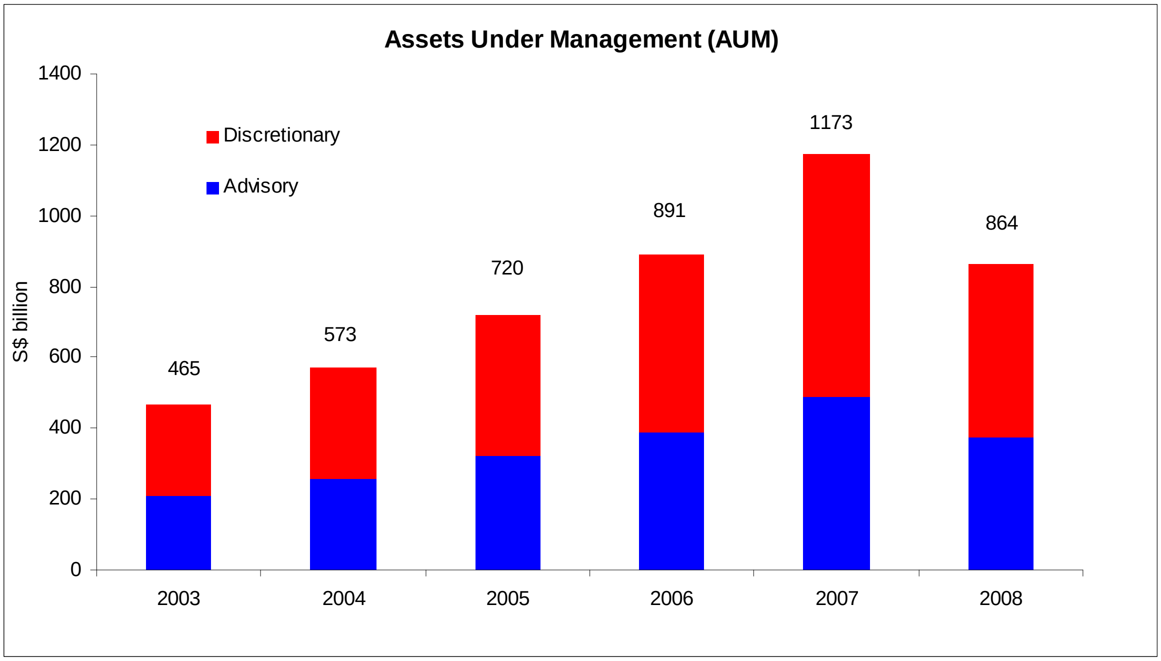
2008 SINGAPORE ASSET MANAGEMENT INDUSTRY SURVEY

The Monetary Authority of Singapore conducted its annual survey of the Singapore asset management industry, for the year ending 31 Dec 2008. The survey covered those financial institutions with asset management activities in Singapore who responded to our survey questionnaire.[1]

ASSETS UNDER MANAGEMENT ("AUM")

Chart 1: Growth of Assets under Management



1. The unprecedented global financial crisis last year has weighed heavily on financial markets worldwide, leading to significant declines in global and financial markets in 2008[2]. Against this backdrop, the AUM of the Singapore asset management industry declined about 26% year-on-year. This decline was less than the general market declines, underscoring

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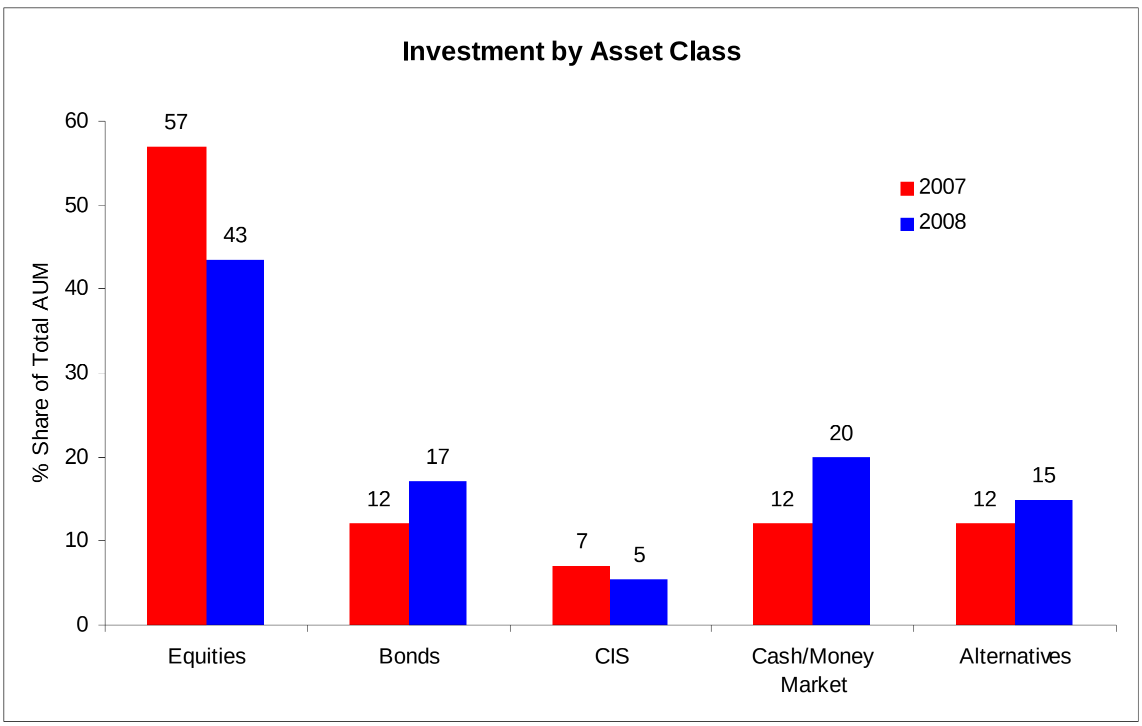
[1] Financial Institutions comprise Banks, Finance and Treasury Centres, Capital Markets Services licensees, Financial Advisers, Operational Headquarters and exempt entities. For a more complete landscape of the asset management industry in Singapore, we have included for the first time, funds managed in-house by insurance companies and the market capitalisation of S-REITs.

[2] In 2008, the MSCI AC World Index and the MSCI AC Asia Pacific Index fell by 43.5% and 43.2% respectively.

some resilience of the industry in terms of the diversity of fund managers and investment strategies which we have in Singapore. The AUM as at end-2008 stood at S$864 billion. This does not include government and Central Provident Fund ("CPF") monies. This brought the rolling 5-year average AUM growth rate to 16% per annum in 2008 compared to 28% in 2007.

2. The asset management industry in Singapore maintained its international character as fund management firms continue to use Singapore to tap asset-gathering opportunities regionally, with more than 80% of funds sourced from outside Singapore.

Chart 2: Investment of Funds by Instruments

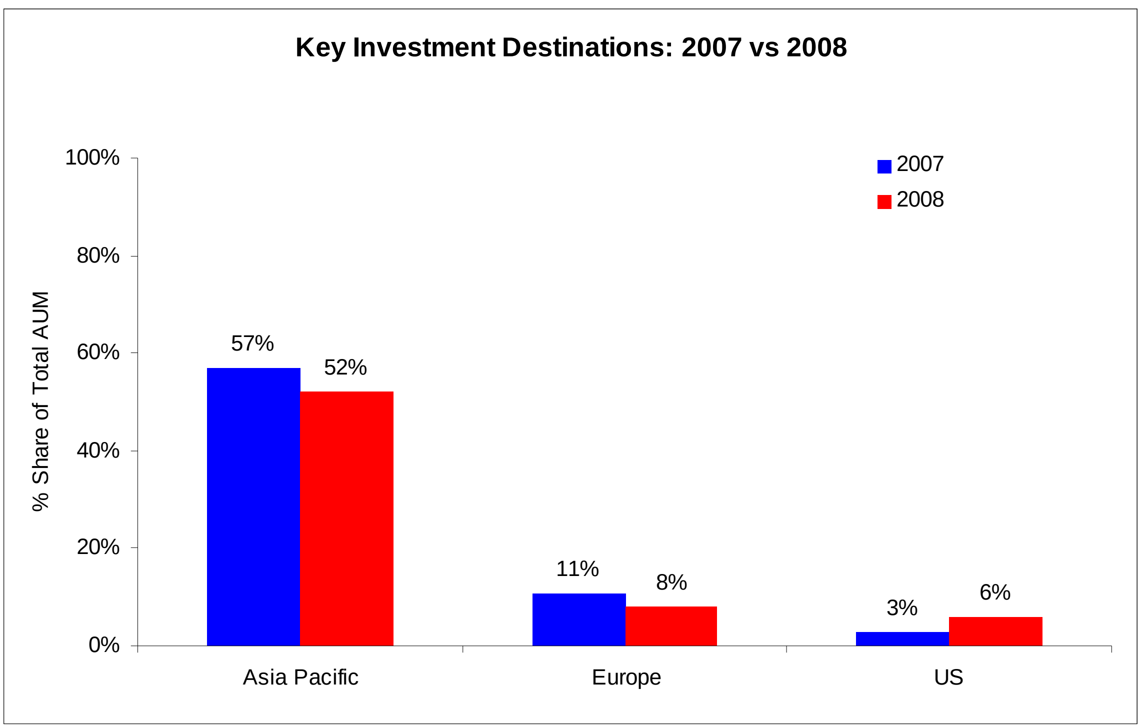


3. Due to risk aversion in global financial markets, there was a trend towards flight to safety globally in the second half of 2008. As such, the assets managed by Singapore-based managers had a strong bias towards

instruments which were perceived to be ‘safer’. Specifically, there was a shift from equities towards fixed income and allocation to cash/money market instruments increased significantly in 2008.

4. From an investment standpoint, Singapore continues to be an efficient location to manage regional investments. The Asia Pacific region continues to be the key investment destination of Singapore-based managers, with 52% of total AUM invested into the Asia Pacific region in 2008.

Chart 3: Investment of Funds by Region, 2008



PROFILE OF ASSET MANAGEMENT COMPANIES

5. The market turmoil has negatively impacted the global and regional markets. In addition, investors now have smaller risk appetites due to the volatility in the markets. However, Asian investments remain attractive to investors given the growth and potential of the region. As such, asset management companies are still keen to grow their Asian operations. They continue to use Singapore as a base to access regional opportunities for both investing and gathering of assets. The contribution to total AUM by the 20 largest asset management companies in Singapore remained in the 40-50% range, similar to the past few years. They accounted for 42% of total AUM in 2008.

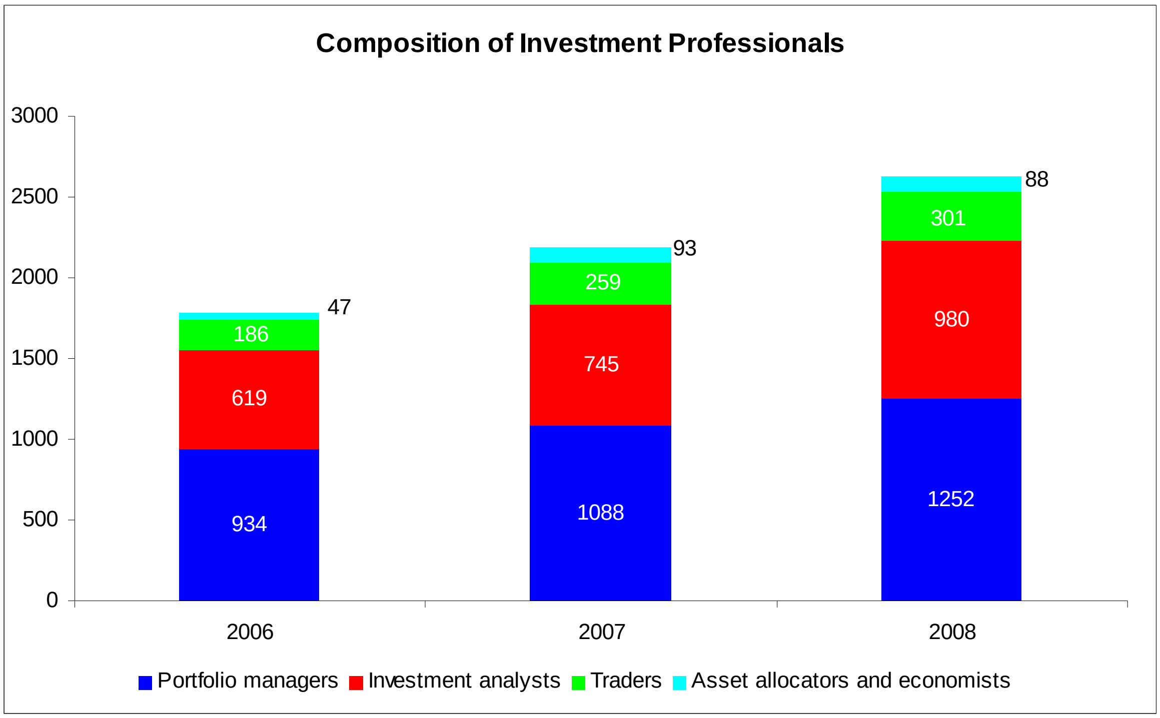
6. Singapore's alternative investment industry has also developed strongly over the past few years. We now have a vibrant community of hedge fund, real estate and private equity managers which add diversity to the broader asset management industry.

7. 2008 has been a challenging year for hedge funds globally as the industry was confronted with high market volatility, negative performance, severe de-leveraging, credit and liquidity crunch, heightened investor risk aversion and redemption pressures. Against this backdrop, the global hedge fund industry witnessed its first decline in AUM since 1998. The hedge fund industry in Asia and Singapore has also been similarly affected. The number of hedge funds and AUM of the Singapore hedge fund industry for 2008 was 350 and S$61 billion (approximately US$42.8 billion) respectively, compared to 300 and S$80 billion (approximately US$55 billion) for 2007. This translates into a 22% fall in AUM year-on-year which is below the drop in AUM for the Asian hedge fund industry for the same period.

EMPLOYMENT OF INVESTMENT PROFESSIONALS

8. Bucking the downward trend on the AUM front, there was a 20% increase in the total number of investment professionals in 2008. While portfolio managers continued to form the bulk of investment professionals, the fastest growing category was the pool of investment analysts in 2008.

Chart 4: Investment Professionals



9. Therefore, contrary to some expectations, the decline in industry AUM and revenue levels had not led to a reduction in headcount numbers for the Singapore asset management industry in 2008. The overall talent pool was increased mainly in the first half of 2008 while there were reports of consolidation and retrenchment by some firms in the latter part of 2008 and into the first half of 2009. Nonetheless, given the improvement in investor sentiment and broad-based market performances, headcount levels for the asset management industry can be expected to stabilise and even grow moderately this year if market sentiments continue to improve.

COLLECTIVE INVESTMENT SCHEMES ("CIS")

10. In 2008, total CIS AUM declined by 41% to reach S$23 billion. Investments into all types of CIS funds registered a decline except for allocation to money market funds which saw a 54% increase due to investors' preference for 'safer' assets. In terms of geographical allocation, the bulk of CIS investments continued to be channelled into the Asia Pacific region.

Chart 5a: Investment of CIS by Region, 2007

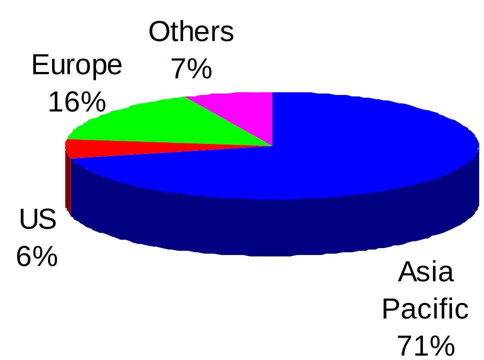


Chart 5b: Investment of CIS by Region, 2008