

Principal Asset Management  
Company (Asia) Limited

2022

Economic and Asset  
Allocation Outlook



## Principal Q&As – Investment Strategies Past The Peak



Crystal Chan  
Senior Investment Specialist  
Principal Asset Management  
Company (Asia) Limited

What is the outlook for the global economy in 2022? [P.2](#)

Will inflation in the U.S. peak in a short period? How will inflation influence future Fed policy? [P.4](#)

Will global stocks still lead the way in 2022? How should assets be allocated in the first quarter? [P.6](#)

How will China's economic policy evolve in the face of economic slowdown? [P.9](#)

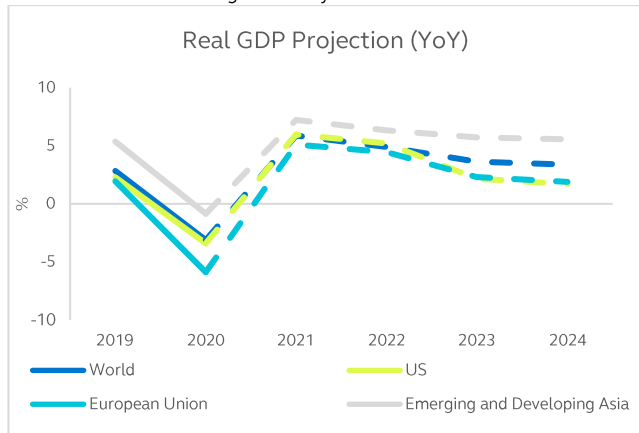
Will the yield curve continue to flatten? What is the impact on fixed income investments? [P.10](#)

Is there further upside for the U.S. dollar? [P.11](#)

# What is the outlook for the global economy in 2022?

The global economy may have reached a declining regime, but this does not necessarily mean that there will be a decline in asset prices.

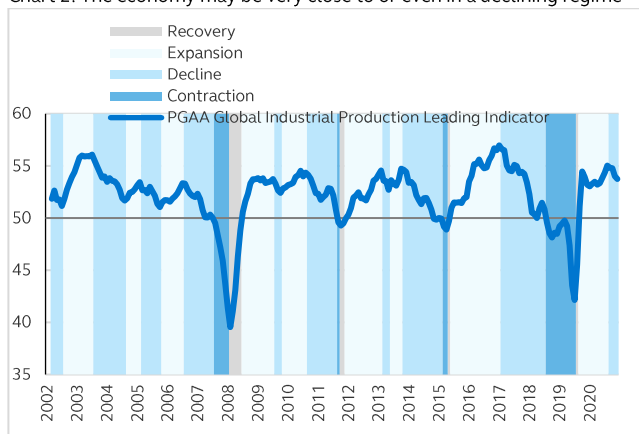
Chart 1: Global economic growth may continue to slow down



Source: IMF · Principal Asset Management Company (Asia) Limited. Data as of October, 2021.

Looking at the year ahead, the global economy is expected to continue its recovery with the growth rate slowing slightly between 4% to 5%, a number which is still above the long-term average (Chart 1). Overall, the economic growth rate of emerging markets may still be higher than the developed markets. Under the drag of China and some Latin American countries, emerging market economies may slow down relatively quickly in the coming year, narrowing the gap between the two.

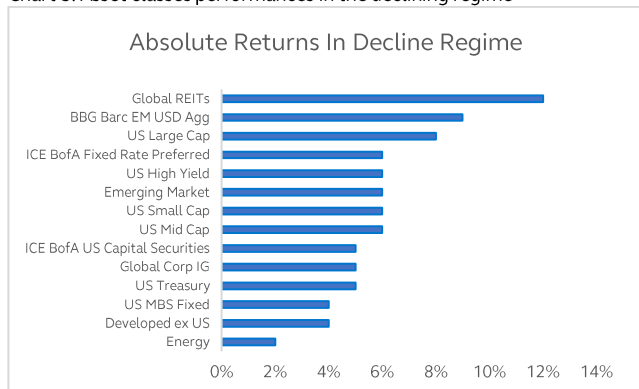
Chart 2: The economy may be very close to or even in a declining regime



Source: Bloomberg, Factset, Principal Global Asset Allocation, Principal Asset Management Company (Asia) Limited. Data goes from December 31, 2002 to November 30, 2021.

Meanwhile, the global economy is still facing various uncertainties. The ongoing unstable situation of the pandemic may constrain the economic growth potential in some countries or regions. Although the price pressures in most of the countries are expected to ease in 2022, inflation remains highly uncertain and may affect the outlook of consumption and monetary policy progress, and weigh on the global economy. With reference to the Principal Global Economic Surprise Index, the average figure in the past three months was in the negative territory, which represented that economic data generally lagged behind market expectations. There is a lack of further reopening impulses under the influence of the pandemic, Principal's Global Industrial Production Leading Indicator was down for months, indicating that the economy may be very close to or even in a declining regime (Chart 2).

Chart 3: Asset classes performances in the declining regime



Source: Bloomberg, Factset, Principal Global Asset Allocation, Principal Asset Management Company (Asia) Limited. Data goes from December 31, 2002 to November 30, 2021 and calculates asset classes returns in decline regimes for the past 19 years.

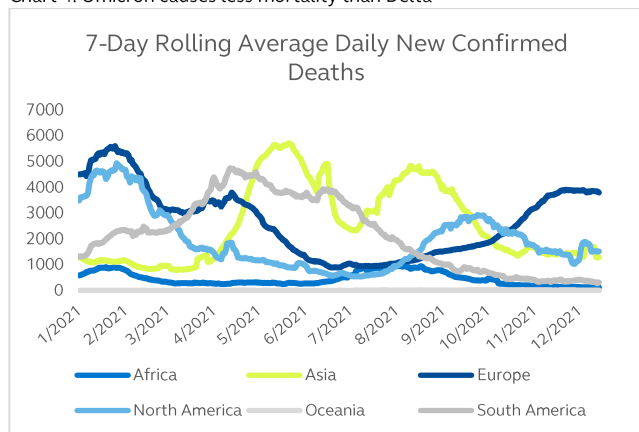
The subsequent step of an economic declining regime does not necessarily have to be a contraction. Referring to past cycles, the economy could accelerate again soon after a slowdown. Take the global financial crisis in 2008 as an example, in the 10-year period prior to the economic contraction triggered by the emergence of the COVID-19 pandemic, we experienced a total of five long and short declining regimes.

Being in a declining regime does not mean that asset prices will fall. On the contrary, investment returns from equities, bonds and even alternatives can be positive during this cycle. Based on historical data, within equities, U.S. large cap stocks have been performing relatively well. Emerging market U.S. dollar bonds have outperformed in the bond category and Real Estate Investment Trusts (REITS) have also performed comparatively well within alternatives (Chart 3).

# How will the new Omicron variant affect the global economy and investment markets?

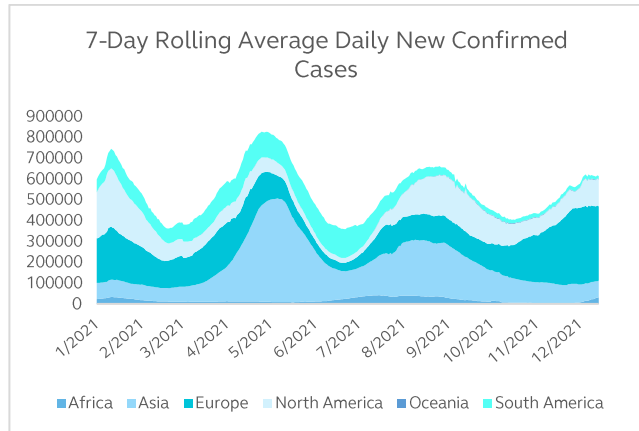
The impact of the new COVID variant on the economy is expected to be relatively small. Be aware of whether it will prolong the period of high inflation.

Chart 4: Omicron causes less mortality than Delta



Source: Our World in Data, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Chart 5: The global seven-day average of number of confirmed cases has rebounded



Source: Our World in Data, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Despite the continued increase in vaccination rates, the world has yet to contain the effects of COVID-19 on the economy and investment markets. The Omicron variant was first discovered in South Africa at the end of November. In spite of its symptoms being milder than Delta (Chart 4), Omicron spreads quickly and existing vaccines may be less effective in the protection against the Omicron variant.

The global seven-day average of number of confirmed cases has rebounded from a low of about 400,000 in mid-October to over 600,000 in mid-December, with the highest counts of confirmed cases in the U.S., major Eurozone countries and the UK (Chart 5). Duration of the new wave and the stance of various countries remain the risk factors which investors should focus on in the coming year. Should a new wave of cases induce widespread lockdowns once more, the global economy would be adversely affected, and the investment markets may experience short-term volatilities.

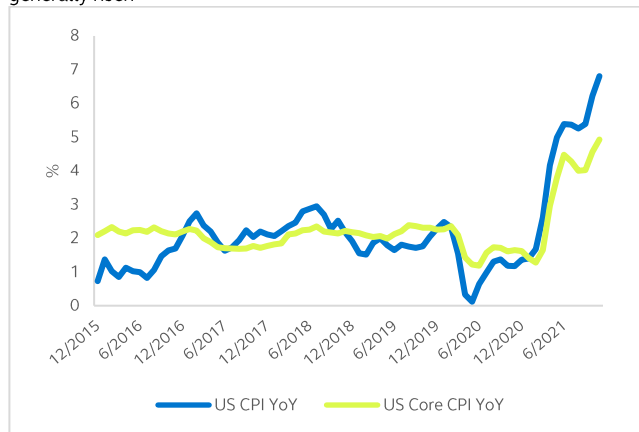
The situation in Europe has worsened despite over two thirds of its population having been vaccinated. Austria has imposed nationwide lockdowns to prevent the virus from spreading, while some state governments in Germany have also decreed lockdowns. Nonetheless, given the high vaccination rate, most Eurozone governments may take corresponding measures without causing a major blow to the economy and consumption and impose limited restrictions, such as forcing shops and restaurants to close early, and tightening vaccination policy.

The U.S. has made it clear that it has no intention of imposing lockdowns and therefore the new coronavirus variant should have relatively minimal impact on its economy. In spite of this, investors should remain wary of Omicron further disrupting supply chains and extending the duration of high inflation, which could force the Fed to tighten monetary policy more aggressively and trigger asset price corrections.

# Will inflation in the U.S. peak in a short period? How will inflation influence future Fed policy?

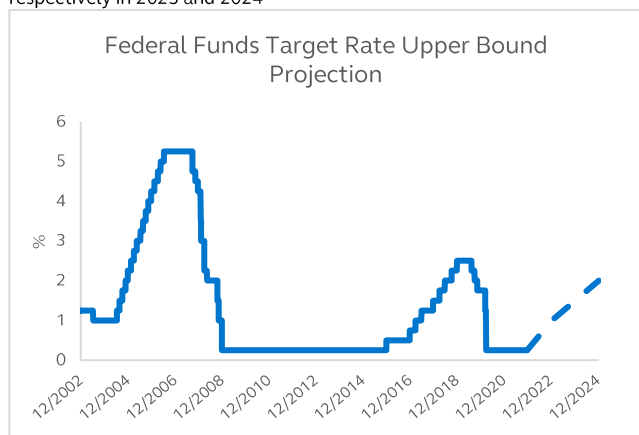
**The process of inflation normalization in the U.S. may take about two years, while the Fed may take a more aggressive approach on interest rate hikes.**

Chart 6: U.S. November CPI shows that prices in all major categories have generally risen



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of November 30, 2021.

Chart 7: The Fed may raise interest rate 3 times in 2022, 2 times respectively in 2023 and 2024



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 16, 2021.

With consumer demand remaining strong, supply chain issues persisting, and energy costs surging, U.S. inflation is at its highest in nearly four decades. Recent inflation data reflect that the increase in prices of most of the goods is higher than normal, which means prices are rising more extensively and may not be only due to the economic reopening (Chart 6).

In the short term, in face of the threat of Omicron, inflationary pressures in the U.S. may continue to rise until after the first quarter of 2022. The data may return

to levels close to but higher than 2% before the end of 2023. The entire normalization process may take up to about two years, which is longer than our initial expectations.

Apart from maintaining price stability, full employment is another objective that the Fed is required to achieve. The U.S. unemployment rate unexpectedly dipped to 4.2% in November and the labor force participation rate rose to 61.8%, the highest since the outbreak of the pandemic. With the U.S. economy on the path to sustain positive growth in 2022, more Americans are expected to return to the labor market. The unemployment rate may drop to below 4% in the first half of 2022, and full employment may be achieved by the end of next year.

With high inflation in the U.S. and an improving labor market, less than a month after commencing the tapering, the Fed has decided at its most recent meeting to double the scale of its tapering to \$30 billion a month. The entire program may end in mid-March as a result. U.S. may enter the interest rate hike cycle shortly after the end of the bond-buying program.

According to the current path, the Fed may raise interest rates for the first time around June 2022, followed by another two hikes in September and December. However, inflationary pressures may gradually ease during the middle of next year. To avoid excessive impact on the economy and large fluctuations in financial markets triggered by the rapid tightening of liquidity, the pace of interest rate hikes may not be overly aggressive. During 2023 and 2024, interest rates may be raised twice a year (Chart 7).

Historical tightening cycles suggest that the economy continues to grow through the first year of tightening, only slowing as the second year commences. U.S. economic conditions remain relatively robust, with an expansion of 4% next year still above the long-term trend and corporate balance sheets remaining flush.

Investment markets may be volatile in the run-up to and during the early stages of a rate hike, but the

Chart 8: The upward trend of risky assets can usually be sustained during the Fed's rate hike periods

Cumulative Return Subsequent to Fed Rate Hike in 2004	3M	1Y	3Y
MSCI ACWI	-1.0%	9.2%	46.8%
S&P 500	-2.3%	4.4%	27.1%
MSCI AC Asia Pacific ex Japan	6.4%	27.3%	88.9%
Hang Seng	6.8%	15.6%	68.3%
Bloomberg Global Agg Treasuries Total Return	3.3%	7.7%	10.3%
Bloomberg Global Agg Total Return	3.4%	7.5%	11.8%
Bloomberg Global High Yield Total Return	6.2%	13.5%	34.3%

Cumulative Return Subsequent to Fed Rate Hike in 2015	3M	1Y	3Y
MSCI ACWI	-2.6%	5.5%	15.4%
S&P 500	-2.2%	8.9%	22.8%
MSCI AC Asia Pacific ex Japan	-0.3%	6.2%	19.5%
Hang Seng	-6.7%	1.5%	20.2%
Bloomberg Global Agg Treasuries Total Return	5.0%	0.4%	7.1%
Bloomberg Global Agg Total Return	3.8%	0.8%	7.1%
Bloomberg Global High Yield Total Return	2.6%	13.3%	22.2%

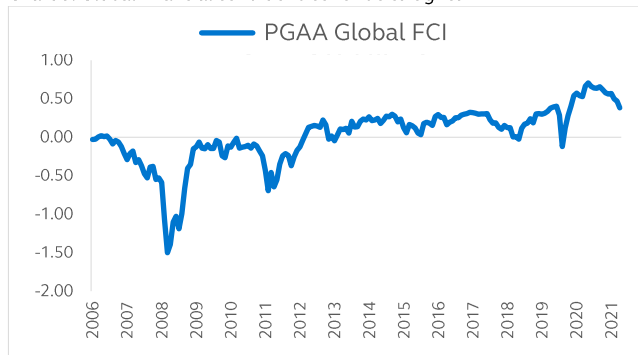
Source: Bloomberg Principal Asset Management Company (Asia) Limited. Data as of December 16, 2021.

uptrend in the stock market usually stays unchanged until the end of the rate hike cycle. Even during the period from 2004 to 2006, the Fed raised interest rates 17 times in a row, the annualized total return of S&P 500 reached more than 10% (Chart 8). In fact, the Fed had eliminated a key market uncertainty by making this decision.

Global financial conditions have continued to tighten in the past few months, especially in the last month. Attributed to the drag from spreads, monetary conditions and market volatility, the Principal Global Financial Conditions Index fell to 0.38 in November, which was significantly tighter than the 0.7 level at the beginning of the year. In the coming year, central banks in developed markets may accelerate the tightening of monetary policy and market volatility may further intensify, while global financial conditions are expected to tighten further. (Chart 9).

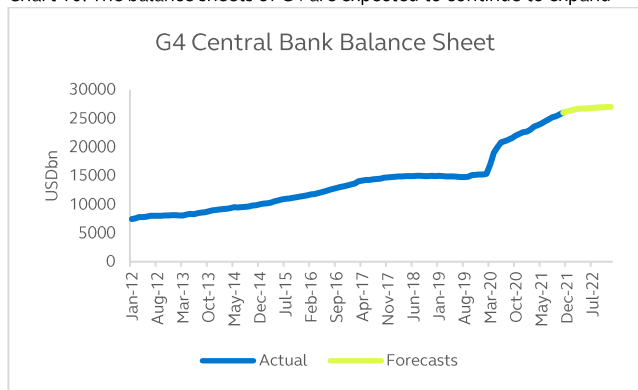
However, the current Fed's balance sheet is more than U.S.\$8.7 trillion, which is more than double the size of that when tapering was commenced at the end of 2013. In 2022, the balance sheets of G4 (Federal Reserve, European Central Bank, Bank of England, and Bank of Japan) as a whole are expected to continue to expand (Chart 10). Market liquidity should remain relatively flush.

Chart 9: Global financial conditions continue to tighten



Source: Bloomberg, Factset, Principal Global Asset Allocation, Principal Asset Management Company (Asia) Limited. Data as of November 30, 2021.

Chart 10: The balance sheets of G4 are expected to continue to expand

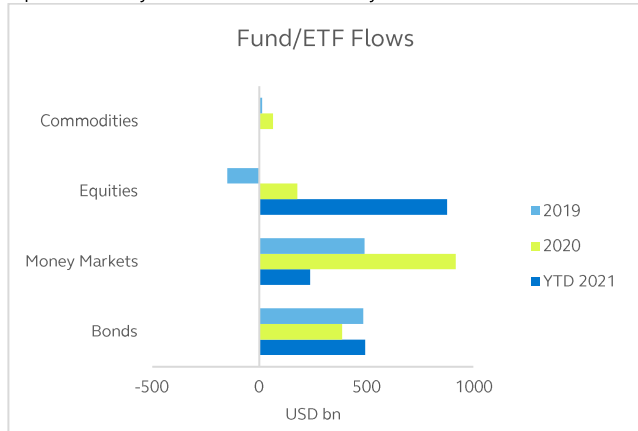


Source: Bloomberg Principal Asset Management Company (Asia) Limited. Data as of December 16, 2021.

# Will global stocks still lead the way in 2022? How should assets be allocated in the first quarter?

## We remain slightly bullish on equities, while neutral on bonds.

Chart 11: As of the end of November, the scale of fund inflows into equities is nearly five times the size of last year

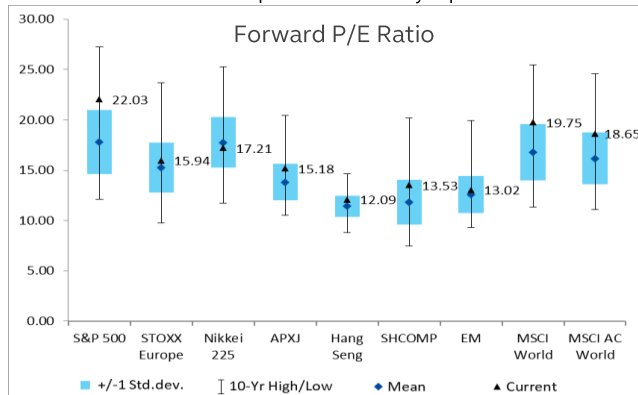


Source: Jefferies Equity Research, Principal Asset Management Company (Asia) Limited. Data as of November 30, 2021.

With the Fed tightening monetary policy, U.S. sovereign bond yields may rise in 2022, along with the anticipated interest rate hikes. The yields of U.S. 10-year sovereign bonds may reach 2% by the end of 2022. Yet, the real interest rate should remain in negative territory, which means the actual bond yield will be negative – this may continue to support the performance of risky assets including the stock market.

Over the past period, market volatility had increased for quite a while due to a range of uncertainties. However, capital has been flowing into the stock market for 15 consecutive months. As of the end of November, the scale of fund inflows into equities reached \$877 billion, nearly five times the size of last year (Chart 11).

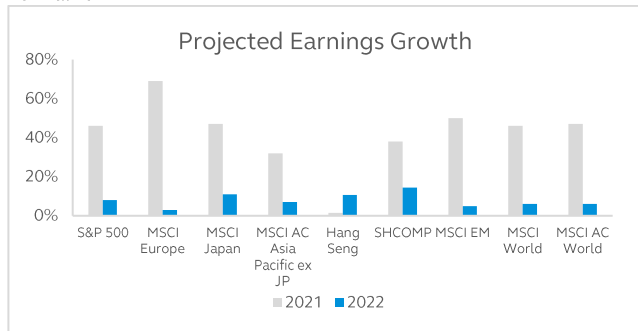
Chart 12: The valuations of equities are relatively expensive



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Yet, market fundamentals may be deteriorating. On the valuation side, major asset classes including equities are relatively expensive (Chart 12). On the other hand, in 2022 overall global corporate earnings growth is expected to normalize, falling considerably from 46% in 2021 to 6% in 2022. The impacts of higher operating costs will gradually emerge, and upward adjustments in earnings are expected to be limited compared to 2021 (Chart 13).

Chart 13: Overall global corporate earnings growth is expected to normalize



Source: Bloomberg, Factset, Principal Global Asset Allocation, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021. Data is from analysts' expectations.

Based on the aforementioned factors, we predict returns from stocks to stay ahead of the curve. We are slightly bullish on stocks in the first quarter of 2022, but with the slowing economic and earnings growth, inflation on the rise and tightening financial conditions, overall performance may lag behind in 2022 compared with 2021. We remain neutral on bonds in the first quarter. Slowly rising yields are unfavorable to sovereigns and other traditional bonds that are negatively correlated to inflation.

# Will developed market equities continue to outperform?

Developed markets, in particular the U.S. and Europe, are preferred. Pay attention to cyclical value sectors.

Q1 Outlook	Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
<b>Equities</b>	○	○	○	●	○
- U.S.	○	○	○	●	○
- Eurozone	○	○	○	●	●
- Asia ex-Japan	○	○	●	○	○
- Japan	○	○	●	●	○
- HK	○	●	○	○	○
- China	○	○	●	○	○
- Other EMs	○	●	○	○	○



indicates a change in preference from the previous quarter

We are optimistic about the developed markets, in particular the U.S. and Europe; neutral in Japan, Asia and China; and slightly bearish on Hong Kong and other EMs.

**U.S.** – Strong economic growth and solid earnings expectations provide further upside to U.S. equities; Although the Fed is accelerating its tapering process, the first rate hike may not happen until around mid-2022; If high inflation sticks around, signals of faster-than-expected rate hikes might trigger volatilities in stock markets.

**Eurozone** – Despite cases of the Omicron variant rising in Europe, the massive vaccination campaign rolling out is likely to offset the impact of restrictions reimposed by European government on economies; The European Central Bank is expected to continue with an accommodative stance compared to other central banks in the world. Easy financial conditions should be supportive to equities; Longer than expected global supply chain disruptions might hold back growth in Eurozone economies and adversely affect businesses that rely heavily on international trade.

**Asia ex-Japan** – As vaccination rates accelerate, Asia is expected to sustain its strong rebound and remain one of the fastest growing regions in the world; As China has become an increasingly important export market for

many Asian countries, the linkage has made some countries vulnerable to the risk of China’s economic slowdown; Asian equities may face headwinds from capital outflow if the Fed accelerate its tapering process and raise rates sooner than expected.

**Japan** – Japan’s economy may shrink at a faster pace than expected due to a fall in exports caused by supply-chain constraints and lower consumer spending amid fears over the new Omicron variant; Monetary policies are likely to stay accommodative given low economic growth expectations; The approved record \$490 billion spending package may support recovery from the pandemic, which marks a contrast with a global trend towards normalization.

**China and Hong Kong** – China’s campaign to tighten regulation across swathes of the nation’s industries does not show signs of abating, putting pressure on Hong Kong listed stocks; China’s economic growth is expected to moderate further. The recent RRR rate announced by the central bank is likely to reduce the lending cost and cushion the economic slowdown; China is likely to add fiscal stimulus as key goals from top officials for 2022 include counteracting growth pressures and stabilizing the economy.

Other EMs – Except Asia, other EMs including Latin America and EMEA (Europe, the Middle East and Africa) are facing higher inflationary pressure. The central banks of Brazil, Russia and Mexico have actively raised interest rates in recent months to curb the risk of sustained higher inflation. Some emerging markets have to bear rising borrowing costs due to high debt levels, which could slow down the pace of economic recovery.

Sectors – We prefer cyclical value sectors. On the one hand, the rise in the 10-year bond yield due to the Fed's tightening of monetary policy and inflation concerns may benefit value sectors like financials. On the other hand, with the global economy continuing its expansion, valuations of cyclical sectors like consumptions, and services are expected to recover.



# How will China's economic policy evolve in the face of economic slowdown?

**China's economic slowdown is expected to continue. Monetary and fiscal policies may turn more supportive in hedging downward pressure.**

Chart 14: China's economic slowdown is expected to continue



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

After a strong economic recovery, issues in the real estate sector, enhanced supervision of technology and other industries, and reforms of "common prosperity" policies, coupled with repeated outbreaks of COVID-19 have all led to a slowdown in China's economic growth. Under the context of China's economic transition from emphasizing "quantity" to "quality", the tolerance of China's policymakers of an economic downturn has been uplifted. We expect the economic slowdown to continue in 2022, with a decelerating growth rate of about 5% (Chart 14).

Chart 15: PBOC's RRR cut is expected to reduce the financing costs of the enterprises

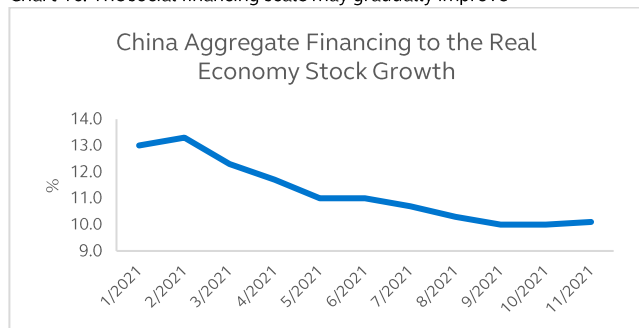


Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

In terms of monetary policies, the primary objective for 2022 will be stabilizing growth while confronting growing downward pressure on China's economy. The reserve requirement ratio has just been reduced, releasing roughly 1.2 trillion yuan into the market. Part of the funds will be used by financial institutions to repay maturing loans from the PBOC's medium-term lending facility. This could also help reduce financing costs for the real economy and enterprises (Chart 15).

Inflation in mainland China is relatively constrained and that allows flexibility in the overall monetary policies. However, an expectation on excessive easing is not realistic. In 2022, the policy will focus on maintaining relatively sufficient liquidity and stabilizing credit expansion. If downward economic pressure exceeds the bearable range of the policymakers, the possibility of interest rate cuts should not be ruled out to reduce the debt burden of enterprises.

Chart 16: The social financing scale may gradually improve



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

In terms of fiscal policies, the progress on fiscal budget expenditure has been relatively slow in 2021, and the total issuance of special bonds has also been low. Looking forward to 2022, the overall expenditure progress is expected to accelerate, and investments in infrastructure may be carried out ahead of schedule. The demand for manufacturing investments and carbon emission reduction capital driven by the new energy policy should increase. Therefore, the overall social financing scale may gradually improve (Chart 16).

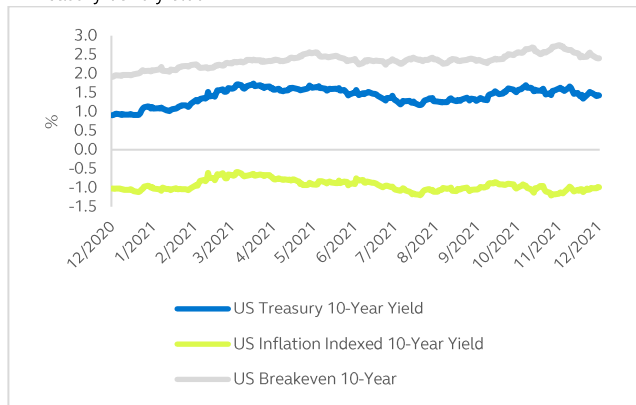
# Will the yield curve continue to flatten? What is the impact on fixed income investments?

**Bond yields may rise slowly as a whole. Short duration high yield bonds help mitigate potential interest rate risks.**

Q1 Outlook	Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
<b>Fixed Income</b>	○	○	●	○	○
- Sovereign	○	●	●	○	○
- Investment Grade	○	○	●	●	○
- High Yield	○	○	●	●	○

● → ● indicates a change in preference from the previous quarter

Chart 17: The surge in inflation expectations is the main reason for the rise in Treasury bond yields

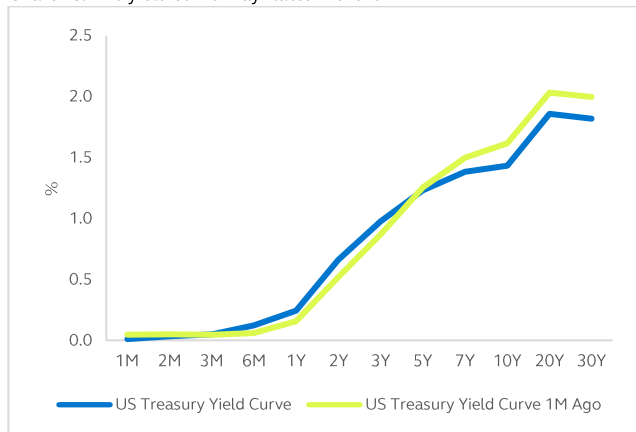


Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

In 2021, the 10-year bond yield increased from less than 1% at the beginning of the year to 1.4% in mid-December. Treasury bond yields are composed of real interest rates and inflation expectations. Disassembling the changes in the 10-year bond yield, it can be found that the surge in inflation expectations has contributed more than 80% of the overall figure, which is the main reason for the rise in Treasury bond yields (Chart 17).

In 2022, short-term interest rates may rise further as the expectations on Fed’s rate hikes continue to heat up, while the slowdown in economic growth may limit the increase in long-term interest rates to a certain extent, the yield curve may flatten further (Chart 18). Therefore, we remain neutral on bonds as a whole in the first quarter of 2022.

Chart 18: The yield curve may flatten further



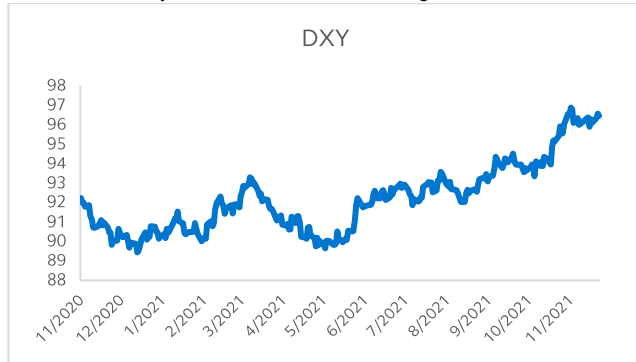
Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Among them, as bond yields are expected to rise slowly, we are slightly bearish on sovereign bonds. In addition, as inflation is expected to stay elevated, it may be relatively unfavorable for traditional bond investments that are negatively correlated with inflation, such as sovereign bonds. The total return of investment grade bonds may also be affected and is therefore downgraded to neutral. Due to spread advantage and a higher correlation with economic development, high-yield bonds may benefit from rising inflation. A better corporate earnings outlook will help sustain a low default rate for high-yield bonds. Short duration high yields may particularly help mitigate interest rate risks.

# Is there further upside for the U.S. dollar?

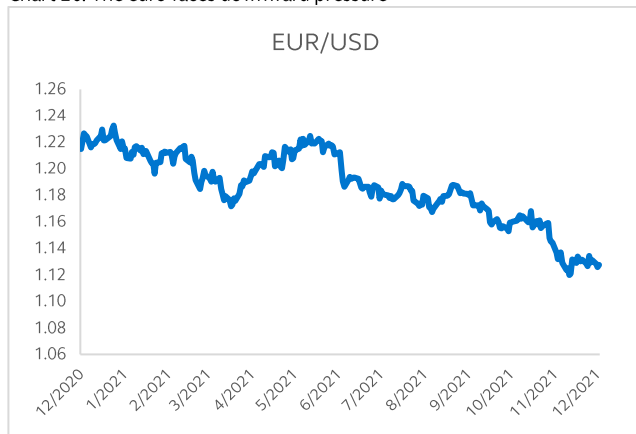
## Despite higher valuations, the fundamentals may support a continuous outperformance of the dollar.

Chart 19: It is likely for the dollar to sustain its higher valuations



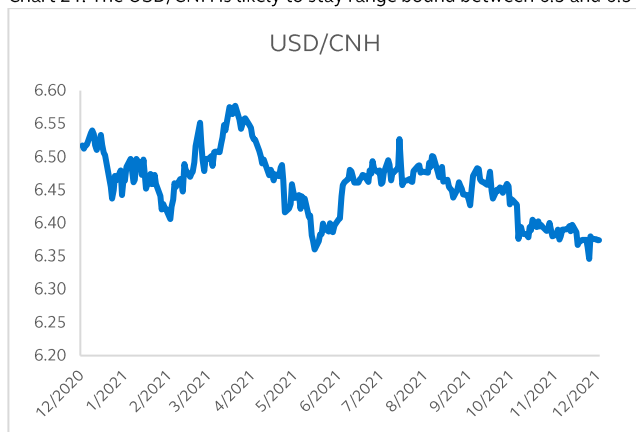
Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Chart 20: The euro faces downward pressure



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

Chart 21: The USD/CNH is likely to stay range bound between 6.3 and 6.5



Source: Bloomberg, Principal Asset Management Company (Asia) Limited. Data as of December 15, 2021.

In 2021, the U.S. Dollar Index climbed 7%, and the expectations that the U.S. may raise interest rates in 2022 will continue to favor the dollar. Developed markets, such as the United Kingdom and Canada, are likely to raise interest rates earlier than the United States; but at the same time, monetary policies are expected to remain loose for a longer period in Europe and Japan. As the euro accounts for more than 57% of the U.S. Dollar Index basket, and the yen accounts for around 13% of it, these 2 currencies represent about 70% of the basket and dominate the trend of the U.S. Dollar Index. Therefore, driven by divergent monetary policy fundamentals, against relatively low-interest-rate currencies such as the euro and Japanese yen, the U.S. dollar has a spread advantage. Coupled with the advantages on fiscal policies and excess savings, fundamentals remain strong and it is likely for the dollar to sustain its higher valuations. The U.S. Dollar Index is likely to reach the 98.5 level in the first quarter of 2022 (Chart 19).

As for the euro, during the eurozone’s economic recovery, domestic inflationary pressure was more constrained than in other developed markets. In particular, core inflation is relatively under control, while the European Central Bank has the capacity to maintain a loose monetary policy. There is a greater chance of maintaining a low-interest rate policy until the end of next year, which might create further downward pressure on the euro. The EUR/USD may fall below the 1.12 level in the first quarter (Chart 20).

Despite the strength of the U.S. dollar, the renminbi remained intact in 2021. The U.S. dollar had depreciated by about 2% against the offshore renminbi (CNH). The official renminbi index, which reflects the movement of the renminbi (RMB) against a basket of major currencies, hit a six-year high. Foreign capital continues to flow into RMB assets, pushing up RMB demand. However, with the economic slowdown in the mainland and relatively contained inflation, the People’s Bank of China has a greater chance of continuing on the path of a neutral to slightly accommodative monetary policy, which runs counter to that of the United States. The 10-year Treasury bond spread between China and the United States has fallen from about 250 basis points at the end of 2020 to about 130 basis points in December. The comparative attractiveness of the renminbi has declined. The year ahead will be significant for China and the U.S. politically, and changes in Sino-U.S. relations will affect the trend of the RMB. The USD/CNH is likely to stay range bound between 6.3 and 6.5 in the first quarter (Chart 21).

## DISCLOSURES

*Investment involves risks. Past performance of any particular fund or product mentioned in this document is not indicative of future performance of the relevant fund or product, and the value of each fund or product mentioned in this document may go down as well as up. You should not invest solely in reliance on this document. There is no assurance on investment returns and you may not get back the amount originally invested.*

*You should consider your own risk tolerance level and financial circumstances before making any investment choices. If you are in doubt as to whether a certain fund or product mentioned in this document is suitable for you (including whether it is consistent with your investment objectives), you should seek legal, financial, tax, accounting and other professional advice to ensure that any decision made is suitable with regards to that your circumstances and financial position, and choose the fund(s)/product(s) suitable for you accordingly.*

*The information contained in this document has been derived from sources believed to be accurate and reliable as of the date of publishing of this document, and may no longer be true, accurate or complete when viewed by you. The content is for informational purpose only and does not constitute an offer, a solicitation of an offer or invitation, advertisement, inducement, representation of any kind or form whatsoever or any advice or recommendation to enter into any transactions in respect of the funds/products referred to in this document. This document is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or guarantee the performance of any investment. The information does not take account of any investor's investment objectives, particular needs or financial situation. You should not consider the information as a comprehensive statement to be relied upon. All expressions of opinion and predictions in this document are subject to change without notice.*

*Subject to any contrary provisions of applicable law, neither the companies, nor any of their affiliates, nor any of the employees or directors of the companies and their affiliates, warrants or guarantees the accuracy of the information contained in this document, nor accepts any responsibility arising out of or in connection with any errors or omissions of the contents set out in this document.*

*This document is the property of Principal Asset Management Company (Asia) Limited that no part of this document may be modified, reproduced, transmitted, stored or distributed to any other person or incorporation in any format for any purposes without Principal Asset Management Company (Asia) Limited's prior written consent.*

*Source of this document is from Principal Asset Management Company (Asia) Limited.*

*This document has not been reviewed by the Securities and Futures Commission.*

*This document is issued by Principal Asset Management Company (Asia) Limited.*