

**CPF-Approved Unit Trust and Investment-Linked Insurance Products (ILPs)
Performance and Risk Monitoring Reports
as at 31 December 1999**

**Executive Summary
(for Public Dissemination)**

The Central Provident Fund (CPF) Board has appointed Mercer to develop the Risk Classification System and Performance and Risk Monitoring System to help CPF members make informed investment decisions. Starting with this quarter's reporting, in addition to monitoring the CPF-Approved unit trusts under the CPF Investment Scheme, Mercer has initiated monitoring of the CPF-Approved ILPs as well.

- The range of choice available to CPF members continued to increase during the quarter.
- As of 31 December 1999, the CPF Board had approved 67 unit trusts, 40 ILPs and 29 insurers/fund management companies (FMCs) under the CPF Investment Scheme.
- Five new CPF-Approved unit trusts were made available to CPF members during the 4th quarter of 1999.
- In total, 65 approved unit trusts and 40 ILPs had been made available to CPF members as of the end of December. An additional two approved unit trusts had yet to be made available to CPF members.
- Both the absolute and relative returns for CPF-Approved unit trusts and ILPs were exceptionally strong during the quarter.
- 55 of 63 CPF-Approved unit trusts for which a full quarter of results were available provided positive absolute returns to investors in the 4th Quarter of 1999.
- 37 of 40 CPF-Approved ILPs for which a full quarter of results were available provided positive absolute returns to investors in the 4th Quarter of 1999.
- 45 of 63 CPF-Approved unit trusts for which a full quarter of results were available outperformed the benchmark selected by their fund manager during the quarter.
- 26 of 40 CPF-Approved ILPs for which a full quarter of results were available outperformed the benchmark selected by their insurer/fund manager during the quarter.
- Mercer has developed a Performance Rating System for CPF-Approved unit trusts/ILPs, under which ratings are assigned based on analysis of past performance relative to a benchmark considered relevant by Mercer.
- A minimum three-year track record is required for an A, B, C or D rating to be assigned.

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- For CPF-Approved unit trusts/ILPs with less than a three year track record, a rating of “Non-Rated-plus” (NR+) or “Non-Rated-minus” (NR-) is assigned based on whether the unit trust/ILP has achieved positive or negative performance relative to benchmark during the period for which a relevant performance track record is available.
- The Summary Tables in the Performance and Risk Monitoring Reports present the Performance Evaluation summary for the 4th Quarter of 1999 and Mercer’s rating of all CPF-Approved unit trusts/ILPs for which at least a full quarter of relevant performance track record is available. Additional details regarding the investment of these CPF-Approved unit trusts/ILPs are available at Mercer’s website (for unit trusts at: <http://www.wmmercerc.com/singapore/cpf/utperf> and for ILPs at: <http://www.wmmercerc.com/singapore/cpf/ilpperf>).
- Overall, the ratings of the unit trusts have improved since the last quarter. Four unit trusts have been upgraded to A ratings this quarter from B ratings. Three unit trusts have moved from a C rating to a B rating. One unit trust improved from a D rating to a C rating. Three unit trusts with track records of less than three years have improved their ratings from NR- to NR+. None of the unit trusts experienced a downgrade in rating as a result of their performance during the quarter.
- ILPs were rated for the first time this quarter. Two ILPs were awarded an A rating, nine ILPs were rated B, five ILPs C and three D. Twelve ILPs with track records of less than three years were rated NR+ and nine were rated NR-.
- Mercer has also developed a “Roadmap for Investing in CPF-Approved Unit Trusts/ILPs” to assist CPF members in analysing unit trust/ILP performance and making investment decisions. This is provided as an attachment to this Executive Summary.

Current Line-up of CPF-Approved Insurer/Fund Management Companies (FMCs) and Unit Trusts/ILPs

There are currently 29 CPF-Approved Insurers/FMCs. As at 31 December 1999, the CPF Board had approved 67 unit trusts and 40 ILPs under the CPF Investment Scheme (CPFIS). All but two of the approved unit trusts and all the ILPs had been launched for investment by CPF members as of the end of December 1999, with launch of the remaining two unit trusts pending.

Market Environment

After a weak third quarter, the Asian markets rallied strongly in the last quarter of the year. In Singapore dollar terms, the Morgan Stanley Capital International (MSCI) All Countries (AC) Far East Free ex-Japan Index of Asian stocks rose by 21.2%. The Straits Times Index of Singapore stocks rose by an impressive 22.6% during the quarter. The U.S. stock market continued to show impressive strength, while the recoveries in the U.K. and Europe

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continued to accelerate. The MSCI World Index of global stocks returned 14.6% in Singapore dollar terms for the quarter. In contrast, global bonds provided negative returns as U.S. yields rose, with the Salomon Smith Barney World Government Bond Index (SSBWGBI) returning -3.4% and -3.3% in Singapore dollars terms for the year and the fourth quarter respectively.

In the context of this market environment, only 8 of the 63 CPF-approved unit trusts and 3 of the 40 ILPs which were available to CPF members over the full quarter provided negative returns to investors during the quarter.

Contents of the Performance and Risk Monitoring Reports

The following tables are presented in these reports:

CPF-Approved Unit Trusts

Summary Table	– CPF-Approved Unit Trusts Performance Evaluation Summary for Periods Ending 31 December 1999
Table 1	– Index of CPF-Approved Unit Trusts by Fund Management Company
Table 2	– Performance Analysis for CPF-Approved Unit Trusts for Periods Ending 31 December 1999
Table 3	– Summary of Relative Performance versus Benchmark Over 1-Year and 3-Year Periods as of 31 December 1999
Table 4	– Return/Risk Analysis of CPF-Approved Unit Trusts as of 31 December 1999
Table 5	– Analysis of Tracking Error and Information Ratio for CPF-Approved Unit Trusts as of 31 December 1999
Table 6	– Detailed Asset Allocation Summary as of 31 December 1999

CPF-Approved ILPs

Summary Table	– CPF-Approved Investment-Linked Insurance Products Performance Evaluation Summary for Periods Ending 31 December 1999
Table 1	– Index of CPF-Approved Investment-Linked Insurance Products by Insurance Company
Table 2	– Performance Analysis for CPF-Approved Investment-Linked Insurance Products for Periods Ending 31 December 1999
Table 3	– Summary of Relative Performance versus Benchmark Over 1-Year and 3-Year Periods as of 31 December 1999
Table 4	– Return/Risk Analysis of CPF-Approved Investment-Linked Insurance Products as of 31 December 1999
Table 5	– Analysis of Tracking Error and Information Ratio for CPF-Approved Investment-Linked Insurance Products as of 31 December 1999
Table 6	– Detailed Asset Allocation Summary as of 31 December 1999

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Performance Rating System for CPF-Approved Unit Trusts and ILPs

The Summary Tables include (where available) absolute and relative performance measures for 64 CPF-Approved unit trusts and 40 ILPs for the past quarter, one year and three year periods ending 31 December 1999, together with information on expense ratios and fund sizes.

As an additional aid aimed at helping CPF Members evaluate the strength of past performance across unit trusts or ILPs with a similar investment mandate, Mercer has developed a performance rating system for CPF-Approved unit trusts/ILPs. The methodology for this performance rating system is as follows:

- Ratings are assigned based on analysis of past performance relative to a benchmark considered relevant by Mercer.
- Because ratings are assigned based on analysis of past performance only, they should not be taken to be indicative of a comprehensive evaluation by Mercer of the unit trust's/ILP's prospects for future success. Past performance is not a good predictor of future success. Qualitative factors -- the investment philosophy, the investment process, the team of investment professionals and other resources which support the implementation of the process -- are also important. The ratings do not necessarily reflect Mercer's view of the probability of future outperformance by a given unit trust/ILP relative to its benchmark, because they do not take these qualitative factors into account.
- Ratings should only be used to evaluate the strength of past performance across unit trusts/ILPs which invest in the same set of markets and in similar types of securities.
- Ratings of 'A', 'B', or 'C' may be assigned to a unit trust/ILP with strong past performance versus benchmark, with the 'A' rating being given to unit trusts/ILPs with the strongest past performance versus benchmark. A minimum three-year track record deemed relevant by Mercer is necessary for a rating to be assigned. A rating of 'D' is given to unit trusts/ILPs which have a long enough track record to meet the criteria for a rating, but which fall below the criteria established for award of the 'C' rating.
- For unit trusts/ILPs with less than a three-year track record deemed relevant by Mercer, a rating of 'NR+' or 'NR-' is assigned based on whether the unit trust/ILP has achieved positive or negative performance relative to benchmark during the period for which a relevant track record is available. (The initials NR stand for 'Not Rated'.)
- In some instances, substantial changes in organisation, process or investment personnel may cause Mercer to conclude that some period of the past performance of a unit trust/ILP should not be considered to be relevant. In such a case, the portion of the historical track record for the fund which is deemed to be irrelevant will not be considered in Mercer's evaluation. This may result in an approved unit trust/ILP with

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longer than a three-year track record being assigned a different rating than might otherwise be the case, including an NR+ or NR- rating.

- Where more than three years of track record are available, the unit trust's/ILP's longer-term track record will be taken into account in assigning a rating, up to some limit in terms of maximum length of track record deemed relevant by Mercer. Up to this limit, the longer the track record deemed relevant by Mercer which is available for a unit trust/ILP, the easier it will be for that unit trust/ILP to achieve a higher rating, subject to its achievement of consistent outperformance.
- The benchmark applied in evaluating a unit trust's/ILP's performance shall be selected by Mercer based on our evaluation of the types of investments which we believe are likely to be generally made by the fund manager for the unit trust. This may result in use of a different index benchmark by Mercer for purposes of this analysis for a given unit trust/ILP than that suggested by the fund manager.
- One specific measure of performance to which Mercer will refer in determining the ratings will be the **Information Ratio**. (Please refer to definition on page 13.)

Results of Performance Rating System

As of the end of the 4th Quarter of 1999, 24 out of 64 CPF-Approved unit trusts and 19 out of 40 CPF-Approved ILPs met the criteria of a minimum three year relevant track record. Overall the ratings of the unit trusts have improved this quarter compared to last quarter. The distribution of Mercer performance ratings was as follows:

CPF-Approved Unit Trusts

Rating	No. This Quarter	No. Last Quarter
A	8	4
B	6	6
C	5	7
D	5	5
NR+	23	20
NR-	17	15

CPF-Approved ILPs

Rating	No. This Quarter
A	2
B	9
C	5
D	3
NR+	12
NR-	9

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Roadmap for Investing in CPF-Approved Unit Trusts/ILPs

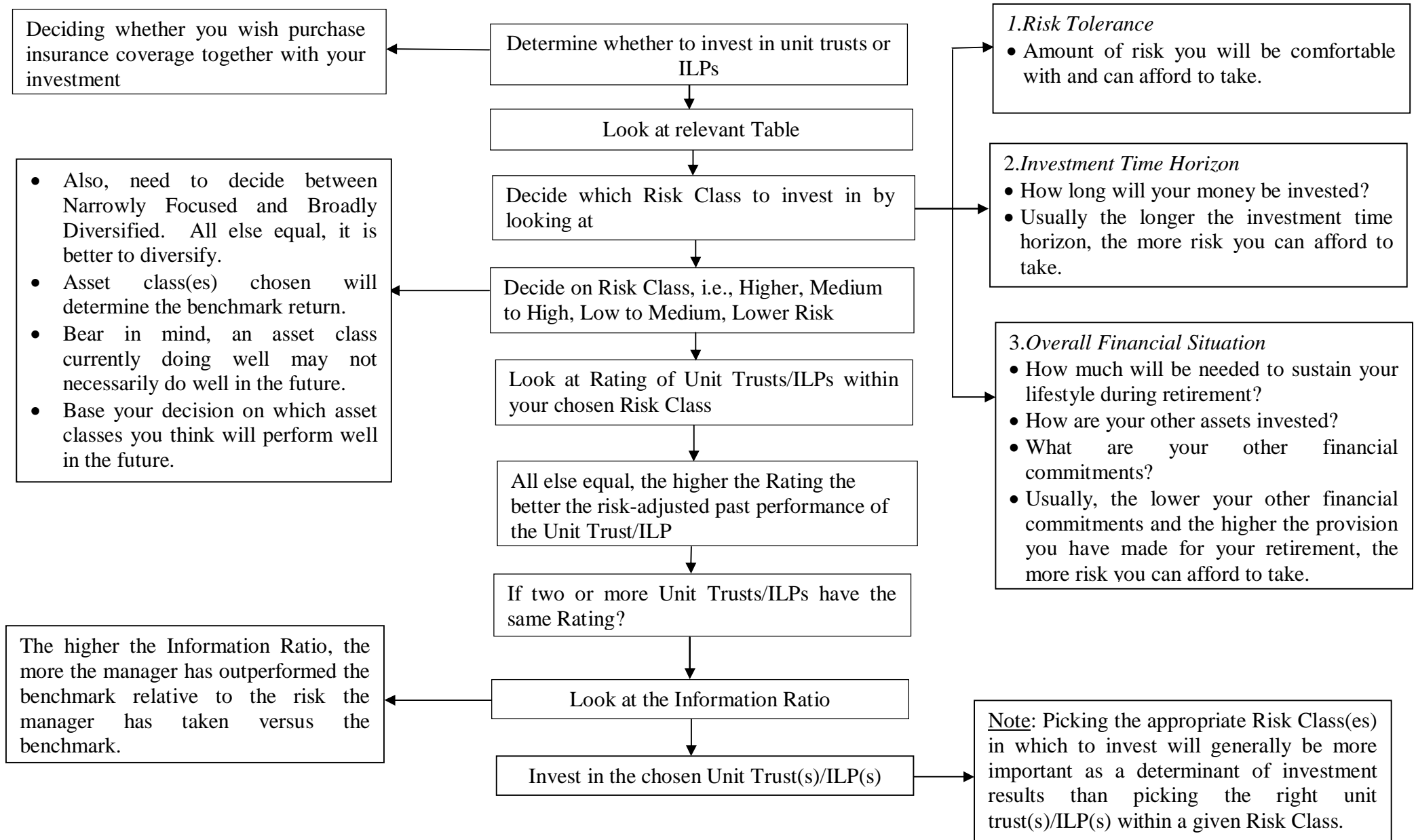
In order to assist CPF members in understanding the Summary Table and using it as part of a step-by-step process to making investment decisions, Mercer has developed the Roadmap for Investment in CPF-Approved Unit Trusts/ILPs. The Roadmap provides a framework to address questions that are likely to surface when making investment decisions. To fully utilise the Roadmap, investors are required to answer questions including the following. These are personal questions and should in Mercer's view be answered by investors based on their own personal circumstances before making long term investment decisions.

- Do I want to invest?
- Do I want to purchase insurance coverage together with my investment?
- How much do I want to invest?
- How long will the money be invested?
- How well diversified do I want to be?
- What unit trust(s)/ILPs do I want to invest in?

The Ratings and Roadmap are provided to assist CPF members in choosing unit trusts/ILPs that have outperformed their respective benchmarks in the past.

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Roadmap for Investing in CPF-Approved Unit Trusts/ILPs



Risk Classification

Please see the handbook titled “CPF Investment Scheme Risk Classification System: Investing in Unit Trusts” for a full discussion of the CPFIS Risk Classification System. You can obtain a copy of this handbook from any CPF office, CPF-approved FMC or agent bank. You can also download the handbook at the CPF Board’s website at:

<http://www.cpf.gov.sg/publication/riskclas.asp>

Currently, under the CPFIS Risk Classification System, of the 65 unit trusts available to CPF members, 52 unit trusts are classified in the Higher Risk category, 5 in the Medium to High Risk category, 5 in the Low to Medium Risk category and 3 in the Lower Risk category. And of the 40 ILPs available to CPF members, 21 ILPs are classified in the Higher Risk category, 12 in the Medium to High Risk category, 4 in the Low to Medium Risk category and 3 in the Lower Risk category.

New CPF-Approved Unit Trusts

Five new unit trusts were made available to CPF members near the end of the quarter. These five unit trusts were the Dresdner Asia Tiger Fund, Templeton IF Asian Growth Fund, Schroder Japanese Equity Fund, UOB Asia Top 50 Fund and ACM Asian Technology Portfolio. As of 31 December 1999, since the ACM Asian Technology Portfolio was still being launched, its performance figures have not been included in this quarter’s performance and risk monitoring report. They will be included in the next quarterly report.

Organizational Changes

In December, DBS Asset Management (DBSAM) reported that Cheong Kum Hong, DBSAM’s Chief Investment Officer (CIO), left the firm.

Mercer has discussed this with DBSAM. DBSAM has hired several new investment professionals during the past year. The firm has indicated its intention to make several additional senior investment hires in the near future. Mercer will continue to monitor changes at DBSAM closely going forward.

Change of Benchmark

Following the recent announcement by the Central Provident Fund Board removing the distinction between trustee and non-trustee stocks, DBS Bank has decided to discontinue the DBS-CPF Index from 1 December 1999. Two CPF-Approved unit trusts were affected, namely the OCBC Savers Trust Fund and UOB United Growth Fund. Their benchmarks were changed from the DBS-CPF Index to the MSCI Singapore Free Index and DBS 50 Index, respectively

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The OCBC Savers China Growth Fund changed its benchmark this quarter from the CLSA China World Index to the CLSA Greater China World Index in order to better reflect the investment mandate of the fund.

Change of Name

On October 3, 1999, Morgan Grenfell changed its name to Deutsche Asset Management (DAM). DAM changed the names of its unit trusts this quarter to reflect its changed name. This change applied purely to the name of each fund and did not affect the mandates. The old and corresponding new name of each unit trust is given below:

Old Name	New Name
Morgan Grenfell Asia Premier Trust	Deutsche Asia Premier Trust
Morgan Grenfell DB Lion Bond Fund	Deutsche Lion Bond Fund
Morgan Grenfell Premier Select Trust	Deutsche Premier Select Trust

Performance Comparisons

Various measures of the historical investment performance of the 64 CPF-approved unit trusts and 40 ILPs covered in this report are provided herein. Where appropriate, comparisons are made to the performance of benchmark indices. Despite the risk classification of the unit trusts/ILPs and the recently instituted requirement that Insurer/FMCs adopt a formal index benchmark for their CPF-approved unit trusts/ILPs, CPF Members will still need to exercise substantial care in making performance comparisons across unit trusts/ILPs. Mercer hopes that over time there will be a shift by Insurers/FMCs to utilisation of a common benchmark, or at least a less varied group of benchmarks, for unit trusts/ILPs with similar investment mandates.

In the meantime, one question a CPF member might consider in evaluating past performance is whether to focus on absolute performance among unit trusts/ILPs with similar benchmarks, or whether to focus on each unit trust's/ILP's relative performance versus its stated benchmark. Over the long-term, Mercer believes it is generally appropriate to focus on **Performance Relative to Benchmark** rather than absolute performance. This is because the benchmark generally represents the performance of the class of investments the unit trust/ILP invests in and so provides a useful point of reference in evaluating whether the manager has skill.

In Mercer's opinion, short-term results in general should be given little attention in investment-decision making.

Calculations and Methodology

The following outlines the methodology used by Mercer to evaluate the performance and risk of the 64 CPF-approved unit trusts and 40 CPF-Approved ILPs covered by our reports.

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Mercer measures unit trust/ILP investment performance by comparing net asset value (NAV) at the beginning and end of the measurement period and with dividends reinvested. Quantitative measures of risk, such as the standard deviation of returns, are computed based on the underlying return figures which are calculated by means of this methodology.

This report also includes information on expense ratios. These expense ratios are calculated by the Insurers/FMCs. While we have attempted to check these figures for reasonableness, Mercer cannot take responsibility for the accuracy of the Insurers'/FMCs' calculations of these figures. Mercer has requested that the Insurers/FMCs include marketing and advertising charges in calculating the expense ratios for their unit trusts/ILPs. The expense ratio is thus defined in principle as the total annual expenses paid out of the assets of a unit trust/ILP divided by its average net assets. Given this definition, expense ratio figures are only available for unit trusts/ILPs which have been in existence for at least one year. Also, expense ratios will depend in part on the level of investment management and other fees associated with each unit trust/ILP as well as its total asset size.

Definitions of Technical Terms

Performance Relative to Benchmark is the difference between the return to a unit trust/ILP and the return to its index benchmark. If the unit trust/ILP has outperformed its benchmark, the relative performance figure will be positive. If the unit trust/ILP has underperformed its benchmark, the relative performance figure will be negative.

The **Risk-Adjusted Return** is calculated as the annualised return divided by the annualised standard deviation (risk). It is a measure of the trade-off between return and risk. The higher the result the greater the level of return per unit of risk taken.

The **Information Ratio** is a measure of the value which has been added by the manager per unit of risk taken relative to the benchmark. All else equal, the higher the information ratio, the better.

The information ratio might reasonably be considered to represent a measure of the past skill demonstrated by (or luck experienced by) the FMC/Insurer. If the information ratio is large and is measured over a reasonably long period of time, then this may be an indication that the FMC/Insurer has demonstrated some past skill in managing investments.

Disclaimers and Notes on Recommended Usage of the Information Presented in This Report

All data contained in this report has ultimately been provided to Mercer by the FMCs/Insurer or the trustees for the CPF-approved unit trusts/ILPs. While Mercer has checked this data for reasonableness, ultimately we cannot take any responsibility for the accuracy of this data.

The information contained in this report is intended to be helpful to CPF Members as they consider making investments in CPF-Approved unit trusts/ILPs. However, none of the information supplied herein should be considered to be a recommendation either for or

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against any particular unit trust/ILP. Moreover, none of the information provided herein should be considered to represent investment advice or to constitute an investment recommendation.

CPF Members may choose to utilise the information presented herein to help narrow down the group of unit trusts/ILPs in which they may be interested in investing. However, Mercer strongly recommends that a CPF Member obtain and thoroughly read the prospectus for any unit trust/ILP in which they are seriously considering making an investment. Additional information regarding any individual Insurer/FMC and the investment process and investment team associated with the management of one of its CPF-approved unit trusts/ILPs can and in Mercer's opinion should be requested from that Insurer/FMC and reviewed by a CPF Member prior to an investment being made. Despite the information provided herein, CPF Members remain ultimately responsible for becoming fully informed about their investments and for making their own investment decisions.

In considering the information presented in this report or other information with which they may be provided, CPF Members should bear in mind that past performance provides no guarantee of future success. In fact, past performance by itself is a very poor predictor of future performance.

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