

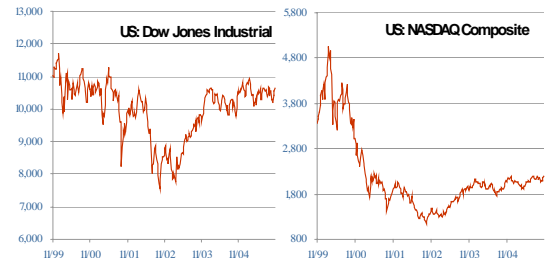
PRU MONTHLY INVESTMENT BRIEFING

October, so often a treacherous month, once again served to remind investors that complacency should be avoided. Although oil prices drifted down, the damage inflicted on the global economy in terms of higher inflation and a threat to growth is more apparent. With the sole exception of Japan, all major stock markets suffered a correction. November, with its hopes that the Fed will constrain future rate rises, fanned markets back to life. Even global bonds managed small rallies on receding inflation concerns that had hitherto pushed yields higher. A variety of attractive themes include expanding consumer demand in both China and India and infrastructure development. Stock market valuations remain modest. The outlook for corporate profits and dividends looks positive.

November 2005

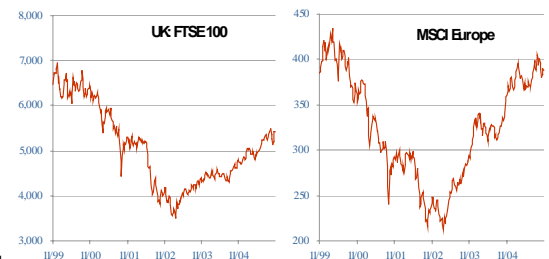
United States

- The mood of US markets darkened, with uncertainties over the impact of Hurricanes Katrina and Rita, and deteriorating inflation data dampening the outlook. Consumer sentiment suffered, but Katrina-related damage so far limited, especially in housing and manufacturing. Annualised 3Q GDP growth of 3.8% exceeded expectations.
- Although 3Q company results generally exceeded expectations, the tone of trading statements has been somewhat mixed, with a significant number of companies signaling greater caution, typically as a consequence of rising energy costs.
- Post-Katrina, economic forecasts have been scaled back; oil prices and resilience of housing market likely to be the most influential in determining the final outcome.
- One problem is the premium valuation. We recognise the size and diversity of the US stock market is providing opportunities for careful stock pickers, however.



Europe

- European companies are in the midst of 3Q reporting, which has generally been positive. Economic prospects in continental Europe are showing modest improvement in contrast with the UK where 2005 growth forecasts were scaled back to 1.8%.
- Despite inflation concerns, underlying enthusiasm for equities remains robust. This has been especially evident in the recent upsurge in takeover activity (especially in UK), due to a revival in corporate confidence, and a ready supply of cheap funding.
- Equities have been boosted by positive stories (restructuring, expansion into Asia, outsourcing to eastern Europe), an abundance of liquidity and modest valuation.
- The real issue is how to optimise returns by taking maximum advantage of the opportunities. Stock picking remains a key skill, especially for small and medium-sized companies. A lack of research coverage is still likely to reveal exciting opportunities.



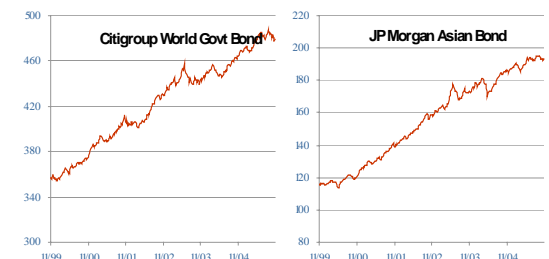
Japan

- Continuing enthusiasm for Japanese equities by overseas buyers has enabled Japan to avoid the largely global October declines, with Topix rallying into November. Domestic investors remain reluctant to participate.
- Most economic indicators continue to signal recovery: the central bank is forecasting an imminent end to seven years of deflation, exports are strong, corporate capital expenditure and consumer spending are increasing.
- The real story is the fundamental shift in corporate behaviour and the associated change in the structure of stock market ownership, away from corporate cross holdings and towards a much broader shareholder base.
- Valuation is reasonable, suggesting there is further long-term upside. With sentiment approaching euphoria, the market could prove vulnerable to short-term setbacks.



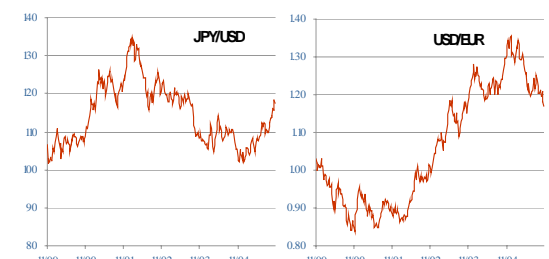
Bonds

- A significant shift in sentiment has occurred in bond markets since late September. Even though oil prices have declined from previous high levels, the impact of rising energy costs is now being reflected in headline inflation data well above target levels.
- An annualised figure of 4.7% in the US is caused for concern. The key issue is whether higher energy/raw materials prices are a temporary phenomenon or will they trigger secondary influences on wages and inflationary expectations.
- There is considerable nervousness over likely near-term developments. The Fed could push rates to 4.5% during 2006. The ECB now seems set to raise base rates.
- The worldwide upward adjustment in government bond yields since late September has moved some way to restoring their investment attraction. Corporate bonds have also suffered, although yield spreads have remained stable.



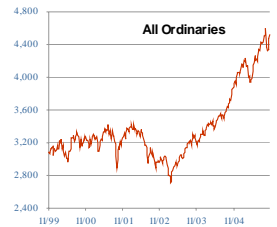
Currency

- The US dollar gained against the yen amid expectations of rising US interest rates, even as fresh signs emerged that Japan's economic recovery is sustainable and seeping through to consumer spending. In contrast, US economic indicators have been mixed, concern about inflation has grown and household savings are weak.
- We believe the inflation-adjusted trade-weighted yen index is a more valuable tool for gauging the yen's value. This has declined steadily since 2001, indicating the yen remains competitive.
- The euro strengthened as the European Central Bank looked to raise interest rates. Concern about inflation has been rising but economic growth in Europe and the UK remains lacklustre, although prospects for the Eurozone have improved modestly.



Australia

- The All Ordinaries Index fell 5% in October, broadly in line with the region. The best performing sector was telecom, while the worst were energy and materials. Growth stocks and strongly performing sectors such as healthcare, materials and energy were hit quite hard. This had started to reverse before month end, however.
- It is difficult to see if this is the end of the market's growth trend, but we remain concerned about sectors and stocks that are discounting high long-term growth and very strong margins.
- We view the general insurance and telecommunication sectors as relatively attractive, with declining return discounted. We are looking to add to selectively to higher quality companies (debt, ROIC, etc) where the price has been driven to more attractive valuation.



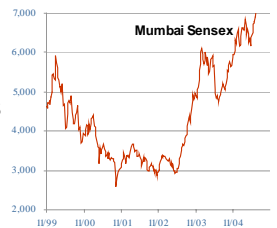
China / Hong Kong

- Hong Kong corrected after the recent strong rally on the back of renewed interest rate concerns. The Hang Seng Index fell 7% after the US Federal Reserve signalled further rate hikes instead of an easing of monetary policy.
- China was the worst performing market due to concern over disappointing economic data. The China Enterprise Index fell 9% as investors reacted negatively to slower economic growth and falling basic material prices.
- Despite the recent correction, Hong Kong looks expensive relative to the region; we do see some value emerging in domestic plays like banks and investment property. In China, we like infrastructure stocks such as ports and power companies as in our view, they will play a pivotal role in China's role as a key manufacturing centre.



India

- October was weak for the Indian stock market, after five consecutive months of positive returns. Foreign institutional investors turned net sellers, although domestic mutual funds continued to be buyers.
- Earnings for the September quarter was mixed. IT services surprised positively on the back of India's growth as a global hub for business services outsourcing. Pharmaceuticals disappointed as the increasing 'gold rush' to the US generic market is resulting in profits being shared among many players. Credit growth is very strong, but this has not resulted in margin improvement for banks. Cement companies showed strong volumes but margins weakened because of rising freight costs.
- Post the much awaited correction, stock market valuation is now more reasonable.



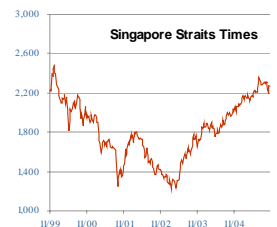
Korea

- Korea corrected after September's strong rally; the KOSPI was down 5% month-on-month. Foreign investors were largely responsible for the fall, as they were net-sellers of more than US\$1bn, most likely due to profit taking, coupled with the strengthening US dollar and rising interest rates that weakened the appetite for Korean equities.
- Domestic equity fund flows remained strong, however, reaching a record US\$1.3bn net inflow for October. This helped to provide support for the market despite the foreign selling.
- Earnings releases for the major companies were broadly in line with the market expectations. Major tech companies guided sequential improvement in Q4 earnings but provided little guidance for the outlook in the coming year. This seems to suggest that a lot of uncertainty remains about prospects in 2006.



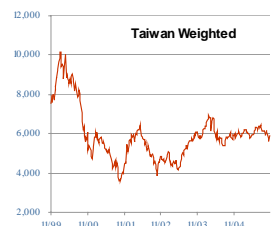
South East Asia

- In Singapore, the Straits Time Index declined 4%, in line with the region. GDP growth for 2005 is expected to come in at the upper end of the 3.5-4.5% range. The forecast for 2006 is between 3-5%. Headline CPI inflation is expected to be 0-0.5% year-on-year in 2005, and 0.5-1.5% in 2006. Relative valuation is not compelling.
- Thailand also fell; all sectors had negative returns, with utilities and industrials the least negative, and energy and finance the worst. Thailand is to be one of our favoured markets given strong valuation and dividend yield support.
- In Indonesia, we expect more earnings downgrade to come through. As such, the market is likely to remain volatile. But the government's strong action in reducing fuel subsidies has led us to believe the long-term structural development remains positive coupled with an improving fiscal situation, rising investment activities, a favorable new taxation policy and a relatively robust domestic economy. Valuation remains relatively cheap.



Taiwan

- The Taiwan Weighted Index fell 7%, slightly worse than the region. The auto components sector was positive as the troubles at Delphi could mean more business for outsourcing plays. Cyclical stocks were also strong, as near term economic data from China showed signs of strength.
- Shipping was however hard hit given expectations of a decline in freight rates. Tech stocks were down as the market is slowly adjusting downwards its outlook for 2006.
- A potential slowdown in demand could put pressure on tech sector earnings in 2006; we are already seeing some downgrades in cyclical sectors like TFT-LCD and DRAM. We feel that a large part of the downside is already factored in current estimates, however. Valuation for the market is low compared to regional peers and history.



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