Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	1.9	3.8	6.8	10.4	18.7	34.2
MSCI World	2.2	3.4	6.2	9.3	18.2	35.2
MSCI Emerging Markets	-0.5	6.4	11.6	20.1	22.2	24.0
MSCI USA	2.0	2.9	4.6	7.3	17.9	44.2
MSCI Canada	3.8	6.7	5.8	5.4	15.1	9.4
MSCI Europe	3.1	4.7	11.1	15.5	22.2	22.7
MSCI Japan	1.9	2.4	6.0	7.3	13.8	34.0
MSCI Australia	-0.9	2.0	-1.1	7.0	14.2	21.9
MSCI AC Asia Ex-Japan	-0.2	5.2	12.3	23.0	22.3	34.7
MSCI Latin America	1.5	13.4	10.0	19.1	25.4	6.3
MSCI EMEA	-3.9	4.9	5.8	5.0	13.5	3.9

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 29 September 2017.

The MSCI AC World Index rose in September with the emerging markets (EM) underperforming developed markets (DM). In the developed markets, European stocks booked their best month amidst better than expected economic data. Within the EM, Latin American outperformed while Eastern Europe, the Middle East and Africa (EMEA) and Asia ex-Japan fell into losses.

In terms of sector performance, consumer staples, utilities and real estate booked losses. Other underperformers included healthcare, IT, materials and telcos. The energy sector was the top performer as oil prices rallied on the back of demand upgrades by the International Energy Agency (IEA) amidst declining supply inventory in the US. Other outperformers were consumer discretionary, financials and industrials.

US equities ended slightly higher against the broader index as investors assessed the impact from a US Federal Reserve (Fed) balance sheet reduction and an increasingly hawkish policy rhetoric as the manufacturing factory gauge hit fresh highs of 60.8 in September. Over on the other side of the Atlantic, European stocks rallied on a string of optimistic economic data. This purchasing managers' index (PMI) moved higher to 58.1 while the German IFO business confidence index moderated to 115.2. The Eurozone consumer price index (CPI) saw a 1.5 % year-on-year increase for the month.

Australian equities underperformed the Asia Pacific index as defensive telcos, materials and utilities sectors trailed downward. The numbers for second quarter GDP came in below expectations while retail sales figures contracted.

For Japan, the market performed in line with the index. Reports showed that the economy continued to recover, while better corporate governance, higher dividends and a weaker yen helped to boost profits for companies. The country's inflation hit a two year high for the month of August amid a jobless rate that dropped to the lowest in 23 years. Household spending rose and industrial production climbed.

ASEAN markets underperformed the index. The Thai markets continued to climb upward after breaking a resistance level the previous month. Broad macro data signalled optimism for the economy as exports jumped and private consumption increased. Philippine equities set a new high for the month as it cheered a tax reform and a 2018 budget approved by the Senate Ways and Means Committee. Consumption related names rallied on expectations of higher disposable income. Malaysia underperformed even as economists forecast that growth would accelerate. Indonesia stocks underperformed the index as foreign investors continued to selloff as the country faces a slow execution of infrastructure projects and a tax amnesty program that failed to register higher property sales. The Singapore bourse underperformed with all sectors posting losses despite the strongest expansion to manufacturing growth since 2014 and real estate prices which stabilised.

Global Equity

Outlook and Strategy

Across regions, we maintained our neutral position in both DM and EM. This is largely due to our expectations of a range bound US dollar which should ease investor concerns regarding capital outflow from the latter region. Trump's rhetoric on global trade protectionism could continue to be an overhang on the EM region although the rhetoric more recently seems to have rescinded.

Within DM, we are now neutral on the US on valuation. However, we expect earnings growth to pick up again with improving economic conditions. Meanwhile, the tightening labour force will result in higher wage inflation but the higher disposable income along with lower gasoline prices will support the retail sector, which remains a larger part of the economy. We retain the view that the economy remains on a strong recovery trajectory, and the US remains attractive for selective value plays.

We have an overweight position in Europe on the back of further economic recovery. A weaker euro has helped to lift confidence and boost economic activities. The region also has significant operating leverage to an upturn in economic activity with profit margins currently at trough levels. The backdrop of increasing geopolitical risks in the region appears to be subsiding and this would remove any overhang on the region. However, we are watchful of any further strengthening of the Euro which could possibly derail the recovery of the region.

Concerns in Japan continue to linger. Economic data remains mixed but we believe that the Bank of Japan (BoJ) will remain accommodative, which would help to support the market. Despite disappointments on policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. A weak Yen also should be beneficial to the exporters and corporate earnings. However, we remain sceptical about any structural improvement in the economy in the longer term and hence we have an underweight position in Japan.

We retain EM on neutral as we are seeing selective value plays within the region. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period following the global financial crisis. The slowdown in China continues to weigh heavily on the demand and prices of resources. The abrupt shift in the resources sector has dampened investments and growth in much of the developing world. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint but challenges from a cyclical standpoint remain. Growth is falling short of expectations and corporate earnings could face further downward pressures unless productivity levels can continue to rise. There are interesting bottom-up opportunities and stock selection is increasingly critical.

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