

ABF Singapore Bond Index Fund

July 2010

Singapore's first exchange traded bond fund, it invests in a portfolio of high quality, Singapore government and quasi government bonds. It is a collective investment scheme, authorised in Singapore and listed on the Singapore Stock Exchange.

ABF Singapore Bond Index Fund (ABFS) seeks investment results that correspond closely to the total return of the iBoxx ABF Singapore Bond Index, before fees and expenses.

The Fund is included under the CPFIS - Ordinary Account and has been classified by the CPF Board under the Low to Medium Risk - Narrowly Focused - Country Singapore.

NAV Price per unit
\$1.1334

Fund Details
As at 30 Jun 2010

Manager
DBS Asset Management Ltd

Trustee
HSBC Institutional Trust Services

Stock Exchange
Singapore Exchange Securities Trading Limited

ISIN Code
SG1S08926457

Inception Date
31-Aug-2005

Base Currency
SGD

Fund Size
SGD324.02 million

Total Units
285,885,000

Subscription & Redemption
minimum 1000 units via SGX-ST or minimum 50,000 units via participating dealers (usual fees and charges apply), CPFIS-OA[#]

Market Professionals:
In-kind subscription/redemption is available

Dealing Frequency
Daily (via SGX-ST), Monthly (via participating dealers)

Management Fee[@]
0.15% p.a.

Trustee Fee[@]
0.05% p.a

Financial Year End
30-Jun

Price Quote
Teletext, www.dbsam.com

Dividend
At fund manager's discretion

Investment Objective

ABF Singapore Bond Index Fund (ABFS) seeks investment results that correspond closely to the total return of the iBoxx ABF Singapore Bond Index, before fees and expenses.

Manager's view

The Fund rose 1.64% in the month of Jun 2010, marginally underperforming the benchmark by 2bp. On a year-to-date basis, the Fund recorded a positive return of 3.42%, underperforming the benchmark by 16bp. The deviation in performance is partly due to management fees and transaction costs. The benchmark's performance in June reflected a downward shift in the Singapore Government Securities (SGS) yield curve, in line with the rally in U.S. Treasuries (UST) over the month. The weightage of SGS in the benchmark is approximately 89%.

As of end-Jun, the Fund's overall duration of 5.19 years and yield-to-maturity of 1.97% remained close to the benchmark's, which were 5.28 years and 2% respectively. The following changes were made to the benchmark during the month: (i) a SGD1.8b increase in the outstanding issue size of the SIGB 3 1/4 09/01/20 bond; (ii) the inclusion of SGD300m of the LTASP 1.675 05/15 bond; (iii) the inclusion of SGD275m of the LTASP 2.71 05/20 bond and (iv) the exclusion of SGD300m of the LTASP 4.08 05/12 bond.

The key strategy for this Fund remains tracking error discipline. The Fund tracks the iBoxx ABF Singapore Bond Index within a tracking error limit of 40bp. The tracking error as at end-Jun 2010 was 23bp (at end-May 2010, 23bp). Singapore Government Securities (SGS) rallied in tandem with U.S. Treasuries (UST) in June, but with relatively muted gains. Both yield curves bull-flattened substantially on the back of heightened concerns over Europe's debt crisis and slowing global economic growth. Even the announcements of a watered-down U.S. financial regulatory reform bill, increased CNY flexibility and commitment from the G20 towards fiscal consolidation did little to calm the markets. The 10-year SGS yield declined by 42bp MOM and ended the month at 2.37%, the lowest it's been since September 2009. The SGD2.5b 2-year SGS auction received strong demand, with a cutoff yield of 0.52%, as compared to the pre-auction market level of 0.55%. The bid-to-cover ratio was 2.1 times and average yield was 0.49%.

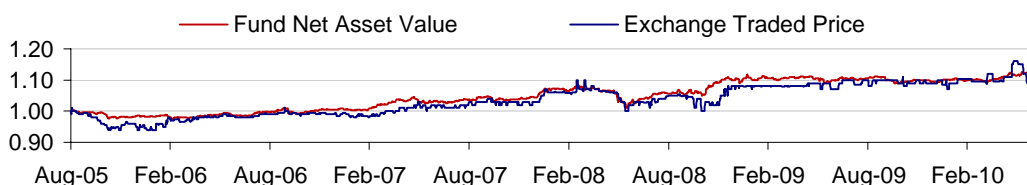
The People's Bank of China (PBOC) has adopted a new FX regime which emphasizes two-way flexibility, whereby the CNY will be pegged to a basket of currencies rather than solely to the dollar. The SGD's immediate reaction to the yuan revaluation was a 1.4% rally against the USD; given that China is one of Singapore's major trading partners, the immediate spike in the SGD was not surprising. However, the rally was short-lived as global risk aversion returned to dominate the market, and the SGD eventually gave up all its gains and ended the month almost flat versus the USD.

The SGS rally appears overdone, in our view, as we continue to believe that a global double-dip recession scenario is unlikely. However, the market will likely remain volatile due to continued concerns over the European debt crisis. The scheduled release of European bank stress test results in July and potential downgrades of European sovereign ratings are likely to add to market jitters and provide support for UST and SGS, in our view. Hence, we expect long-end SGS yields to trade in a range-bound manner; meanwhile, short-end yields will likely remain anchored at low levels due to easing rate hike expectations in the G3 countries. There are no SGS auctions scheduled in July.

We reiterate our view that a yuan revaluation will be generally positive for Asian currencies, as we believe China's export competitors from the Asian countries have more leeway to permit currency appreciation in tandem with CNY. The SGD has traditionally been highly correlated to the CNY, and will therefore stand to gain from an appreciation in the yuan in the longer term, we believe. However, we do not expect the CNY to strengthen aggressively in the near term because, on a trade-weighted basis, it has already appreciated substantially over the past years.

Fund Price Chart

Source: Bloomberg as at 30 Jun 2010



Fund Performance

Source: © 2010 Morningstar, Inc. & DBSAM as at 30 Jun 2010

SGD, Bid-Bid basis, *Annual Growth Rate with Dividends and Distributions Re-invested (if any)

Returns (%)	1 month	6 month	YTD	1 Year	3 Year*	Since Inception*
ABF Singapore Bond Index	1.64	3.42	3.42	4.26	4.17	3.57
iBoxx ABF Singapore Bond Index	1.66	3.58	3.58	4.51	4.46	3.84

Total Portfolio Holdings

Source: DBSAM as at 30 Jun 2010

Name	Coupon %	Maturity	%
Cash			0.61
Sp Powerassets Ltd	3.73	22/10/2010	0.87
Singapore Government	3.63	01/07/2011	2.52
Asian Development Bank	3.34	18/09/2011	0.23
Asian Development Bank	3.27	08/02/2012	0.24
Singapore Government	2.63	01/04/2012	3.05
Singapore Government	3.50	01/07/2012	3.09
Housing &Development Brd	1.80	03/07/2012	0.31
African Development Bank	1.72	21/08/2012	0.22
Intl Bk Recon & Develop	1.57	21/08/2012	0.55
Intl Finance Corp	1.10	25/09/2012	0.40
Singapore Government	2.50	01/10/2012	2.75
Housing &Development Brd	1.55	26/10/2012	0.31
Singapore Government	1.63	01/04/2013	3.40
Singapore Power	4.05	04/05/2013	0.75
Land Transport Authority	2.16	19/06/2013	0.41
Singapore Government	2.25	01/07/2013	3.52
Singapore Government	3.63	01/07/2014	4.31
Singapore Government	1.38	01/10/2014	4.42
Housing &Development Brd	1.87	25/03/2015	0.34
Housing &Development Brd	3.38	21/04/2015	0.34
Land Transport Authority	1.68	27/05/2015	0.47
Singapore Government	2.88	01/07/2015	5.40
Psa Corporation Ltd	2.83	06/07/2015	0.62
Sp Powerassets Ltd	4.19	18/08/2015	0.93
Land Transport Authority	4.17	10/05/2016	0.47
Singapore Government	3.75	01/09/2016	6.12
Singapore Government	2.38	01/04/2017	6.09
Singapore Government	4.00	01/09/2018	6.47
Singapore Government	2.50	01/06/2019	6.65
Psa Corporation Ltd	4.00	05/06/2019	0.66
Temasek Financial I Ltd	3.27	19/02/2020	1.43
Land Transport Authority	2.71	27/05/2020	0.54
Sp Powerassets Ltd	4.67	18/08/2020	1.07
Singapore Government	3.25	01/09/2020	6.81
Singapore Government	3.13	01/09/2022	6.99
Housing &Development Brd	3.63	27/02/2023	0.38
Land Transport Authority	2.90	19/06/2023	0.41
Singapore Government	3.00	01/09/2024	7.80
Singapore Government	3.50	01/03/2027	8.02

Portfolio Characteristics

Source: DBSAM as at 30 Jun 2010

	Portfolio	Benchmark
Modified Duration (Y)	5.19	5.28
Yield to Maturity (%)	1.97	2.00
Annualised Tracking Error	0.23%	

[®] Please refer to Prospectus of the Fund for complete information on fees, units creation & cancellation, or any other matters.

This summary is prepared by DBS Asset Management ("DBSAM") for information purpose only. It does not constitute an offer or solicitation to buy or sell units. DBSAM reserves the right to add, to vary and modify at any time information stated in this summary. Investments in the Fund are not obligations of, deposits in, or guaranteed by DBSAM, any of the distributors or their affiliates, and are subject to investment risks, including the possible loss of principal amount invested. The price of the units and the income from them can fall as well as rise. Past performance is not necessarily a guide to future performance. Any forecast is not necessarily indicative of future or likely performance of the unit trust. All applications for units must be made on the application form accompanying the prospectus (available online at www.dbsam.com). Investors should read the prospectus for more details of the Fund before making any investment decisions. Unit Trusts are not available to US persons.

[#]The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. The CPF Board pays a minimum interest of 2.5% p.a. for OA. From 1 January 2008, an extra interest rate of 1% p.a. is paid for the first S\$60,000 of a CPF member's combined balances, including up to S\$20,000 in the OA. The new interest rate for the Special, Medisave and Retirement Accounts (SMRA) is pegged to the yield of the 10-year Singapore government bond plus 1%. For 2008, the minimum interest rate for SMRA will be 4% p.a. From 1 May 2009, only monies in excess of S\$20,000 in your Ordinary Account and S\$30,000 in your Special Account can be invested under the CPF Investment Scheme.