Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	2.5	5.5	10.5	13.1	22.1	27.9
MSCI Japan	0.6	3.1	4.6	5.4	15.6	31.2
MSCI AC Asia Ex-Japan	3.9	8.6	17.3	21.5	28.9	29.1
MSCI Australia	2.8	0.5	6.0	7.8	17.4	12.9

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

Asia Pacific equities gained in July 2017, outperforming the broader market index. Within the region, Asia ex-Japan and Australia outperformed against the benchmark while Japan underperformed. During the month, the US Federal Reserve acknowledged that the core inflation would remain below their previous target and signalled a more dovish outlook for interest rates.

Performances across the various sectors were mixed as cyclical sectors including energy, financials, materials and technology outperformed. Energy producers rallied after gains in oil and commodity prices pointed to an improving outlook for the global economy. Defensive sectors such as staples, utilities and telcos underperformed.

For Asia ex-Japan, energy producers and materials led gains on the back of China's economic growth. The country's property sector continued to witness strong sales while data showed broad based strength in industrial production, retail sales and fixed asset investment, suggesting that growth momentum remained solid and stable. Hong Kong underperformed with weakness coming from Macau gambling names while the Taiwan index underperformed amid investor outflows from the technology sector.

The Korea market underperformed with foreign investors selling down to take profit on technology names that rallied for over the past year. Over in India, the NIFTY outperformed, lifted by a favourable monsoon season and as the country embarked on single tax rate for good and services.

ASEAN markets pulled in a poor performance. With the exception of Singapore, the South-East Asian bourses trailed behind their North Asia counterparts. Indonesian markets suffered as foreign investors rotated capital out of the country on weaker than expected consumer spending. Malaysia saw lacklustre performance with little positive news on the macro front. The Philippines managed a tepid performance with martial law extended in the Mindanao region until year end. Thailand underperformed as the banking sector sold off albeit partially offset by gains in the energy sector. Despite printing the best returns for the region, Singapore underperformed with private residential prices falling for the 15th straight quarter.

Australian equities managed to fare better than the Asia Pacific index. The Reserve Bank of Australia kept its neutral policy stance as core inflation figures were revised downward. The trade surplus surged, while retail sales rose.

Japan underperformed the index with inflation that continues to remain at the doldrums. With limited efficacy from monetary policy to achieve inflation targets, Prime Minister Shinzo Abe expressed a need to refocus on the economy and pledged to raise wages amid a tight job market and severe labour shortages in the manufacturing sector.

Asia Pacific Equity

Outlook and Strategy

We believe that the 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.

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