

Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	1.7	4.8	9.2	4.0	24.6	26.8
MSCI Japan	0.6	3.5	9.2	1.4	20.1	31.6
MSCI AC Asia Ex-Japan	2.5	5.0	7.4	6.1	26.1	24.7
MSCI Australia	3.3	8.4	15.3	5.1	34.2	19.9

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 28 February 2017.

Asia Pacific equities gained in February 2017, underperforming against both global markets and the emerging markets as concerns arose that the US Federal Reserve (Fed) would hike interest rates in March. Within the region, Australia outperformed, while Asia ex-Japan and Japan underperformed.

Financials and healthcare tied for the best performing sector. The former surged after an executive order from Trump indicated plans to relax Dodd- Frank measures. Other outperformers included consumer staples, real estate and utilities. Consumer discretionary, energy, industrials, information technology, and materials underperformed, with telecommunications as the biggest laggard. Gold rose in February while Energy was little changed.

Across the Greater China markets, consumer discretionary was the best performing sector while the energy sector performed the worst. China's manufacturing activity picked up despite a Chinese New Year holiday period, as the official Purchasing Managers' Index (PMI) inched up to 51.6 from 51.3 the previous month while the private sector Caixin PMI jumped to 51.7. The China Securities Regulatory Commission announced it would allow a larger supply of IPOs to attract capital and boost market liquidity. Over in Taiwan, the index continued its strong performance especially with gains from companies that are in the components supply chain within the technology space.

All ASEAN markets underperformed the benchmark with the exception of Singapore that was in line with the market. Indonesia saw the sixth consecutive month of outflows as foreign investors sold their holdings in equities. Malaysia underperformed even as oil prices rose while its neighbor Singapore saw its currency lifted by an appreciation against the US dollar. Thai stocks significantly underperformed its peers with weak commodity prices and the Philippines showed the worst performance in the region as the peso fell to a 10 year low against the greenback.

The Korea market underperformed for the month after manufacturing PMI fell and unemployment rates rose. With India, the NIFTY outperformed as growth concerns from demonetization receded. The Reserve Bank of India (RBI) kept rates on hold, signalling a neutral liquidity stance and an end to the easing cycle.

Japan underperformed the broader index and the rest of Asia after posting a wider than forecasted trade deficit owing to declining auto exports. The prospect of rising protectionism continues to cloud the outlook even as the country began new talks on trade and investment with the US following Trump's withdrawal from the Trans-Pacific Partnership.

Australian equities led gains for Asia Pacific as it bounced back to outperform the index in February thanks to consumer staples and banks. Inflation was little changed as economists describe rates to be at low levels. Trade data rose to new highs after registering a surplus for the first time in the previous month since 2014. Retail sales rose accompanied by unemployment rates that ticked downward slightly.

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, technology and energy sectors. We are overweight on 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 remains positive as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies. 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 28 February 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