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PMART Performance Report 2013 (Interim)

Dear Investors,

This report presents you the performances of the Advisory and Discretionary Accounts of Phillip Managed Account for Retirement (PMART, the name we used for EPF Members' Investment Scheme) that we have concluded for the period of first half in year 2013, for your consistent follow-up on the performance of the two types of investment. To reiterate, the Advisory Accounts allow investors to have the freedom to invest on their own while Discretionary Accounts are fully managed by the fund managers of Phillip Capital Management Sdn Bhd (PCM).

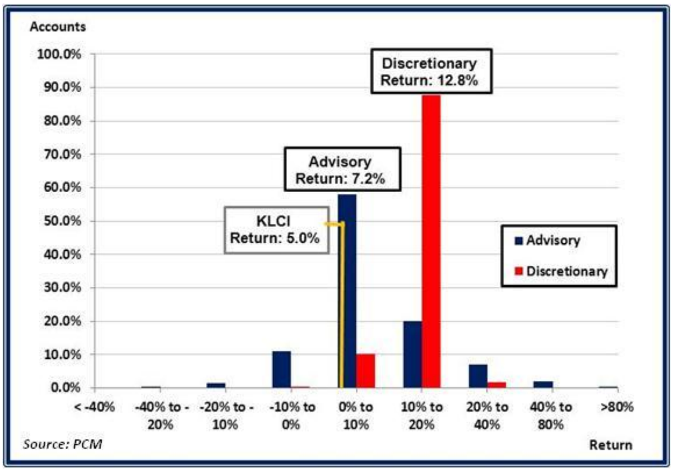
The Barometer for PMART

In the first half of 2013, the local bourse benchmark index, FBMKLCI (KLCI) has been volatile with uncertainties due to jitters over the pending general election and poorer corporate earnings which caused the market to underperform its peers during the first quarter. The bellwether began to trend higher during second quarter with election overhang removed paired with strong buying interest from foreign and institutional funds to a certain extent, especially after the 13th General Election (GE13). Concerns over tapering of U.S. monetary stimulus as well as China's economy slowdown and shadow banking also started to ease towards the end of first half. Despite the withdrawal of some foreign funds since end of May 2013, KLCI which has comparatively lower beta and more defensive continued to outperform regional players like China, Singapore, Hong Kong and Korea. The benchmark managed to post a return of 5% during its first half of the year.

Performance Distribution

The distribution of returns for Advisory and Discretionary Accounts for the first half of 2013 is shown in **Chart 1.** The returns were computed for each and every of the accounts then grouped them according to the rate of return over the past six months. In this analysis, we have excluded new accounts that came in 2013.

Chart 1: Performance Distribution between Discretionary & Advisory Accounts (June'2013)



Discretionary Accounts Gained 12.8%

For the first six months of 2013, KLCI registered a gain of 5.0%, slightly better than 4.5% from the same period of last year. Discretionary Accounts reinvigorated with splendid year-to-date return of 12.8% on a composite basis, with average equity exposure increased by only 2.0% to 69.0%, after underperformed both KLCI and Advisory Accounts in first half of 2012 with a return of only 1.9%. During 1H'2013, 97.2% of the Discretionary Accounts outperformed the benchmark index while 95.4% outperformed Advisory Accounts despite the uncertainties faced in the market due to general election and some global external headwinds. The performance distribution of Discretionary Accounts is also more consistent with 87.8% of the accounts achieved return between 10% and 20%. On the other hand, Advisory Accounts are fairly diverse with return mostly fell in the category of 0% to 10%. Note that the performance of Advisory Accounts is highly dependent on the skill of the respective investor.

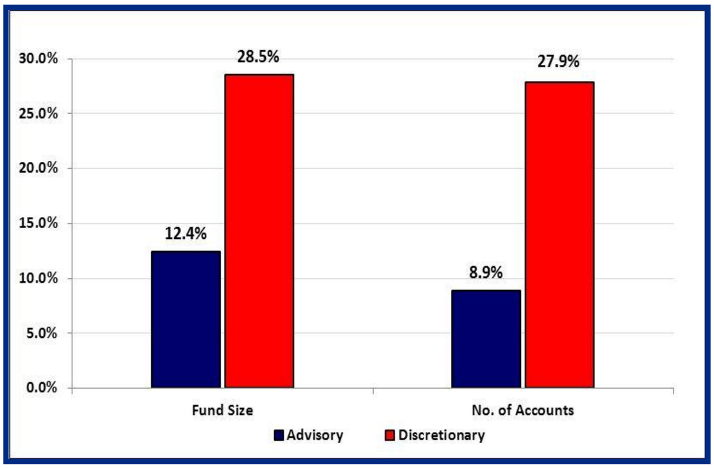
56.0% of Advisory Accounts Performed Better Than KLCI but 79.8% Underperformed Discretionary Accounts

Advisory Accounts also performed better than KLCI in the first half of 2013 with a composite return of 7.2% during the first half of 2013. Approximately 56.0% of them actually beat KLCI index. However, 79.8% did not manage to outshine Discretionary Accounts. Only 20.1% of the Advisory Accounts achieved return between 10% and 20%. About 10% of Advisory Accounts even lost between 0-10%.

Discretionary Accounts Getting More Popular

Table 1 shows the percentage growth of fund size for both Advisory and Discretionary Accounts from the end of 2012 to 1H'2013. As at 30 June of 2013, the fund size under Advisory Accounts grew by 12.4% over the amount in 2012. However, Discretionary Accounts increased at a pace doubled that of Advisory Accounts i.e. an increase of 28.5% over the first six months of this year in terms of fund size. The surge in fund size is also reflected in the 27.9% increase in number of new Discretionary Accounts in first half of 2013, whereas Advisory Accounts has only added by 8.9% new accounts. We also received regular switching from Advisory to Discretionary mandates.

Table 1: Growth of Fund Size & No. of Accounts from 2012 to 1H'2013



Performance for Past 5 ½ Years

The respective returns of Advisory and Discretionary Accounts for each period from 2008 to first half of 2013 are tabulated in **Table 2**. The returns are computed net of all fees including service fees for new injections.

Table 2: Returns of KLCI and PMART

Year	KLCI	Discretionary	Advisory
2008	-39.3%	-22.7%	-33.4%
2009	45.2%	33.4%	24.7%
2010	19.3%	17.5%	9.2%
2011	0.8%	12.3%	-3.4%
2012	10.3%	5.4%	6.5%
20131H	5.0%	12.8%	7.2%
Cumulative Return	22.7%	61.9%	-0.1%
Annualized Return	3.8%	9.2%	0.0%
Standard Deviation	14.6%	11.8%	12.6%

Source: PCM

**Performance is net of all fees.*

**Return data has yet to be verified by independent 3rd party.*

KLCI Continues to Be Bullish

Following the global financial crisis which hit almost all global bourses, including KLCI that resulted in a sharp tumble in its return of -39.3% in 2008, the bellwether managed to revitalize to positive gains for the subsequent 4 ½ years. As at 30 June 2013, the KLCI managed to register cumulative return of 22.7% due to Malaysian government's dynamic efforts to boost the country's economy via Economic Transformation Programme (ETP) as well as removal of political risk despite of the concerns over China's economy slowdown and US Federal Reserve decision to taper off the monetary stimulus. Over the past 5 ½ years, Discretionary Accounts managed to deliver a superior return of 61.9% which is more than two folds of KLCI's 22.7% appreciation, despite the lowest risk (lowest standard deviation) taken during the period. This was made possible due to better diversification and stock picking strategy in Discretionary Accounts. Unfortunately, Advisory Accounts did not manage to ride on the bullish market with marginal loss of 0.1%.

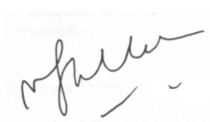
69.6% of Discretionary Accounts Achieved Returns of More than 80% for the Past 5½ Years

In the past 5 ½ years, 69.6% of Discretionary Accounts have gained more than 80% in return as compared to only 26.5% in the Advisory Accounts. Only 29.5% of the Advisory Accounts achieved return between 40% and 80% while the rest of the 44% accounts obtained returns below 40% return.

Conclusion

Over the first six months this year, Discretionary Accounts have achieved lustrous return of 12.8% which is almost doubled that of KLCI return of 5% despite of the relatively low equity exposure while Advisory Accounts gained 7.2% over the same period. More than 90% of the Discretionary Accounts tend to outshine KLCI and Advisory Accounts returns due to better diversification and stock picking strategy that focus on companies with strong fundamental. Since 2008 to first half of 2013, Discretionary Accounts managed to obtain high cumulative return of 61.9% or an annualised return of 9.2%, net of all fees.

For Phillip Capital Management Sdn Bhd



Datin Hajjah Nona Salleh
Executive Chairperson