Maybank

Asset Management

3Q2023 OUTLOOK & STRATEGY

Parting Storm Clouds

MAYBANK ASSET MANAGEMENT

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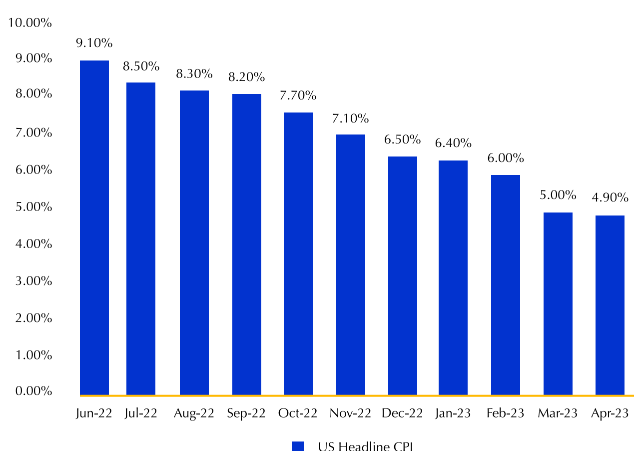
1H2023 Review

Financial assets demonstrated solid performance in 1H2023, as the positive equity markets were buoyed by peaking inflation, although Chinese markets have disappointed due to challenges in the country's recovery and US-China tensions. The fixed income market also delivered positive returns, particularly in Asian domestic bond markets, which exhibited stronger performance.

1H2023 has been a period of positive performance for financial markets, with both equity and bond markets experiencing gains. One of the positive drivers has been peaking inflation, with inflation in the US showing a clear downward trajectory, declining from its peak of 9% in 2022 to the current level of 5%, although it remains relatively high. The decline in inflation can be attributed, in part, to the reversal in commodity prices, which had previously been contributing to inflationary pressures in 2022 but are now exerting a deflationary influence. Throughout the first half of 1H2023, the Federal Reserve (Fed) has maintained a stance of gradually raising interest rates; however, they recently paused the process of hiking short-term rates in June 2023. This pause indicates a shift in the trend observed in 2022, when inflation was in a rising trend, and investors see this as a signal that the interest rate hike cycle is nearing its end. The peaking interest rates have had a positive impact on financial assets, providing a favourable environment for investors.

One sector that has shown exceptional gains during the first half of 2023 is US tech stocks. After a challenging year in 2022, the NASDAQ has experienced remarkable growth, with markets surging by 20%. This surge has been primarily driven by the outstanding performance of NVIDIA, which has seen strong demand for its AI chips, leading to impressive financial results. On the global front, Asian equity markets have been relatively weak, with the exception of Taiwan and Korean markets, as these markets have a significant concentration of tech companies and have followed the gains seen in the US tech sector. Japanese stocks have also witnessed notable gains, as their indices

Exhibit 1: US inflation in a downtrend



Source: MAMG and Bureau of Labour Statistics | Period: Jun 2022 - Apr 2023

are reaching highs not seen since the stock and property bubble burst in the 1990s. Japan has become an attractive investment destination due to reasonable valuations, as the stock market has experienced a derating process over the past few decades. Moreover, corporate balance sheets in Japan have significantly improved as companies have diligently reduced their debt burdens. Another important factor is the Bank of Japan's decision to refrain from raising interest rates, despite the country experiencing decade-high inflation. The interest rate differential between Japan and the US and EU has resulted in the continued depreciation of the Yen. This depreciation has provided a boost to the Japanese stock market, as many Japanese exporters benefit from a weaker Yen, enhancing their competitiveness in international markets. Additionally, the news that Warren Buffett is favouring the Japanese stock market has further contributed to investor interest and confidence.

China is still on track to hit the GDP growth target of 5% for 2023.

However, where markets have been disappointing the most has been the Chinese equity markets. After a strong start in January, various challenges have contributed to the downward trajectory of Chinese stocks. Notably, the pace of the country's recovery from the COVID-19 pandemic has fallen short of investors' expectations.

However, the Chinese economy is still on track to hit the GDP growth target of 5% for 2023. This growth rate is respectable as it may be the only driver of global growth for 2023, considering the EU is likely in recession while the US is grappling with the challenges of inflation and debt, leading to muted growth. In addition to the overall growth trajectory, China retail sales are also tracking at 9% for the first five months of 2023. The disappointing performance of Chinese stocks can be attributed to US-China tensions, as portfolio managers in the West have expressed concerns over the potential for further sanctions imposed by the West or the escalation of conflicts, such as a potential war over Taiwan, which would depress Chinese stocks.

In the fixed income market, while there has been some weakness in 2Q2023, 1H2023 has delivered modest positive returns ranging between 1% - 4%.

In the fixed income market, while there has been some weakness in 2Q2023, 1H2023 has delivered modest positive returns ranging between 1% - 4%. Looking at the longer-term perspective, US interest rates have remained within a range, leading to returns in US-denominated corporate bonds primarily coming from carry strategies. However, the Asian domestic bond markets have exhibited stronger returns. It is worth noting that inflation is not a significant concern in Asia, as many countries in the region have already achieved normalised levels of inflation. We have seen this in countries such as Indonesia, Malaysia, India, and Thailand. Consequently, domestic interest rates in these countries have already reached their peak levels, allowing central banks to pause interest rate hikes.

Amidst the positive markets, there are still risks that have surfaced in 1H2023. The rising interest rates since 2022 have exerted pressure on the financial system in two ways. Firstly, depositors have been steadily moving monies from banks and towards money market instruments, which now have attractive yields due to higher interest rates. Secondly, the higher rates have resulted in losses in the value of bond assets held by banks. While the bigger banks in the US are safe as their deposits are more sticky, the smaller banks may still have issues. The financial crisis can be contagious, as evidenced by the spillover effect of problems in the US banking system on Europe. For instance, Credit Suisse has been struggling over the past few years, and the failure of US banks triggered a crisis of confidence at the bank. Despite being well capitalised, customers, including private bank customers, institutional customers, and banking counterparties, withdrew their monies from the bank. This manifested as a digital bank run, where instead of people lining up to withdraw monies, monies were swiftly transferred out electronically. Fortunately, regulators in both countries acted swiftly to contain the issue, which quickly restored investor confidence. In the US, the Fed introduced the Bank Term Funding Programme (BTFP) to allow banks to pledge their assets to obtain liquidity, partially addressing some of the liquidity issues faced by US banks. Meanwhile, the Swiss National Bank brokered a deal where UBS would acquire Credit Suisse.

2023 Key Investment Themes

The theme for 2023, "Parting Storm Clouds", captures the positive developments in financial assets in 2023 compared to the previous year. Interest rates have reached their peak, and inflation is on a downward trajectory, leading the Federal Reserve to pause its tightening cycle.

So far, 2023 has proven to be a better year for financial assets in comparison to 2022. As previously noted, interest rates are definitely peaking, and inflation is in a downtrend. The Fed, after a series of rate hikes throughout 2023, has already paused its tightening cycle as of June. Over in Asia, domestic inflation rates are considerably lower compared to the developed markets, resulting in less pressure to maintain higher interest rates. For instance, inflation in China is only running at 2%, compared to 5% in the US. Consequently, China has been able to keep interest rates at lower levels.

Secondly, China's reopening is progressing, although the recovery has not been up to expectations. The services sector, especially domestic travel, has demonstrated signs of recovery and even surpassed pre-COVID levels. This is evident from rail and metro data as well as the visitations of domestic tourist sites. Automobile purchases have also recovered, fuelled by the growing adoption of EV cars in China. However, certain sectors, such as manufacturing and real estate, continue to face challenges and exhibit relative weakness.

There is no change to our other themes that we described at the beginning of the year, from US recession risks to volatile markets. We have already seen volatile markets with bank failures in 1Q2023, and we expect this to continue throughout 2023. We have seen de-globalisation, with the US continuing to use sanctions to stop US companies and their allies from exporting certain products and equipment to China. This contrasts with the free-trade era over the past 50 years. Furthermore, geopolitical power dynamics are undergoing significant changes, and we are seeing a shift from a unipolar world dominated by the US not directly to a unipolar world led by China but rather to a multipolar world where different countries hold influence in different regions. The US, which historically played a dominant role in world affairs, now faces the emergence of new influential players. China has been instrumental in brokering a peace deal between two historically hostile countries, Saudi Arabia and Iran. Saudi Arabia has been a strong ally of the US, while Iran has been classified as a terrorist state by the US. Additionally, China has offered to mediate negotiations for peace between Ukraine and Russia, as well as between Palestine and Israel.

We are already seeing technological disruption in the early part of 2023. The EV sector in China has gained tremendous momentum, with homegrown Chinese EV brands capturing market share at the expense of incumbent auto manufacturers from Japan and Europe. The disruptive impact on the industry stems from the relatively slower response of traditional auto manufacturers to introducing EVs. They are still reliant on internal combustion engine (ICE) models, which are less appealing to Chinese consumers.

One theme that we have not seen is Asian outperformance. Asian equities have lagged the US markets as some investors are still sceptical of China's reopening. Time will tell, but we still believe that Asia will outperform. Bank failures in the US have increased the likelihood of a US recession in 2H2023, as financial institutions will tighten credit, which will squeeze the economy. The US economy is already grappling with inflation and higher interest rates, and the occurrence of bank failures adds further strain. We believe Asia will be resilient as the China reopening gathers momentum, which should boost the economies in Asia.

Themes	Implications / Strategy
US Recession Risks	*Global economic growth is still slowing, with a high risk of recession in developed countries. Sovereign bonds will benefit as we will see interest rate cuts in 2023 after hikes in 2022. Expensive growth stocks will still see more downside. Commodities will suffer as a result of slowing economic growth, which will reduce demand.*
Asia Outperformance	*Asian equities have seen underperformance and led the correction. With valuations cheap and China opening up, we expect Asia to lead the rebound in 2023. Asian corporate bonds should also do better, as Chinese credit, which constitutes a large proportion of Asian bonds, was hit by restrictive policies in 2022. This will reverse in 2023. Asian currencies to benefit as investment inflows should provide support.*
De- Globalization	*The US-China Trade tensions and COVID-19 have seen countries set up secondary supply chains. The Ukraine War will intensify de-globalisation into a multipolar world. Countries will build alliances on specific issues, and this will lead to more conflicts in the future. All of this will mean higher costs.*
Sustainability	*Positive on EV and green energy. However, due to ESG policies, there has been a lack of investment in 'dirty' industries. Oil prices and commodities remain higher for longer.*
Technology Disruption	*Continued trend towards digitalisation. Work from home will disrupt office REITs, especially in the US.*
Volatile Markets	*More tactical trading given volatile markets.*

Growth Scenarios In 3Q2023

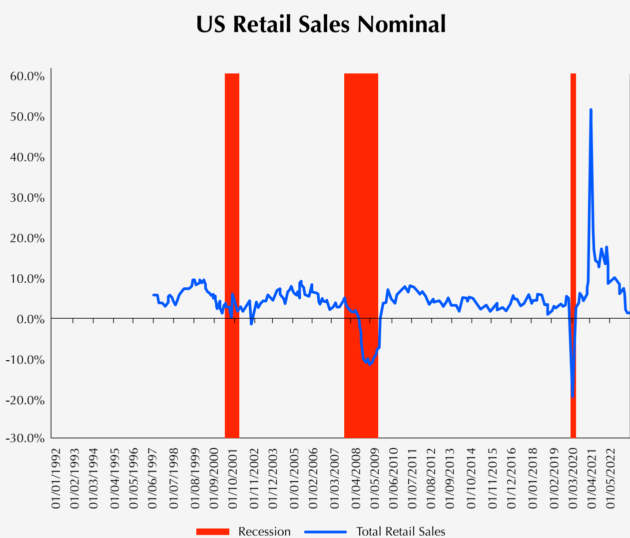
In 1H2023, the US equity markets have been strong, especially the tech stocks, as investors expect a soft landing and subsequent rebound in the economy in 2024. The concerns at the start of the year regarding US recession risks are now deemed to be low, primarily due to the strong job numbers.

We highlighted the US recession as a key investment theme at the start of the year, and we believe it is still relevant. We believe that investors are underestimating US recession risks in 2H2023, whereas the risks of a recession have actually heightened. While job numbers remain strong, most US macroeconomic indicators are deteriorating or at very weak levels. Retail sales have grown just 1.6% YoY, and manufacturing PMI is in contraction. The retail sales are nominal and have not been adjusted for inflation, indicating that real sales are actually shrinking. Industrial production has also turned negative, and alternative data that we look at, including railway and shipping data, indicate that the US economy is weak.

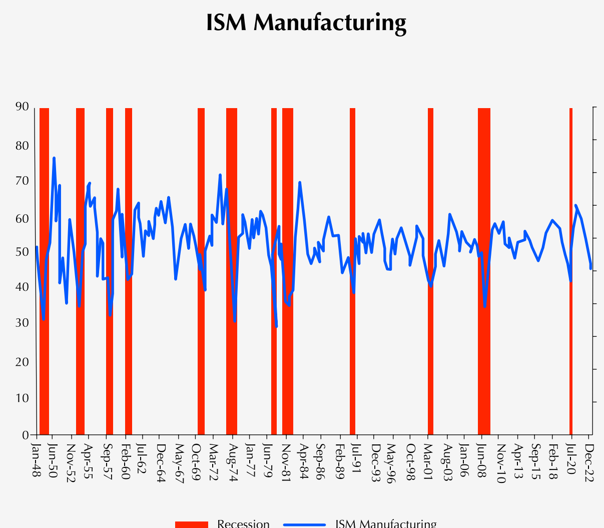
We believe that there are two negative factors in 3Q2023 that will dampen consumption and potentially tip the economy into a recession. The first factor is that the excess savings from the COVID-19 stimulus will be depleted by 3Q2023. Throughout 2020–2021, the US Government injected huge amounts of stimulus through government handouts and subsidies to the people, and individuals have accumulated significant savings. According to research conducted by the Fed, the excess savings reached USD 2.3trn, or 10% of the nation's GDP. This has enabled consumers to stay resilient in the face of high interest rates and inflation. However, the excess savings are being depleted at a rate of USD 240bn – USD 300bn per quarter and should run out in 2H2023. Another issue that will weigh on the US consumer is the resumption of student loan repayments in 3Q2023. Student loans account for USD 1.7trn, approximately 7% of the nation's GDP. The repayment is estimated to be USD 15.8bn per month, affecting 40.5 million borrowers who will be required to pay USD 390 per month. This amounts to another USD 50bn per quarter. When considering both factors combined, the depletion of excess savings and the resumption of student loan repayments account for approximately 5% of the nominal GDP.

The other thing that we would like to note is that with the run-up of US tech stocks, valuations are not attractive. This is particularly true for AI-themed stocks. While these stocks may still exhibit short-term performance over the next two to three months, the prospects of longer-term returns (3 years onward) for such overvalued stocks are not good.

Exhibit 2: US Retail Sales and ISM Manufacturing



Source: Bloomberg, MAMG | Period: 1992 to 2023

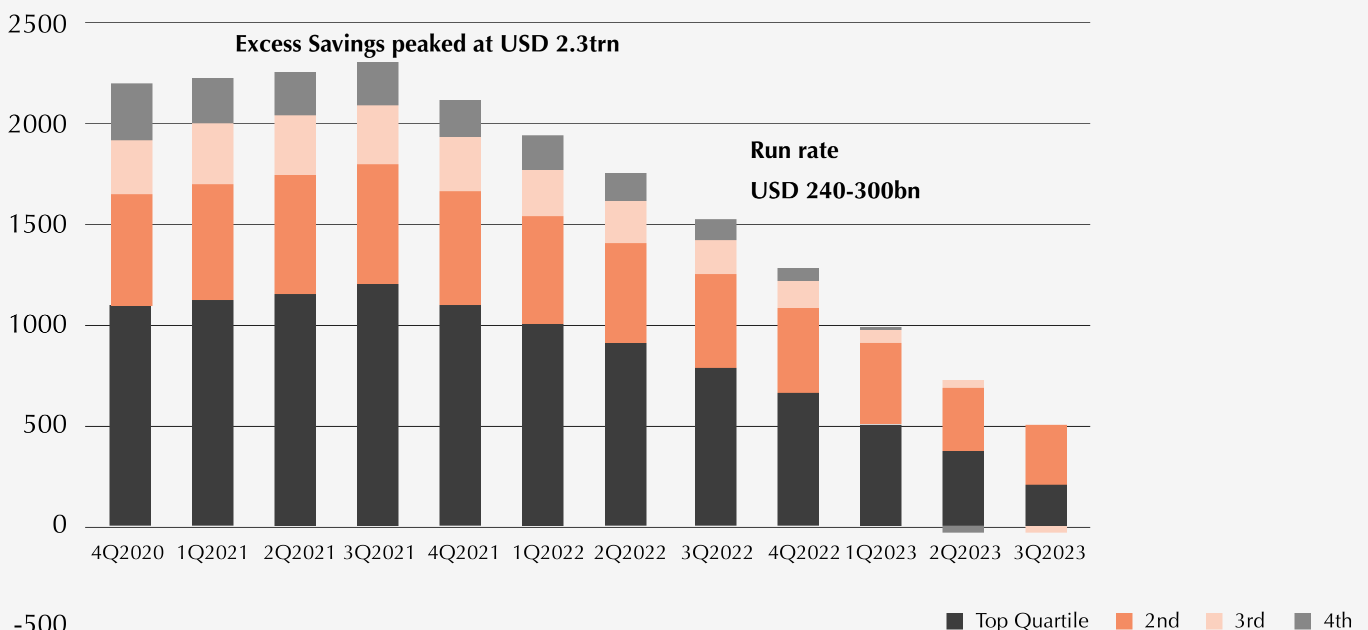


Source: Bloomberg, MAMG | Period: 1948 to 2023

In many ways, the present situation bears similarities to the tech bubble of 2000, when good companies with strong business models traded at excessively expensive levels. In the year 2000, Microsoft, Qualcomm, and Cisco were some of the companies that had strong growth prospects with investment moats that included strong IP and superior technology. After all, Microsoft had and still has the dominant operating system and office productivity software; Qualcomm dominated mobile phone technology; and Cisco dominated networking equipment. While the companies above continued to show strong multi-year earnings growth, it took them more than 10 years after the tech bubble burst to reach the levels reached in 2000. We are now seeing companies like NVIDIA and AMD trade at similar valuations. We understand that NVIDIA and AMD do have strong advantages in AI, but the valuations of the companies are at levels that were last seen in 2000. Admittedly, there are some differences too: In the year 2000, the stock market had a large number of unprofitable tech companies. This time we do see unprofitable tech companies, but the stock market has been driven by very profitable tech companies like Apple and Microsoft (although they are also trading at historically expensive levels). The saying goes that "History does not repeat itself, but it rhymes". We believe that paying historically high multiples for US stocks as we head into a potential recession is probably not a good idea.

What about Asian stocks? While ASEAN and Chinese stocks have certainly disappointed in 2023, we believe that investors should be a little more patient. The gap in valuation between US and Asian stocks has reached extreme levels, reminiscent of the levels seen in 2000. From then on, Asia outperformed while the US markets struggled for nearly a decade. Investors are concerned regarding the slower-than-expected recovery in China following the reopening from the COVID-19 pandemic. One of the reasons for the weaker recovery has been that China is a 2-tier economy. While the services sector has rebounded strongly, with travel and F&B activities already returning to pre-pandemic levels, the manufacturing sector faces headwinds due to lacklustre global growth. China is the world's factory, and exports have been slowing due to subdued global economic conditions. The EU is in recession, while the US, although still growing, is doing so at a very slow pace. However, there have been notable bright spots, such as the EV space. Additionally, Chinese internet stocks, although currently unpopular among investors, have exhibited strong 1Q2023 earnings and present attractive valuations. While the Chinese market may be perceived as a potential value trap, cheap valuations for the broad markets tend to reward investors in the long run. We are also comforted by the ability of the Central Government to stimulate the economy should economic growth fall below expectations. The manageable levels of government debt to GDP provide a degree of flexibility in implementing measures to support economic growth.

Exhibit 3: US Excess Savings



Source: MAMG, US Federal Reserve | Period: 4Q2020 to 2023

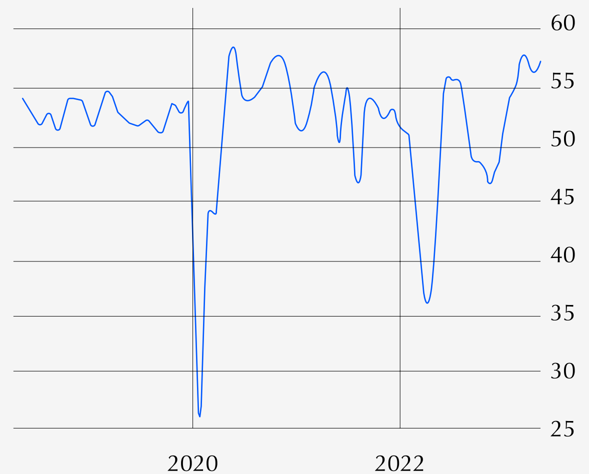
The ASEAN region has been underperforming in 2023 as investors shifted their focus from ASEAN to North Asian markets, including Taiwan and Korea, which had faced challenges in 2022. We believe economic fundamentals for ASEAN are strong, displaying resilient economic growth even in the face of weak global growth and normalising inflation. The ongoing US-China tensions are benefitting ASEAN markets, as both Chinese and Western companies are setting up alternative supply chains in ASEAN to mitigate the risks associated with sanctions from the West towards China.

In the fixed income space, we have been positive on bonds since the start of the year. While short-term interest rates in the US have continued to rise, long-term rates have stayed in a range. With the higher prevailing rates, investors have gained from the carry. Fixed income should continue to see steady returns as the Fed has already paused in June and the likelihood of a US recession will put downward pressure on rates and boost bonds. Therefore, for more conservative investors, bonds are probably the better choice given the likely prospects of a US recession. With the high interest rates, investors have the choice of low-risk short duration bonds, which offer yields ranging between 5% and 6%.

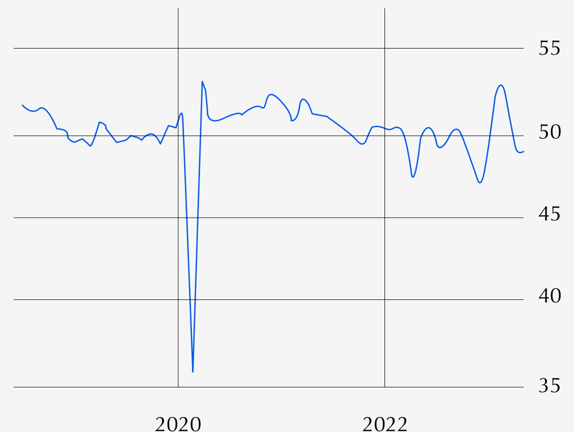
We would like to highlight a potential risk that must be monitored. The US commercial real estate market, especially the office sector, is currently experiencing significant stress. On the demand side, the widespread adoption of work-from-home practises in response to the COVID-19 pandemic has dampened the demand for office space, leading to high vacancies. On the cost side, higher interest rates have created financial pressure for property owners who rely on debt financing. As a result, many properties that were purchased with debt are now facing sustainability issues. The total commercial real estate debt is around USD 5trn, representing around 15-20% of the US economy. Of this amount, an estimated USD 2trn pertains to the office segment. This could potentially drive the US economy into a hard landing.

Our investment theme for 2023, "Parting Storm Clouds", continues to sum up our views. We are positive due to plateauing interest rates, but there are challenges, including a US recession and a potential crisis in US commercial real estate.

Exhibit 4: China is a 2 Tier Economy. Services doing much better than manufacturing.



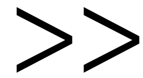
Source: MAMG, Bloomberg | Period: 2020 to 2023



Source: MAMG, Bloomberg | Period: 2020 to 2023

3Q2023

Asian Equity Outlook & Strategy



3Q2023 Asian Equity Outlook & Strategy

We continue to prefer Asian equities over developed markets as we believe China's recovery will gather pace in 3Q2023, and Asia will be supported by India's better-than-expected economic profile and more attractive Asian equity valuations. On top of that, we overweight ASEAN and underweight North Asia.

Contrary to our earlier expectations, MSCI Asia ex-Japan has underperformed the S&P500, YTD, as the positive impact on Asia from China's post-lockdown reopening has been less profound and less widespread than initially expected, while the US economy has held up well against the headwinds of rising interest rates. The weak RMB, to which many Asian currencies are closely correlated, also contributed to MXASJ's relatively weak USD return of just 4.3% against the S&P500's 15%. Within Asia, MXCN underperformed North Asian markets led by Korea and Taiwan, driven by a surge in the interest shares of hardware exporters exposed to AI demand.

Across many regional markets, weak trade numbers were reported, reflective of muted import demand from China, which in turn may be indicative of weakness in final goods demand globally. Indeed, this was the likely reason why China's manufacturing PMI has been signalling manufacturing contraction in 2Q2023. That said, China's reopening has had a positive impact on service demand, notably in hospitality, catering, and travel, as reflected in resilient service PMI reports. But the demand recovery did not extend so much to larger purchases, e.g., real estate and cars. The People's Bank of China (PBoC) responded by further cutting interest rates, the most recent of which were 10 bps each in the 1 and 5-year loan prime rates, as well as the 1-year medium term loan facility (MTLF) and the 7-day reverse repo.

Asia's China-led recovery will gather pace in 3Q2023.

In the face of very low inflation, where May's headline rose just 0.2% YoY and core by just 0.6% YoY, further cuts are likely, with more than an even chance of further Reserve Requirement Ratio (RRR) cuts. In our view, China's recovery from the property debt crisis and prolonged COVID-19 lockdown has not been derailed, but merely pushed back. Given that property recovery remains feeble and is a key pillar of the economy, we do not discount more supportive measures beyond the rate cuts that we have seen so far. These may include lowering downpayments, raising the cap on buyers' access to housing provident fund loans, or granting easier funding to ease the liquidity squeeze on developers. It is still on course to chart 5% GDP growth for the full year, which is decent when compared with the projections for the rest of the world's major markets.

Exhibit 5: MXASJ underperformed Developed Markets

Range 12/30/2022 - 06/22/2023 Period Daily No. of Period 174 Day(s)

Security	Currency	Price Change	Total Return	Difference	Annual Eq
MXWO Index	USD	12.59%	13.99%	-1.07%	31.62%
SPX Index	USD	14.13%	15.06%	--	34.22%
MXCN Index	USD	-4.86%	-4.00%	-19.06%	-8.21%
MXASJ Index	USD	3.19%	4.27%	-10.79%	9.17%
MXSO Index	USD	-3.26%	-.83%	-15.89%	-1.73%
MXEU Index	EUR	7.21%	9.88%	-5.18%	21.85%

Source: Bloomberg as of 22nd June 2023

Exhibit 6: North Asia outperformed ASEAN and India

Range 12/29/2022 - 06/21/2023 Period Daily No. of Period 174 Day(s)

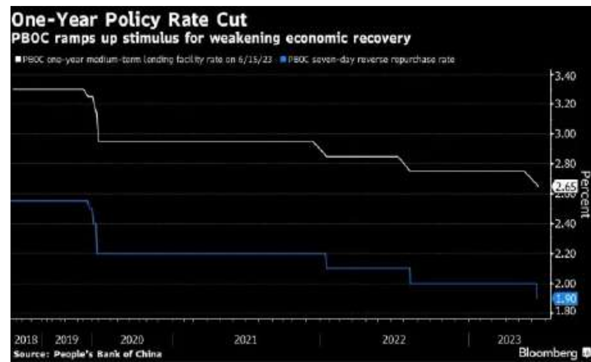
Security	Currency	Price Change	Total Return	Difference	Annual Eq
MXKR Index	USD	16.47%	16.82%	-5.93%	38.56%
TAMSCI Index	USD	21.69%	22.75%	--	53.73%
MXCN Index	USD	-4.61%	-3.75%	-26.50%	-7.71%
HSI Index	USD	-3.02%	-1.43%	-24.18%	-2.98%
MXIN Index	USD	3.13%	3.86%	-18.89%	8.27%
MXSO Index	USD	-2.33%	.13%	-22.62%	.27%

Source: Bloomberg as of 21st June 2023

Exhibit 7: China's 1-Yr & 5-Yr loan prime rate

Source: Bloomberg as of 23rd June 2023

Exhibit 8: China's 1-Yr MTLF & 7-day Repo Rate



Source: Bloomberg | Period: 2018 to June 2023

Our view that Asia's China-led recovery will gather pace in 3Q2023, not forgetting India's sustainable momentum, along with more attractive Asian equity valuations, is why we still prefer Asian equities over those in developed markets. Following the S&P500 and NASDAQ's spectacular 1H2023 gains, there is considerable downside risk to US equities, in our view. The S&P500 EPS growth for FY2023 and FY2024 is only -1.2% and +9.5%, respectively, according to the latest Bloomberg consensus estimates. Yet, the S&P500 is trading at a forward P/E multiple of 18.0x, half a sigma above its 10-year mean of 16.9x.

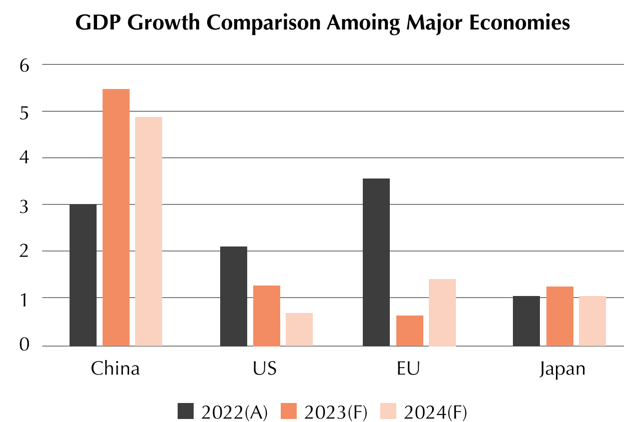
On this unattractive risk versus reward balance, we believe that the risk to US equities is weighed heavily to the downside. MSCI Asia ex-Japan, on the other hand, is trading at a forward PE multiple of. 11.6x, nearly one sigma below the 10-year mean of 12.1x, on EPS growth of +3.0% in FY2023 and +21.2% in FY2024.

The Fed Chairman's congressional testimony on 21st June was clear in his message that reducing inflation would require a period of below trend growth and a softening of the labour market. And, the still surprisingly strong housing market, where the median asking rent is at its highest and residential property prices are not correcting meaningfully yet despite soaring mortgage rates and an unemployment rate of just 3.5%, are good reasons to believe that underlying core inflation will remain elevated for some time. This supports the FOMC majority members' view that another 50bps hike was necessary in 2H2023. But despite this, the futures market has chosen to ignore this by pricing in only an additional 25bps hike.

Exhibit 9: Falling housing starts in China

Source: Bloomberg as of 31st May 2023

Exhibit 10: China continues expanding on policy stimulus



Source: Bloomberg as of June 2023

Against this background of still rising rates and higher treasury issuances on the horizon, we are vigilant to see if stresses on the banking system such as SVB's may resurface or if commercial real estate, especially office properties, might be challenged by tougher refinancing conditions due to high rates and market values falling below loan values. Certainly, the US economy is facing tighter credit conditions for households and businesses, which will ultimately weigh on economic activity, hiring, and inflation. Our base case remains that the US entering recession in late 2023 or early 2024 will be the source of global stock market volatility within the next six months. Stocks in Asia will not be immune to the US recession, but given cheap valuations, they will be more resilient and hence weather the volatility better.

If the US enters recession as we expect in late 2023 or early 2024, Asian equities may not face an imminent sell-off until late in the year, when data confirming a material slowdown begins to show. Until then, we believe there is scope for the MXASJ to dial in 3-5% additional return within 2H2023 to take the index to the 650–665 level, which represents circa 12.1x 2024P/E, which places it at a mean valuation. This base case is premised on China's more rapid pace of recovery in 2H2023, which is why we keep an overweight call on China stocks at least tactically, given its cheap valuation and the easing negativity towards it at the margin on the increasing likelihood of property sector stimulus, including rate cuts.

Exhibit 11: MSCI Asia ex-Japan offers a better risk-reward balance versus the US S&P500

Source: Bloomberg | Period: 2013 - 2023

Source: Bloomberg | Period: 2013 - 2023

Exhibit 12: Asking rents at all-time high

Source: Bloomberg | Period: 2008 to March 2023

Exhibit 13: 30-Y mortgage rate hit 7% close to 25Y high

Source: Bloomberg | Period: 1998 to June 2023

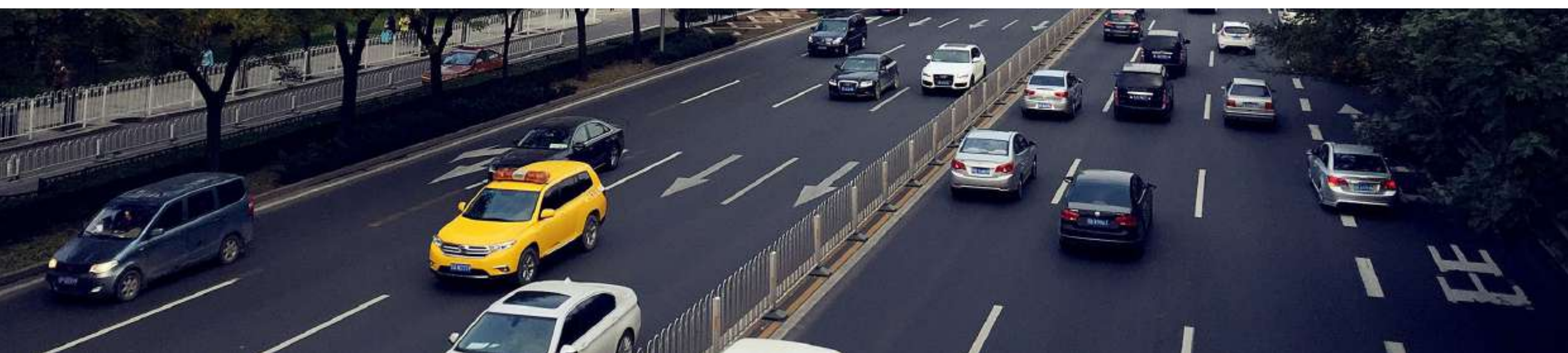
In terms of calls by regions for 3Q2023, we overweight ASEAN and underweight North Asia. We believe Korea and Taiwan are highly exposed and, hence, vulnerable to the global economy given their concentration in the cyclical auto and tech sectors. While we like Korea and Taiwan as offering Asia's best exposures to the structurally appealing AI supply chain play, they have risen far too quickly YTD, making them vulnerable to a market pullback. For this reason, we downgrade Korea to underweight from neutral but keep Taiwan at neutral on a relatively better valuation. On ASEAN, we raised Indonesia to overweight from underweight previously on improving economic metrics (falling inflation, peak interest rates, and a positive IDR outlook on sound fiscal and current account positions) and downgraded Thailand from overweight to underweight as we believe the tourism recovery theme has run its course while a changing post-election political landscape could raise leadership uncertainty and market negative policies. We raise India from underweight to neutral on its improving economic profile and seen by some investors as an investment alternative to China. From a valuation perspective, China equities are the cheapest as measured by the MXCN Index trading on 2024 PE of just 9.3x against India (MXIN) at the highest at 18.7x and ASEAN (MXSO) at 13.6x.

We overweight ASEAN and underweight North Asia.

As for our sector calls, we have turned overweight on the Utilities sector due to its defensive nature, which has historically proven to be resilient in weaker global economic conditions. With lower fuel costs, we anticipate improved margins, alleviating the pressure on cost-pass-through, especially considering governments' reluctance to raise end-user tariffs. We expect operating cash flows to improve as receivables are collected at a faster rate. In addition to that, we maintain overweight on Healthcare, as the inelastic nature of healthcare services during economic downturns, coupled with the structural benefits arising from ageing demographics in North Asia and above-average population growth in ASEAN, present attractive opportunities. Our preferred picks within the healthcare sector include hospitals and medical equipment, while we see value emerging in glove makers.

Exhibit 14: One-Year forward PE of various MSCI Asian indices against S&P500

Source: Bloomberg | Period: June 2018 to June 2023



Country Calls

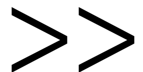
Country	Call	Rationale
China	Overweight	*The services and e-commerce sectors are the key drivers of 2023 growth, offsetting still sluggish real estate activity and contractions in manufacturing reeling from the effects of slowing developed markets and trade tensions. 1Q23 earnings season revealed pockets of strength in travel-related and e-commerce services. YoY, CPI up to May had been well below 1%, with PPI lately even showing negative readings, which has emboldened the PBoC to take a series of monetary easing measures via cuts in MTF, 1 and 5-Y loan prime rates, and repo rates, with further RRR cuts possible. China is cheap, as the MXCN trades on a forward PE of just 9.3x, well below the historic mean, making it at least a tactical overweight.*
Indonesia	Overweight (from Underweight)	*Indonesia is the best placed ASEAN market economically, as inflation has eased to within Bank Indonesia (BI)'s target range, allowing it to pause hikes or even cut later this year, while fiscal and current account surpluses keep the IDR one of the stronger ASEAN currencies. However, range bound trade could be expected during the period closer to the election in Feb 2024. The 2023 consensus expectation of 6% EPS growth with a resilient currency supports the current valuation of 13.8x, below its 10-Y mean of 14.3x.*
Philippines	Overweight (from Underweight)	*Philippines' inflation has trended downwards for the 4th straight month in May, with the BSP cutting 2023/24 inflation forecasts. BSP's second pause in June is a good sign following nine successive policy rate hikes—one of ASEAN's most aggressive. YTD recovery in OFWR boosted by forex translation gains (due to a relatively weaker peso) should support private domestic consumption spending. And enhancements to the regulatory landscape prompt us to upgrade our call on this market, which has fallen to multi-year lows.*
Hong Kong	Neutral	*As the mainland's top destination of choice, HK's economy benefits as Chinese domestic tourism spending recovers stronger than outbound tourism in the first 5 months since reopening. But retailers, malls, and Macau casinos have already reacted sharply. The HK market is abundant with high dividend yielders that could benefit when bond yields fall as the US recession sets in.*
India	Neutral (from Underweight)	*India is emerging as an alternative to China as a location for manufacturing and assembly of goods and exports, enabled by a growing population and younger demographics and being better positioned in terms of geopolitical relationships with developed markets. Economic growth looks strong, with FY2023 expected to come in at 7.2%, with room for the RBI to revise rates lower as CPI slipped to an 18-month low of 4.7% and the wholesale price of -0.92% in April. It has been a recipient of foreign inflows that kept valuation elevated at a forward PE of 18.7x, about half a sigma above its 10-Y mean of 17.3x.*
Malaysia	Neutral	*Domestic consumption and private investment remain key drivers, delivering 4.0% GDP growth for the full year despite waning external trade as the US recession looms and disappointing Chinese demand. Core CPI is declining slowly, but it has fallen to 3.8% in April within the BNM 2.8%–3.8% range, albeit at the top end. With economic risk to the downside, BNM will likely hold at 3% for the rest of the year. Positively, Malaysia is cheaply trading at a forward PE of 12.1x, well below its 5-year mean. However, the market lacks immediate catalysts. CPO price is still sluggish, and the O&G order book is not growing fast enough.*
Singapore	Neutral	*Amid a lacklustre 1Q2023 earnings season, Singapore is supported by inexpensive valuations and an attractive dividend yield exceeding 5% in 2023. Inflation risks remain to the upside. Despite the likelihood of a technical recession, the vulnerable manufacturing sector is financially sound with generally strong balance sheets and poses insignificant risks at this stage to the banking sector, while prospects for the services and property sectors are resilient.*
Taiwan	Neutral	*There is a perception that the Asia tech hardware cycle has bottomed, and Taiwan (along with Korea) has the best long-term secular themes that strengthen with time. In the near-term though, it is vulnerable to a US recession in 2H2023.*
Korea	Underweight (from Neutral)	*Korea is highly exposed to the global economy given their concentration in the cyclical auto and tech sectors. While we like Korea (and Taiwan) as offering Asia's best exposures to the structurally appealing AI supply chain play, they have risen far too quickly YTD, making them vulnerable to a market pullback.*
Thailand	Underweight (from Overweight)	*Thailand's monthly tourist arrivals, earlier expected to be lifted by China's outbound tourism recovery (traditionally accounting for over a quarter of tourism receipts), are so far still below pre-pandemic levels. We now expect pre-pandemic level arrivals to be reached only in 2024, given China's still sluggish economic recovery. Lack of clarity on what form the post-election political*

Sector Calls

Sector	Call	Rationale
Health Care	Overweight	*The healthcare sector has a record of resilience as healthcare services are inelastic against an economic downturn while benefitting structurally given the general ageing demographics in North Asia and above average population growth in ASEAN. These factors put hospitals and medical equipment as our preferred picks, while glove makers that were victim of oversupply is seeing industry consolidation is seeing value emerging following steep sell off since over a year ago.*
Utilities	Overweight (from Neutral)	*Overweight due to Utilities defensive qualities, as power and gas demand have historically proved to be relatively resilient against a weaker global backdrop. Margins may improve from lower fuel costs which relieves pressure on cost-pass through amid governments' reluctance to raise end-user tariffs. Operating cashflows should improve from faster collections of receivables including China's renewable subsidies, Indonesia's compensation on non-subsidised fuel to PT Perusahaan Listrik Negara and Malaysia's Tenaga imbalance cost-pass-through (ICPT) recovery from the government.*
Communication Services	Neutral	*Avoid the digital advertising and entertainment segment as these are highly cyclical and prone to weakness as the risk of slower growth has risen in Asia. Preferred are those less economically sensitive – including mobile phone and home broadband internet services as these are essential services and the last that consumers will cut. Companies that have room for cost cuts and solid balance sheets have the best defensive qualities and should emerge stronger.*
Consumer Discretionary	Neutral (from Overweight)	*Consumer discretionary has lagged in 1H2023 as China's borders reopening impact around the region has been less pervasive than expected owing to slow recovery in international flights frequencies/capacities and consumers' guardedness over China's patchy recovery. However, we believe international travel volumes will pick up later to benefit services including hospitality, retail, travel, and casinos around the region. For now, we downgrade the sector to Neutral on the risk that the recovery will be gradual given the time required to restore confidence and the weak RMB.*
Consumer Staples	Neutral	*Rising input cost pressures may ease as global economic slowdown takes hold against pressured consumers. Companies best positioned to face the headwinds are those dealing in cheaper brands that pressured consumers can trade down to. Agriculture commodity in edible oils may hold up given the impact of recently confirmed El Nino in the region that will lessen yield next year and raise prices.*
Energy	Neutral	*Brent's support appears to be at $70/barrel given that this was the level at which OPEC+ surprisingly decided to cut output in April to support prices. Thus, OPEC+ interest in keeping oil price elevated and China's post-pandemic recovery may offset the impact of developed markets slowing possibly into a recession. Though global investment in O&G production has picked up, it will take several years for global supply to catch up with demand. For sure, the preferred plays are those in the renewable energy space.*
Financials	Neutral	*Credit risks due to a gloomy economic outlook is a greater concern than realized portfolio losses for Asian banks given that the typical loan-to-deposit ratio is about 90%. Hence most of the deposits are invested in loans and not treasury like securities as is the case with SVB. Besides, most rates in Asia (except Singapore and HK) have likely peaked. In particular, we are watchful of banks at risk of exposures to potential US commercial real estate fallout where a considerable number of refinancing is expected over the next two years given that they will likely have to refinance at higher rates on lower market values.*
Information Technology	Neutral	*Faced with prospects of global slowdown, there is probably some downside risk to the World Trade Semiconductor Trade Statistics' 4% contraction forecast in the global semiconductor revenue in 2023. Consumer demand for smartphones and PCs is falling where consumer driven markets are weakening while enterprise driven markets also face downside risks if the expected recession turns out to be severe. While these risks may have been priced into some extent, it would take a turn in the rate hike cycle to prompt an upgrade from neutral.*
Materials	Neutral	*Materials are a cyclical sector and the prospects of recession in the developed markets will weigh on it, besides lessening the case for investors to adopt some exposure for hedge against inflationary risks. Still, for longer term investors, the investment appeal remains for hard commodities with structural demand from the digital information age and EVs such as copper, nickel, lithium, and rare earths.*
Real Estate	Neutral	*Outlook is incrementally positive as inflation is easing in Asia and interest rates are stabilizing in 2H23 which is why REITs look attractive. For while rates may stay high near term, the end of hikes allay refinancing and asset value concerns leading to positive impact on cost of capital and spur growth prospects. Declining long term yields heading into a global slowdown makes dividend yielding character of financially secure REITs attractive again in the longer term. In Asia, hospitality real estate performance is expected to surpass pre-pandemic levels by next year. The developer segment ie. China's housing sector remains on the mend, supported by easing rates and less restrictive purchasing conditions for buyers.*
Industrials	Underweight	*In the near term, Asia's industrial sector is vulnerable to risks of a US recession. Longer term, the US-Sino geopolitical tensions and supply chain disruptions which have prompted the US to bolster domestic manufacturing or on shoring may mean less demand for industrial goods from Asia. Positive though, is that the push for digitization will continue to be a source of defensive growth for manufacturers in automation equipment, advanced robotics, AI, and technologies that enhance competitiveness.*

3Q2023

Asian Fixed Income Outlook & Strategy



3Q2023 Asian Fixed Income Outlook & Strategy

We believe that we are nearing the end of the interest rate hike cycle, as inflation already peaked on a downward trend this year. With the risk of a looming recession, central banks globally should be looking to cut interest rates over the next two years. For 3Q2023, we maintain a positive outlook on Asian USD bonds, although we prefer to position defensively in credit bonds by overweighting investment-grade bonds and underweighting high-yield.

Asian USD bonds fell short of expectations in 1H2023. The JP Morgan Asia Credit Index (JACICOTR) had a promising start early in the year, posting a 4% gain in January as both interest rates and credit spreads rallied. However, it encountered a setback in February, erasing half of its gains and declining by 2% due to inflationary pressure. Since then, multiple risk headlines have kept surfacing, resulting in volatile and lacklustre bond markets. These included banking stress in US regional banks following the failure of SVB, the shocking regulatory write-down of Credit Suisse Coco bonds in March, and the weak performance of China's property sector in April and May. Despite increasing signs of an upcoming growth slowdown, the US Fed signalled a hawkish Dot Plot in June, with the Fed terminal rate at 5.5% by the end of December 2023 — 50 bps above the current level. This was the final icing on the cake for bearish sentiments surrounding USD bonds.

As of June 23rd, the JP Morgan Asia Credit Index (JACICOTR) had achieved a YTD return of 3.28%. Meanwhile, the yield on the UST 10-year bond stood at 3.74%, similar to the 3.8% recorded at the end of December 2022. Comparatively, the yield on the JACICOTR was 6.6% versus 6.7% at the end of 2022. Hence, bond prices did not rally significantly, and the bond index returns were primarily generated from coupon income. Within the bond index, investment-grade bonds delivered 3.5% total returns, mainly from bond income, while non-investment-grade bonds underperformed with less than 2% total returns. The weakest segment was China's high yield, which experienced a negative return of 9% as investors continued to sell with default risks staying high. Despite the numerous easing and support measures introduced since November last year, China's property sales weakened during 2Q2023, failing to meet expectations that China's re-opening would boost property contract sales. Bond refinancing activities were also slower than anticipated, exacerbating liquidity risks. Many investors have exited the sector and are in no rush to re-enter, despite significantly depressed bond prices. The weak performance of China's high-yield bonds also dragged down non-China high-yield segments, such as Indonesian commodities and Indian renewables. Bank subordinated bonds also faced challenges in recovering from the impact of the Credit Suisse Tier 1 write-off.

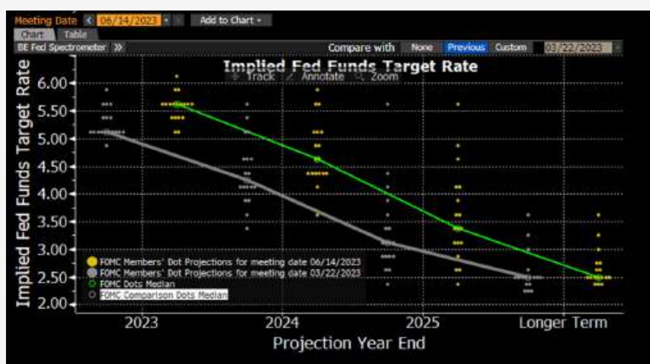
Current bond yields of 5% to 6% p.a for IG bonds and 9% for non-China HY bonds offer attractive returns for investors.

We anticipate that the JP Morgan Asia Credit Index will deliver total returns of 6% to 7% for FY2023.

Exhibit 15: JP Morgan Asia Credit Composite Index

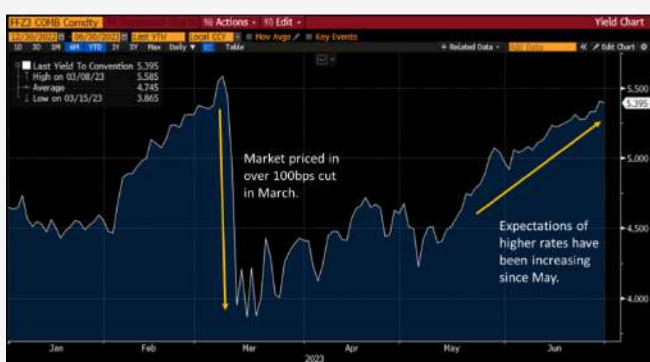
Source: JP Morgan, Bloomberg as of 23rd June 2023

Exhibit 16: Implied Fed Funds Target Rate



Source: Bloomberg as of 14th June 2023

Exhibit 17: Expected yield of US Fed Fund Futures by end-Dec 2023



Source: Bloomberg as of 30th June 2023

The US Fed has been increasing their terminal interest rate expectations during 1H2023, from 5.1% during the March meeting to 5.6% at the June meeting. In addition, they do not expect any interest rate cuts until FY2024, as they expect the US to enjoy a soft landing.

This resonates uncomfortably with investors who expected the US Fed to cut interest rates by up to 100 bps to deliver double-digit bond returns in FY2023. Exhibit 17 shows the expected yield of US Fed Fund futures by end-Dec 2023. During March 2023, US regional banks experienced extreme liquidity stress when SVB Bank collapsed. The probability of a US recession has increased, hence, the market was pricing the US Fed Fund rate to be cut to 4% by year's end, which will be very positive for bonds, specifically government bonds. However, since May, the probability of interest rate cuts has diminished due to the surprising resilience of US employment despite 15 months of aggressive interest rate hikes.

Whether it is one or two more interest rate hikes, we believe that we are closer to the end of the interest rate hike cycle than the beginning of the year. Globally, inflation already peaked in 3Q2022, and it has been on a downward trend this year. Growth has started to slow, and consumers are feeling the pinch from higher prices and punitive interest costs. Savings accumulated during the COVID lockdown have been depleted, adding to negative consumer sentiment. With the risk of a looming recession, central banks globally should be looking to cut interest rates over the next two years. Therefore, the fixed income market in FY2023 should do better than last year.

For 3Q2023, we maintain a positive outlook on Asian USD bonds. Current bond yields of 5% to 6% per annum for investment-grade bonds and 9% for non-China high-yield bonds do offer an attractive return for investors over the next two to three years. Given that we are expecting growth to slow and even a possible recession in the US, we prefer to position defensively in credit bonds by overweighting investment-grade bonds and underweighting high-yield. We feel that an investment-grade yield of 6% per annum offers a very decent carry for 3Q2023 and good price upside potential from FY2024 when central bankers start to cut interest rates. In the Asian credit space, we are expecting credit spreads to widen during 2H2023, mainly due to potential credit spread widening in the high yield space. For the largest economy in Asia – China – we expect some policy support for the economy from the Chinese government but not a package of strong stimulus. Therefore, we expect China to experience slow growth for the rest of the year, as the boost from the China re-opening was short-lived. China's property market contract sales remain weak, and developers continue to suffer liquidity stress. Country wise, we prefer to underweight China, and sectorally, we prefer to overweight quasi-sovereigns and strong corporates.

Overall, we anticipate that the JP Morgan Asia Credit Index will deliver total returns of 3% to 4% for 2H2023, resulting in full year returns of 6% to 7% for FY2023. We expect credit spreads to widen by 10 bps to 30 bps and the US interest rate to fall by 30 bps to 50 bps, resulting in a small rally in bond prices. Bond yield of 6.5% per annum will be the main contributor to performance.

Exhibit 18: JP Morgan Asia Credit Composite Investment-Grade bonds

Source: Bloomberg as of 26th June 2023

Expected Total Return for JACI 2H2023

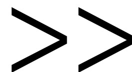
JACI Yield to Worst	**6.57**
JACI Weighted Duration	**4.40**

	Credit spread change							
US Treasury change	**-20**	**-10**	**0**	**10**	**20**	**30**	**40**	**50**
-70	7.02	6.60	6.19	5.77	5.36	4.94	4.53	4.11
-60	6.60	6.19	5.77	5.36	4.94	4.53	4.11	3.70
-50	6.19	5.77	5.36	4.94	4.53	4.11	3.70	3.28
-40	5.77	5.36	4.94	4.53	4.11	3.70	3.28	2.87
-30	5.36	4.94	4.53	4.11	3.70	3.28	2.87	2.45
-20	4.94	4.53	4.11	3.70	3.28	2.87	2.45	2.04
-10	4.53	4.11	3.70	3.28	2.87	2.45	2.04	1.62
0	4.11	3.70	3.28	2.87	2.45	2.04	1.62	1.21
10	3.70	3.28	2.87	2.45	2.04	1.62	1.21	0.79
20	3.28	2.87	2.45	2.04	1.62	1.21	0.79	0.38
30	2.87	2.45	2.04	1.62	1.21	0.79	0.38	-0.04
40	2.45	2.04	1.62	1.21	0.79	0.38	-0.04	-0.45

Source: JP Morgan as of 28th June 2023

3Q2023 Main Views	Our Assessment for 3Q2023	Strategy
Central banks globally are reaching the peak of their current hiking cycle	We believe the gradually falling inflation data in 1H2023 shows the restrictive power of the Fed's aggressive rate hike so far. Expect rates to peak soon in 2023 with just 1 or 2 more Fed hikes, but expect the first rate cut to be delayed beyond 2023 due to inflation levels that are far from the Fed's 2% target despite a decreasing trend.	Rates close to peak means less pressure on bonds. We want to be slightly underweight to neutral in terms of duration to wait for the remaining rate hikes, and potentially go overweight after.
Risks of China property sector remains high	We expect private Chinese property developers to continue to be under pressure in 2H2023, due to limited supporting policies for developers, limited market access for refinancing, and the weak property sales outlook.	Underweight China versus Index
Bond yields are at very attractive levels versus historical	Due to the severe selloff in FY2022, investment grade bonds are offering 5% to 6% yields currently, while non-China high-yield bonds are offering 8% to 9%. This is very attractive to lock in for the medium term for insurance and pension funds. For short-end, one year certificate deposit can find 5.6-5.7% in A-rated Asian banks.	Given the high overall yields, there is no need to stretch down the credit curve for yields.
Aggressive interest rate hikes during FY2022 have increased the probability of recession in FY2023/2024	A recession would mean interest rate cuts, which would be positive for bonds, especially investment grade and sovereign bonds.	Overweight long-term investment grade and sovereign bonds.

Asian Currencies and Interest Rates Outlook & Strategy



3Q2023 Asian Currencies and Interest Rates Outlook & Strategy

Strong US job data, sticky inflation numbers, and the loss of momentum in China's post-COVID recovery have resulted in a stronger US Dollar and weaker Asian currencies. However, a base case for an eventual Asian FX recovery against the USD is maintained in the mid-term amid tightening credit conditions in the US, signs of economic moderation, and ongoing quantitative tightening by the Fed.

Resilient US job data and sticky inflation numbers had led to a hawkish re-pricing of the implied Fed rate. Notably, markets pushed back the timing of Fed rate cuts from 4Q2023 to 1Q2024 (pricing in roughly one cut in 1Q2024 vs. three cuts in 2H2023). Given the rejuvenated hawkish sentiment, the US Dollar Index ("DXY") is on track to see its first quarterly gain in 2Q2023 after two consecutive quarterly negative returns in 4Q2022 and 1Q2023. Market expectations of a US recession by year's end have yet to materialise despite the Fed's ongoing aggressive rate hike cycle. With the recent June FOMC dot plot signalling another two rate hikes by the end of 2023, the US rate tailwind has provided much ammunition for continued USD strength.

Moreover, recent Chinese economic indicators (manufacturing and services PMI saw contraction; weaker than consensus retail sales data etc.) have suggested the Chinese post-COVID recovery is losing momentum. Chinese authorities have yet to introduce substantial fiscal stimulus measures, relying primarily on limited monetary policy support in the form of a 10 bps reduction in the 7-day reverse repo rate and the 1-year MLF. Consequently, the RMB weakening trend followed through in 2Q2023, when USD/CNH broke the 7 handle. The weaker than expected Chinese macro recovery momentum likely contributed to Asia's FX weakness, in particular those currencies with high beta with CNH. Furthermore, persistent dovishness by the BoJ (i.e., putting off the end of YCC and still keeping policy rates negative) has led to little support for the JPY in 2Q2023.

That said, we still **maintain our base case for an eventual Asian FX recovery against the USD** in the mid-term. Asia Dollar Index suggests Asian FX has remained fairly resilient and has not touched 2022 lows amidst existing market adversities.

Asia FX Strategy:

Despite the broad USD strength stemming from a renewed hawkish stance by markets, we expect the USD's upward trajectory is unlikely to reach highs in 2022, with just one or two more potential hikes on the horizon. Our conviction on Asia FX recovery is premised on the following:

- Recent US regional banking turmoil is likely to result in tightened credit conditions/lending standards, which may gradually slow the economy down.

- Concrete signs that certain segments of the US economy are slowing. For example, the ISM manufacturing survey has seen several months of contraction i.e. <50; even the more buoyant ISM PMI is also starting to see moderation (Jan 23: 55.2 vs. May: 50.3).

- US labour market showing signs of moderation despite strong nonfarm payroll of 339k in May. Average hourly earnings for May came in at 4.3% YoY, indicating smallest increase since mid-2021. Meanwhile, average workweek edged down to 34.3 hours in May, the lowest since April 2020.

- Ongoing quantitative tightening by the Fed will continue to drain excess liquidity from markets.

- The recent conclusion of the US debt ceiling impasse, which kept non-defence spending roughly flat, indirectly implied that there will unlikely be significant fiscal spending by the government.

We opined that the above factors **could pave the way for a moderate USD path in the mid-to-long term.** Evidently, US economic indicators are showing the lagged effect of aggressive monetary policy feeding into the system. We expect this ominous US recession narrative to bode well with broad Asia FX strength. Additionally, the intrinsic strength of Asia EM economies (Asia real yield inching back to positive, narrowing trade deficit in India, improving Indonesian surplus etc) will likely provide some degree of resiliency in their respective currencies. **Downside risks** to Asian currencies would be continued strength in US inflation and the labour market as well as weaker Chinese growth, thus "moving the goalpost" for a Fed rate cut further beyond 1Q2024.

Our views as tabulated below:

Asian FX & Interest Rates Outlook

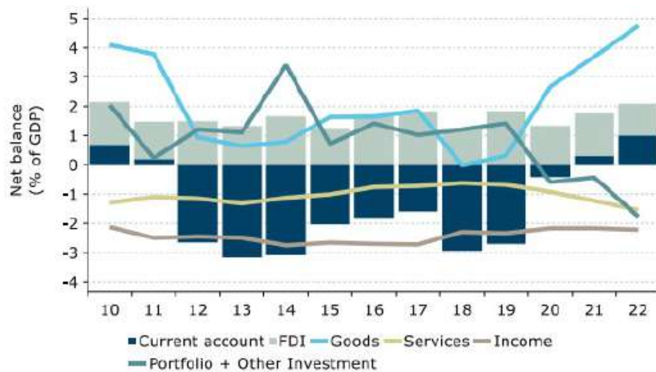
	Currency	Local Rates
India	**Bullish INR** given improving macro narrative; India tends to have lower growth correlation dynamics with US and China. Growth expected to trend around 6 – 7% and narrowing balance of payment deficit (aided by softer commodity prices), which likely provide market optimism on INR.	**Modest OW** as real rates are turning positive and inflation easing back within RBI's target range. As such, market is expecting RBI to turn more neutral. Positive carry in LCY bonds is aiding inflows as well.
Indonesia	IDR has been one of the top regional performers YTD but we turn **MW on IDR for the short term** given current volatility and Fed's renewed hawkishness. **Maintain OW mid-to-long term** given improving fundamentals (healthy current account) and positive real yield.	**Slight OW for INDOGB** with BI signalling end of hiking cycle. Flows from foreign holdings to government bonds providing support.
Thailand	**Continue to favour THB in mid-term** when political uncertainty clears up. Short term weakness expected given Chinese economic data weakness and lower than expected tourists arrival from China. Tourism recovery from China likely to only pick up in 2Q2024.	**Neutral** on Thailand Government bonds. BOT may stay pat for now given easing inflation seen in Thailand (May headline inflation: 0.5% YoY; core inflation: 1.5% YoY).
Singapore	MAS leaving monetary policy unchanged in Apr 23 meeting, **we have a neutral SGD position** given weaker term of trade and external demand (NODX weakening). That said, ongoing inflationary pressure (May CPI: 5.1% YoY) may limit scope of MAS easing in near term.	**Neutral to slight OW SGD local rates;** SGS supply remained contained; expect continued robust demand given flushed liquidity despite poor pickup over UST. SGD rates has trended higher in May/June reflecting Fed's tightening bias and mirroring UST yield upward movement Government bonds
Philippines	**Neutral PHP;** expect to follow regional trend of short term weakness against USD before anticipating recovery in 4Q2023.	**UW to neutral** Philippine local bond market.
Malaysia	**UW in MYR in the near term** given widening interest rate differential as BNM is expected to hold vs Fed's hawkish trajectory. Furthermore, MYR is considered as one of the more China sensitive currencies in the region and has weakened in view of relatively subdued Chinese economic data. That said, MYR remains cheap when compared to 10-year average of 4.03; **MW in the longer term.**	**Neutral on MGS/MGII** given positive carry (post hedging), and continued local support. In addition, BNM may not hike aggressively given benign local inflation.
China	**Bearish CNH in the near term;** worse than expected macro data and ongoing USD strength (hawkish Fed narrative). PBOC and DM central bank policy divergence is another factor pushing USDCNH higher. That said, with increased speculative short positioning, RMB trajectory may flip in the medium term as these positions could unwind if fiscal and monetary support follows through.	Local CNY yields fell to YTD lows amidst reverse repo rate and MLF rate cut by 10 bps. Seeing 10Y CGB trending downwards between 2.60 – 2.75% towards end of 2Q23. **MW local rates** as there may be potential bond supply risk (in the form of increased LGB) from expansion of fiscal easing.

OW= overweight | MW= market weight | UW= underweight

Exhibit 19: Asian DXY Chart; Asian FX performed relatively resilience amidst renewed USD hawkishness

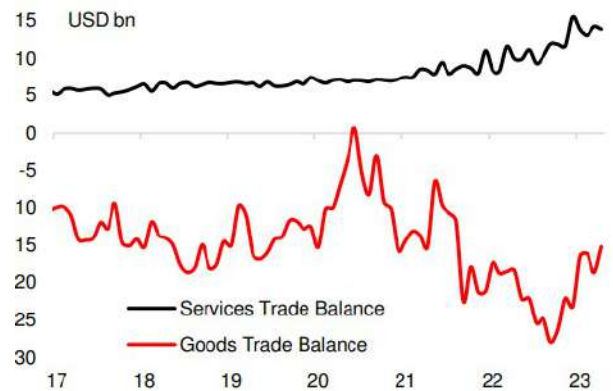
Source: Bloomberg as of 20th June 2023

Exhibit 20: Improving Indonesian External Position



Source: ANZ Research

Exhibit 21: India's trade deficit has halved; services surplus continues to improve



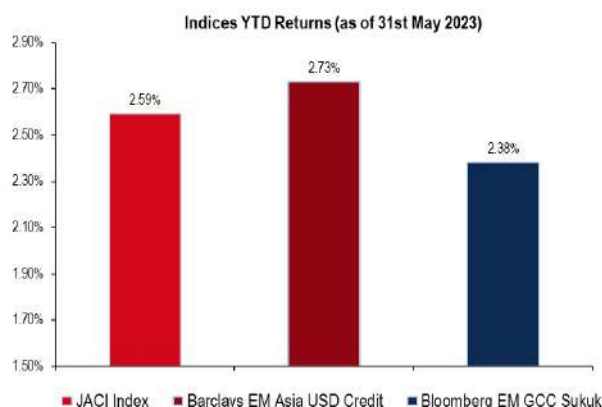
Source: Deutsche Bank Research

3Q2023 Global Sukuk Outlook & Strategy

Global Sukuk market experienced a rally in 2Q2023. Despite concerns about the Fed's hawkish pause and potential policy mistakes, the strong credit profiles of the Gulf Cooperation Council (GCC) countries, buoyant infrastructure sectors, and solid economic data have supported GCC economies. Credit spreads have tightened, but there is a risk of widening, particularly for lower-rated issuers. With attractive yields, high credit ratings, and a favourable macro backdrop, the Global Sukuk market presents an appealing investment opportunity.

Global Sukuk markets rallied in 2Q2023, closing the gap in performance versus the Asian Fixed Income space amidst an overall murky outlook for Fixed Income. The Global Sukuk Index (IG and HY) as measured by the Bloomberg EM GCC Sukuk Index, returned 2.38% YTD at the end of May, while the Asian Fixed Income space (as measured by the JACI index) returned 2.59%.

Exhibit 22: GCC Sukuk vs Asia Credit Indices YTD (May) Returns



Source: Maybank Asset Management Singapore

Despite many clear signs of inflation receding, the Fed's "hawkish pause" in June surprised the markets, with the majority of FOMC members projecting two more rate hikes for the year. With that, the risk of a prolonged tightening monetary policy response and, in turn, a policy mistake seems to be very real. As monetary policy operates at a considerable lag, further rate hikes could well be the last straw to tip the economy into recession. We do recognise this possibility and will remain long duration.

In this negative scenario, the resulting slowing of global demand will likely also cause downward pressure on GCC economies, albeit with a smaller effect, mitigated by the buoyant infrastructure and construction sectors, and strong credit profiles of most GCC countries. We witnessed two sovereign rating upgrades YTD, highlighting the stability in the region. Moody's in late May upgraded Oman's Ba3 rating to Ba2, citing improvements in debt burden and debt affordability metrics; the other rating upgrade was earlier this year for Saudi Arabia. Meanwhile, economic data in the region has held up well, consistently above countries in both developed and emerging markets, with recent May PMI readings still indicating strong expansion (Saudi: 58.5; United Arab Emirates: 54.1; Dubai: 55.5; Qatar: 55.6). Corporate earnings, based on 1Q2023 results, have shown promise, with q-o-q growth in most sectors. Furthermore, the non-oil economy, according to the World Bank, is also forecast to remain robust (+4.6% in 2023).

Consequently, credit spreads have tightened, reflecting the strong macro backdrop. However, there is a risk that spreads may widen from here. For example, spreads for Oman sovereign have tightened to levels just 5 bps shy of the higher-rated Saudi Arabia, which, in our view, seems overstretched. This is also why we have positioned ourselves, on average, towards higher-quality bonds, as we anticipate this possibility.

Oil markets have been trading in a tight range between USD 70 and USD 80/bbl in 2Q2023, with the latest announcement of Saudi Arabia's unilateral cuts to 9mb/d, the lowest since 2011, likely putting a floor on oil prices. More importantly, the belief is that the Saudis will tighten their crude exports to the US, sending a strong tightening signal to the markets, which in the past (as in May 2017 by the Saudi energy Minister) has shown to precede a strong rally (+20%).

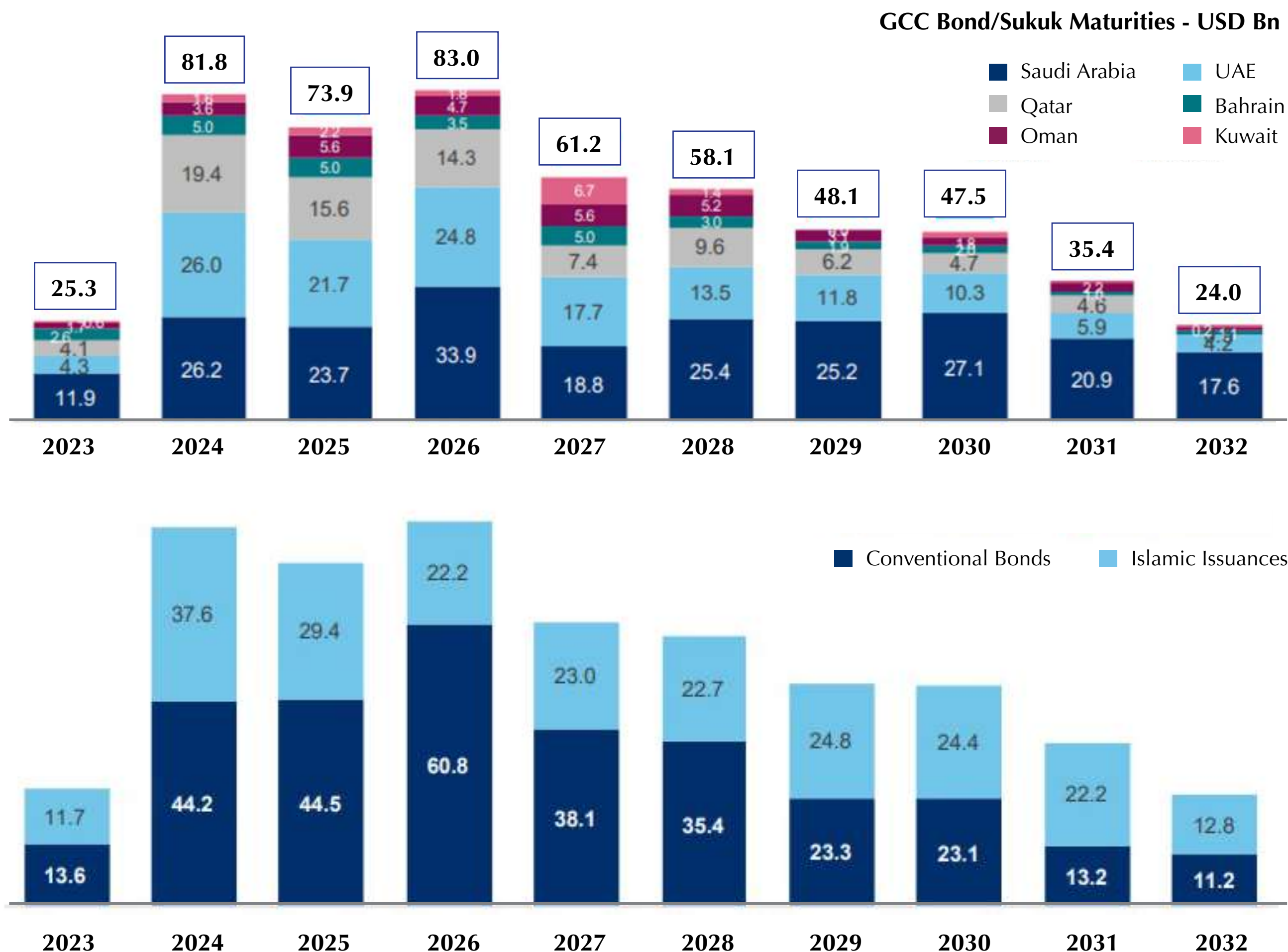
Issuances for Sukuks in 1H2023 trailed their conventional counterparts, falling by ~43% YoY to USD 21bn (vs. USD 36.7bn in 1H2022). We note that issuances were driven by higher corporate bond issuances this year, while government issuances saw a steep decline. GCC governments are expected to see USD 175.8bn in maturities over the next 5 years (2023-2027), while corporates are a tad lower at USD 149.4bn. We see a smaller split in Sukuks, at USD124bn versus conventional bonds at USD 201.2bn. Though the higher for longer rates theme is set to persist, we think that the outlook for Sukuk issuances is poised to improve, to at least above 2H2022 levels, given our positive views on the growth for the region. That said, we acknowledge that corporate issuers may be discouraged from issuing Sukuks, given higher borrowing costs; Sovereigns' issuances would also likely be capped, given our expectation of higher oil prices.

In conclusion, we still think that the Global Sukuks are **in an investment sweet spot** for the rest of the year. With compelling yields at **5.36%** (Bloomberg EM GCC Sukuk Index as of 28 June), a relatively high compared to its 5-year historical range, coupled with the allure of high credit rating sovereigns (United Arab Emirates: AA, Qatar: AA, Saudi Arabia: A, Kuwait: A), and an overall robust and expansionary macro backdrop for the region, we find little reason to not stay invested.

Exhibit 16 : JP Morgan Asia Credit Composite Index

Source: Bloomberg as of 28th June 2023

Exhibit 24: GCC Bond/Sukuk Maturities



Source: Kamco Investment Research

Exhibit 25: Bloomberg EM GCC Sukuk Index (2017 to 2023)

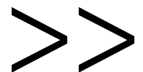
Source: Bloomberg, June 2023

Country	Recommendations
United Arab Emirates	• Credit positives include: 1) launch of the National Tourism Strategy 2031, which should boost tourism and hospitality, 2) undertaken an accord to increase FDI through economic and bilateral trade agreements with India and Israel. • **Remain OW on bank AT1s over seniors for carry and high likelihood of redemption on first call date; prefer IG real estate names. We also like long duration Sovereign and Quasi sovereign bonds.**
Saudi Arabia	• Positive rating outlooks by all three rating agencies. • There are many positives in Saudi Arabia's economic prospects – 1) PMI is the highest in the world (May 23: 58.5), 2) rising household spending as a result of social reforms, 3) tourism and travel momentum to continue (AFC Asian Cup and annual Hajj), 4) "Global Supply Chain Resilience Initiative" to boost investments in the private sector, and 5) muted inflation. • **Overweight Sovereigns and Quasi sovereigns as credit profiles are expected to fare well globally and outperform in risk-off periods; UW on Saudi financials amidst the backdrop of a liquidity squeeze, risk of lower bank profitability, and tight valuations.**
Oman	• Ratings upgraded by Moody's; now equalised by all three rating agencies at Ba2/BB (all with positive outlooks). Even with current oil price assumptions, Oman is expected to sustain twin surpluses in 2023. • Bond buybacks in 2022 could repeat in 2023 to further reduce government debt and GDP. • Oman Sovereign Sukuks have performed exceptionally well in 1H2023, with spreads tightening by ~50 bps since start of the year for the 25s and 30s. • **Market weight. Trim positions as we think they are expensive at current levels (spread at 60/120 bps for the 25s/30s).**
Qatar	• Recently upgraded to AA by S&P, we could see further credit rating upside on the horizon from the other two rating agencies. • World Cup economic boost by as much as 2.5 pp of GDP (ICAEW estimates); North Field gas expansion project – positive medium-term impact on O&G sector. • **Qatar USD sovereign Sukuks remain limited (only one Sukuk due in 2023). Market weight on Qatari Financials.**
Indonesia	• Top regional performer YTD. • MW on IDR for the short term given current volatility and Fed's renewed hawkishness. Maintain OW mid-to-long term given improving fundamentals (healthy current account) and positive real yield. • **USD Indonesia Sukuk's have outperformed this year and hence prefer local currency Sukuk for carry of 6-7% and potential IDR appreciation.**
Malaysia	• UW in MYR in the near term given the widening interest rate differential as BNM is expected to hold vs. the Fed's hawkish trajectory. • That said, MYR remains cheap when compared to the 10-year average of 4.03; MW in the longer term. **We prefer local currency MYR bonds in the long end of the curve, given the MYR currency appreciation view.**
Bahrin	• Revised to stable outlooks by Moody's and Fitch. • Cautiously optimistic on Bahrain's prospects despite the higher fiscal deficit due to the strong support from GCC peers. The non-oil sector needs to do the heavy lifting. • **Like USD Sukuks from a carry perspective. MW OILGAS (back to the spread of 30 bps versus sovereign).**
Kuwait	• The recent approval of the budget by Parliament is a step in the right direction, but it still requires more steps to give assurance. • **MW on IG names in the petrochemical industry, petrochemical prices have tumbled of late, though they are expected to trough in 2023. Neutral on Kuwaiti bank's AT1 perp.**

OW= overweight | MW= market weight | UW= underweight

3Q2023

Malaysia Outlook & Strategy

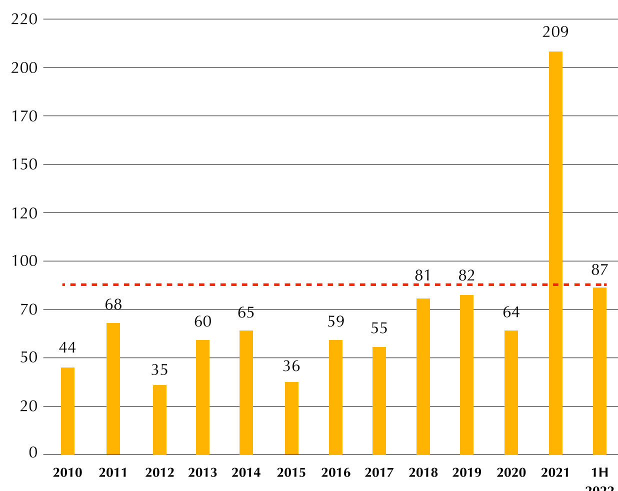


3Q2023 Malaysian Equities Outlook & Strategy

We maintain a positive longer-term stance on Malaysian equities, with a focus on high-yielding and defensive stocks along with higher cash holdings to navigate the ongoing volatility. The risks of inflation and the pressure on global economic growth could see volatility persist in the near term, but any significant weakness in the market presents a buying opportunity for long-term holding.

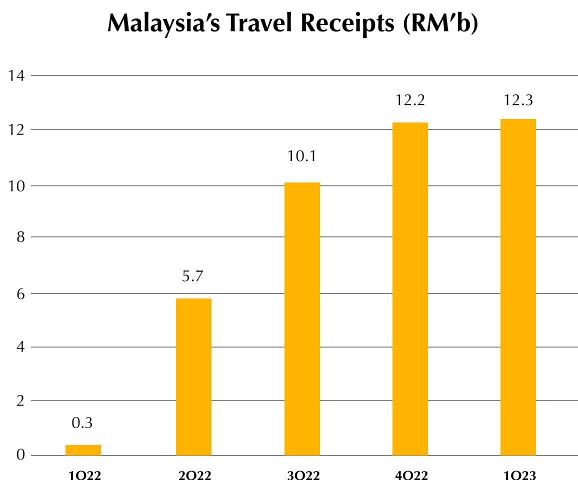
Following an impressive 5.6% YoY growth in 1Q2023, Malaysia's economy for the rest of this year will be driven by domestic demand amidst a tight labour market, wage expansion, and a strong pipeline of private investments. We emphasise again that the private investment outlook remains favourable, as investment approvals that were robust in 2021 and 2022 should translate into a strong pipeline of realised investment from 2023 onwards. Notably, approved foreign direct investment (FDI) has been a significant driver, given record approved amounts of RM 209bn in 2021 and RM 87bn in 1H2022, both of which exceeded pre-2021 annual figures.

Exhibit 26: Approved Foreign Direct Inv. (RM'b)



Source: Malaysian Investment Development Authority (MIDA), Bank Negara Malaysia as of June 2023

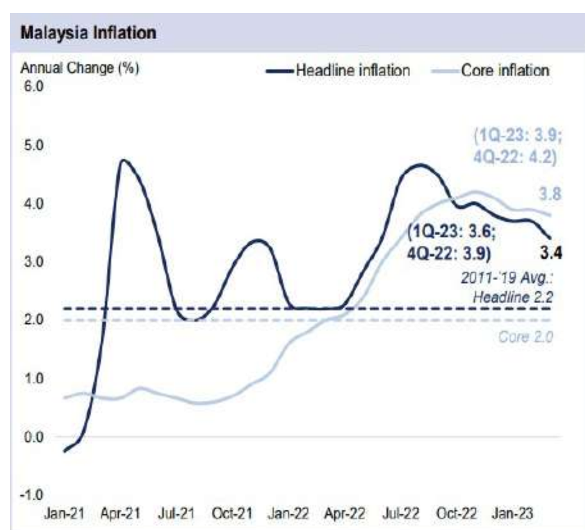
Exhibit 27: Inbound Tourism Travel Receipts (RM'b)



Source: Malaysian Investment Development Authority (MIDA), Bank Negara Malaysia as of March 2023

However, pockets of weakness have started to emerge, as reflected in the sluggish external demand. In 1Q2023, gross exports recorded a mere 2.8% YoY growth due to weaker exports to China and the EU. The risk leans towards the downside as the possibility of a US recession looms ahead. Nevertheless, the downside risk is expected to be cushioned in 2H2023 by the tailwinds of recovering travel receipts from inbound tourism, helped by a weakened Ringgit and some leeway the government has to provide fiscal policy support to achieve our GDP growth forecast of 4.0% for 2023. It is worth noting that our forecast is slightly lower than the consensus estimates of 4.2% and falls below the official government projection of 4.5%, as well as the 8.7% growth achieved in 2022. With the anticipated economic expansion, the fiscal deficit is expected to improve to 5.0% of GDP, down from 6.0% in 2022, as the strong economic performance last year is expected to enhance revenue collections this year to fund an expanded budget. On a positive note, Petronas has reported another encouraging financial performance for 1Q2023, with an after-tax profit of RM 23.8 bn, reflecting a 2% YoY increase. Furthermore, considering the price of Brent is expected to remain elevated, it is likely that 2023

Exhibit 28: Headline and Core Inflation



Source: Department of Statistics Malaysia, and Bank Negara estimates | Period: 2021 to 2023

will remain financially robust enough for Petronas to comfortably support a dividend payout of RM 40bn, or higher if the situation warrants it, bearing in mind that dividends paid were higher at RM 54bn in 2019.

Despite recent price weakness, Brent is unlikely to slide below the $70/barrel mark in the near term, as this level was the threshold at which OPEC+ surprisingly decided to cut output in April to support prices. Thus, OPEC+ interest in keeping the oil price elevated, coupled with China's post-lockdown recovery, should offset the impact of weaker global demand as the slowdown of developed economies will possibly lead to a recession in the coming quarters. A stable energy price environment generally benefits the MYR, and at $70 - $85 range, it is unlikely to strain the country's budget deficit (due to fuel subsidies) as badly as if the price exceeded $100.

On the political front, there is a prevailing sense of unease as the country approaches the six state elections, widely regarded as a barometer of the level of acceptance for the unity government after over half a year in power. That said, our view is that the outcome will unlikely derail the continuity of the present administration at the Federal level.

We expect the MYR to strengthen against the USD and end the year at 4.30.

Both headline and core inflation have experienced a downward trajectory since reaching their peaks in 2H2022. However, as of their March readings, which stood at 3.4% and 3.8%, respectively, they remain above their respective 10-year averages of 2.2% and 2.0%. Core inflation has remained above the 2.0% threshold since breaching it in March 2022. The current period of elevated core inflation, which has persisted for 15 months, has already exceeded the typical duration of past episodes, which typically last around 13 months before reverting back to 2%. Despite the persistent nature of inflation in this cycle and the BNM's less aggressive hike of 125 bps compared to the regional counterparts and the Fed, we maintain the view that the BNM may keep the OPR unchanged at 3.00%. This is primarily because although core inflation remains elevated, it is trending downward, and at 3.8%, it has already reached the upper end of the projected range of 2.8% to 3.8% for 2023. Unless inflation shows an upward trajectory once again and the economy expands stronger than expected, there is little room for a further hike in 2H2023, in our view. Given the existing inflationary concerns, it is a foregone conclusion that the broad-based GST regime is unlikely to be implemented within a year or even two, in our view. We expect the MYR to strengthen against the USD over the course of the next six months to end the year at 4.30, on the assumption that the Fed will pause or begin to cut rates by the end of the year

A key driver for this scenario would be a pronounced slowing or contraction of the US economy (that portends the start of the labour market weakening) in 2H2023, setting a backdrop for inflation to continue trending down in 2024. Another potential risk/opportunity event – albeit a less likely one – is a peaceful resolution to the Russian-Ukraine conflict, which would restore global supplies of inflation-sensitive commodities, paving the way for a return of risk-on trades, which typically is positive for emerging market currencies, including the MYR. The confirmation of El Nino in Asia Pacific has raised the likelihood of a supply squeeze in crude palm oil next year, potentially driving prices upward. With the recovery in tourism receipts and resilient export commodity prices, the positive current account balance will be another source of support for the MYR.

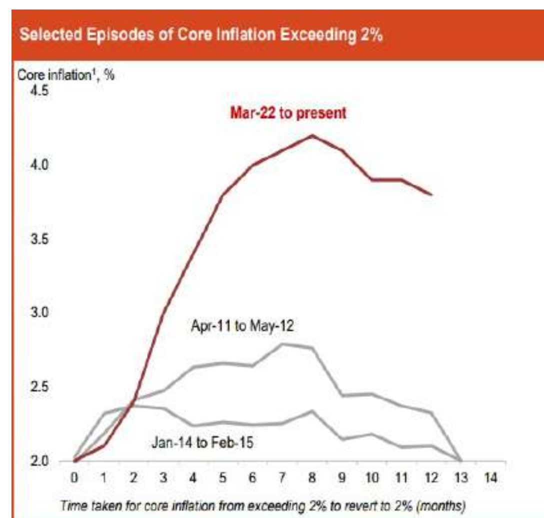
During the period under review, both global and domestic equity markets continued to remain volatile as investors were faced with a plethora of challenges that began with the bank failure in the US, continuous hawkish monetary policy tightening, and ultimately the risks of a global recession. Global and domestic equity markets staged a rebound in early 2023, largely driven by indications that the pace of interest rate hikes in the US was slowing and that inflation may have reached its peak. Investors began bargain hunting, especially on stocks broadly in the growth sectors that were deemed oversold and had previously experienced valuation de-rating due to rising interest rates and inflation. However, this positive momentum was swiftly dampened by the developments in the global

We maintain a positive longer-term stance on Malaysia's equity market.

banking sector, which posed new uncertainty about the direction of monetary policy. While the events in the Developed Market financial sector remained distinct and did not escalate into systematic risks, they did contribute to a potentially tighter lending environment and slower economic activity. Equity markets recently saw a rally, primarily driven by the dominance of the AI theme, with a focus on stocks that stand to benefit from this frenzy. Indices with a significant concentration in the technology sector experienced substantial gains during this period.

While the regional and global markets continue to show resiliency despite a challenging outlook, the Malaysian equity market succumbed to a heavy sell-down starting from the start of 2Q2023YTD, Malaysia has emerged as the worst-performing market in the Asian and Asia Pacific regions, declining by 7.23% and 12.00%, respectively, when adjusted to USD basis (as of June 20th, 2023). Several factors have contributed to the weak performance of the Malaysian equity market. Lacklustre corporate earnings in 1Q2023 were one of the factors contributing to the weak performance in the domestic equity market, as most of the companies missed analysts' estimates due to rising operational costs. Furthermore, the continuous selling by foreign investors added pressure to the local benchmark KLCI. With expectations of further rate hikes in the US by the Fed, the current interest rate parity is in favour of the US (developed market) as compared to Malaysia. YTD, the total net outflows have amounted to RM 3.80bn. On the political front, the upcoming state election expected in July 2023 has also contributed to weak market sentiment.

Exhibit 29: Longer than usual inflationary cycle



Source: Department of Statistics Malaysia, and Bank Negara estimates | Period: 2011 to June 2023

The year has been marked by elevated volatility and distinctive challenges for equity markets, both of which we expect to persist as we move through the rest of the year. Despite these challenges, we maintain a positive longer-term stance on Malaysia's equity market on the back of the continuing post-pandemic economic recovery and undemanding valuations. However, we remain wary of the risks of inflation and the pressure on global economic growth. Hence, we prefer to have higher cash holdings and exposure to high-yielding and defensive stocks to ride through the volatility while remaining nimble in our approach. Any significant weakness in the market presents a buying opportunity for long-term holding.

3Q2023 Malaysian Fixed Income Outlook & Strategy

With bond yields and valuations becoming more attractive following the sell-off in 2022, Malaysia's fixed income market presents a positive outlook with a view that interest rates are peaking, and market recovery is underway. Corporate bonds are favored over sovereign bonds, and opportunities for profit realisation and reinvestment into higher yield accretive sukuks are sought.

Following the sharp sell-off of the bond market in 2022 due to interest rate hikes by central banks globally, local bond yields and valuations have become more attractive as compared to the rock-bottom yield levels during the COVID-19 pandemic. As OPR is looking to peak in 2023 and global economic growth faces headwinds, bonds have become even more attractive at their current levels. Domestically, inflation in Malaysia is also expected to moderate, alleviating pressure on the central bank to raise interest rates. With Malaysia's GDP growth forecasted to be 4.00% in 2023, down from 8.7% in 2022, the indication of domestic growth softening could lead to more stable and positive govvies yields in 2023. Global growth is also expected to slow, with the Eurozone recently entering a technical recession following two consecutive quarters of negative GDP growth in 1Q2023.

Despite the slowing global growth outlook, most central banks have been hinting at the importance of prioritising price stability over economic growth given the still elevated (albeit moderating) inflation. The narrative of higher interest rates for longer is back, with the recent Fed Fund Rate dot plot at a much higher-than-expected level of 5.625% for 2023 (March dot plot: 5.125%) and pushing forward the timing of a potential rate cut to 2024. This change in Fed Fund Rate outlook has also resulted in some houses revising their OPR outlook to another 25 bps hike in 2023 due to the potential widening of interest rate differentials as well as the weakening MYR.

While this is a possibility, we opine that the OPR will be maintained at this current pre-COVID level of 3.00%,

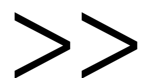
Local bond yields and valuations have become more attractive.

We maintain positive outlook for Malaysia's fixed income market as central banks shift towards more accommodative monetary policy

as we think that Bank Negara is more inclined to support growth rather than tackle inflationary pressures and that further monetary policy actions will be data-dependent. Our view remains that interest rates are peaking and we are in the stage of market recovery, although we expect some volatility in between. As such, we maintain our positive outlook for Malaysia's fixed income market as central banks globally shift towards more accommodative monetary policy. This peaking interest rate outlook, as well as anticipation of slower global growth, would be ideal for bond yields to fall. This would bode well for the valuations of fixed income funds.

Given our view that the market has fully priced in OPR hikes and govvies yields have already moved to pre-COVID levels, strategy wise, we will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup, while our holdings in AAA and GIIs will be primed for ROI purposes. We will continue to trade opportunistically to realise profits, reinvesting into longer-duration and higher yield accretive sukuks while also considering new primary issuances with higher yields to increase returns.

1H2023 Product Trends



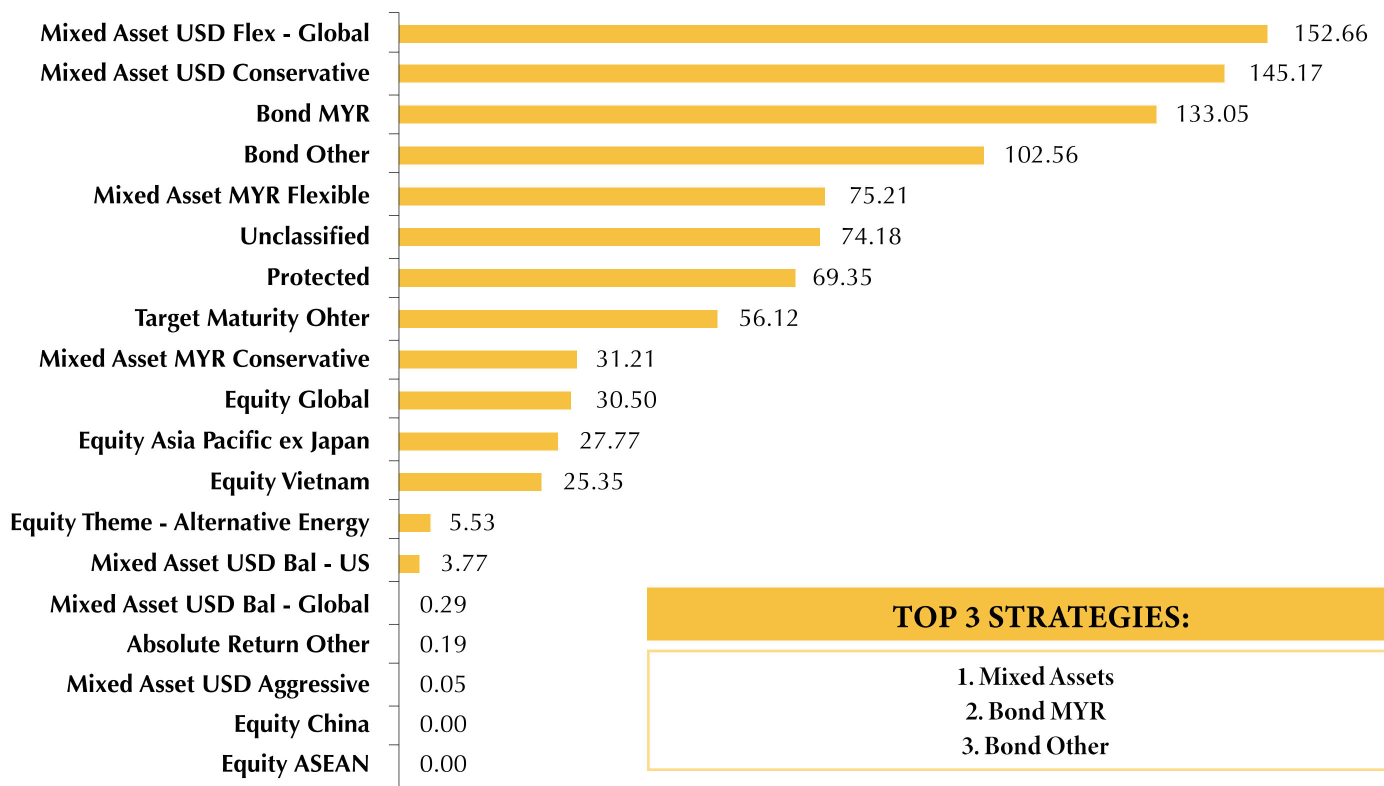
1H2023 Product Trends

During 1H2023, the investment landscape witnessed a range of market events that led to increased volatility and influenced investor sentiment. In response to these market conditions, there were notable trends in the allocation of AUM. Newly launched mixed asset strategies garnered significant inflows, reflecting investors' preference for a diversified approach to capture alpha opportunities and manage downside risks. These strategies, with flexible asset allocation decisions made by portfolio managers, gained traction in the market.

A notable trend observed was the focus on more conservative selections, as evidenced by the inflows into bond and protected strategies.

This suggests a cautious stance among investors, seeking strategies that provide stability and income generation amidst market uncertainties.

There was also a noteworthy shift in investor allocations from global equity strategies towards Asian equity strategies. This shift can be attributed to the positive market sentiment surrounding the moderating inflation in Asia, reopening theme in China, along with its supportive monetary policy direction. As a result, Asian equity strategies attracted increased inflows, indicating a growing recognition of the growth potential in the region.



Product Highlight : MAMG Global Dividend Fund

Against the backdrop of higher inflation and costs of living, not to mention market volatility coming off the challenging markets in prior years, with equity and fixed income performing in tandem with one another, we need to inculcate the importance of investing in a fund that can offer income stability in the long run and act as an income safety net. As such, as we continue to expand our product offerings to cater to the needs of investors, we have recently launched the MAMG Global Dividend Fund in collaboration with J.P. Morgan Asset Management, a global leader in investment management.

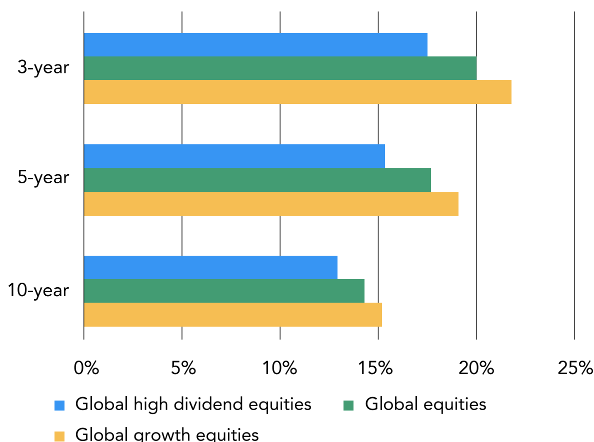
The MAMG Global Dividend Fund is a feeder fund that aims to achieve income and capital growth from a portfolio of high-quality global dividend stocks by investing in the JP Morgan Investment Funds - Global Dividend Fund. Being a high-quality dividend strategy, the fund provides investors with an all-weather strategy, making it an ideal investment strategy for investors seeking a consistent income stream and, at the same time, potential capital growth.

As companies increase their dividends over time, investors can potentially benefit from a rising income stream that keeps pace with or exceeds inflation. This characteristic makes dividend equities an attractive option for investors aiming to preserve their purchasing power and achieve stable returns in an inflationary environment.

To find opportunities across the dividend equity category, the MAMG Global Dividend Fund will be allocating to the complete dividend spectrum, with a balance between high-yielding and high-growth dividend names and a focus on dividend compounding names with strong alpha generation. Combining this investment philosophy with JP Morgan's global equity research insights, the MAMG Global Dividend Fund offers an award-winning strategy that captures upsides in a market rally and at the same time protects our investors in a down market.

2023 returns have been dominated by low- or no-yielding companies, and history would suggest that this

Exhibit 30: Annualised volatility of global equities, global dividend equities and global growth equities



Source: J.P. Morgan Asset Management, Bloomberg as of 31st December 2022

Exhibit 31: Relative performance of global equities, global dividend equities and global growth equities

Source: J.P. Morgan Asset Management, Bloomberg as of 31st December 2022

Dividend equities not only provide a consistent income stream but also have a track record of outperforming global equities over the medium to long term. This historical outperformance, coupled with lower volatility, makes dividend equities an appealing asset class for investors seeking stability and potential growth. By investing in companies that regularly distribute a portion of their profits as dividends, investors can benefit from a reliable income stream while potentially capturing capital appreciation over time.

isn't sustainable. With valuations and fundamentals being supportive for the equity income category, we believe this provides a compelling entry point into the equity income category. Dividend yielders are paying out near historic high levels, and with dividend momentum remaining strong, we believe it presents an appealing proposition for income-seeking investors.

Exhibit 32: A balanced approach between dividend yield & dividend growth names, focusing on compounders.

HIGH DIVIDEND GROWTH CHECKLIST

<0.8x market yield

- Long runway for material earnings growth
- Low current payout ratio
- Proven business model

COMPOUNDERS CHECKLIST

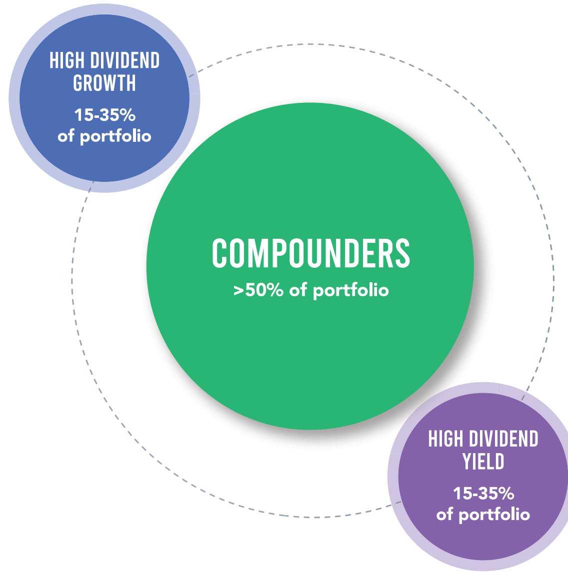
0.8-1.6x market yield

- Long track record of dividend growth
- Capacity and willingness to grow future dividends
- Attractive opportunities for underlying earnings growth

HIGH DIVIDEND YIELD CHECKLIST

>1.6x market yield

- Continuously high payouts
- Strong free cash flow generation
- Resilient business & financial model

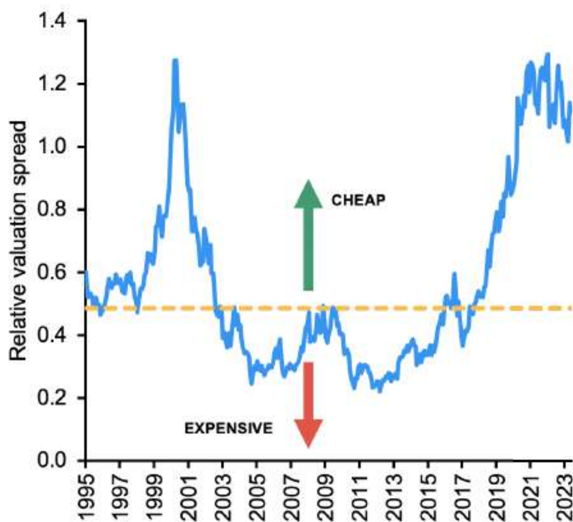


Source: J.P. Morgan Asset Management

2023 returns have been dominated by low- or no-yielding companies, and history would suggest that this isn't sustainable. With valuations and fundamentals being supportive for the equity income category, we believe this provides a compelling entry point into the equity income category. Dividend yielders are paying out near historic high levels, and with dividend momentum remaining strong, we believe it presents an appealing proposition for income-seeking investors.

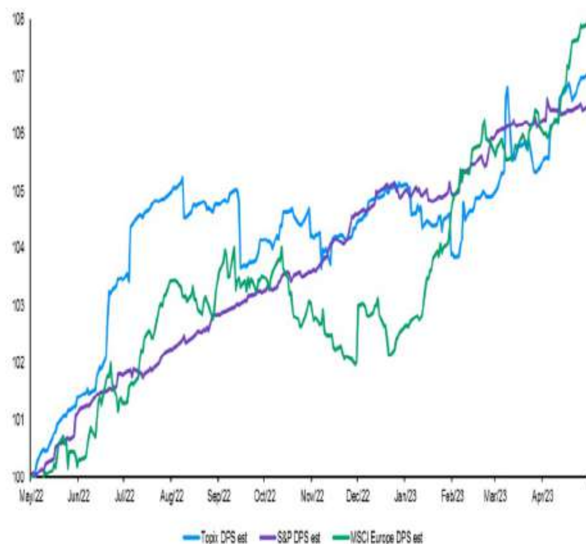
Recent market turbulence has also allowed us to upgrade the quality of the portfolio further, exhibiting a greater tilt towards quality names with stronger financial positions than the broader market. This tilt towards names with strong cash flow generation capabilities will help to build a portfolio that will be resilient across market conditions and outperform during challenging times.

Exhibit 33: Dividend yielders trading at attractive level



Source: J.P. Morgan Asset Management, Bloomberg as of May 2023

Exhibit 34: Indexed Div. per share for DM indices



Source: J.P. Morgan Asset Management, Bloomberg as of May 2023

Our Solution: Islamic Funds

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	3Yr	Ann. Since Inception	
AGGRESIVE	Maybank Asiapac Ex-Japan Equity-I	R	08-Jan-14	12.26	7.18	5.72	Asia Ex-Japan
	Maybank Global Sustainable Equity-I - MYR	R	25-Aug-20	13.32	-	6.16	Global
	Maybank Global Sustainable Equity-I - MYR Hedged	R	25-Aug-20	4.52	-	1.39	Global
	Maybank Global Sustainable Equity-I - USD	R	25-Aug-20	6.84	-	1.83	Global
	Maybank Malaysia Growth-I	R	24-Nov-00	-1.69	-3.14	4.05	Malaysia
MODERATE	MAMG Global Income-I MYR	R	13-Mar-18	-0.09	0.33	0.33	Global
	MAMG Global Income-I USD	R	08-Jul-20	1.39	-	-	Global
	Maybank Asia Mixed Assets-I MYR	R	16-Aug-21	-3.62	-	-	Asia
	Maybank Asia Mixed Assets-I USD	R	16-Aug-21	-2.44	-	-	Asia
	Maybank Global Mixed Assets-I AUD Hedged	R	15-Jun-20	2.95	2.29	2.29	Global
	Maybank Global Mixed Assets-I MYR	R	17-Jun-19	11.51	6.38	6.38	Global
	Maybank Global Mixed Assets-I MYR Hedged	R	17-Jun-19	2.97	3.23	3.23	Global
	Maybank Global Mixed Assets-I SGD Hedged	R	15-Jun-20	4.33	3.26	3.26	Global
	Maybank Global Mixed Assets-I USD	R	17-Jun-19	5.32	3.39	3.39	Global
	Maybank Global Mixed Assets-I USD Institutional Distribution	W	17-Sep-20	6.70	-	-	Global
	Maybank Global Wealth Conservative-I MYR Hedged	R	13-Feb-23	-	-	-	Global
	Maybank Global Wealth Conservative-I USD	R	13-Feb-23	-	-	-	Global
	Maybank Global Wealth Growth-I MYR Hedged Accumulation	R	15-Feb-22	3.47	-	-	Global
	Maybank Global Wealth Growth-I USD Accumulation	R	01-Jun-22	6.38	-	-	Global
	Maybank Global Wealth Moderate-I MYR Hedged Accumulation	R	15-Feb-22	-0.21	-	-	Global
	Maybank Global Wealth Moderate-I MYR Hedged Distribution	R	15-Feb-22	-0.08	-	-	Global
	Maybank Global Wealth Moderate-I USD Accumulation	R	01-Jun-22	1.88	-	-	Global
	Maybank Global Wealth Moderate-I USD Distribution	R	01-Jun-22	2.32	-	-	Global
	Maybank Income Flow-I	R	27-Mar-23	-	-	-	Malaysia
	Maybank Income Management-I	R	08-Jan-20	5.22	2.66	2.66	Malaysia
	Maybank Institutional Income Management-I	R	09-Mar-20	-	-	-	Malaysia
	Maybank Malaysia Balanced-I	R	17-Sep-02	3.89	0.81	0.81	Malaysia
	Maybank Malaysia Income-I A MYR	R	27-Apr-04	6.88	2.93	2.93	Malaysia
	Maybank Malaysia Income-I C MYR	R	21-Aug-13	6.90	2.95	2.95	Malaysia
	Maybank Malaysia Income-I C USD	R	17-Sep-14	0.04	-0.49	-0.49	Malaysia
	Maybank Malaysia Sukuk	R	08-Jan-14	6.93	2.41	2.41	Malaysia
	Maybank Mixed Assets-I Waqf A	R	03-May-21	-2.22	-	-	Malaysia
CONSERVATIVE	Maybank Corporate Money Market-I A	R	06-Jul-11	3.02	2.26	2.87	Malaysia
	Maybank Corporate Money Market-I B	R	18-Oct-19	3.14	2.36	2.48	Malaysia
	Maybank Retail Money Market-I	R	03-Nov-21	2.99	-	2.62	Malaysia
	Maybank Shariah Enhanced Cash	R	24-Nov-08	1.77	1.30	2.52	Malaysia

Source: Maybank Asset Management, Lipper as of 30th June 2023

Our Solution: Conventional Funds

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	3Yr	Ann. Since Inception	
AGGRESIVE	MAMG All-China Focus Equity MYR	R	29-Jul-21	-20.87	-	-18.47	China
	MAMG All-China Focus Equity MYR Hedged	R	29-Jul-21	-26.50	-	-22.93	China
	MAMG All-China Focus Equity USD	R	29-Jul-21	-25.25	-	-22.09	China
	MAMG China Evolution Equity AUD Hedged	R	03-Jan-22	-20.81	-	-23.57	China
	MAMG China Evolution Equity MYR	R	03-Jan-22	-12.17	-	-13.64	China
	MAMG China Evolution Equity MYR Hedged	R	03-Jan-22	-18.67	-	-19.96	China
	MAMG China Evolution Equity SGD Hedged	R	03-Jan-22	-19.06	-	-20.68	China
	MAMG China Evolution Equity USD	R	03-Jan-22	-17.80	-	-20.14	China
	MAMG Dynamic High Income AUD Hedged	R	22-Jan-19	2.70	0.72	0.43	Global
	MAMG Dynamic High Income EUR Hedged	R	22-Jan-19	2.11	0.76	-0.73	Global
	MAMG Dynamic High Income MYR	R	22-Jan-19	12.04	5.05	4.31	Global
	MAMG Dynamic High Income MYR Hedged	R	22-Jan-19	3.64	2.31	1.31	Global
	MAMG Dynamic High Income SGD Hedged	R	22-Jan-19	4.17	1.32	0.88	Global
	MAMG Dynamic High Income USD	R	22-Jan-19	6.01	2.26	1.36	Global
	MAMG Global Environment AUD Hedged	R	22-Aug-22	-	-	0.00	Global
	MAMG Global Environment MYR	R	22-Aug-22	-	-	17.48	Global
	MAMG Global Environment MYR Hedged	R	22-Aug-22	-	-	4.48	Global
	MAMG Global Environment SGD Hedged	R	22-Aug-22	-	-	-0.12	Global
	MAMG Global Environment USD	R	22-Aug-22	-	-	3.52	Global
	MAMG Liquid Alternative MYR	R	15-Nov-21	6.12	-	8.04	Global
	MAMG Liquid Alternative MYR Hedged	R	15-Nov-21	-0.69	-	1.81	Global
	MAMG Liquid Alternative USD	R	15-Nov-21	1.05	-	2.24	Global
	Maybank Global Sustainable Technology MYR	R	18-Jan-21	22.30	-	-2.79	Global
	Maybank Global Sustainable Technology MYR Hedged	R	18-Jan-21	13.45	-	-8.29	Global
	Maybank Global Sustainable Technology USD	R	18-Jan-21	15.28	-	-8.55	Global
	Maybank Malaysia Dividend	R	06-Jun-06	0.51	0.94	7.93	Malaysia
	Maybank Malaysia Ethical Dividend	R	07-Jan-03	4.06	4.78	8.70	Malaysia
	Maybank Malaysia Growth	R	26-Mar-92	2.94	4.47	4.17	Malaysia
	Maybank Malaysia SmallCap	R	03-Mar-04	7.82	6.56	3.53	Malaysia
	Maybank Malaysia Value A MYR	R	07-Jan-03	2.04	5.75	8.78	Malaysia
	Maybank Malaysia Value C MYR	R	21-Aug-13	2.22	5.93	1.51	Malaysia
	Maybank Singapore REITs MYR	R	13-Sep-18	0.61	1.81	4.17	Singapore
	Maybank Singapore REITs MYR Hedged	R	13-Sep-18	-8.24	-1.55	1.95	Singapore
	Maybank Singapore REITs SGD	R	13-Sep-18	-7.51	-2.01	1.43	Singapore

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	3Yr	Ann. Since Inception	
MODERATE	MAMG Gold MYR	R	03-Jun-20	9.03	2.68	2.15	Global
	MAMG Gold MYR Hedged	R	03-Jun-20	1.49	-0.49	-1.01	Global
	MAMG Gold USD	R	03-Jun-20	4.04	1.20	0.70	Global
	Maybank Asian Credit Income MYR	R	07-Jul-20	1.24	-	-3.89	Global
	Maybank Asian Credit Income SGD Hedged	R	07-Jul-20	2.29	-	-4.35	Global
	Maybank Bluewaterz Total Return MYR	R	24-Jul-15	3.39	0.34	3.53	Asia ex-Japan
	Maybank Bluewaterz Total Return USD	R	18-Jun-18	5.30	0.14	3.14	Asia ex-Japan
	Maybank Financial Institutions Income	R	17-Dec-09	4.59	2.88	4.00	Malaysia
	Maybank Financial Institutions Income Asia	R	26-Aug-14	0.28	0.44	3.94	Asia Pacific
	Maybank Flexi Income AUD Hedged	R	28-Nov-19	-1.52	-2.18	-2.13	Global
	Maybank Flexi Income MYR	R	28-Nov-19	6.46	1.68	2.11	Global
	Maybank Flexi Income MYR Hedged	R	28-Nov-19	-1.75	-1.17	-1.41	Global
	Maybank Flexi Income SGD Hedged	R	28-Nov-19	-0.38	-1.65	-1.81	Global
	Maybank Flexi Income USD	R	28-Nov-19	0.64	-1.21	-1.34	Global
	Maybank Malaysia Balanced	R	19-Sep-94	4.09	3.02	3.34	Malaysia
	Maybank Malaysia Income	R	19-Jun-96	6.44	1.99	4.78	Malaysia
CONSERVATIVE	Maybank Enhanced Cash XIII	R	24-Sep-08	2.14	1.49	2.68	Malaysia
	Maybank Money Market A MYR	R	01-Mar-19	-	-	-	Malaysia
	Maybank Money Market B MYR	R	01-Mar-19	-	-	-	Malaysia
	Maybank Money Market C MYR	R	01-Mar-19	-	-	-	Malaysia

Source: Maybank Asset Management, Lipper as of 30th June 2023

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