Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	3 Yrs
MSCI AC World	2.0	1.9	3.7	4.4	44.2
MSCI World	2.0	1.5	2.8	4.0	49.9
MSCI Emerging Markets	2.1	5.4	10.9	7.2	9.3
MSCI USA	3.8	3.7	6.0	7.1	70.7
MSCI Canada	2.1	7.2	11.0	11.1	15.1
MSCI Europe	0.2	-4.4	-4.6	-1.5	35.1
MSCI Japan	-2.2	3.0	1.1	-3.1	25.9
MSCI Australia	0.3	2.3	7.1	8.6	19.6
MSCI AC Asia Ex-Japan	0.4	5.2	9.5	7.7	21.5
MSCI Latin America	7.8	12.5	22.7	13.1	-6.2
MSCI EMEA	0.3	-2.5	2.4	-2.2	-5.8

Returns in percentage and in Singapore dollars. Source: Datastream, data as at 31 August 2014

In August, global equity markets advanced 2.0%, led by MSCI USA which rallied 3.8% for the period. The performance across the developed markets (DM) was strong at 2.0%, though MSCI Japan was the outlier with a decline of 2.2% in US dollar (USD) terms. The emerging markets (EM) continued its strong momentum from the previous month, up 2.1% for August. Within the MSCI Emerging Markets, Latin America was the strongest market with a 7.8% increase while EMEA continued to lag with a modest increase of 0.3%. MSCI Asia ex Japan was modestly higher by 0.4%.

During the period, US economic data was strong, surprising on the upside. Meanwhile European data tracked below expectations. Chinese economic data disappointed, as leading indicators and high frequency data softened. Global Purchasing Managers' Indices (PMIs) continued to show expansion in the month with developed markets leading the global recovery.

In terms of sector performance, healthcare and technology continued to outperform, supported by positive earnings revisions. Meanwhile the materials sector declined in tandem with lower commodities prices. Telecommunication and utilities sectors also lagged.

The US equity market moved higher in August, underpinned by generally favourable earnings announcements or guidance and continued strong economic data. Leading indicators such as the PMI rose to 59.0 from 57.1 in the previous month. The US labour market remained healthy with unemployment rate inching lower to 6.1%. The non-farm payrolls number was weak at 142k, however we view this as an anomaly rather than a trend.

In Europe, the MSCI Europe Index was largely flat as economic momentum continues to slow. The Eurozone composite PMI reading declined to 50.7 from 51.8 in the previous month while the PMI reading for France continued to deteriorate to 46.9 extending the contraction seen in July at 47.8. The German IFO business confidence index continued to decline to 106.3 points from 108.0 points indicating the weakening business confidence. Deflationary pressures in the currency bloc continued with the Eurozone CPI coming in at 0.3% and short term interest rates going negative despite recent ECB liquidity measures.

Global Equity

The MSCI Japan Index was the worst performing market in the month, declining 2.2% in USD terms. Sentiment remained cautious despite the PMI reading in August improving to 52.2 (50.5 in July). Economic data continued to point to slowing economic momentum in Japan with slower than expected retail sales and industrial output. Expectations for additional easing measures by the Bank of Japan (BOJ) also receded with the BOJ electing to wait for further data points before reviewing the need to act. We continue to hold the view that deeper reforms are needed at both corporate and economy-wide levels before turning more constructive on the market.

The MSCI Emerging Market Index was in line with the broader markets with gains of 2.1% in the month, led mainly by MSCI Latin America, which advanced 7.8%. MSCI Brazil rallied strongly on expectations of political transition to a more pro-market party winning the Presidential elections. The PMI data for Brazil however continues to be weak albeit slightly higher at 50.2 (49.1 in the previous month). The Asian markets were modestly higher, despite China's official PMI softening to 51.1 in August (51.7 in July). Similarly, MSCI EMEA was slightly higher by 0.3% on the back of decreased geopolitical risk in Ukraine/Russia as well as insurgency activities in Iraq.

Outlook and Strategy

In terms of equity asset allocation, we continue to favour developed markets over the emerging markets given the steady improvement in economic activity in advanced economies and strong profit trends in the corporate sector. We are most positive on market prospects in the US, due to its improved labour market conditions and stable macro backdrop. In contrast, we are still concerned about the deflationary pressures in the Eurozone and the possibly slower growth momentum in Japan, after the hike in consumption tax. Therefore, the US equity market continues to be our preferred pick within DM.

In the emerging world, we acknowledge that selective value plays remain and we continue to see some good bottom-up investment opportunities. However, the aggregate market performance is likely to be lacklustre due to slower economic growth, tight liquidity conditions and potential headwinds from corporate earnings. Growth within the region remains uneven and fundamental sector/country and stock selection is crucial to fund outperformance.

Overall, we see the tighter liquidity conditions and fiscal and monetary adjustments as key concerns in the emerging markets. In this case, stock selection is starting to be paramount to drive investment outperformance, which is positive for active managers. We continue to allocate capital to high-quality and sustainable growth companies that are reasonably priced. Our focus is on companies with strong competitive advantages, healthy cash flow and proven track record.

Global Equity

Equities Asset Allocation

	-		N		+
DEVELOPED				■	
US					■
EUROPE		■			
JAPAN		■			
CANADA			■		
AUSTRALIA			■		
EMERGING		■			
ASIA (ex. JP)			■		
LATAM		■			
EMEA		■			

Note: + = maximum overweight, N = neutral, - = maximum underweight

All statistics quoted in the write-up are sourced from Bloomberg as at August 2014 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) 2732 1100

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 2370-74
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 Investment Advisor (Taiwan) 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

All information in this publication is based upon certain assumptions and analysis of information available as at the date of the publication and reflects prevailing conditions and UOB Asset Management Ltd ("UOBAM")'s views as of such date, all of which are subject to change at any time without notice. Although care has been taken to ensure the accuracy of information contained in this publication, UOBAM makes no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for the accuracy or completeness of the information.

Potential investors should read the prospectus of the fund(s) (the "Fund(s)") which is available and may be obtained from UOBAM or any of its appointed distributors, before deciding whether to subscribe for or purchase units in the Fund(s). Returns on the units are not guaranteed. The value of the units and the income from them, if any, may fall as well as rise. An investment in the Fund(s) is subject to investment risks and foreign exchange risks, including the possible loss of the principal amount invested. Investors should consider carefully the risks of investing in the Fund(s) and may wish to seek advice from a financial adviser before making a commitment to invest in the Fund(s). Should you choose not to seek advice from a financial adviser, you should consider carefully whether the Fund(s) is suitable for you. Investors should note that the past performance of any investment product, manager, company, entity or UOBAM mentioned in this publication, and any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance of any investment product, manager, company, entity or UOBAM or the economy, stock market, bond market or economic trends of the markets. Nothing in this publication shall constitute a continuing representation or give rise to any implication that there has not been or that there will not be any change affecting the Funds. All subscription for the units in the Fund(s) must be made on the application forms accompanying the prospectus of that fund.

The above information is strictly for general information only and is not an offer, solicitation advice or recommendation to buy or sell any investment product or invest in any company. This publication should not be construed as accounting, legal, regulatory, tax, financial or other advice. Investments in unit trusts are not obligations of, deposits in, or guaranteed or insured by United Overseas Bank Limited, UOBAM, or any of their subsidiaries, associates or affiliates or their distributors. The Fund(s) may use or invest in financial derivative instruments and you should be aware of the risks associated with investments in financial derivative instruments which are described in the Fund(s)' prospectus.

UOB Asset Management Ltd Company Reg No. 198600120Z