



Looking for growth? Asia has the edge

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Compelling earnings, attractive valuations, and diversification beyond the US.



According to **Paul Ho**, Group Head of Asia ex-Japan Equities, when investors think of growth, US stocks typically come to mind. But after years of US-centric market leadership, Asia has re-entered the conversation. Supported by improving earnings and surging investor interest, Asian equities (excluding Japan) are up 17 percent so far this year, outperforming the 9 percent gains recorded by US markets.

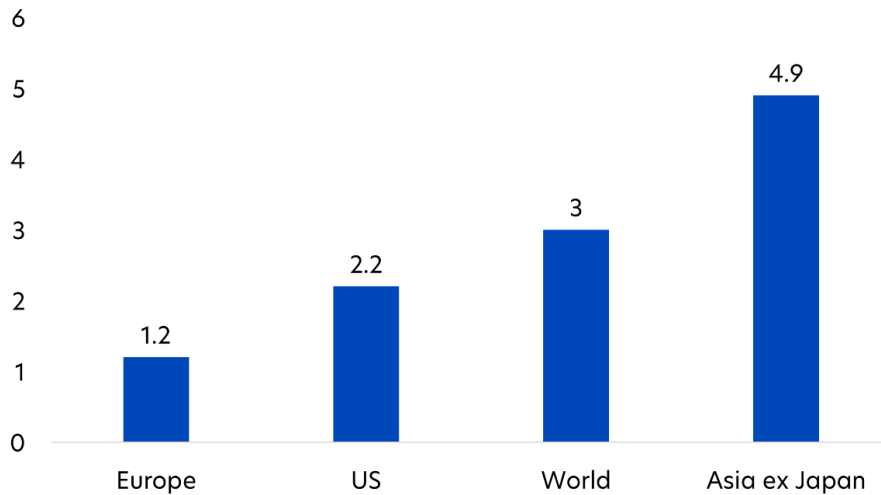
It's not just retail investors who are snapping up Asian stocks. Hedge fund positioning data shows a marked increase in allocations to Asian equities, particularly in sectors aligned with semiconductors, advanced manufacturing, and AI infrastructure¹. In some markets, exposure has risen to the highest levels in more than a decade.

In our view, these developments reflect a growing recognition that earnings leadership is broadening beyond the US, and that Asia is emerging as a differentiated source of returns and diversification. For investors, the key question now is whether portfolios are sufficiently positioned to capture Asia's ascent.

The case for Asia: Compelling earnings at attractive valuations

Asian economies are projected to grow at a healthy pace of 4.9 percent in 2026, more than double the 2.2 percent growth forecast for the US economy. By 2030, the region is also expected to account for around two-thirds of the global middle class, underscoring the rise of Asia’s consumer economy. This supportive macroeconomic backdrop provides a solid foundation for Asian equities.

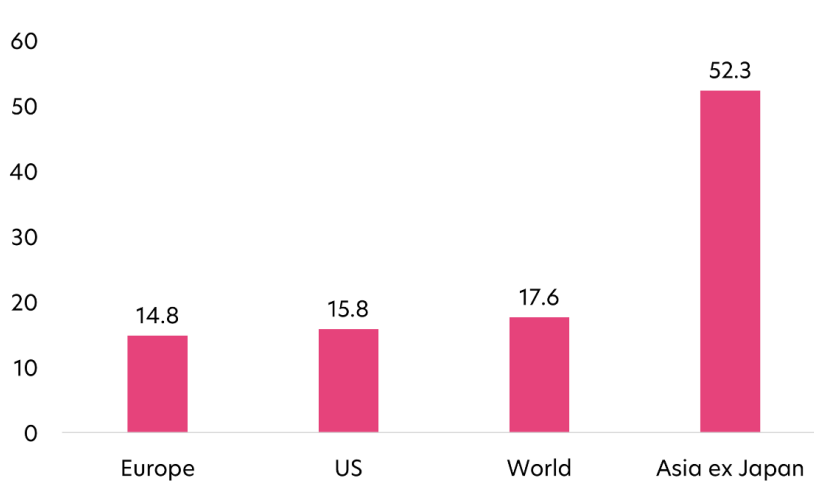
Fig 1: 2026 GDP growth forecast (%)



Source: Bloomberg, as of May 2026

Moreover, Asian companies are seeing meaningfully stronger earnings growth relative to global firms. Earnings remain the most reliable driver of long-term equity returns, and Asia is expected to deliver robust earnings growth of 52.3 percent in 2026, about three times higher than US and global peers.

Fig 2: 2026 Earnings per share (EPS) growth forecast (%)



Source: Bloomberg, FactSet, MSCI. Data as of April 2026

Despite this strong earnings profile, valuations remain attractive. Even after the solid gains recorded in April and May, Asian equities are trading at a 30 percent discount to global equities and remain below their own long-term average. For investors who may have missed the recent rally, this suggests there is still room for valuations to catch up with global peers, and that it is not too late to participate in Asia's growth.

Multiple growth drivers in place

Asia's appeal extends beyond attractive valuations. The region is riding several tailwinds which have the potential to translate into durable, long-term opportunities:

1. AI and innovation

Asia sits at the heart of the global AI hardware value chain, producing many of the critical components underpinning the AI infrastructure build-out. Markets such as Taiwan and South Korea are global leaders in semiconductors and memory chips, positioning the region as a key enabler of AI adoption.

Beneficiaries of the global surge in AI-related capital expenditure can also be found in Southeast Asia. Singapore's semiconductor and precision engineering sectors are benefiting from strong AI demand, with non-oil domestic exports (NODX) growth exceeding expectations in recent months. Meanwhile, Malaysia is emerging as a regional hub for AI data centres, attracting substantial investments from global tech firms such as Microsoft and Alphabet.

In China, innovation is becoming an increasingly important investment theme. The country's latest Five-Year Plan, covering 2026 to 2030, underscores a clear focus on high-quality, innovation-driven growth as well as technological self-reliance. Recent developments suggest this shift is already gaining traction. China's large and tech-savvy consumer base is driving rapid AI adoption, while ongoing advances in developing AI chips and models are strengthening its technological capabilities amid the push for greater self-sufficiency. At the same time, innovation is extending across industries, spanning electric vehicles (EVs), robotics, biotechnology, and advanced manufacturing, further broadening the opportunity set for investors.

2. Structural reforms

Across Asia, policy efforts are increasingly geared towards improving capital discipline and corporate governance. In South Korea and Japan, initiatives such as share buybacks, higher dividends and corporate restructuring are supporting stronger shareholder value.

In China, policymakers are clamping down on excessive competition to help rein in price wars and stabilise corporate margins. Closer to home, Singapore's Equity Market Development Programme (EQDP) aims to revitalise the domestic stock market by broadening participation beyond large-cap banks and REITs to include small- and mid-cap (SMID) companies.

Collectively, these reforms could catalyse a sustained improvement in corporate profitability and investor confidence, reinforcing the case for further re-rating across Asian equities.

3. Rising domestic consumption

Domestic consumption remains another important driver of Asia's growth. Rising incomes, urbanisation, and a rapidly expanding middle class continue to support demand across sectors such as retail, travel, personal wellness, healthcare, and financial services.

By 2035, Asia is projected to become the world's largest consumer market, with total consumption reaching an estimated US\$36 trillion², surpassing North America in both scale and influence. This underscores the region's growing role as a key engine of global demand.

A truly differentiated exposure

Many portfolios today remain heavily concentrated in US equities. While this concentration has been rewarded in recent years, it also introduces vulnerability, particularly if market leadership begins to broaden or rotate.

Asian equities offer a genuinely differentiated exposure. The region has historically exhibited lower correlation to global markets, reinforcing its role as a diversification tool within global portfolios. Importantly, diversification in Asia is not just relative to global markets – it also exists within the region itself.

Markets such as South Korea, Taiwan, and China provide exposure to global innovation trends, particularly in semiconductors and AI infrastructure. However, their heavier exposure to global technology cycles means they can experience outflows during periods of tech volatility.

This is where ASEAN markets provide an important counterbalance. Compared to North Asia, many ASEAN economies are more domestically driven, supported by consumption growth and rising income levels. The market composition is also different, with a higher proportion of stable, cash generative sectors such as financials and telecommunications, and relatively lower exposure to technology. This can help cushion portfolios from tech related corrections. In addition, companies in ASEAN markets tend to offer relatively attractive dividend yields, providing a steady income component that complements growth exposure in North Asia.

Taken together, this creates a multi speed opportunity set, where different parts of Asia are driven by distinct factors and thus can perform at different points in the economic cycle.

However, capturing these opportunities requires more than a top down view. It calls for deep local expertise and insight into diverse markets. With a well established presence across Asia — spanning China, Taiwan, Japan and ASEAN — and a broad bench of investment professionals, UOBAM draws on its local market knowledge to identify opportunities across the full breadth of the region.

Don't miss Asia's advantage

Asia continues to exhibit attractive fundamentals, supported by earnings visibility and exposure to structural growth themes such as AI, innovation, and rising consumption. Even after recent market gains, valuations remain compelling, reinforcing the region's attractiveness from a long-term perspective.

Importantly, Asia's diversity is a key strength. Beyond growth opportunities, the region also offers income potential through dividend-paying companies, particularly in more domestically driven markets. For investors, this not only broadens the range of return drivers but also enhances portfolio resilience across varying market environments.

Asia has often been viewed as a tactical allocation. However, as its role in the global economy continues to expand, we believe it increasingly warrants consideration as a core component of long-term portfolios.

Source: UOB Asset Management Ltd.

1 Source: Morgan Stanley data

2 Source: Bain & Company, NielsenIQ

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