

Asia equities in 2021

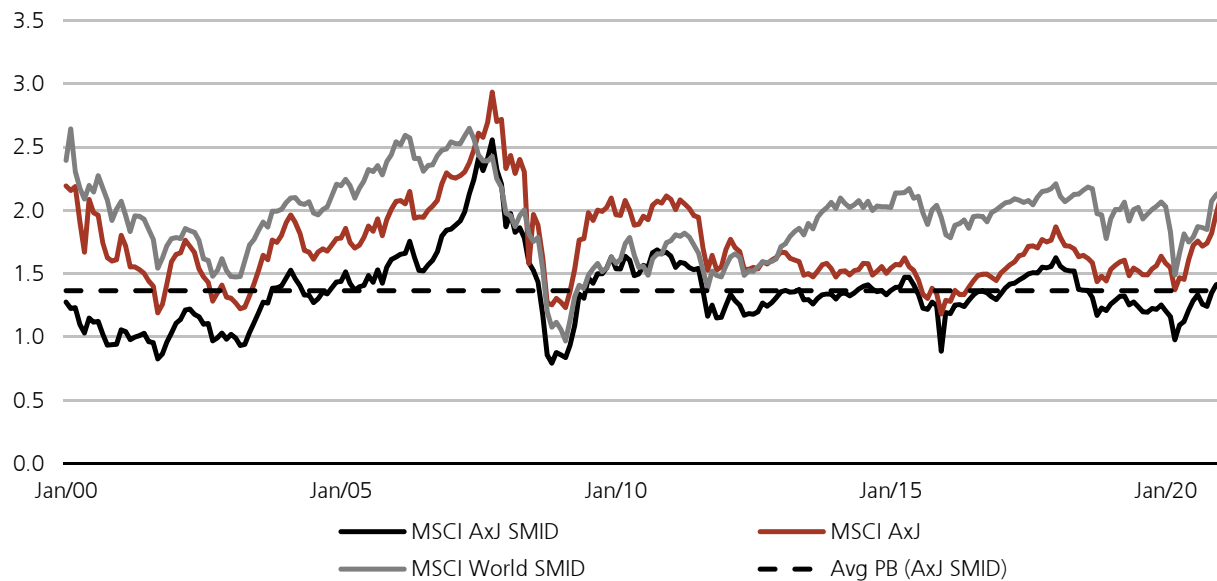
Geoffrey Wong, CFA, Head of Emerging Markets and Asia-Pacific Equities gives his view on what to focus on in Asia equity markets in 2021

Asian equities in 2021 – key takeaways

- Valuations for Asia and Emerging Markets equities are currently looking reasonable;
- Asian companies are in good shape from a balance sheet perspective;
- Asia and Emerging Markets offer large opportunities for active returns because of two key factors: market inefficiencies and long-term fundamental trends that create winners and losers.

Valuations for Asia and Emerging Markets equities are currently looking reasonable at a time when the economic cycle is turning and when other major asset classes are looking expensive compared to historical levels.

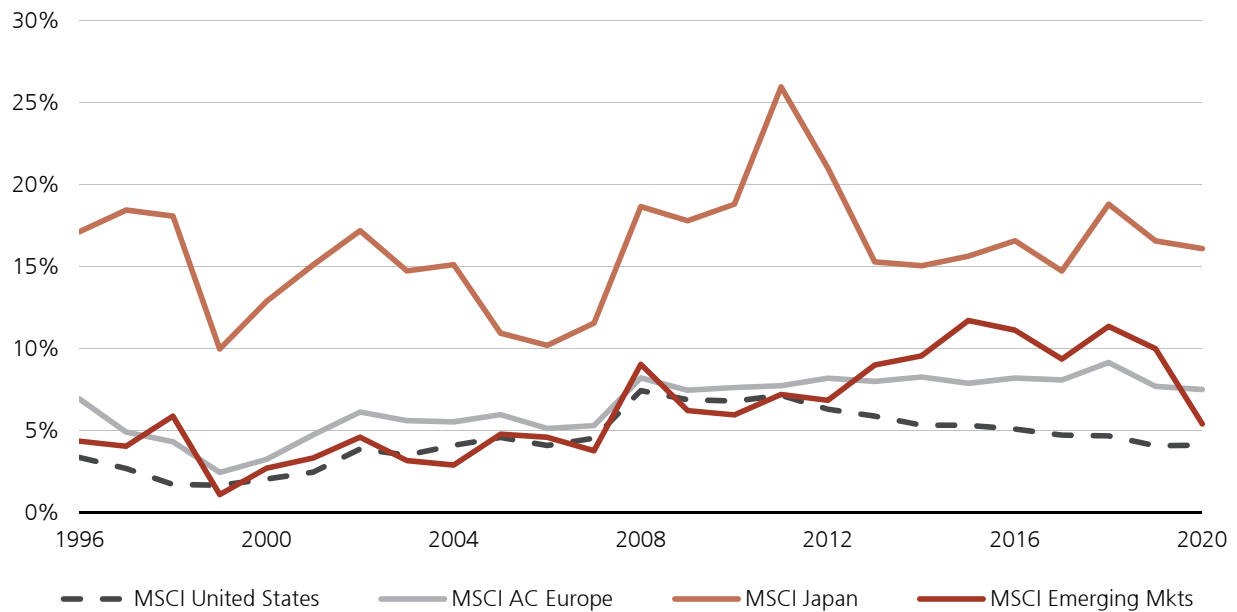
MSCI Asia ex-Japan PB (January 1997 – end January 2021)



Source: Factset, MSCI, end January 2020

Asian companies are in good shape from a balance sheet perspective. In terms of cash as a share of market cap and net debt as a proportion of equity, Asian companies are more defensive, especially when compared to the US and Europe.

Cash as % of market cap, 1996 – 2020

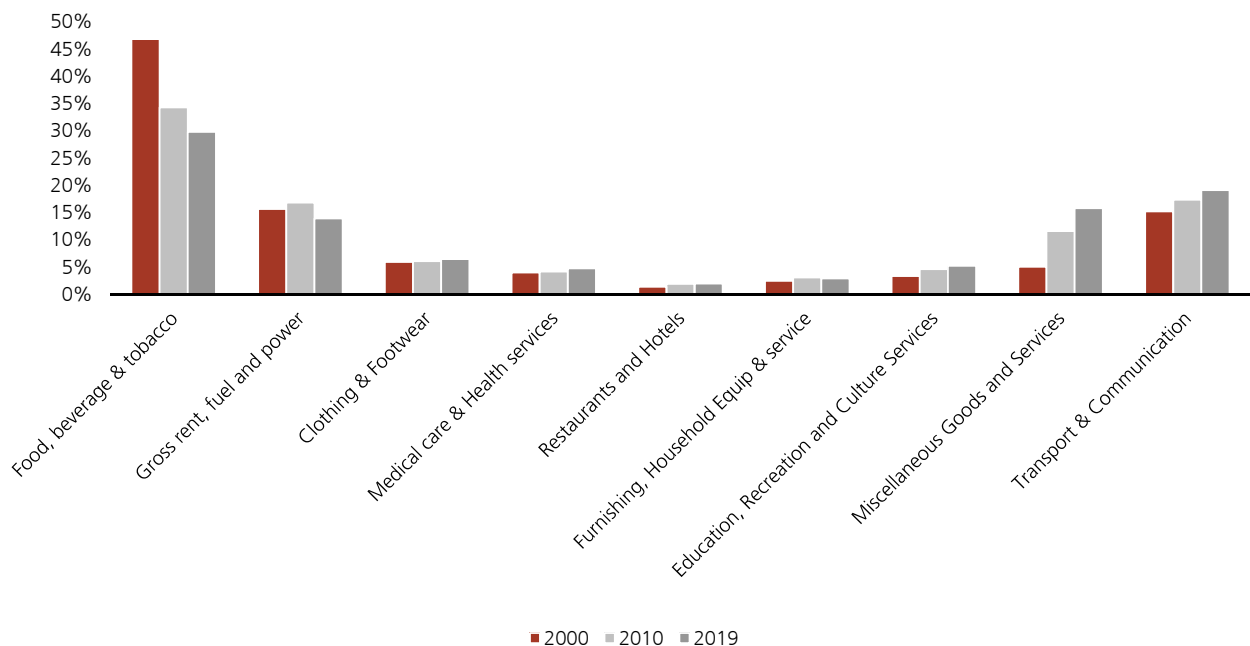


Source: Worldscope, UBS IB, data as of December 2019, update December 2020

Asian and Emerging Markets offer large opportunities for active returns because of two key factors: market inefficiencies and long-term fundamental trends that create winners and losers.

Turning specifically to fundamental trends, a good active manager capable of spotting winners can create a lot of value for clients' portfolios.

India's change in wallet share, 2000 – 2019



Source: CEIC, JP Morgan, as of August 2020

Trends like the shift to premium and discretionary spending in Asia, aging populations, industry consolidation, and expanding financial inclusion have the potential to create attractive returns for investors in the future.

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Americas

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