Quarterly Investment Strategy
Fourth Quarter 2015

# CORRECTION OR END OF BULL MARKET?

## ASSET ALLOCATION

*Remain Neutral Equities, Fixed Income and Commodities*

## EQUITY

*Downgrade Emerging Markets to Underweight and Upgrade Developed Markets to Overweight*

## FIXED INCOME

*Downgrade Emerging Markets to Neutral and Remain Underweight Developed Markets*

## COMMODITIES

*No change in allocation across Commodities with Overweight in Base Metals and Gold, Underweight in Bulk Commodities, and Neutral Agriculture and Energy*

UOB Asset Management 大華資產管理

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**Webcast – Asset Allocation Strategy for Q4 2015**

In our quarterly webcast, Mr Tony Raza, Head of Multi Asset Strategy Unit, will share our asset allocation strategy, as well as discuss key issues driving developments in global markets.

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# INVESTMENT STRATEGY SUMMARY

The third quarter of 2015 was a very volatile period for financial markets. Our downgrade of equities from an overweight position earlier in April due to increased macro risks and above-average valuations has proven timely.

We argue that the equity market correction in August had no clear fundamental basis. Market commentators point to concerns over weaker global growth triggered by China and the emerging markets (EM), the Chinese Renminbi (RMB) depreciation dragging down other EM currencies, as well as an impending US rate increase. We think these issues are developing in line with our expectations and after the market decline, valuations have fallen to more reasonable levels.

It remains to be seen whether this correction marks the end of a bull market or is a mid-cycle correction that is usually temporary and accompanied by a strong recovery. We are leaning towards the latter but acknowledge the risks that remain with volatility levels staying elevated.

We start the fourth quarter of 2015 with a continued call to be neutral across all asset classes. We look for confirmation that volatility is stabilising and that leading economic indicators point to a benign global environment, before considering an upgrade of equities to an overweight position on the view that a mid-cycle correction presents an attractive entry point.

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# GLOBAL ASSET ALLOCATION SUMMARY

We maintain a neutral asset allocation for the fourth quarter of 2015 (4Q15) after a very volatile third quarter of 2015 (3Q15). We had previously downgraded equities from an overweight recommendation to a neutral one on 21 April 2015 due to increased macro risks combined with valuations that were becoming higher than average. The global equity market correction in 3Q15 was severe and we argue that it occurred without clear fundamental justification. Our investment strategy is to look for an opportunity to upgrade equities to an overweight position but in the near term, market technical factors and volatility are still not attractive enough to warrant an upgrade. We thus remain neutral between equities and fixed income, and remain comforted by the lower volatility and steadier performance of global fixed income markets.

| Global Asset Allocation* | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Equities | ○ | ○ | ● | ○ | ○ |
| Fixed Income | ○ | ○ | ● | ○ | ○ |
| Commodities | ○ | ○ | ● | ○ | ○ |
| Cash | ○ | ○ | ● | ○ | ○ |

Notes:
*Three to six months horizon
The weights are relative to the respective benchmark(s).
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

### Equities – Maintain Neutral

Global equities corrected sharply in the past quarter, but the global macroeconomic cycle and corporate earnings cycle remained resilient according to most indicators. The more attractive valuations after the equity market correction and the lack of fundamental justification for the sell-off are reasons to look for an entry point to upgrade equities again in the coming quarter. In the near term, however, we will continue to monitor market trends and analyse macroeconomic indicators to look for possible evidence that the global sell-off may be a leading indicator of fundamental macro deterioration or may in fact trigger a downturn. We maintain a neutral weight on equities until we achieve greater clarity. Within equities, we raise developed markets (DM) to an overweight position and downgrade emerging markets (EM) to an underweight one, given the divergence in growth trajectories.

### Fixed Income – Maintain Neutral

The world will likely have to deal with the long-awaited start of monetary tightening in 4Q15. We had been expecting a rate increase in September 2015, but with the volatility spike in the past quarter, we now expect the US Federal Reserve (US Fed) to start its first rate increase in December 2015. Fixed income investors have been nervous that rate increases can undermine fixed income performance, but we continue to expect that low global inflation will limit the trajectory of rate increases to a very gradual path. The fixed income asset class can deliver returns in line with the yields offered by fixed income instruments and we maintain a neutral weight. Within fixed income, we remain overall underweight on DM and reduce our weight on EM to neutral.

### Commodities – Maintain Neutral

Most commodities continue to struggle in a strong US dollar (USD) environment where China is consuming fewer resources than at the peak of its developmental years. However, most of the weakness has largely affected commodity prices and producers have cut back production, which should stabilise commodity asset prices. We maintain a neutral position.

### Cash – Maintain Neutral

During periods of higher risk, it is helpful to have cash on hand, especially for the potential of a modest equity correction that could represent a buying opportunity where the cash raised can be deployed.

# GLOBAL INVESTMENT STRATEGY
## MID-CYCLE CORRECTION OR END OF THE BULL MARKET?

From the end of a recession, in and through an economic expansion phase of a cycle, investors should have a preference towards overweighting equities in order to tactically benefit from asset allocation. However, there are periods in the expansion phase of a cycle which warrant investors to be more cautious, particularly if there is some combination of rising tail risks and expensive valuations. We have recommended being overweight on equities through most periods since 2009, but we downgraded equities in April 2015 due to concerns about the combination of rising risks and above-average valuations. Corrections during expansions tend to be temporary and we would thus prefer to look for confirmation that markets are stabilising and that leading economic indicators are not pointing to a new global recession. Until then, we continue to recommend a prudent balance between asset classes and thus continue to propose a neutral allocation between equities, fixed income, commodities and cash – in accordance with a risk balance that is suitable for individual investors.

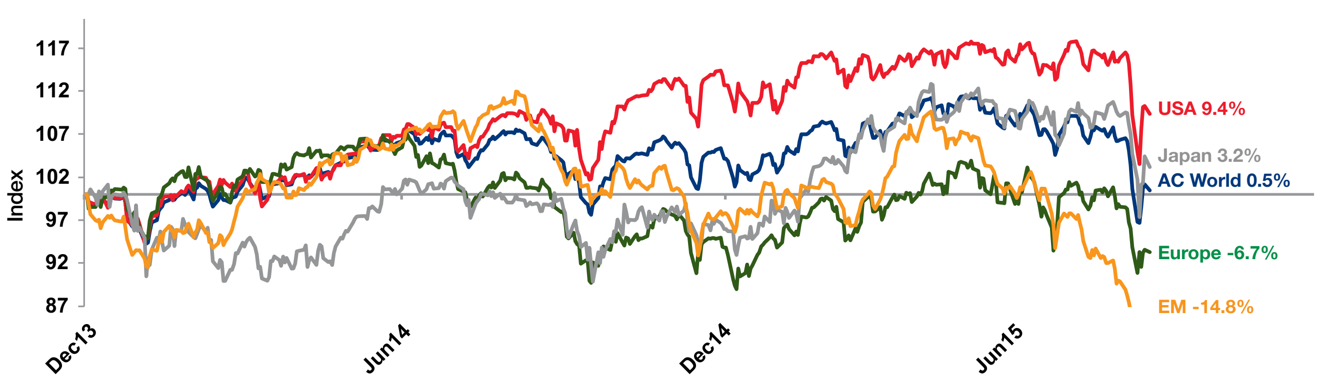
### Sharp correction

Global equities had been performing positively through most of the year but then corrected sharply in August 2015 with most equity markets falling by more than ten per cent from their 2015 highs. While all asset classes were somewhat affected, the correction was primarily focused in global equities, with EM equities taking the greater hit. The corrections were enough to wipe out two years of bull market performance within the course of two weeks.

The year-to-date (YTD) performance of most asset classes is now negative. Asset allocation decisions in 2015 have been more about trying to be in asset classes that have been relatively less affected and more stable.

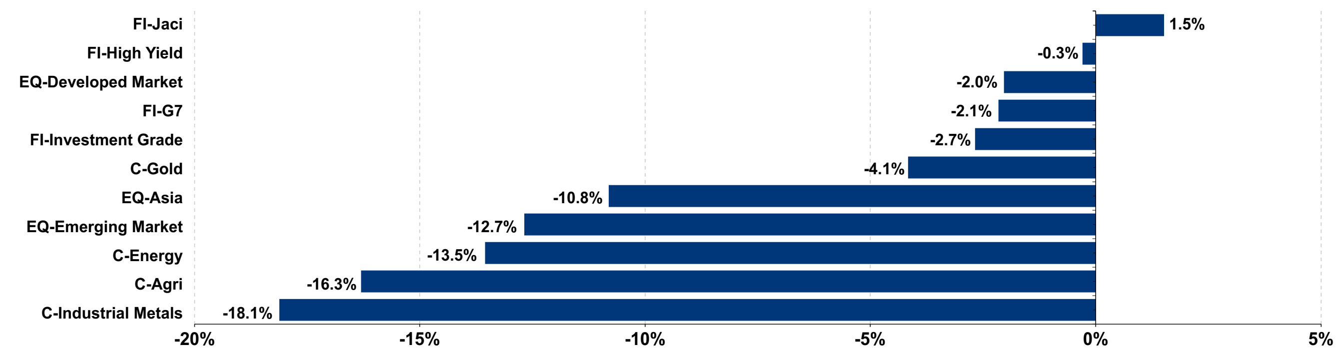
Corrections are not unusual in the course of an expansion, and frequently present an investing opportunity. However, there are times when market corrections are the first hint of deteriorating economic fundamentals or lead to more

**Global equities performance**




Source, UOBAM, Bloomberg, 3 September 2015

### YTD asset class performance (USD)




Source: UOBAM, Bloomberg, 31 August 2015

cautious business and consumer behaviour, which in turn creates weaker fundaments. As at the start of 4Q15, it is still too early to confirm if there are any fundamental side effects arising from the market correction.

In previous corrections such as in October 2014, May 2006 and April 2004, the subsequent six-month returns turned out to be exceptionally strong. In October 2007, however, equity markets started a sharp correction that accelerated after a pause. The August 2015 correction is comparable in size to these previous corrections. We would argue that in 2004, 2006 and 2014, the market declines were not accompanied by evidence of weaker macroeconomic fundamentals. However, we also note that as at the fourth quarter of 2007, leading indicators such as manufacturing indices had turned negative, but it was not clear until mid-2008 that a recession was looming.

Equity markets have always been inherently volatile. Equity volatility measures such as VIX have shown a trend where volatility since the crisis has declined back to pre-crisis levels. However, measures such as the volatility of VIX (VVIX) have hit new highs in recent periods. Specifically, VVIX hit 170 in August 2015 while it was only at a 140-level during the Lehman crisis. This measure of "how surprising the surprise is" has become more extreme while overall volatility may only be slightly higher than pre-financial crisis periods.

Market volatility may have changed due to structural changes in the market. Investors use exchange-traded funds (ETFs)

### Global equity corrections

| | Correction | | | 6-month recovery | | |
|---|---|---|---|---|---|---|
| | MSCI World | US | Asia | MSCI World | US | Asia |
| **Aug-15** | -12.2 | -11.8 | -21.5 | ? | ? | ? |
| **Oct-14** | -9 | -7.2 | -9.1 | 12.4 | 14.3 | 14 |
| **Oct-07** | -17.7 | -17 | -28.5 | -41.6 | -33.2 | -53.5 |
| **May-06** | -12 | -7.4 | -19.4 | 21.5 | 17.7 | 31.7 |
| **Apr-04** | -7.7 | -4.1 | -20.6 | 14.8 | 10.1 | 25.7 |

Source: Bloomberg, as at 3 September 2015 to a much greater extent and the fund flows of redemptions during market drawdowns have been particularly sharp from ETFs. Also, new global bank regulations prohibit banks from taking large investment positions, which helped to smooth the flows of redemptions and subscriptions in the past. In addition, there is currently a great number of retirees with a large pool of retirement savings to be invested. This has led to an environment of low inflation, very low interest rates and relatively high asset valuations. When market corrections occur, these investors appear to get more nervous than in the past. These factors add up to explain why we should expect the markets to have bouts of severe volatility.

If we find evidence that macro data show that fundamentals are stable such as in 2004, 2006 and 2014, then the market corrections can provide a strong potential investment opportunity. The structural changes in the market are likely to create spikes in volatility that will recur over the years. Sharp corrections that are not fundamentally justified may be a sign of less efficient markets, but undoubtedly also present an opportunity for investors who are looking to take advantage of the sell-offs.

### Fundamental macro outlook

While the August 2015 correction is as severe as other significant corrections over the past 15 years (as shown in the earlier table), it has been abnormally unclear which fundamental issue triggered the correction. Global investors, economists and strategists have pointed to several issues including weaker global growth, US interest rate increases, China growth concerns, EM growth concerns and the potential devaluation of the Chinese RMB. For most of these issues, we find that little has changed over the course of the year and thus, we do not think the correction is fundamentally supported. If there is a clear growth weakness in the world, we think it is centred on the commodity sectors and commodity-exporting countries.

Global growth expectations have not changed significantly over the past couple of quarters. The global GDP forecast table below is largely similar to last quarter's table, with the biggest downward revision coming from the US GDP forecast (previously forecasted to be 2.5% growth but was revised down to 2.3% growth in 3Q15). While growth in the first half of the year for the US was weak, the US has since been recovering and economists are currently starting to revise US growth back up after their earlier downgrades. Also, the clear weakness in the world is in commodity-focused countries such as Brazil and Russia. Non-commodity, export-oriented EM countries will ultimately benefit from lower energy and raw material prices. Thus, while there are concerns about China's and India's growth, forecasts for their growth outlook have not changed significantly from last quarter.

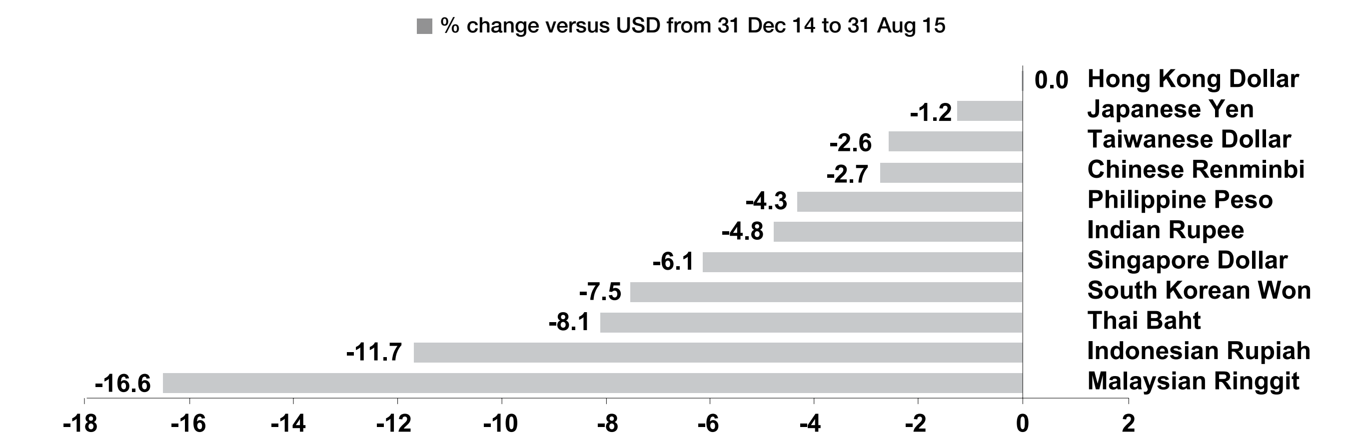
**Global GDP forecasts**

| | ACTUAL | | | | | | | FORECASTS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| **United States** | -0.30 | -2.80 | 2.50 | 1.60 | 2.20 | 1.50 | 2.40 | 2.30 | 2.70 | 2.50 |
| **Euro Area** | 0.50 | -4.50 | 2.00 | 1.60 | -0.90 | -0.40 | 0.80 | 1.50 | 1.70 | 1.60 |
| **Japan** | -1.00 | -5.53 | 4.75 | -0.45 | 1.80 | 1.58 | -0.10 | 0.85 | 1.40 | 0.70 |
| **China** | 9.60 | 9.20 | 10.40 | 9.30 | 7.70 | 7.70 | 7.40 | 6.90 | 6.70 | 6.50 |
| **India*** | 8.18 | 6.60 | 9.35 | 7.68 | 4.83 | 5.10 | 6.90 | 7.30 | 7.60 | 8.05 |
| **Brazil** | 5.05 | -0.22 | 7.62 | 3.95 | 1.76 | 2.75 | 0.18 | -1.75 | 0.40 | 1.65 |
| **Russia** | 5.20 | -7.80 | 4.50 | 4.30 | 3.40 | 1.30 | 0.60 | -3.70 | 0.50 | 1.20 |

*India GDP from 2013 based on Fiscal Year ended March. Old series from 2008-2012 based on Calendar Year.
Source: UOBAM, Bloomberg, updated as at 1 September 2015

The global equity correction appeared to have started with the depreciation of the Chinese RMB with many concerns focused on the risks of China's growth falling significantly. While there is some basis for the concerns, we would point out that these issues have not really changed significantly through the year. The currency depreciation has been small, at only three per cent against the USD, and the outlook for the currency is not that weak as its foreign reserves and current account balances are among the strongest in the world. The only real issue with the Chinese RMB depreciation is that the euro and other Asian currencies have fallen much more so far in 2015.

**Asian currency YTD performance against USD**




Source: UOBAM, Bloomberg, 3 September 2015

Most measures of China's economy continue to show an expected slow decline in the GDP growth level to between six and seven per cent. GDP growth and industrial production growth in the first half has remained in a six to seven per cent range. This is slower than the double-digit growth rates last achieved in 2010, but is in line with the expectations that China is now a far larger economy and growth levels will moderate in coming years. Part of the issue for China is that many of the older heavy industry sectors that have led China's growth in the past are no longer growing and the economy is increasingly driven by new service sectors. Many investors who use heavy industry metrics as a guide for growth are coming to the conclusion that the economy is falling faster than expected, while those who have been tracking the growth of services see encouraging signs of growth. The fact is that China is a complex combination of various industries. Our overall view is that China is going through a difficult transition but that growth appears to be tracking within expectations so far.

**China economic indicators**

| Negative | Positive | Expectation |
|---|---|---|
| August flash Markit Manufacturing Purchasing Managers' Index (PMI) at 47.1, lowest in 3 years | Markit Services PMI holding up well (>53) | New fiscal stimulus to add to China growth incrementally, but likely phased gradually: policy bonds (RMB 2tr), construction bonds (RMB 1tr) |
| Industrial Production (IP), Fixed Asset Investment (FAI) trending down (July missed expectations). Property construction starts still very negative. | Property sales strong, +30% over June-August | Property starts and investments improve over time. However, high inventory levels could prolong the time lag for recovery. |
| Exports, cement and steel production turned negative. Producer Price Index (PPI) turning more negative (<-5%). | Cement prices stabilising. More mergers and acquisitions in overcapacity sectors | |
| Auto sales turned negative in last two months | Strong growth in movie box office, airline passenger and 4G subscriber growth | |
| Electricity production July -2%, railway freight carriage negative | Electricity production in August turned up +3% from July -2% | |
| Negative stock market wealth effect could further hit consumption | | |
| Expectations of RMB devaluation accelerate capital outflows | China still has huge reserves and strong trade surplus, and strong demand as a settlement currency | |

Source: UOBAM, September 2015

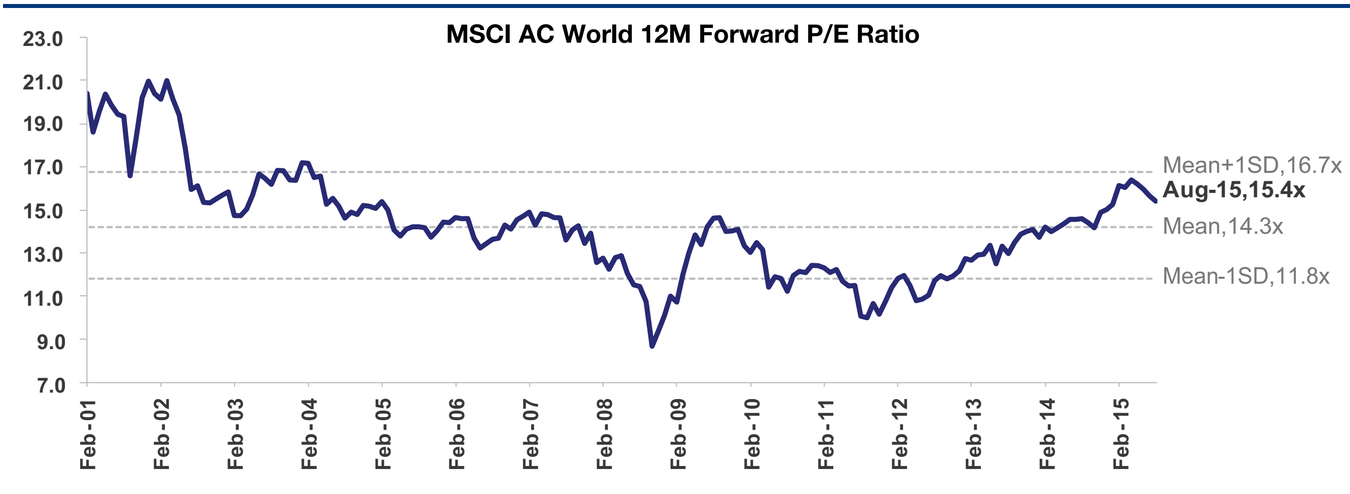
## Valuations versus earnings

Over the course of the past several years, we have been defending both equity and fixed income market valuations from concerns that they were both in frothy, if not bubbly valuations. We argued that earnings were healthy, equity market valuations were in line with historical averages, and that fixed income yields were in line with expectations of low global inflation with credit spreads within historical norms. However, we pointed out last quarter that equity valuations were finally creeping more significantly above historical valuations and this was one of our concerns for downgrading equities to a neutral view.

Valuations at the start of 4Q15 are back to more reasonable levels after the correction in 3Q15, and we find valuations less of a concern going forward. The MSCI World price-to-earnings (P/E) multiple (below chart) had almost increased to one standard deviation above its historical average, but now has returned to only slightly above average. We think that this is a reasonable range for this stage in the cycle.

We think that the most critical decision at this stage in the cycle is confirming that macroeconomic trends are continuing to show expansion and that the global economy is not heading to a new recession. If we are comfortable with global growth, then we think that neither global equity nor global credit valuations are a problem for expected asset class performance.

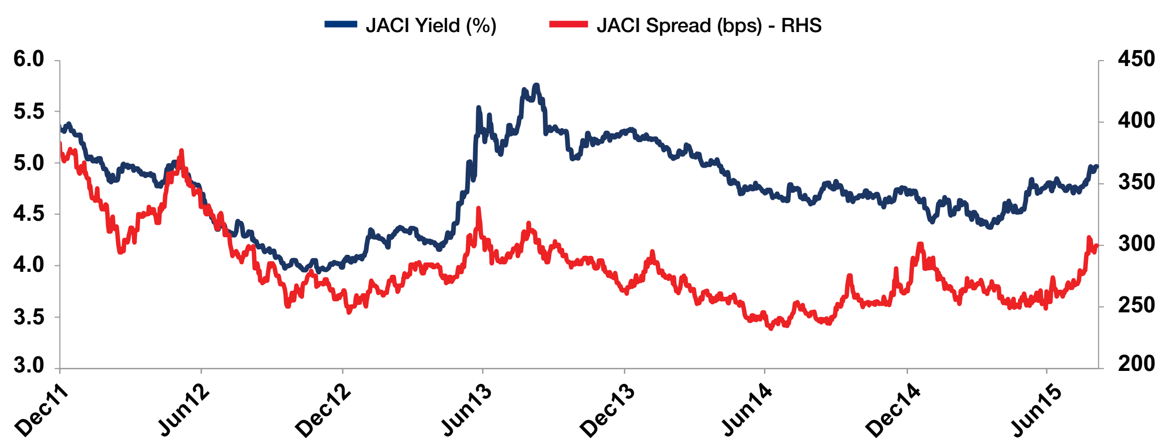
### Global equity market valuation




Source: MSCI, Datastream, 31 August 2015

We also think that fixed income credit spreads and yields will remain at reasonable levels. While there are fears that rising global interest rates will put pressure on fixed income markets, our view is that low global inflation will keep rates at reasonably low levels and fixed income markets will continue to provide steady returns. We continue to find that current fixed income yields and spreads are at reasonable levels, in line with trading ranges in the past.

**Asian fixed income yields and spreads**




Source: UOBAM, Bloomberg, 3 September 2015

## Assessment and outlook

Last quarter, we noted that macroeconomic trends were consistent with the global economy being in the middle of an expansion cycle but that global risks had increased to create a "mid-cycle test". As we enter the fourth quarter, we still hold this view on being in the middle of an expansion cycle. The sharp correction is therefore most likely a mid-cycle correction. Historically, mid-cycle corrections provide attractive investment opportunities. Sustained elevated levels of market volatility create the risk of a fundamental slowdown if consumers and business investors become concerned about the correction.

The major uncertainties among global investors appear to be focused on China, global growth and US rate increases in the coming quarter. Our view is that all three of these issues appear to be tracking in line with our expectations and further confirmation of their trends will likely reduce uncertainties among global investors. However, the risk remains that weaker trends would make it more difficult for equity markets to recover by the end of the year.

We start 4Q15 with a neutral view of asset classes. We believe that fixed income markets continue to offer reasonable returns at low volatility levels and thus are comfortable holding a neutral weight in fixed income when uncertainties in equities increase. If volatility and uncertainties decrease, our view is that equities will deliver higher performance during mid-cycle periods. Commodities have performed poorly and the structural demand outlook is not very strong. However, we believe that the oversupply situation across most commodities is becoming less of a problem and expect commodity prices and companies to stabilise over the coming quarters.

# EQUITY STRATEGY

## GLOBAL EQUITY

| SECTOR ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Consumer Discretionary | ○ | ○ | ● | ○ | ○ |
| Consumer Staples | ○ | ○ | ● | ○ | ○ |
| Energy | ○ | ● | ○ | ○ | ○ |
| Financials | ○ | ○ | ○ | ● | ○ |
| Healthcare | ○ | ○ | ▶ | ● | ○ |
| Industrials | ○ | ○ | ● | ◀ | ○ |
| Materials | ○ | ● | ○ | ○ | ○ |
| Information Technology | ○ | ○ | ○ | ● | ◀ |
| Telecommunications Services | ○ | ● | ○ | ○ | ○ |
| Utilities | ○ | ● | ○ | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI AC World Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

We have a positive outlook on global equities, underpinned by continued growth in the advanced economies, modest earnings growth outlook and strong corporate profitability.

After years of underinvestment following the global financial crisis, we believe that technology companies should benefit from rising corporate expenditure on technology hardware, software and business solutions. Hence, we are overweight on the sector. We are also overweight on the healthcare sector given its strong cash generation and dividend yield. The sector continues to benefit from recent merger and acquisition activities and strong earnings growth momentum from the biotech sub-sector. We have also moved to an overweight position in financials due to attractive valuations.

Our strategy continues to be underweight on the deep cyclical sectors such as materials and energy given the sub-par growth of the global economy. However, we hold the view that the energy sector is currently oversold and we look to move to a neutral position once the outlook on oil prices stabilises. We have also adopted a more cautious stance on interest rate-sensitive sectors such as utilities and telecommunication which could be impacted adversely by the impending US Fed rate increase.

| REGIONAL ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| **DEVELOPED** | ○ | ○ | ► | ● | ○ |
| **US** | ○ | ○ | ○ | ● | ○ |
| **EUROPE** | ○ | ○ | ● | ○ | ○ |
| **JAPAN** | ○ | ► | ● | ○ | ○ |
| **CANADA** | ○ | ○ | ● | ○ | ○ |
| **AUSTRALIA** | ○ | ○ | ● | ○ | ○ |
| **EMERGING** | ○ | ● | ◄ | ○ | ○ |
| **Asia Ex-Japan** | ○ | ○ | ● | ◄ | ○ |
| **LATAM** | ○ | ● | ○ | ○ | ○ |
| **EMEA** | ○ | ● | ○ | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI AC World Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

We have a preference for DM over EM. This is because of the divergence in growth trajectories, the effects of capital flows (due to the impending US Fed rate increase) and perceived risks to earnings expectations from shifting revenue and cost trends. Within DM, we retain our overweight position in the US given our view that the recent weakness in economic data is transitory and should pick up towards the year-end. We recognise that a stronger US dollar is a headwind to overseas corporate profits and thus retain a preference for more domestically-exposed companies.

We remain neutral on Europe. While a weaker euro has helped to lift confidence, boost activity and propel the markets higher, we are mindful of the significant challenges that remain: high unemployment, political uncertainty and ongoing balance sheet deleveraging. Despite the challenging environment, there are some good investment opportunities, especially among more globally-focused corporations that benefit from a weaker euro.

Concerns continue to linger over the long term efficacy of Japan Prime Minister Abe's 'third arrow' economic policy. However, we see opportunities arising from beneficiaries of Japan's quantitative easing. Economic data remains mixed, but we believe that the Bank of Japan will remain accommodative, which would in turn support the market. Despite disappointments in policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. Hence, we upgrade Japan to a neutral position.

We downgrade EM to an underweight position. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period post 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. The EM still represent good multi-year opportunities from a structural and macro standpoint, but face challenges from a cyclical standpoint. 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, but stock selection is increasingly critical.

# ASIA PACIFIC EQUITY

| SECTOR ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Consumer Discretionary | ○ | ○ | ○ | ● | ○ |
| Consumer Staples | ○ | ○ | ● | ◄ | ○ |
| Energy | ○ | ● | ○ | ○ | ○ |
| Financials | ○ | ○ | ○ | ● | ○ |
| Healthcare | ○ | ○ | ○ | ● | ○ |
| Industrials | ○ | ● | ○ | ○ | ○ |
| Materials | ○ | ● | ○ | ○ | ○ |
| Information Technology | ○ | ○ | ○ | ● | ○ |
| Telecommunications Services | ○ | ► | ● | ○ | ○ |
| Utilities | ○ | ● | ○ | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI Asia Pacific Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

Our representative Asia Pacific strategy is currently overweight on the consumer discretionary, financials and technology sectors. We are slightly overweight on the healthcare sector as we see some selective value plays within the broader healthcare sector. We remain optimistic about the longer-term trend for the consumer and technology sectors as they provide exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies.

The strategy is underweight on the deep cyclical sectors such as energy and materials due to concerns over incremental demand from China, which is experiencing slower growth and implementing reforms.

| REGIONAL ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Asia Ex-Japan | ○ | ○ | ○ | ► | ● |
| Japan | ● | ○ | ○ | ○ | ○ |
| Australia & NZ | ○ | ○ | ○ | ● | ◄ |

Notes:
The weights are relative to the benchmark – MSCI Asia Pacific Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

The current positioning of the Asia Pacific strategy is to be overweight on Australia and Asia ex-Japan. The position is funded from an underweight position in Japan. This is a result of bottom-up securities selection and does not necessarily reflect a view on the broader index.

For example, the overweight position in Australia is due mainly to the relative appeal of Australian materials and financials against the rest of the region. Similarly, the underweight position in Japan reflects our concern about the operating prospects of Japanese financials and materials companies.

# ASIA EX-JAPAN EQUITY

| SECTOR ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Consumer Discretionary | ○ | ○ | ● | ◄ | ○ |
| Consumer Staples | ○ | ● | ◄ | ○ | ○ |
| Energy | ● | ◄ | ○ | ○ | ○ |
| Financials (Ex Re) | ○ | ○ | ○ | ► | ● |
| Real Estate | ○ | ● | ◄ | ○ | ○ |
| Healthcare | ○ | ○ | ● | ◄ | ○ |
| Industrials | ○ | ► | ● | ○ | ○ |
| Information Technology | ○ | ○ | ○ | ● | ○ |
| Materials | ○ | ● | ○ | ○ | ○ |
| Telecommunications Services | ○ | ○ | ► | ► | ● |
| Utilities | ○ | ● | ○ | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI Asia ex-Japan Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

| COUNTRY ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| China | ○ | ○ | ○ | ○ | ● |
| Hong Kong | ○ | ○ | ○ | ● | ○ |
| India | ○ | ○ | ● | ○ | ○ |
| Indonesia | ○ | ○ | ● | ○ | ○ |
| South Korea | ○ | ○ | ● | ◄ | ○ |
| Malaysia | ○ | ● | ○ | ○ | ○ |
| Philippines | ○ | ○ | ○ | ● | ○ |
| Singapore | ► | ● | ○ | ○ | ○ |
| Taiwan | ● | ○ | ○ | ○ | ○ |
| Thailand | ○ | ○ | ● | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI Asia ex-Japan Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

Growth in Asia continues to decelerate as the region faces the impact of China's economic slowdown and uncertainty over the US interest rate lift-off. Currency adjustments will also continue to keep market volatility high.

China's growth remains weak as seen in the latest Purchasing Managers' Index (PMI) and real activity indicators with the economy undergoing structural adjustments. However, we are hopeful that the data will stabilise in the last quarter of 2015 with the impact of earlier monetary loosening, mini- stimulus and a property market pick-up eventually lifting growth. Early signs of improving electricity production and positive "new economy" indicators that focus on consumer sentiment in the services sector support our optimism. We expect the authorities to ease monetary policy further via cuts in interest rates and reserve requirement ratios, and the injection of fiscal stimulus to stabilise growth and increase liquidity.

The depreciation of the Chinese RMB has dragged down the rest of the Asian currencies, but our base case expectation is that there will not be a disorderly currency crisis, unlike in the 1997 Asian financial crisis. The fundamentals of Asian economies are now much stronger with most countries having higher foreign reserves and import cover, flexible exchange rate regimes and lower external debt. Conversely, Asia's weaker currencies will increase competitiveness and could boost exports.

Asian equity valuations are now attractive at more than one standard deviation below the mean level on a price-to-book basis – a level last seen during the 2008 Global Financial Crisis.

We believe that as the US raises interest rates, the North Asian markets of China and Hong Kong are relatively better able to withstand any potential fund outflows. We are tactically cautious on the ASEAN markets due to the growth slowdown and prefer the Philippines, but view that policy response could be a positive catalyst for the region.

The key risks are a disorderly capital outflow arising from growth concerns and risk aversion, currency volatility and a China hard landing.

# ASEAN EQUITY

| SECTOR ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Consumer Discretionary | ○ | ● | ○ | ○ | ○ |
| Consumer Staples | ○ | ○ | ● | ◀ | ○ |
| Energy | ○ | ● | ◀ | ○ | ○ |
| Financials (Ex Re) | ○ | ● | ○ | ○ | ○ |
| Real Estate | ○ | ○ | ○ | ● | ◀ |
| Healthcare | ○ | ○ | ○ | ▶ | ● |
| Industrials | ○ | ▶ | ● | ○ | ○ |
| Materials | ○ | ▶ | ● | ○ | ○ |
| Telecommunications Services | ○ | ○ | ▶ | ● | ○ |
| Utilities | ○ | ○ | ● | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI South East Asia Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

ASEAN continues to face macro headwinds from slowing economic growth and weakening currencies. However, we view that the economic situation in ASEAN does not foreshadow a repeat of the Asian Financial Crisis in 1997 as foreign reserves, external debt and banking sector health are all stronger now.

Our representative ASEAN strategy is currently overweight on the healthcare, telecommunication services, and real estate sectors. The strategy is underweight on the energy, financials and consumer discretionary sectors. The consumer staples, industrials, materials and utilities sectors are at neutral weighting.

| COUNTRY ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Singapore | ○ | ○ | ○ | ● | ○ |
| Malaysia | ○ | ● | ○ | ○ | ○ |
| Indonesia | ○ | ○ | ● | ○ | ○ |
| Thailand | ○ | ○ | ● | ○ | ○ |
| Philippines | ○ | ○ | ○ | ● | ○ |

Notes:
The weights are relative to the benchmark – MSCI South East Asia Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

Responding to a slower economic outlook, several ASEAN economies like Thailand and Indonesia have introduced fiscal stimulus measures. While these measures are still relatively modest, we believe they are a step in the right direction to improve business confidence and consumer demand, and ultimately boost economic growth. Going forward, the pace of government spending is of crucial importance to driving economic growth in markets like Indonesia, Thailand and the Philippines.

The ASEAN strategy maintains an overweight position in the Philippines and Singapore. Malaysia is maintained at an underweight exposure. In addition, Indonesia and Thailand are kept at neutral.

# SINGAPORE EQUITY

| SECTOR ALLOCATION | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Consumer Discretionary | ○ | ● | ○ | ○ | ○ |
| Consumer Staples | ○ | ○ | ○ | ○ | ● |
| Energy | ○ | ○ | ● | ○ | ○ |
| Financials (Ex Re) | ○ | ○ | ● | ○ | ○ |
| Real Estate | ○ | ○ | ○ | ● | ○ |
| Healthcare | ○ | ○ | ○ | ▸ | ● |
| Industrials | ○ | ● | ○ | ○ | ○ |
| Information Technology | ○ | ○ | ○ | ● | ○ |
| Telecommunication Services | ○ | ● | ○ | ○ | ○ |

Notes:
The weights are relative to the benchmark – MSCI Singapore Index.
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral,
'+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

The Singapore market is expected to continue to trade in a range in the quarter ahead, driven by unexciting corporate earnings offset by relatively supportive valuations. Economic growth is a concern with official growth forecasts now reduced to a range of two to 2.5 per cent.

The strategy is overweight on the consumer staples, real estate, healthcare and information technology sectors. The financials sector is kept at neutral. We also have a neutral position in energy and are underweight on the consumer discretionary, industrials and telecommunication services sectors.

# FIXED INCOME STRATEGY
## GLOBAL FIXED INCOME

| FIXED INCOME | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| DEVELOPED | ○ | ● | ○ | ○ | ○ |
| DM Goverment | ● | ○ | ○ | ○ | ○ |
| DM Credit | ○ | ● | ○ | ○ | ○ |
| EMERGING | ○ | ○ | ● | ◄ | ○ |
| EM Government | ○ | ○ | ● | ○ | ○ |
| EM Corporate | ○ | ○ | ● | ◄ | ○ |
| EM Local Currency | ○ | ● | ○ | ○ | ○ |
| Duration | ○ | ► | ● | ○ | ○ |
| Yield Curve* | ○ | ○ | ● | ◄ | ○ |
| Asia | ○ | ○ | ● | ○ | ○ |
| Latin America | ○ | ○ | ● | ○ | ○ |
| CIS/EE | ○ | ○ | ● | ○ | ○ |
| Middle East/Africa | ○ | ○ | ● | ○ | ○ |

Notes:
The weights are relative to the appropriate benchmark(s).
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.
*'+' denotes Steepener and '-' denotes Flattener.

Our global fixed income strategy remains overall underweight on the DM and neutral on the EM.

In the DM, we remain underweight on government debt, and less underweight on corporates. We are generally positive on corporate credits particularly in the EM for carry against the gradual rising of the US Treasury (UST) yield while keeping duration neutral versus the benchmark. We remain cautious on high yield credits. We also remain defensive and selective in our credit selection.

In the EM, we have reduced our slightly overweight position to neutral. We remain neutral both on EM sovereigns and on corporates. We are neutral on all EM regions, and continue to favour USD-denominated EM credits and remain underweight on local currency credits, particularly in commodity-based EM economies.

# DEVELOPED MARKETS

### Review

The ten-year US Treasury yield has traded downwards within a 40-basis-point range since it reached an intra-year high in mid-2015 on a mix of generally better macroeconomic data from the United States and inflation undershooting expectations. This also influenced the market view of the US Fed's move to normalise policy rate and the shape of the yield curve. The government bond yields in the Eurozone moved in sympathy with the US and with its own regional developments. The ten-year German Bund yield moved downwards in a 30-basis-point range. During the period of the Greece bailout negotiations, there was some flight to quality bid for German Bunds but the magnitude of the move indicated confidence of a relatively muted impact on the Eurozone.

### Outlook and Strategy

With the labour and housing market recovering strongly, we think that the US Fed may increase rates in the last quarter of 2015 but expect a shallow increase compared to previous cycles. During the semi-annual US Congressional testimony, US Fed chairperson Janet Yellen said that she thinks the economy can not only tolerate but needs higher rates. After a slow first quarter, the second quarter GDP was revised up from 2.3 per cent quarter-on-quarter seasonally adjusted (qoq saar) to 3.7 per cent qoq saar. The fundamentals underpinning domestic demand are favourable – initial jobless claims have dropped, employment growth is on an uptrend and consumer confidence has returned to the pre-crisis level.

The euro (EUR) area is seeing a modest recovery from low oil prices, easy monetary policy and EUR depreciation. However, headwinds persist with reforms on its structural deficiencies proceeding at a slow pace. The European Central Bank (ECB) has kept lending rates low and stands ready to increase asset purchasing if necessary. We expect that EUR weakness will run its course at least until the US Fed lift-off. The Bank of England is poised to raise policy rate after the US Fed rate increase, as it expects inflation to pick up notably towards the end of the year. We are neutral on the British pound.

In Japan, inflation is undershooting largely due to low oil prices. The yen's depreciation is prompting manufacturers to produce at home with capacity utilisation increasing and Japan's external position improving. We believe that the yen's further weakness against the USD is limited. In Canada, the resources sector is restructuring in response to weak oil prices, while the non-resource sector's moderate growth is underpinned by solid household spending. The Bank of Canada could ease further if commodity prices prove to be a bigger drag on the economy. The Canadian dollar is also expected to weaken. The Reserve Bank of Australia's monetary policy is highly stimulatory with the cash rate at two per cent. If the US Fed increases rates and the Australian dollar weakens further, the central bank may not need to cut further.

We have a neutral duration on the government bonds of US, Japan and core Europe.  We have a slightly long duration bias on Australian and Canadian government bonds and short duration bias for the UK.

# EMERGING MARKETS

## Review

EM bonds rose 2.61 per cent from 31 May to 31 Aug in SGD terms. In USD terms, EM bonds declined 1.97 per cent over the same period. The positive returns in SGD can be attributed to a weakening Singapore Dollar as EM bond yields rose by almost 50 bps over that period.

## Outlook and Strategy

EM bonds performed poorly as global sentiment turned to risk-off. Every year, financial markets appear to be roiled by one event or another. The difference this year was that the catalyst for the sell-off appeared to emanate from within EM: the poorly performing Chinese stock market as well as the surprise decision by the Chinese authorities to depreciate the RMB added to the already weak sentiment within financial markets. Lingering risks also continued to weigh on markets. The US Fed's much anticipated interest rate rise, originally expected in September this year, kept investors on the side-lines while the Greek drama from earlier this year continued. The Greek Prime Minister Tsipras has resigned and called snap elections in late September, which could again revive uncertainty over a Greek exit from the euro.

One area in EM that has been performing poorly is local currencies. We have been anticipating this, as we think that the weaker local currencies against the USD are in line with the macroeconomic adjustment in a lower growth environment. We expect GDP growth in EM to continue to be on a declining trend, and the weaker currency performance is a necessary adjustment in order to maintain a healthy economy.

Importantly, EM policy makers have been allowing their currencies to depreciate in an orderly manner. This, to us, is a very positive development. We are already seeing current accounts improve via a bigger contraction in imports versus exports. This helps maintain the country's balance sheet, which also preserves the credit quality of the country. As such, we remain constructive on EM hard currency bonds.

We like EM bonds (hard currency) at current valuations. We think that current spreads of around 400 bps, and yields above six per cent offer a very attractive entry point for medium term investors. Credit selection will remain important and we concentrate our positions on companies which we believe are fundamentally sound. Duration is close to neutral and we remain overweight on USD and underweight on EM currencies as growth and inflation are likely to fall further before any rebound occurs.

# ASIA

### Review

Asian hard currency bonds declined by 0.45 per cent in USD terms for the first two months of 3Q15 after falling 0.28 per cent in USD terms in the second quarter of 2015 (2Q15). The recent two months' underperformance in the high yield segment had more than offset its outperformance in 2Q15. High yield bond spread has widened massively by 69 bps within these two months.

Volatility for most asset classes shot up drastically in mid-August 2015. Weaker than expected economic data such as the PMI and Industrial Production were reported by almost all the Asian economies, spooking investors. Renewed fears of a China hard landing also led to a sharp sell-off across all risk assets. Furthermore, the People's Bank of China (PBoC) announced a new mechanism on 11 August 2015, setting the offshore RMB (CNY) fixing rate. This led to an immediate sharp two per cent depreciation in CNY against the USD and also caused the market to be even more nervous. In the past, the fixing mechanism was a black box with minimal transparency. This new mechanism takes reference from the previous day's USD-CNY spot market closing price. Despite the PBoC's effort to calm the market with further monetary policy easing (50bps cut in reserve requirement ratio and 25 bps interest rate cut) on 25 August 15, investors remained on their toes as volatility stayed high.

### Outlook and Strategy

Moving ahead, we are inclined to stay cautious towards the Asian bond market. Looking at the recent economic data, there remains a lack of evidence to show that things have bottomed and will recover from here. On the valuation front, although credit spreads have widened a fair bit over the recent August 2015 sell-off and look fairly valued now, the historical trend suggests that there is still room for credit spreads to widen further. China's near term economic data, the trend of CNY currency and the timing of the US' first interest rate increase will likely be the triggers for market volatility in the near term.

In such times of high volatility and negative risk sentiment, we prefer to stay defensive in our credit selection with more bias towards quality. Nonetheless, being overweight in quality high yield names and Chinese high yield property names will remain as our calls within the high yield segment. On duration, we will remain neutral until market calm is restored and volatility returns to normal which in turn, may bring the US rate increase to earlier than December 2015.

# SINGAPORE

### Review

Singapore GDP expanded by 1.8 per cent year-on-year (yoy) in 2Q15, slowing from 2.8 per cent yoy growth in the first quarter of 2015 (1Q15). On a quarter-on-quarter basis, GDP contracted by four per cent in 2Q15, much weaker compared to a 4.1 per cent gain in 1Q15. The slowdown was led by the manufacturing sector, which contracted by 4.9 per cent yoy. Headline inflation fell 0.4 per cent yoy and core inflation slightly edged up to 0.4 per cent yoy in July. The SGD ended the month of August at 1.4123 and weakened approximately 2.9 per cent from 1.3722 as at end July, mainly driven by the RMB devaluation in early August.

The SGD-denominated corporate market has been quiet in recent months. Like the broader Asian dollar market, the SGD corporate bond market saw a sharp retreat in investor risk appetite. Longer-dated securities and perpetual bonds were particularly badly hit given the upward shift of the swap curve. The liquidity situation was exacerbated by dealers' books becoming full from the off-loading of risk by investors, driving bid-offer spreads wider across the whole market. We think that technical factors are the main drivers of the market now, rather than fundamentals.

### Outlook and strategy

In view of the lacklustre economy and muted inflationary pressures, we expect the SGD nominal effective exchange rate (S$NEER) to remain weak. Despite the global foreign exchange market volatility following the shift in China's exchange rate policy in August, the Monetary Authority of Singapore (MAS) reiterated on various occasions that the domestic monetary policy stance remained appropriate. While the MAS is expected to maintain the current monetary policy in its October policy meeting, the SGD is likely to test the lower boundary of the S$NEER before ending the year between 1.42-1.43 against the USD. With the expectations of SGD weakness, the short-end interest rates like SOR (swap offer rate) will likely move up further as investors demand higher interest rates to compensate for a weakening SGD. Therefore, we are underweight on the one to five-year SGS (Singapore Government Securities) curve while maintaining overall neutral duration.

On the credit front, we expect markets to remain volatile in 4Q15. The uncertainty arising from the timing of the first US Fed rate increase is causing jitters among investors. The pipeline for new issuances is also expected to be pushed back until markets regain some composure.

# COMMODITIES STRATEGY

| COMMODITIES | -- | - | N | + | ++ |
|---|---|---|---|---|---|
| Agriculture | ○ | ○ | ● | ○ | ○ |
| Base Metals | ○ | ○ | ○ | ● | ○ |
| Bulk Commodities | ○ | ● | ○ | ○ | ○ |
| Energy | ○ | ○ | ● | ○ | ○ |
| Gold | ○ | ○ | ○ | ● | ○ |

Notes:
The weights are relative to the appropriate benchmark(s).
'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

## Overview

We remain at a neutral weight for the overall commodities sector, with our underweight position in bulk commodities offsetting an overweight position in gold and base metals. China has been the main source of incremental commodity demand in recent years and the sector has come under broad-based selling pressure due to concerns of an economic slowdown or even hard landing in China. However, demand data does not support such a gloomy outlook, with China showing relatively robust demand for crude oil and select base metals. In addition, we expect that policy initiatives for China's national grid, railways and the 'One Belt, One Road' programme will improve the demand outlook in the coming year. On the supply side, pricing is now deep into the cost curve for a number of commodities, suggesting that prices are unlikely to fall further from current levels.

## Agriculture

We remain at a neutral weight on agriculture commodities, with data showing a good planting season and relatively little disruption from drought or excessive rain. Corn, soybean and wheat prices appear well-supported, albeit at relatively low levels. The Australian Bureau of Meteorology continues to expect a significant El Nino weather event, which will impact crude palm oil (CPO) production as well as crops such as sugar and coffee. To date, CPO production data from Malaysia remains at above-average levels, with no signs of lower production. However, previous El Nino events have produced a strong upward movement in CPO prices when dry weather causes tree stress.

## Base Metals

We remain overweight on base metals given a generally positive demand picture, current pricing that is significantly into the cost curve, and sharply lower investment in new production across a number of metals. We note that the shape of the cost curves is relatively steep for metals such as copper and nickel, meaning that low-cost producers can remain profitable at low prices. However, we predict a significant expansion in operating margins in the event of a market upturn. Stricter social and environmental permitting means that new mines can take up to five years to construct, and the reserves of existing mines are being depleted at the same time.

## Bulk Commodities

We continue to hold an underweight position in bulk commodities, with new iron ore, thermal coal and coking coal production continuing to come onto the market, only to face weak steel and power sector demand. However, the main positive point is that high-cost production is now leaving the market, offsetting some of the demand weakness. Also, it is still possible for low-cost producers to make healthy operating margins at current price levels. Depleted inventory levels mean that bulk commodity prices could rise sharply on renewed policy stimulus.

## Energy

We maintain our neutral position in energy. Global demand continues to be positive, and US domestic oil production is finally starting to fall. Recent press reports of financial stress in Saudi Arabia's domestic finances also suggest that the Organisation of the Petroleum Exporting Countries (OPEC) may be close to agreeing to production cuts, in order to support crude oil prices. Offsetting these positive factors are the high levels of US crude oil inventories and concerns over Iranian oil supply returning to the global market. Overall, we do not expect crude oil prices to strengthen sharply in the coming quarter.

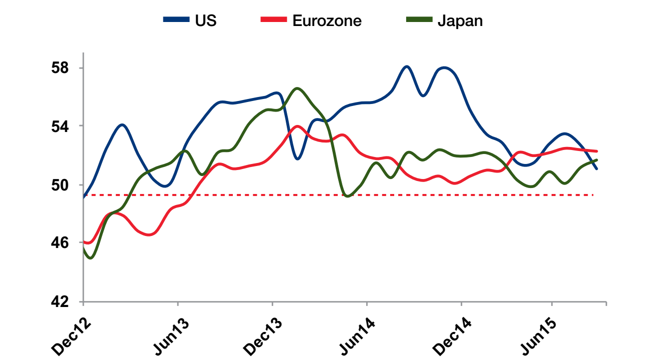
## Gold

We remain in an overweight position in gold given uncertainty in global economic data and the probability of continued low real interest rates. Retail demand from China and India is at record levels, and gold markets are now moving into the seasonally strong part of the calendar year. Central banks have remained aggregate net buyers, with the People's Bank of China now moving to monthly updates of the gold holdings in China's foreign reserves. While the strong USD remains a potential headwind, a strong dollar also has the positive effect of lowering production costs and strengthening gold revenues for non-USD producers.

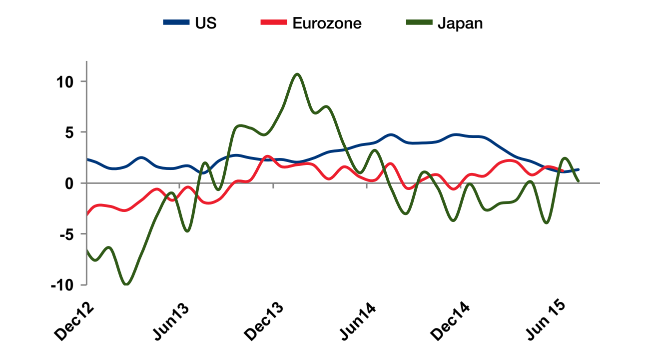
# APPENDIX
# ECONOMIC INDICATORS

## DEVELOPED ECONOMIES

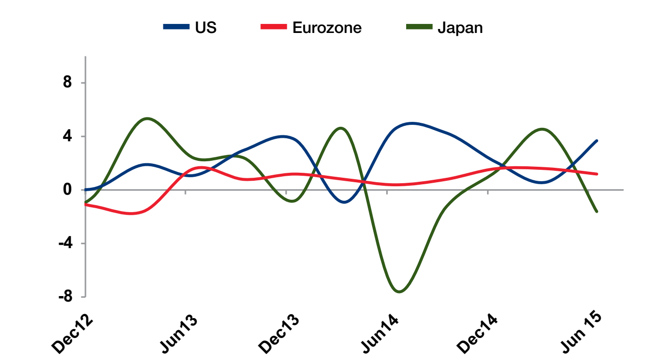
### Purchasing Managers' Index




### Industrial Production Growth (YoY%)

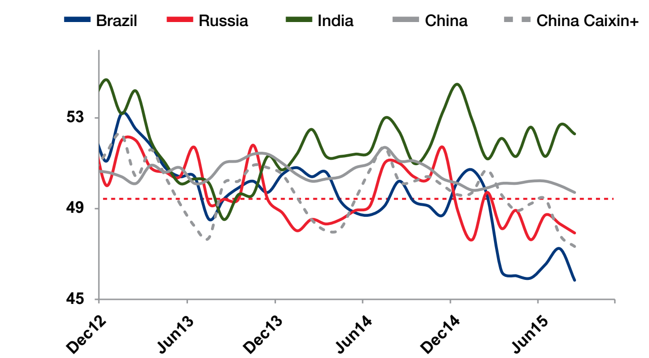



### Real GDP growth (QoQ%, saar)*

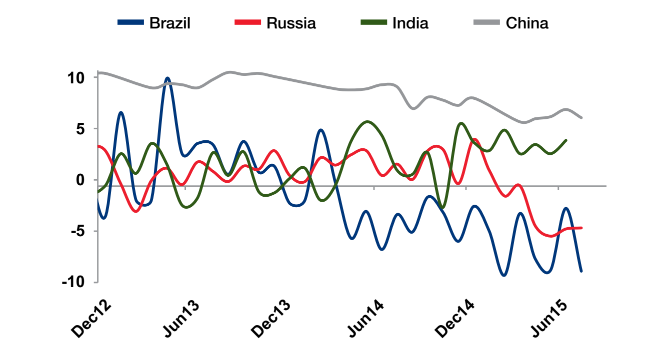



## EMERGING ECONOMIES

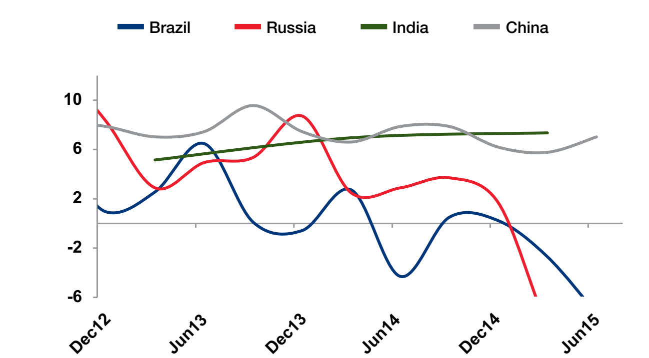
### Purchasing Managers' Index




### Industrial Production Growth (YoY%)



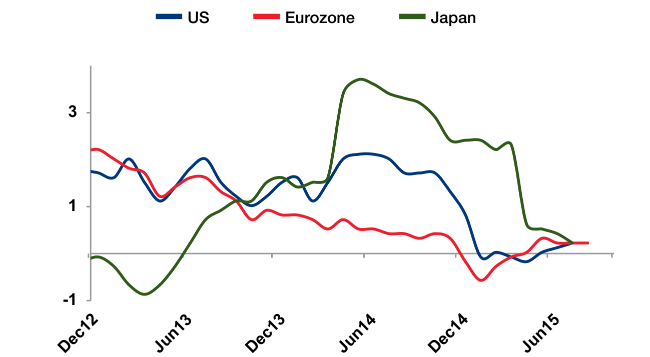

### Real GDP growth (QoQ%, saar)*




*For some economies, annualised GDP data are estimates by UOBAM. For India, data are in year-on-year percentages (YoY%).
+China Caixin PMI was previously known as HSBC PMI (effective July 2015)
Note: All data are sourced from Bloomberg, Datastream and UOBAM unless otherwise stated, as at 3 September 2015.

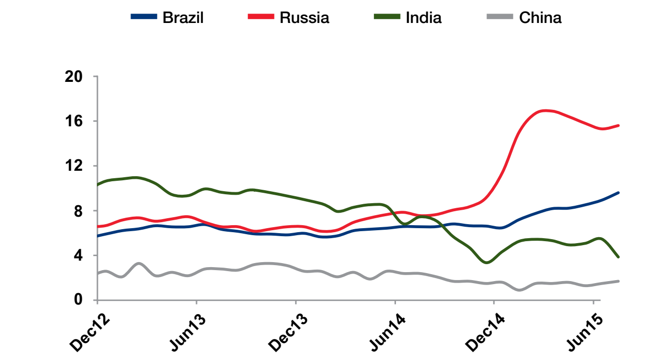
# DEVELOPED ECONOMIES

**Inflation - CPI** (YoY%)




# EMERGING ECONOMIES

**Inflation - CPI** (YoY%)




Note: All data are sourced from Bloomberg, Datastream and UOBAM unless otherwise stated, as at 3 September 2015.

## Central Banks Interest Rates

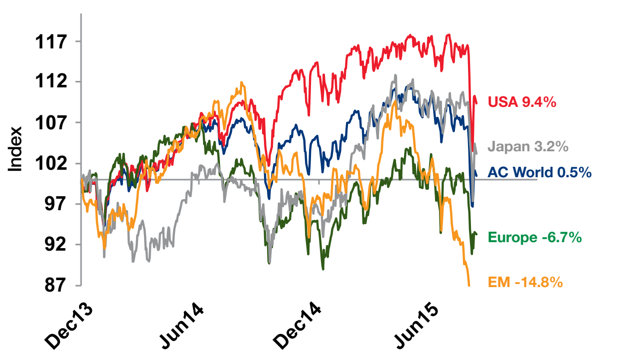
| Country | Interest Rate | Current Rate (%pa) | Latest Meeting | Change at Latest Mtg (bp) | Last Change | Next Meeting |
|---|---|---|---|---|---|---|
| | | 3 Sep 15 | | | | |
| **United States** | Fed Funds Target Rate US | 0.250 | 29 Jul 2015 | — | 16 Dec 08 (-75bp) | 18 Sep 2015 |
| **Eurozone** | Refinance Rate | 0.050 | 16 Jul 2015 | — | 4 Sep 14 (-10bp) | 3 Sep 2015 |
| **Japan** | BOJ Overnight Call Rate | 0.100 | 17 Jun 2013 | — | 19 Dec 08 (-20bp) | — |
| **United Kingdom** | UK Official Bank Rate | 0.500 | 2 Sep 2015 | — | 5 Mar 09 (-50bp) | 10 Sep 2015 |
| **Brazil** | Brazil Selic Target Rate | 14.250 | 29 Jul 2015 | 50 | 29 Jul 15 (+50bp) | 21 Oct 2015 |
| **Russia** | Russia Refinancing Rate Announcement | 8.250 | 13 Sep 2013 | — | 13 Sep 12 (+25bp) | — |
| **India** | Repurchase Rate | 7.250 | 26 Aug 2015 | — | 3 Jun 15 (-25bp) | — |
| **China** | 1 Year Benchmark Lending | 4.600 | 2 Sep 2015 | — | 26 Aug 15 (-25bp) | — |
| **South Africa** | South Africa Repo Avg Rate | 6.00 | 2 Sep 2015 | — | 23 Jul 15 (+25bp) | 23 Sep 2015 |

Source: Bloomberg, as at 3 September 2015.

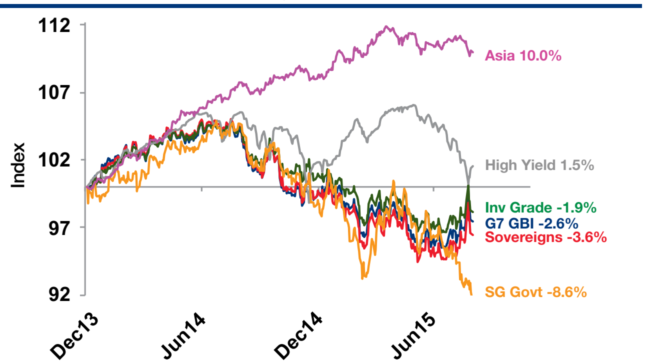
# MARKET PERFORMANCE

## DEVELOPED MARKETS

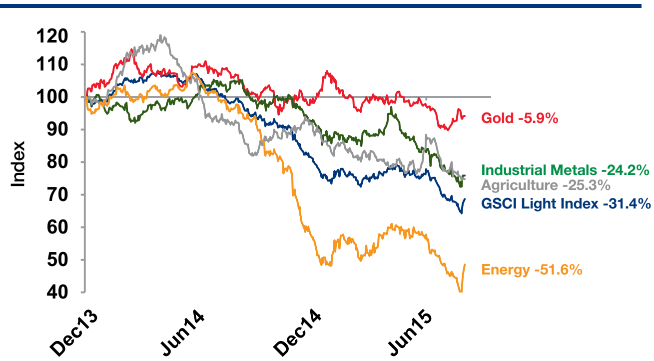
### Equity Indices
(Rebased 100 on 31 December 2013)




### Fixed Income Indices
(Rebased 100 on 31 December 2013)

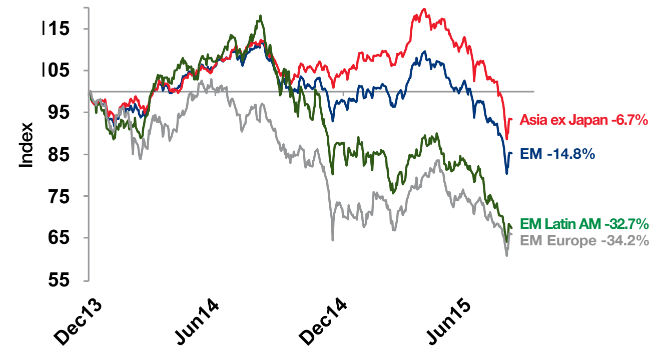



### Commodity Indices
(Rebased 100 on 31 December 2013)

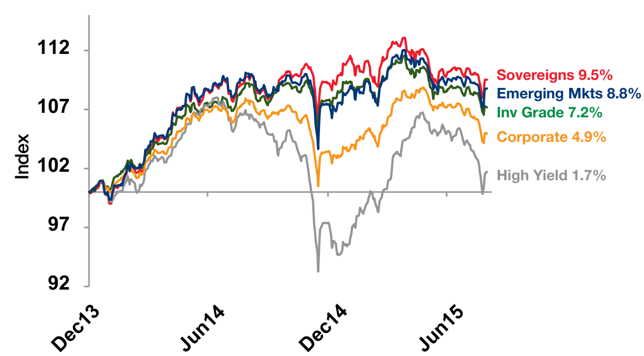



## EMERGING MARKETS

### Equity Indices
(Rebased 100 on 31 December 2013)




### Fixed Income Indices
(Rebased 100 on 31 December 2013)



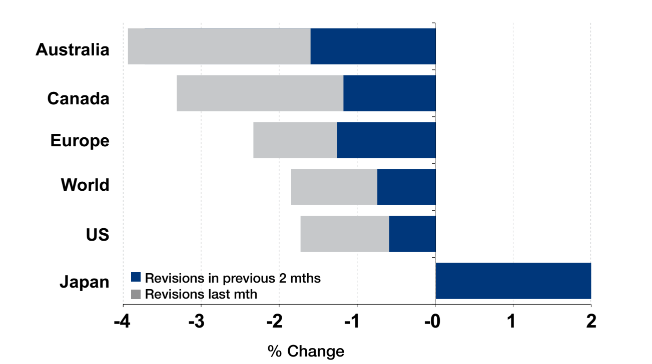

### Dollar Index Spot
(Rebased 100 on 31 December 2013)


Note: All data are sourced from Bloomberg, Datastream and UOBAM unless otherwise stated, as at 3 September 2015.

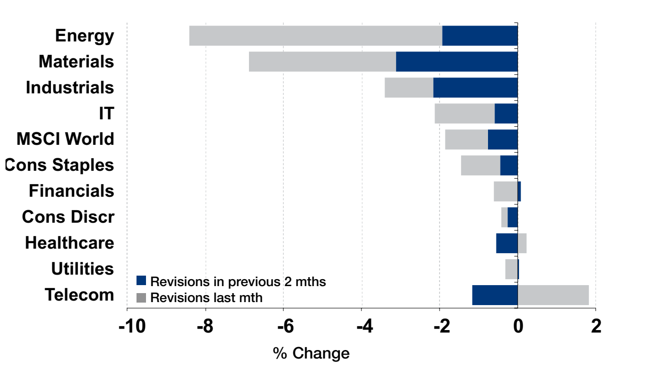
# EQUITY MARKET INDICATORS

## DEVELOPED MARKETS

### Earnings Revision by Regions for FY2

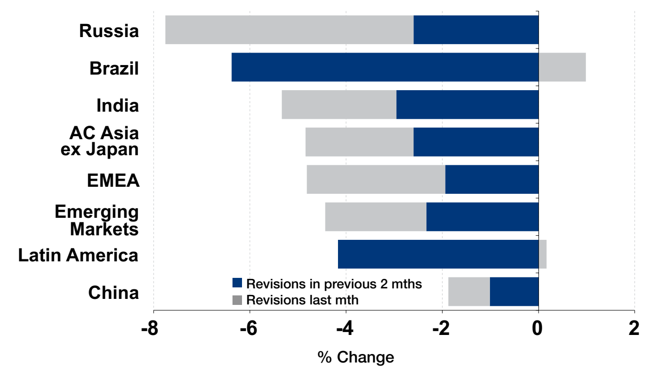



### Earnings Revision by Sectors for FY2

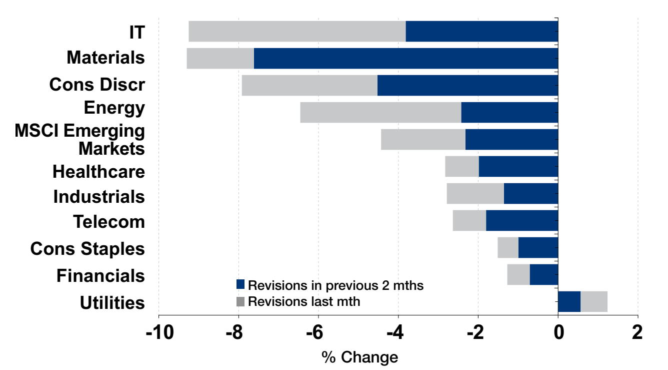



## EMERGING MARKETS

### Earnings Revision by Regions for FY2



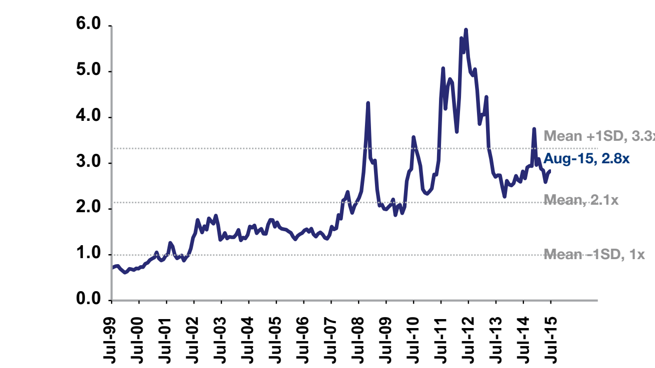

### Earnings Revision by Sectors for FY2



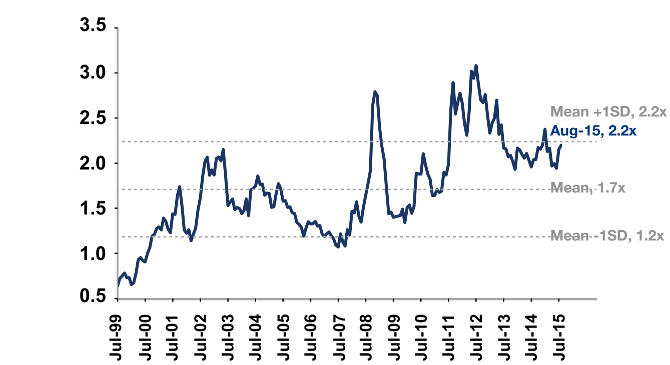

Note: All data are sourced from Bloomberg, Datastream and UOBAM unless otherwise stated, as at 3 September 2015.

# VALUATION

## Developed Markets Earnings Yield Ratio*

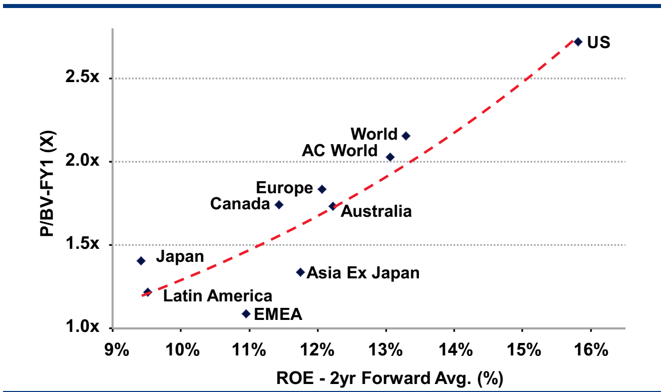



## Emerging Markets Earnings Yield Ratio*

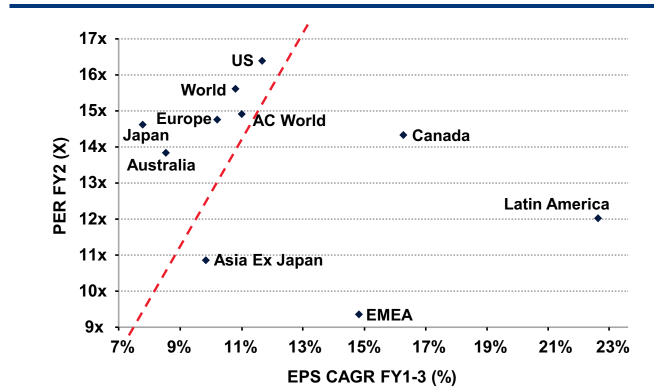



*Mean and SD are based on data from 1999.

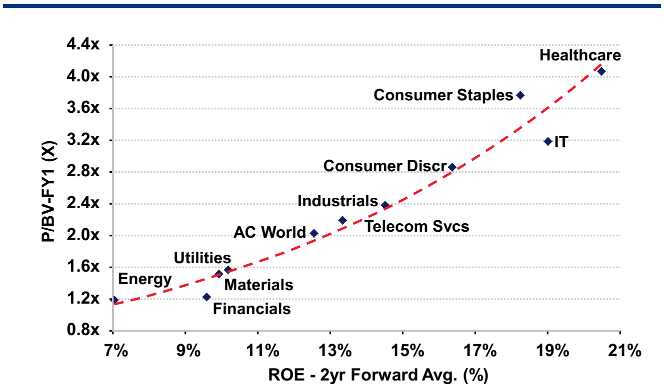
## P/BV vs ROE by Region



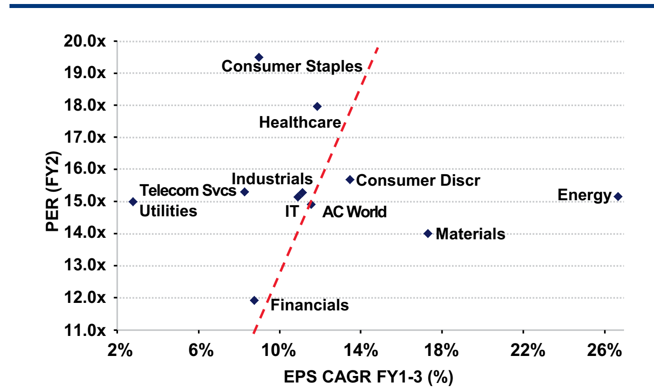

## P/E vs Growth by Region




## P/BV vs ROE by Sector




## P/E vs Growth by Sector

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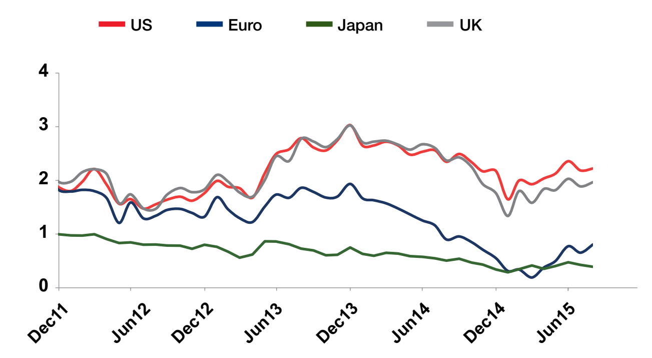
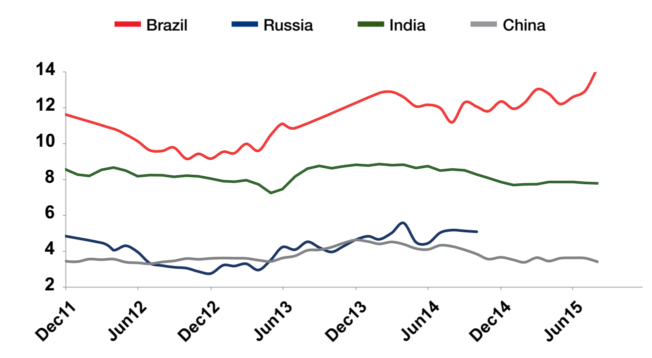
# FIXED INCOME MARKET INDICATORS

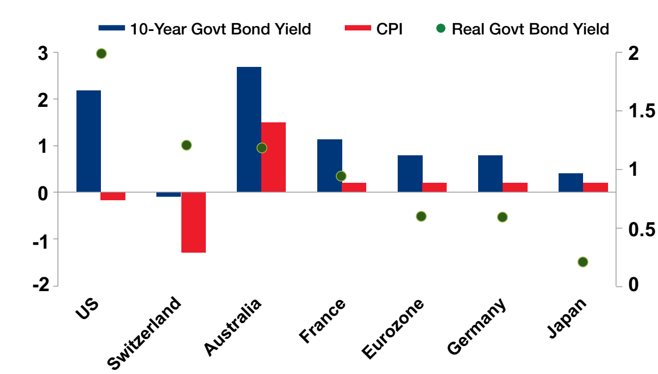
### Developed Markets 10-Year Government Yield (%)



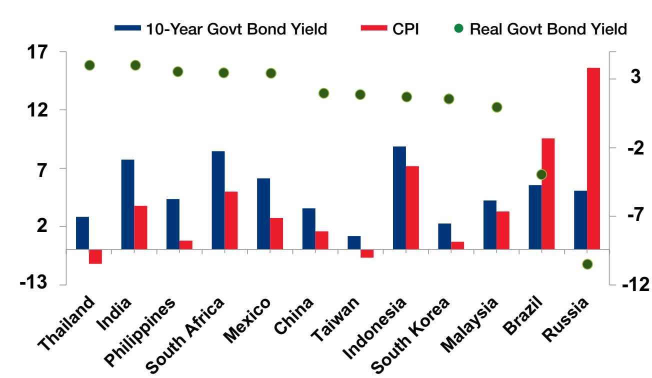

### Emerging Markets 10-Year Govenment Yield (%)



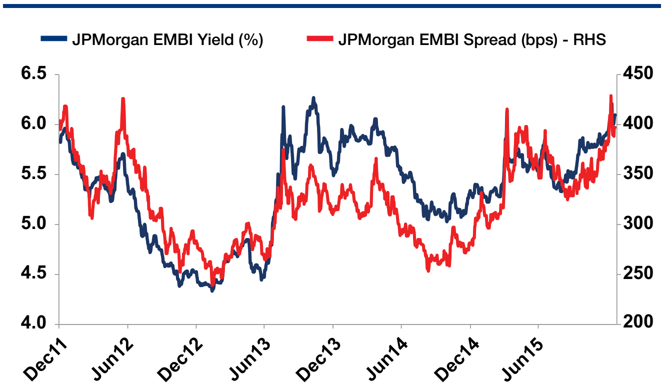

### Developed Markets Real Government Yield (%)



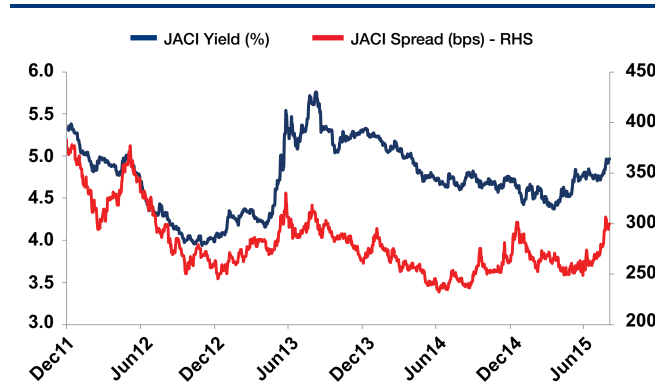

### Emerging Markets Real Government Yield (%)




### Emerging Markets (USD) Yield and Credit Spread




### Asia (USD) Yield and Credit Spread

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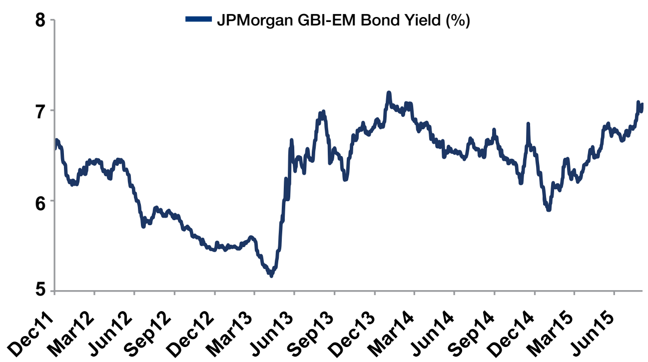
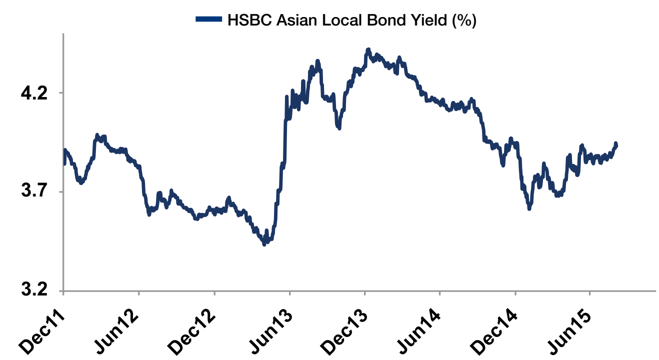
### Emerging Markets (Local Currency) Bond Yield

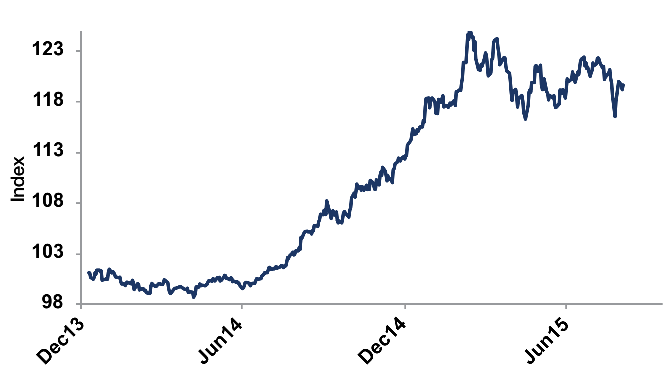



### Asia (Local Currency) Bond Yield

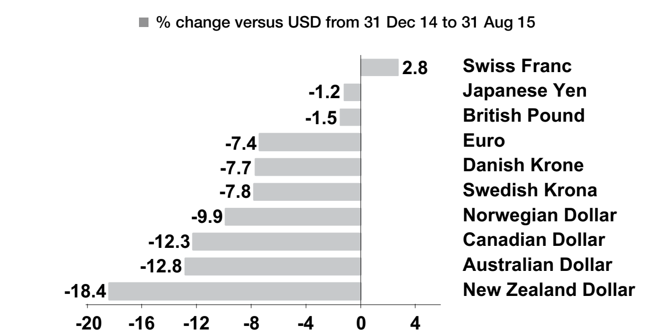



# CURRENCIES

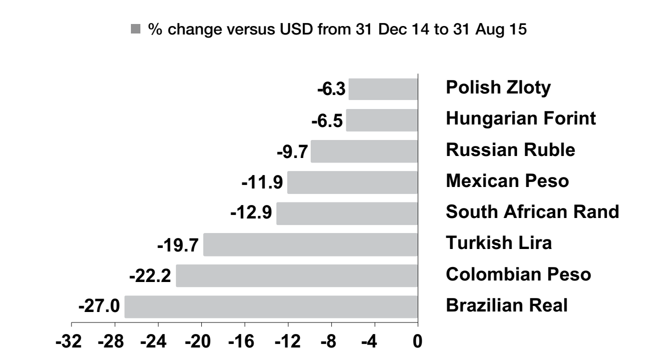
### Dollar Index Spot (Rebased 100 on 31 December 2013)



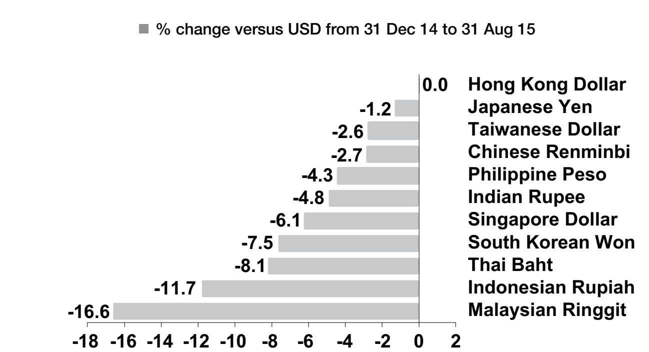

### G-10 FX against US Dollar




### Emerging Markets FX against US Dollar




### Asia FX against US Dollar

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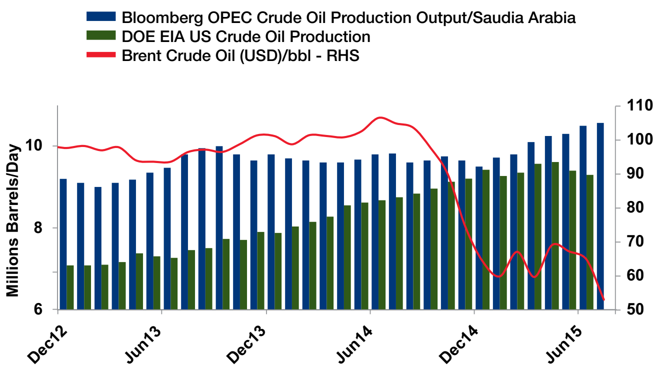
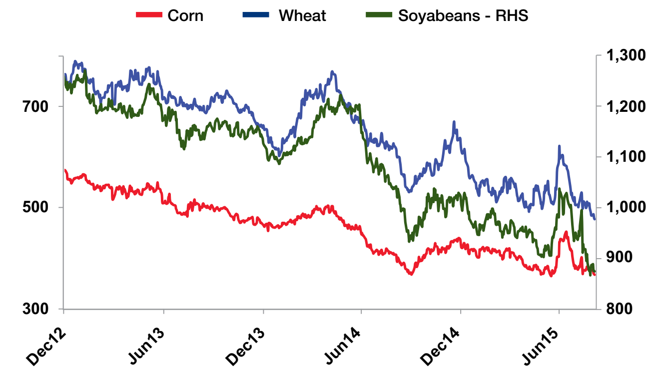
# COMMODITY MARKET INDICATORS

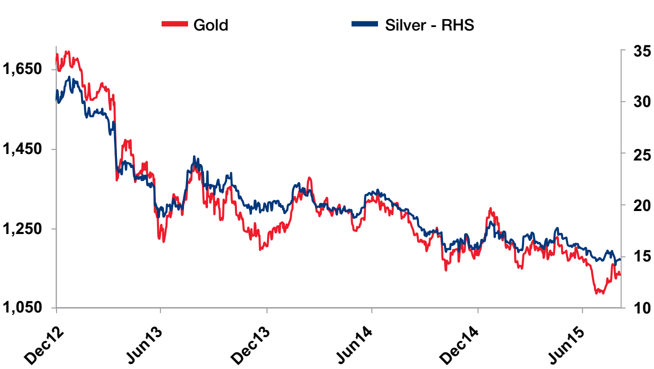
### Brent Crude Oil Price and Production



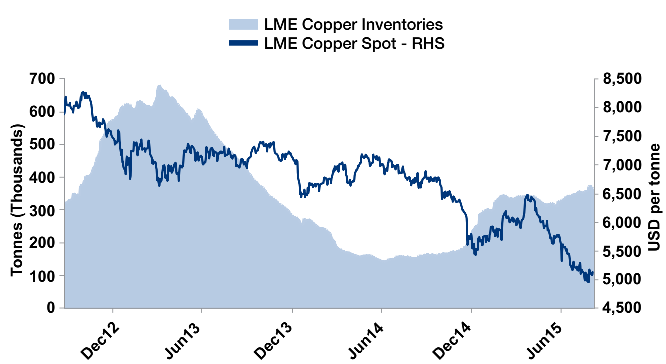

### Agriculture Price (USD)



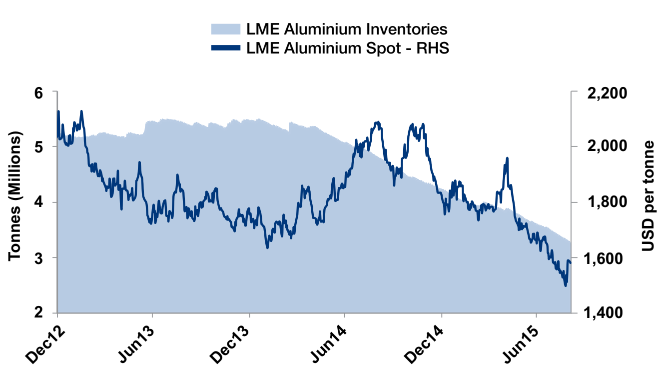

### Precious Metal Price (USD)



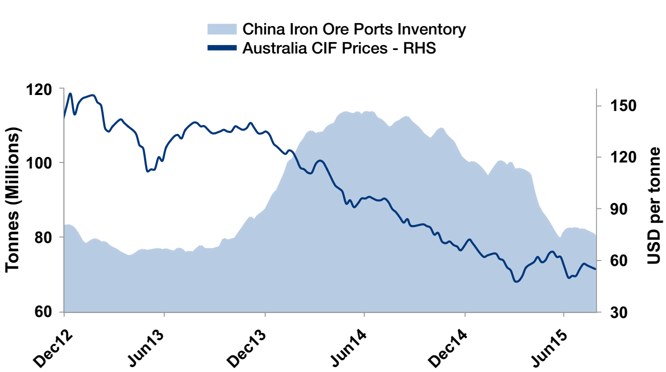

### Copper Price (USD)




### Aluminum Price (USD)




### Iron Ore Price (USD)

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The contents in this report were updated as at September 2015.

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