name:

- 1.Oh Siew Hui S7510417J
- 2.Tay Lake Lan S2630590Z
- 3.Rahimah D/O M Sultan Abdul Kader S1299623C

*Package includes a night stay with 2 American breakfast and 1 F&B voucher worth \$50 & 2 Spa treatments in Amrita Spa (Winners will be notified by OUB Manulife directly on the collection of prizes)

Turning uncertainties into Opportunities Seminar

VENUE: RAFFLES CITY CONVENTION CENTRE 2, STAMFORD ROAD, LEVEL 4, MOOR ROOM

DATE: 17TH JULY, WEDNESDAY **TIME:** 6.30-8PM

Is it a sweet time to invest? What is current investment outlook? What are the benefits of long-term investments? Join us in a seminar organized exclusively for UOB customers by Henderson Global Investors to get the answer!

Attendees will receive a goodie bag each and on top of that, enjoy extra gifts for investing at a low of \$10000*.

So hurry, only limited seats available! To register, simply complete the details below and fax this page to 65392840 before 12th July. You'll receive our confirmation if you are the lucky 1st 100 customers.

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*A set of Katnook and Riddoch wine worth \$72.

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我们负担得起下一代的教育吗？

教育费用在过去20年间上升了超过3倍。本地大学的学费已达到了每年\$5,650*，而在美国的大学学费则达到每年\$30,000。如果以同样的速度估算，当现在的一个新生儿到了入大学的年龄时，实际费用则将膨胀到一个极大的数目。

*依据新加坡国立大学提供的课程(医科及牙科除外)。

然而，大学教育不仅是迈入工作环境的一个重要途径，并且也是提升个人知识、技能和人生观的方式。在新加坡，对文凭的追求和重视，显然也彰显了教育的重要。因此，尽管支付能力下降，新加坡人对教育的需求仍然在上升。结果是，父母不得不拨出相当大部分的收入作为孩子的教育费用，而能为房屋、退休存的储蓄减少，甚至还会负债。所有的父母都希望让子女接受良好的教育，有一个光明的前途。然而随着教育费用越来越昂贵，也有越来越多的父母担心他们没有能力为子女的教育存下足够的储蓄。

大华银行能够如何帮助您呢？

为帮助您及早为子女教育储蓄，大华人寿推出了Junior's Life，让您孩子的未来获得最可靠的保障。您可放心，Junior's Life，适合多种的预算。每月保费额从区区\$75到\$300，任您选择，不论年龄**。在孩子18岁或21岁生日时，Junior's Life的满期数额可以及时地帮助他们开始大学教育！

**有最低和最高加入计划年龄限制，满期利益根据不同的加入计划年龄而变化。

除了帮助您实现长期的储蓄目标，Junior's Life也提供：

- 孩子针对死亡及完全与永久残废的人寿保障。
- 父母的选择性保障方案，当父母不幸发生意外时免除之后的全部保费。
- 孩子的选择性保障方案：孩子的额外疾病保障。(规定的保额将在诊断出保障下的疾病时支付，并且计划将继续，在孩子到18岁或21岁生日时仍支付满期款额。)

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