

Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	1.8	4.9	10.0	9.2	22.2	29.5
MSCI Japan	1.8	2.7	6.3	4.1	15.6	36.3
MSCI AC Asia Ex-Japan	3.3	8.9	14.4	15.6	29.1	29.7
MSCI Australia	-4.7	-2.7	5.4	2.2	17.6	9.3

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 May 2017.

Asia Pacific equities gained in May 2017 which outperformed global markets but underperformed against the broader emerging markets (EM). Within the region, Japan performed in line with the benchmark while Australia underperformed.

Performances across various sectors were mixed with Staples as the best performing sector. Consumer Discretionary, Real Estate, Information Technology, Telecommunications and Utilities outperformed while Energy, Financials, Healthcare, Industrials and Materials underperformed. Gold was little changed for the month.

China outperformed the benchmark with real estate names rallying. Economic data in China ticked up higher resulting in improved sentiments towards the country. On the other hand, the Hong Kong underperformed with trade activity slowing more than expected since the first quarter. The Taiwan stock exchange hit the 10,000 point level for the first time since the peak of the dot-com bubble in 2000 despite underperforming against the broader index.

The Korea market was the best performer after the election of President Moon which investors see as an easing of the geopolitical risks in Korean Peninsula given his willingness to engage with North Korea on normalisation of relationships. India underperformed as a result of the healthcare sector that saw steep pricing pressures on generic US drugs.

ASEAN markets underperformed the broader index. Indonesian markets eased in the month after the index gained fresh highs from a Standard and Poor's credit rating upgrade to investment grade status. Malaysia traded sideways despite showing strong GDP growth numbers for the first quarter. In the Philippines, mixed earning and GDP growth for the first quarter disappointed markets. Singapore underperformed as weak domestic demand offset external growth in the manufacturing and technology sector. Thailand also detracted on the back of disappointing corporate earnings for the first quarter.

Japan performed in line with the index, with emerging signs that the economy was heading towards expansion. A surge in industrial production for the month, and wages that rose the fastest in decade injected confidence for stronger demand. The country's nominal GDP saw its first record high since the 1990s while inflation gained.

Australian equities were mostly dragged down by negative performance in the healthcare and financial sector. Commodities including iron ore fought a tumultuous month, while oil prices dipped despite OPEC announcements for extending production cuts. Manufacturing PMI tumbled to 51.2 from 51.8 the previous month, while retail sales numbers reported in May showed contraction even as unemployment rates declined.

Asia Pacific Equity

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.

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 on 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 financials and technology sectors. We believe the longer term trend for the technology sector remains positive as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies. The financials sector should also benefit from the reflation trade that is occurring across the world as inflation starts to normalise. 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 31 May 2017 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