

Fund Update – February 2013**LionGlobal TEAM – LionGlobal Singapore Fixed Income Investment****Market Review**

The month of February saw a divergence across different asset classes in terms of returns, with risk assets showing a more subdued performance following the strong start in January. US rates managed to reverse some of January's weakness, with the yield on the 10-year US Treasury dropping 11 bps from 1.99% to 1.88%.

In Singapore, interest rate movements were mixed. For short to 5-year Singapore Government Securities (SGS), yields fell on the back of a large consistent bid put through a local bank for short-end SGS. 2-year SGS yields dropped near 9 bps and ended at 0.18%. On the other hand, longer-end SGS yields rose between 7-11 bps. The 30-year SGS reopening auction was held on 26 Feb 13 and this deterred long-end SGS in general from correlating with UST yields. Investors were expecting to see auction yield of more than 2.8% and a cut-off near 3%. The rally in UST prior to the auction took away the anticipation. The auction yield came at 2.76%, marginally higher than secondary levels. The post auction reaction was relatively muted.

Without the supply factor, SGD swap rates followed USD rates lower. The swap curve flattened, with 2-year rates down 5 bps, 5-year bonds declined 8 bps and 10-year and longer rates dropped near 10 bps.

Corporate bond issuance activity was also low. The Chinese New Year holidays, companies going into black-out period, the uncertainty of the US sequestration and the 30-year SGS auction were all the various reasons cited for the low activity. There were only a few 1-year issuance (on tap) by Korean bank names and a small SGD80 million 3-year bond issue by Raffles Education Corporation.

The Fund returned 0.3%¹ for February 2013, outperforming its benchmark² which had a flat performance for the month, largely due to the relative short duration position and yield carry.

¹ Performance figure in Singapore Dollar terms and on a bid-bid basis, excluding preliminary charges. Dividends are reinvested net of all charges payable upon reinvestment and in SGD terms. Past performance is not necessarily indicative of future performance.

² The Benchmark is the JPMorgan SGB Index.

Fund Review and Outlook

The FY13 Budget was announced on 25 Feb 13, with the main theme remaining as one of wealth distribution. For the lower income workers, there are other themes such as enhanced Workfare Income Supplement scheme, higher CPF contribution rates and a GST voucher special payment. For companies, there is a Wage Credit Scheme where the Government co-funds 40% of wage increases and corporate tax rebate etc. The recent white paper on population growth in Singapore, looking at 6.9 million people by 2030, has aroused heated discussions as current infrastructure is already perceived to be inadequate. At the same time, increased foreign levies and the tightening of entry for lower skilled foreign workers will remain. The population paper implied a continual restructuring of the economy, which may see lower growth and higher costs in the near term. Official forecasts for GDP remains at 1-3% but MAS warns of inflation volatility. There will be significant reduction of COE quotas but at the same time, the budget has levied higher taxes on car ownership. Wage cost pressures should see more significant pass through.

On the nominal exchange rate, there appears to be a recent trend of USD strength on the back of improved economic data. The SGD NEER is trading above the mid of the policy band. We do not expect any change in the policy stance of a gradual appreciation of the SGD in April's monetary policy statement. Like other Asian central banks, we expect more macro-prudential measures to be undertaken, focusing on specific hot spots such as property prices.

We remain cautious on duration in the near-term. Developed markets remain committed to providing stimulus and this should anchor short-end rates. On the other hand, there has been an improvement in overall risk appetite; this could result in further rotation from bonds to equities. Whilst there may be a short-term reaction to the anti-austerity vote in Italy, and the respective tightening measures in China, Hong Kong or Singapore, the improved outlook for US is a key factor and will continue to drive the risk appetite of investors. The curve may remain relatively steep.

Fund Details

Sector Allocation	%
Sovereign	39.9
Financial*	44.1
Industrial	7.2
Utilities	2.5
Consumer, Cyclical	2.4
Communications	0.7
Technology	0.3
Consumer, Non-cyclical	0.8
Cash Equivalent	1.9

Currency Exposure ***	%
SGD	95.1
USD	4.9
Total	100.0

* Includes Real Estate.

** Issues are internally rated.

*** Foreign currency exposures are hedged back to SGD, as at current view.

Source: Lion Global Investors.
Data as of 28 February 2013.

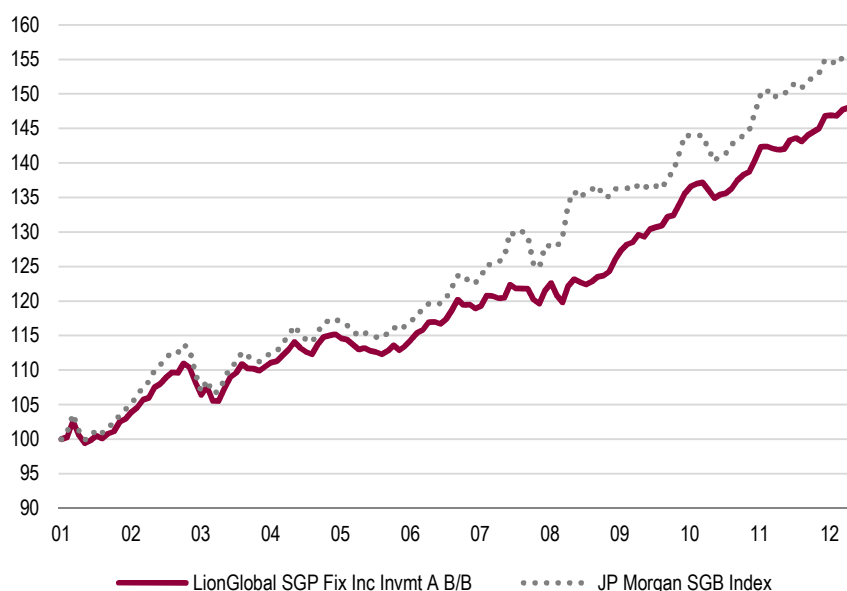
Credit Ratings	%
Investment Grade	49.4
Non Rated **	48.7
Cash Equivalent	1.9
Total	100.0

Top 10 Holdings	%
SINGAPORE (GOVT OF) 3.25% 01/09/2020	9.7
SINGAPORE (GOVT OF) 3.5% 01/03/2027	8.8
SINGAPORE (GOVT OF) 3% 01/09/2024	6.4
SINGAPORE (GOVT OF) 2.25% 01/06/2021	4.6
SINGAPORE (GOVT OF) 3.125% 01/09/2022	4.0
SINGAPORE (GOVT OF) 2.5% 01/06/2019	3.1
HOUSING & DEVELOPMENT BOARD MTN (BR) 2% 03/11/2017	2.0
DBS CAPITAL FUNDING II VAR PERP (15/06/2018)	2.0
SP POWERASSETS LTD EMTN (BR) 4.19% 18/08/2015	1.9
SINGAPORE (GOVT OF) 2.75% 01/04/2042	1.7

Fund Performance

Fund Performance Chart

Chart shows performance of LionGlobal Singapore Fixed Income Investment, in Singapore Dollar terms. Source: Lion Global Investors Limited / Morningstar, as of 28 February 2013. Note: Past performance is not necessarily indicative of future performance.



Fund Performance Table

SGD Class - Performance returns based on single pricing. Dividends are reinvested net of all charges payable upon reinvestment and in SGD terms.

Time Period	RETURNS (%)		
	NAV	NAV^	Benchmark*
Year-to-Date	-0.3	-3.3	-0.9
1 year	2.9	-0.2	1.8
3 years p.a.	4.2	3.1	4.1
5 years p.a.	4.0	3.3	3.6
10 years p.a.	3.1	2.8	3.3
Since inception p.a.**	3.5	3.2	3.8

Source: Lion Global Investors Limited/Morningstar. Data as of 28 February 2013

Note: Past performance is not necessarily indicative of future performance.

^ NAV: Figures include Preliminary Charge of up to 3%

* The benchmark for the Fund is the JPMorgan SGB Index

** Inception Date: 31 Aug 2001

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