

# INVEST TALK

A quarterly newsletter by UOB Investment Services Division

大華銀行  
UNITED OVERSEAS BANK

July 2003 Issue

## Emerging Market Bonds Have More Legs To Run

Extracted from the magazine **Fundspermat** Jul/Aug 2003  
by **BHARATHI RAJAN**, AFP Senior Journalist



**"Despite the run-up in the asset class, Emerging Market bonds still have room to grow, notes Ashmore Investment Management, sub-manager for the United Global Emerging Markets Portfolios (GEMS)."**

Despite the tension over Iraq and a sluggish global economy, Emerging Market bonds had a good run in 2002. Last year the asset class returned 13.65% (as measured by the J.P Morgan EMBI Global Diversified index, a popular benchmark for Emerging Market bond funds). The momentum appears to be going strong this year, with the index close to matching that performance in the first 4 months of 2003. Much of those gains came in April, a very good month for the asset class, notes Mark Coombs, the Managing Director of Ashmore Investment Management in London. Ashmore is the sub-manager of the United Global Emerging Markets Portfolios (GEMS), a Singapore registered Emerging Market bond fund by UOB Asset Management. He reveals the GEMS fund is up 18% year-to-date, as at 30 April 2003.

Because of the huge capital inflows into the asset class and the strong fundamentals underpinning several Emerging Markets, he's confident that 2003 will be a strong year for the fund. "We always try and achieve 14% to 15%, and that is our annual average for the GEMS fund. Our average return on the EMLIP fund is around 20%. Of course, one should always be careful about what one says, but we feel relatively comfortable that this should be strong year and not a weak year for GEMS."

## LATIN AMERICAN BONDS OFFER GOOD VALUE

The London-based fund manager confirms that the surge in performance in April 2003 was mostly the result of a strong rally in Latin American bonds. Buoyed by the quick execution of the war in Iraq, improving economic fundamentals, and an investor aversion to virus-hit Asian markets, Latin American bonds staged a powerful comeback from their beaten down levels last year. The biggest beneficiary in this category was Brazil.

Coombs notes that Brazilian debt has done very well for the fund since November 2002, and continues to maintain a core weighting of around 11% in that country's bonds. He explains that at current levels, Brazilian bonds still offer good value, and that is why the fund is maintaining its maximum position there.

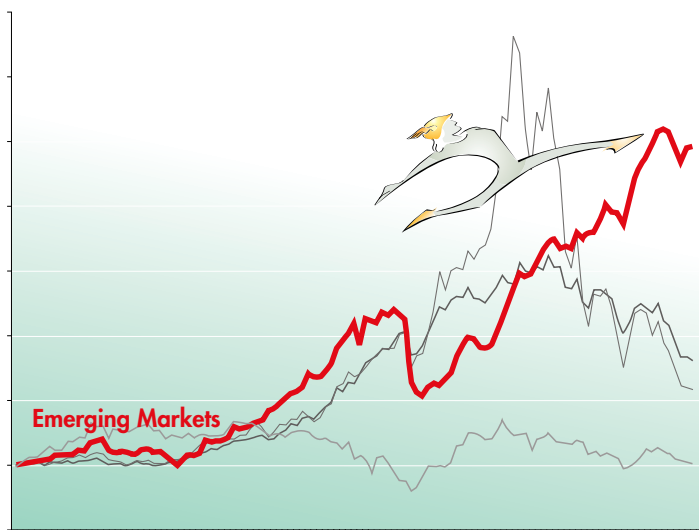
He also remains upbeat on Latin American bonds despite its recent rally. He believes the run-up took place because investors recognised that Latin American bonds were very cheap.

**"I think that Latin America has a big regional opportunity to recover because it was heavily sold down last year, in a way that Asia and Eastern Europe weren't.** It also has significant gearing to the US. If the US does well, then it will really race away. Even if the US is sluggish, it still should do okay."



> continued on pg2

## UPBEAT OUTLOOK FOR EMERGING MARKET BONDS IN 2003



Some of the fund's non-Latin American bets include Russia and, to a lesser extent, Algeria and Indonesia. Russian debt has done well for the fund in the past. Coombs says the fund has been taking profit and paring down its position there, as credit spreads tighten. The fund has 4.42% in Algeria, and Coombs cites the fast repayment of its debt as a very positive development there.

He adds the outlook for Emerging Market bonds appears positive, and should be underpinned by growth in some of the larger Emerging Markets.

**"We think the fundamentals are quite good for some of the larger borrowers. There is no immediate crisis in view, like there was before in the past couple of years."** In 2001 it was Argentina that everyone was worried about, and last year it was Brazil. In 2003, we are looking at a year when nobody in particular has an Emerging Market crisis on the horizon. We think that global risk aversion has improved slightly, and investors appear more positive, although not rabidly so. With that the asset class should benefit quite nicely."

## WHAT ARE THE RISKS FACING EMERGING MARKET BONDS?

Coombs notes that one of the main risks for Emerging Markets is the health of the US economy. Several Latin American and Asian economies have substantial gearing to the US economy, and he says that a strong US recovery would be very good for them. "One of the things that will affect what happens in the wider world is the health of the US economy. If the US recovers strongly, then Asia will recover strongly on the back of it. There are parts of Asia that are not looking too healthy at the moment simply because they are major exporters to the US."

### PERFORMANCE OF GEMs VS OTHER ASSET CLASSES AS AT 30 APRIL 2003

Period	US Treasuries	Global Bonds*	S&P 500 Index	Global Equities**	Fund	Benchmark***
<b>1-YEAR</b>						
Annualised Return (%)^	9.32	17.30	-15.35	-17.69	16.75	15.27
Annualised Volatility (%)	5.56	4.00	22.39	21.31	12.38	10.14
Risk Adjusted Return (%)^^	1.69	4.37	-0.68	-0.82	1.37	1.51

Period	US Treasuries	Global Bonds*	S&P 500 Index	Global Equities**	Fund	Benchmark***
<b>SINCE INCEPTION 17 AUG 2001</b>						
Annualised Return (%)	9.80	13.67	-11.14	-12.86	21.61	15.55
Annualised Volatility (%)	7.01	5.67	20.96	19.75	10.94	8.81
Risk Adjusted Return (%)	1.39	2.13	-0.46	-0.58	2.12	1.77

Source: S&P Micropal provided by UOB Asset Management

\*Citi Govt Bond LC Index

\*\*MSCI AC World Free Index

\*\*\*J.P Morgan EMBI Global Diversified Index

^Returns are calculated using bid-to-bid prices in Singapore Dollars, with net income reinvested as at 30 April 2003

^^ Return per unit of risk

Disclaimer: 'No investment decision should be taken without first viewing a fund's prospectus. Any advice herein is made on a general basis and does not take into account the specific investment objectives of the specific person or group of persons. Past performance and any forecast is not necessarily indicative of the future or likely performance of the fund.'



Make the first moves today! Diversify your investment portfolio by picking up a UOB GEMs portfolio TODAY! Speak to any UOB Personal Bankers or call 1800 22 22 121. See also LATEST PROMOTIONS for GEMs Promotional Offer.

# Equity and Bond Markets

## Outlook for Q3, 2003

CURRENT QUARTER OUTLOOK				
REGION/ SECTOR	Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
EQUITIES				
US	■			<ul style="list-style-type: none"><li>The recent rally in the equity markets rally has left valuations looking a little stretched. Relative to other developed markets, the US equity markets are least attractively valued.</li><li>The University of Michigan index of consumer sentiment unexpectedly fell to 87.2 in June from May's 92.1. In addition, the reading on consumers' outlook on the economy's future slumped to 84.2 in June from 91.4 in May which suggests that Americans find it hard to sustain the post-war optimism.</li><li>Unemployment hit 6.1 percent in May was the highest in nine years. While job losses have slowed down, there is little indication that businesses are keen to hire.</li><li>On the brighter side, aggressive tax cuts by the Bush administration and possible interest rates cut by the Fed should lend support to both businesses and consumers in the next half of the year.</li></ul>
EUROPE			■	<ul style="list-style-type: none"><li>Relative to the US markets, the Euro markets offer better value.</li><li>The European Central Bank (ECB) cuts interest rates by 0.5% recently. Tame inflation numbers suggest that further rate cuts in on the cards as the ECB attempts to revive the flagging Euro zone economies.</li><li>However, recent sharp rise in the Euro could hamper economic and profit recovery. Already, the ECB has lowered its growth forecast for 2003 to the range of 0.4 percent to 1 percent due to slowdown in world trade and a surge in the value of the Euro which makes European exports less competitive.</li></ul>
JAPAN		■		<ul style="list-style-type: none"><li>A recent assessment of the Japanese economy by the Central Bank concluded that economic recovery continues to be weak and consumer spending has also stayed flat.</li><li>The Japanese equity market is highly geared towards the global economy. Any acceleration in global growth will sharply increase the profitability of Japanese companies.</li><li>Corporate restructuring and improved corporate governance should also boost company earnings.</li></ul>
ASIA EX JAPAN			■	<ul style="list-style-type: none"><li>Given the restructuring progress over the past few years, many Asian companies are better-managed and achieving higher returns from their capital.</li><li>There is potential for equity valuations in many Asian countries to "catch up" with those in the developed countries and current levels present a good opportunity to buy on long term growth prospects.</li><li>Impact of SARS is a concern. Already, countries like Hong Kong and Singapore have revised their economic outlook downwards and profits forecasts are lowered. But influence of SARS is expected to fade and fallen equity valuations could create good buying opportunity.</li></ul>
EMERGING MARKETS			■	<ul style="list-style-type: none"><li>Long term structural change has made these markets attractive to investors.</li><li>Relative valuations with other markets also suggest that these markets offer better value.</li></ul>
BONDS				
GLOBAL	■			<ul style="list-style-type: none"><li>Generally underweight in government bonds as yields have dropped considerably.</li><li>However, yields are likely to continue to be held down by low interest rates, as central banks are not expected to tighten their monetary policies.</li><li>Corporate bonds are preferred, as fundamentals remain supportive given companies' efforts to pare down their debts and strong demand from investors seeking higher yields.</li></ul>
US	■			<ul style="list-style-type: none"><li>Limited scope for more interest rate cuts in the US.</li></ul>
EUROPE		■		<ul style="list-style-type: none"><li>The Euro is expected to appreciate further. This will lead to either lower inflation expectations or lower interest rates in the Euro zone (or both). Both cases bore well for European bonds.</li></ul>
ASIA			■	<ul style="list-style-type: none"><li>Favourable liquidity condition in Asia is expected to provide underlying support for the bond markets.</li><li>With SARS getting under control, investors are likely to start investing into the region.</li></ul>
EMERGING MARKETS			■	<ul style="list-style-type: none"><li>Latin American bonds staged a powerful comeback from their beaten down levels last year as a result of quick end to the war in Iraq, improving economic fundamentals, and an investor aversion to SARS-hit Asian markets.</li><li>The outlook for Latin American bonds continue to look good as there is big regional opportunity to recover because it was heavily sold down last year.</li></ul>



latest  
PROMOTIONS

## 01 **GEMs United Global Emerging Markets Portfolios**

Are you looking for a fund that thrives even in harsh investment climates? Look no further, for GEMs – United Global Emerging Markets Portfolios, has shown phenomenal return through the crisis. This 5-star Mercer rated fund invests primarily in high yield emerging market sovereign bonds, which yields a 3% p.a. dividend payout\*.

Invest in GEMS before 29 August 2003 at any UOB Group branch and enjoy discounts of up to 2% in subscription fees. All you need is \$1,000 and you can invest in GEMS for high appreciation potential. What's more, your investment will also come with free life insurance coverage of up to S\$125,000\*\*. For more information, please speak with a UOB Personal Banker at any UOB Group branch or call our hotline 1800 22 22 121.

\* No distributions will be made if the managers are of the opinion that it is economically impractical to do so. Please refer to the prospectus for detail.

\*\*Terms & conditions apply

## 02 **SRS Account Promotion**

Are you one of those who had enjoyed greater tax savings from investing through Supplementary Retirement Scheme (SRS) last year? If you are not, this is an opportune time to apply for your SRS account. Don't wait till the end of the year to join in the queue in getting a SRS account!

With SRS, you can reduce your tax chargeable income by a dollar for every dollar contributed. In addition, capital gains are also tax-free when you invest through your SRS account (with the exception of dividends). Furthermore, only 50% of your savings will be taxable when you withdraw your funds upon retirement.

Now, you have added incentives to open an SRS account with UOB if you haven't had one. From now till 30 August 2003, you will get a **stylish foldable director's chair** for opening a new SRS account†. On top of these, UOB will be extending the waiver on SRS account charges til 31 Dec 2003††.

To apply, simply bring your passport or identification card to any UOB Group branch and request for the application of a SRS account.

† As stipulated by Ministry of Finance, only one SRS account is allowed per person at any one time. Terms & conditions apply.

†† With the exception of charges incurable for cancellation of trades & interbank transfer of accounts.

REGULATORY  
UPDATES

## **CESSATION OF PROFIT WITHDRAWAL FROM 1 OCTOBER 2003**

As announced by the CPF Board, this is the final year for CPFIS/ASPFIS profit withdrawal and you have up to 30 September 2003 to withdraw up to 50% of your net realised profit for the financial year from 1 October 2001 to 30 September 2002. The profit withdrawal will be subject to available funds in your CPF/ASPF Investment and/or CPF/ASPF Ordinary Account.

There will be no more profit withdrawal from 1 October 2003 and members who wish to withdraw their profits are advised to do so before this date. Profits not withdrawn by then will be retained in the members' CPF/ASPF Ordinary Account.

For UOB CPF/ASPF Investment Accountholders who wish to withdraw your profit, you may do so via the following channels:



**By using our ATMs.**



**By using our Internet Banking Service**  
Our website is at [www.uobgroup.com](http://www.uobgroup.com)



**By calling our PhoneBanking Service at 1800 22 22 121**  
Using Transaction Code '2' for Account Services, followed by '3' for CPF Investment Account and '2' for Profit Enquiry and/or '4' for Application for Profit Withdrawal.



**By completing an Application Form**  
This form is available at any UOB Group branch



For further enquiries on profit withdrawals, please contact us at **1800 538 8002, 1800 538 8011 or 1800 538 8022.**

## PRODUCT HIGHLIGHTS



# UOB Protection PLUS

Your chance to secure the **highest guaranteed returns** in the market

As a consumer, we are spoilt for choice with the numerous Insurance products, offering varying levels of returns in the market. However, the current economic gloom has not only hampered investments but also insurance products from providing attractive returns, even more so for the ones offering guaranteed returns. Thus it is a rare opportunity for an insurance product to offer high guaranteed returns.

Having said that, in our search for opportunities to grow our wealth, we should not neglect the need to seek protection for our families and ourselves. With this in mind, UOB is glad to launch **UOB Protection Plus** which allows you to enjoy the twin benefits of a comprehensive protection plan as well as the highest guaranteed returns of 3.07%\*.

**UOB Protection Plus** gives you the flexibility to choose from a trusted range of protection plans to suit you or your family's needs. At the same time, you will enjoy the added bonus of an investment opportunity with the highest guaranteed return of its kind in the market today. All you need is \$5,000 to reap these benefits. **UOB Protection Plus** also gives the added flexibility to purchase the regular premium plan for any member of your family.

Here's how does **UOB Protection Plus** work: **ILLUSTRATION**

You are a 35 year-old father who wants to insure the life of your 1-year old boy. With your child's protection needs, as a priority, the following plan has been recommended. With as little as \$100 a month, your child will enjoy the following protection:

### YOUR OBJECTIVE: Life protection for your child

#### Our Recommendation:

A whole life coverage on death, total permanent disability and critical illnesses

<b>Term of coverage</b>	Whole life
<b>Minimum life coverage</b>	\$ 75,000
<b>Total life coverage (at age 60)</b>	\$620,000
<b>Cash value at age 60</b>	\$360,000

Based on 1-year old, male.

Product recommended: **UOB Life Maxi-Guard with Critical Illness Shield**

With **UOB Protection Plus**, you now have the privilege of a great investment opportunity further to your investment of the above Regular Premium Plan. If you choose to invest a lump sum of \$20,000, the table below shows the insurance coverage and guaranteed returns based on a tenure of 10 years.

### YOUR OBJECTIVE: Maximize your returns

<b>Guaranteed returns at end of 10 years</b>	\$27,062
<b>Yield rate</b>	3.07% p.a.*
<b>Total life coverage</b>	\$30,000

Based on 35-year old, male. Product: **UOB Life Guaranteed Rewards Plan**

\*Based on an investment term of 10 years. Offer is for a limited period only. Other terms & conditions apply.



### UOB Protection Plus is available for a limited period only.

Due to overwhelming response, UOB Protection Plus has been further **extended till 31 July 2003**. So hurry, visit any UOB Group Branch, call **1800 22 22 121** or log on to **www.uobgroup.com** for details today.

## UOB UPDATES



Enjoy more than **3 times** the interest on your savings

### UOB FlexiDeposit AT A GLANCE

Initial deposit	\$S1,000
Daily interest	Yes
Monthly service charge	N.A.
Minimum balance fee <sup>1</sup>	\$S1.50
Monthly statement	Yes
UOB Visa Electron Card <sup>2</sup> /ATM Card	Yes
Phone Banking service	Yes
Internet Banking service	Yes

1. If average daily balance for the month falls below \$S3,000.
2. You must be at least 18 years old to be eligible for the UOB Visa Electron Card.

# FLEXIDEPOSIT

UOB had recently launched a new statement-based savings account – FlexiDeposit, which pays 3 times more interest on your savings\*. In fact, you can enjoy rates close to that of fixed deposits, with the flexibility of not having to commit to a fixed tenure.

\*Based on the prevailing rate of a competitor bank for a deposit of \$S100,000 as at 6 June 2003.

Balance in UOB FlexiDeposit	Interest (% p.a.)
First \$S3,000	<b>0.150</b>
Next \$S47,000	<b>0.375</b>
Next \$S50,000	<b>0.500</b>
Above \$S100,000	<b>0.625</b>

The UOB FlexiDeposit Account pays **3 times more interest** than a competitor bank in Singapore.

### ILLUSTRATION

Annual interest for a \$S100,000 deposit	UOB FlexiDeposit	Competitor Bank**
	<b>\$S430.75</b>	\$S125.00

\*\*Based on prevailing rates on 6 June 2003

Note: The above interest rates are subject to change without notice at the sole discretion of United Overseas Bank Limited. They are not to be taken as an offer to contract. United Overseas Bank Limited shall not be responsible for any loss or damage arising directly or indirectly from the use of or reliance on the information provided herein.

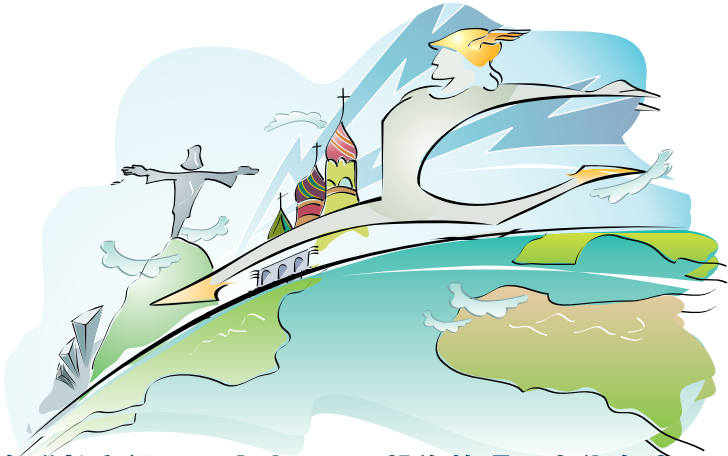


**So start enjoying more interest and flexibility today.** Open a UOB FlexiDeposit account before 31 Dec 2003 & you could be a proud owner of a luxurious home at The Garden At Bishan. Visit any UOB Group branch, call our hotline on **1800 22 22 121** or log on to **www.uobgroup.com** for more details. Terms and conditions apply.



# 新兴市场债券现 更有望大展鸿图！

摘自 Fundsupermart 杂志 - 2003年 7/8月。  
作者：BHARATHI RAJAN, AFP 高级记者。



**"虽然资产组别的价格已上涨，不过新兴市场债券仍有增长空间。 -- Ashmore 投资管理，大华全球新兴市场投资组合分经理。"**

虽然在伊拉克紧张局势及全球经济不景的阴影下，综观2002年，新兴市场债券还是有不俗表现。去年，资产组别的回报率为13.65%（根据新兴市场债券的一项公认指标J.P--摩根EMBI全球分散指数计算），而今年走势看来又再强劲一些，几乎与其2003年首4个月的表现相近。设于伦敦的 Ashmore 投资管理，是隶属于大华资产管理新加坡注册新兴市场债券基金大华全球新兴市场投资组合（GEMS）的分经理，其董事经理Mark Coombs 就指出，新兴市场债券在4月份的佳绩最令人鼓舞，这对资产组别整体而言，也是最为丰收的月份。与此同时，Mark Coombs 也透露，在截至2003年4月30日为止，大华全球新兴市场投资组合基金年内更由此激增了18%。

正因为有大量资金注入资本组别，以及稳健的基础在背后支持着数个新兴市场，因此他乐观地预测，2003年对该基金来说，会是个好年头。“我们努力达到14-15%的回报，而这也是大华全球新兴市场投资组合的年度平均回报率。EMLIP的回报率则大约是20%。当然，大家都应对任何所听到的消息保持谨慎，不过，总体来说，我们还是觉得大华全球新兴市场投资组合今年的表现，应是冲劲十足。”

## 拉丁美洲债券提供良好价值

这家以英国为基地的基金管理公司也明确指出，2003年4月业绩的飚升，主要是基于拉丁美洲债券的强劲表现。随着伊拉克战事的爆发及速战速决、进一步改善的经济架构、以及投资者对亚洲沙斯肺炎的恐慌，都是使拉丁美洲债券一去上年颓势、再振旗鼓的绝佳良机。而在这组别中的最大赢家，就是巴西。Coombs表示，巴西债务重组对2002年11月以来的基金表现起着很大的正面作用，同时也在该国的债券中，持续保持着11%的重要比重。他解释道，在现有水平下，巴西债券还是具备相当诱人的投资价值，所以，大华全球新兴市场投资组合才决定要在那里保持最大的部位。

此外，虽然拉丁美洲债券最近回升，但他仍对它们的前景感到乐观。他相信，拉丁美洲债券能出现大力反弹，主要是因为价格很便宜。“**我想，拉丁美洲有个很大的区域商机，因为它在去年已达到了销售谷底，而亚洲和欧洲则不然。**它也同美国有更密切的关系。若美国表现良好，它将进一步上升。即使美国继续萎靡不振，拉丁美洲债券应该还是很能令人期待。”

## 2003年新兴市场债券展望不俗

基金对拉丁美洲以外的投资，包括了俄罗斯，及在很低程度上阿尔及利亚及印尼。俄罗斯过去处理国家债务的能力，令基金有很好的表现。Coombs说基金已在套利并减持在那里的部位，这是由于信贷差的缩小。基金拥有4.42%的阿尔及利亚比重，而阿尔及利亚加快偿还债务的步伐，也会对该国日后的经济发展起着正面的作用。

Coombs也再次强调，新兴市场债券的前景看来一片光明，再配合部分重要债券市场的强劲增长。“**我们认为，对某些大规模的借款人来说，结构性的改变将能带来好的进展。同时，眼前也无像前几年般的重大突变危机出现。**好比在2001年，阿根廷的情况实在令人担心，去年则轮到巴西。在2003年，我们发现尚无任何足以令新兴市场债券出现危机的元素。我们觉得全球危机敏感度有了一小步的改善，投资者表现变得更正面，而资产组别将从中大大受惠。”

## 新兴市场债券面对什么风险？

Coombs指出，能令新兴市场债券出现危机的一大主因，就是美国的经济表现。一些拉丁美洲及亚洲经济体都与美国经济息息相关，而惟有美国的强劲复苏能使他们受惠，“现在，能影响全球大环境的，就是美国的经济健康状况，要是美国能大力复苏，那么亚洲的蓬勃也会紧随而来。由于亚洲一些地区以美国为主要出口对象，因此目前表现疲弱。

## 截至2003年4月30日为止，大华全球新兴市场投资组合与其他资产组别的表现相比

期限	美国 国库券	全球债券*	标准与普 尔500指数	全球股票**	基金	指标***
1年						
年度回报率 (%)^	9.32	17.30	-15.35	-17.69	16.75	15.27
年度变动率 (%)	5.56	4.00	22.39	21.31	12.38	10.14
风险调整回报率 (%)^^	1.69	4.37	-0.68	-0.82	1.37	1.51
期限	美国 国库券	全球债券*	标准与普 尔500指数	全球股票**	基金	指标***
自2001年8月17日推出以来						
年度回报率 (%)	9.80	13.67	-11.14	-12.86	21.61	15.55
年度变动率 (%)	7.01	5.67	20.96	19.75	10.94	8.81
风险调整回报率 (%)	1.39	2.13	-0.46	-0.58	2.12	1.77

资料来源：由大华资产管理所提供的标准与普尔Micropal

\*Citi政府债券LC 指数

\*\*MSCI AC 全球自由指数

\*\*\*JP 摩根EMBI全球分散指数

^回报率是于2003年4月30日当天，以新元报价的净收益再投资来计算。

^^每一风险单位的回报率。

### 重要声明

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