Maybank Asset Management

CHALLENGING DRIVE

2019 OUTLOOK & STRATEGY

CONTENTS

Our 2018 Review

A Turbulent Year Has Passed...

Without exception, 2018 was a challenging year as almost all asset classes delivered negative returns. The year started off well for equity markets as the tailwind from synchronised economic growth in 2017 saw markets having one of the best starts in recent years. Asian stock markets rose by between 5-10% in January alone.

However, rising interest rates negatively impacted bonds and hence fixed income funds early in the year. There were concerns that the strong economic growth would force the US Federal Reserve to raise interest rates more aggressively. Overall financial market conditions deteriorated soon after as the US triggered trade tensions with China and the rest of the world.

As a result, Asian equity markets peaked in 1Q2018 and dropped for much of the year. Negative news flow from the US-China Trade War was compounded by a noticeable slowdown of the economy in China as the government sought to bring shadow banking and the bubble of unregulated peer to peer lending under control.

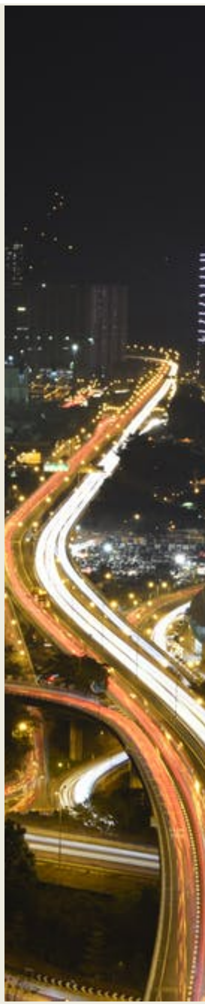
Fixed income markets saw a double whammy of higher interest rates leading to interest rates on the benchmark 10 year Treasuries breaching the critical 3.0% levels from just 2.25% at the start of 2018. Credit spreads for bonds also widened significantly due to the US-China Trade War and slowing Asian economies.

KEY HIGHLIGHTS FOR 2019

1. Slower global growth from 3.3% in 2018 to around 3.0% in 2019;
2. Inflation to remain tame
3. USD strength to moderate in 2019
4. Oil prices to remain low in the range USD 50-70/bbl
5. Interest rates: 10-year UST to trade between 2.5-3.25% in 2019
6. Yield curve: UST curve to remain flat in 1H19 but could steepen in the front end from 2H19
7. ECB and BOJ to remain accommodative
8. China to implement marginal easing measures
9. No negative surprises for Indonesia and India elections

KEY RISKS FOR 2019

1. Negative surprises for elections in Indonesia, India
2. Hard landing in China
3. Credit spreads blow out in US and Europe
4. US economic data remains strong, prompting FOMC to be more aggressive in rate hikes
5. US-China trade tensions to find meaningful resolution
6. Oil prices to trade above USD 80/bbl
7. Geopolitical risks in the Middle East and Europe



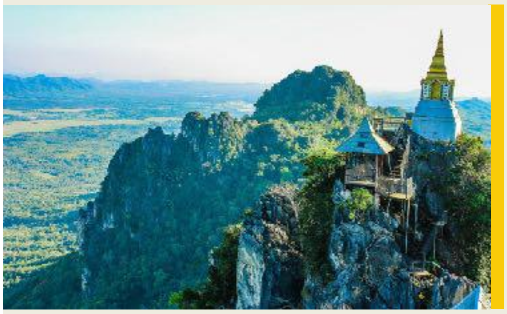
OUR 2019 OVERALL INVESTMENT STRATEGY

On a risk-reward basis we would tilt it towards fixed income for 2019.

On a risk-reward basis we would tilt it towards fixed income for 2019. With the higher interest rates and wider spreads, yields for Asian investment grade bonds are attractive at between 4.5-6.0% (from just 3.3% in 2017). These returns are decent bearing in mind the likely risks investors will have to face in 2019. For investors who are able to take currency risks, local currency bonds in India and Indonesia will be preferred.

Peaking US interest rates will mean that Asian central banks will face less pressure to raise domestic interest rates. In fact, given the lack of inflationary pressures there is some flexibility to reduce interest rates. In addition, peaking US rates will also mean the possibility of stronger Asian currencies as investors have less reason to move money to the US. Therefore, an investor in Asian local currency bonds will enjoy the high prevailing yields and may benefit from lower domestic interest rates plus a gain from the currency appreciation.

Yields for Asian investment grade bonds are attractive.



Asian stocks are cheap, trading at a forward PER of just 11x and at a 20-30% discount.

For equities, Asian stocks are cheap both on an absolute and relative basis, trading at a forward PER of just 11x and at a substantial 20-30% discount to US valuations. The headwinds of slower growth will cap upside as corporate earnings may disappoint in 2019. However, with the extremes of valuation we feel that downside is limited so long as the US does not fall into recession. We also note that should the trade wars resolve amicably, Asian equities could recover sharply given the trough valuations. We like REITs as the likely pause of interest rates in 2019 and continued economic growth (albeit slower) will be positive for high dividend yielding stocks.

Just like for bonds, we would favour ASEAN equities. ASEAN countries are more domestically oriented especially Indonesia and Philippines and therefore are less exposed to the Trade Wars.

Moreover, Indonesia and Philippines are more sensitive to interest rates as both countries run twin deficits (budget and current account deficits). With peaking US interest rates, the Central Banks in Indonesia and Philippines will have more leeway to support the domestic economy. Lastly, Indonesia and Philippines are oil importers and muted oil prices will reduce the pressure on the current account deficit.

So in summary, we expect a challenging year in 2019 but there will be opportunities given the attractive valuations for Asian fixed income and equities. We would like thank you for your support amidst the difficult market environment. At Maybank Asset Management, we will continue to work hard to obtain the investment returns for our customers and also provide investment solutions, both new and existing products that would meet the individual needs of our clients.

OUR 2019 OVERALL INVESTMENT STRATEGY

CHALLENGING DRIVE

Themes	Our Assessment	Market Implications & Strategy
Growth Slows	We expect to see slower global growth in 2019. The reasons for slower global growth are manifold. Financial conditions are tighter and the US-China trade war has dampened confidence and increased uncertainty thereby stalling corporate decision making and investment. In addition, export growth is likely to be muted on subdued demand and as a result of prior front-loading of exports (ahead of tariff implementation) in 2018. While China may struggle, as a managed economy, we believe it will succeed in maintaining GDP growth at c.6%. Similarly in Asia, we expect trend or slightly below-trend growth in most economies. US growth momentum will slow as the effects of past fiscal stimulus fade. We do not expect a recession in 2019, albeit that remains a possibility in 2020 (as implied by the inversion of the US yield curve). We expect policy makers, in general, to be more pro-active in boosting the domestic economy. More populist policies may be introduced in countries with upcoming elections in 2019 (e.g., Thailand, Indonesia, India). The Chinese government may respond to the threat of slower growth by relaxing its stance on various issues (e.g., RMB depreciation, property cooling, deleveraging/financing) and increasing fiscal spending. Note that much of the growth slowdown in China can be attributed to the government's various regulatory clampdowns in recent years which has unfortunately now coincided with the trade war.	Neutral for equities and mixed for fixed income (positive government bonds, less so for credits). Favour ASEAN over North Asia for equities and local currency fixed income. Prefer Asian credits with high carry. Favour domestic-oriented names / defensives over cyclicals.
INFLATION MUTED; LOWER OIL PRICES	We expect inflation to remain muted in 2019. While there may be a bounce in oil prices in the short term (off the current low base), overall we would expect lower oil prices in 2019 as US shale supply comes on stream. In addition, food inflation should remain benign barring weather shocks. Slower global and capex growth will also weaken commodity demand and prices. The US-China trade war may also prove to be deflationary outside the US. China-made goods will be cheaper with a weaker RMB and China could divert (i.e., dump) its goods to other countries. In contrast, the trade war may increase inflation pressures in the US given more costly imports of consumer goods. Given excess capacity in most of the region, we see little price pressure stemming from capacity constraints.	Negative on most oil plays. Lower oil prices positive for India, Indonesia, the Philippines and Thailand.

OUR 2019 OVERALL INVESTMENT STRATEGY

CHALLENGING DRIVE

Themes	Our Assessment	Market Implications & Strategy
MONETARY POLICY CONTINUES TO TIGHTEN BUT CLOSER TO THE END; A WEAKER USD	While we expect the Fed to continue to hike in 2019, we believe the rate hike cycle is largely coming to an end in 2019. Normalization will continue as US core inflation remains close to 2% but mounting growth concerns will eventually lead to a pause in hikes. With the flattening US yield curve and given growth risks, we expect the USD to be weaker and correspondingly most Asian currencies to be stronger in 2019. With the exception of China which will ease in order to support its slowing economy, we expect monetary policy to be neutral in most of Asia. We see less pressure on Asian central banks to hike rapidly given a benign inflation environment and less currency pressure from a weaker USD.	Prefer US government bonds and Asian local currency government bonds. Favor REITs and high dividend yielding stocks. Favor Asian currencies over the USD. Favor beneficiaries of weaker USD
MORE VOLATILITY; GEOPOLITICS MATTER	We expect markets to remain volatile in 2019 given the uncertainty and risks to growth. For fixed income, we expect continued refinancing pressure. Binary outcome of US-China trade war will require nimble trading to capture opportunities or preserve capital. The US-China trade war is not just about the economics of trade but increasingly seems to be about containing the rise of China which makes any meaningful resolution difficult. While general elections in India, Indonesia and Thailand are likely to see the incumbents returned to power (albeit with an uncertain majority), there is always the risk that the unexpected could occur. Other sources of geopolitical risks include Brexit; elections in Europe (namely, in Germany and Italy); ECB tapering and Middle East tensions.	More tactical trading. High cash allocation from time-to-time. Once election uncertainty is out of the way, India and Indonesia might rally.
GLOBAL TRADE / SUPPLY CHAIN REFORM	With the US-China Trade War, companies will diversify their production bases. Some MNCs and local Chinese companies have already begun relocating their production from China which could benefit some ASEAN countries. These activities to diversify production bases will accelerate. However, this process may take some time depending on the availability of associated supply chains and infrastructure. Restructuring of the global trading architecture. The Multilateral system of trade has underpinned the global trading system and was represented by the WTO. The multilateral system worked by getting consensus from all countries. It was generally fair imposing the same tariffs across all countries with certain concessions given. This has broken down given the lack of support from the US and as world has become more complex world it is now hard to get agreement amongst all countries. Countries now prefer to pursue bilateral FTAs.	Favor selected exporters that benefit from production shifts away from China.

OUR 2019 ASIA EX-JAPAN OUTLOOK

EQUITIES

Post the 2018 market sell-off, Asian equities are looking more attractive from a valuation perspective. Asian equities are trading at 11.2X forward P/E (versus historical average of 12X) and at a 26% discount to US equities (versus historical average of 14%). Coupled with the prospect of the Fed ceasing its rate hike cycle in 2019, expectations for a weaker USD and benign inflation, we expect Asian equities to outperform developed markets in 2019. We see Asia as a beneficiary of fund inflows as investors rotate from developed markets into emerging markets.

We expect markets to be volatile in 2019, thereby necessitating more tactical trading and high cash holdings from time-to-time. We also see value in having some defensive names and high dividend yielding stocks as a portfolio hedge.

Key risks in 2019 include the outcome of the US-China trade war (which could move either way - resolution or escalation); a possible US recession in 2020 (as implied by the inversion of the US yield curve); and geopolitical risks. In the event of a US market correction (perhaps driven by US recession fears), Asian equities will not remain unscathed but may decline less given their relative underperformance in 2018 and the relative valuation gap.

We would favour the more domestic-oriented ASEAN markets over North Asia given expectations of slower global growth and US-China trade war risks. In addition, lower oil prices would benefit most ASEAN countries, with the exception of Malaysia. Twin-deficit ASEAN countries such as Indonesia and the Philippines should also see less currency pressure given a weaker USD and consequently less need for rapid rate hikes. With Indonesia and the Philippines being some of the biggest beneficiaries of the aforementioned factors and given relatively better earnings growth versus regional peers, we would overweight both Indonesia and the Philippines. The upcoming elections in Indonesia should also be positive from the standpoint of boosting consumption (given pre-election spending) and removing political uncertainty (barring a shock election result).

Case	Assumption / Risk	Market Implications & Strategy
BAD CASE	1. Weaker-than-expected economic growth. 2. Further trade war escalation. 3. Negative inflations surprise. 4. Heightened geopolitical tension.	• MSCI Asia ex-Japan target 570, based on 10.5X 2020E EPS of 54 (-5%).
BASE CASE	1. Slower global growth but no US recession nor China hard landing. 2. Trade war continues without severe escalation. 3. Muted Inflation; lower oil prices. 4. The Fed continues to hike but rate hike cycle comes to an end in 2019. In Asia (ex-China), monetary policy is neutral. 5. Weaker USD, stronger Asian currencies. 6. No severe geopolitical incidents.	• Overweight: India, Indonesia, Phillippines. • Underweight: Hong Kong, Taiwan, Korea, Thailand. • Neutral: Others. • Favour ASEAN over North Asia. • Favour domestic-oriented names / defensive over cyclicals. • MSCI Asia ex-Japan target 640, based on 11.6X 2020E EPS of 55 (+6%).
GOOD CASE	1. Better-than-expected economic growth. 2. Easing of trade tensions.	• MSCI Asia ex-Japan target 680, based on 12X 2020E EPS of 57 (+13%).

Based on MSCI Asia ex-Japan Index closing price of 602.10 on 14 December 2018.

OUR 2019 ASIA EX-JAPAN OUTLOOK

LOCAL CURRENCY FIXED INCOME & CURRENCY

We expect global GDP growth to slow from around 3.3% in 2018 to around 3.0% in 2019. The key driving forces for slower GDP growth will be a late-cycle US economy, Trump's 2018 tax cuts wearing off, end of QE, and the slowdown in global trade. Growth in China is expected to slow from 6.5%-6.6% in 2018 to 6.0%-6.1% in 2019, which brings EM Asia GDP growth to below 6.0%. Despite slower growth in the coming years for Asia, we are cautiously optimistic on Asian local government bonds and currencies as USD strength is likely to abate due to a pause in Fed hikes and lower crude oil prices. Additional factors that are helpful towards EM Asian local currency (LCY) bonds bonds and FX include light positioning, cheap valuations, high real yields and tame inflation in EM Asia in 2019.

Slower global GDP growth by 0.3%.

"Recovery begins from the darkest moment."

- John Major, Former British Prime Minister.

We had highlighted previously that the biggest threat to Asia LCY and FX markets was the perception of synchronised tightening by the G3 central banks. While only the Fed had hiked rates over 2018, the impact of liquidity withdrawal had caused EM currencies to weaken considerably. However, as we are writing this, the market seems to be having a rethink about the trajectory of Fed rate hikes as yields have declined from October's high and given the inversion in the front end of the yield curve. Indeed, for 2019, our base case is for the Fed to hike probably twice through 2019 if economic data remains firm. However, we should provide for the possibility that the Fed may only hike one time if trade tensions escalate. Meanwhile the ECB and BOJ are expected to remain accommodative at least through 1H19, with latest macro data leaning on the weaker side.

ASIAN LCY GOVERNMENT DEBT AND FX: PICKS AND PANS FOR 2019

Government Bonds (LCY)	-2	-1	0	+1	2
China			•		
India				•	
Indonesia				•	
Korea				•	
Singapore				•	
Malaysia			•		
Taiwan			•		
Thailand			•		
Philippines				•	

FX	-2	-1	0	+1	2
China			•		
India				•	
Indonesia					•
Korea		•			
Singapore			•		
Malaysia		•			
Taiwan		•			
Thailand			•		
Philippines				•	

OUR 2019 ASIA EX-JAPAN OUTLOOK

LOCAL CURRENCY FIXED INCOME & CURRENCY

We still like the LCY debt markets in Indonesia and India from both carry and currency appreciation perspective.

We still like the LCY debt markets in Indonesia and India from both carry and currency appreciation perspective. **The valuation in terms of real yield and real effective exchange rates are highest in these two countries**. We expect inflation in both countries to remain muted and fall due to lower oil prices. Also we expect the Fed to pause next year which will be positive for these economies as they will be able to ease monetary policy by the end of 2019. In terms of growth, India is expected to return to its longer term growth rate of 6.5-7.5%, compared to 6.2% in 2017 as it exits from the impact of demonetisation. Indonesia is also expected to grow between 5.0-5.5% in 2019.

Meanwhile for the Philippines, growth is expected to remain strong due to infrastructure investment and consumption while inflation expectations have been held in check after the BSP raised rates by 150 bps from 1H18 to 4.75%. Furthermore, November's headline inflation has also slowed to 6.0% from 6.7% earlier and looks likely to decline even further given lower oil prices. For 2019, we also like Philippines as we expect inflation in the Philippines to gradually come down in 2019 due to declining oil prices and the 150 bps of aggressive hikes by BSP in 2018.

In anticipation of slowing growth and reduced inflationary pressures, Singapore's MAS is likely to keep its SNEER exchange policy stable in 1H19.

For Malaysia, our call of MYR outperforming EM Asia FX has panned out, with USDMYR recording a YTD loss of 3% vs. -13% for USDINR, -8% for USDIDR and -6% for USDPHP. While the MYR remains cheap in the long run, we think low oil prices and slowing trade will impact balance of payment prospects, preventing the MYR from appreciating further.

Despite the outlook for a volatile year, fundamentals of many Asian currencies remain challenging as they grapple with an environment of high debt, worsening demographics and sluggish productivity. The pickup in growth in EM Asia in 2018 was more due to external demand from DM and less from domestic demand. However, we expect this to reverse in 2019 as we expect domestic-driven South East Asian economies to do well and export-driven North Asian economies to weaken. We expect South East Asian currencies with high real yield to outperform North Asian currencies. The risk to this outlook is a quick resolution of US-China trade tensions.

Malaysia
MYR stable for now.

Singapore
Strong SNEER exchange policy.

India
Growth rate to return to 6.5-7.5%.

Indonesia
Expected to grow 5-5.5% in 2019.

Philippines
Inflation to come down.

While country allocation remains important, local currency bond returns in 2019 will come from carry, modest FX appreciation and duration gains. The expectations of a Fed pause and weaker USD will be most favourable for South East Asian countries after a dismal 2018.

OUR 2019 ASIA EX-JAPAN OUTLOOK

USD CORPORATES

We are projecting a total return of 3% to 5% for JACI in FY2019. We think interest rates can go up by between 20 to 60 basis points but this can be easily absorbed given current JACI yield of 5.22% (as of 20 Dec 2018). We think that current yields are attractive and there is no need to take on too much risk for additional return.

Our recommendation is to have the majority (i.e., 50%) of the fund be invested in stable investment grade five year bonds, 10% in long end investment grade quasi-sovereigns, 20% in high yield with 20% in cash for trading opportunities.

FY2019: LIGHT AT THE END OF THE TUNNEL

Key themes	Maybank AM Assessment	Positions
Value has emerged in Bonds	Bond yields have risen by 100bps to 300bps in FY2018. Investment grade bonds at 4.5% and high yield bonds at 8%; bonds offer attractive value given historical volatility of less than 2%. Higher yields provide a buffer against a mild sell-off in interest rates.	• Bond portfolios gradually move from cash to bonds. • Balanced portfolios overweight bonds versus equities.
Fed to pause late FY2019/ early FY2020	The ongoing trade war during FY2018 weighed heavily on business sentiment, hindering future growth. US is already at a mid/late growth cycle. Inflation remains benign. Oil price peaked in October 2018 and has fallen over 30% from the peak.	• Yield curve remains flat. Prefer to buy less than 5-year bonds for carry. • Selectively buy into investment grade corporate perpetual bonds with high resets for higher carry. • Opportunistically trade long end quasi-sovereign bonds.
Growth to Slow but No Recession	US to avert a recession in FY2019 as Fed pauses after 1 to 2 hikes. China to continue to roll out targeted easing measures to support growth as they try to counter growth headwinds from both domestic deleveraging and external stress from the trade war escalation. Credit fundamentals to remain stable and bond defaults to remain low as China implements new policies to support the private sector such as introducing credit insurance, mandatory loan quota to the private sector, targeted cut in banks' reserve requirement ratio etc.	• Selectively add high yield exposure. • Access to funding is key. Prefer liquid balance sheet such as property sector. • Prefer Indonesia and China as risk-reward is attractive.
Volatility to remain	While fundamentals look attractive for bonds, technical factors such as fund flows and supply pressure can overwhelm. Continued equity weakness can dampen risk appetite for credits despite attractive yields. Geopolitical headwinds continue, from US-China trade war, elections, Brexit, ECB tapering, Middle East tensions.	• Keep 50% of the funds in 5-year investment grade bonds for attractive stable carry of 4% to 5%. • Keep 20% in short dated high yield and 10% in long end quasi-sovereigns. • Maintain 20% in cash for opportunistic trading.

2019 OUTLOOK

MALAYSIA

MALAYSIA 2019

EQUITIES

OUR OUTLOOK

We enter into 2019 with a cautious tone following the weak markets and poor sentiment experienced in 2018. There is still the risk that the US-China trade war could blow up if not handled properly although this is not our base case. Quality of earnings delivery is very critical to sustain investors' confidence as growth is going to be below potential for the next 2 years, as guided by the new government. The weak GDP numbers of below 5% in 2018 should also underpin the potential weaker growth for corporates. Malaysia may also be negatively affected from the expected commodity price softening in 2019. Lower crude oil and palm oil prices may impact economic growth and lead to lower corporate profitability. Nevertheless, the equity market may still be able to deliver slightly below-average long term returns of between 5% to 7% for 2019.

However, we remain cautious as some stocks are already at the higher-end of their historical valuations. As a result, market volatility is likely to continue on profit taking and cut-loss activities for some counters. On the currency front, we believe that the Ringgit may see some slight appreciation in 2019, especially after recent signals by the US Fed that the rate hike cycle may be ending. This is underpinned by stable commodities prices.

Equity market still expected to deliver between 5% to 7% for 2019. MYR to slightly appreciate.

OUR STRATEGY

We recommend sectors like consumer, banking and utilities, with sustainable dividends and high visibility of earnings.

We believe investors should remain invested in sectors with stable business models, high visibility of earnings and that can provide sustainable dividends, especially during volatile periods. Sectors like consumer, banking and utilities normally provide these attributes and are very resilient, helping investors weather market volatility. Participation in exporters and global suppliers may be reduced as global growth may be at risk if the trade war escalates into a full blown blockade (thereby impacting many peripheral economies outside the US and China). As the government has already announced an expansionary budget with a higher amount for Budget 2019, focus will be on companies which will benefit from an improvement in domestic consumption, for example consumer staples and financials.

Some laggards in 2018, for example construction, telecommunication and plantation companies, may play catch up in 2019 since investors could fall back on these bashed-down and strong cash-generating counters to cushion any fall in the market arising from geopolitical uncertainty. Hence, steady yielding companies with high earning visibility should anchor the portfolio to weather potential volatility. We believe that the second half of 2019 should provide more positive returns to investors barring further trade war escalation and given that the US rate hike cycle may be ending by then.

MALAYSIA 2019

EQUITIES

Our base case expectation for FBM KLCI is 1,800 by 2019 year-end,

with an implied 7% upside from 30 November 2018 close of 1,679. This is based on a 7-year average forward PER of 16.5x, which is reasonable considering equity investors' low expectations and cautious sentiment with regards to policy inconsistency and execution risk of the new government.

Three main factors that underpin our cautious sentiment in 2019 are heightened geopolitical risk (especially due to the US-China trade war), higher rates in the US pressuring OPR or local rates, and continued financial market volatility with investors unwinding their risk positions in favour of safe haven assets amidst late-cycle economic growth.

We believe that crude oil prices will continue to moderate with an average price of USD65/barrel in 2019. Any improvement going forward will be dependent on the agreement by OPEC members and Russia to extend the production cut. We may not see crude oil trade beyond USD80/barrel as implied by Saudi Arabia abandoning its plans to list its national oil corporation, Aramco. Hence, we would expect oil price to be between USD55-75 per barrel in 2019.

The year 2019 may see some sizeable initial public offerings (IPO) e.g. QSR Group and Leong Hup, as these companies look to take advantage of above-average consumer sector valuations. Despite a challenging year due to global headwinds, we believe that Malaysia is well positioned to face volatility as market liquidity is ample, as represented by large pension funds, life insurance providers and other institutional investors who require constant investment.

KEY THEMES IN 2019

Themes	Impact	Positions
Growth slows	Export and trading activities to slow down. Local manufacturers and suppliers may slowly benefit from relocation of businesses from China.	Favor companies driven by domestic consumption. Underweight exporters, especially tech companies. Favor Value over Growth in terms of investment style.
Inflation muted; Lower average commodity prices	Slower global and capex growth will also weaken commodity demand and prices. This results in muted inflation.	Cautious on selective oil & gas service providers, small cap plantations.
Monetary policy continues to tighten but close to end; Weaker USD	With the flattening US yield curve and given growth risks, USD is expected to weaken and correspondingly MYR to strengthen.	Favor beneficiaries of a weaker USD e.g. local currency earners with USD-based costs. Favor REITs and other high dividend yielding stocks.
Geopolitical uncertainty to continue	Investors unwind their risk positions in favor of safe haven assets.	Overweight in dividend yielding and defensive stocks in 2019 to weather volatility.

MALAYSIA 2019

FIXED INCOME

Malaysia's GDP is expected to see a modest rebound to a 4.9% growth in 2019.

We expect Bank Negara Malaysia to maintain its Overnight Policy Rate (OPR) at 3.25% throughout 2019 on continued resilience in the domestic growth outlook and subdued inflation in the country barring significant negative headwinds from escalating trade disputes between the US and China and heightened risk aversion in emerging markets. Meanwhile, the Federal Fund Rate in the US is expected to continue to rise by another two to three hikes in 2019 to 3.00-3.25% as the US labour market continues to improve and inflation in the US moves closer to the Federal Reserve's target. As a result, the 10-year US Treasury could rise further from its current level to 3.00 - 3.40% in 2019. The upside would be constrained from thereon (despite the potential policy rate hikes) as the longer-tenor US Treasuries reflect the moderating economic prospects with the US economy expected to show signs of slowing down in 2019.

A peaking US economy could bring back the allure of emerging markets assets, including Malaysia, amongst global investors seeking higher investment returns. Malaysia's GDP is expected to see a modest rebound to a 4.9% growth in 2019 from the 4.8% estimate for 2018. Amidst the new government's resolution to resume its fiscal consolidation, as it aims to trim the country's deficit to GDP ratio to 3.4% from 3.7% in 2018, we believe GDP growth in 2019 will remain supported by robust private consumption, continued capacity expansion in key infrastructure sectors and a healthy domestic labour market.

However, an escalating trade war between the US and China could pose some downside risks to Malaysia's GDP growth by approximately 0.9-1.1% due to lower external demand and the negative impact from lower trade activity on Malaysia's exports. On the growing emergence of such an outcome, a loosening stance by Bank Negara Malaysia could be in the horizon as part of its manoeuvres to stimulate the local economy.

We believe the local bond market will remain supported by local institutional investors.

Therefore, we are slightly more bullish on the local bond market in 2019. Apart from the factors above, we believe that the local bond market will remain supported by demand from local institutional investors such as pension funds, banks and asset managers. Net assets amongst this group of domestic investors are expected to continue to rise in 2019 and consequently increase liquidity in the domestic market. While Malaysia's sovereign rating outlook is a concern, we anticipate that its impact on MGS yields may not be significant due to lower foreign holdings after the selloffs by foreign funds in 2018 that saw a net outflow of RM19.6 billion up to November. The outflows left current foreign holdings mostly in the hands of foreign central banks, sovereign wealth funds, pension funds and insurance companies which are commonly recognised as strategic and sticky investors. Continued healthy demand from local investors could also see the bottoming out of the domestic government bond market in 2019 from the recent sell-offs in 2018.

What Should Investors Do?

Some tips on how to navigate the road ahead...

Most asset class registered negative returns in 2018. It was certainly a stressful time for investors. What should one do?

Here are several points worth bearing in mind in making that decision:

1. First, all financial assets go through periodic bouts of correction but the long term trend ultimately is up. Corrections of 5% to 20% are normal and healthy as they help limit a build-up in complacency and excessive risk taking.
2. Second, correction of these magnitudes can turn around relatively quickly barring a major recession. While we expect a slowdown in global growth, we are not expecting a recession.
3. Third, when risk assets fall they are cheaper and offer higher long-term return prospects. Switching into cash or safer assets after a major fall just locks in a loss with no hope of recovering.
4. Finally, financial assets often bottom at the point of maximum bearishness. To do well one needs to go against the prevailing bearishness and be a contrarian. "Be fearful when others are greedy. Be greedy when others are fearful," as Warren Buffett has said. It's impossible to time the bottom but one way to do it is to average in over time.

Taking into consideration our outlook for the various asset class, below are some of Maybank's funds arranged in ascending order of their risk profile and commensurately their potential returns for your consideration.

Always bear in mind your risk appetite and investment horizon in making investment decisions or consult your financial planner on the most optimal portfolio mix for your personal circumstance. **Happy investing.**

Low Risk

High Risk

Fund	Comments
Maybank Income Trust Fund	A bond fund that aims to maximise returns over the Medium Term, and while at the same time offering stability of capital and regular consistent income.
Maybank Malaysia Sukuk Fund	A Sukuk fund that aims to provide investors with annual income through investing in a portfolio of Sukuk.
Maybank Enhanced Bond Fund	A bond fund that aims to provide investors with a stable income stream and an opportunity for capital appreciation over the Medium to Long Term horizon through investments in equity securities (maximum of 15%).
Maybank Balanced Trust Fund	A balanced fund that aims to provide a balance between income and Long Term capital appreciation.
Maybank Dana Ikhlas	A balanced fund that aims to attain a mix of regular income stream and possible capital growth via investments into Shariah-compliant listed equities.
MAYBANK SINGAPORE REITS FUND (wholesale)	The Fund aims to provide income through investments in a portfolio of Singapore Real Estate Investment Trusts ("SREITs") listed on the Singapore stock exchange.
Maybank Dividend Trust Fund	A equity fund that aims to provide investors with a regular income stream and to attain Medium to Long Term capital appreciation through investing in high (and potentially high) dividend yielding equities (including foreign equities, maximum of 30%).
Maybank Value Trust Fund	A equity fund that aims to provide investors with capital growth through investments in securities that are trading at a discount to their intrinsic values, while minimising the risk in the Medium to Long Term.
Maybank SmallCap Trust Fund	A equity fund that aims to achieve Medium to Long Term capital growth by primarily investing into securities of small and medium sized companies.
Maybank AsiaPac ex-Japan Equity-I Fund	A Shariah Compliant equity fund that aims to achieve capital growth over the Long Term by investing in Shariah compliant equities.

OUR FUNDS

Fund (Strategy)	Type	Objective	Inception Date	Performance (%)			Geo. Exposure
				1 Yr	3 Yr	Since Inception	
Equities							
Maybank Q-Opportunities Fund	W	G - Lng	04-Jul-11	-14.45	-7.31	4.68	N/A
Maybank Q-Target Return Fund	W	G - Med/Lng	04-Jul-11	-5.03	6.7	27. 66	N/A
Maybank Index-Linked Trust Fund	R	G	16-May-02	2.35	7.68	223.87	Malaysia
Maybank SmallCap Trust Fund	R	G - Med/Lng	03-Mar-04	-14.5	8.3	39.98	Malaysia
Maybank Value Trust Fund	R	G - Med/Lng	07-Jan-03	-4.75	6.09	436.93	Malaysia
Maybank Ethical Trust Fund	R	I+G - Med/Lng	07-Jan-03	-7.02	3.85	440.38	Malaysia
Maybank Dividend Trust Fund	R	I+G - Med/Lng	06-Jun-06	-4.03	13.63	255.27	Malaysia
Maybank Unit Trust Fund	R	G - Lng	26-Mar-92	-4.48	11.82	139.68	Malaysia
Equity Shariah							
Maybank AsiaPac Ex-Japan Equity-I Fund	R	G - Lng	08-Jan-14	-5.14	20.52	32.55	Asia ex Japan
Maybank Greater China Asean Equity-I Fund	R	G - Lng	27-Apr-15	-4	16.87	11.33	ASEAN & Greater China
Maybank Malaysia Equity-I Fund	R	G	08-Jan-14	-12.27	-11.04	-21.61	Malaysia
Maybank Dana Yakin	R	G - Med/Lng	24-Nov-00	-9.97	-0.48	112.71	Malaysia
Maybank Shariah Value Plus Fund	R	G	16-Jun-15	-14.31	-7.14	-4.47	Malaysia
Fixed Income Funds							
Maybank Bluewaterz Total Return Fund	W	G - Lng	14-Aug-15	-0.61	12.05	12.51	N/A
Maybank Constant Income Fund 3	R	I - Lng	26-Oct-15	2.99	19.77	19.77	N/A
Maybank Constant Income Fund 4	R	I - Lng	01-Mar-16	1.84	-	15.26	N/A
Maybank Constant Income Fund 5	R	I - Lng	19-Sep-16	1.26	-	8.95	N/A
Maybank Constant Income Fund 6	R	I - Lng	17-Mar-17	-0.62	-	3.14	N/A
Maybank Financial Institutions Income Asia Fund	R	I - Lng	26-Aug-14	-2.15	12.9	24.18	Asia
Maybank Financial Institutions Income Fund	W	I - Lng	17-Dec-09	4.27	13.51	42.55	N/A
Maybank Global Bond Fund	R	I - Lng	04-Nov-13	-0.99	1.63	14.77	Global
MAMG Global Constant Income Fund	R	I - Lng	15-May-17	3.49	-	4.55	Global
Maybank Lifestyle Trust Fund Today	R	I+G	25-Nov-04	2.46	15.59	95.3	Malaysia
Maybank Enhanced Bond Trust Fund	R	I+G	02-Jan-00	2.87	11.12	26.43	Malaysia
Maybank Income Trust Fund	R	I - Med	19-Jul-96	4.21	12.91	202.53	Malaysia
MAMG Global Income Trust Fund	R	I - Lng	17-Jul-17	1.44	-	1.42	Global

Fund (Strategy)	Type	Objective	Inception Date	Performance (%)			Geo. Exposure
				1 Yr	3 Yr	Since Inception	
Fixed income Shariah Funds							
Maybank Malaysia Sukuk Fund	R	I - Lng	08-Jan-14	4.93	14.32	20.56	**Malaysia**
MAMG Global Shariah Income Fund	R	I - Lng	13-Mar-18	-	-	7.46	**Global**
Maybank Dana Arif	R	I - Lng	27-Apr-04	4.53	13.21	86.18	**Malaysia**
Money Market Funds							
Maybank Enhanced Cash XIII Fund	W	I - Shrt	24-Sep-08	2.82	10.64	36.14	**N/A**
Maybank Q-Cash Fund	W	I - Shrt	08-Jun-12	3.03	9.04	15.87	**N/A**
Maybank Shariah Enhanced Cash Fund	W	I - Shrt	24-Nov-08	2.93	10.61	34.12	**N/A**
Maybank Shariah Cash Fund	W	I - Shrt	15-Sep-17	3.27	-	3.92	**N/A**
Maybank Dana Nabeel (Shariah)	R	I - Shrt	06-Jul-11	2.96	10.19	24.98	**Malaysia**
Balanced Funds							
Maybank Dana Ikhlas (Shariah)	R	I+G	17-Sep-02	-5.69	-0.73	93.57	**Malaysia**
Maybank Balanced Trust Fund (Conventional)	R	I+G - Lng	19-Sep-94	-3.73	5.79	104.34	**Malaysia**

CONTACT US

MALAYSIA

Maybank Asset Management Group Berhad (106441-K)
Level 5, Tower A, Dataran Maybank
1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia
Telephone +603 2297 7833 I www.maybank-am.com

Maybank Asset Management Sdn. Bhd. (421779-M)
Level 12, Tower C, Dataran Maybank
1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia
Telephone +603 2297 7888 I www.maybank-am.com.my

Maybank Islamic Asset Management Sdn. Bhd. (1042461-K)
Level 12, Tower C, Dataran Maybank
1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia
Telephone +603 2297 7872 I www.maybank-am.com

SINGAPORE

Maybank Asset Management Singapore Pte. Ltd.
(Co. Reg. No.: 200812589K)
2 Battery Road,
#08-01 Maybank Tower, Singapore 049907
Telephone +65 6231 5080 I www.maybank-am.com.sg

INDONESIA

P.T. Maybank Asset Management
(TDP : 09.05.1.66.87809)
Sentral Senayan 3 Building, Mezzanine Floor
Jalan Asia Afrika No. 8, Senayan – Gelora Bung Karno
Jakarta 10270, Indonesia
Telephone +62 21 8065 7700 I www.maybank-am.co.id