

Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	-1.7	1.0	-5.6	-5.6	-9.1	14.7
MSCI Japan	-5.2	0.7	-10.1	-10.1	-9.2	15.6
MSCI AC Asia Ex-Japan	0.7	0.7	-2.7	-2.7	-11.6	14.0
MSCI Australia	-1.7	1.3	-1.7	-1.7	-2.8	11.6

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 30 June 2016.

Asia Pacific equity markets were lower in June on the back of the UK referendum outcome where it voted to exit the European Union. Within the region, Asia ex-Japan outperformed while Australia and Japan underperformed.

Telecommunications and consumer staples were the best-performing sectors as investors sought defensive names with good dividend yields. The energy sector also outperformed as dividends remained resilient with the oil price remaining stable amid the Brexit outcome. On the other hand, cyclical sectors such as financials and consumer discretionary were hard hit as they bore the brunt of the sell-down

Within Asia ex-Japan, the ASEAN region outperformed the rest of the Emerging Markets (EM) as the region is seen to be most insulated from the global fallout from Brexit. Indonesia's strong performance was boosted by the approval of a long-awaited tax amnesty bill, which is expected to garner substantial additional tax revenue for the government from newly-declared funds. This is expected to boost public and private investment spending and hence GDP growth in 2017. Indonesia's central bank also reduced policy rate by 25 basis points (bps). The Philippines market continued to gain on the back of optimism on the newly-inaugurated Duterte administration's ability to execute policies, particularly in infrastructure. In Thailand, the central bank held policy rates unchanged as it viewed that current monetary conditions were conducive for economic recovery, while inflation climbed on higher food prices. The India market underperformed with the Reserve Bank of India (RBI) governor Rajan announcing that he will leave when his term ends in September. Meanwhile, the government approved liberalisation of foreign direct investment in nine sectors and the RBI kept policy rates unchanged. The China market held up relatively well amid Brexit concerns as there appeared evidence of economic stabilisation and improving sentiment with May industrial activity data showing sequential growth. Liquidity conditions continued to be tighter in May compared to the first quarter while headline export and import growth rebounded on seasonal effects.

The Japan Index underperformed the other regions on the back of yen strengthening on the outcome of the UK Referendum. The Japanese market had benefited earlier from a weaker yen and relatively favourable earnings revisions and we are now starting to see negative earnings revisions as a result of a stronger yen. However, economic data remains mixed with both retail sales and industrial production tracking below expectations

Australian equities also underperformed in the month. The recent macroeconomic releases were mixed with trade balance and retail sales coming in below market expectations while the Purchasing Managers' Index (PMI) reading improved to 51.8 from 51.0 in May. The macro outlook remains challenging, with weaker commodity prices continuing to be a headwind for the economy.

Outlook and Strategy

We believe that Asia Pacific markets continue to offer exciting investment opportunities for growth investors over the long term. Valuations for Asia Pacific equities are attractive. However, the aggregate market performance continues to be challenged due to slower economic growth, tighter liquidity conditions and potential headwinds to corporate earnings. Growth within the region remains uneven and fundamental sector/country and stock selection will remain crucial.

Asia Pacific Equity

The current positioning of the Asia Pacific strategy is to be overweight on Asia ex-Japan and Australia. The position is funded from an underweight position in Japan. This is a result of bottom-up securities selection and does not necessarily reflect our view on the respective regions. The overweight position in Asia ex-Japan is mainly due to the relative attractiveness of Indonesia and India financials against the rest of the region. Similarly, the underweight position in Japan reflects our concern on the operating prospects of Japanese financial companies.

In terms of sector allocation, our strategy is to be overweight on the healthcare, energy and utilities sectors. We have upgraded to an overweight position in utilities recently as some selective value plays emerged. We have also increased our weights in energy given strong demand response as a result of low oil prices and improving global demand supply balance. We remain positive on the longer term trend for the consumer and technology sectors as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies but have moved to a tactical underweight currently due to foreseeable headwinds on corporate earnings in the near term. We are also underweight on the materials sector due to concerns over incremental demand from China, which is experiencing slower growth and implementing reforms.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 June 2016 unless otherwise stated.

Contact Details

SINGAPORE

UOB Asset Management Ltd

Address 80 Raffles Place UOB Plaza 2 Level 3 Singapore 048624
Tel 1800 222 2228 (Local) • (65) 6222 2228 (International)
Fax (65) 6532 3868
Email uobam@uobgroup.com
Website uobam.com.sg

MALAYSIA

UOB Asset Management (Malaysia) Berhad

Address Level 22, Vista Tower, The Intermark
No. 348 Jalan Tun Razak, 50400 Kuala Lumpur
Tel (03) 2732 1181
Fax (03) 2164 8188
Website uobam.com.my

THAILAND

UOB Asset Management (Thailand) Co., Ltd

Address 23A, 25 Floor, Asia Centre Building, 173/27-30, 32-33
South Sathon Road, Thungmahamek, Sathon, Bangkok 10120, Thailand
Tel (66) 2786 2000
Fax (66) 2786 2377
Website uobam.co.th

BRUNEI

UOB Asset Management (B) Sdn Bhd

Address FF03 to FF05, The Centrepoint Hotel, Gadong,
Bandar Seri Begawan BE 3519, Brunei Darussalam
Tel (673) 2424806
Fax (673) 2424805

TAIWAN

UOB Asset Management (Taiwan) Co., Ltd.

Address Union Enterprise Plaza, 16th Floor, 109 Minsheng East Road, Section 3,
Taipei 10544
Tel (886)(2) 2719 7005
Fax (886)(2) 2545 6591

JAPAN

UOB Asset Management (Japan) Ltd

Address 13F Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku,
Tokyo 100-6113 Japan
Tel (813) 3500-5981
Fax (813) 3500-5985

Important Notice & Disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd ("UOBAM") and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.**

UOB Asset Management Ltd Co. Reg. No. 198600120Z