



Asian Stock Market Outlook

SMAM monthly comments & views

~ April 2015~



Sumitomo Mitsui Asset Management

Executive summary

➤ Asian Economy

We expect Asian countries and regions to add steam modestly from 2014 to 2015 amid expanding US economy. Low-inflation would be the main story due to low crude oil price. However, some countries will be experiencing relatively higher inflationary pressures such as recent fuel price adjustments in Indonesia and implementation of GST & subsidy reforms in Malaysia.

- We maintain China's GDP growth +7.1% for 2015 and newly rated +6.8% for 2016.
- The economy in Philippines and Vietnam is expected to accelerate to grow in 2015, while most other countries are expected to recover in 2H 2015 after slower growth in 1H.
- Regarding inflation, we could see low and stable inflation in NIES4. However, we could see elevating inflation in most ASEAN4 countries, especially in Malaysia and Indonesia due to fuel price adjustments, planned implementation of GST and elevating domestic costs.

➤ Asian Stock Markets

We maintain our "Positive" view for next 6 months, however the room for the upside will be more moderate due to mild recovery of the corporate earnings and subdued valuation.

- Underlying economic conditions in Asia will improve gradually. Solid recovery of US and stabilizing China economy should be supportive.
- Attractive valuations help the market in the medium term, but it will remain subdued due to fragile investor sentiment.
- Change of US monetary policy will not significantly impact to Asian equity market as long as long bond yields remain stable.

Note: Economy and Stock markets comments are as of March 18th and 26th 2015 respectively.

Outlook for Asian Economy

SMAM Economic Outlook Summary

- We expect Asian countries and regions to add steam modestly from 2014 to 2015 amid expanding US economy. Along with improvements in external demand, special impacts such from ferry disaster in South Korea and prolonged political turmoil in Thailand are likely to fade away.
- We maintained Australia's GDP growth forecast of +2.4% for 2015 and newly rated +2.9% for 2016.
- We maintained China's GDP growth forecast of +7.1% for 2015 and newly rated +6.8% for 2016.
- The NIES4 are expected to grow at +3.3% and +3.5% in 2015 and 2016. ASEAN4 are forecasted to grow +5.0% and +5.3% in 2015 in 2016.

Real GDP Growth Forecasts (%YoY)

Country	2013 (A)	2014 (F)			2015 (F)			2016 (F)		
		SMAM	as of 16 Feb	Consensus	SMAM	as of 16 Feb	Consensus	SMAM	as of 16 Feb	Consensus
Australia	2.1	2.7	2.7	2.7	2.4	2.4	2.5	2.9	2.9	3.1
China	7.7	7.4	7.4	7.4	7.1	7.1	7.0	6.8	6.8	6.8
Hong Kong	2.9	2.3	2.3	2.3	2.5	2.5	2.6	2.7	2.7	2.8
India (*)	5.1	6.9***	5.6	5.6	5.5	7.3	5.5	6.3	7.1	6.3
Indonesia	5.8	5.0***	5.1	5.0	5.4	5.4	5.4	5.7	5.8	5.7
Malaysia	4.7	6.0***	5.8	6.0	4.8	4.9	4.8	5.0	5.0	5.0
New Zealand	2.5	3.5	3.5	3.5	2.7	2.7	2.9	2.7	2.7	2.9
Philippines	7.2	6.1***	5.9	5.8	6.4	6.4	6.4	6.2	6.1	6.2
Singapore	3.9	3.0***	2.8	2.9	3.1	3.2	3.1	3.4	3.4	3.4
S. Korea	3.0	3.3***	3.3	3.3	3.4	3.5	3.4	3.6	3.7	3.6
Taiwan	2.2	3.5	3.5	3.5	3.5	3.5	3.7	3.4	3.4	3.5
Thailand	2.9	0.7***	0.7	0.6	3.8	3.9	3.9	3.9	4.0	3.9
Vietnam	5.4	6.0**	6.0	6.0	6.0	6.1	6.0	6.1	6.1	6.1

(Source) SMAM

* India is for fiscal year starting April. F: Forecast, A/P: Actual/Preliminary

** Vietnam for 2014(F) is official data

*** India, Indonesia, Malaysia, Philippines Singapore, South Korea and Thailand for 2014(F) are actual.

****Consensus Forecasts as of Jan 2015 & SMAM Forecasts as of 18 Mar 2015

Outlook for Economy in China

SMAM Economic Outlook for China

China's Yearly GDP Growth & Relevant Indicators

	2013	2014E		2015E		2016E	
			(previous)	(previous)	(previous)	(previous)	(previous)
Real GDP, % YoY	7.7	7.4	7.4	7.1	7.1	6.8	6.8
Consumption Expenditure, % YoY	7.9	7.6	7.8	7.3	7.6	7.3	7.6
Gross Fixed Capital Investment, % YoY	8.6	7.3	6.2	6.5	6.1	6.3	5.8
Net Exports, contrib.	-0.3	0.0	0.6	0.3	0.4	0.2	0.3
Nominal GDP, % YoY	9.5	8.2	8.2	7.4	7.5	9.0	9.0
GDP Deflator, % YoY	1.7	0.8	0.8	0.3	0.3	2.2	2.2
Ind. Production, % YoY	9.7	8.3	8.3	7.8	7.8	7.0	7.0
CPI, % YoY	2.6	2.0	2.0	1.7	1.7	2.7	2.7
Base Loan Rate, %	6.00	5.60	5.60	5.10	5.10	5.10	5.10

Notes: SMAM estimates as of March 18th, 2015. For Net Exports, % point contribution to GDP growth

Source: National Bureau of Statistics of China, CEIC, SMAM

China's Quarterly GDP Growth and Components

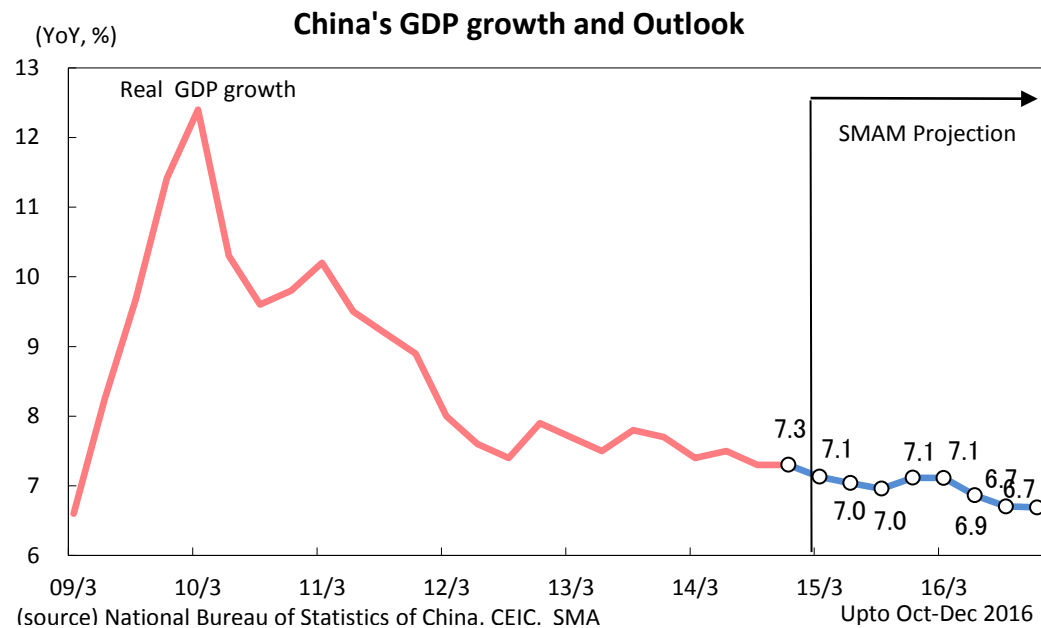
	2014				2015E				2016E			
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE
Real GDP, % YoY	7.4	7.5	7.3	7.3	7.1	7.0	7.0	7.1	7.1	6.9	6.7	6.7
previous	-	-	-	7.3	7.2	7.0	7.0	7.1	7.0	6.9	6.7	6.7
Consumption Expenditure, % YoY	8.9	6.1	6.3	8.6	7.3	7.2	6.9	7.5	7.4	7.2	7.0	7.5
previous	-	-	-	8.8	7.6	7.5	8.0	7.4	7.2	7.3	7.8	8.0
cont to GDP, %	5.7	2.6	2.8	4.1	4.7	3.0	3.0	3.6	4.8	3.0	3.1	3.6
previous	-	-	-	4.2	4.9	3.1	3.5	3.5	4.7	3.1	3.4	3.9
Gross Fixed Capital Investment, % YoY	8.8	7.3	3.7	9.7	6.9	6.5	6.1	6.6	7.4	6.3	6.0	6.0
previous	-	-	-	6.0	4.8	6.0	6.3	6.6	5.9	5.8	5.6	5.8
cont to GDP, %	3.1	4.1	2.0	4.8	2.4	3.7	3.1	3.4	2.6	3.5	3.0	3.0
previous	-	-	-	3.0	1.7	3.4	3.2	3.2	2.1	3.3	2.9	2.9
Net Exports												
cont to GDP, %	-1.4	1.0	2.6	-1.7	-0.1	0.4	0.8	0.0	-0.3	0.3	0.6	0.0
previous	-	-	-	0.3	0.6	0.5	0.3	0.3	0.4	0.6	0.4	0.0
CPI, %	2.3	2.2	2.0	1.5	1.2	1.6	1.6	2.3	2.7	2.6	2.7	2.8
previous	-	-	-	1.5	1.2	1.6	1.5	2.3	2.7	2.6	2.7	2.8

Notes: SMAM estimates as of March 18th, 2015. Consumption Expenditure and GFCI(Gross Fixed Capital Investment) are SMAM estimates

Source: National Bureau of Statistics of China, CEIC, SMAM

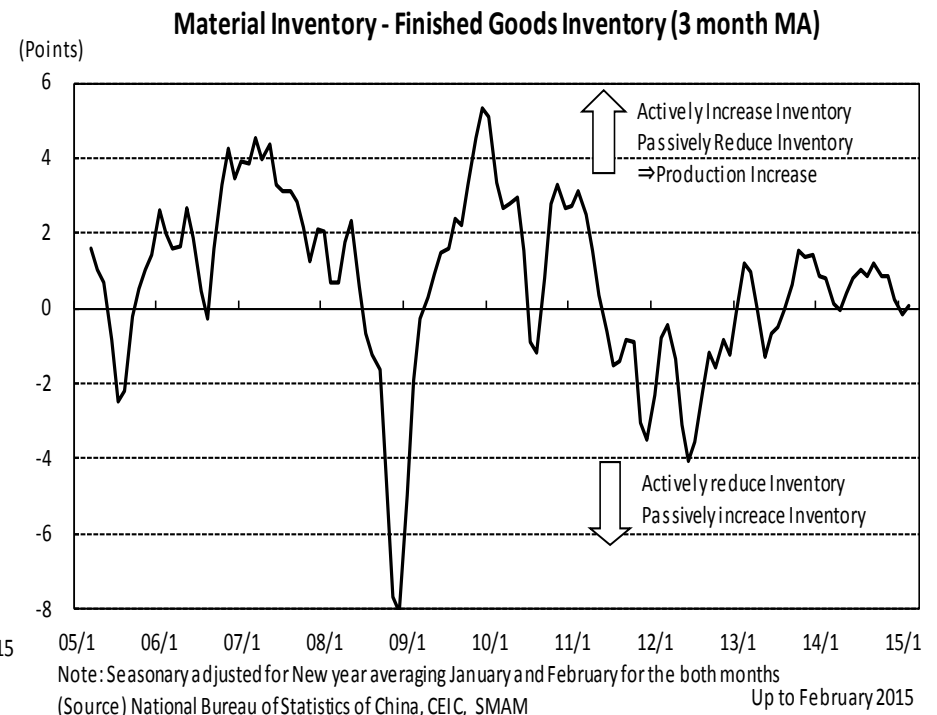
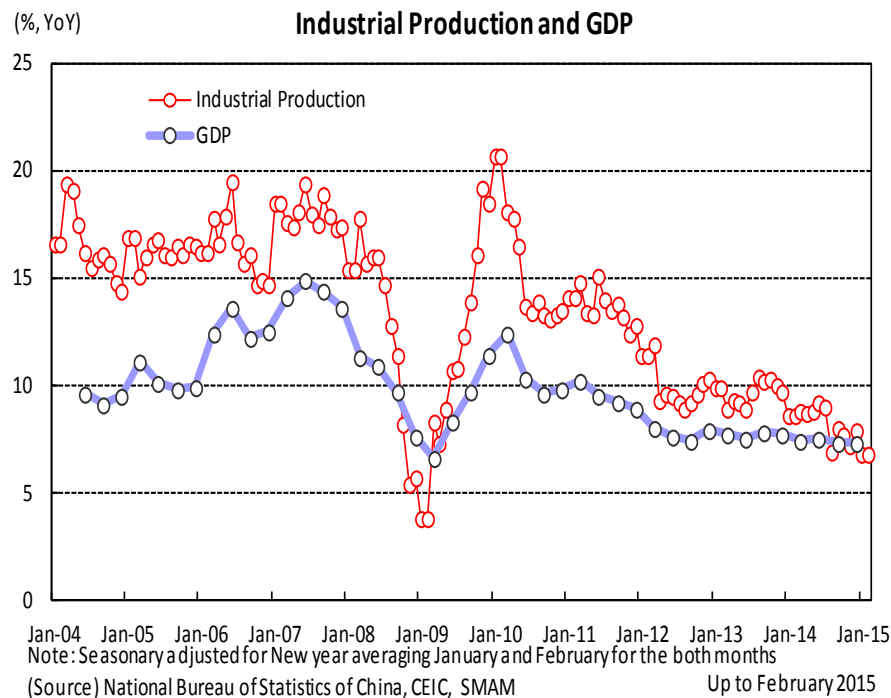
Chinese Economy Outlook

- We maintained China's GDP growth forecasts of +7.1% and +6.8% for 2015 and 2016. The economy is expected to bottom out in October-December and grow at a mild pace in 2016 after slowdown at under +7% growth until July-September quarter.
- Property Investment is likely to improve in October-December quarter underpinned by lower interest rates and acceleration of mortgage loan, despite the slower real estate sales and Housing Starts in January-February.
- PBoC is likely to cut the policy rate each 25bp in April-June and July-September quarter and lower the RRR total 150bp in 2015. Also, the central bank is likely to reinforce monetary easing including open market operation and liquidity supply.



China: Slower IP growth is continuing due to inventory reduction

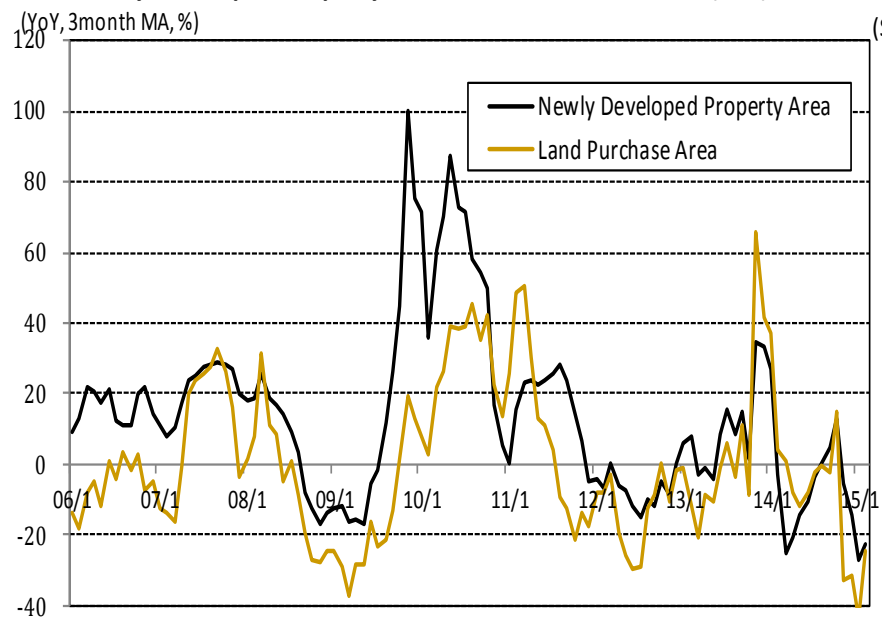
- January-February Industrial Production decelerated to +6.8% YoY from +7.6% in October-December. Of the Production in 11 sectors, cement, metal-processing machinery gained double digit growth YoY, while PCs, IC chips, steels and non-ferrous metals decreased.
- Inventory reduction is under way as PMI Received Order and Inventory balance have been declining since July 2014. Slight improving February PMI might be a recovery sign rising from 49.8 to 49.9. February New Exports Order also inched up from 48.4 to 48.5. Note: These comments are as of March 18th 2015.



China: Property Investment slump is continuing

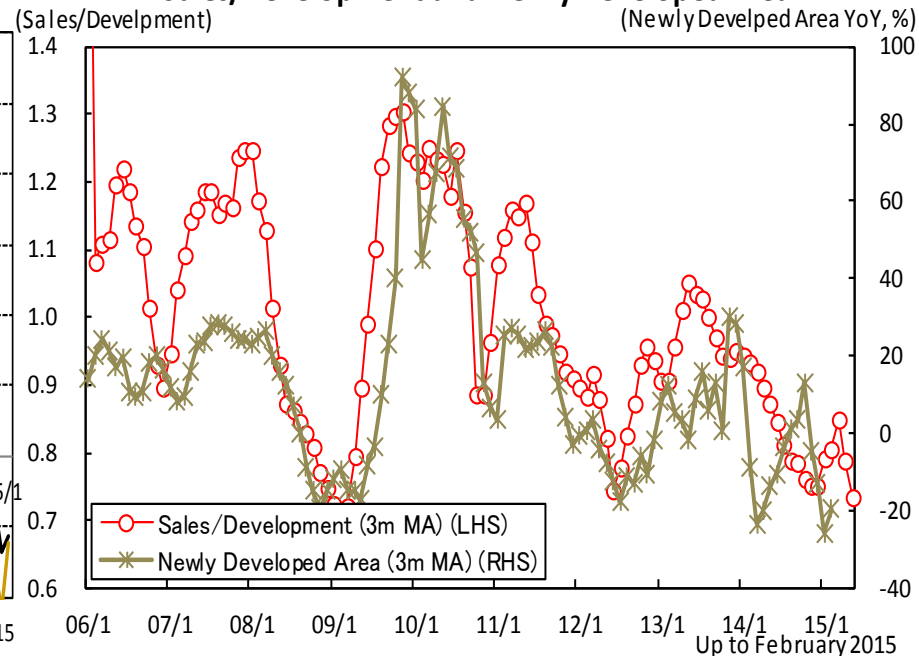
- January-February Property Investment gained +10.4%, while Housing Starts plunged -17.7% in the same period. The slump in new residential construction weighs on the growth in Property Investment. Subdued Property Investment is expected to continue for the next 3-6 months and likely to recover at a mild pace from October-December spurred by the central bank's easing policy.
- February Land Purchase Area and Newly Developed Area dropped -22% and -24% YoY. Inventory cycle has not improved yet as February Sales/Development continued declining to 0.74 in 3m MA basis. Developer's financial position is deteriorating.

Newly Developed Property Area and Lnd Purchase Area (YoY)



(Source) National Bureau of Statistics of China, CEIC, SMAM

Sales/Development and Newly Developed Area

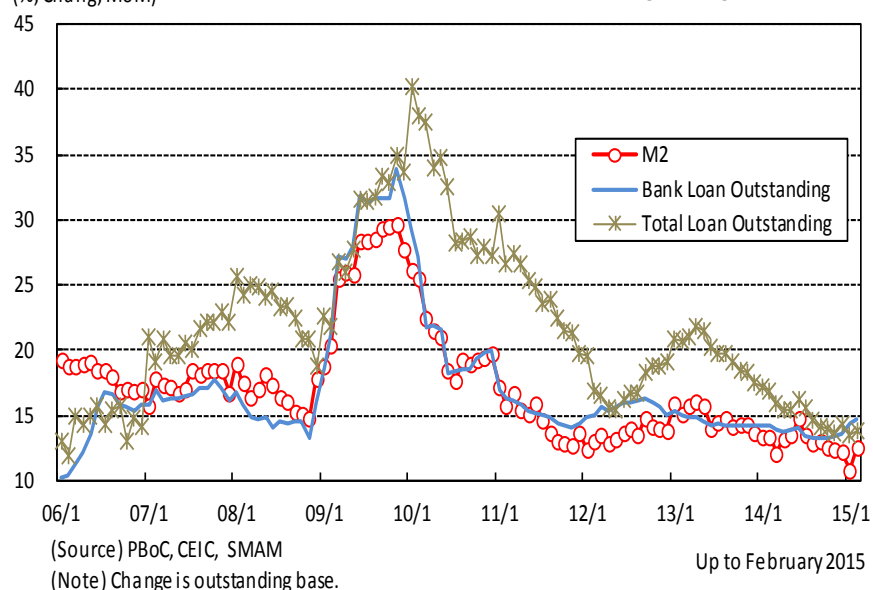


(Source) National Bureau of Statistics of China, CEIC, SMAM seasonally adjusted

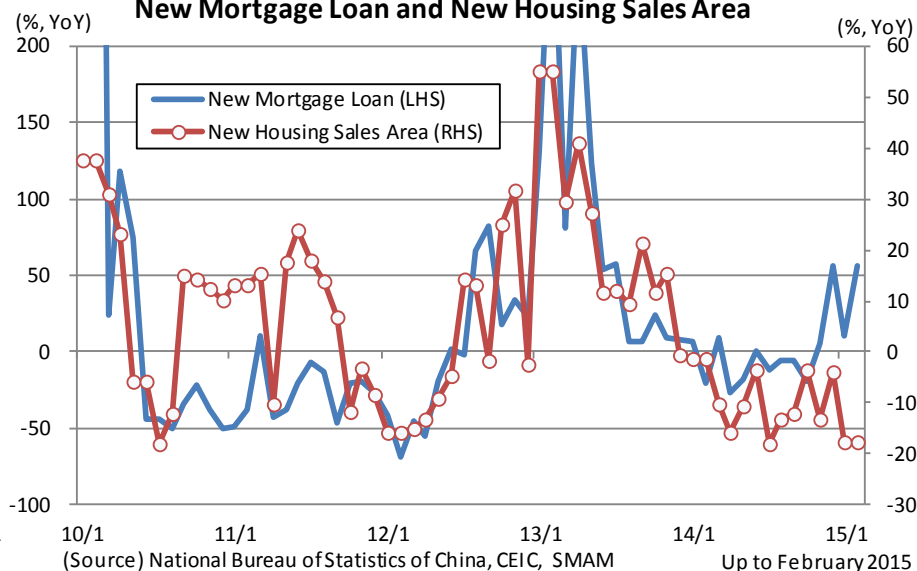
China: Monetary easing policy and debt swap plan will support financing

- PBoC reinforces easing policy as M2 Monetary base rose +12.5% YoY in February. February New Loan climbed to RMB1.02 trillion, 36% higher-than-expectation of RMB750 billion. Total loan outstanding also expanded to RMB1.35 trillion, higher-than-expectation of RMB1 trillion.
- The debt swap plan enables local governments to replace to local government debentures from the existing high yield debts. The total size of local bond issuance for 2015 will be RMB1.1 trillion, which includes RMB1 trillion of debt swaps and RMB100 billion of special bonds. The local government debentures are raised nearly at the same yield as Chinese Government Bonds, or 3ppt lower than Construction Investment Bonds and 7-13ppt lower than trust bank's loan rates. This plan will support financing for local governments and expand the line of credit for the lenders (banks).

(%, Chang, MoM) **M2, Bank Loan and Total Loan Outstanding Change**



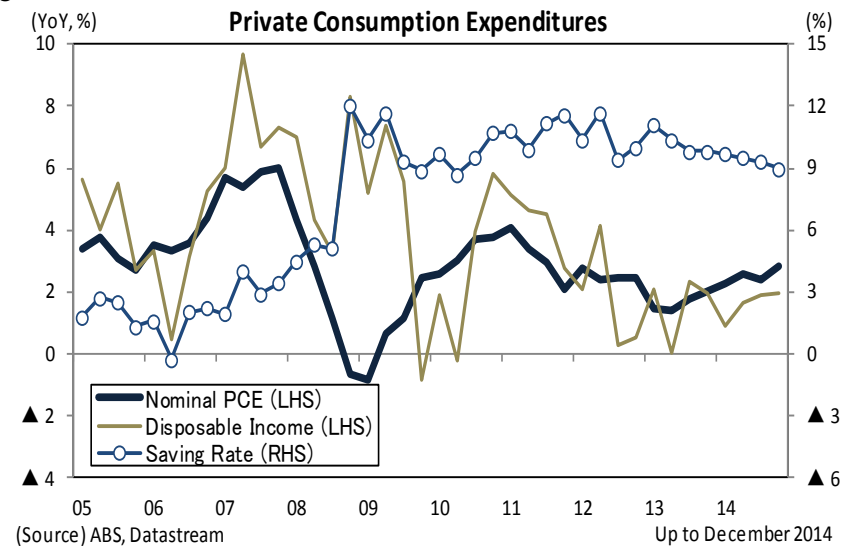
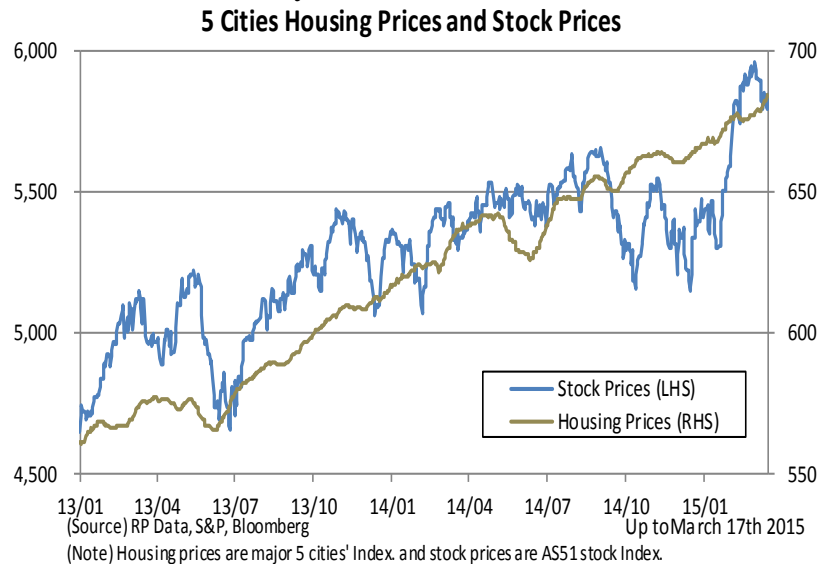
New Mortgage Loan and New Housing Sales Area



Outlook for Economies in Asia

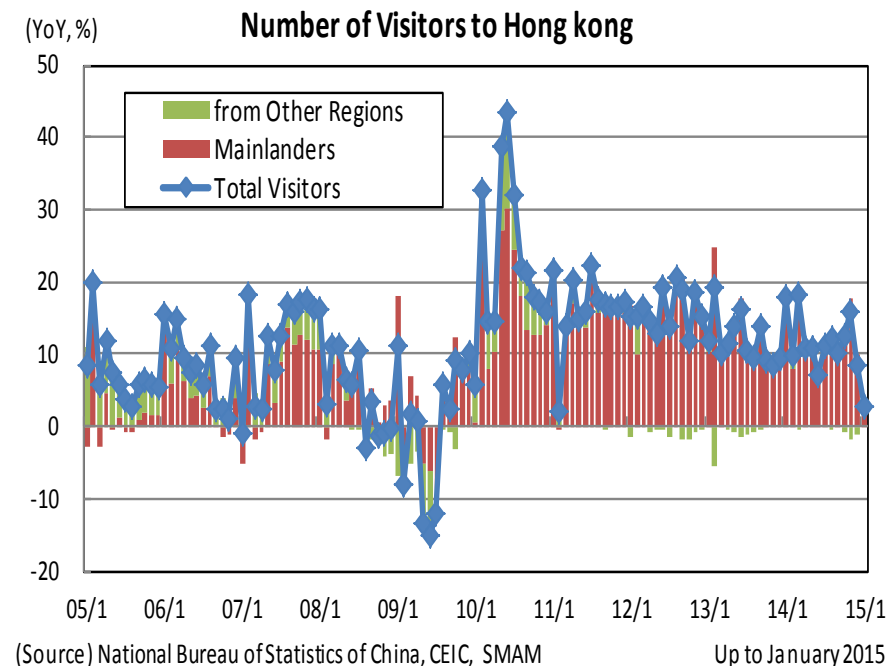
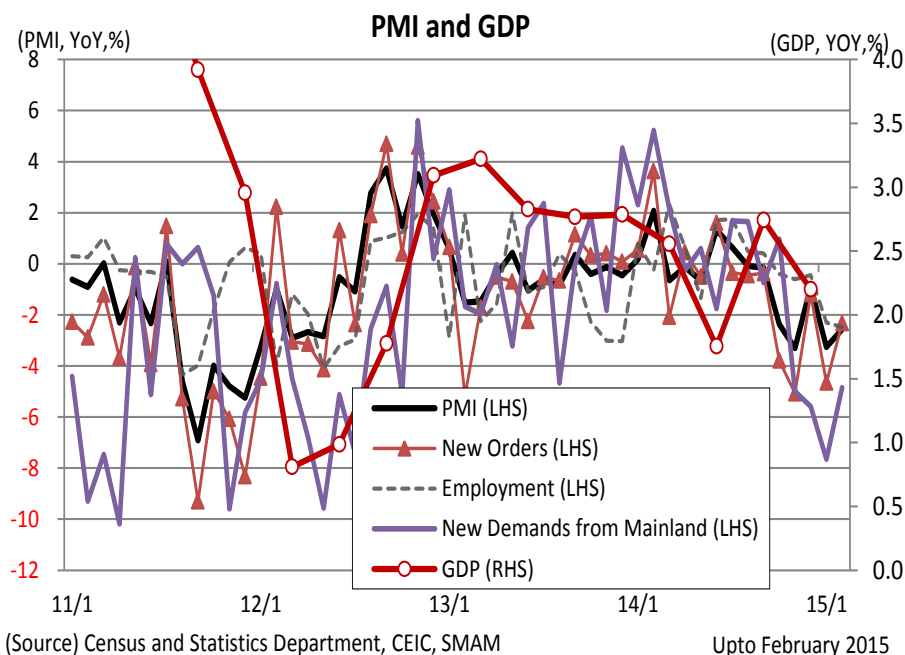
Australia

- We maintained real GDP growth forecasts of +2.4% and +2.9% for 2015 and 2016. The economy is expected to show slower growth in 1H and recover ordinary growth speed toward 2016 supported by rate cut.
- January Retail Sales rose +0.4% MoM or +3.6% YoY. Consumption Sentiment is likely to improve due to wealth effect from higher stock markets and housing prices spurred by rate cut, despite decelerated disposable income under soft job market. Consumption is likely to improve alongside recovery in employment in 2H 2015.
- October-December Housing Prices accelerated to grow +1.9% QoQ. The residential prices are highly likely to keep growing at higher speed in 2015 due to rate cut.
- We expect an additional 25bp rate cut in May as RBA currently maintains a bias for lowering rate based on their economy outlook and Taylor rule that could suggest the policy lower rate to below 2% until October-December 2015. The rate is likely to be maintained afterwards during 2016.



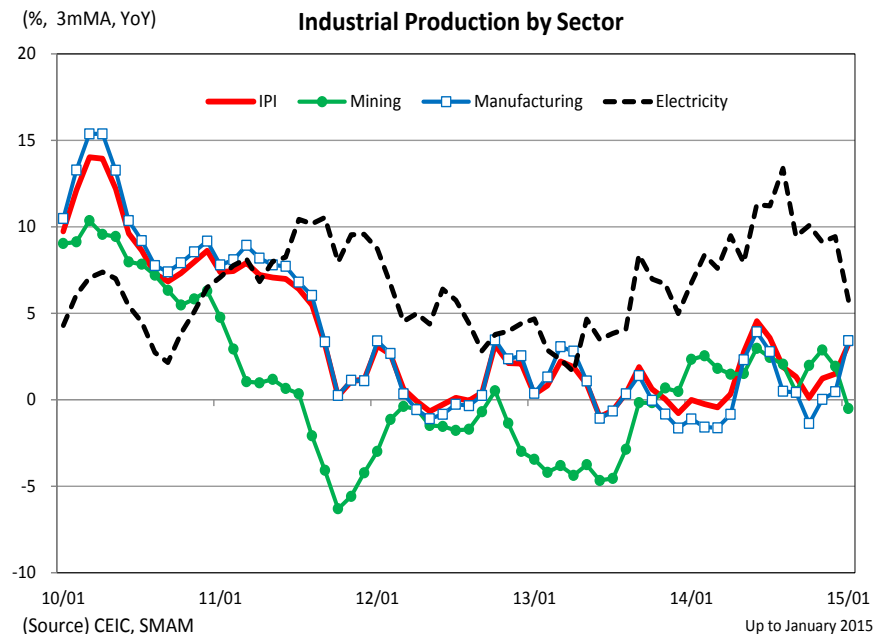
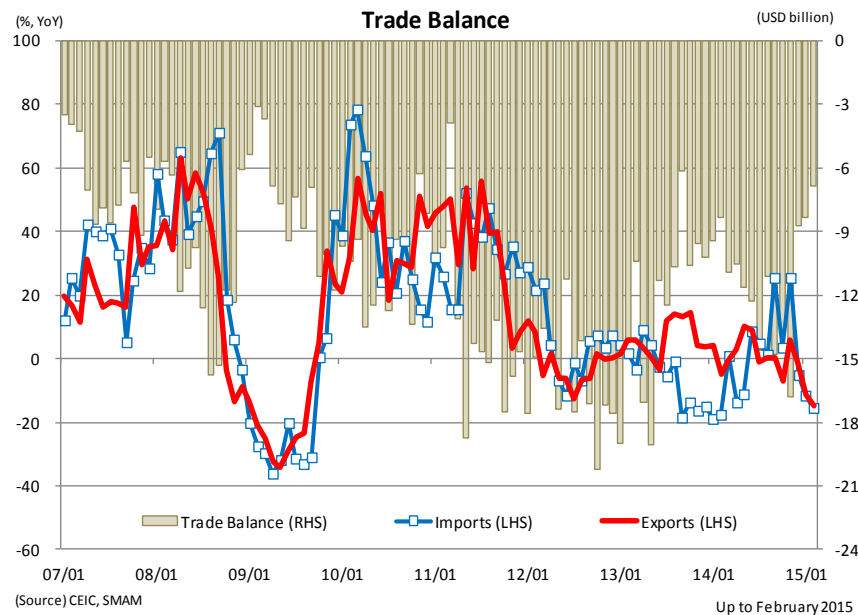
Hong Kong

- We maintain GDP forecast of +2.5% and +2.7% for 2015 and 2016.
- Overall economy has been slowing down. January Exports remained slower growth of +2.8% and PMI has not shown bottoming out yet.
- The number of visitors from mainland decreased by -3.6% YoY in Lunar New Year. The diversification of travel destination for Chinese people and “Occupy Central” protest weigh on the visitors number and the Consumption. Consumption is continuing soft. January Retail Sales fell by -3.3% YoY, while January Jewellery Sales plunged by -21.4% YoY.



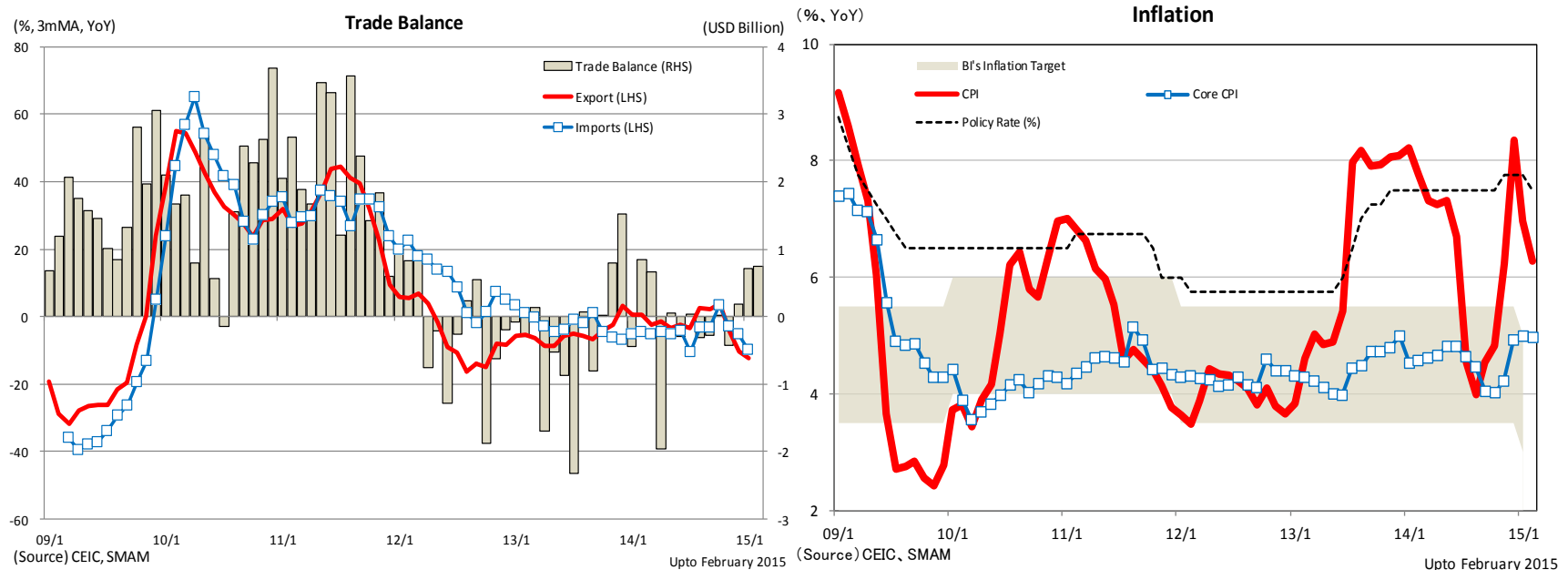
India

- February Trade deficit improved substantially to -USD6.8 billion from -US8.3 billion in January due to sharp decline in Imports led by low commodity prices. February Exports fell -15.0% YoY led by decrease in refined oil products, while Imports declined by -15.7% YoY due to low oil imports.
- Industrial Production 3m MA basis rose +3.2% YoY in January from +1.5% YoY in December. IP (3m MA) in Mining slid -1.5% YoY, while Manufacturing and Electricity gained +3.4% and +5.7% YoY in January.
- February CPI came in higher than expected at +5.4% YoY from +5.2% YoY in January. Food price was also up to +6.8% YoY, higher than expectation of +6.6% YoY. January CPI was revised upward to +5.2% YoY from +5.1% YoY earlier. RBI is unlikely to cut rates at the next monetary policy meeting in April and likely to hold current policy on this inflation expectations.



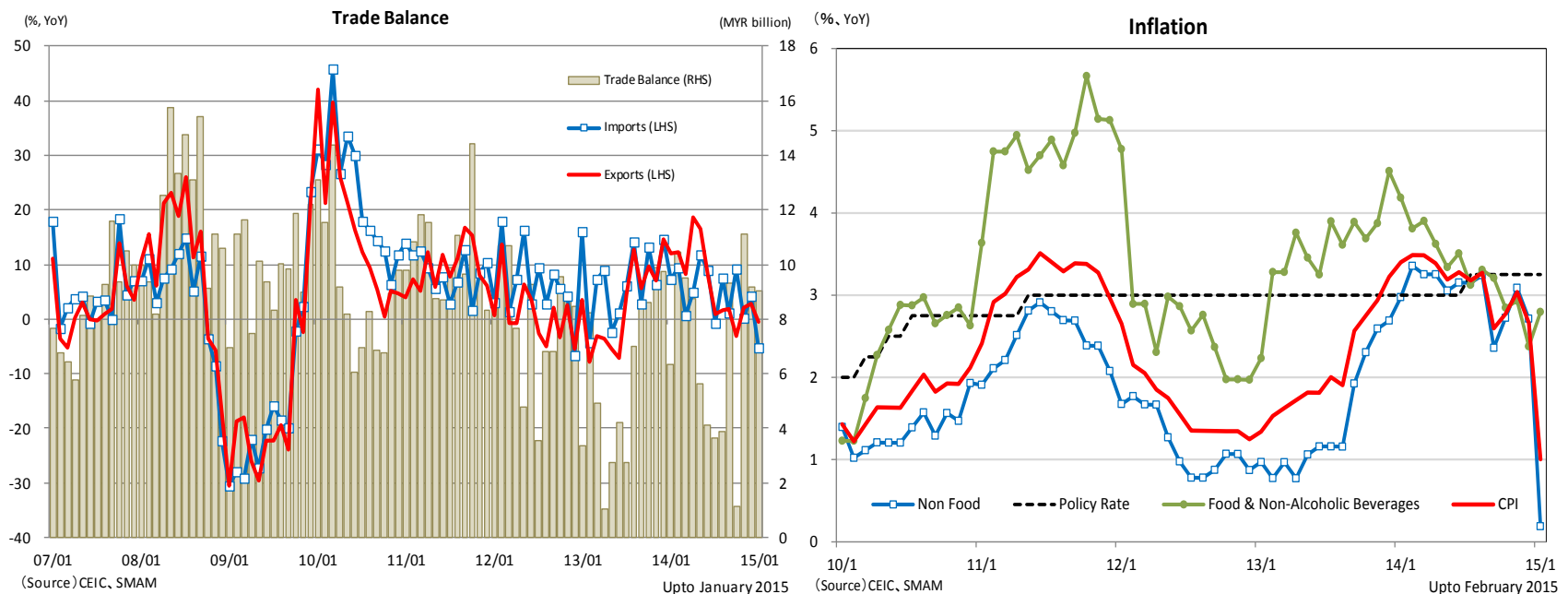
Indonesia

- February Trade Surplus remained flat of +USD0.7 billion from January as Exports and Imports plunged due to soft commodity prices. February Exports fell -16.0% YoY, weaker than expectation of -7.7%, while Imports decreased -16.2%, lower than consensus of -9.6%.
- January Industrial Production rose +0.9% YoY from -1.9% YoY in December. January IP of Excluding Biomedical Manufacturing narrowed sliding to -0.0% from -2.0% in December.
- February CPI softened +6.3% YoY, slightly higher than consensus of +6.7%, from +7.0% YoY in January. Core CPI remained flat at +5.0% from January. Bank Indonesia hold the policy rates due to stable inflation.



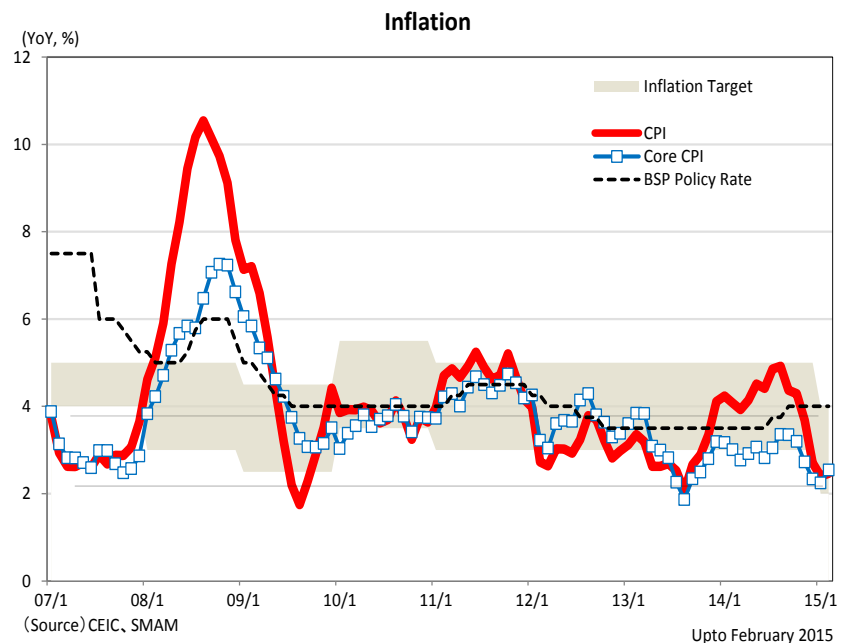
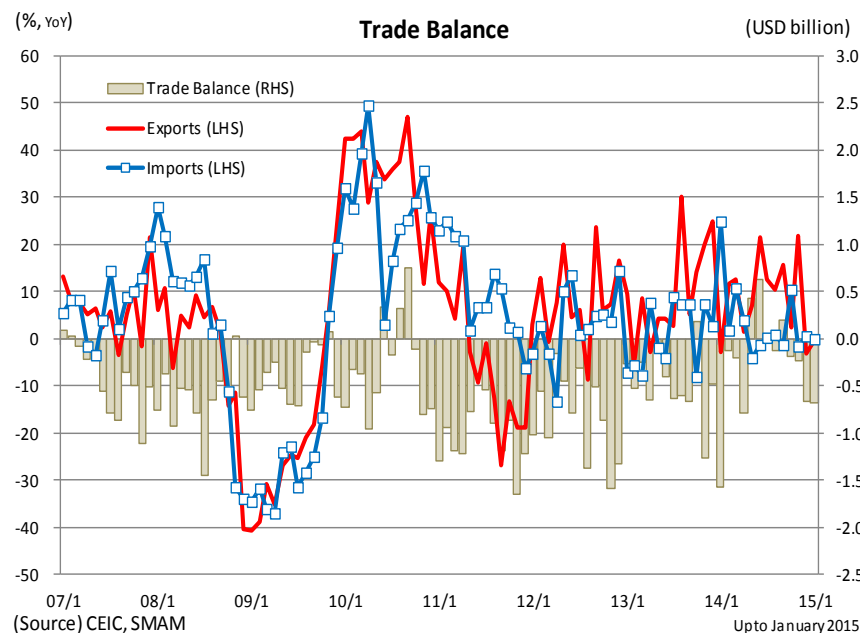
Malaysia

- January Trade Surplus came slightly lower at +RM9.0 billion from +RM9.2 billion in December but better than market consensus of +7.0 billion. Due to low commodity prices, Imports contracted more than Exports, January Exports fell -0.6% YoY, while Imports dropped -5.3% YoY.
- January Industrial Production rose +7.0% YoY, while Mining, Manufacturing and Electricity Output increased +8.3% YoY, +6.6% YoY and +6.3% YoY respectively.
- February CPI fell +0.1% YoY, lower than consensus of +0.2%, from +1.0% YoY in January. The Inflation rate is expected to be stable due to soft commodity prices.



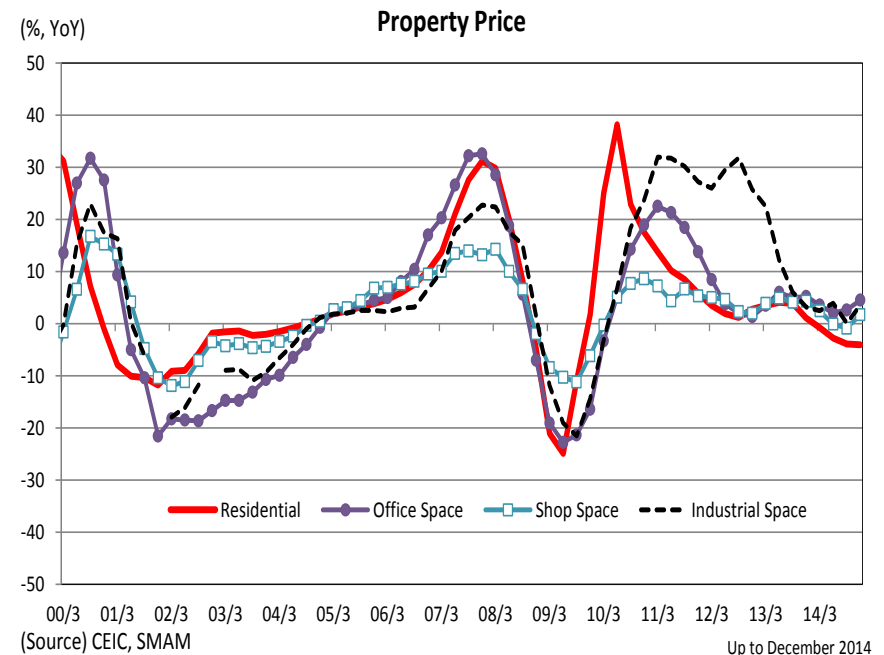
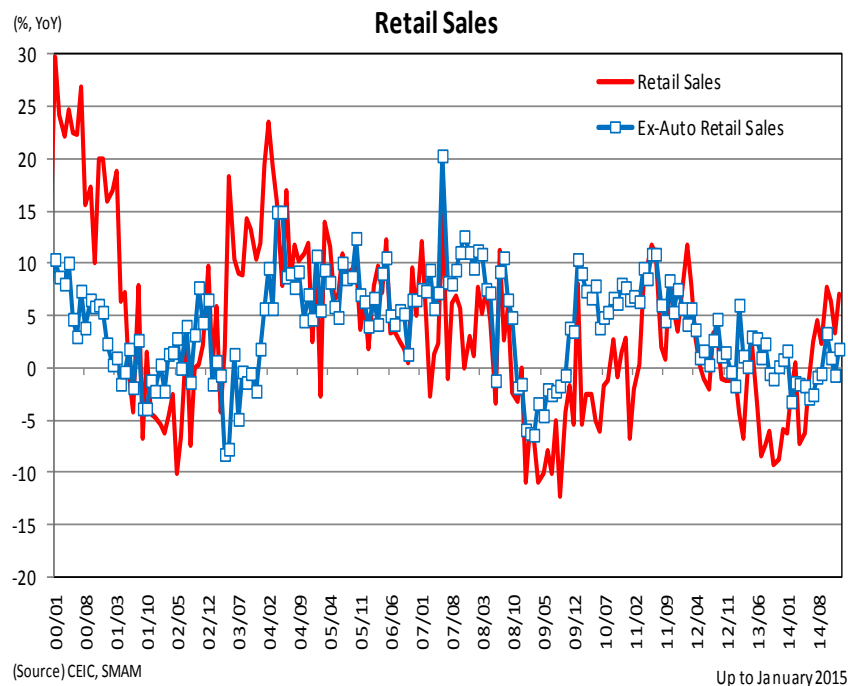
Philippines

- January Trade Deficit remained almost flat at -USD0.68 billion from -USD0.67 billion as Exports and Imports remained almost flat YoY. By products, Exports for electronic products and electric components & devices jumped 15% YoY.
- January Industrial Production fell -1.8% YoY, while Machinery & Equipment and Transportation grew at a faster pace of 18% YoY and 29% YoY in January.
- February Headline CPI inched up +2.5% YoY from +2.4% YoY in January. February Core CPI rose +2.5% YoY from +2.2% YoY. BSP is expected to hold the policy rate due to stable inflation rate.



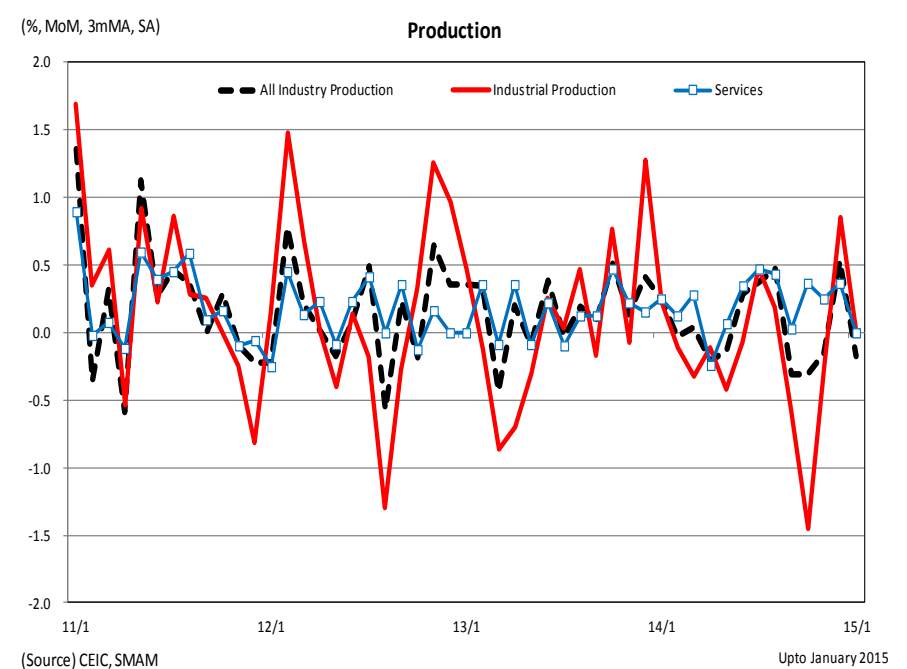
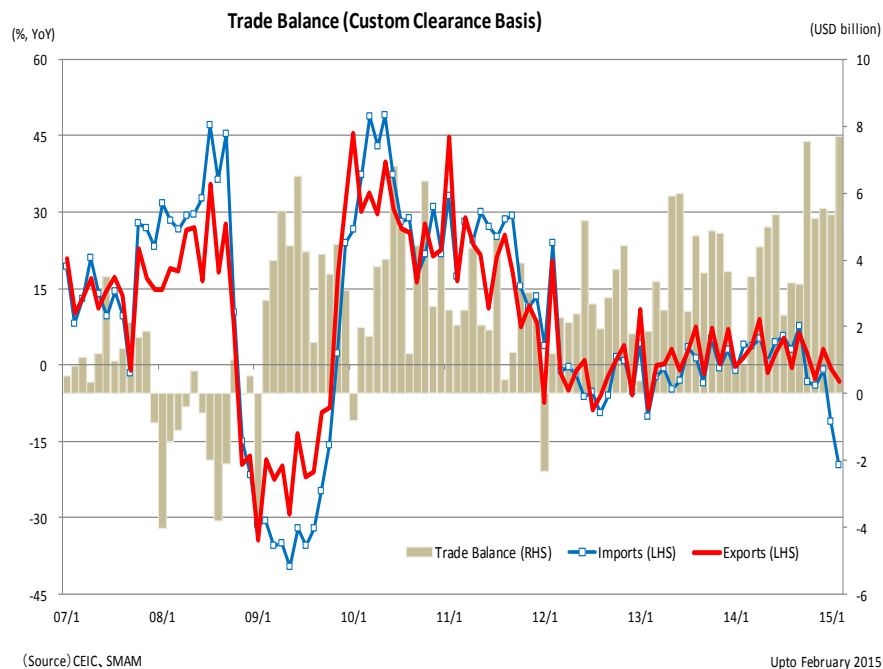
Singapore

- February Non-Oil Domestic (NODX) Exports declined -9.7% YoY (-9.4% MoM) from +4.3% (+1.6% MoM) in January. This slower growth would be a partially due to fewer business days for Chinese Lunar New Year.
- January Retail Sales gained 7.1% YoY and Retail Sales (excluding Car sales) also added 1.9% YoY. Declining Property Prices weigh on subdued Personal Consumption recovery. Housing Price Index have been subsiding since 2014 as October-December Residential Price fell -4.0% YoY.
- February CPI rose -0.3% YoY from -0.4% in January. MAS Core CPI (ex-accommodation and private transport costs) rose +1.3% YoY from +1.0% YoY due to higher food and services prices.



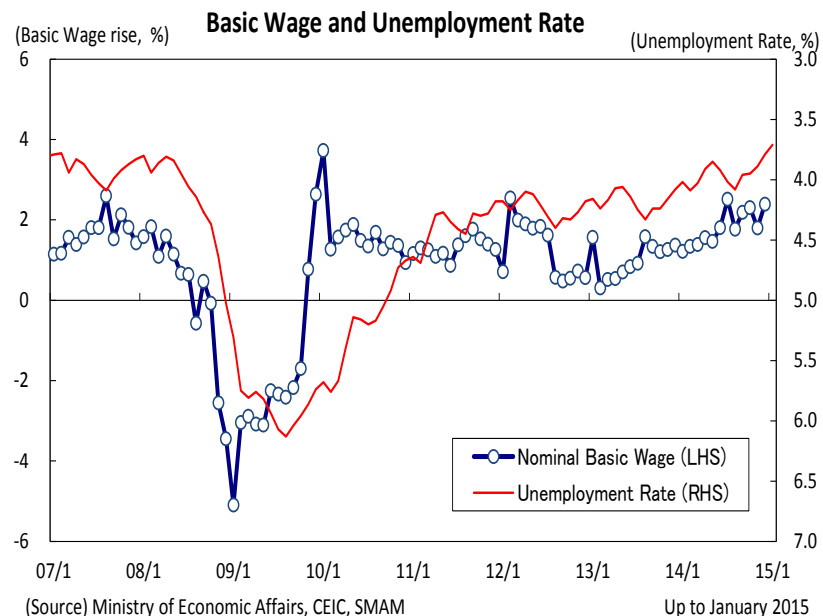
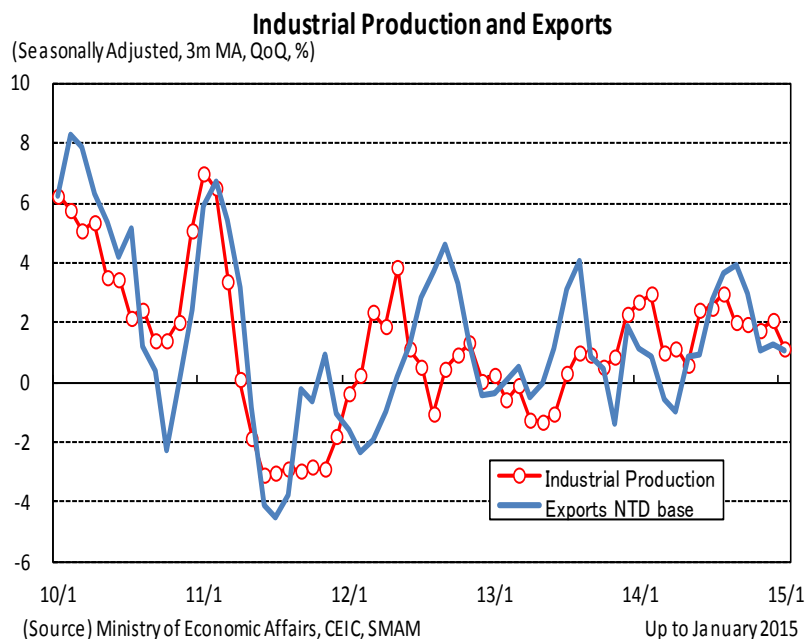
South Korea

- February Exports fell -3.3% YoY from -0.9% YoY in January due to soft commodity prices and Lunar New Year holidays. Imports dropped -19.6% from -11.0% in January. February Trade Surplus rose +US7.7 billion from +US5.4 billion in January.
- January Industrial Production remained flat MoM from +0.8% MoM in December, far below market consensus of +0.4%. Services Output grew at a slower speed to +0.0% YoY in January from +0.9% YoY in December.
- Bank of Korea cut the policy rate by 25bp to 1.75% due to benign inflation pressure. February Headline CPI slid to +0.5% from +0.8% in January and Core CPI sank to +2.3% from +2.4% in the same period.



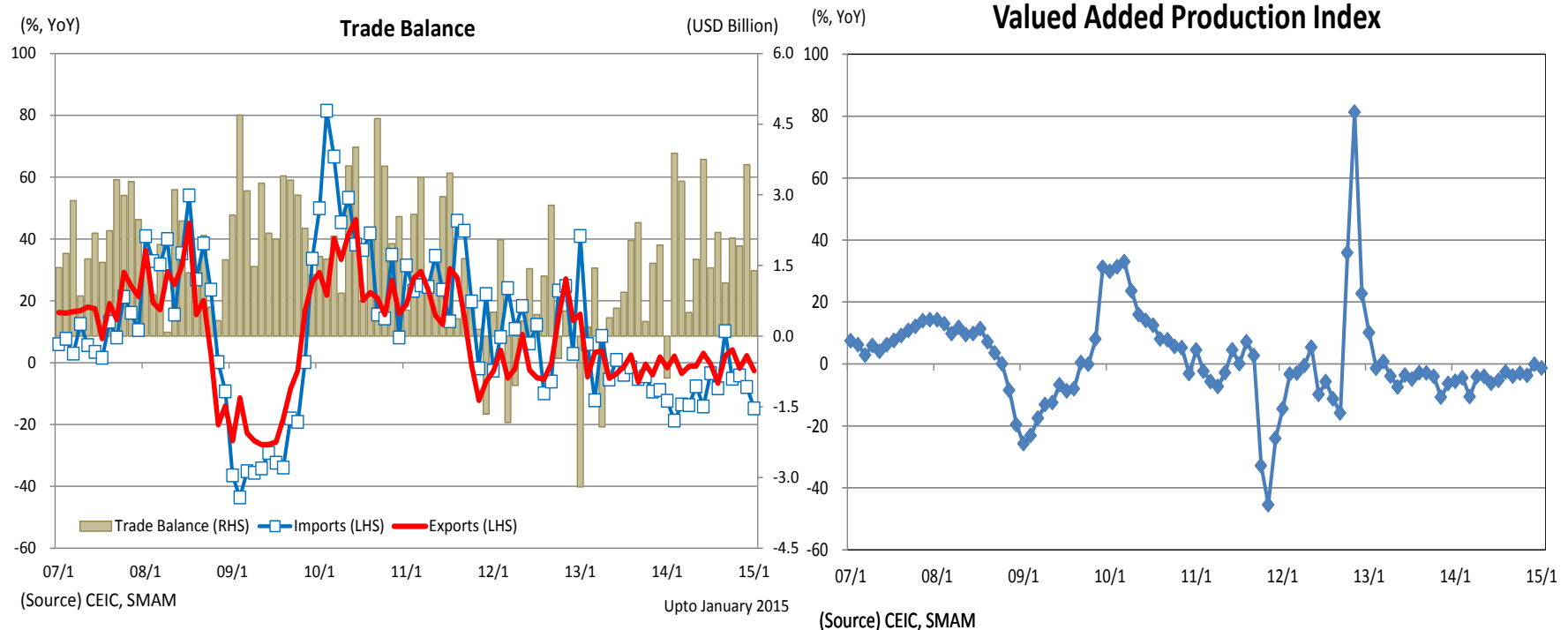
Taiwan

- We maintained GDP growth forecast of +3.5% YoY and +3.4% for 2015 and 2016.
- January-February Exports expanded to +7.0% YoY from +4.9% YoY in October-December, while Imports contracted to +4.2% from +7.6% for the same period. This should result in higher contribution by Net Exports to the January-March GDP.
- In contrast, Industrial Production is likely to grow at a slow pace as inventory cycle is deteriorating and inventory comes under pressure. This reduction in inventory is expected to soften production and the economic growth.
- January unemployment rate was favorably low at 3.7% and Nominal Wages has been growing at a moderate pace since 2013. Consumption is likely to remain stable despite lower January Retail Sales due to Lunar New Year. The policy rate is expected to remain as CPI decreased for 2 consecutive months.



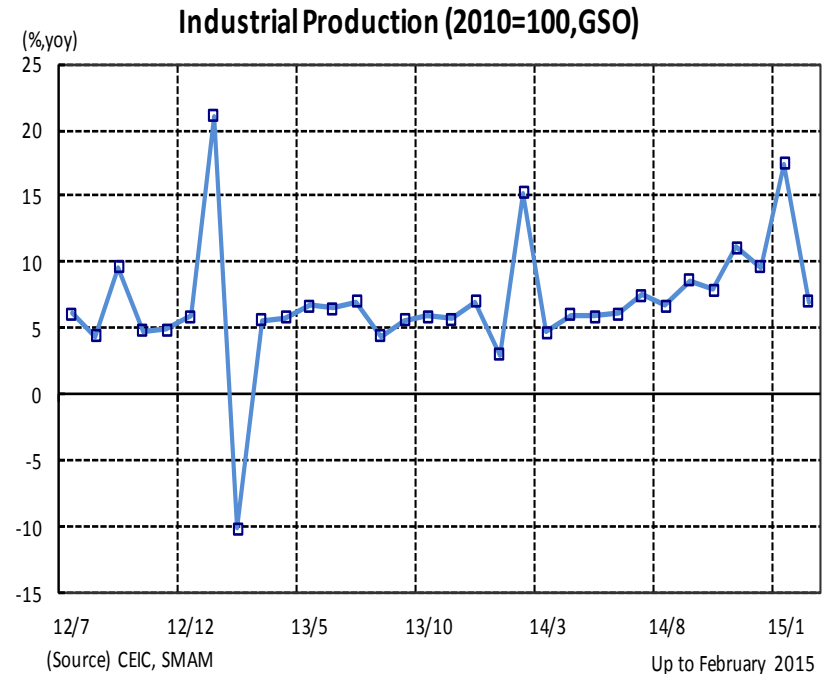
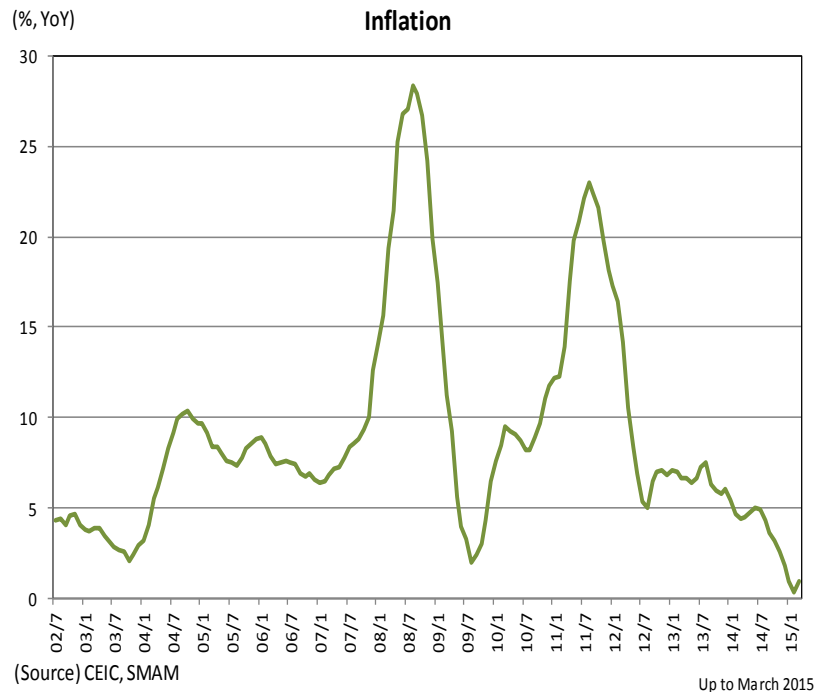
Thailand

- Trade Balance declined to deficit of +US1.4 billion in January from +US3.6 billion in December. Exports subsided to -3.5% YoY from +1.9% in December, while Imports fell -13.3% YoY from -8.7% in December.
- Manufacturing Output continues slowing down as Valued Added Production Index has been stagnating since 2013.
- Bank of Thailand surprisingly cut the policy rate by 25bp to 1.75% due to lower growth and inflation. Headline CPI remained negative at -0.5% YoY in February from -0.4% in January. Core CPI also stayed almost flat at +1.5% in February from +1.6% in January.



Vietnam

- February Industrial Production gained +5.9% YoY. Mining recovered +8.9% YoY from -18.1% YoY in January, while Manufacturing grew at a slower speed to +5.8% YoY from +12.6%.
- January Exports picked up by +12.6% YoY from +10.3% YoY in December, while Imports surged to +33.8% YoY from +15.2% YoY in December.
- March CPI came higher of +0.9% YoY after lower inflation rate of +0.3% YoY in February.



Outlook for Asian Stock Markets

Stock Market Performance - Global

Indices as of 25 Mar 2015	Px Last	Mtd	Qtd	Ytd	3m	1yr	2yr	3yr
S&P 500 INDEX	2,091.50	-0.6%	1.6%	1.6%	0.5%	12.1%	34.8%	49.7%
DOW JONES INDUS. AVG	18,011.14	-0.7%	1.1%	1.1%	-0.1%	10.0%	24.7%	37.7%
NASDAQ COMPOSITE INDEX	4,994.73	0.6%	5.5%	5.5%	4.6%	18.0%	54.4%	62.8%
STOXX Europe 50 € Pr	3,484.67	2.5%	16.0%	16.0%	15.4%	21.5%	29.6%	40.0%
NIKKEI 225	19,676.22	4.7%	12.8%	12.8%	10.5%	36.4%	56.8%	96.5%
TOPIX	1,583.74	3.9%	12.5%	12.5%	11.4%	36.1%	51.2%	85.8%
BRAZIL BOVESPA INDEX	51,506.07	-0.1%	3.0%	3.0%	1.2%	6.9%	-6.1%	-21.7%
RUSSIAN RTS INDEX \$	880.28	-1.8%	11.3%	11.3%	4.3%	-24.8%	-39.7%	-47.2%
BSE SENSEX 30 INDEX	28,208.80	-3.9%	2.6%	2.6%	3.7%	27.9%	51.0%	62.5%
HANG SENG INDEX	24,490.77	-1.3%	3.8%	3.8%	4.9%	12.7%	10.1%	18.5%
HANG SENG CHINA AFF.CRP	4,512.41	-3.1%	3.7%	3.7%	5.6%	12.7%	1.9%	14.1%
HANG SENG CHINA ENT INDX	11,945.93	-2.0%	-0.3%	-0.3%	3.4%	23.3%	8.8%	12.1%
CSI 300 INDEX	3,934.33	10.1%	11.3%	11.3%	18.0%	80.9%	50.6%	54.1%
TAIWAN TAIEX INDEX	9,665.60	0.5%	3.9%	3.9%	5.5%	11.2%	23.0%	19.7%
KOSPI INDEX	2,039.24	2.7%	6.5%	6.5%	4.8%	5.0%	3.1%	0.6%
STRAITS TIMES INDEX	3,417.80	0.4%	1.6%	1.6%	2.1%	10.1%	4.6%	14.3%
FTSE Bursa Malaysia KLCI	1,819.57	-0.1%	3.3%	3.3%	4.0%	-1.0%	10.7%	14.7%
STOCK EXCH OF THAI INDEX	1,515.12	-4.5%	1.2%	1.2%	0.7%	11.9%	-0.6%	26.8%
JAKARTA COMPOSITE INDEX	5,408.21	-0.8%	3.5%	3.5%	4.7%	15.0%	12.7%	33.8%
PSEi - PHILIPPINE SE IDX	7,821.29	1.2%	8.2%	8.2%	8.8%	23.4%	18.5%	55.1%
HO CHI MINH STOCK INDEX	561.73	-5.2%	3.0%	3.0%	5.6%	-6.7%	13.8%	23.7%
S&P/ASX 200 INDEX	5,967.80	0.7%	10.3%	10.3%	10.6%	11.8%	19.6%	39.7%
NZX 50 INDEX	5,857.78	-0.4%	5.2%	5.2%	5.4%	14.2%	34.9%	69.8%
MSCI World Free Local	439.42	0.7%	5.8%	5.8%	4.8%	15.1%	32.1%	47.4%
MSCI All Country Asia Ex Japan	706.65	0.1%	4.5%	4.5%	5.2%	13.1%	14.9%	18.0%
MSCI EM Latin America Local	67,385.91	-1.0%	0.9%	0.9%	0.2%	3.2%	-6.5%	-10.2%
MSCI Emerging Markets Europe M	497.81	-2.1%	5.0%	5.0%	5.3%	9.3%	11.3%	17.0%

Note: All data are as of March 25th 2015

Compiled by SMAM based on Bloomberg

Investment Outlook: Macro & Stock Market – Global & Asia Pacific

Outlook for Global Markets

- ◆ We maintain our "Positive" view for next 6 months, however the room for the upside will be more moderate due to mild recovery of the corporate earnings and subdued valuation.
- ◆ Market volatility will continue in the near term due to concern for external factors, Greece/Ukraine/Crude Oil/geopolitical turmoil.

Outlook for Asia Pacific Region

- ◆ Underlying economic conditions in Asia will improve gradually. Solid recovery of US and stabilizing China economy should be supportive.
- ◆ Revision of Corporate earning will remain weak but it will stabilize soon.
- ◆ Attractive valuations help the market in the medium term, but it will remain subdued due to fragile investor sentiment.
- ◆ Change of US monetary policy will not significantly impact to Asia equity market as long as long bond yields remain stable.
- ◆ External factors including Greece / Ukraine / crude oil price / geopolitical turmoil have become key issues and they will continue to create volatility in the near term.
- ◆ To be neutralized on Value/Growth. Should keep eye on "quality" with good value given no huge rally on equity markets.

Note: As of 26th March 2015

Source: SMAM

Investment Outlook: Macro & Stock Market – Asia Pacific by Market (i)

Positive
Negative

	Outlook, Reason for OW/UW	1.Macro Trend				2.Stock Market		
		Politics	Macro	Interest rate / Inflation / Liquidity	External Account	Currency	Earnings Momentum	Valuation
Hong Kong	- Headwind from policy side is easing but the pace of macro recovery should be moderate.	Stable	Economy will recover at slower pace. o Tightening policy for property is behind us.	Int. rate remain super low. "Patient" approach for the rate hike in the US / Inflation will be moderate.	Trade deficit expands, CA surplus will continues.	Stable	Revision is bottomed out but still weak.	Fair
China	- Safe Heaven from Global Risk rather than epicenter in the medium term. - Strong Policy support can be expected.	Stable	Hard landing risk diminished. Economic growth will lose momentum gradually. Structural rebalancing should be the key challenge.	o More accommodative monetary policy is expected. / Int. rate will come down / Inflation will not be a key concern.	Surplus- Stable	Stable (Downward pressure in the near term)	x Revision is Weakening again.	o Very Attractive
Taiwan	- Underlying fundamentals especially IT remain solid, although political uncertainty is increasing.	Stable, but uncertainty will increase before presidential election in 2016.	o Mildly recover driven by export and domestic demand. Stable revision of GDP forecast.	Int. rate will be stable. / Inflation will be stable. / Liquidity is improving.	Surplus will expand	Stable (upward bias)	o Earnings momentum is still strong.	Fair
Korea	- Still in the transition. Rerating is not likely to happen soon.	Stable. But current government is not strong enough to implement structural reform.	Growth momentum to gain steam gradually.	o Easing bias continues / Inflation will be stable / Liquidity is improving.	Surplus will expand	Stable (upward bias)	x Revision is very weak. And its outlook is still quite subdued.	o Very attractive but it has fundamental reason.
Singapore	- Stable but policy headwind continues.	Stable Potential for earlier general election before 2016.	X The pace of economic recovery is slower than expected. Tight policy for Properties will be finished soon	Int. rate will be stable. / Inflation will be stable. / M2 growth rate is bottomed out.	Surplus will continues.	Modest and gradual appreciation path of S\$NEER policy band is maintained.	Earnings Revision is still weak.	Getting more attractive
Malaysia	- Losing defensiveness. Underlying macro fundamentals are still weakening.	Stable, but UMNO is losing supports.	X Stable economic growth can be expected, but concern for smaller fiscal spending due to lower oil related income	Rate hike bias continues. / Inflation will mildly pick up. / M2 growth rate is bottomed out.	Surplus continues, but weak oil price is a big risk.	Stable / upward bias in the longer term.	x Revision is very weak.	Fair

Note: Compiled by SMAM as of March 26th 2015

Investment Outlook: Macro & Stock Market – Asia Pacific by Market (ii)

Positive
Negative

	Outlook, Reason for OW/UW	1.Macro Trend					2.Stock Market	
		Politics	Macro	Interest rate / Inflation / Liquidity	External Account	Currency	Earnings Momentum	Valuation
Thailand	- Slower recovery.	= Some relief from political front by the nomination of Gen Prayuth as new PM.	The Thai economy shifted to a recovery path but the pace should be slower than expected.	o Accommodative monetary policy continues / Inflation will be stable. Liquidity is improving.	o Back to surplus and it will increase	Stable / upward bias in the longer term.	xRevision is very weak.	Not cheap
Indonesia	- Potential for Game Change although macro concern remains.	Stable / o Jokowi can be a game changer. Fuel subsidy cut is a positive first step.	o Solid growth is expected driven by Consumption & Investment, but the pace should be slower than expected.	Surprising rate cut by easing inflationary pressure. It should be positive in the near term but potential risk is increasing.	Trade / Current deficit will improve. Tailwind by lower crude oil price can be expected.	Pressure of depreciation will remain, however BI has already implemented proper policy.	xRevision remains weak, but it is bottomed out.	Fair (Rich on PER, but fair on PBR)
Philippines	- Still the bright spot. - Sustainability is the key.	Stable. Support rate for the President is still high.	o Steady growth	Wait and See stance on monetary policy / Int. rate will be stable. / Inflation is stabilized by low oil price	Trade deficit will shrink. Current a/c surplus will be stable.	Stable (upward bias)	o Revision starts recovering again.	xMildly Expensive
India	- Improving fundamentals by strong policy support.	+Potential of economic reform after the land slide victory of BJP.	o Stabilized and steady growth is expected. Lower crude oil price is also supportive.	o Rate cut started and further room for rate cut / Inflationary pressure peaked out.	Trade / CA deficit has shrunk sharply	Pressure of depreciation is eased. RBI has already implemented proper policy.	x Revision is weakening	Fair
Australia	Expect mild up-trend market, backed by improving domestic consumption and corporate earnings.	Stable	Mild recovery	Int. rate will be stable./Inflation stays lower than the target range.	Deficit, but it is improving	Downward bias	Revision is weak especially for Mining industry.	
Vietnam	Although confrontation between Vietnam and China is a big concern, steady upward trend of stock market can be expected in the medium term thanks to improving macro fundamentals and continuous inflow of foreign money. Reduction of NPL is progressing by the government.	Confrontation between Vietnam & CH is a key concern	Mildly recovering	Lower interest rate environment / Benign Inflation	Balanced	Gradual depreciation	Improving	Within FV range.

Note: Compiled by SMAM as of March 26th 2015

Market Focus (i): Philippines – *Overweight continued but should focus on stock selection*

- Solid macro economy is expected due to upbeat private consumption expenditures, stable CPI and increase in population. OFW (Overseas Filipino Worker) remittance is favorably expanding but is likely to grow at a slower pace due to weak currencies other than USD at this moment. Due to low crude oil price, inflation pressure is eased down. BSP can take a wait and see stance under benign inflationary environment.
- MSCI Philippines (local) rose +0.3% MTD as of 24th March, while MSCI Asia ex Japan gained +0.2% in the same period. Financial services and capital goods names rallied, but many of other sectors retreated.
- Over weight is recommended on positive corporate earnings underpinned by solid domestic demand. Should focus on "quality" with good value names.
- Implementing PPP (Public-Private Partnership) might be a key issue for the president election in 2016. PPP is expected to boost FDI and stimulate the economy.

Market Focus (ii): Taiwan – *Overweight continued*

- Mild and steady recovery is expected due to slower growth in exports led by moderate global growth and slower growth in China's economy. Industrial Production is likely to return to solid growth after inventory adjustment in April-June quarter. Consumption and Employment remain stable to grow. Low inflation is expected to continue in 2015.
- Outlook of IT is heavily dependent on iPhone6 sales and it is still difficult to find next driver. However, the profit margins is likely to improve in communication equipment manufacturers as the concern over competition in the 4G mobile market is easing down.
- MSCI Taiwan (local) rose +0.9% MTD as of 24th March and outperformed Asia ex Japan of +0.2% in the same period. Outperformers included health care and technology companies as large technology companies gained after semiconductor maker TSMC posted solid earnings. In contrast, energy sectors lost on low crude oil price.
- Positive Outlook includes Technology, Consumption Discretionary, while Negative Outlook includes Energy, Materials, Consumption Staples and Financials.
- The market is fairly valued as multiples are expanding under global monetary easing, while many of low price to book names are dragged by low return on equity. Should keep eye on "quality" with good value names.
- Political uncertainty will increase before the presidential election in 2016.

Note: Compiled by SMAM as of March 26th 2015

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