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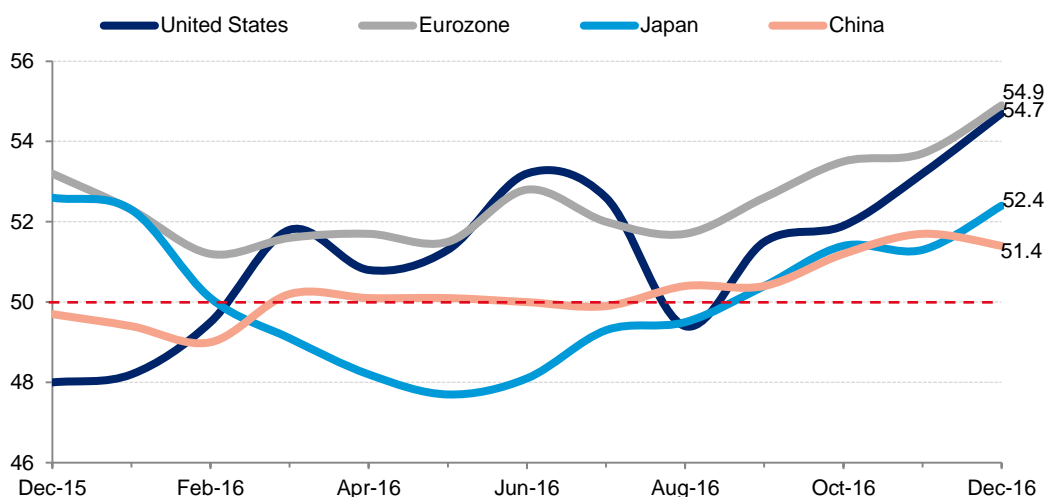
UOB Asset Management optimistic about global economic growth in 2017

Equities preferred to fixed income amid rising inflation and interest rates

Singapore, 11 January 2017 – UOB Asset Management Ltd (UOBAM) expects the global economy to pick up in 2017 even amid economic uncertainties.

The fund house highlighted better-than-expected data from various economic indicators such as the Purchasing Managers' Index (PMI), which has seen numbers above the 50 level across the world's major economies since the second half of 2016. The PMI is used as an indication of economic health and numbers above 50 point to an expansionary trend. In light of the expected economic growth, inflation and interest rates are set to continue to rise in 2017.

Figure: PMI trends across US, Eurozone, Japan and China



Source: UOBAM, Bloomberg, December 2016

Mr Anthony Raza, Head of Multi-Asset Strategy at UOBAM, said, “Macroeconomic indicators are showing signs of sustained growth globally, albeit at a moderate rate. This may in turn lead to reflation, which is the return of inflation to normal target levels, after the past seven years of low or even negative levels of inflation. Reflation also implies that wages may begin to rise with increasing consumption. Further, following the US Federal Reserve’s interest rate increase in December last year, we can expect global interest rates to rise gradually, which also signal the recovery in the economy.”

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However, UOBAM is also mindful of the risks within the major economies that may hamper global economic growth.

Mr Raza said, “While the US Congress is likely to develop and to implement policies that support domestic growth, there could be challenges to provide the fiscal support for infrastructure spending or to implement tax cuts on a timely basis. Uncertainty also remains around Brexit and the political environment in Europe, as well as a potential hard landing in China.”

UOBAM recommends equities over fixed income investments

In an environment of reflation, UOBAM is optimistic about the performance of global equities, which will be underpinned by continued growth in developed markets and modest earnings growth outlook. In particular, the fund house is overweight on equities in developed markets, given the strengthening US dollar that might lead to capital outflows from emerging markets.

“Economic growth and normalising inflation rates bode well for investments in growth assets, such as equities, as they imply that consumer prices are rising in tandem with wages and revenues. For 2017, we expect equities to provide high single-digit returns. In comparison, while returns from fixed income will remain positive due to the gradual increases in interest rates, they will likely be at low single-digit levels given the corresponding rising yields,” Mr Raza said.

Mr Raza shared his views on the global market outlook and asset allocation strategies at UOBAM’s 2017 Investment Outlook Seminar today. More than 150 participants, including institutional investors and fund distributors, attended the seminar, where they also gained insights from other investment experts from UOBAM, UOB Group and UOBAM’s strategic partners Wellington Management Hong Kong and T. Rowe Price.

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About UOB Asset Management Ltd

UOB Asset Management Ltd (UOBAM) is a wholly-owned subsidiary of United Overseas Bank Limited. Established in 1986, UOBAM has been managing collective investment schemes and discretionary funds in Singapore for more than 30 years. It currently manages 59 unit trusts in Singapore and is one of the largest unit trust managers in terms of assets under management. As at 30 October 2016, UOBAM and its subsidiaries manage about US\$21.4 billion in clients' assets. UOBAM has an extensive

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presence in Asia with regional business and investment offices in Malaysia, Thailand, Brunei, Taiwan and Japan. UOBAM also has two joint ventures: Ping-An UOB Fund Management Company (China) and UOB-SM Asset Management Pte Ltd (Singapore), as well as strategic alliances with UTI International (India) and Wellington Management Singapore.

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