

UOB Privilege Times

Placing you at the financial forefront



Market outlook, around the globe

From Dubai to Asia, to the USA,
gain an insight into how
each side of the world is doing,
and will be doing.
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Equities, bonds, commodities or cash instruments?

Will what performed well in 2009
continue to reap success in 2010?
What is UOB's investment
policy stance?
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Double the Asian power

Inject a boost of vitality into
your investment portfolio with
two of Asia's fastest growing
economies, China and India.
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MICA (P) 197/07/2009

HAPPY LUNAR NEW YEAR!



Dear Valued Client

For the Chinese, the Lunar New Year is the most important festival in the entire year. It symbolises the start of a new season and the opening of doors to new opportunities. The Chinese will wish each other good luck, health and fortune by exchanging sweets, tangerines and red packets.

Similarly, at UOB Privilege Banking, we would like to extend our well-wishes to you this festive season. To help you forge ahead in a year of prosperity and success, we have put together a collection of articles addressing your financial concerns – how markets are performing around the globe (Wealth Speaks, Page 3), where you should consider investing your money (Prime Market Feeds, Page 4), and new funds highly recommended by our experts (Product Focus, Page 5). Adding to that, we've included a special feature with a Chinese horoscope forecast by Feng Shui veteran Amelia Neo (Highlights, Page 7).

In the midst of the New Year's hustle and bustle, remember to keep your mind and body well-rested for good health. In view of that, we've prepared two holiday exclusives designed to restore your spiritual well-being. Discover our Valentine's Day specials (Exquisite Privileges, Page 8) and our line-up of rejuvenating treats at the Banyan Tree in our Client Referral Programme (Highlights, Page 7).

Wishing you a prosperous new year filled with health and abundance.

新年快乐，万事如意。

Yours faithfully

A stylized handwritten signature in black ink, likely belonging to Eddie Khoo.

Eddie Khoo
Executive Vice President
Personal Financial Services

WEALTH SPEAKS

2009: A year to remember (or forget)

For stakeholders in the global financial markets, 2009 was a year to remember (or forget). Undeniably, veteran bankers would say it was one of the most difficult times in this profession. The banking industry almost came to a standstill post-Lehman, and we were on the edge of an abyss. Whether it was aggressive policy responses – both fiscal and monetary, strong balance sheets of corporations and individuals in the region – or good fortune, we were spared. With the worst of the economy behind us, we are now seeing signs of recovery. In a sense, we have moved away from risks of ‘the end of the world’, and are plunged into a ‘brand new world’. The outlook for 2010 is mixed, with stakeholders at extreme ends. Our take is that it will be a relatively moderate environment.

Issues to contemplate over for 2010

Economic recovery path: W or U-shape?

On the surface, it seems like the system has rebounded. We do think it is still very much in a state of normalisation, rather than a case of real demand returning. Even as most Asian economies recorded positive year on year growth, we are only back at pre-Lehman days in absolute terms. This means we have effectively lost one year of potential output.

As such, it would take time to resolve the balance sheet issue – usually about 2–3 years, perhaps even longer, given the extent and reach of the damage incurred. The estimation is that the US economy will post growth of 2.0–2.5% in 2010, as compared to an average of 4–5% previously. Overall, this is a moderate economic environment.

The Dubai Episode:

A stark reminder of the de-leveraging process

There appears to be a resolution to the Dubai debt crisis. However, the fear lies in other potentially troubled areas in Eastern Europe, such as Greece, Latvia and the Baltic States. The question is whether these risks would push the system back to the days following Lehman’s fall. Our take is, no. To begin with, Lehman’s downfall materialised from a ‘liquidity shock’, while Dubai’s situation is part of a ‘credit cycle’ that emerges as the system de-leverages. Leverage that has been built over the last 20 years has been pared back, which would be painful in the coming quarters. Unless the next shock threatens to hamper banks as financial intermediaries, we are unlikely to return to the distressed environment of late 2008 and early 2009.

Asian asset price inflation: Reflecting on the availability of liquidity and credit in the system

Much has been discussed about asset price inflation, and now, the debate has grown even more intense. This is especially apparent in Singapore, Hong Kong, China and Korea. To put things in perspective, it reflects a proper functioning Asian banking system, where liquidity is translated to credit, as compared to the West where liquidity is not translated to credit activities. Also, it concerns credit adjusted for capital usage, and mortgage-related usage clearly stands out. While we should see a normalisation of the interest rate policy in Asia tempering price increases, especially in the second half of 2010, the risk is biased towards fiscal measures. So far, most authorities appear to be working through less aggressive market mechanics such as increasing supply and tightening mortgage standards, among other policy measures. We will continue to watch this closely.

Next leg of normalisation: Interest rate policy

After equities, properties, commodities, high-yielders and real economies, the focus now falls on interest rate normalisation. The expectation is that the US Federal Reserve will move only towards end-2010, and we should see some paring back of the extremely easy monetary policy in the region. However, beyond normalisation, it is really a function of real demand, which remains uncertain.

More USD decline: May not be that clear

So much has been spoken about the weakness of the USD, and how the greenback will weaken when risk appetite returns. However, it is important to note that once the market is convinced by prospects of a rate hike in the US, we could see a sharp pullback in the weakness of the USD. This is especially so given that many have used the USD as a funding currency in this latest round of ‘carry trade’. Unlike other countries, the US has proven to be swift in its policy responses. However quickly rates are cut, the cost of borrowing could also rise by the same pace.

This is exactly what we experienced before the turn of the year, when the EUR weakened by more than 6% in a matter of weeks. Similarly, the AUD declined 5% over the same period. Alongside thin trading liquidity conditions and exaggerated price action, our take is that prospects of USD gains may not be convincing until there is clear indication of the expected Fed rate hike.

As we progress along 2010, we could see high yielders coming back. The GBP and EUR could be lacking in direction. In the Asian space, respective currencies certainly look to appreciate, but contingent to the RMB. In all, it is far from clear whether the USD will weaken. If anything, it is likely to be choppy and volatile.



Mr. Jimmy Koh
Head of Economic-Treasury Research
Global Markets & Investment Management

PRIME MARKET FEEDS

Insights from UOB Asset Management*: Quarterly Investment Outlook and Asset Allocation

Policy Watch

Equity markets enjoyed exceptional returns in 2009 as the banking crisis subsided and the global economy emerged from its recession. The rebound of the global economy was much faster than many had expected, with most economies returning to positive growth in the second half of 2009.

In 2010, one key issue will be whether the economic recovery will be self-sustaining. The stimulus effects of fiscal programmes will fade over the course of 2010 but consumer spending in the US appears to have stabilised. Job losses in the US are likely to be close to an end, and the wealth effect from bottoming US house prices and the recovery in equity markets is also providing support for consumer confidence. There is, furthermore, a potential for corporate capital spending to pick up.

The market focus will be on the reaction of central banks. The G3 central banks remain cautious about the economic outlook and they are unlikely to raise interest rates in the first half of 2010. Equity markets tend to be choppy around the first rate hike by the US Federal Reserve but typically continue to rally thereafter. In this cycle, the policy stance by China is also important for markets.

The equity rally in 2009 was driven by an expansion of equity multiples, as markets rose from the distressed levels in the first months of 2009. For 2010, we expect a recovery in corporate earnings to continue to drive equity markets. The consensus expectations are for global equity earnings to grow by about 25%^[1] in 2010.

We increase our overweight position in Equities, reduce our overweight in Commodities and move further underweight in Bonds. Within Equities, we prefer Emerging Markets and have an underweight position in the Developed Markets. In terms of sectors, we prefer the cyclicals over defensives – Technology, Consumer Discretionary, Industrials, Materials and Energy. In Bonds, we continue to prefer Investment Grade bonds. In Commodities, we have an overweight position in Gold and Energy.

1ST QUARTER 2010 ASSET ALLOCATION

Equities <i>Increasing Overweight</i>	<ul style="list-style-type: none"> Potential for the US economy to surprise positively Global investors likely to increase allocations to equities in 2010
Bonds <i>Raising Underweight</i>	<ul style="list-style-type: none"> Improving global growth placing upward pressure on bond yields Rise in fiscal deficits has created headwinds
Commodities <i>Reducing Overweight</i>	<ul style="list-style-type: none"> Still overweight in Gold because of investor demand and central bank purchases Overweight in Energy because of tight longer-term fundamentals
Cash instruments <i>Underweight</i>	–

Footnote:

^[1] Source: Datastream, 11 December 2009

*UOB Asset Management Ltd is a wholly-owned subsidiary of United Overseas Bank Limited.

All views expressed herein are from UOB Asset Management Ltd.

UNIT TRUSTS

Whatever your risk profile, financial objective or investment need, you will find the ideal investment tool with our comprehensive array of funds.

This Lunar New Year, inject a dose of vitality into your portfolio with our new China-India Dynamic Growth Fund. Combining the potential of China and India – two of Asia's fastest growing economies – the equity fund aims to achieve medium to long-term capital appreciation for investors.

UNITED CHINA-INDIA DYNAMIC GROWTH FUND

In the last 10 years, China and India equities have significantly outperformed global equity markets as a whole^[1].

Driven by the triple growth engines of investment, consumption and exports, we believe that these two markets will continue to outperform, offering some of the most exciting investment opportunities for investors today.

Why invest into the United China-India Dynamic Growth Fund ("the Fund")?

- Tap into the investment expertise of two leading fund managers with in-depth market knowledge of China and India – UOB Asset Management Ltd ("UOBAM") and UTI International (Singapore) Private Limited^[2].
- Potentially higher returns through the Fund's dynamic allocation between China and India equities.
- Take advantage of investment opportunities through the Fund's regular reviews of the geographical asset allocation and asset mix.



Capture the investment potential of China and India with the United China-India Dynamic Growth Fund. Please speak to your UOB Relationship Manager today.

At UOBAM, we go to great lengths to bring you greater investments.

MORE OF OUR RECOMMENDED FUNDS

Unit Trust	Product Provider	Product Name	Fund's Investment Objective
Balanced Fund: Global Focus	UOB Asset Management Ltd*	United Millennium Trust I, II and III ^[3]	The investment objective of United Millennium I, United Millennium II and United Millennium III is to achieve medium to long-term capital appreciation to meet investors' long-term needs such as retirement and education financing. This is to be achieved through investing globally in equities, equity-linked securities, bonds, fixed or floating rate securities, debt obligations of government, government-related and corporate issuers and money market instruments issued by companies, governments, governmental bodies and other entities throughout the world.
	UOB Asset Management Ltd*	GrowthPath Portfolios ^[3] - GrowthPath Today - GrowthPath 2010 - GrowthPath 2020 - GrowthPath 2030 - GrowthPath 2040	Each Portfolio seeks to maximise assets for retirement or other purposes, consistent with the quantitatively measured risk that investors on average may be willing to accept given their investment time horizon. Each Portfolio has its own specific investment objective and time horizon which affects the acceptable risk level of the Portfolio and, in turn, its asset allocation. The time horizon marks the point in time when investors plan to start making net withdrawals. As a general rule, investors with a longer time horizon have a greater tolerance for risk than investors with a shorter time horizon. Long-term investors are more likely to accept a greater risk of short-term loss for the opportunity of achieving greater long-term gains.

For more information or a complete list of recommended funds, please contact your UOB Relationship Manager today.

Notes:

^[1] Source: 11 November 2009, Bloomberg. Calculations based on MSCI China, MSCI India and MSCI World, 1 January 2000 – 6 November 2009.

^[2] UTI International (Singapore) Private Limited is the sub-manager of the Fund. Investors should note that past performance of the managers, any sub-manager or investment adviser is not necessarily indicative of their future performance.

^[3] The Funds are managed by UOB Asset Management Ltd and distributed by United Overseas Bank Limited. UOB Asset Management Ltd is a wholly-owned subsidiary of United Overseas Bank Limited.

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All views expressed herein are from UOB Asset Management Ltd.

PAST EVENTS

OF WEALTH AND HEALTH

Last November, UOB Privilege Banking and UOB Life collaborated with ParkwayHealth Group to host a seminar on legacy-planning and the mitigation of cancer risk. Held at The Fullerton Hotel, the seminar saw an enthusiastic audience of 170 who took the opportunity to mingle with fellow Privilege Banking clients and Relationship Managers over a sumptuous buffet dinner.

Mr. Chi Cheng Hock, Head of Quality Assurance and Risk from UOB Life, introduced Maxi Future II and highlighted how it could assist you in legacy-planning. Dr. See Hui Ti, Consultant Medical Oncologist and Physician from Parkway Cancer Centre, then shared the different ways to mitigate the risk of cancer and provided insightful information on cancer trends in Singapore today.

Indeed, it was a fulfilling evening for our clients who were able to gain more knowledge on topics relevant to their everyday concerns.



Dr. See Hui Ti advising the audience on cancer prevention



Clients at the seminar

CAPTURE THE FUTURE

In November 2009, Privilege Banking International concluded its series of market outlook seminars in Taipei, Taiwan. Held at the Shangri-La Far Eastern Plaza Hotel, the objective of the seminar centred on reaching out to Taiwanese clients and sharing the market outlook for 2010.

The seminar was kicked off by Mr. Terance Lee, Senior Team Head from Privilege Banking International. The session was an introduction to the new Privilege Banking advertising campaign, and the enticing rewards of the Client Referral Programme.

Following that, Mr. Suan Teck Kin, Economist from UOB Economic-Treasury Research discussed the resilience of the Asian economy after the crisis in 2009 and provided a glimpse of 2010's market outlook, highlighting potential opportunities and risks for the year.

The seminar ended with an engaging Question-and-Answer session, as attendees put forth their investment queries. The session enabled our Privilege Banking team to better understand the clients' concerns, and served as a relationship-building opportunity for clients and Relationship Managers alike.



Mr. Terance Lee sharing the Privilege Banking campaign ads and rewards



An engaging Questions-and-Answers session with the clients

Missed our events?

Every year, UOB Privilege Banking organises seminars and talks by esteemed guests with the aim of enriching your financial and personal well-being.

For clients who missed the events, you will be happy to know that we are bringing them to you on our website. You can now view the webcast of our past events at your convenience. Simply log on to uobprivilegebanking.com.sg.



RIDING THE GOLDEN TIGER

Knowing your Chinese horoscope forecast for the year can help you make the right moves and avoid potential stumbling blocks to your success. Co-founder of World of Feng Shui Singapore, Amelia Neo, shares what's favourable and what's not for each Chinese zodiac sign for 2010.

The Year of the Golden Tiger will be a mixed year for everyone. According to Paht Chee analysis, the outlook for 2010 seems rather challenging due to excessive wood presence and the absence of the water element. Moreover, the clashes of some elements and horoscopes in the year's chart indicate competitive pressure and possibilities of illnesses, mishaps, accidents and calamities.

It is a year that requires everyone to work hard, be extra alert and think long-term. Wealth and success can be achieved through hard work, strategic planning and creative ideas. Those hoping for easy windfalls will be disappointed this year.

It will be an exhausting year that will cause many people to fall ill, feel fatigued and stressed out. As such, looking after your health with proper diet, exercise and sufficient rest is very important for this year.

Singles looking for romance and partners will be in for a very good year as the Star of Eternal Flower of Romance is very strong in 2010. However, this star is not very favourable for married couples as it can lead to infidelity and scandalous affairs, so for those who are married – beware!

Even though 2010 looks to be a challenging year, there are good opportunities and “hidden” wealth to be made. As long as you stay resilient and alert, you should be able to ride through the year of the Golden Tiger and transform golden opportunities into successful outcomes. It is a year that brings out the best in many people as they are forced to overcome trying situations and rise to the challenge. As a result, those who think and act positively will see their efforts bearing fruits.



Excellent Year	It is a very good year for those born in the Year of the Snake, Rooster and Rabbit. Most of them are set for a good year ahead with good health, success and excellent financial luck.
Average Year	Those born in the year of the Horse, Ox, Rat and Dog will have an average year. The Horse and Ox have the vitality and resilience to work hard to achieve success. Dogs will need to take care of their health and they will lack self-confidence in the year. Rats have favourable scholastic luck. However, they will be easily distracted by romantic liaisons.
Difficult Year	The good fortune of the Dragon subsides in 2010 and they will have to face numerous predicaments and problems caused by troublesome people. The Sheep will face numerous obstacles during the year. This is especially so as they are being afflicted by the Misfortune Star of the year.
Unfavourable Year	The luck of the Monkey is greatly hurt by the Tai Sui and there will be obstacles, disappointments and slow successes. The Tiger will be subject to competitive pressure, intense politics and can get drawn into intrigues that will take a toll on them. Tigers also need to pay attention to their health in 2010.

2010 Chinese Horoscope Forecast by Amelia Neo

Amelia Neo has been personally trained and certified by Lillian Too (from Lillian Too Institute of Feng Shui). She is the Senior Consultant and Co-founder of World of Feng Shui Singapore. Based in Singapore, she provides professional Feng Shui audit and consultation services for residences, corporate and individual personal Paht Chee (Ba Zi) reading. Amelia's aim is also to advise and share the wellness of good basic Feng Shui with everyone.

Refer a friend and enjoy a rejuvenating getaway

This new year, start everything afresh. We recommend a luxurious getaway at Banyan Tree, to rejuvenate the mind, body and spirit. With our **Client Referral Programme extended to 31 March 2010**, you can enjoy a retreat to this world-renowned resort for free*, when you successfully refer friends or family members to us. The more successful referrals you make, the more enticing the destination.

Speak with your UOB Relationship Manager or visit uobprivilegebanking.com.sg to sign up today.

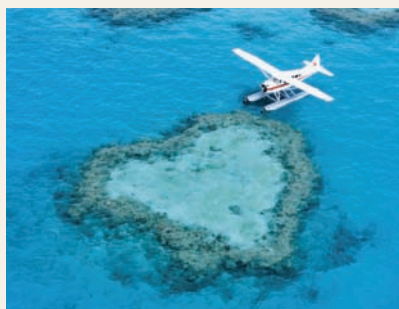
*Terms and conditions of the UOB Client Referral Programme apply. Please visit uobprivilegebanking.com.sg for more details.



Picture by Banyan Tree Hotels and Resorts

UOB TRAVEL

This **Valentine's Day**, go on the **best holiday** in the world for **FREE**^[1]



If you are searching for the best destination for a romantic getaway, look no further. Queensland, Australia's Sunshine State, will set you in the mood for romance and fill you with wonder. Take a scenic flight from Hamilton Island over Heart Reef, a breathtaking heart-shaped coral reef amongst the Whitsunday islands, a must-do for all romantics!

Wake up to a million-dollar ocean view and surf on some of the best beaches in the world on the Gold Coast. Stay at the Palazzo Versace to experience the beauty, luxury and opulence synonymous with its namesake, or experience love in the air in a hot air balloon in Cairns.

Best of all, fly to Brisbane on Qantas Airways from S\$550, then fly to Hamilton Island or Cairns from only S\$90! Charge it to your UOB credit card and you may be the lucky winner to travel on your Qantas Airways air tickets for free!^[1]



3D2N Hamilton Island Hideaway from S\$548^[1] (Land only)

Includes:

- 2-night stay at Reef View Hotel with daily breakfast
- Return Hamilton Island airport / marina to hotel transfer
- Use of catamarans, paddle skis, windsurfer and snorkelling equipment
- Use of scheduled "Island Shuttle" service (operates from 7am to 10pm)
- Use of gym, spa, sauna plus tennis and squash court hire



4D3N Cairns Adventure from S\$568^[1] (Land only)

Includes:

- 3-night stay at choice of accommodation with daily breakfast
- Return airport to hotel transfer by seat-in coach
- Great Barrier Reef Adventure: FREE upgrade to Reef & Green Island Day Tour with Great Adventures



4D3N Gold Coast Couple Fun from S\$618^[1] (Land only)

BONUS: FREE QDeck observation^[1]

Includes:

- 3-night stay at choice of accommodation in Gold Coast with daily breakfast
- Return airport to hotel transfer by seat-in coach
- 3-course dinner at LAUXES restaurant

Taxes and surcharges are from **S\$395^[1]**.

Photos courtesy of Tourism Queensland

As a Privilege Banking Client, you enjoy double the chances to win – plus a complimentary one-way limousine taxi transfer from home to Singapore Changi Airport^[2]

For more information, please call +65 6252 6822 or visit UOBTravel.com. Please bring along this newsletter or visit our website at uobprivilegebanking.com.sg to print a copy of the e-voucher to be eligible for the promotions.^[3]

UOB Travel is located at 480 Lorong 6 Toa Payoh, #20-01 HDB Hub East Wing, Singapore 310480.

Footnote:

^[1] Selected tours and departures; terms and conditions apply. Prices listed are correct at time of publication and are subject to taxes, surcharges and other incidentals. Packages are for two-to-go, on a daily departure basis. Valid for bookings made by 31 March 2010 and travel dates by 30 June 2010.

^[2] Limited to one pick-up location and a maximum of four passengers.

^[3] A print copy of the e-voucher from uobprivilegebanking.com.sg or the print copy of the UOB Privilege Times is to be presented upon booking at UOB Travel.

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