BEA Union Investment

Webcast Summary

Market Outlook for 4Q 2017: Factors Supporting Asset Prices, and Strategy for the Rest of 2017

(29 September 2017)

Mr. Henry Chan, Chief Investment Officer at BEA Union Investment, shares his views on market trends for the equity and bond markets for the fourth quarter, and reveals our strategy for the rest of the year.

Q1： Equity markets have delivered double-digit returns so far this year, while bonds also delivered positive returns. This has happened despite geopolitical uncertainties, arguably overpriced market valuations, and some concern over growth slowdown in China. Do you think markets are headed for a sharp market pullback following their strong moves this year?

A1： We believe the fundamental conditions supporting asset prices have largely remained intact, and remain positive about the equity and bond markets.

There are several key drivers for asset prices:

- **Favourable liquidity conditions:** Interest rates are low historically, and will not rise sharply due to the lack of broad-based growth, which we consider will continue providing support to asset prices of equities and other asset classes.

- **Corporate earnings revisions:** Corporate earnings have been revised upward across various regions. This has been a source of market re-rating, and we believe the momentum of corporate earnings will stay strong and provide support to equity markets.

- **Reasonable valuations:** Valuations have not been cheap since last year, but the markets have been holding up well. So long as valuations do not become excessive, we believe markets will be more driven by liquidity and earnings momentum.

Q2： Both equities and bonds continue to perform strongly due to favourable liquidity conditions and positive earnings cycles. Can you give any advice on selecting stocks?

A2： When it comes to selecting stocks, it is advised to focus on market leaders with stable income and earnings, as these should continue to perform well against companies with weak pricing power and those in the cyclical segments. The current environment is also favourable for credits – especially Asian credits, which carry higher yields. Cash flow is improving while earnings are strong, and excessive expansion is less likely in this benign environment. Fundamental conditions remain supportive.

Q3： Both stock performance and economic growth in Asia have outperformed those of developed markets so far this year. Is this trend set to continue?

A3： We prefer Asian equities and credits for the rest of this year, the main reasons being:

- Earnings expectations have bounced back and growth expectations are warming up.
- Asian equities and credits are still under-owned, and valuations remain at a discount, rather than reflecting real growth potential. Valuations are still at a discount compared to the U.S. market.

Please go to http://www.bea-union-investment.com/eng/webcast to watch our webcast.

If you would like to subscribe for more of our funds' marketing materials, please feel free to register as a member of BEA Union Investment through the link below:

http://www.bea-union-investment.com/member-registration