Market Outlook - Asset Class 2Q 2021



Equities



Overweight

- The global economy should continue to recover from the COVID-19 related shock as mass vaccination is expected to result in a lower number of infections and the removal of legal limits on social contact gradually
- Highly accommodative monetary policy stance along with positive fiscal policy response is a material tailwind to risk assets
- Global financial conditions are likely to remain easy and continue to act as a backstop for equities
- Fundamentally, aggregated bottom-up earnings estimates stay on a positive track, driven by cyclical sectors
- Strong inflow into equities and plentiful access to capital across financial markets have led to an improvement in investor sentiment and are expected to support the high valuations of the stock market



 Government yield curve is likely to steepen driven by expectations on the ongoing economic recovery



Slightly Underweight

- Fed's dovish stance and patience in rate hikes are likely to anchor interest rates at record-low level for a few years
- Credits may continue to be supported by a decreasing default rate and better than expected economic recovery. Valuations are expensive in general, especially in the investment-grade space



Overweight



Slightly Overweight



Neutral



Slightly Underweight





Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors - Principal Global Asset Allocation.

Market Outlook - Equities 2Q 2021

US President Joe Biden's \$1.9

trillion fiscal spending

upside to US growth

U.S. equities

are mounting

package provides further

FED policies are expected to

be relatively easy for years.

· Rising bond yields might

trigger volatilities in stock

market, while inflation risks

which serves as a cushion for

Eurozone

- Lockdown measures were reimposed in some regions due to the third wave of Covid-19 infections and slow pace of vaccination
- €750 billion EU Fiscal Recovery fund pales in comparison to U.S. fiscal efforts
- European Central Bank is expected to accelerate the pace of its bond buying in the future, which could provide easy financial conditions for equities

Asia ex-Japan



- U.S. dollar hovering within low level tends to bode well for equity market in Asia as it signals a favorable capital flow direction
- Global manufacturing outlook remain robust, which lends further support to the growth in Asian exports

Japan



- With infections under control, stronger economic prospects and corporate earnings are expected to lift investor confidence
- Monetary policies are likely to stay accommodative given low inflation expectations
- Relatively low valuation and political stability may be the major drivers for further upside



China



- Secondary listings are making Hong Kong a more important fund-raising venue and may attract further inflow of international capital
- Low valuations of Hong Kong stock market might benefit as rising bond yields accelerate a rotation out of high-growth stocks and into value stocks
- China's tech giants are under increasing pressure from new anti-monopoly rules with potentially tighter regulations









Slightly Underweight

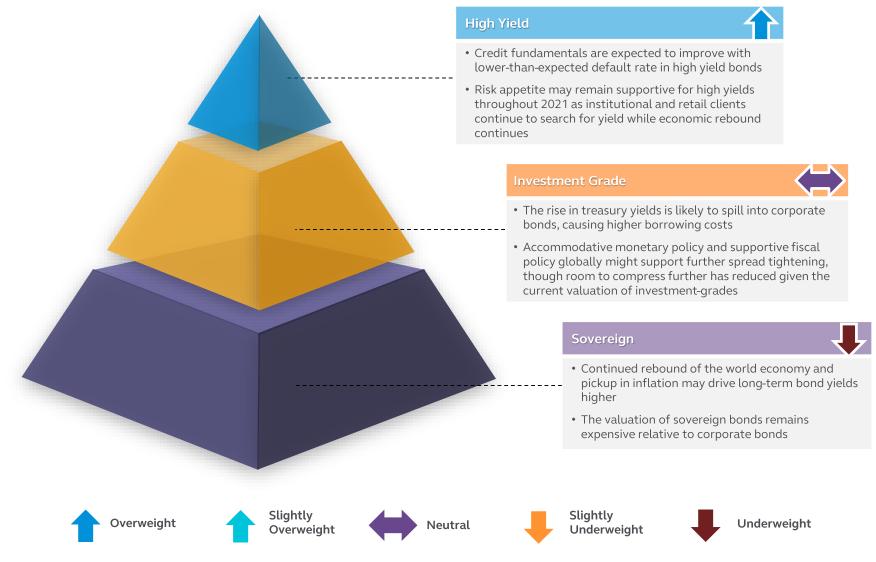


Underweight

Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors – Principal Global Asset Allocation. The geographical classification of above listed equity markets is based on MSCI 2020 annual market classification review. For more information, please refer to https://www.msci.com/market-classification



Market Outlook - Fixed Income 2Q 2021





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 the 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.

All figures shown in this document are in U.S. dollars unless otherwise noted.

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 and Principal Global Investors.

Principal Global Investors leads global asset management at Principal® and includes the asset management operations of the following members of Principal®: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Aligned Investors; Claritas; Columbus Circle Investors; Edge Asset Management, Inc.; Finisterre Capital, LLP; Morley Capital Management; Origin Asset Management, LLP; Post Advisory Group, LLC; Principal Global Equities; Principal Global Fixed Income; Principal Islamic Asset Management Sdn. Bhd.; Principal Portfolio Strategies; Spectrum Asset Management, Inc.; Principal Global Investors (Australia) Ltd.; Principal Global Investors (Europe) Ltd.; Principal Global Investors (Japan) Ltd.; Principal Global Investors (Singapore) Ltd.; the majority owned affiliates of Principal International, Inc. and include assets where we provide model portfolios. Marketing assets under management include certain assets that are managed by Principal International and Retirement and Income Solutions divisions of Principal.

Principal, Principal and symbol design and Principal Financial Group are trademarks and service marks of Principal Financial Services, Inc, a member of the Principal Financial Group.

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

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