

Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	1.6	6.5	11.5	6.1	5.8	19.5
MSCI Japan	3.7	7.1	11.4	2.8	2.9	26.9
MSCI AC Asia Ex-Japan	0.5	7.3	13.9	9.0	6.2	18.1
MSCI Australia	-0.2	1.8	7.9	7.6	13.6	4.7

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 October 2016.

Asia Pacific equity markets gained in October driven by Japan stocks that rose as the yen touched a three month low against the dollar that buoyed up exporters' earnings. Australia underperformed, reversing gains from the previous month. Investors remained bullish on a Clinton win in the lead up to election day as markets priced in expectations that global trade would remain business-friendly.

Materials, consumer discretionary, and financials were the best performing sectors. Gold prices gained with higher demand for safe haven assets, on sentiments that Republican candidate Donald Trump may prevail over Hillary Clinton in the US Presidential elections. Energy prices retreated on a lack of consensus from OPEC countries to agree on output quotas. Consumer staples, real estate, healthcare, telecommunications and utilities underperformed in the month of October.

Despite market expectations of an interest rate hike toward the end of the year by the US Federal Reserve which should see capital outflows from the region, Asian markets benefited after releases of U.S. economic data generated optimism about the health of the world's largest economy.

Across the Greater China markets, the Taiwan market was the best-performing bolstered by the IT and materials sector. Cement names rallied with expectations of price hikes from China while the technology supply chain saw a boost from higher PC demand. China underperformed on weak exports, coal output reduction and further property tightening measures.

Performance across the ASEAN market was mixed with policy and political headlines taking centerstage. Indonesia outperformed even with slowing rates of take-up from its tax amnesty program while Malaysia saw shares bolstered by announcement of its 2017 government budget. Thai equities tumbled as the nation mourned the loss of its monarch, while the Philippine market saw a reversal in a rally after media reports questioned the quality of deals brokered by President Duterte with China. Meanwhile Singapore underperformed as policy makers in the city state adjusted quarterly economic growth statistics downward citing growth headwinds.

Korea was one of the worst performing markets on recalls of large volumes of handsets. Over in India, the NIFTY outperformed for the month as the new central bank monetary policy committee voted to cut benchmark rates amid weak growth indicators.

The Japan index outperformed the broader index as exporters including carmakers and electric-appliance manufacturers saw a boost from a weaker yen. Moody's estimates the Japanese economy will grow by 0.9 % in 2017, surging ahead from a negative 2016 growth. The Bank of Japan reduced targets for purchases of debt, showing a commitment to steepen the yield curve.

Australian equities underperformed in the month dragged down by healthcare and REIT sectors. Other laggards included technology and telecommunications. In the labor market, full-time employment contracted while inflation levels are at the weakest levels since the 1980s. The Purchasing Managers' Index (PMI) was unchanged at 50.4 from the previous month, while the Reserve Bank of Australia announced inflation would have overshoot by a significant margin to warrant monetary easing.

Post US elections note: Asia equities retreated on bets that the US Federal Reserve would raise interest rates in anticipation of higher inflation from President elect Donald Trump's fiscal stimulus plans.

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 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 discretionary, healthcare, energy and utilities sectors. We retain an overweight position in utilities as the valuation for sector remains attractive amidst strong secular growth in the sector. We are also overweight in energy given strong demand response as a result of low oil prices and improving global demand supply balance. We believe the longer term trend for the technology sector remain positive as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies but are tactically underweight currently due to stretched valuations 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 31 October 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