LIPPER

THOMSON REUTERS
NEWS RELEASE

FOR IMMEDIATE RELEASE

CPFIS Bond Funds Hold Up Through Tough Markets in H1 2011

Singapore, 16 Aug 2011 – Lipper, a Thomson Reuters company and a leading fund research firm, announced its findings on the performance of unit trusts and investment-linked insurance products (ILPs) that are included under the Central Provident Fund Investment Scheme (CPFIS) as of 30 June 2011. Lipper is the "Funds Tracking Company" (FTC) under the CPF Board's Guidelines.

Despite the impact on the global markets from the sheer volume of unexpected events in the first quarter of 2011 – such as turmoil in the Middle East and the catastrophic earthquake in Japan – and of deteriorating fiscal conditions in Europe and North America during the second quarter, CPFIS-included funds proved resilient, recording a loss of only 1.89% on average for the 6-month period ended June 2011.

This figure comprised of average losses of 1.52% for CPFIS-included unit trusts and of 2.18% for ILPs, during the same period. Breaking these performance averages down by asset class, bond funds returned the highest with a gain of 1.83% and equity funds posted a loss of 2.94% during the first half of 2011, while mixed asset product offerings recorded a marginal loss of 0.78%.

Performance of CPFIS-included unit trusts and ILPs during the 6-, 12- and 36- month periods ended June 2011:

	CPFIS-included unit trusts	CPFIS-included ILPs	Average of CPFIS-included unit trusts & ILPs
6-month period ended June 2011	(1.52%)	(2.18%)	(1.89%)
12-month period ended June 2011	9.59%	6.32%	7.74%
36-month period ended June 2011	3.89%	1.26%	2.40%

Source: Lipper, a Thomson Reuters company.

The first quarter of 2011 experienced remarkable political and climatic events, both in their impact and magnitude, which influenced the global economic arena. Markets were embattled with rising geopolitical tensions in the Middle East, surging commodity prices, the disastrous earthquake and tsunami in Japan and its nuclear fallout, and ongoing efforts to rein in growth and inflation in the developing world. On the other hand, healthy corporate earnings in the US and a second round of quantitative easing (QE2) in the fourth quarter of 2010 buoyed up major US and European stock indices during the quarter.

In the second quarter of 2011, worsening economic data and fiscal imbalances in the US, persistent sovereign debt concerns in peripheral Eurozone economies, and stubbornly high inflation in high-growth emerging markets, put further pressure on risk appetites.

Rising risk aversion drove investors towards the safe-haven of fixed income products, particularly during the second quarter, as evidenced by the outperformance of lower-risk asset classes. The Citigroup World Government Bond index rose 4.00%[1] during the first half of 2011, propped up by gains of 3.32% just during the second quarter, while the Citigroup High Yield Market index recorded a 4.93% positive return during the same period with gains of only 0.93% coming from the second quarter.

Rising risk aversion during the second quarter also helped stem the surge in commodity prices seen in recent quarters and ease inflationary pressures, contributing to mixed rather than outright negative returns (which were the case during the first quarter) among emerging markets. The MSCI World index recorded a net gain of 5.62% during the first half of 2011 (returning +0.67% for the second quarter), while the emerging markets component posted net gains of 1.03% during the same period.

According to Lipper analysts, the outlook for the second half of 2011 is cautiously positive. Investors are waiting to see how key economic indicators and events unfold - such as the US debt ceiling[2], the Eurozone sovereign debt crisis and the policy debate over inflation versus growth in growing economies.

Rajeev Baddepudi, Senior Research Analyst, ASEAN, for Lipper, said: “Asian economic news has been more positive, with China reporting better-than-expected Q2 growth numbers, and with stronger-than-expected production figures plus rising business confidence in Japan easing concerns over the earthquake’s extended impact on global supply chains. This theme of moderate growth amid uncertainty should persist in the latter half of the year, and investors would do well to stay cautiously positive for any improvements in the macro-economic environment.”

Michael Lim, Executive Director of IMAS, commented: “The world experienced a lot in the first half of 2011. Notably, in the Middle East and North Africa, political unrest pushed oil prices up but drove the regional markets down. In early March, Japan was hit by a deadly earthquake and suffered the impact of the tsunami and nuclear leakages. During the first half of 2011, not surprisingly, Asian markets generally didn’t do as well as the US or Europe. What can a long-term investor do to lessen risk in view of unforeseen and impactful events? Our message has been steadfast – diversify, diversify, diversify.”

Koo Chung Chang, LIA representative, added, “In times of uncertainty, there is always the temptation to try profiting from volatility by timing the market. But there is always a risk of investors following the herd mentality and ending up selling low and buying high. We hope CPF members will maintain a long-term focus in view of the fact that their retirement savings are being utilised."

[1] The average performance figures of the Citigroup and MSCI indices are expressed in US dollar terms, as expressing them in Singapore dollar terms would distort the points made owing to the strength of the latter during recent quarters.

[2] While a deal has been struck in the US Congress on August 2nd to raise the ceiling and avert the immediate crisis over a threatened default, doubts remain over the viability of policy options and political processes in cutting down America’s mountain of debt, and the possible implications of this for the rest of the world.

-end-

About Lipper

Lipper, a Thomson Reuters company, provides independent insight on global collective investments including mutual funds, retirement funds, hedge funds, fund fees and expenses to the asset management and media communities. Lipper is the world's leading fund research and analysis organization, covering 213,278 share classes and 117,156 funds in 61 registered for sale universes. It provides the free Lipper Leader ratings for mutual funds registered for sale in over 30 countries. Additional information is available at www.lipperweb.com.

Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, healthcare and science and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs 55,000 people and operates in over 100 countries. For more information, go to http://thomsonreuters.com/.

CONTACT

Ann Hung
PR Manager, Asia
Thomson Reuters
+852 2843 6939
ann. hung@thomsonreuters.com

Notes to the Editor:

1. The First and Second Quarters 2011 Performance & Risk-Monitoring Report as well as up-to-date performance data on CPFIS-included unit trusts and ILPs is available at: www.fundsingapore.com.

2. Lipper Leader scores are based on relative rather than absolute measures, and do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. Some peer groups and asset classes are inherently more volatile than others, and even Lipper Leader funds in more volatile asset classes or peer groups may not be appropriate for risk-averse investors and those with shorter-term goals.

3. Information provided by Lipper has been obtained from or is based upon sources believed to be reliable but is not warranted to be accurate or complete. Lipper does not make any representation or warranty, express or implied, to investors or any member of the public regarding the advisability of investing in securities generally or in any product or mutual fund particularly. Lipper will not be liable for any loss or damage resulting from information obtained from Lipper or any of its affiliates. Past performance is not necessarily a guide to future performance and investors should remember that past performance is not guarantee of future results.