



UBS Investment Research

Buying opportunity or start of a bear market?

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 30

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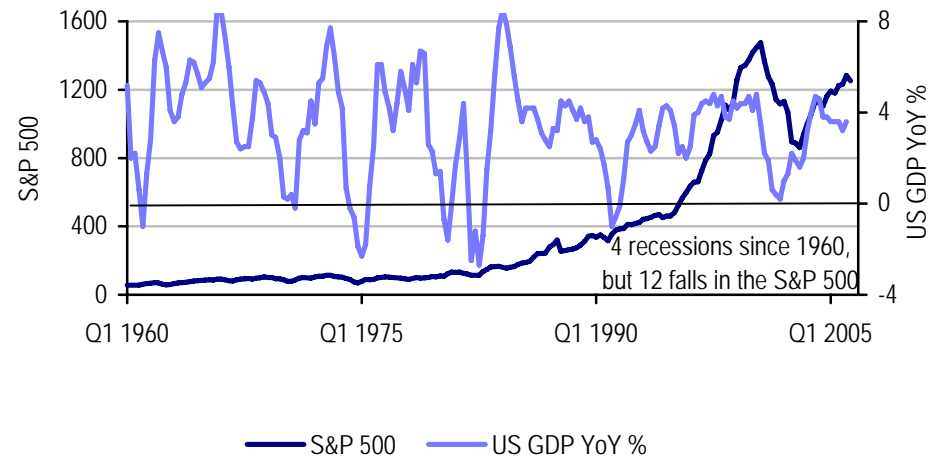
This report has been prepared by UBS Securities Pte. Ltd

4 key themes

- ◆ 4% from “Buy” signal. Highest success is on the 6 factor model on **6 to 12 month view**.
- ◆ A chat with the Fed. They believe **risk of a hard landing is low**.
- ◆ Buy defensives and domestic sectors? **We only like Financials**.
- ◆ India - we thought it was a “bubble” in March. Now even **India is just 5% shy from fair value**.

Theme 1: 4% From “Buy” signal

Arguments commonly used to suggest bear market - Overvaluation, recession, positioning and markets are telling us something



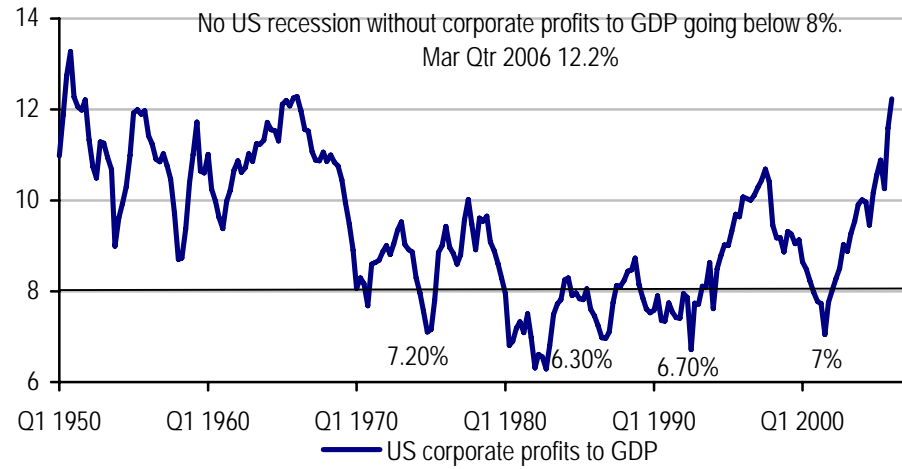
Yes markets do call recessions but 12 of the past 4 ...

US corrections

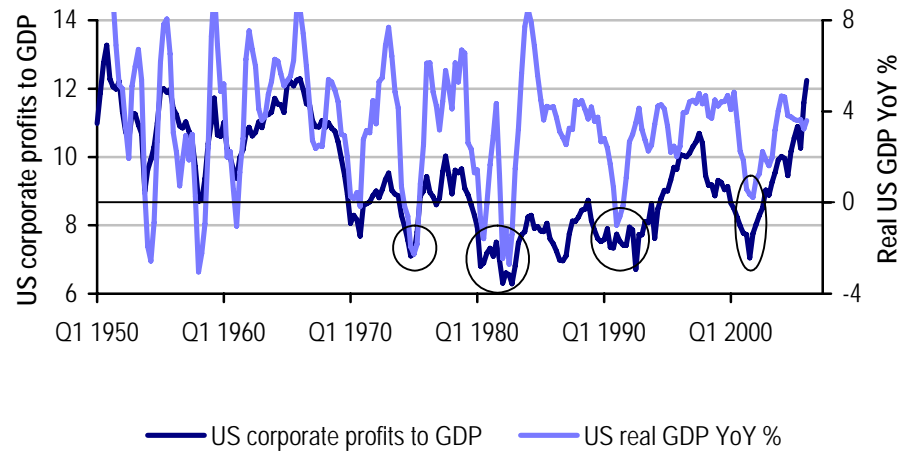
1961	-23%
1966	-17%
1969	-30%
1974	-42%
1977	-15%
1982	-19%
1984	-10%
1987	-27%
1990	-12%
1998	-12%
2001	-29%
2002	-26%

Theme 1: 4% from “Buy” signal

All 4 past recessions were called by corporate profits to GDP



Falling below 8% vs 12.2% currently



Source for 2 charts: Datastream, UBS estimates

Theme 1: 4% From “Buy” signal

**Yes excessive positioning with US\$34bn in the 6 months from Dec 05-Apr 06.
But net selling of US\$9.7bn in May and to date in June.**

Net foreign buying/selling							
Source:	stock exch.	stock exch.	stock exch.	stock exch.	stock exch.	stock exch.	stock exch.
US\$m	India	Indo	Korea	Philippines	Taiwan	Thailand	EM Asia ex Malay
Jan-05	101	218	717	209	103	1,237	2,585
Feb-05	1,853	69	1,506	51	3,718	822	8,019
Mar-05	1,716	-2,033	-1,988	-54	-753	-263	-3,376
Apr-05	-150	84	-182	-37	-688	-182	-1,154
May-05	-235	-1,898	294	-3	4,424	-76	2,506
Jun-05	1,157	243	101	63	4,574	407	6,546
Jul-05	1,824	211	1,635	-11	1,433	330	5,421
Aug-05	1,161	292	-1,061	36	-333	435	530
Sep-05	1,066	317	-830	36	-366	316	539
Oct-05	-841	583	-2,539	26	-926	-653	-4,351
Nov-05	847	46	138	34	5,706	71	6,842
Dec-05	2,047	128	-1,375	5	7,497	531	8,834
Jan-06	805	231	2,217	40	1,312	1,889	6,494
Feb-06	1,693	74	-445	206	2,182	277	3,987
Mar-06	1,509	211	-603	53	-391	-10	770
Apr-06	130	285	517	51	5,411	485	6,879
May-06	-1,630	80	-4,000	106	-1,020	-906	-7,371
Jun-06	72	-49	-855	32	-1,242	-287	-2,329
2006 YTD	2,579	832	-3,168	488	6,252	1,448	8,430
2005	10,546	-1,741	-3,584	355	24,389	2,976	32,940
2004	8,430	2,191	11,212	319	8,140	119	30,410
2003	6,595	1,117	12,430	-82	13,542	-634	32,968
2002	751	856	-2,015	-53	517	289	345
2001	2,802	441	6,875	86	8,161	-149	18,216
2000	1,593	86	11,238	-123	5,127	-828	17,093
1999	1,724	1,595	1,197	400	8,261	-65	13,112
1998	-148	526	3,314	264	749	679	5,384
1997	1,569	130	526	-406	-227	1,811	3,404
1996	3,036	1,837	3,933	2,101	2,194	499	13,600

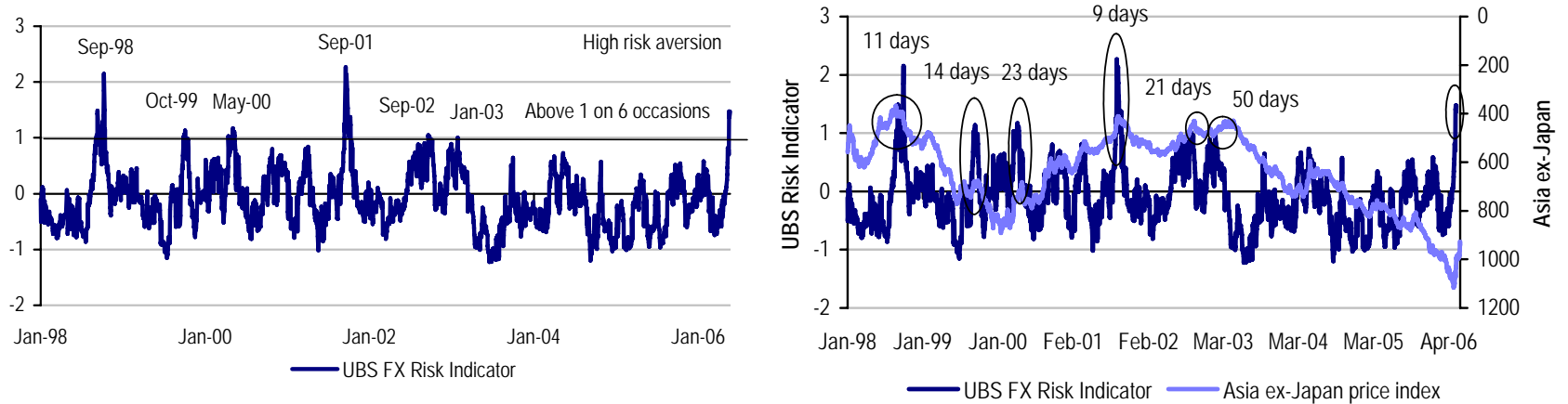
Data upto 9 Jun 2006

Source for Table: Various stock exchanges, UBS estimates

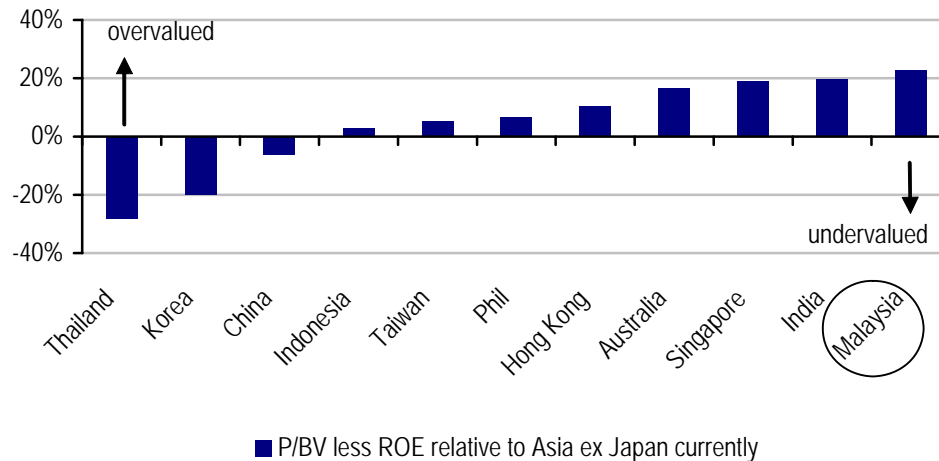


Theme 1: 4% from “Buy” signal

UBS FX Risk Index at high levels of risk aversion



Most defensive market - Malaysia - most overvalued market in the region



Theme 1: 4% from “Buy” signal

Overvaluation and recession common in most bear markets

Bear Markets	% Fall	PE	PCF	DY
1973/ 74	-87	69	na	0.9
1978/ 79	-26	20.1	na	2.8
1981/82	-59	21.3	na	2.44
Oct-87	-38	24	na	2.16
1990/ 91	-34	22.6	7.6	1.75
1994	-18	29	14.6	1.31
1997/ 98	-60	20.7	9.4	1.71
2000/ 01	-50	28	10.1	1.34
2002	-20	19.2	6.6	1.87
May-04	-18	18.3	6	2.18
Average	-41	27.2	9.1	1.8

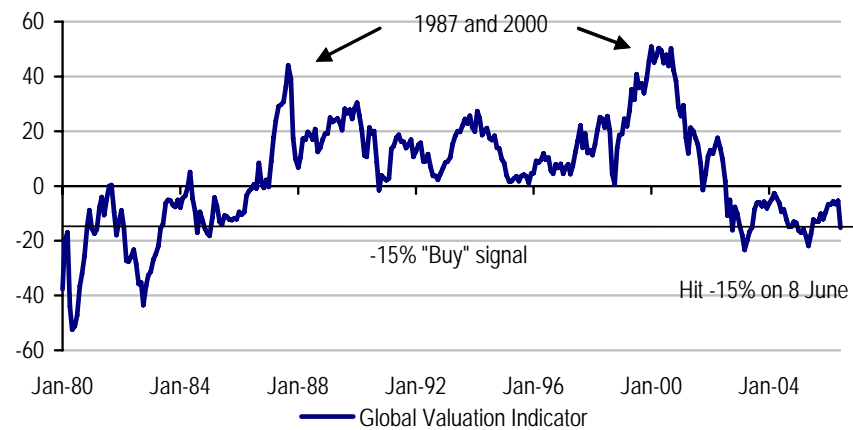
8-May-06		14.1	8.3	2.33
% difference		-48.2	-8.3	-20.8

-25.8

Current		12.1	7.1	2.75
% difference		-55.5	-21.5	-32.9

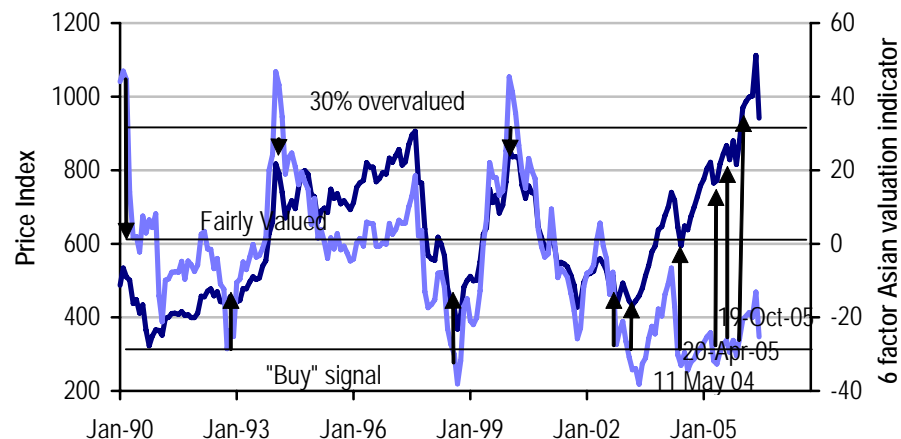
-36.7

But we are closer to trough valuations this time



Theme 1: 4% from “Buy” signal

26% undervalued vs -30% “Buy” signal



100% success rate historically on 6 to 12 month view

Backtesting Asian valuation indicator's "Buy" signals

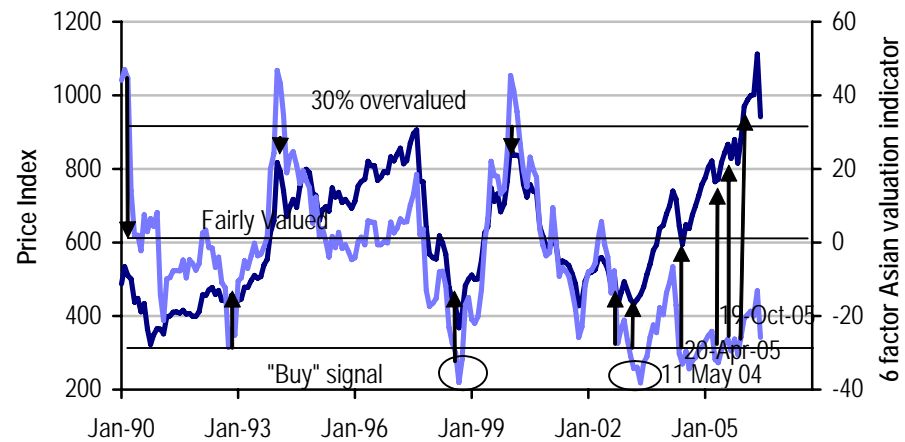
	After 3 months	After 6 months	after 12 months	
Oct-92	2.1	10.3	28.1	3 out of 3
Jun-98	-9.2	14.5	67.5	2 out of 3
Oct-01	20.6	29.5	0.6	3 out of 3
Oct-02	9.1	3.4	38.1	3 out of 3
11-May-04	-0.8	12.4	21.6	2 out of 3
20-Apr-05	8.7	8	40.6	3 out of 3
19-Oct-05	18.8	31	13	3 out of 3
Average	7	16	30	90%

Backtesting Asian valuation indicator's "Sell" signals

	After 3 months	After 6 months	After 12 months	
Jan-90	2.9	-15.6	-25.2	2 out of 3
Jan-94	-18	-15	-11	3 out of 3
Jan-00	-3.1	-11.8	-32.2	3 out of 3
Average	-6.1	-14.1	-22.8	89%

Theme 2: 4% from “Buy” signal

Worst reading on 6 factor -38% vs -26% currently



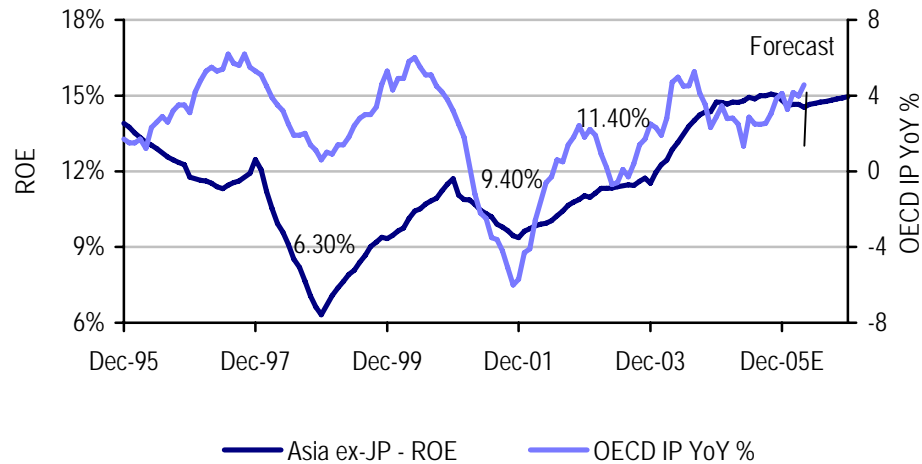
15% from “crisis” valuations

Last 4 crises/ corrections	PE	PCF	DY	P/BV	ROE
Oct-98	11.1	6.3	3.43	1.24	7%
Sep-01	12.6	8	2.58	1.35	10%
Apr-03	12.1	6.7	3.25	1.3	11%
May-04	12.2	6.1	2.74	1.58	13%
Average	12	6.8	3	1.4	10%
Current	12	8.6	2.8	1.82	15%
% Over/ Undervalued vs last 4 episodes	0.0	26.9	7.1	33.1	

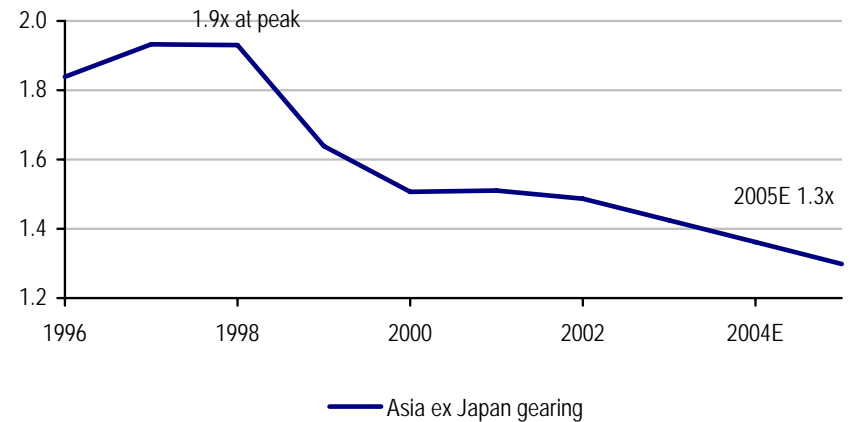
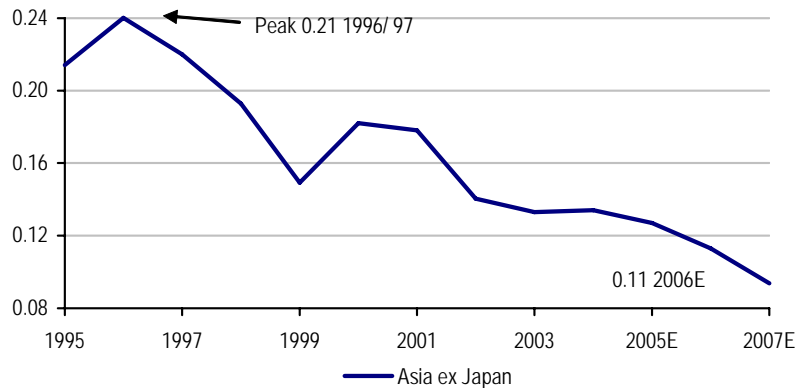
Source for chart/ Table: Datastream, UBS estimates

Theme 2: 4% from “Buy” signal

15% from “crisis” valuations with structurally higher ROE



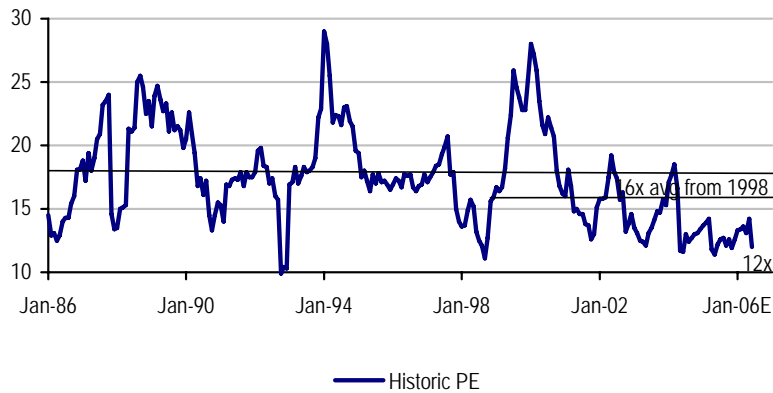
With lower capex-to-sales and lower gearing



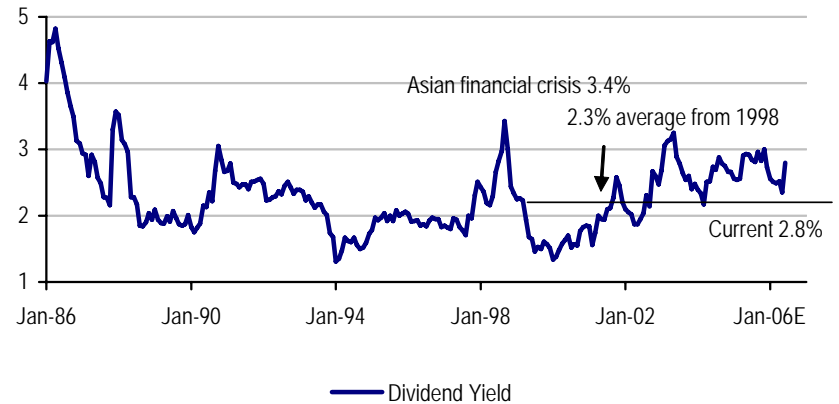
Source for 3 charts: UBS estimates

Theme 1: 4% from “Buy” signal

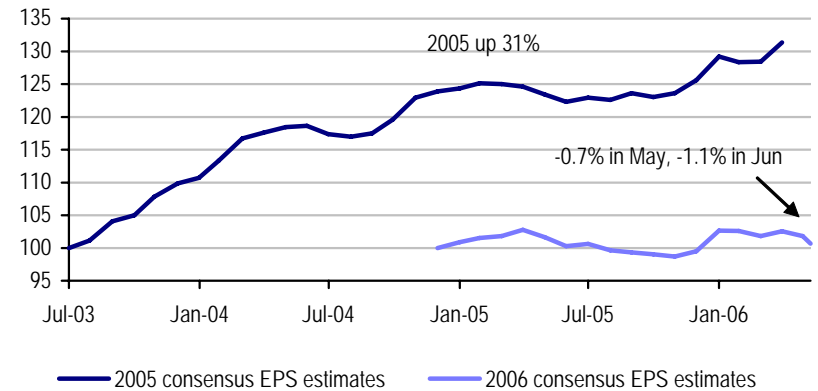
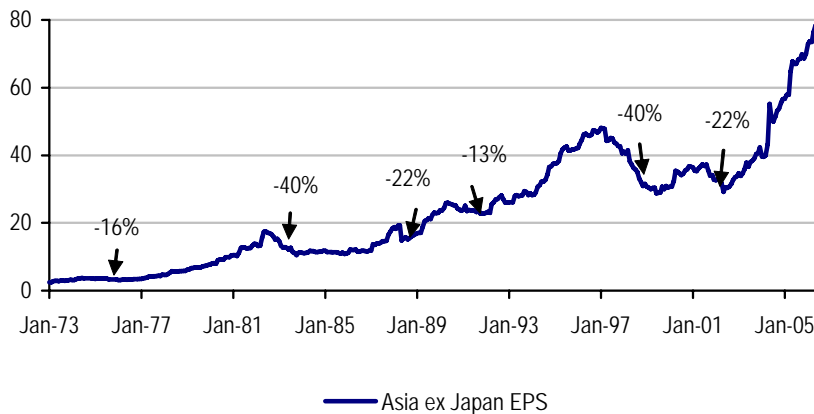
Historic PE 12x vs 16x post Asian crisis



DY 2.8% vs 2.3% average post crisis



Why is the PE so low? Because EPS has been strong.



Source for 4 charts: IBES, Datastream, UBS estimates

Theme 1: 4% from “Buy” signal

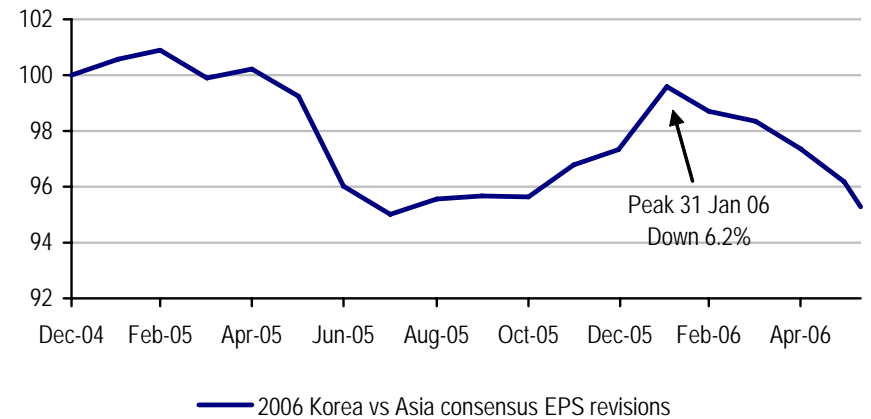
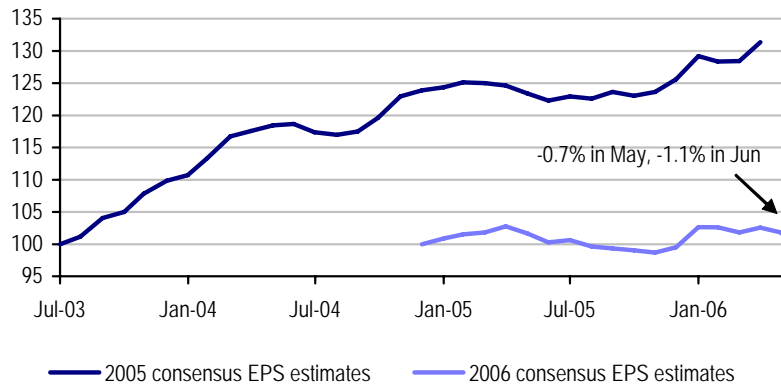
Why has the E been so strong? Recovery from 2001 recession, synchronised global recovery and domestic recovery

Countries	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
China	16.4%	-72.2%	5.1%	-18.6%	56.9%	18.9%	-11.9%	9.6%	28.5%	37.2%	19.7%	22.5%	11.3%
Hong Kong	8.4%	13.4%	2.7%	-18.9%	0.5%	17.7%	-14.9%	7.2%	11.5%	19.1%	7.3%	22.2%	10.8%
India	35.4%	13.9%	14.7%	10.5%	5.9%	20.8%	10.0%	23.9%	24.3%	21.6%	21.3%	24.9%	16.8%
Indonesia	46.4%	31.0%	-11.7%	-37.3%	284.6%	21.6%	-21.8%	-11.3%	-3.2%	47.3%	-1.6%	20.4%	19.4%
Korea	34.0%	-66.3%	-61.5%	10.7%	213.7%	55.3%	10.4%	86.9%	-9.9%	70.1%	-6.7%	7.3%	23.0%
Malaysia	10.8%	20.9%	-1.5%	-41.7%	56.1%	-12.7%	0.7%	32.3%	14.3%	9.9%	3.3%	17.7%	13.4%
Philippines	0.6%	36.2%	-14.6%	27.6%	-54.2%	11.5%	57.7%	-22.3%	118.0%	45.2%	25.7%	12.0%	16.3%
Singapore	16.6%	17.8%	-5.7%	-13.9%	23.2%	0.8%	-46.1%	2.5%	37.6%	35.8%	9.1%	5.8%	8.7%
Taiwan	1.9%	-3.5%	-4.7%	-16.0%	27.5%	62.4%	-77.5%	61.2%	53.3%	56.5%	-14.5%	21.0%	23.6%
Thailand	25.1%	9.5%	-64.7%	nm	nm	nm	nm	62.7%	36.1%	58.9%	14.0%	-0.4%	10.8%
Asia ex-JP	14.7%	-1.2%	-4.9%	-28.1%	34.9%	44.5%	-18.5%	28.0%	17.2%	40.4%	8.5%	13.4%	21.1%
Sectors	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Asian Banks & Finance	22.2%	18.7%	-13.5%	-88.7%	nm	353.8%	7.5%	17.5%	8.3%	39.4%	17.6%	9.3%	11.1%
Asian Basic Material	53.0%	-41.2%	18.7%	9.0%	2.6%	15.1%	-33.2%	66.5%	70.0%	82.5%	3.4%	-9.9%	9.4%
Asian Consumer Cyclical	12.5%	7.3%	-7.5%	-64.4%	152.0%	321.9%	-5.4%	77.2%	5.3%	24.2%	-7.3%	13.9%	28.1%
Asian Consumer Non-Cyclical	-0.8%	13.1%	0.8%	39.6%	-7.7%	-11.1%	6.9%	25.9%	8.9%	4.0%	2.4%	18.6%	18.1%
Asian Energy	23.1%	7.8%	10.2%	8.6%	27.7%	-6.1%	-15.7%	15.5%	32.9%	55.6%	20.4%	15.4%	10.1%
Asian Healthcare	7.9%	33.7%	8.4%	-20.2%	8.5%	2.8%	37.4%	44.0%	20.8%	-0.7%	-6.9%	39.3%	28.4%
Asian Industrial	-19.1%	3.4%	-8.9%	-13.3%	0.3%	-2.6%	-25.0%	14.3%	17.0%	20.9%	-9.4%	26.4%	30.7%
Asian Real Estate	3.6%	17.8%	-8.3%	-18.9%	-6.2%	-16.3%	-11.4%	16.2%	14.8%	29.4%	8.4%	31.3%	-5.6%
Asian Technology	89.5%	-61.8%	3.2%	-10.4%	261.6%	80.6%	-81.5%	166.2%	18.2%	70.4%	-20.2%	37.6%	26.7%
Asian Telecom	13.1%	17.9%	18.2%	2.7%	32.8%	8.2%	16.0%	2.0%	14.4%	30.4%	12.8%	18.9%	13.9%
Asian Utilities	7.1%	-19.3%	3.7%	27.1%	4.9%	6.2%	6.1%	24.6%	2.4%	11.6%	3.2%	12.6%	12.6%

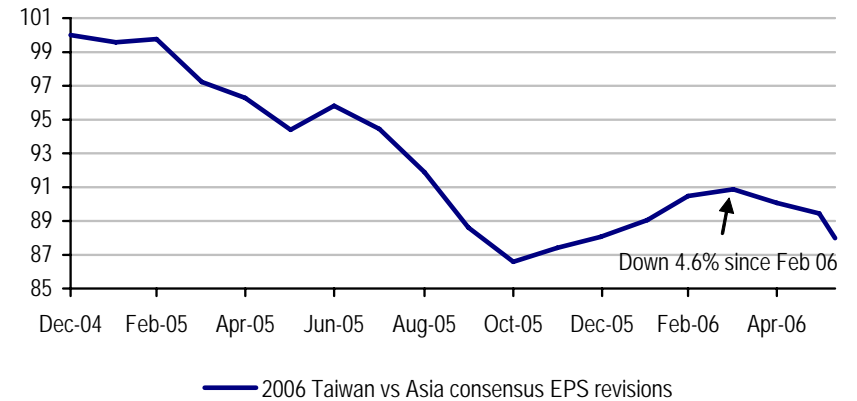
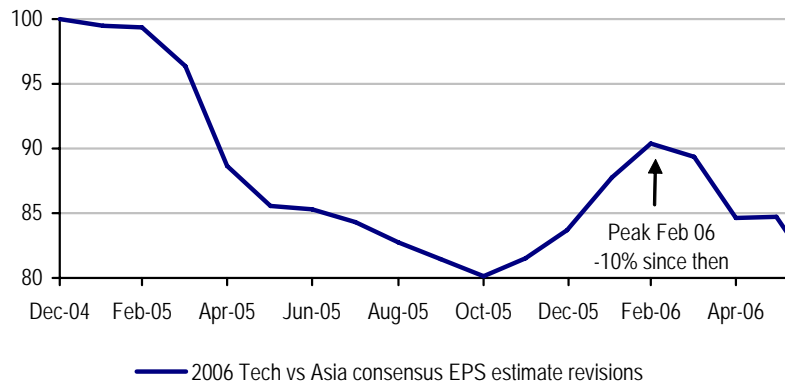
Source for table: UBS estimates

Theme 1: 4% from “Buy” signal

May and June EPS revision -0.7% and -1.1%, but YTD still up 1.1%



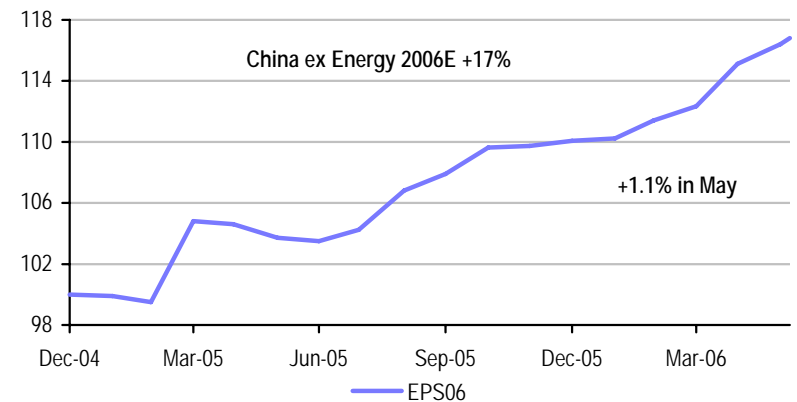
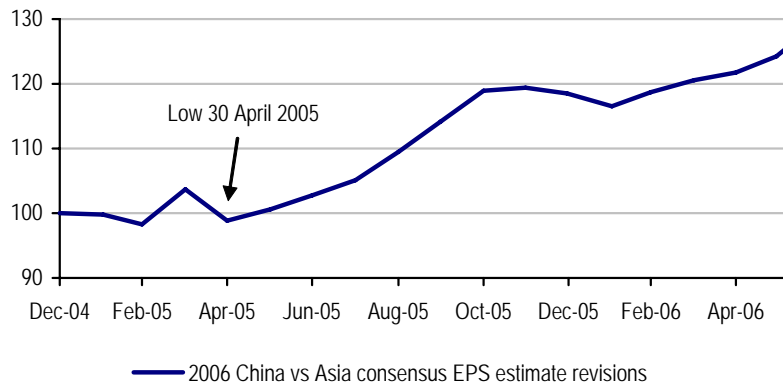
Korea and Tech weak



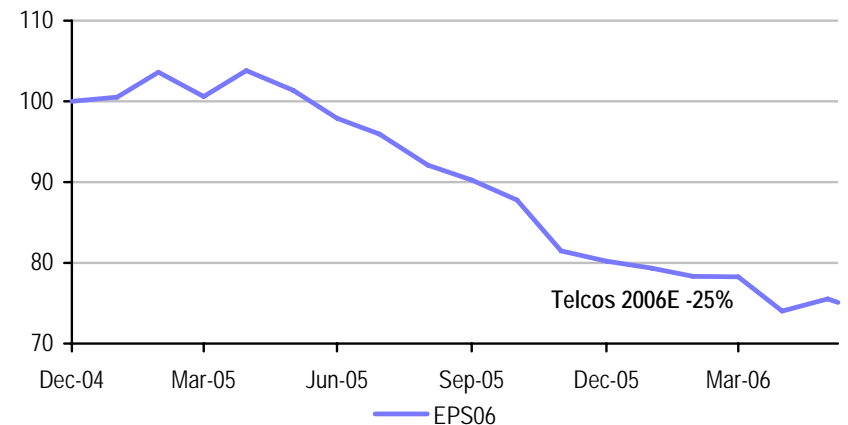
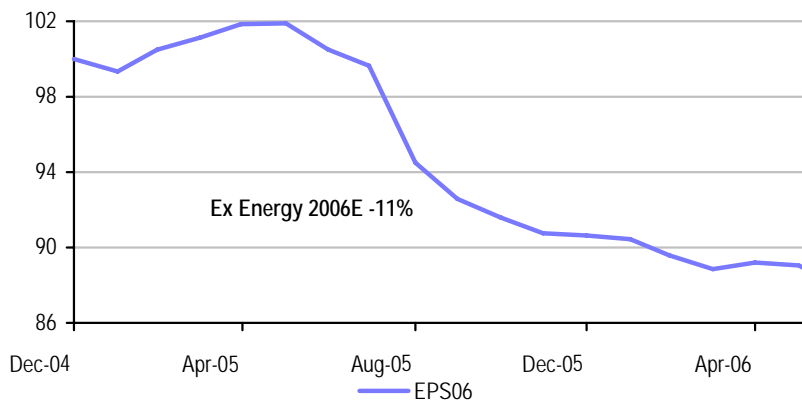
Source for 4 charts: IBES, UBS estimates

Theme 1: 4% from “Buy” signal

China still strong even excluding Energy



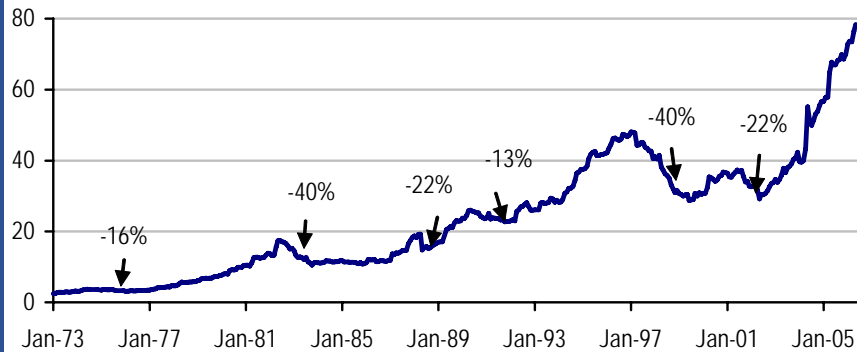
Thailand ex-Energy finally bottoming as April had 1st EPS upgrade in Telcos



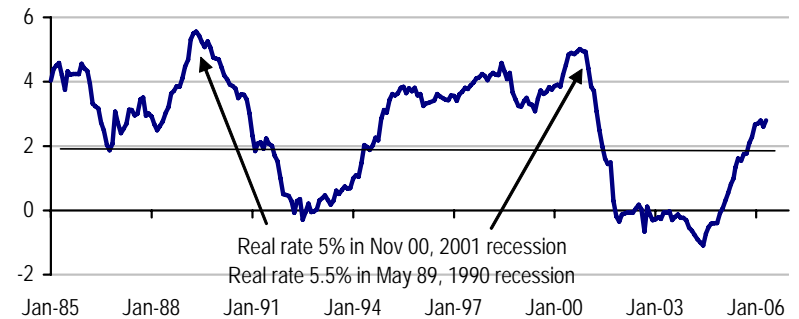
Source for 4 charts: IBES, UBS estimates

Theme 1: 4% from “Buy” signal

In 1990 and 2001 recessions EPS fell by 22%. In 1998 by 40%.

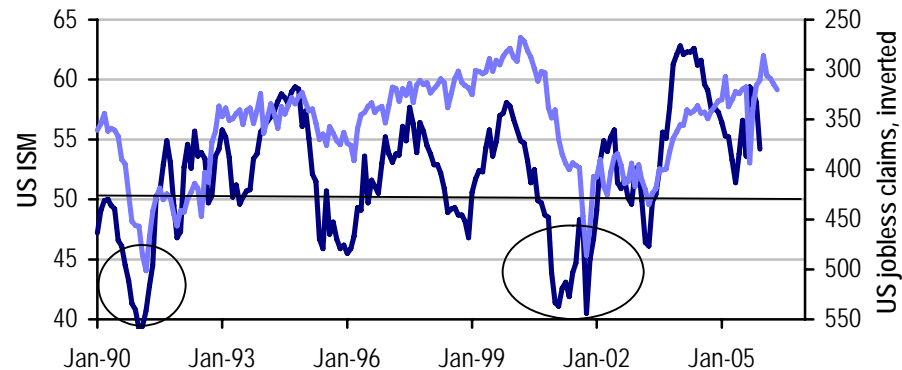


— Asia ex Japan EPS



— Real fed funds rate (nominal less core PCE deflator)

Real Fed funds rate (3% vs 5%), jobless claims (320k vs above 450k) and ISM (54 vs below 44) suggest soft landing



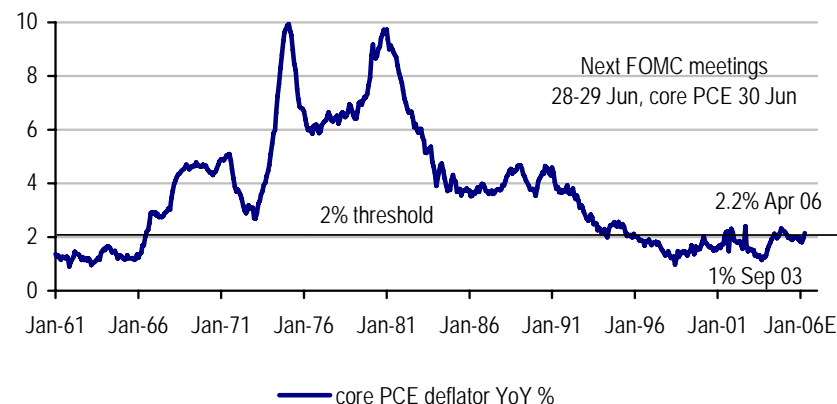
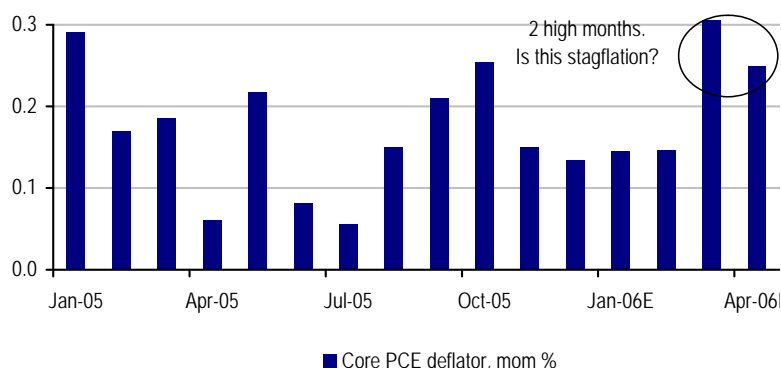
— US ISM, LHS — US jobless claims inverted RHS

Theme 2: A chat with the Fed

Markets no longer pricing in end of Fed tightening. On 8 May, they had anticipated 13% of the 24% rally that occurs in 12 months after.

3 Soft landings	3 months before	3 months after	6 months after	12 months after
Feb-95	-16.4	3.8	11.6	14.2
Mar-89	7.7	15	13	20.7
Aug-84	-15.6	9.3	27.4	36.1
Average	-8.1	9.4	17.3	23.7
Recession				
Jun-00	-13.5	1.7	-18.2	-24.7
Valuations				
Feb-95		PE	PCF	DY
Mar-89		17.5	8.1	1.97
Aug-84		24.7	6.9	1.89
Average		10.5	4.5	5.36
Current		17.6	6.5	3.1
% Difference		-31.1	9.2	11.8

Core PCE deflator 2.2% YoY, above the Fed's 2% target.



Source for Table/ 2 charts: Datastream, UBS estimates

Theme 2: A chat with the Fed

◆ **Why is the Fed tightening despite growth slowing?**

Not sure if the growth slowdown in Jun Qtr is 1 qtr blip or more sustained.

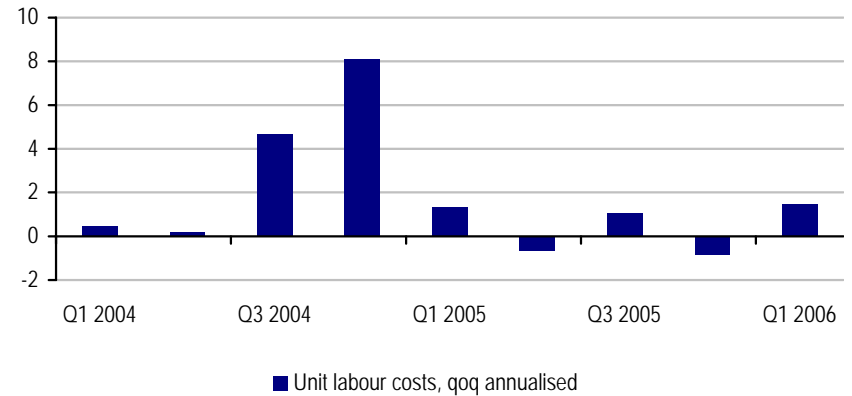
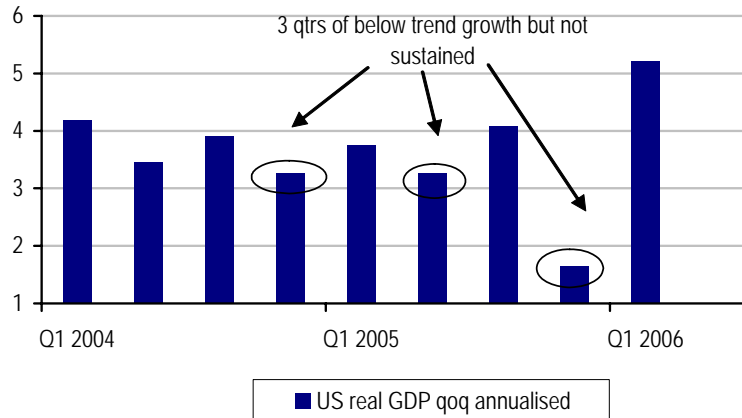
Unit labour costs subdued. But other factors are contributing to inflation (oil, commodities, weak US\$, inflation expectations).

◆ **Risk of a hard landing is low.**

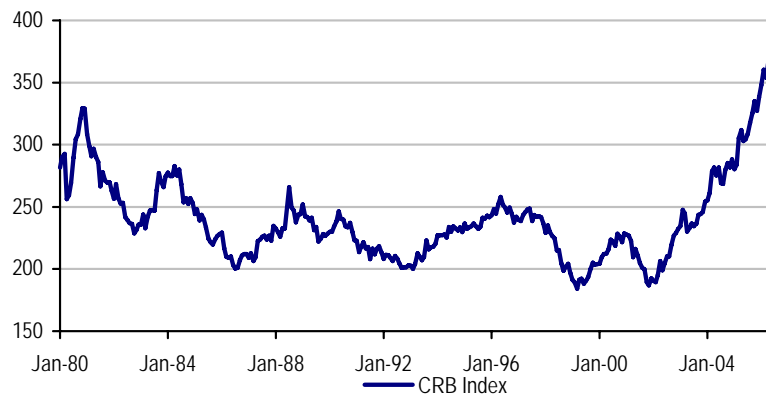
While household sector is slowing, corporate balance sheets are healthy and capex appears to be accelerating.

Theme 2: A chat with the Fed

Why is the Fed tightening despite growth slowing?



Not sure if slowdown is 1 qtr blip, high oil and commodity prices



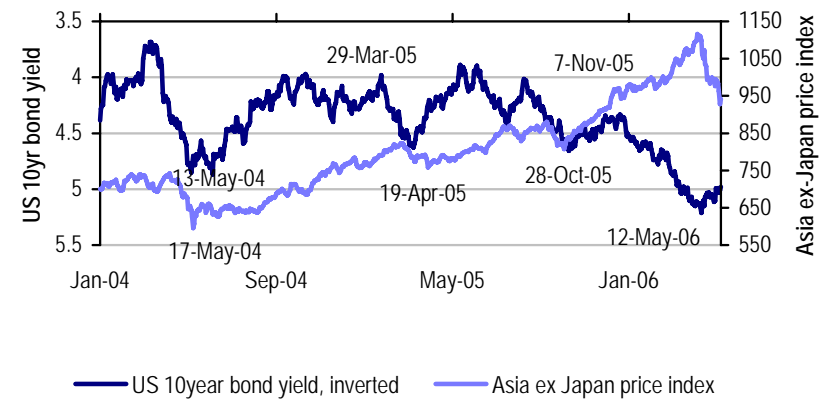
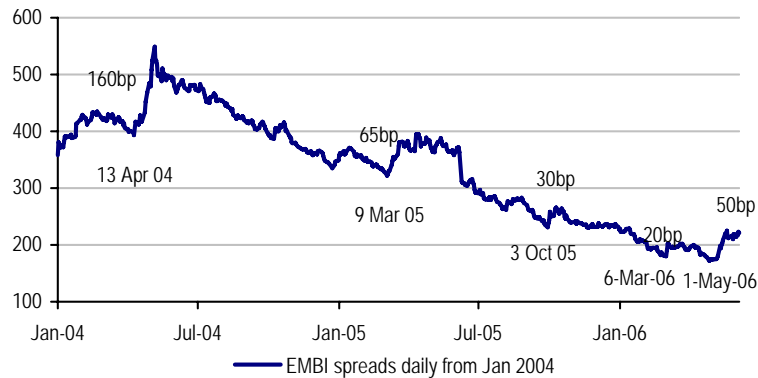
Source for 4 charts: Datastream, UBS estimates

Theme 2: A chat with the Fed

EMBI spreads up 50bp from record low

	% Fall	EMBI spread	PE	PCF	DY	P/ BV
13-Apr-04	-19.8	160bp	16.6	5.9	2.29	1.98
9-Mar-05	-7.8	65bp	14.1	6	2.61	1.83
3-Oct-05	-7.2	30bp	12.6	6.7	2.81	1.9
6-Mar-06	-2.6	20bp	13.4	6.7	2.83	2.04
Average	-9.4	69	14.2	6.3	2.6	1.9
Current	-15.0	50bp to date	12	7.1	2.75	1.82
% Difference			-15.3	12.3	-4.2	-6.1

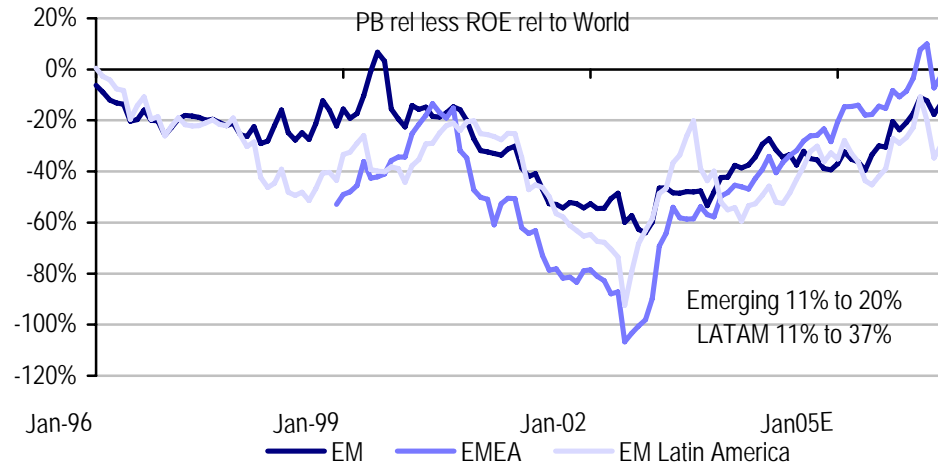
But Asia has already fallen by 15% vs average fall of 9.4%



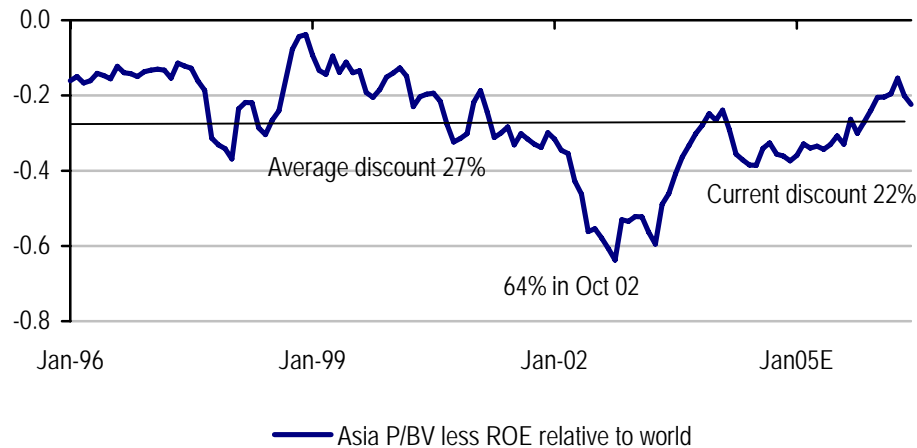
Source for 4 charts: Datastream, UBS estimates

Theme 2: A chat with the Fed

Emerging P/ BV vs ROE discount vs world from 11% in Jan 06 to 20%



Asia's discount now 22%. Was 15% end Apr 06.

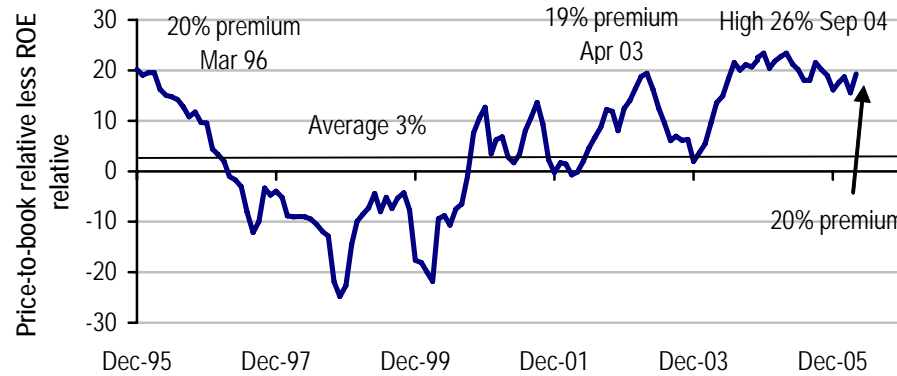


Source for 2 charts: MSCI, UBS estimates



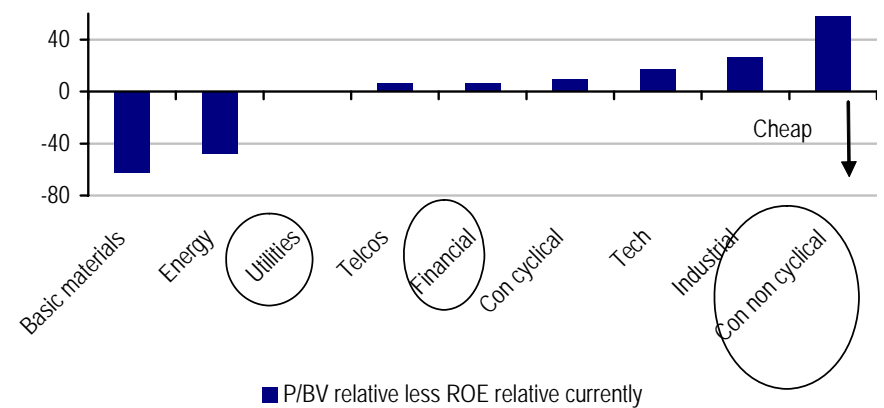
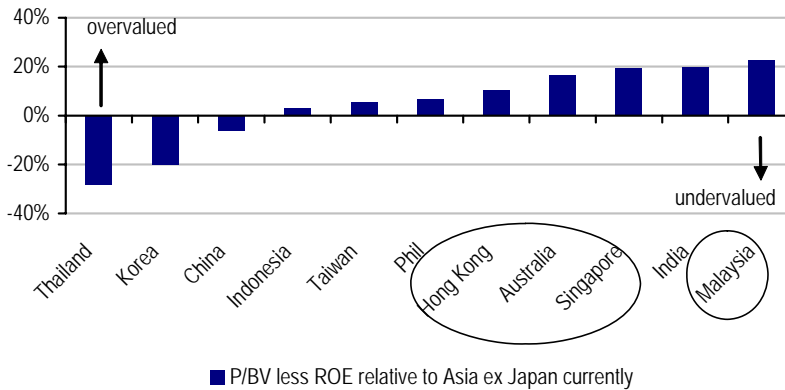
Theme 3: Buy defensives and domestics?

Defensive premium has risen to 20% vs high of 26%



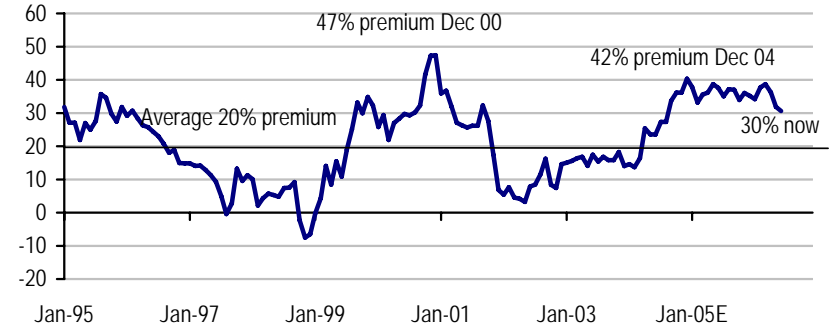
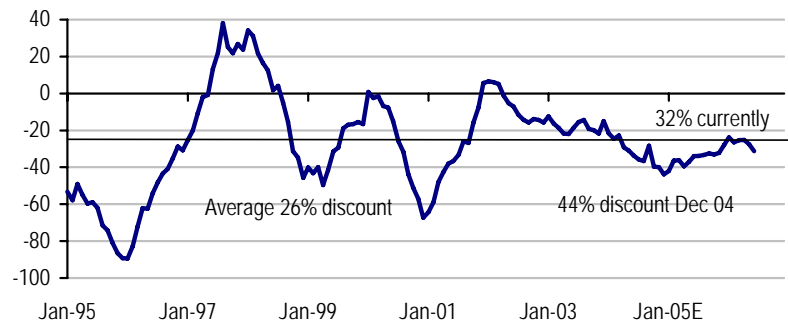
— Defensive sectors/ markets P/BV less ROE relative

Defensive basket Malaysia, Singapore, Australia, Hong Kong and consumer non cyclicals, utilities and financials



Theme 3: Buy defensives and domestics?

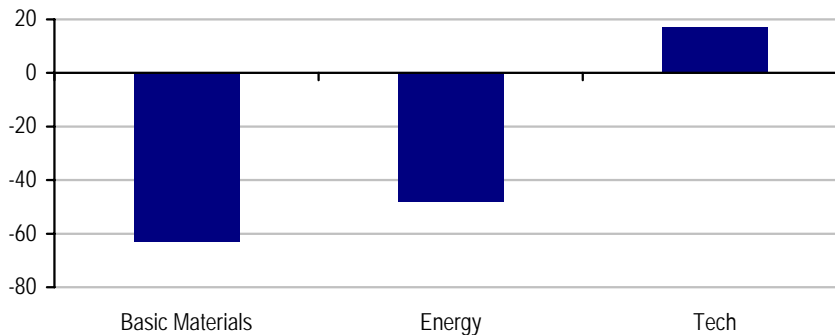
Exporters on 32% discount. Domestics on 30% premium.



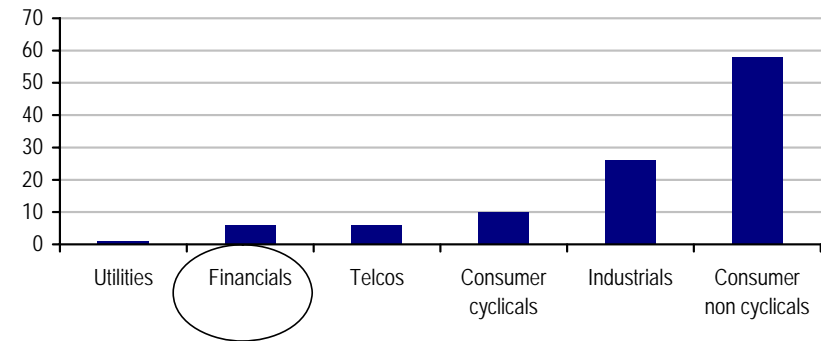
— Exporters

— Domestic Sectors

We like Financials among domestic defensive sectors



■ P/BV vs ROE relative to the region



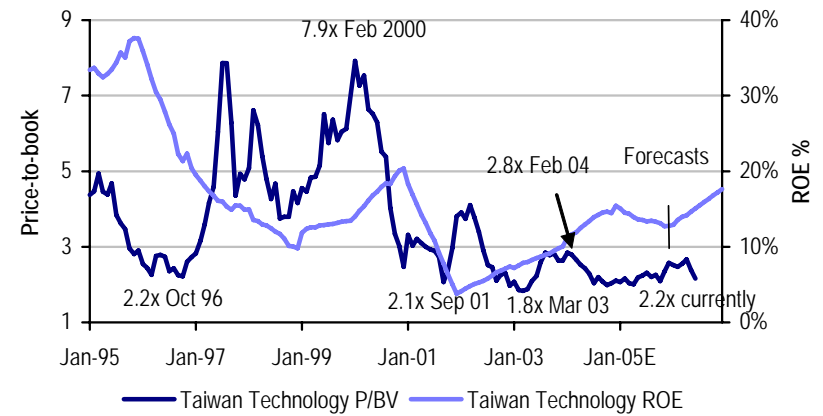
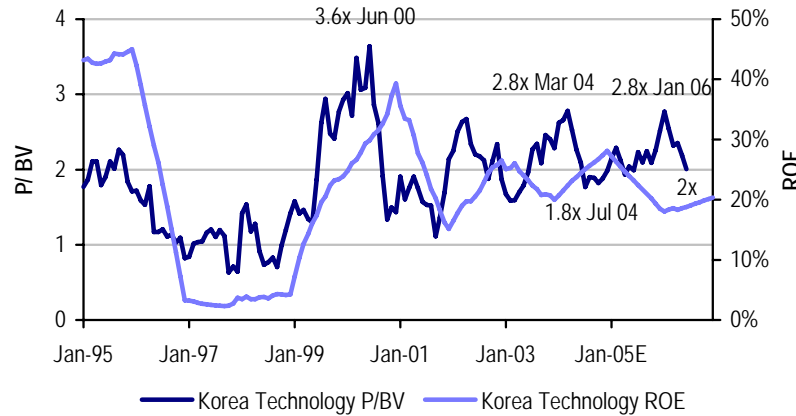
■ P/BV vs ROE relative to the region

Source for 4 charts: UBS estimates

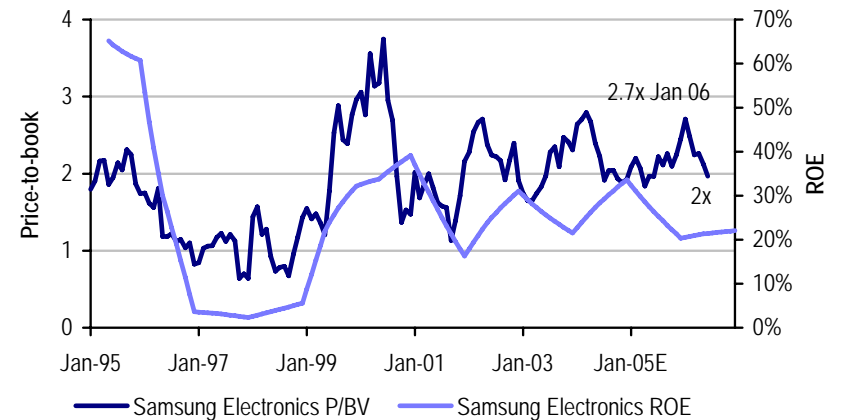


Theme 3: Buy defensives and domestics?

Tech still trading on a premium, but P/ BV close to trough valuations



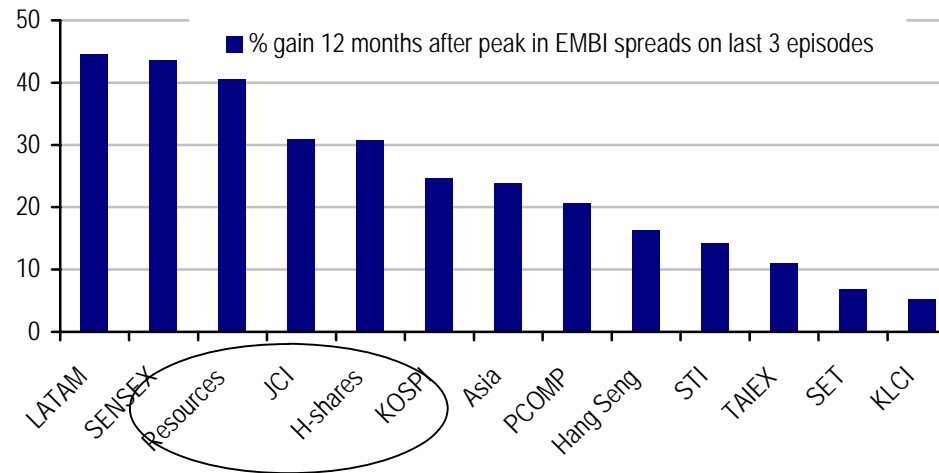
Hynix P/ BV dropped from 2.6x in Jan 06 to 1.9x currently.



Source for 4 charts: UBS estimates

Theme 3: Buy defensives and domestics?

And if EMBI spreads peak, ...



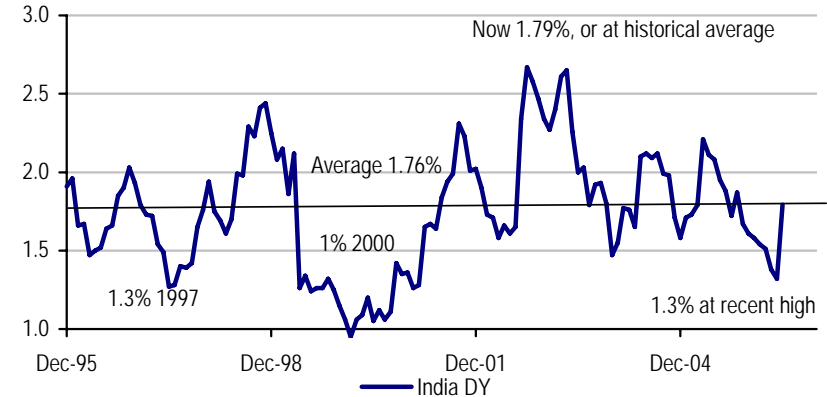
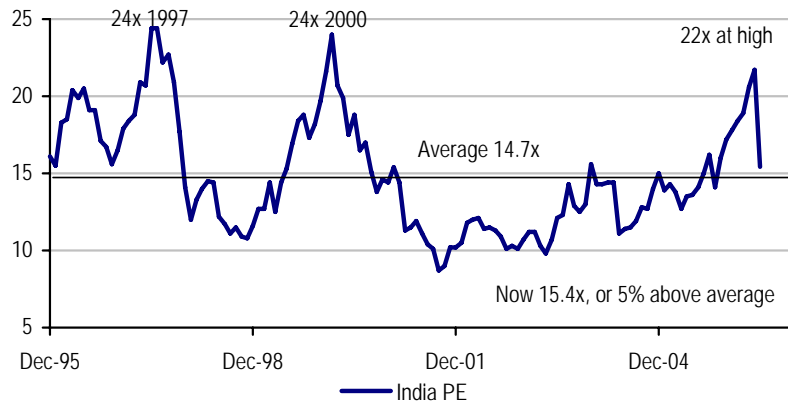
Asia ex-Japan

Peak in EMBI	t+3	t+6	t+12
7-May	-4.8	6.8	16.9
15-Apr	6.4	10.1	35.4
14-Oct	15.5	24.2	19.0
Average	5.7	13.7	23.8

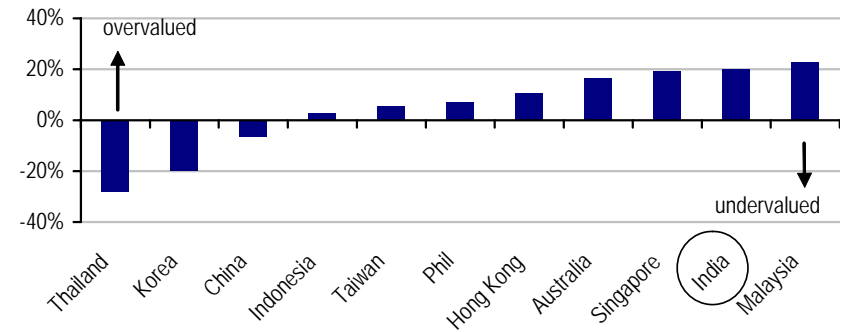
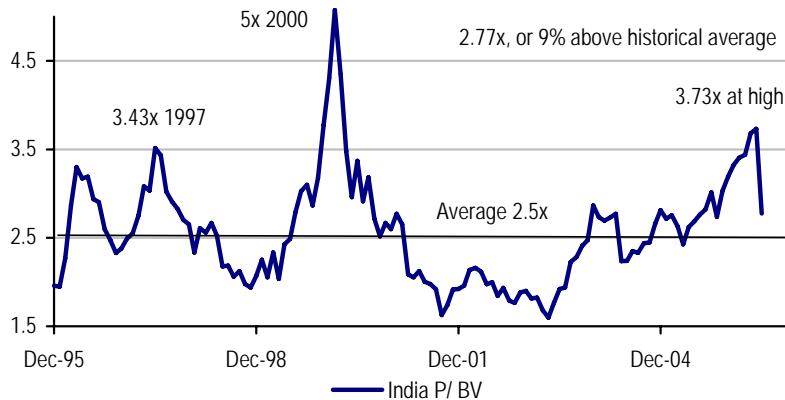
Source for Table, chart: Datastream, UBS estimates

Theme 4: Even India just 5% above fair value

India was trading 50% above its historical average on PE, PCF, P/ BV and DY



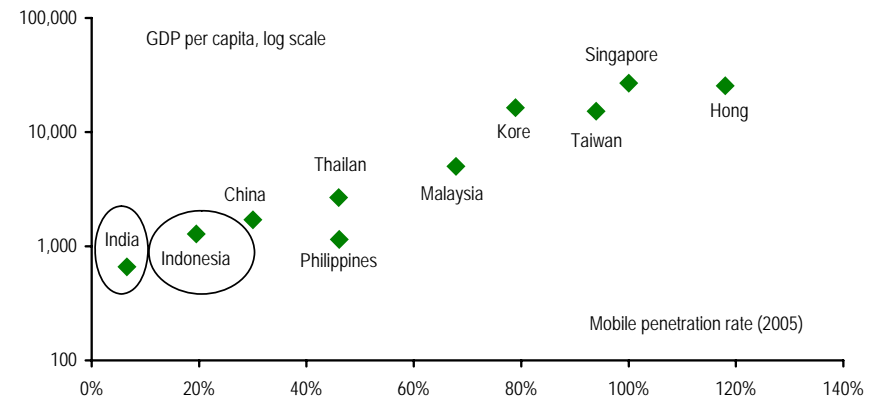
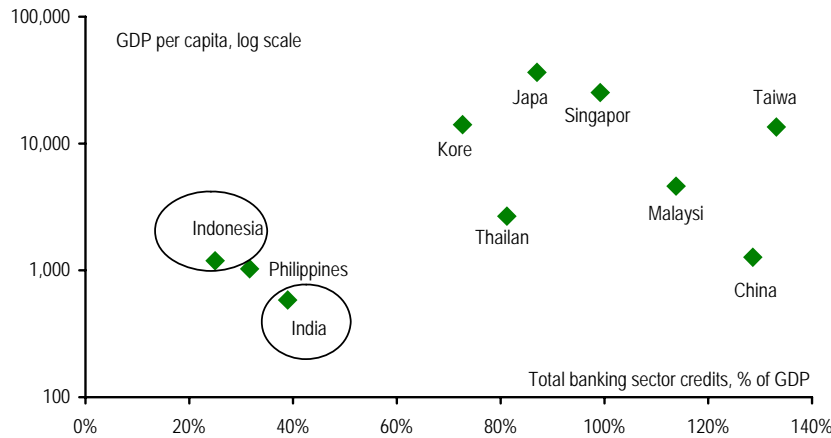
Historic PE from 22x to 15.4x vs 14.7x average



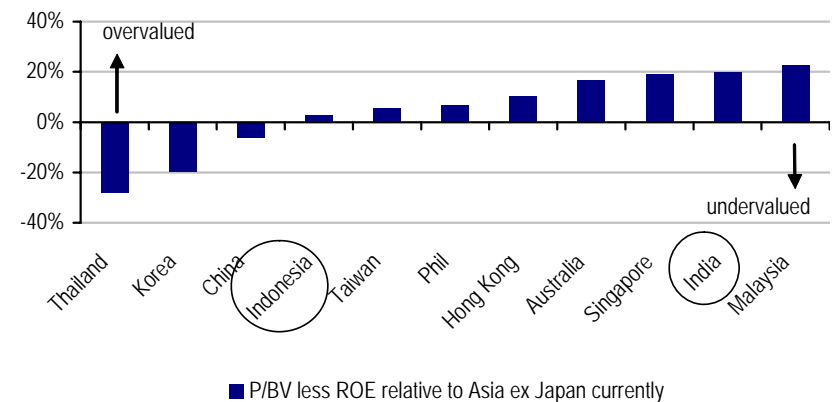
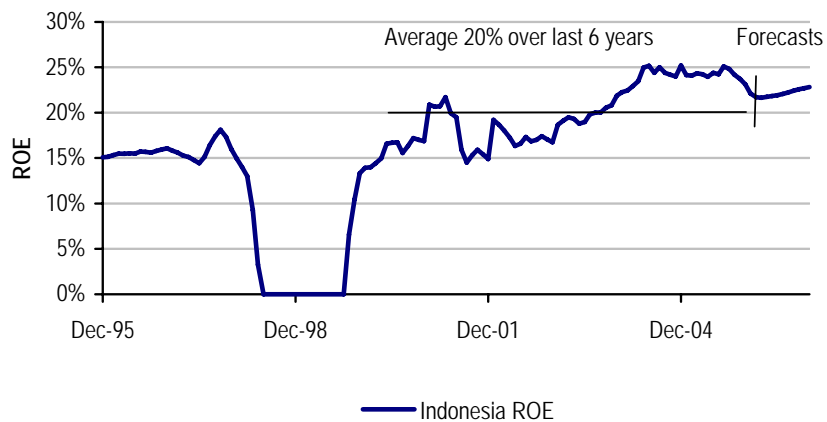
■ P/BV less ROE relative to Asia ex Japan currently

Theme 4: Even India just 5% above fair value

Underleveraged households, underpenetrated telcos also in Indonesia



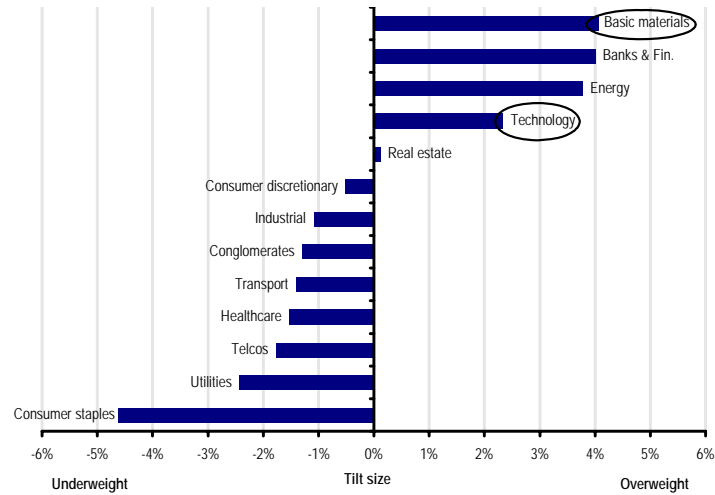
High and stable ROE, large young population also in Indonesia



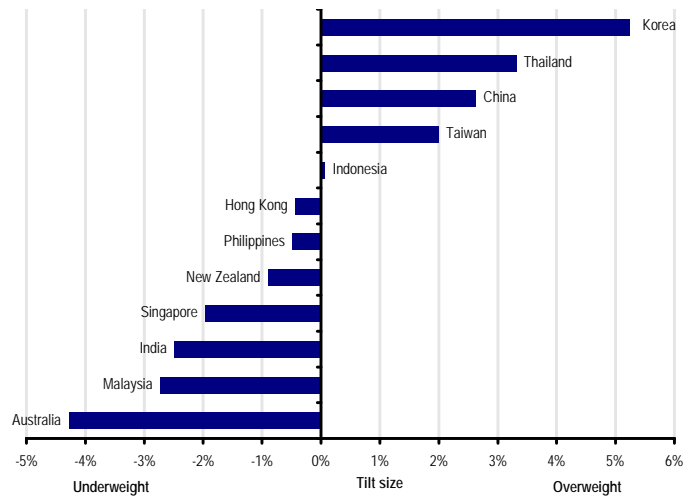
Source for 4 charts: CEIC, UBS estimates

Sector and country tilts

Trimmed Materials and added to Tech on 11 May



Underweight in India likely to be reviewed at 8800 on SENSEX



UBS regional portfolio

Recent changes – Materials -2% (BHP, Angang), Tech (+2%).

	Australia/ New Zealand		Hong Kong/China		Korea		Taiwan		Singapore/Malaysia		TIPs		India		Total	Rel.
Technology					SEC 7.0% Hynix 1.0%		AU Optronics 3.0% Hon Hai 4.0% TSMC 2.0% Mediatek 1.0%								18.0%	2.3%
Banks & Fin.	ANZ 5.0% CBA 6.5%		HKEx 2.0%		Shinhan Fin. 4.0% Hana Fin. 4.0%		ChinaTrust 2.0%		DBS 1.0%		Kasikornbank FB 2.0% Bank Danamon 0.5%				27.0%	4.3%
Telcos			China Mobile 1.0%				Taiwan Mobile 2.0%				AIS 1.0%				4.0%	-1.8%
Conglomerates			Swire Pacific 2.0%												2.0%	-1.3%
Real estate	Westfield Group 1.0%		Henderson Land 1.5% SHK Properties 2.0%						CapitaLand 2.0%		Astra Intl 1.3%				7.8%	0.1%
Consumer discretionary			TVB 1.5%		Kia Motor 1.0% HDS 1.0% Cheil com. 1.0%								Tata Motors 2.0%		6.5%	-0.5%
Basic materials	BHP 6.5% ORICA 2.0% Rio 2.0%		Angang New Steel 0.7%		POSCO 3.0%		China Steel 2.0%								16.2%	4.1%
Utilities					KEPCO 1.0%										1.0%	-2.4%
Industrial	FGL 2.0% TCL 2.0%		China Merchants 1.5%												5.5%	-1.1%
Consumer staples															0.0%	-4.6%
Transport			Jiangsu Expressway 2.0%												2.0%	-1.4%
Energy			Petrochina 3.5% Sinopec 2.5%								PTTEP 2.0%		Oil & Natural gas 2.0%		10.0%	3.8%
Healthcare															0.0%	-1.5%
Total		27.0%	20.2%		23.0%		16.0%		3.0%		6.8%		4.0%		100.0%	
Rel. to MSCI AC AP ex JP		-5.2%	2.2%		5.2%		2.0%		-4.7%		2.9%		-2.5%		0.0%	0.0%

Source : UBS estimates

Appendix 1: Stocks that have fallen the most

Fallen the most since 8 May and now with "Buy" recommendation

Code	Name	Rating	Price (Local\$) 12/06/06	Market cap (US\$m)	Price (Local\$) 8/05/06	Absolute perf 8 May to 12 Jun	Stock 2006E div yield	Stock 2006E PER	Stock 2006E PBV	Stock 2006E ROE	FY1 3-mth EPS rev
ABAN.BO	Aban Loyd	Buy 2	796.00	640	1,352.00	-41.1	0.4	34.2	8.3	27.0	0.0
HPCL.BO	Hindustan Petroleum	Buy 2	228.30	1,687	349.55	-34.7	5.5	7.1	0.7	11.5	0.0
TW3051	Optimax	Buy 2	28.15	409	43.05	-34.6	6.7	6.8	1.1	15.2	0.0
YELP.SI	Yellow Pages	Buy 2	1.02	101	1.52	-32.9	10.3	9.7	1.4	14.3	0.0
TISC.BO	Tata Steel	Buy 2	440.15	5,313	644.45	-31.7	3.4	6.2	2.0	37.1	0.0
ORBC.BO	OBC	Buy 2	166.20	908	242.00	-31.3	2.9	5.2	0.8	18.2	-0.1
HALC.BO	Hindalco Industries	Buy 2	157.50	3,185	229.00	-31.2	1.3	7.4	1.2	22.7	6.8
HK0809	Global Bio-Chem	Buy 2	2.98	889	4.30	-30.8	1.7	9.0	1.2	14.5	4.8
GRAS.BO	Grasim Industries	Buy 2	1705.00	3,408	2,441.85	-30.2	1.3	11.0	2.6	26.7	5.6
HK0333	Top Form	Buy 1	1.35	187	1.93	-30.1	6.8	7.4	2.5	37.5	0.0
KQ052710	Amotech	Buy 2	8540.00	86	12,200.00	-30.0	2.6	7.5	1.2	17.6	0.0
MTNL.BO	Mahanagar Tel Nigam	Buy 2	153.00	2,101	218.50	-30.0	3.3	11.7	0.8	7.2	-19.0
MBT.PS	Metrobank	Buy 2	33.00	1,016	47.00	-29.8	3.0	8.2	1.0	10.7	40.1
HK3336	Ju Teng	Buy 2	1.55	200	2.20	-29.5	0.0	5.7	1.4	26.9	0.0
SIRI.BK	Sansiri	Buy 2	2.90	111	4.10	-29.3	7.6	8.0	0.5	6.8	-0.8
HK0503	China Paradise	Buy 2	2.03	609	2.83	-28.3	1.2	16.1	2.0	13.1	-31.1
HK2600	Chalco	Buy 2	5.40	7,688	7.50	-28.0	2.6	4.9	1.5	35.8	5.8
HLL.BO	Hindustan Lever	Buy 2	203.30	9,755	282.25	-28.0	2.7	26.3	15.8	65.6	0.0
HK0017	New World Dev	Buy 1	10.95	4,878	15.10	-27.5	2.8	11.5	0.6	3.4	0.0
ITD.BK	Italian-Thai	Buy 2	5.50	601	7.50	-26.7	1.5	10.5	1.2	12.3	0.0
KS06360	GS E&C	Buy 2	54100.00	2,884	73,600.00	-26.5	3.0	8.8	1.6	19.9	11.5
ACC.BO	Assoc. Cement Co.	Buy 1	744.05	3,001	1,010.05	-26.3	1.1	15.6	4.3	36.9	18.7
KS005270	Daegu Bank	Buy 2	14200.00	1,961	19,200.00	-26.0	3.7	7.6	1.5	20.9	6.0
CIPL.BO	Cipla	Buy 2	202.05	3,423	272.50	-25.9	1.2	23.0	5.4	28.4	6.4
SGXL.SI	Singapore Exchange	Buy 2	3.50	2,307	4.72	-25.8	4.5	19.8	7.3	37.4	7.1
STEC.BK	Sino-Thai E&C	Buy 2	6.65	205	8.95	-25.7	3.5	11.7	1.2	13.0	-9.5
AC.PS	Ayala Corp	Buy 2	352.50	2,278	472.50	-25.4	1.5	19.8	1.8	9.4	17.3
TW2498	High Tech Computer	Buy 2	875.00	9,601	1,170.00	-25.2	1.6	12.1	7.1	77.5	9.1
HK0882	Tianjin Development	Buy 2	4.75	557	6.35	-25.2	3.4	9.5	0.6	9.2	6.1
TW2315	Mitac	Buy 2	28.80	1,011	38.50	-25.2	5.2	6.7	1.2	20.9	0.0
HCLT.BO	HCL Technologies	Buy 2	443.00	3,116	591.00	-25.0	4.6	15.0	3.1	21.9	-3.0
AEV.PS	AEV	Buy 2	5.10	478	6.80	-25.0	3.1	7.0	1.0	14.9	0.0
KS024110	Industrial Bk Korea	Buy 2	14550.00	6,161	19,300.00	-24.6	3.4	7.0	1.2	18.5	7.0
ZEE.BO	Zee	Buy 2	210.10	1,889	277.60	-24.3	0.5	28.7	3.1	11.2	0.0
UTAC.SI	UTAC	Buy 2	0.77	720	1.01	-24.3	0.0	8.1	1.1	14.6	0.0
TWO5371	Coretronic	Buy 2	46.80	748	61.70	-24.1	3.1	6.7	1.8	31.5	29.6
GACM.BO	Gujarat Ambuja Cem.	Buy 1	90.90	2,685	119.80	-24.1	2.2	14.2	4.1	33.9	16.6
SZ000625	Chongqing Changan	Buy 2	5.09	1,029	6.70	-24.0	1.8	11.2	1.1	9.9	0.0
MEDC.JK	Medco Energi	Buy 2	3650.00	1,292	4,800.00	-24.0	2.7	11.1	2.0	22.9	-6.8
WCKH.BO	Wockhardt	Buy 2	336.90	803	442.50	-23.9	1.8	12.4	2.7	22.7	4.4
ITC.BO	ITC	Buy 2	158.35	12,962	207.75	-23.8	2.1	21.9	6.1	29.4	0.9
SMGR.JK	Semen Gresik	Buy 2	20700.00	1,304	27,100.00	-23.6	1.7	8.9	2.1	25.9	3.2
KS012630	Hyundai Development	Buy 2	40850.00	3,218	53,400.00	-23.5	2.2	9.2	1.5	17.7	-5.5
PGAS.JK	PGAS	Buy 2	10600.00	4,864	13,850.00	-23.5	0.5	20.5	8.2	47.7	0.0
TW1605	Walsin Lihwa	Buy 2	12.10	1,231	15.80	-23.4	0.0	15.8	0.7	6.1	-0.2
NEST.BO	Nestle India Ltd.	Buy 2	991.00	2,083	1,290.00	-23.2	3.0	24.2	19.6	89.9	-2.2
ICBK.BO	ICICI Bank	Buy 2	488.00	9,457	634.25	-23.1	1.5	13.9	1.8	14.1	7.4
ASOT.SI	Ascott	Buy 1	0.89	874	1.15	-23.0	2.4	15.9	1.3	7.5	0.0
AU2409	AU Optronics	Buy 2	42.25	7,143	54.90	-23.0	1.7	11.9	1.4	12.5	-14.6

Source : UBS estimates

Appendix 2: Attractive stocks on 6 quant criteria

Stocks sorted on low PE, low P/ BV, high DY, good ROE and EPS revision

Code	Name	Rating	Price (Local\$)	Market cap (US\$m)	Price (Local\$)	Absolute perf	Stock	Stock	Stock	Stock	FY1
			12/06/06		8/05/06	8 May to 12 Jun	2006E div yield	2006E PER	2006E PBV	2006E ROE	3-mth EPS rev
TTA.BK	TTA	Suspended	17.30	290	21.20	-18.4	7.9	3.5	1.0	30.6	0.0
HK0347	Angang New Steel	Neutral 2	5.75	2,194	7.35	-21.8	9.0	5.5	1.3	33.5	0.0
SZ000898	Angang New Steel (G)	Suspended	5.45	2,016	6.01	-9.3	9.8	5.1	1.2	33.3	0.0
HK0539	Victory City	Buy 2	2.48	178	2.78	-10.8	7.2	4.2	1.0	24.5	0.0
NALU.BO	National Aluminium	Neutral 1 (RRD)	211.25	2,967	317.60	-33.5	3.6	5.9	1.7	32.8	3.3
HK1192	Titan Petrochemicals	Buy 2	0.49	306	0.60	-18.3	4.2	4.1	1.0	26.2	0.0
ATC.BK	Aromatics (Thailand)	Suspended	21.00	529	27.00	-22.2	9.5	5.6	1.2	19.9	0.0
INCO.JK	PT Inco Indonesia	Buy 2	16800.00	1,773	19,800.00	-15.2	5.4	6.2	1.3	22.2	39.3
ASII.JK	Astra Intl.	Suspended	9100.00	3,879	11,750.00	-22.6	6.1	7.1	2.2	38.4	0.0
TWO6176	Radiant	Buy 2	56.50	560	72.30	-21.9	6.2	6.2	1.6	28.9	0.0
HK0710	Varitronix	Neutral 2 (RRD)	4.73	190	6.20	-23.8	9.4	6.4	0.7	13.7	-0.1
TW2315	Mitac	Buy 2	28.80	1,011	38.50	-25.2	5.2	6.7	1.2	20.9	0.0
TW3051	Optimax	Buy 2	28.15	409	43.05	-34.6	6.7	6.8	1.1	15.2	0.0
HPCL.BO	Hindustan Petroleum	Buy 2	228.30	1,687	349.55	-34.7	5.5	7.1	0.7	11.5	0.0
IOC.BO	Indian Oil Corp.	Neutral 2 (RRD)	346.00	8,809	585.40	-40.9	4.3	7.2	1.3	18.6	0.0
HK2600	Chalco	Buy 2	5.40	7,688	7.50	-28.0	2.6	4.9	1.5	35.8	5.8
KS004980	Sungshin	Buy 2	14450.00	289	18,500.00	-21.9	9.7	5.4	0.5	10.3	0.0
TISC.BO	Tata Steel	Buy 2	440.15	5,313	644.45	-31.7	3.4	6.2	2.0	37.1	0.0
YELP.SI	Yellow Pages	Buy 2	1.02	101	1.52	-32.9	10.3	9.7	1.4	14.3	0.0
KS024110	Industrial Bk Korea	Buy 2	14550.00	6,161	19,300.00	-24.6	3.4	7.0	1.2	18.5	7.0
PPFH.SI	People's Food	Buy 2	1.00	712	1.24	-19.4	7.4	6.8	1.5	23.7	0.0
TW2347	Synnex Technology	Buy 2	30.70	868	39.40	-22.1	6.5	7.8	1.1	15.2	0.0
SS600005	Wuhan Steel	Reduce 2 (RRD)	2.75	2,689	2.70	1.9	10.0	4.4	0.9	21.9	0.0
TW1527	Basso	Buy 2	47.40	222	55.90	-15.2	8.8	7.2	2.0	28.9	0.0
POLS.BO	Polaris	Suspended	64.90	139	113.50	-42.8	3.4	5.6	0.9	18.0	-1.3
TW05371	Coretronic	Buy 2	46.80	748	61.70	-24.1	3.1	6.7	1.8	31.5	29.6
TWO8008	Lite-On IT	Buy 2	39.50	866	45.00	-12.2	7.5	8.4	1.6	20.4	20.1
KS005270	Daegu Bank	Buy 2	14200.00	1,961	19,200.00	-26.0	3.7	7.6	1.5	20.9	6.0
ONGC.BO	Oil & Natural Gas	Neutral 1 (RRD)	983.50	30,569	1,378.85	-28.7	4.4	7.0	1.7	25.9	-1.4
ORBC.BO	OBC	Buy 2	166.20	908	242.00	-31.3	2.9	5.2	0.8	18.2	-0.1
HK0333	Top Form	Buy 1	1.35	187	1.93	-30.1	6.8	7.4	2.5	37.5	0.0
GLOM.KL	Glomac	Neutral 2	1.18	69	1.35	-12.6	5.5	6.3	0.4	10.2	0.0
KS005280	Pusan Bank	Neutral 2 (RRD)	11250.00	1,725	14,800.00	-24.0	4.0	7.9	1.3	17.2	6.1
TW3231	Wistron	Buy 2	34.50	1,269	42.70	-19.2	4.3	7.7	1.4	20.7	4.9
HK0420	Fountain Set	Buy 2	2.80	286	3.05	-8.2	6.1	7.8	0.8	13.5	3.6
PCOR.PS	Petron	Buy 2	3.90	689	5.00	-22.0	3.8	6.1	1.0	17.8	0.0
KS05490	POSCO	Buy 2	222000.00	20,229	272,000.00	-18.4	3.6	6.8	0.9	13.3	10.9
HK0496	Kasen International	Buy 2	1.90	248	2.28	-16.5	5.1	5.9	0.8	14.6	0.0
SCIB.BK	Siam City Bank	Buy 2	19.30	1,062	24.00	-19.6	7.3	7.2	1.1	15.3	0.0
GLO.PS	Globe	Buy 2	855.00	2,125	1,030.00	-17.0	4.6	9.1	1.8	20.7	20.0
LALI.BK	La Lin	Buy 1	4.76	102	5.60	-15.0	7.4	5.8	1.1	19.8	-0.8
HALC.BO	Hindalco Industries	Buy 2	157.50	3,185	229.00	-31.2	1.3	7.4	1.2	22.7	6.8
TW2325	Siliconware	Buy 2	38.00	2,690	47.00	-19.1	4.6	8.3	1.9	25.2	4.8
HK0203	Denway Motors	Buy 2	2.48	2,396	3.15	-21.4	4.2	8.4	2.1	26.5	1.1
HK1138	China Shipping	Buy 2	5.50	2,357	6.10	-9.8	5.4	6.9	1.6	25.6	0.0
TWO6147	Chipbond	Buy 2	32.20	258	39.10	-17.6	5.0	6.4	1.5	25.9	-15.0
HK2878	Solomon Systech	Suspended	2.10	678	3.50	-40.0	8.7	9.2	1.6	18.7	-14.7
UOBH.SI	UOB	Buy 1	14.90	14,705	16.20	-8.0	7.9	10.2	1.4	14.1	18.6
KS04940	Korea Exchange Bank	Buy 2	11300.00	7,617	13,100.00	-13.7	4.4	8.1	1.2	15.2	8.8
MBT.PS	Metrobank	Buy 2	33.00	1,016	47.00	-29.8	3.0	8.2	1.0	10.7	40.1

Disclosures & Analyst Certification

Required Disclosures

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	Buy 2	FSR is > 10% above the MRA, lower degree of predictability	Buy	39%	35%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	Neutral 2	FSR is between -10% and 10% of the MRA, lower degree of predictability	Hold/Neutral	50%	33%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	Reduce 2	FSR is > 10% below the MRA, lower degree of predictability	Sell	11%	27%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 March 2006.

Disclosures & Analyst Certification (cont.)

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

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Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
Adv Info Service ^{18a}	ADVA.BK	Buy 2	Bt87.50	09 Jun 2006 23:40 HKT
Angang New Steel	0347.HK	Neutral 2	HK\$5.75	09 Jun 2006 23:40 HKT
ANZ Banking Group ^{2a,4a,18a,25}	ANZ.AX	Buy 1	A\$26.30	09 Jun 2006 23:41 AEST
Astra International ^{2b,4b,5a}	ASII.JK	Suspended	Rp9,350	09 Jun 2006 23:40 HKT
AU Optronics ^{2c,18a}	2409.TW	Buy 2	NT\$42.55	09 Jun 2006 23:40 HKT
BHP Billiton Limited ^{2a,3a,4a,5a,6,18a,25}	BHP.AX	Buy 2	A\$26.73	09 Jun 2006 23:41 AEST
CapitaLand Ltd. ^{4a,18a}	CATL.SI	Buy 2	S\$4.20	09 Jun 2006 23:40 HKT
Cheil Communications ²⁵	030000.KS	Neutral 2 (RRD)	Won184,500	09 Jun 2006 23:40 HKT
China Merchants Hldg	0144.HK	Suspended	HK\$21.95	09 Jun 2006 23:40 HKT
China Mobile ^{2c,4a,18a,18b}	0941.HK	Buy 2	HK\$41.10	09 Jun 2006 23:40 HKT
China Steel ^{2b,18a}	2002.TW	Buy 2	NT\$30.15	09 Jun 2006 23:40 HKT
Chinatrust Group ^{13,25}	2891.TW	Buy 2 (RRD)	NT\$25.30	09 Jun 2006 23:40 HKT
Commonwealth Bank ^{1,2b,4a,5a,5b,25}	CBA.AX	Neutral 1	A\$43.09	09 Jun 2006 23:41 AEST
DBS Bank ^{18a,25}	DBSM.SI	Buy 2	S\$17.10	09 Jun 2006 23:40 HKT
Foster's Group ^{2b,4b,8,18a}	FGL.AX	Neutral 1	A\$5.56	09 Jun 2006 23:41 AEST
Hana Financial Group ^{2b,4b}	086790.KS	Buy 2	Won42,100	09 Jun 2006 23:40 HKT
Henderson Land ^{18a,20}	0012.HK	Buy 1	HK\$37.90	09 Jun 2006 23:40 HKT
Hon Hai Precision ^{2b,4a}	2317.TW	Buy 2	NT\$192.50	09 Jun 2006 23:40 HKT
HKEx ²⁵	0388.HK	Suspended	HK\$51.25	09 Jun 2006 23:40 HKT
Hynix Semiconductor ^{2a,4a,6,25}	000660.KS	Buy 2	Won30,050	09 Jun 2006 23:40 HKT
HDS	069960.KS	Buy 2	Won67,800	09 Jun 2006 23:40 HKT
Jiangsu Expressway	0177.HK	Buy 1	HK\$4.30	09 Jun 2006 23:40 HKT
Kasikornbank	KBAN.BK	Buy 1	Bt57.00	09 Jun 2006 23:40 HKT
KEPCO ^{2c,18a,25,26}	015760.KS	Buy 2	Won37,000	09 Jun 2006 23:40 HKT
Kia Motors ^{25,26}	000270.KS	Buy 2	Won15,950	09 Jun 2006 23:40 HKT
MediaTek Inc.	2454.TW	Buy 2	NT\$333.00	09 Jun 2006 23:40 HKT
Oil & Natural Gas	ONGC.BO	Neutral 1 (RRD)	Rs992.70	09 Jun 2006 23:40 HKT
Orica Limited ^{2d,2a,3b,4a,4c}	ORI.AX	Neutral 2 (RRD)	A\$22.13	09 Jun 2006 23:41 AEST
PetroChina ^{18a,18b,25}	0857.HK	Not rated	HK\$7.60	09 Jun 2006 23:40 HKT
POSCO ^{4a,18a,26}	005490.KS	Buy 2	Won222,000	09 Jun 2006 23:40 HKT
Bank Danamon Indones ^{2a}	BDMN.JK	Buy 2	Rp4,550	09 Jun 2006 23:40 HKT
PTT E&P (F)	PTTE.BK	Buy 1	Bt102.00	09 Jun 2006 23:40 HKT
Rio Tinto Limited ^{4a}	RIO.AX	Buy 2	A\$73.77	09 Jun 2006 23:41 AEST
Samsung Electronics ²⁵	005930.KS	Buy 1	Won575,000	09 Jun 2006 23:40 HKT
Shinhan Financial ^{2a,3c,4a,5a,18a,25,26}	055550.KS	Restricted	Won41,500	09 Jun 2006 23:40 HKT
Sinopec ^{4a,18a,18b}	0386.HK	Not rated	HK\$3.98	09 Jun 2006 23:40 HKT
Sun Hung Kai P. ^{18a,18b,20,25}	0016.HK	Buy 1	HK\$77.70	09 Jun 2006 23:40 HKT
Swire Pacific ^{4a,18a,18b}	0019.HK	Buy 1	HK\$72.65	09 Jun 2006 23:40 HKT

Companies mentioned (cont's)

Company Name	Reuters	Rating	Price	Price date/time
Taiwan Mobile ⁸	3045.TW	Buy 2	NT\$30.00	09 Jun 2006 23:40 HKT
TSMC ^{2c,8,18a,25}	2330.TW	Buy 2	NT\$58.50	09 Jun 2006 23:40 HKT
Tata Motors Ltd. ^{18a}	TAMO.BO	Buy 2	Rs756.50	09 Jun 2006 23:40 HKT
Transurban Group ^{2c,13}	TCL.AX	Buy 1 (RRD)	A\$7.00	09 Jun 2006 23:41 AEST
TVB	0511.HK	Buy 2	HK\$44.60	09 Jun 2006 23:40 HKT
Westfield Group ^{4a,8,21,25}	WDC.AX	Neutral 1 (RRD/CBE)	A\$17.26	09 Jun 2006 23:41 AEST

Source: UBS. AEST: Australian eastern standard time; HKT: Hong Kong time.

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