



EQUITIES - JAPAN	1 Mth	3 Mth	YTD	12 Mth
MSCI Japan	4.0	8.7	2.4	2.4
Nikkei 225	2.8	9.2	0.6	0.6
Topix	4.3	8.3	2.7	2.7
Jasdaq	6.4	9.2	12.2	12.2

Returns in Singapore dollars. Source: Bloomberg, 31 December 2010

TOPIX rose 4.4% in December. Stronger-than-expected US economic data, extension of Bush-era tax-cuts in the US, and depreciation of the yen lifted investors' sentiment. Towards month-end, the yen appreciated on renewed concerns over Europe's fiscal problems, and fears of additional monetary tightening in China, capping gains. TOPIX ended the year marginally below the 900 level.

The five best performing sectors included Mining, Banks, Real Estate, Securities & Commodities Futures, Other Financials, and Oil & Coal. The worst performers were Maritime Transport, Electric Power & Gas, Info & Communications, Food, and Pharmaceutical.

OUTLOOK AND STRATEGY

	Policy	Change	Comment
Financials	Underweight	-	Prefer real estate sub-sector given peaking out of office vacancy rates and recovery in housing starts. Also selected regional banks that have high capital adequacy ratios.
Consumer	Overweight	-	Turned more upbeat on autos given trough valuations and ¥/US\$ reversal. Also like selected companies within the specialty retail sector which have the potential to gain market share and increase overseas sales.



BEST ONSHORE FUND HOUSE (SINGAPORE)

Asia Asset Management
 THE JOURNAL OF INVESTMENTS & PENSIONS
BEST OF THE BEST AWARDS
 BEST RETAIL HOUSE (SINGAPORE) 2009



BEST FUND GROUP (OVERALL)



BEST FUND GROUP (OVERALL)



BEST EQUITY FUND GROUP



BEST MIXED ASSETS FUND GROUP



Technology	Overweight	–	Bottoming out of inventory cycle in various sub-sectors like PCs, and LCDs. Demand in 2011 to benefit from new tablet PCs and smart-phones, and a replacement phase for corporate PCs.
Energy	Neutral	–	Valuations are undemanding, and prospect of stronger oil price in the near term bodes well for the sector.
Industrials	Overweight	–	Remain upbeat on companies which are beneficiaries of structural growth, e.g. automation, and those with leverage to mining activities/capex.
Pharmaceuticals	Neutral	–	Like generic companies because of the Japanese government's push for more affordable drugs.
Materials	Overweight	–	Compelling valuations, especially those of glass, steel, and chemical companies. Expect restocking process to take place post bottoming out of inventory cycle.
Info Communications	Neutral	–	Anaemic top-line growth makes the sector relatively unattractive, but valuations and dividends provide downside support.
Utilities	Underweight	–	Unexciting medium-term prospects and fair valuations.

Expiry of various eco-point buying programmes may adversely affect consumption in the near term. However, offsetting this is the likelihood of a pick-up in exports (due to a stronger US/global economy and a weaker yen) as well as a modest rebound in private capital expenditure. A 5% corporate income tax cut from FY2011 and accommodative monetary policy are added factors underpinning growth. Japanese stocks remain inexpensive on a historical and peer comparison basis. At the current TOPIX level of 898, the price-to-book ratio for TSE1 companies is 1.1x; which is over one standard deviation below the historical mean of 1.5x.

We are overweight Technology, Industrials, Materials, Real Estate and Consumer Discretionary; neutral on Info-Communications, Pharmaceuticals, and Consumer Staples; and underweight Utilities, Banks and Non-banks.



Contact Details

Address 80 Raffles Place UOB Plaza 2 Level 3 Singapore 048624
24-hour Hotline 1800 222 2228 (Local) • (65) 6222 2228 (International)
Fax (65) 6532 3868
Email uobam@uobgroup.com
Website uobam.com.sg

Regional Offices

Singapore

Institutional Investments
Dennis Siew
Senior Director

Retail Investments
Norman Wu
Senior Director

Regional Investments
Faizal M. Fazluddin
Senior Director

Structured Investments
Chong Jiun Yeh
Executive Director

International Business (China)
Jasmine Lim
Senior Director

Brunei

Kamal Muhd
General Manager

Japan

Masashi Ohmatsu
Chief Executive Officer

Malaysia

Lim Suet Ling
Chief Executive Officer

Taiwan

Juang San Tay
General Manager

Thailand

Vana Bulbon
Chief Executive Officer



Important Notice & Disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. UOB Asset Management Ltd (“UOBAM”) does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.**

UOB Asset Management Ltd Co. Reg. No. 198600120Z