

The Great Asian Rotation

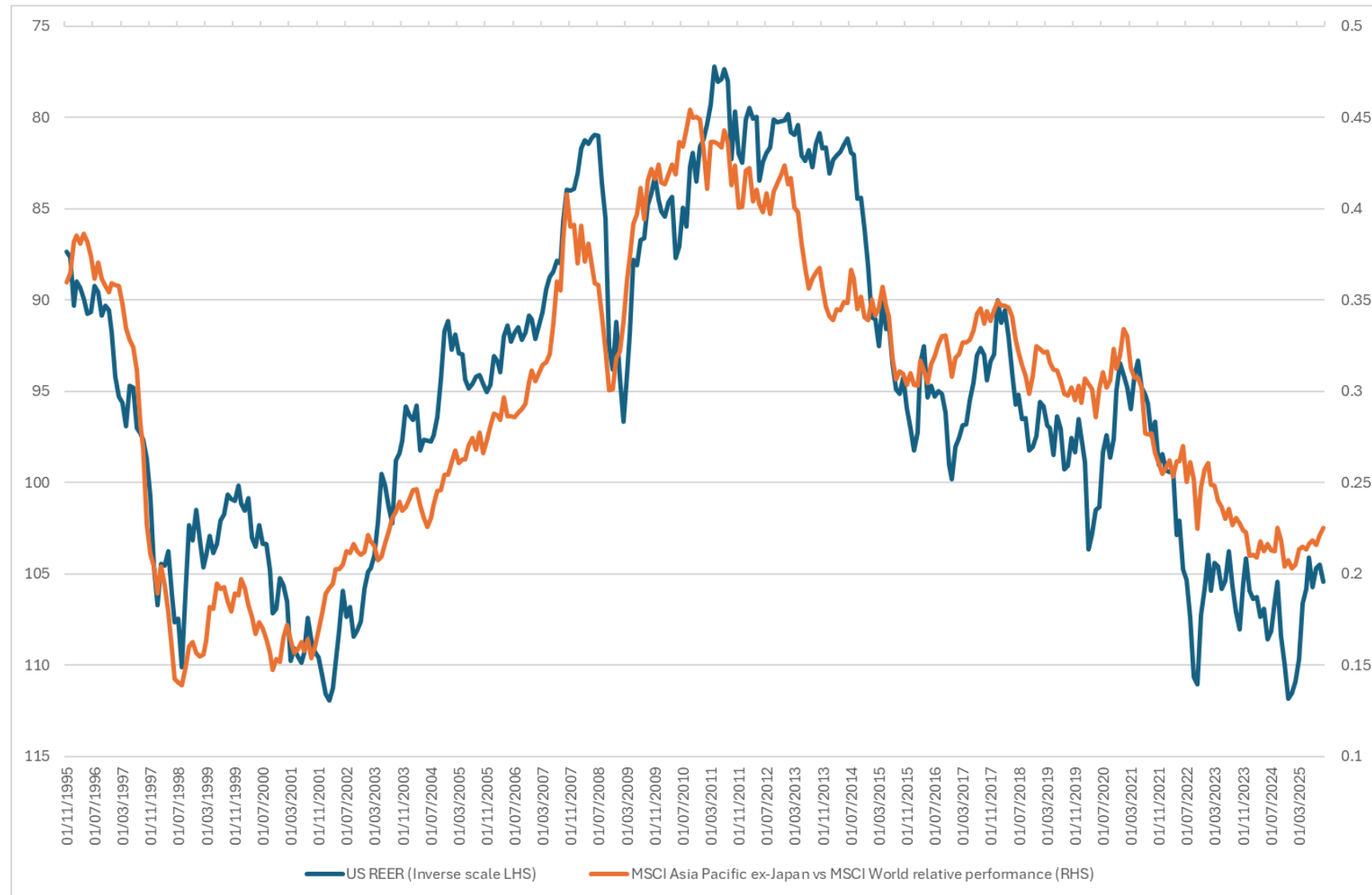
What You Own in Asia Isn't Asia: Crowded Trades Hide Record-Low Asia Valuations.

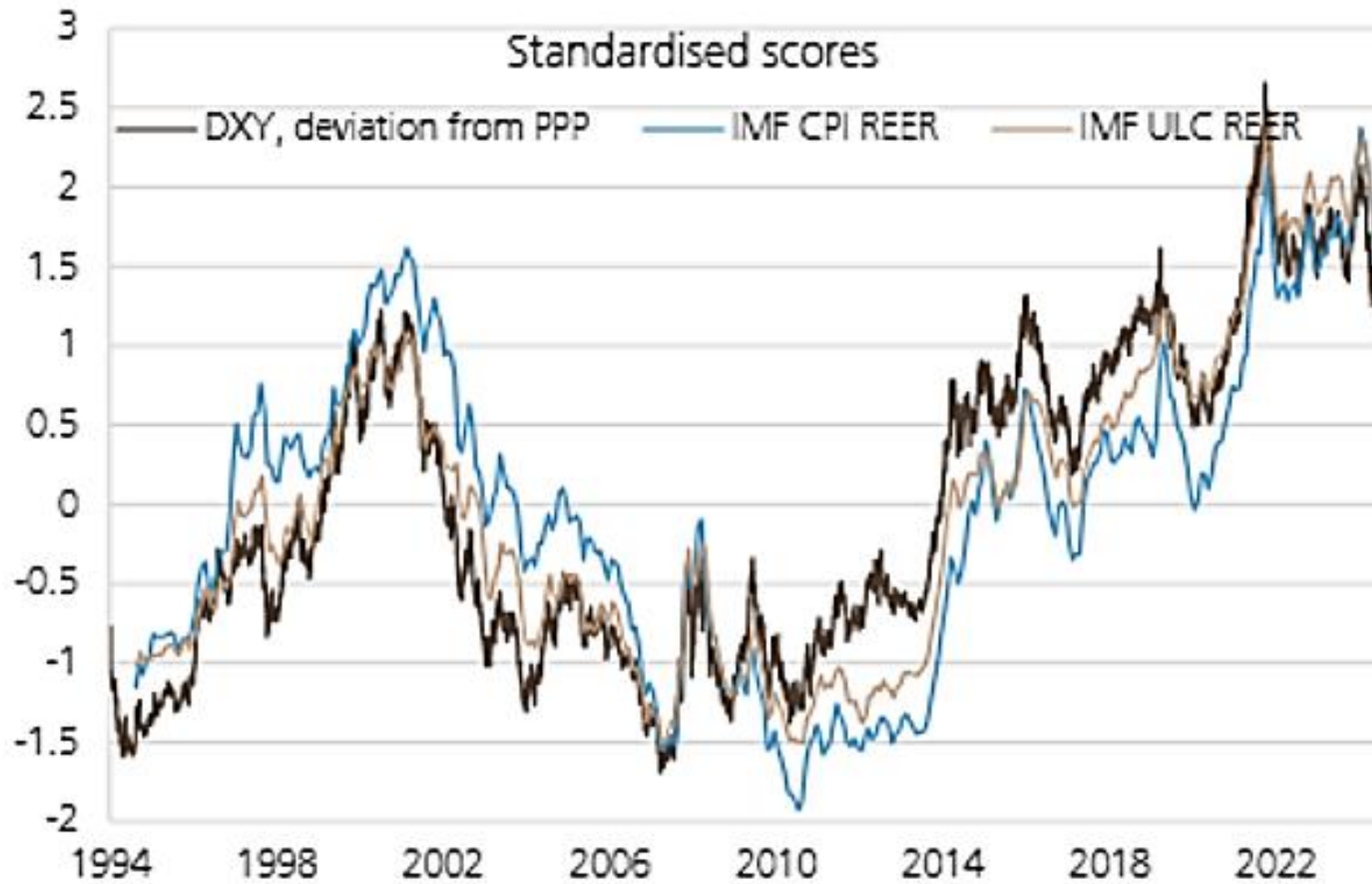
Tom Naughton
CIO & Managing Partner

Momentum Global Investment Management Ltd - Think Tank - November 2025

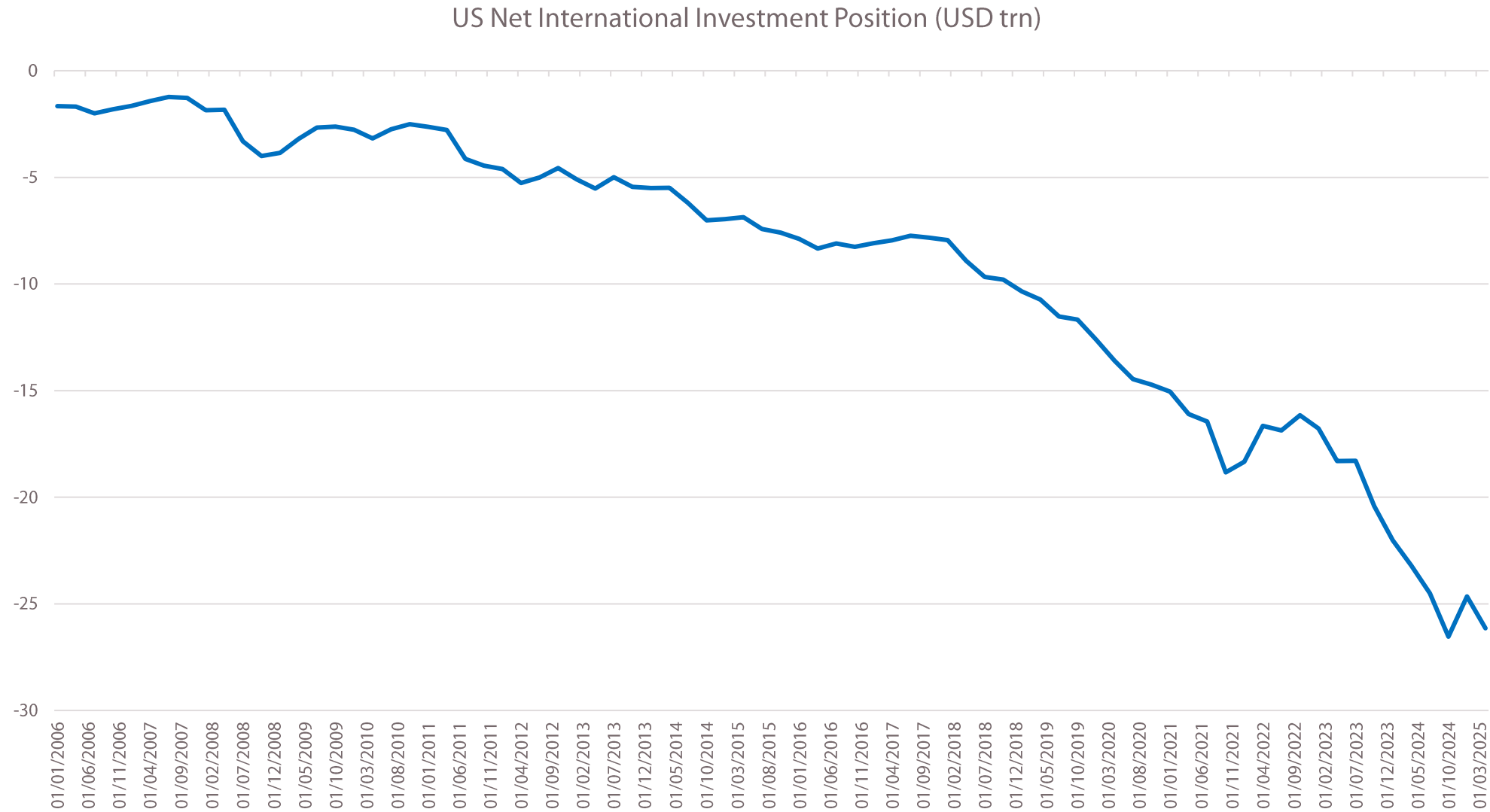
- ◆ A weaker US dollar and falling US rates support capital flows into Asia.
- ◆ Global investors are crowded into US assets, creating room for rotation.
- ◆ Yet Asia is split in two:
 - ◆ **“US correlated Asia”**. Taiwan, India and Australia; priced for perfection, driven by US liquidity.
 - ◆ **“Domestic Asia”**. Hong Kong/China, Korea, ASEAN: extremely cheap and driven by local demand.
- ◆ Investors seeking true diversification away from US should **focus on Domestic Asia** where many consumer-facing, cash generative businesses trade at deep discounts to intrinsic value.
- ◆ We find **Hong Kong conglomerates** and **consumer franchises in China and ASEAN** particularly attractive.

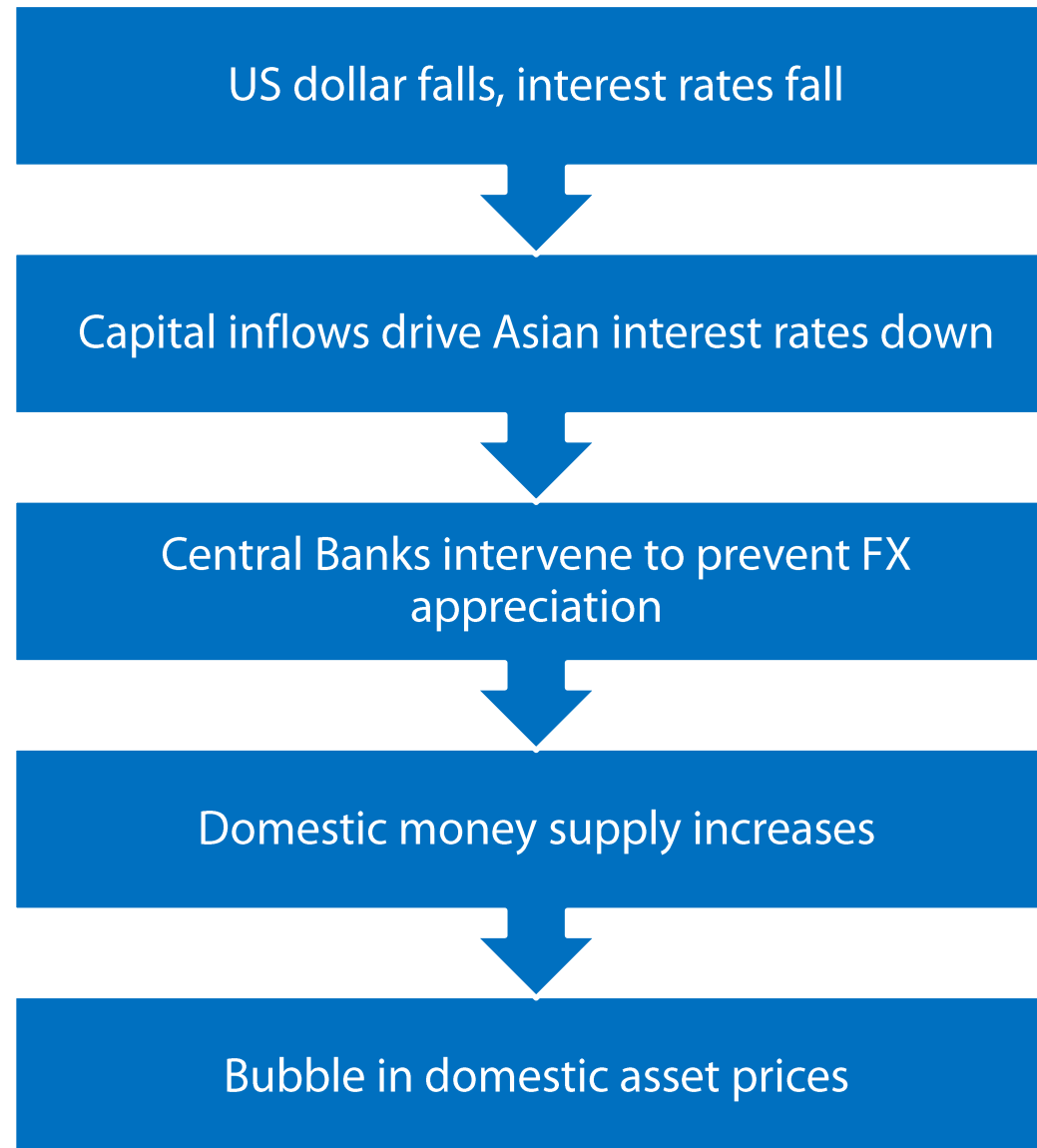
Asia Outperforms When US Dollar Weakens



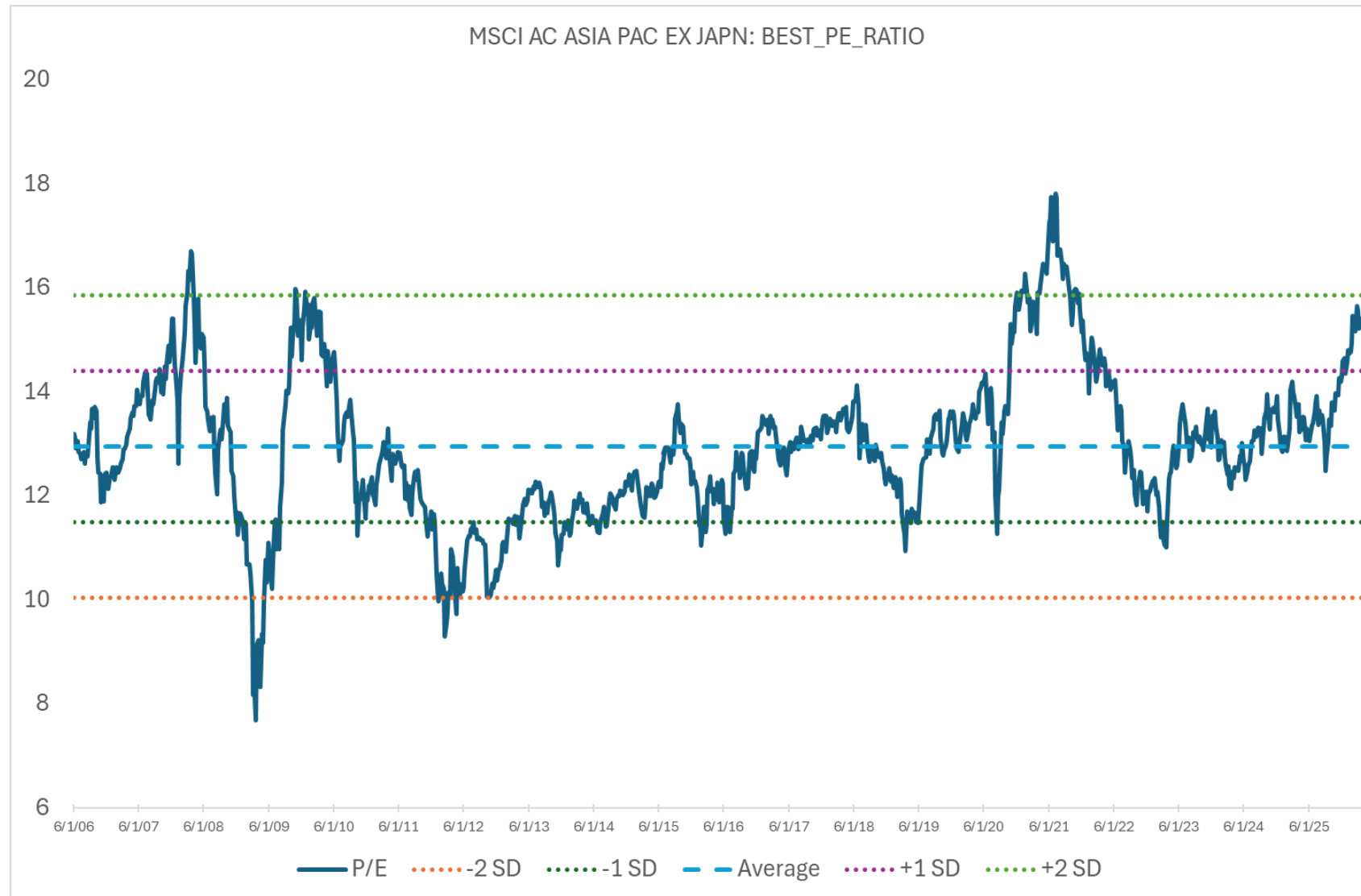


The US Owes The World US\$26trn More Than it Owns

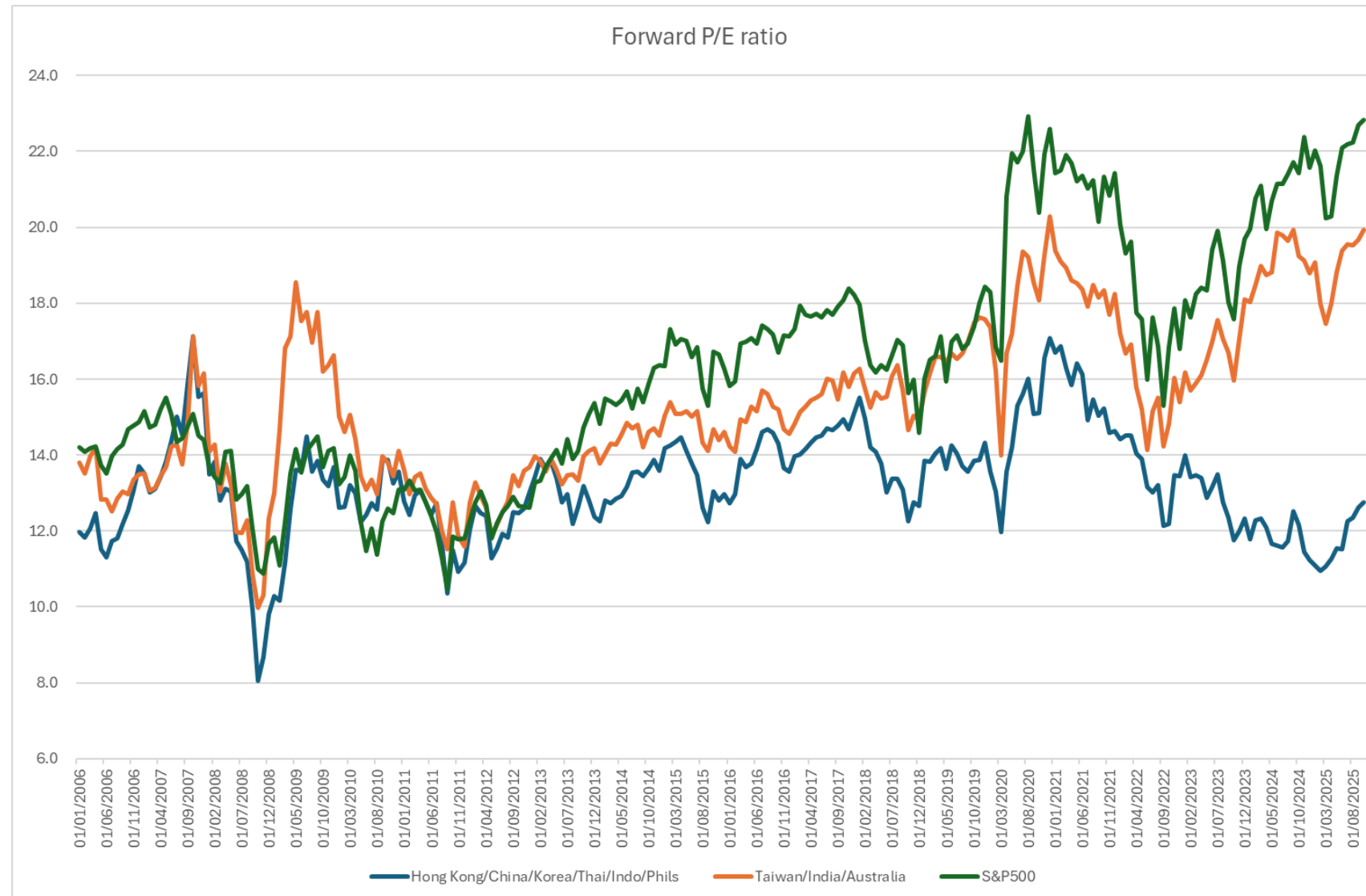




Asia is Expensive Relative to History



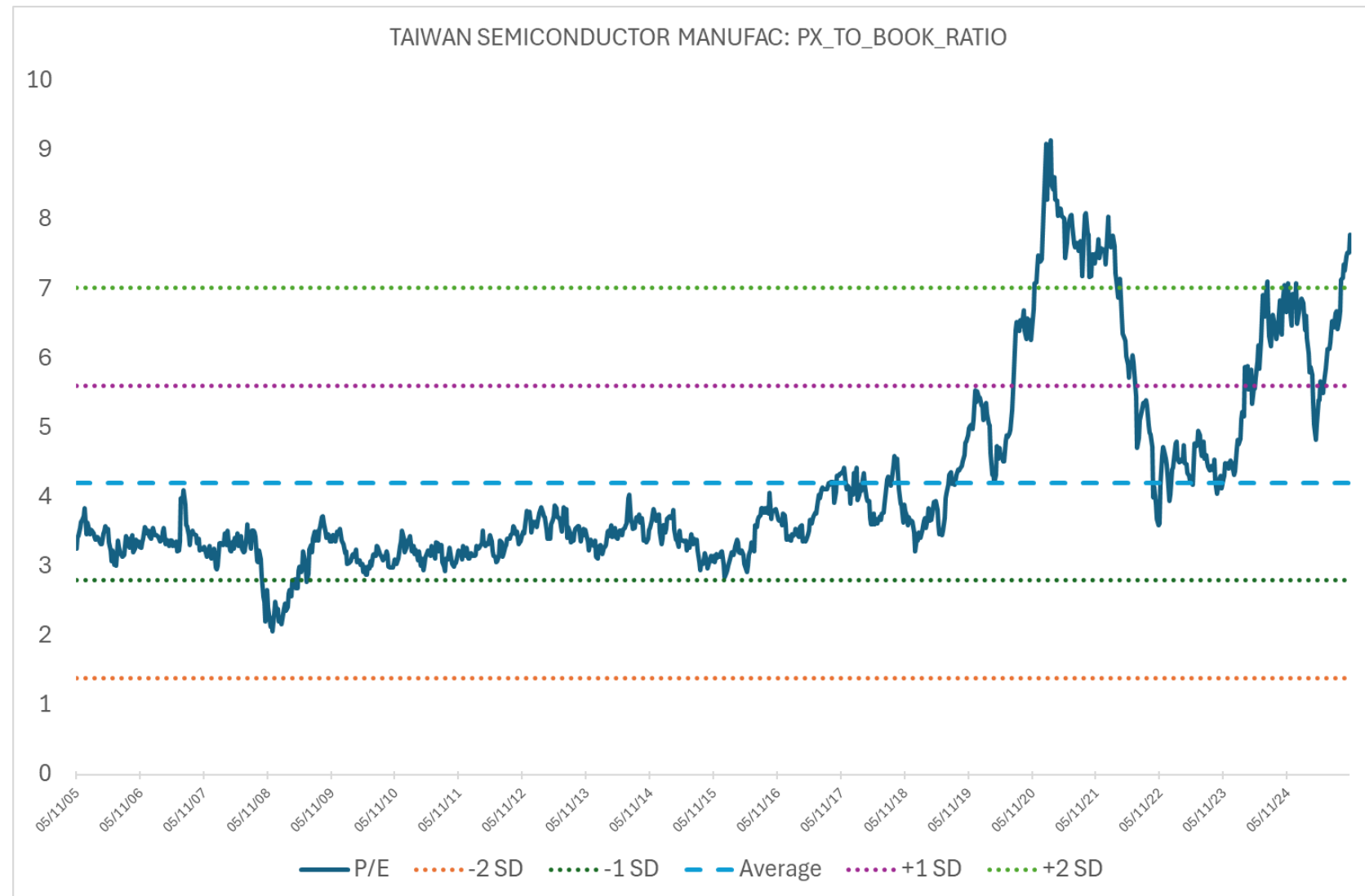
Valuation Dispersion at Record Levels



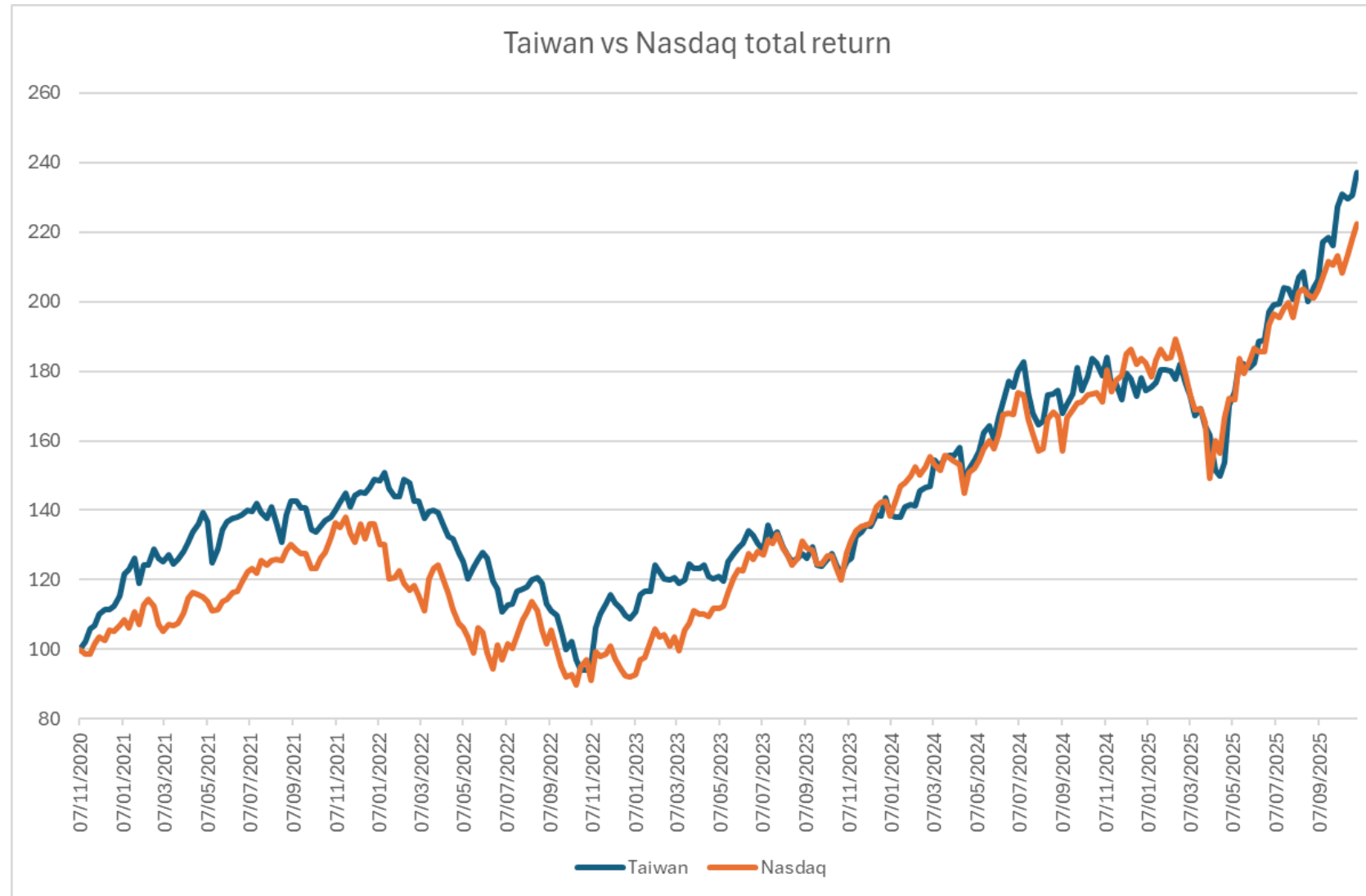
What Do You Want From an Emerging Market?

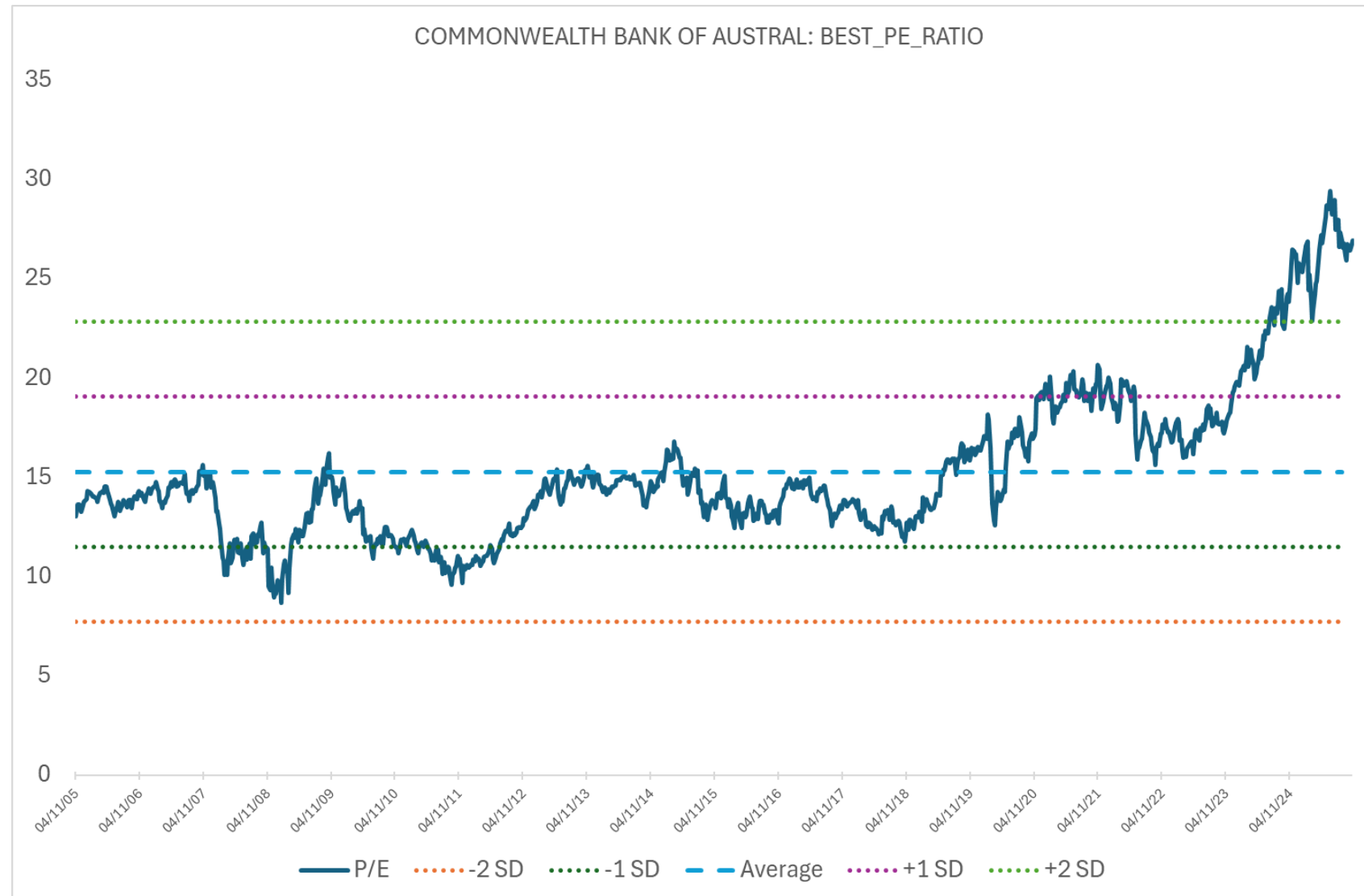
Market	Cheap valuation	Structural growth tailwind	Benefit from weaker USD	Score
ASEAN	✓	✓	✓	3/3
Hong Kong/China	✓	✗	✓	2/3
Korea	✓	✗	✗	1/3
Taiwan	✗	✗	✗	0/3
Australia	✗	✗	✗	0/3
India	✗	✓	✓	2/3

- ◆ Why have the expensive markets re-rated?
 - ◆ **Belief that “it’s different this time” for the technology sector** (Taiwan).
 - ◆ **Significant local buying** (India, Australia).
 - ◆ **Safe haven status, avoiding “Asia”** (India, Taiwan, Australia).
- ◆ Why have the cheap markets de-rated?
 - ◆ **Belief that the downturn is largely structural**, not cyclical (China, Indonesia, Philippines, Thailand).
 - ◆ **Strong dollar, high real interest** rates pressuring economy and market (China, Hong Kong, Indonesia, Philippines).
 - ◆ **Foreign and domestic institutional selling** (Indonesia, Philippines).
 - ◆ **Politics/Geopolitics** (China, Hong Kong, Indonesia, Philippines, Thailand).
- ◆ What might change this?
 - ◆ Reversion to the mean.
 - ◆ Rotation out of technology.
 - ◆ Recovery in Chinese economy.
 - ◆ Sustained fall in US dollar, fall in US rates.

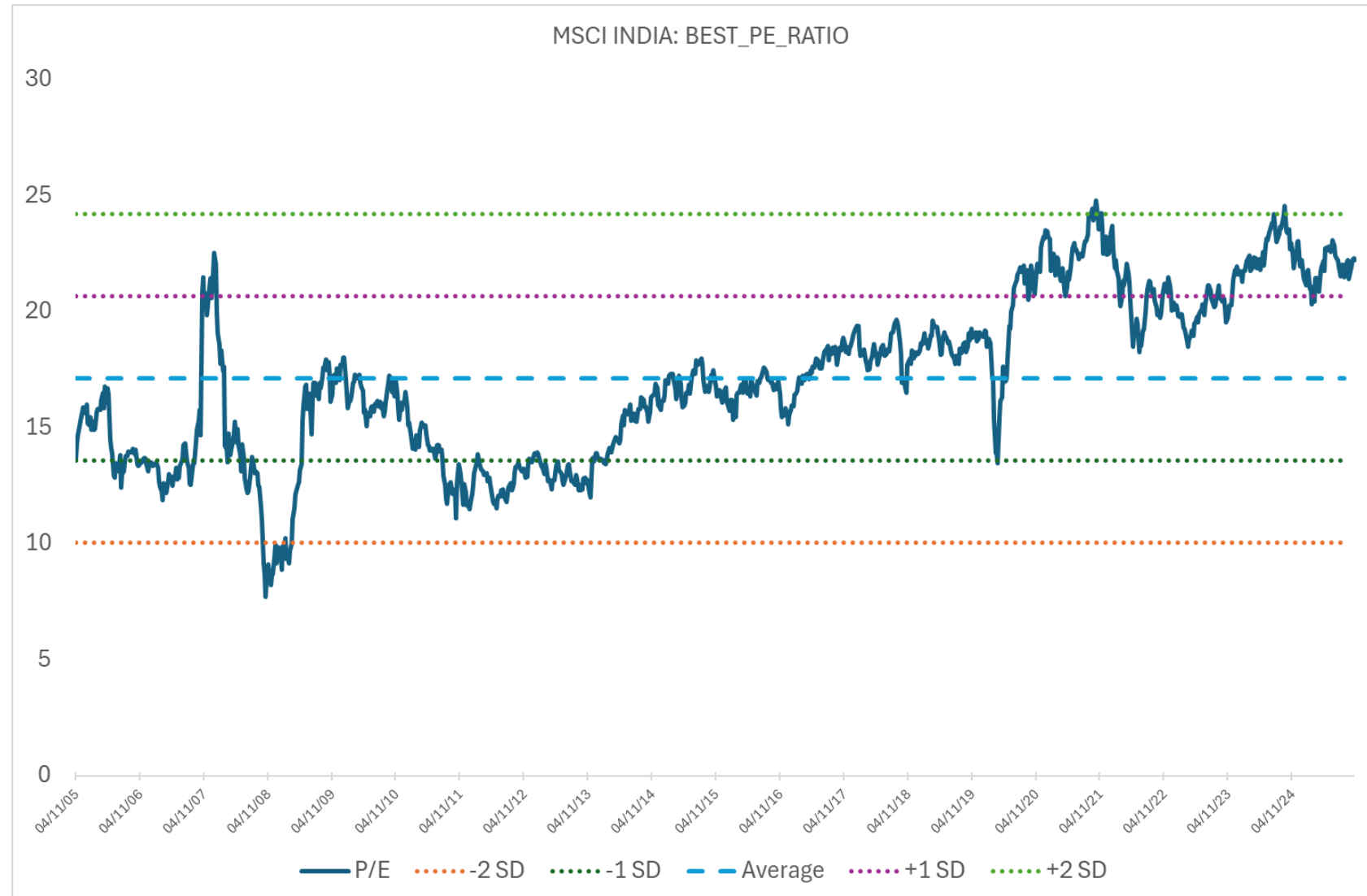


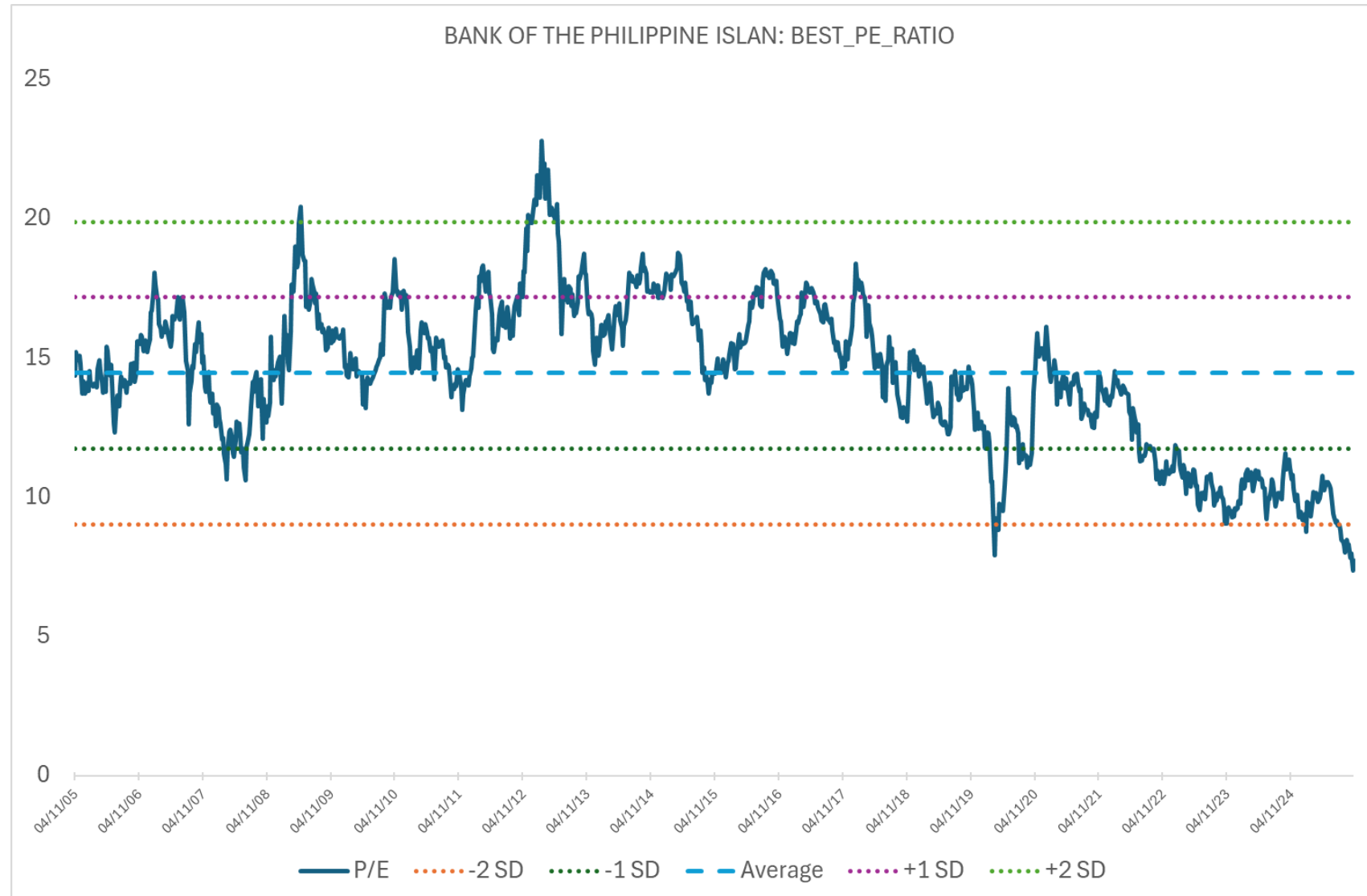
Is Taiwan just a Nasdaq Derivative?



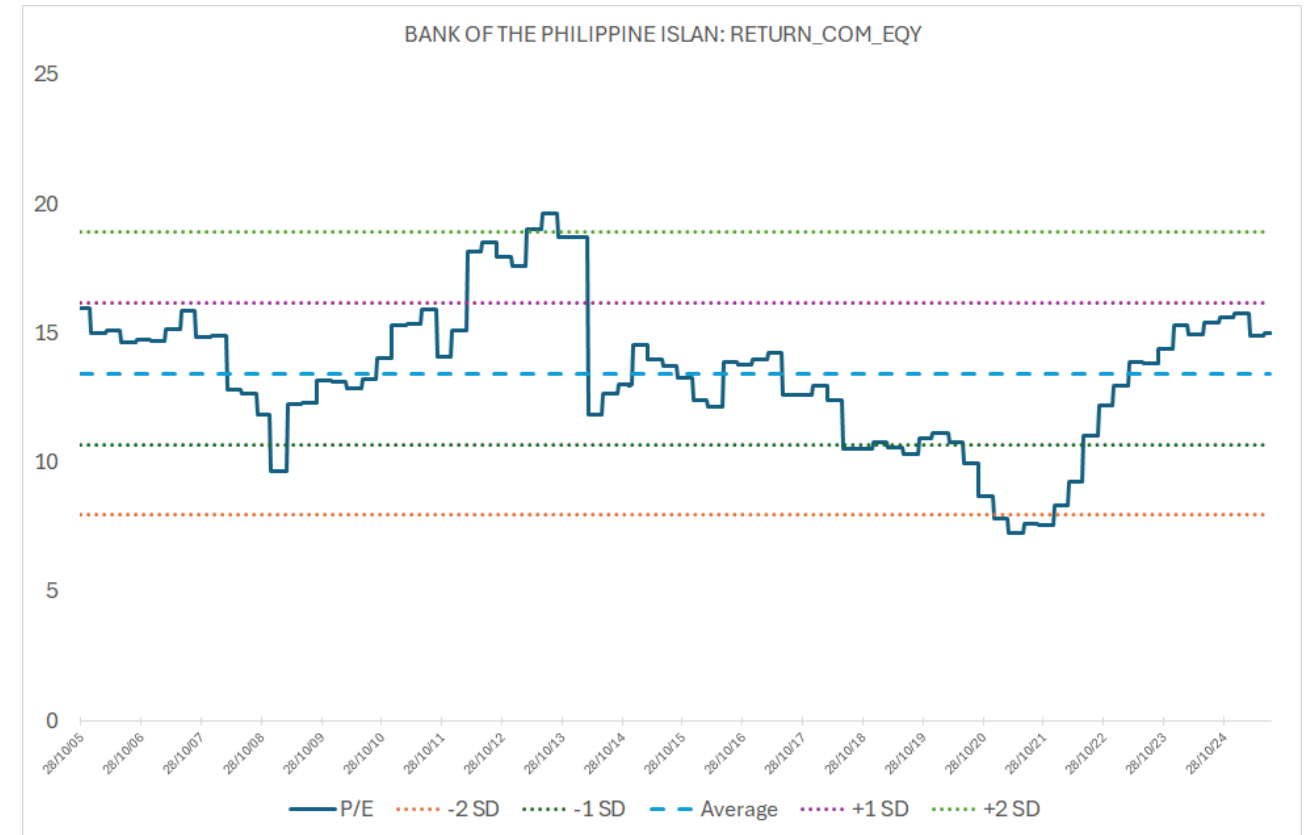
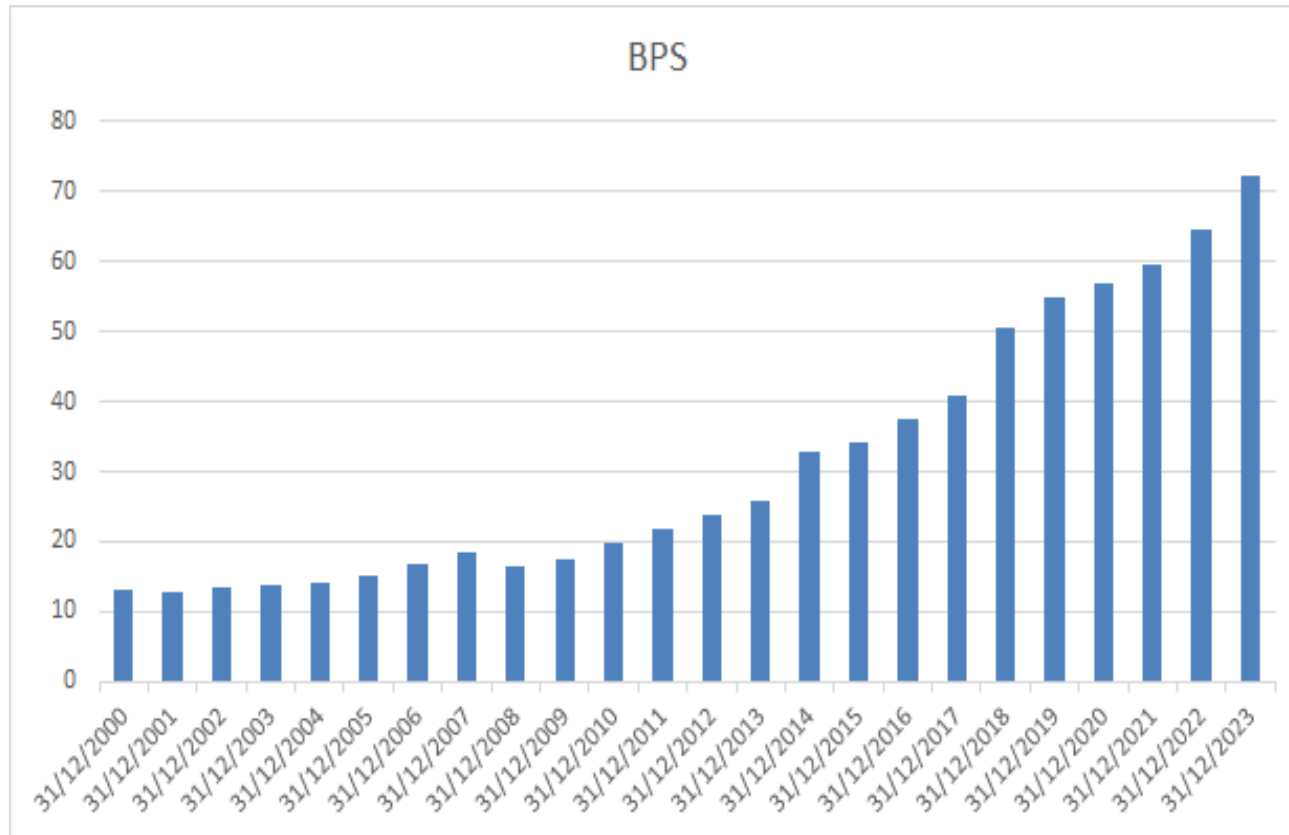


India Expensive in Absolute Terms **And** Relative To its History

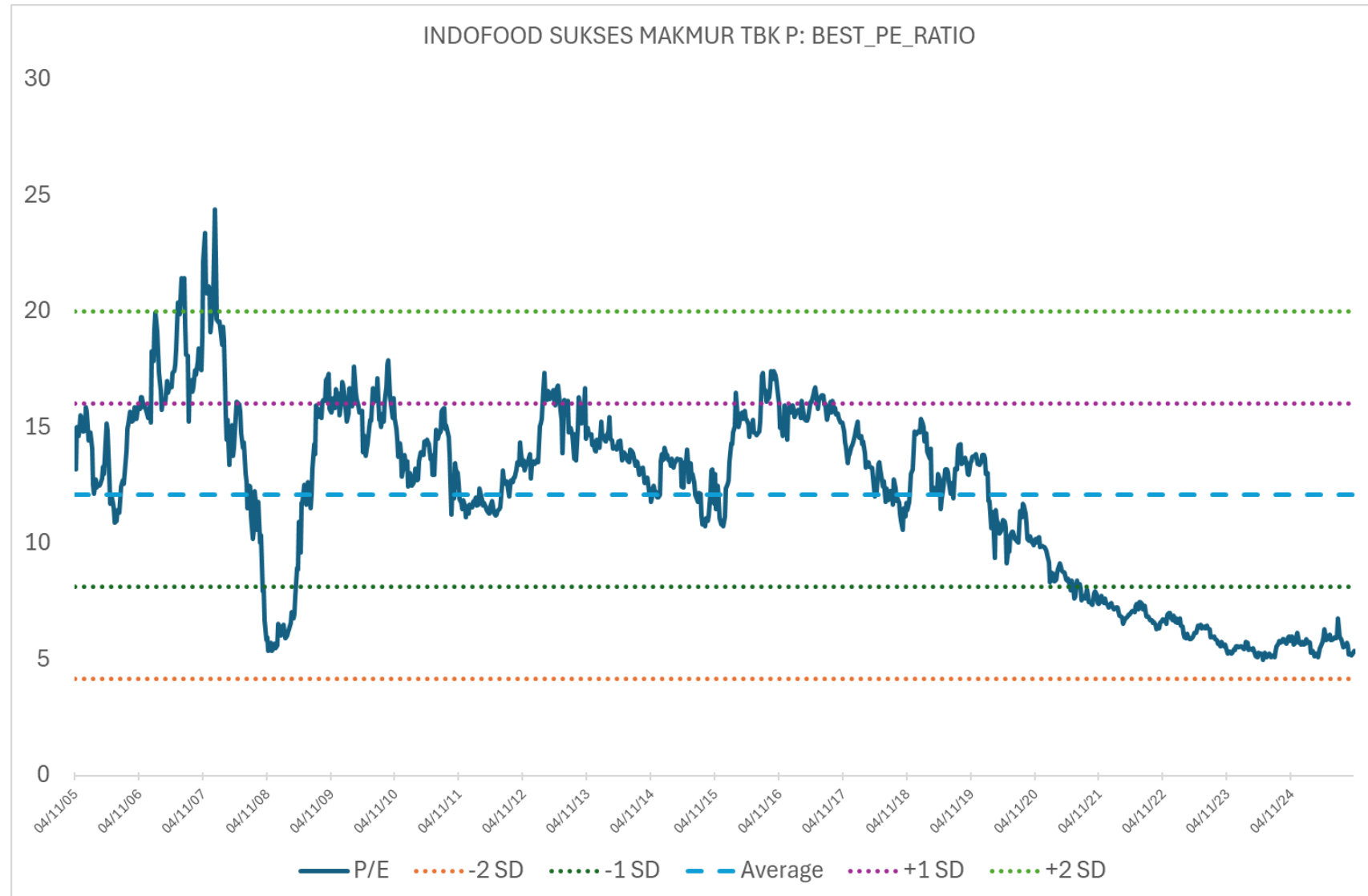




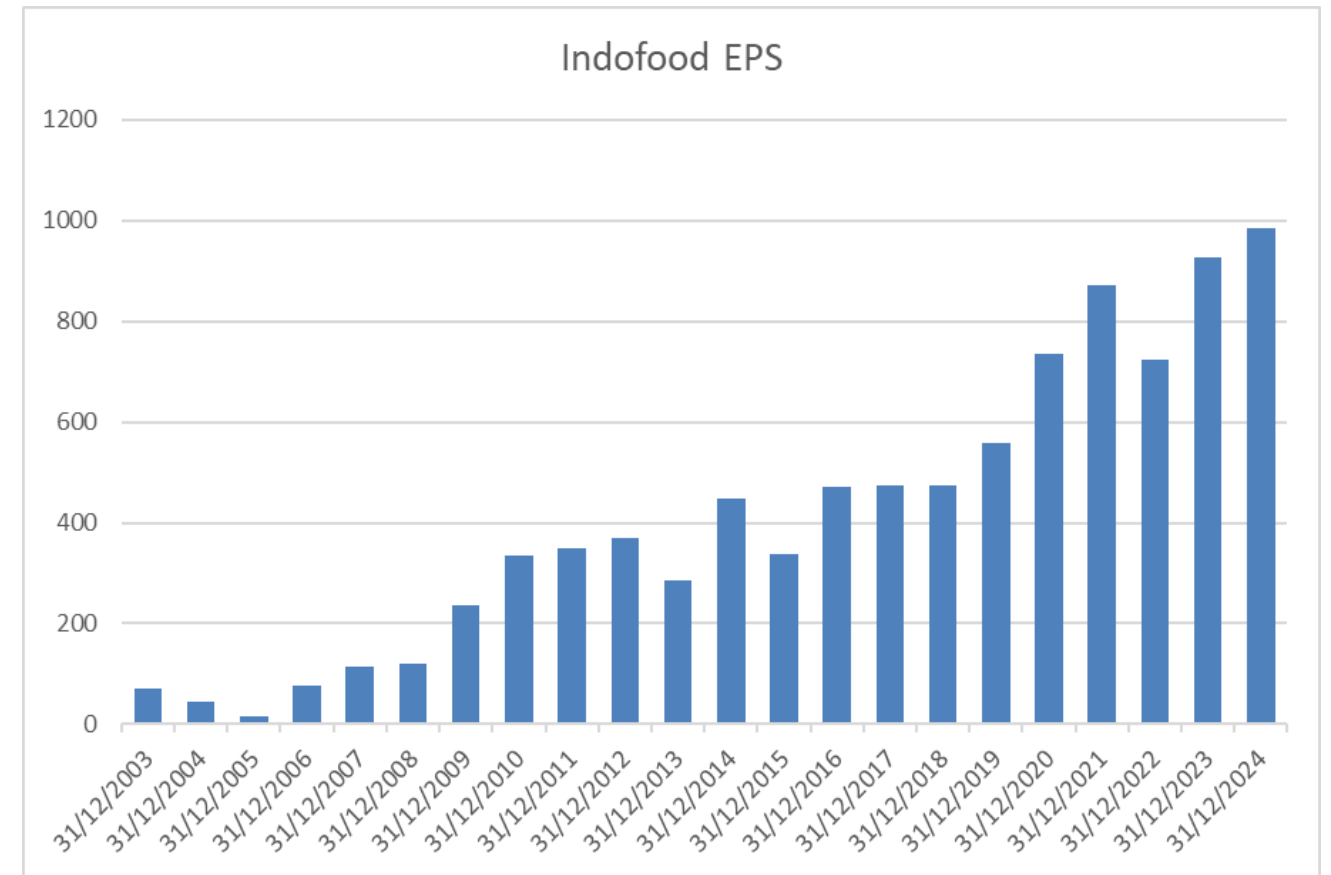
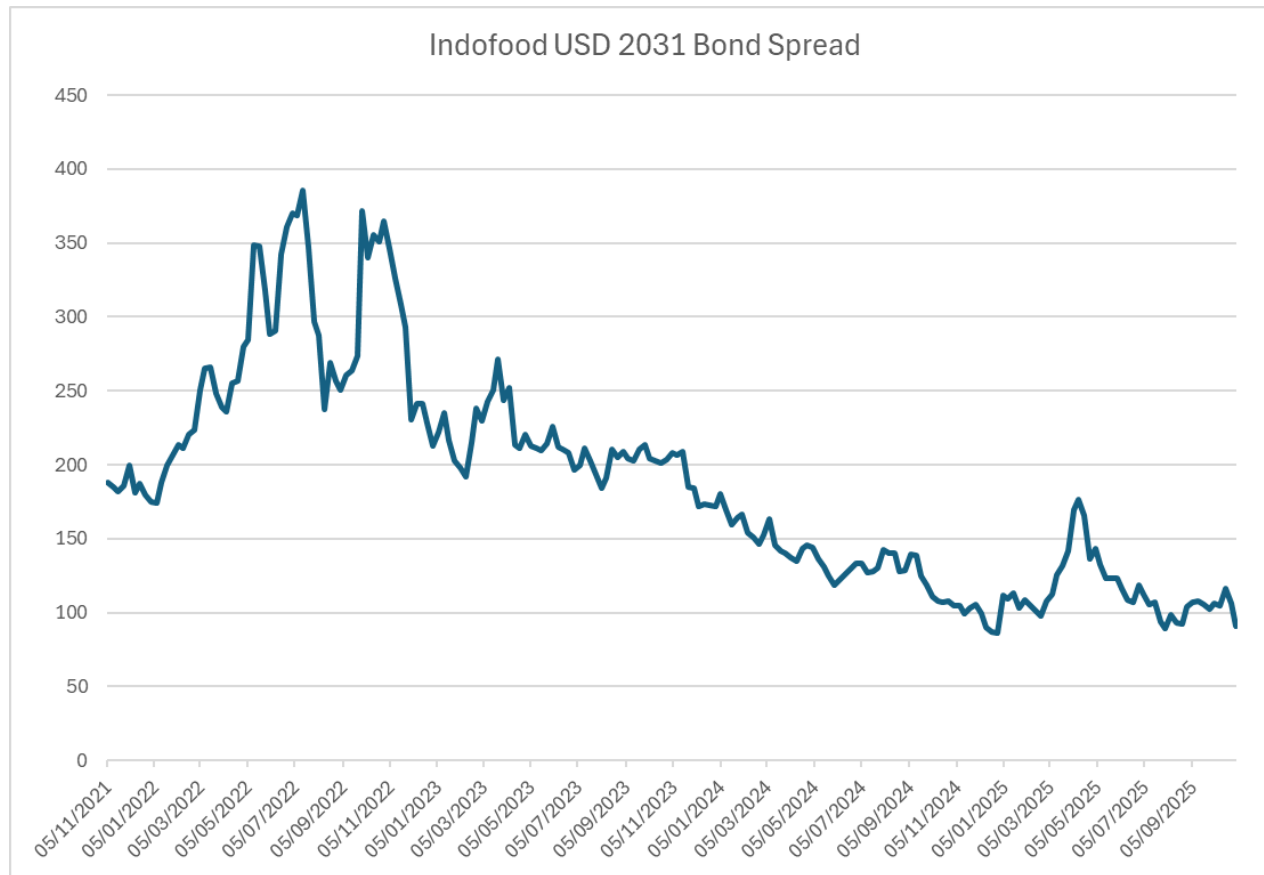
BPI Book Value Compounding at ~10%/year with ROE of ~15%



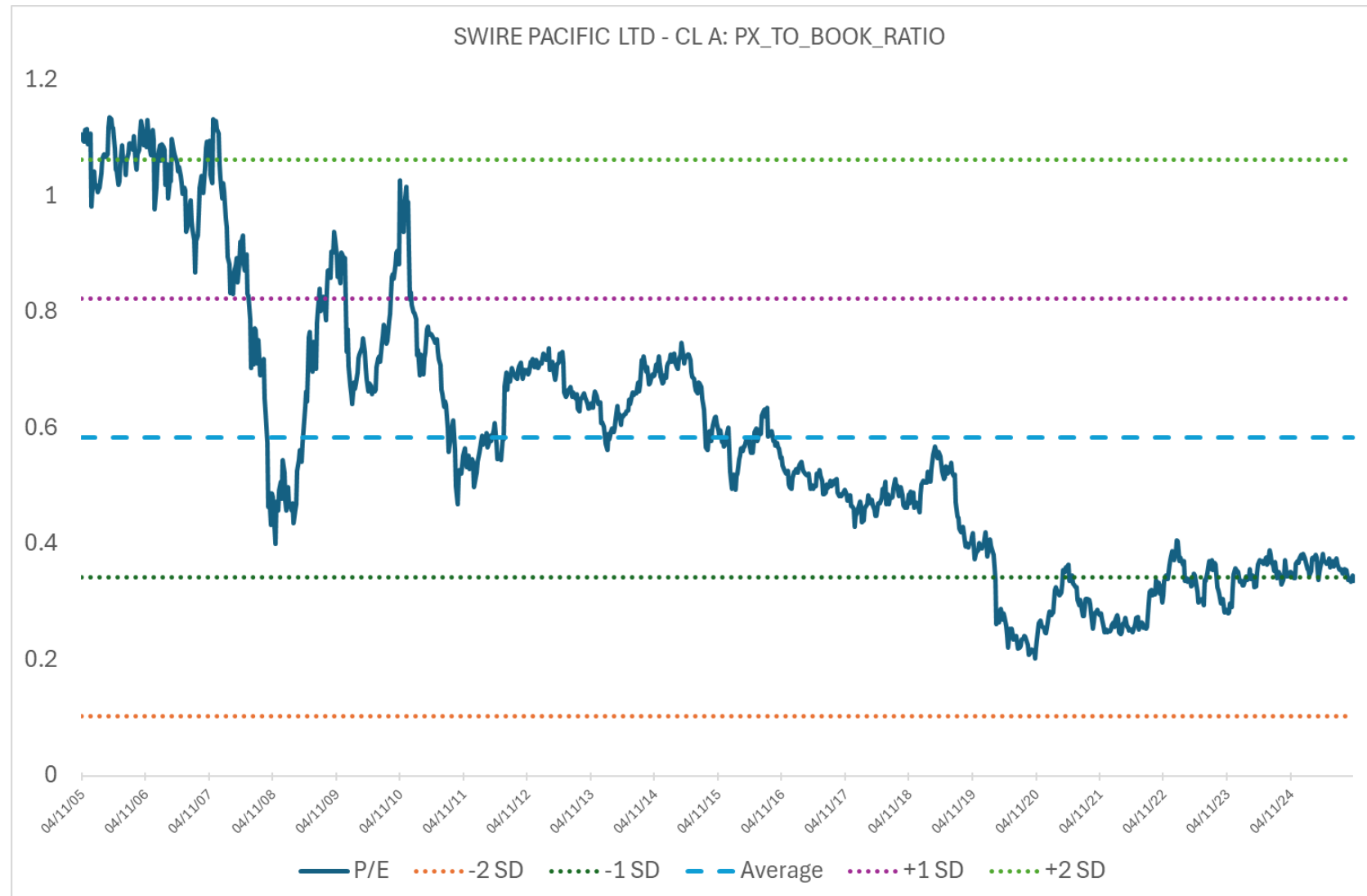
Indonesian Consumer Companies at Record Low Valuations



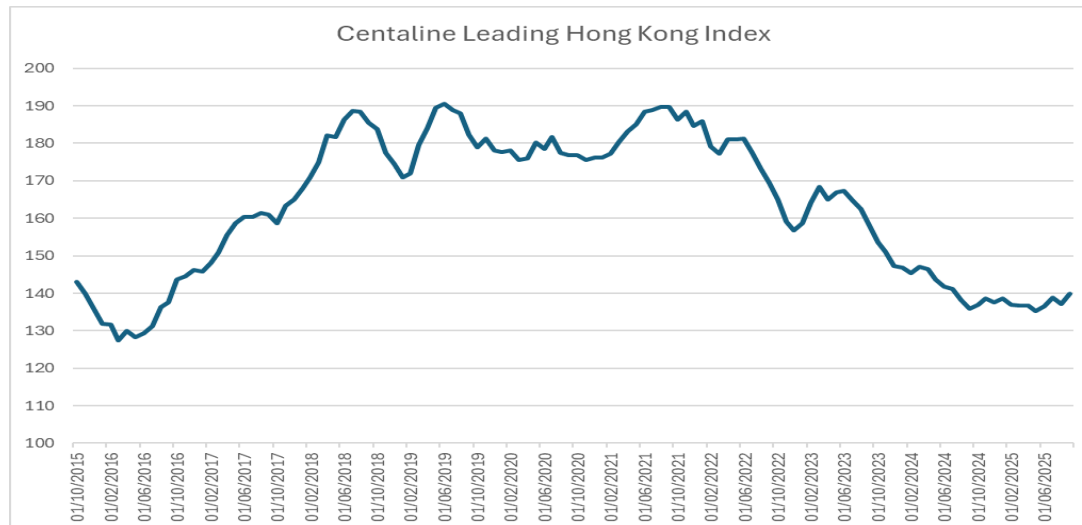
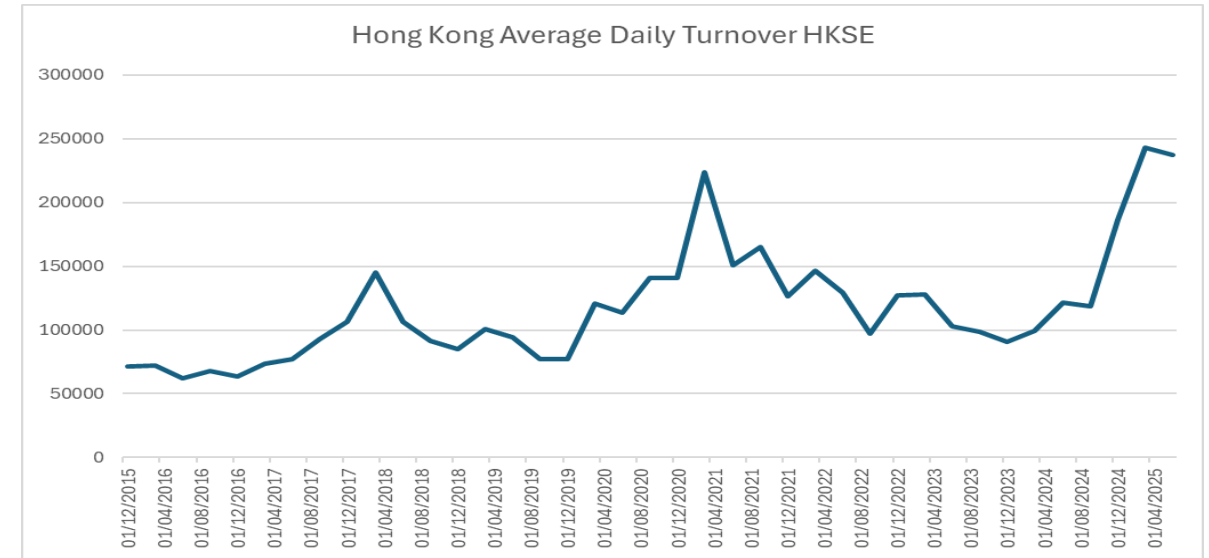
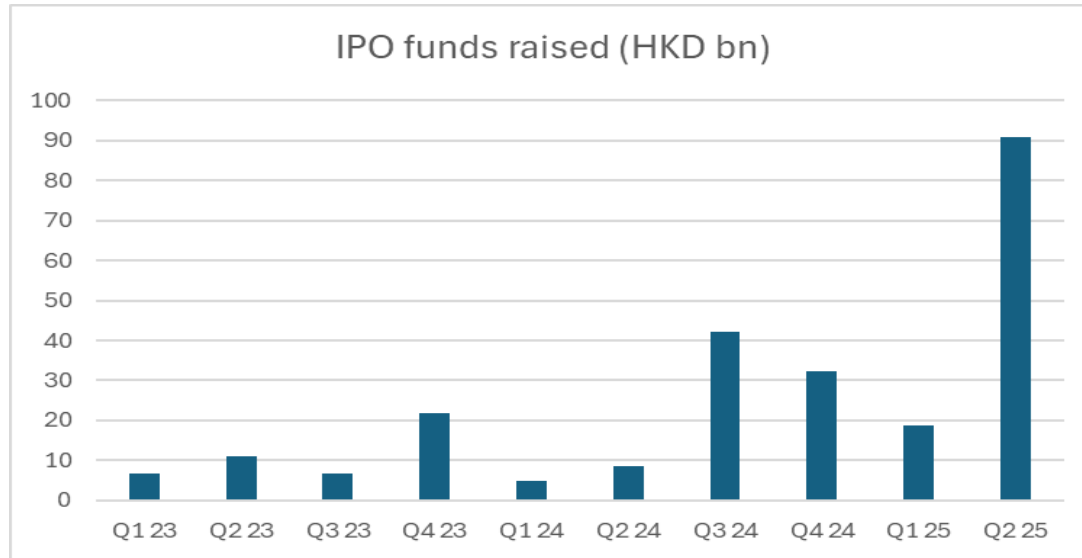
Credit Markets Bullish and Fundamentals Stable



Hong Kong Conglomerates and Real Estate at Distressed Valuations



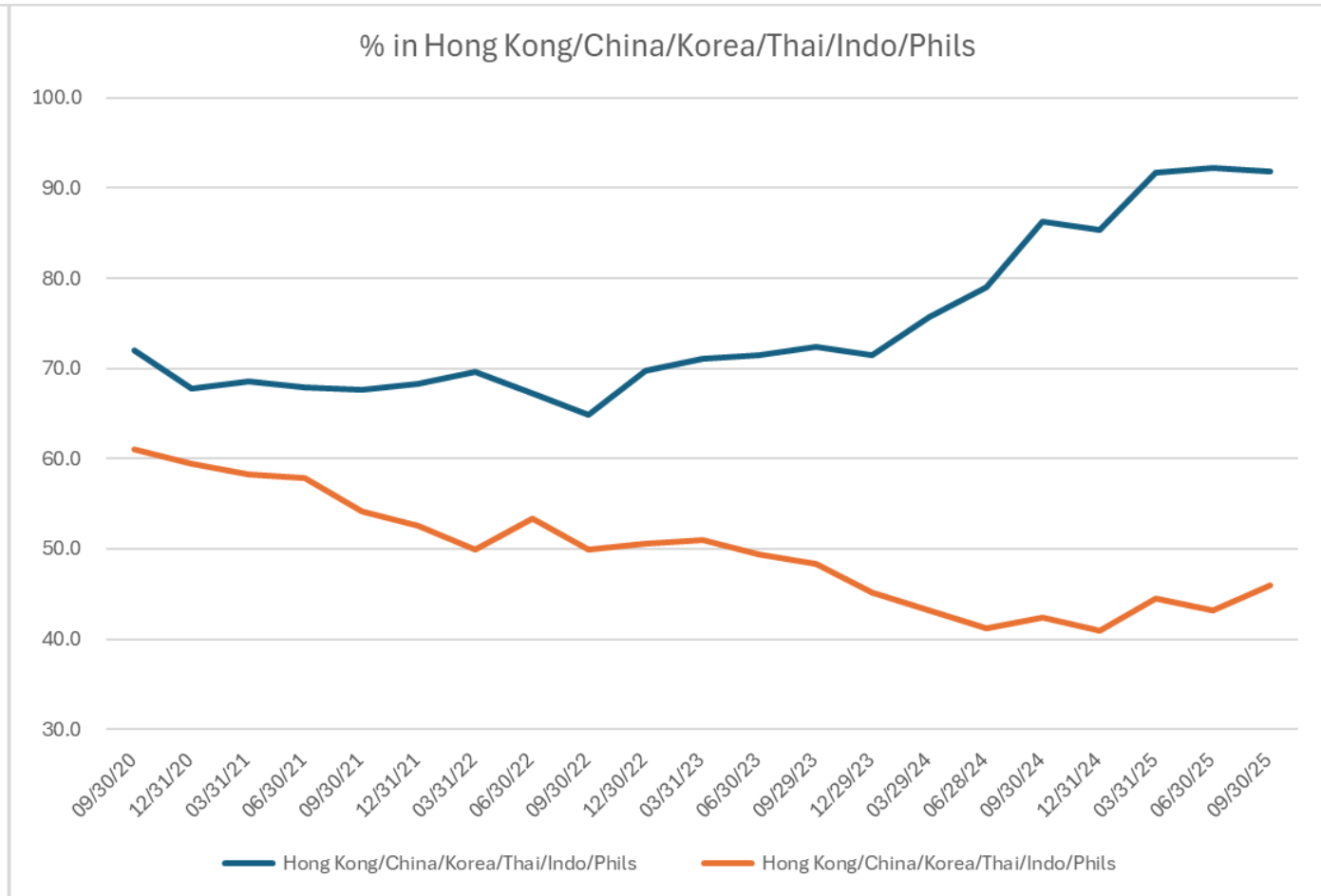
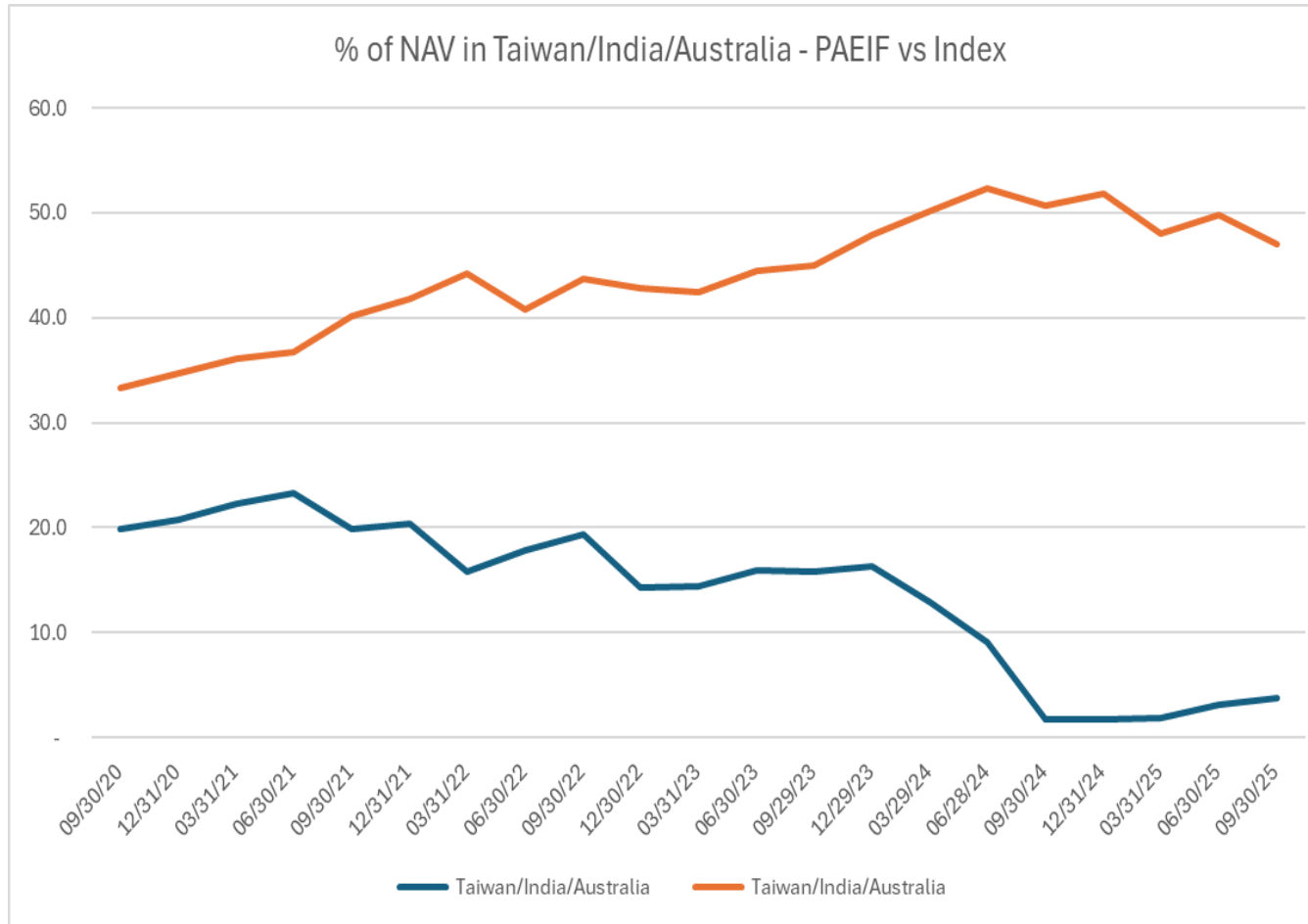
Hong Kong Indicators Improving



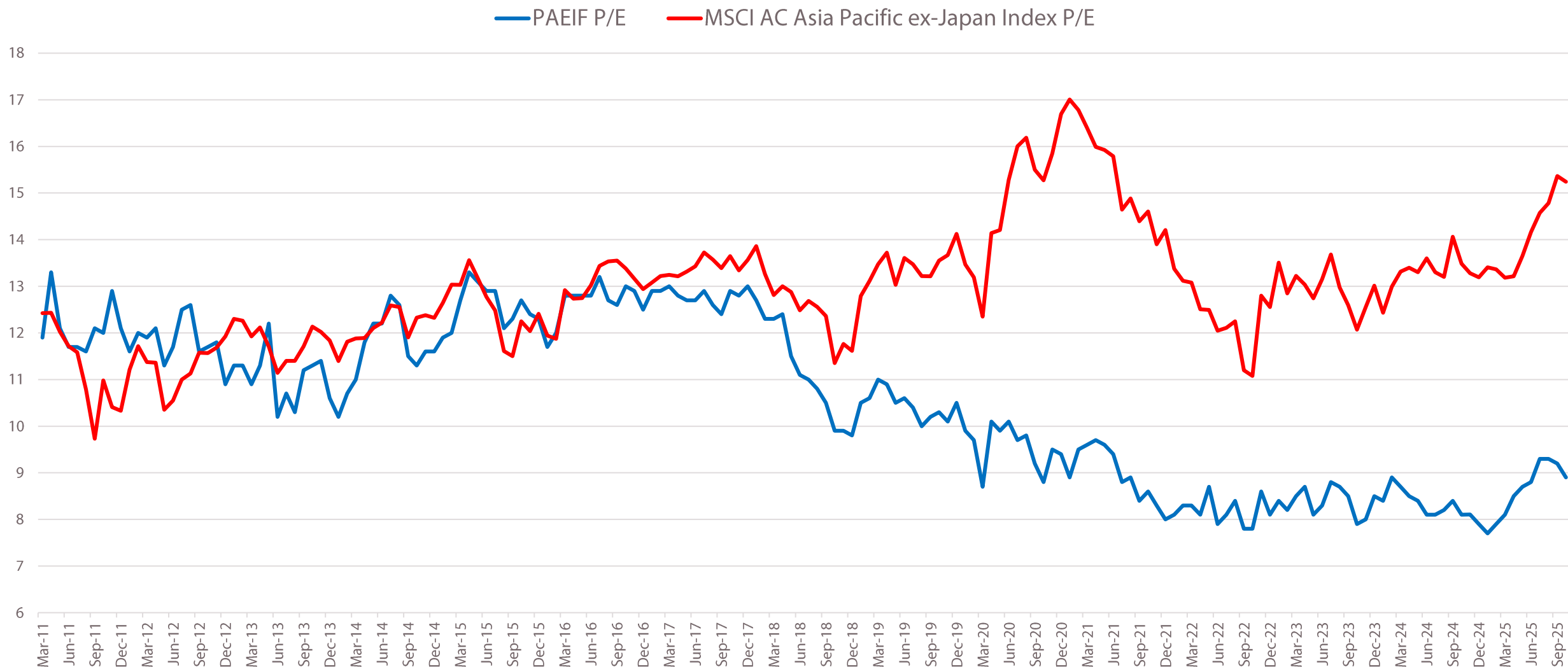
- ◆ Hong Kong vacancy rate has peaked and is falling.
- ◆ HK IPOs booming and stock exchange volumes at record highs.
- ◆ Alibaba buys 13 floors of One Causeway Bay a 3% cap rate.
- ◆ 3% cap rate for Pacific Place => Swire Pacific's effective holding = US\$10bn.
- ◆ Swire Pacific board disposing of non-core assets (> book value) buying back shares at ~30% of book value.
- ◆ P/E 9x and 5.5% dividend yield.
- ◆ Credit spread ~80bps consistent with A- credit rating implies low risk of default.



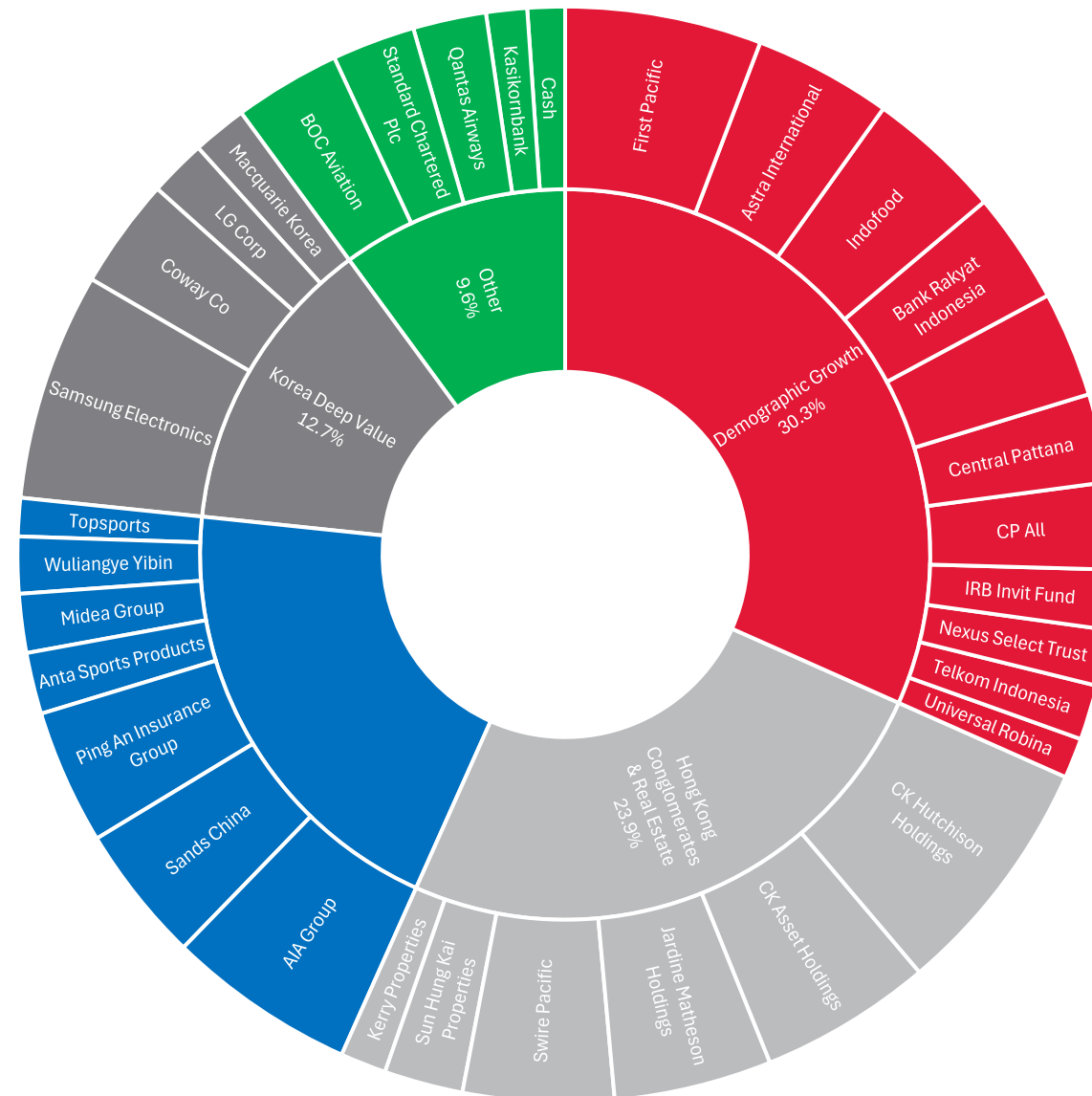
Relative Weighting in Cheap vs Expensive Markets has Moved ~40% since 2020



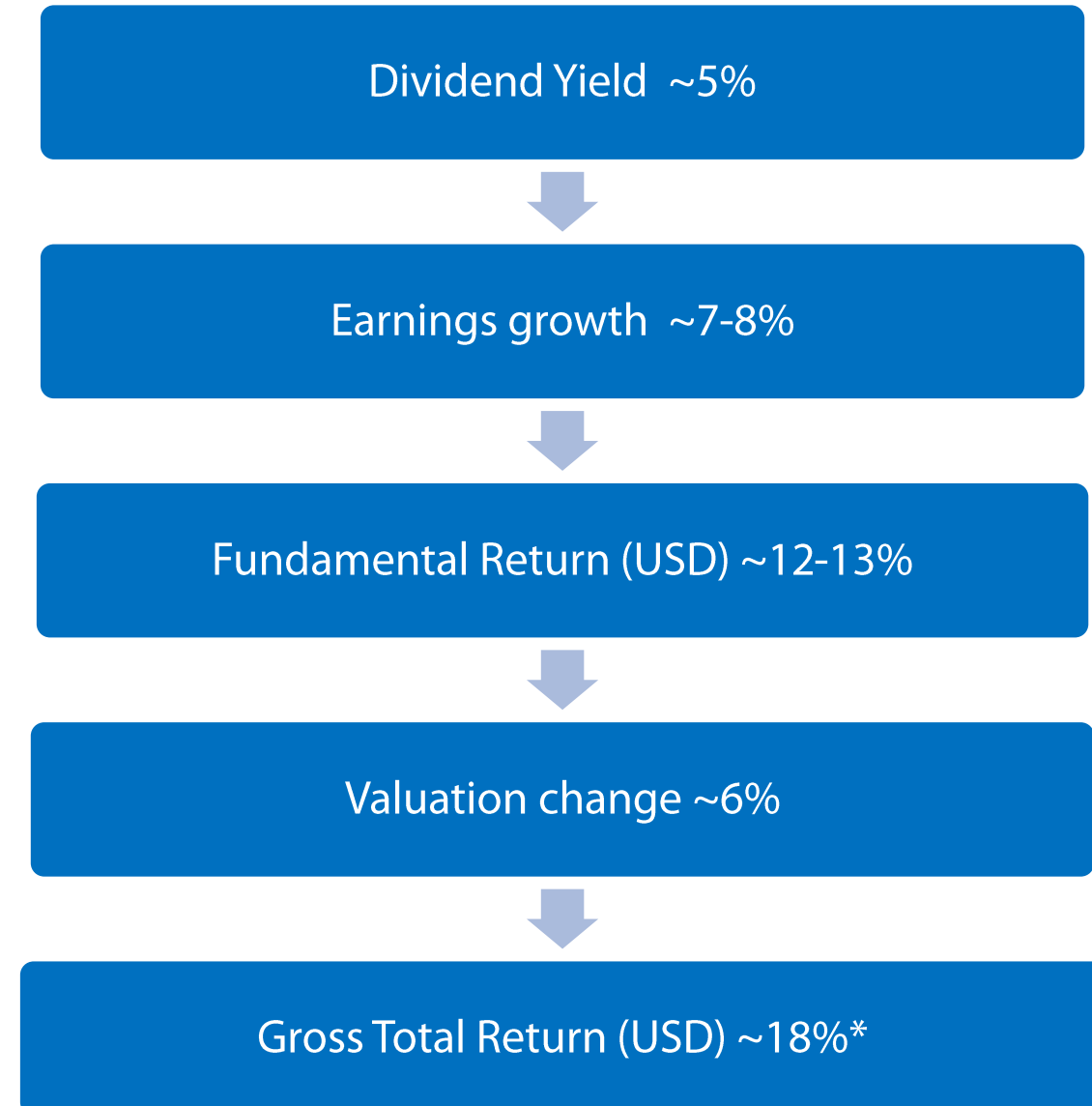
Portfolio Valuation Remains Cheap in Absolute and Relative Terms

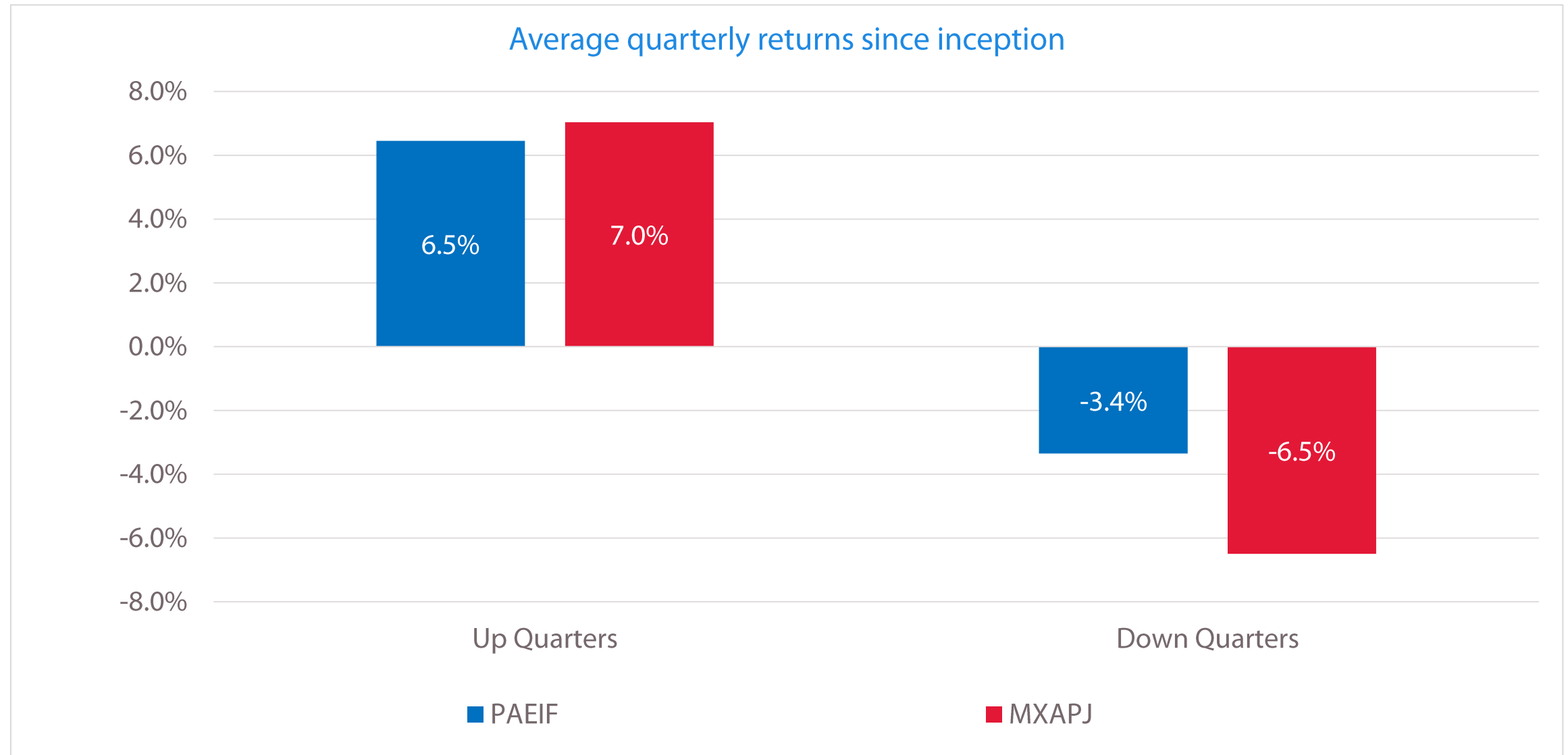


- ◆ **Consumer facing stocks in Thailand, Indonesia and the Philippines.**
 - ◆ Strong demographics, significantly de-rated, excellent compounding potential, unaffected by China or US economies.
 - ◆ Examples:
 - ◆ **Indofood.** 70% of domestic noodle market trading at 5x P/E.
 - ◆ **Bank of Philippine Islands.** 15% ROE, 1x P/B with consumer credit <10%/GDP.
- ◆ **Hong Kong conglomerates and real estate:**
 - ◆ Strong balance sheets and tight credit spreads yet distressed equity valuations. Boards taking steps to close valuation gaps.
 - ◆ Examples:
 - ◆ **CK Hutchison.** US\$65bn of value trading at market cap of US\$25bn.
 - ◆ **Swire Pacific.** Trading at 1/3 of intrinsic value. Has bought back 15% of shares outstanding.
- ◆ **Chinese consumption rebalancing:**
 - ◆ Chinese consumption to rise from 40% to 50% of GDP. Premium brands are attractive:
 - ◆ **AIA/Ping An.** High ROE China based life insurance companies that benefit from higher demand as population ages.
 - ◆ **Sands China.** #1 Macau operator trading at 8% free cash flow yield benefiting from growth in tourism.



- ◆ Forecast 5-year annualised total return = Fundamental Return + Valuation change.
- ◆ Check growth vs history and quant forecasts.
- ◆ Minimum fundamental return: 10%.
- ◆ Intrinsic valuation target (DCF, history, private market).
- ◆ Current 5-year valuation target implies 12.6x P/E.
- ◆ Minimum total return target: 15%.
- ◆ Historic drag from FX depreciation and valuation compression ~3-4%/year.





◆ **Proven track record**

- ◆ 14 years of consistent performance with high alpha, lower volatility and beta than index.
- ◆ 90% upside vs 50% downside participation vs index.
- ◆ 100% of original NAV returned as income.

◆ **Exceptional Value Opportunity**

- ◆ Record valuation dispersion between cheap (Hong Kong, ASEAN) and expensive (Taiwan, India, Australia) markets.
- ◆ Fundamental return of ~12% + mean reversion potential => 18% annualised total return potential.

◆ **Focused and differentiated portfolio**

- ◆ High conviction, 37 stock portfolio built around quality, yield and value.
- ◆ Themes: domestic consumption, conglomerate restructuring, China rebalancing.

◆ **Outlook**

- ◆ Weaker USD and lower US rates historically drive Asian outperformance – but selectivity essential.
- ◆ Macro risk remains low – capital inflows could re-rate neglected markets.
- ◆ Dividend flow provides income and downside protection; valuation discount provides potential upside participation.

Performance Since Inception Versus Benchmark

PAEIF 286.4% versus M2APJ 134.9%



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The Fund is actively managed with reference to the MSCI AC Asia Pacific Ex Japan Gross Return Index (USD) with freedom to invest in stocks outside the index.