Asia ex-Japan Equity

EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	1.6	2.6	-18.4	-18.4
MSCI Far East Free ex-Japan	2.3	4.6	-16.0	-16.0
MSCI China	3.6	7.5	-19.5	-19.5
MSCI Hong Kong	2.9	5.2	-17.6	-17.6
MSCI India	-4.9	-14.8	-37.4	-37.4
MSCI Indonesia	4.4	4.9	5.1	5.1
MSCI Korea	-0.6	5.4	-12.0	-12.0
MSCI Malaysia	4.9	10.3	-2.0	-2.0
MSCI Philippines	4.7	6.3	-2.2	-2.2
MSCI Singapore	-1.9	-2.1	-20.2	-20.2
MSCI Taiwan	4.1	-0.9	-22.5	-22.5
MSCI Thailand	3.5	10.9	-4.6	-4.6

Returns in Singapore dollars. Source: Bloomberg, 31 December 2011

Asian equity markets rose during the month amid modest expansion in the US economy and on concerns over the continuing debt crisis in Europe. On the global front, the US Federal Reserve reiterated the policies announced in the previous statements and no further new easing measures to stimulate the economy. In Asia, the uncertainty and slowdown in the external environment took a toll on economic growth with exports moderating. In view of the uncertainty in the global outlook, most Asian countries kept their benchmark rates on hold in December.

Asia ex-Japan Equity

Outlook and Strategy

	Policy	Change	Comment
Consumer	Overweight	–	We favour consumer staples which have more defensive earnings profile and are also likely to see margin expansion as raw material prices decrease.
Telecommunications	Overweight	–	We prefer telecom stocks that have stable free cashflow and dividend yields.
Utilities	Overweight	–	We like the thermal utilities in Hong Kong and India for their regulated returns business.

Given the uncertain global economic backdrop, our strategy is to remain defensively focused. We expect that the operating environment in Asia will be challenging in the next quarter. Inflation across the Asian markets is moderating, although we believe that this may not be enough to offset the deteriorating growth environment. Domestic consumption, which has hitherto held up and provided support for the Asian economies, has started showing signs of slowing. We expect that there will be more downgrades to companies' earnings as growth slows. Cyclical sectors, which are more susceptible to a global slowdown, could see further downside.

The macroeconomic indicators in Asia have deteriorated again in the most recent month after a slight rebound in October. The latest PMI in most Asian economies including China, Japan, Korea, Singapore and Taiwan are showing contraction, while the leading new orders PMI are also mostly showing contraction. On a positive note, inflation in most Asian economies has come off, except for India where prices remain sticky.

The key risks for the equity market include a major unravelling in the European debt crisis, the US going into a double-dip recession and a hard landing for China. Our strategy is to overweight the defensive sectors, which include Consumer Staples, Utilities, Healthcare and Telecommunications and underweight the cyclical sectors such as Energy, Industrials, Materials, Real Estate, Financials, Consumer Discretionary and Technology.

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-OSK Asset Management Sdn Bhd

Address 3rd Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur
Tel (03) 2732 1181
Fax (03) 2732 4311

THAILAND
UOB Asset Management (Thai) Company Limited

Address 11th Floor, 191 South Sathon Road, Yannawa, Sathon,
Bangkok 10120 Thailand
Tel (662) 676-7100
Fax (662) 676-7880-7

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

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product 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 and its employees cannot be held liable for any errors, inaccuracies and/or omissions, howsoever caused, or for any action taken based on views expressed or information in this publication. UOB Asset Management Ltd does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. **Past performance of the Funds or the Manager and any forecasts on the economy or markets are not necessarily indicative of the future or likely performance of the Funds or the Manager. Any extraordinary performance may be due to exceptional circumstances which may not be sustainable**. Units are not deposits or other obligations of, or guaranteed or insured by, United Overseas Bank Limited, UOB Asset Management Ltd, UOB Group or any affiliates or distributors. Investments are subject to investment and foreign exchange risks including the possible loss of the principal amount invested. The value of units and any income from them may fall as well as rise. All applications for units must be made on the application forms accompanying the relevant Fund prospectus which may be obtained from the Managers. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors should read the relevant prospectus before deciding whether to invest in a Fund. Investors may wish to seek advice from a financial adviser before investing in any Fund. Should you choose not to seek such advice, you should consider whether the Fund in question is suitable for you.

UOB Asset Management Ltd Co. Reg. No. 198600120Z