Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	1.8	3.0	-5.1	-4.8	-10.6	10.0
MSCI Japan	3.4	-0.4	-7.7	-7.7	-5.5	17.4
MSCI AC Asia Ex-Japan	-1.0	3.2	-6.7	-4.2	-17.0	7.5
MSCI Australia	2.7	8.6	5.3	-0.3	-6.7	-4.2

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 29 April 2016.

Asia Pacific equity markets were higher in April as investors turned positive on the back of improving global economic data. Within the region, Japan and Australia outperformed while Asia ex-Japan underperformed.

The materials and energy sectors were the best-performing sectors as risk appetite returned with investors turning positive on the manufacturing cycle. Yield sectors such as healthcare and telecommunications also outperformed with investors seeking yield in an environment of negative interest rates. Meanwhile, defensive sectors such as utilities lagged the broader market on the back of risk-on trades while the technology sector underperformed as earnings came in lower than market expectations.

Within Asia ex-Japan, Hong Kong was the best-performing market as the risk of higher interest rates eased. Higher interest rates would have had a negative impact on the economy and property sector. Macroeconomic data in China improved marginally due to the impact of monetary and fiscal stimulus. However, these failed to boost market sentiment as corporate bond defaults highlighted underlying asset quality risks. The performance of ASEAN markets was mixed, with Thailand rising slightly as growth in exports and imports was stronger than expectations. The Singapore market was flat even as the Monetary Authority of Singapore (MAS) set the Singapore dollar appreciation rate at zero percent, removing the modest and gradual appreciation path that was in place previously. The Philippines and Malaysia markets underperformed on political uncertainty while the Indonesia market fell the most as corporate earnings showed that economic improvement was slower than expected despite monetary easing.

The Japan Index outperformed the other regions despite the yen remaining strong on the back of dollar weakness. The Japanese market had benefited earlier from a weaker yen and relatively favourable earnings revisions and we are now starting to see negative earnings revisions as a result of a stronger yen. However, economic data remains soft with both retail sales and industrial production tracking below expectations.

Australian equities also outperformed in the month. The recent macroeconomic releases were strong with both trade balance and retail sales above market expectations. However, the Purchasing Managers' Index (PMI) reading retraced back to 53.4 in April 2016 from 58.1 in the prior month. The macro outlook remains challenging, with weaker commodity prices continuing to be a headwind for the economy.

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. The position is funded from an underweight position in Japan. We retain a neutral position on Australia. 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.

Asia Pacific Equity

In terms of sector allocation, our strategy is overweight on the consumer discretionary, healthcare and information technology sectors. We have increased our weights in healthcare recently as some selective value plays emerged with the recent correction in the last quarter. We remain positive on the longer-term trend for the consumer and technology sectors as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies. We are underweight on the materials sector due to concerns over incremental demand from China, which is experiencing slower growth and implementing reforms. On the other hand, we retain a neutral position in energy given strong demand response as a result of low oil prices and improving global demand-supply balance.

All statistics quoted in the write-up are sourced from Bloomberg as at 29 April 2016 unless otherwise stated.

Asia Pacific Equity

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
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 Investment Advisor (Taiwan) Ltd I UOB Asset Management (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

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