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Investment and Market Review & Market Outlook and Investment Strategy of the ILP sub-funds for INSPIRE and HSBC Life Wealth Invest (CPF) for the 6 months ending 30 June 2024.

HSBC Life Asian Balanced Fund

Schroder Asian Growth Fund

Asian equities fell alongside EM markets as investors scaled back their expectations for swift interest rates cuts and amid ongoing concerns about weaker economic growth in China. China, Hong Kong, and South Korea were the weakest index markets in the month, while India and the Philippines achieved modest gains.

Schroder Singapore Fixed Income Fund

The Fund returned -0.31% (SGD, I Acc. share class, net of fees) over the month, trailing its benchmark which returned -0.27%. Spreads and rates both contributed to returns in January. Spreads were the primary returns contributor over the month. In the SGD credits space, security selection in the Financials and TMT sectors added to returns.

Source: Schroder

HSBC Life Asian Growth Fund

Investment and Market Review

The Asia Pacific ex Japan Equity High Dividend Fund rose 17.94% over the past year as of 30 June 2024 (SGD terms), while its benchmark, MSCI AC Asia Pacific ex Japan Net gained 13.21% (SGD terms) over the same period.

Taiwan was the best performing market, with its index hitting record highs in 2024 driven by artificial intelligence related euphoria. India outperformed the general Asia market, as its economy continues to recover with continued net inflows from both foreigners and domestic investors alike. South Korea also registered positive return during the period, thanks to its “Corporate Value-up Program” and strong foreign investment under the AI hype. On the other hand, Hong Kong (SAR) was amongst the worst performing markets, as it battled the collapse of China’s second largest real estate developer and its liquidation order earlier this year.

The fund outperformed against the benchmark on a rolling 1-year basis. At geographical level, positive selection effects in South Korea, Taiwan and Hong Kong (SAR) contributed to performance, which was partially offset by the unfavorable allocation and stock selection effects in India and Indonesia. At sector level, positive selection effects in Industrials, Consumer Staples and Information Technology contributed to performance, which was partially offset by the unfavorable selection effect in Communication Services. Top stock contributors include SK Square, LCCTF and KB Financial Group, while major stock detractors include Baidu, Tingyi and Telkom Indonesia.

Market Outlook and Investment Strategy

Asian markets were up 10% YTD (end June) but there was significant divergence between markets, with Taiwan significantly outperforming the region (+30%) while China saw a significant rally in 2Q driven by policy support has raised regional returns. Asian regional valuations are generally attractive, earnings are stabilizing and positioning is light. which enables us to maintain a constructive view on Asian equities. It is also worth noting that valuation dispersion among stocks has increased in various global markets –

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suggesting higher alpha than beta markets currently, and benefits active equity managers like ourselves. Valuations at 13.2x forward P/E / 1.7x P/B are at value but with significant divergence within the region. India is the most expensive market at 24.0x while China being the cheapest at 9.5x (end June). In terms of earnings, earnings recovery in 2024 will be the main driver of returns given fair valuations. Consensus forward EPS in the region is now at 20% / 14% / in 2024 / 2025 with 2024 earnings growth primarily driven by Korea and Taiwan.

Overall, we remain positive on the cyclical earnings recovery in 2024 in tech heavy North Asian markets Taiwan and Korea. We do see selected opportunities in the information technology sector with AI improving demand for tech infrastructure, while demand supply dynamics continue to be favorable in the memory space. An additional medium term catalyst in Korea would be the value up program which could result in improvement in corporate governance and shareholder returns. We also remain positive in the medium to long term structural growth story in India and ASEAN driven by themes such as favorable demographics and supply chain diversification.

Source: HSBC AM

HSBC Life Asian Income Fund

Investment and Market Review

For the first three-quarters of 2023, financial markets were weighed down as investors carried over their fears from the previous year regarding inflation and interest rates. This was further compounded by rising geopolitical tension which erupted within the Middle East during the second half of the year. However, investor sentiment improved through November and December after softer economic prints gave hope that a peak in interest rates was coming into view. Within Asia, Taiwan, Korea and India were the strongest markets in 2023. China declined amid its unresolved property market crisis, yuan depreciation and geopolitics which gripped the market for most parts of the year. Against this backdrop, the MSCI Asia Pacific ex-Japan Index rose +5.8% in SGD terms over the 12-month review period.

In fixed income, the US 10-year yield was little changed, from 3.87% as at end-2022 to 3.88% as at end-2023. However, this masked the volatility in bond markets throughout the year. At one point, the 10-year US Treasury yield hit 5% in mid-October, the highest in 16 years, before retreating to 4.93% at month-end. Global and Asia investment grade debt posted positive returns as spreads largely tightened amid robust labour markets, declining inflation and rebounding consumer confidence. Over the 12-month period, the JACI (SGD Hedged) Index returned +5.4% in SGD terms.

Schroder Asian Income returned +2.5%, net of fees over the year, while the reference benchmark (50% MSCI AC Asia Pacific ex-Japan / 50% JACI SGD Hedged) gained +5.6% over the same period.

Within equities, our exposure to Information Technology was the largest contributor; specifically, our Korean memory chip producers and Taiwanese semiconductor manufacturers did well as the global manufacturing cycle gained traction into the year end. Our utility names in India also contributed, in tandem with the government's push for medium- to long-term structural changes which attracted inflows of FDI and encouraged increased competitiveness and productivity. Our exposures in Hong Kong and China were key detractors, with the former's REITS suffering due to the rising rates environment and the latter's Consumer Discretionary names impacted by the Mainland's real estate crisis

Fixed Income also contributed positively, led by financial names which benefitted from a landscape of elevated rates. Hong Kong financials were the key contributors, with other regional banks also gaining due to improving NIM (net interest margins). However, our performance was impacted by holdings in Chinese property bonds which weakened due to ongoing uncertainty in the China economy. We have actively adjusted our portfolio exposure from the Chinese real estate sector and focused on adding to credit names which generate higher quality and sustainable income. Please note that the Fund did not hold any bonds (including China's property issuers) that failed to deliver interest payments.

In terms of tactical positions, our long index futures in Taiwan and Korea contributed meaningfully but gains were offset by our long Hong Kong and China positions which detracted as the post-Covid economic rebound was weaker than expected. Our duration management also returned negatively as the market battled higher rates and rising bond yields. The overall currency effect was negative due to the depreciation of the Fund's underlying currencies against SGD, which offset the positive contributions from our hedges against USD.

In the final month of the year, our expectations of a peak in US interest rates and a soft-landing narrative were corroborated by comments from Federal Reserve Chair Jerome Powell. Asian equities and bonds have reacted strongly recently, and we believe that current levels may have already priced in much of the soft-landing view. However, we also think it is too early to turn negative as we see few signs of an imminent recession in the US, where employment levels are still supportive for consumer demand.

Our view is that while growth may slow in 2024, Asian economies are expected to contribute the majority of global growth. The "goldilocks" environment, characterized by stable economic conditions and a healthy labour market, may continue to provide some support for Asian equities in the near-term. Central banks in the region are well-positioned to loosen their monetary policy which may offer additional support to the asset class. Regionally, we maintain a positive outlook on the strong longer-term fundamentals in India, particularly in areas such as financials, utilities, and selected consumer-related sectors. Additionally, the excitement over new AI applications also opens up opportunities for Korea and Taiwan due to the significant potential for high-end processors and memory chips.

With regard to China, mixed macroeconomic data and underwhelming policy responses in recent months have undermined market confidence. However, targeted stimulus measures are still possible to ensure the economy can evolve towards higher quality growth, and we continue to see opportunities from a bottom-up perspective in selective areas that align with the country's long-term strategic priorities. Overall, a slower growth outlook is still a headwind to monitor, and our team remains focused on high-quality companies with strong fundamentals and dividend yields, while maintaining discipline in assessing valuations.

Market Outlook and Investment Strategy

Within fixed income, 2023 has been an eventful year for the Asian credit market. Factors such as the global banking crisis, China's economic slowdown, and the sluggish real estate industry have dampened investor confidence. Looking ahead, China's macroeconomic growth will continue to rely on targeted economic stimulus policies from the government, both on the fiscal and structural reform fronts. Outside of China, the US Federal Reserve's rate hike cycle is nearing its end. While markets are pricing in multiple rate cuts in 2024, interest rates will likely remain relatively high when compared to the pre-pandemic era. Against this backdrop, we are retaining preference towards high-grade bonds over high-yield bonds which offer

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solid fundamentals to better withstand a volatile environment. In terms of bond selections, we see promising opportunities in Chinese internet platforms, high-quality banking papers across the region, Macau gaming, and Indian renewables.

In summary, we believe rates are reaching a plateau, and we anticipate growth to be softer in 2024. However, Asian economies are expected to play a key role in the global growth picture, and fundamentals within the region are expected to remain healthy. It is important to note that volatility may persist, and a cautious approach is still warranted at this cyclical juncture. Risks associated with weaker growth and a re-escalation in geopolitical events are among the headwinds to monitor.

Source: Schroder

HSBC Life Greater China Fund Investment and Market Review

Chinese equities recovered in the second quarter, as investor confidence strengthened alongside improving fundamentals and the government's stepped-up efforts to support the economy. Investors redirected their focus towards discounted Chinese stocks, where management teams were continuing to reward shareholders with dividend payouts and share buybacks. The Chinese central government initiated the sale of its 1 trillion yuan ultra-long special sovereign bonds, in order to support infrastructure projects and strategic sectors. In an effort to guide the long-term healthy development of the capital market, the China Securities Regulatory Commission strengthened the supervision of company listings, de-listings and computer-driven programme trading. Some major cities further relaxed home purchase restrictions in order to boost sales and stabilise the housing market. China's GDP grew 5.3% year-on-year in the first quarter of 2024, surpassing market expectations and slightly accelerating from the 5.2% expansion reported in the previous quarter. However, following the strong performance in the first half of the quarter, Chinese stocks retreated amid profit-taking as investors awaited clearer signs of an economic recovery and more robust policy support measures. Equities in Taiwan rallied strongly, aided by foreign investors seeking to increase their exposure to domestic artificial intelligence (AI) related companies, which now form a significant part of global supply chains. Taiwan's exports continued to show AI-driven strength.

Market Outlook and Investment Strategy

The managers focus on areas that can deliver sustainable quality growth over the next three to five years. As a result of the bottom-up stock selection process, the fund has an overweight exposure to China and an underweight allocation to Hong Kong and Taiwan. Selected consumer stocks are among the key holdings in the portfolio.

Retain conviction in high-quality stocks. China Merchants Bank is a leading retail-oriented bank in China with customer stickiness from its retail clients. The bank has a benign asset quality with a strong retail franchise and solid management team. New Oriental Education & Technology Group is preferred for its competitive advantages in the education services space as well as improving market conditions, including robust demand for education services, favourable supply-demand dynamics and a stable regulatory environment. PDD Holdings is another conviction position in the portfolio. It is one of the largest e-

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commerce platforms in China with high growth potential, given its efficient management team, strong growth of gross merchandise value in its e-commerce business and improving profitability.

Source: FIL

HSBC Life Total Return Multi-Asset Advantage Fund

Investment and Market Review

Following the strong rally in the final quarter of 2023, financial assets saw a fairly divergent performance in January 2024. US treasury yields retraced higher most of January after a sharp drop in yield since late October 2023 till end December. However, the market made a quick U-turn when discussions of a March rate cut set in. The S&P 500 Index reached a new all-time high in January on hopes of a soft-landing, but European equities exhibited some weakness on consolidation. Asian equities (MSCI Asia Ex-Japan Index) ended on a weak note as concerns on China remain. After losing ground in November and December, the Dollar (DXY) Index strengthened 1.9% in January.

While the Developed Market central banks are waiting for the right conditions to commence policy easing, the People's Bank of China (PBOC) surprised the market with a 50 bps cut in reserve requirement ratio for all banks. This will potentially inject CNY1 trillion liquidity into the market. (Note: In early February, comments from Fed Chair Powell dismissing the market's expectation of a March rate cut, as well as geopolitical risk dialing up, seemed to have adversely impacted investors' confidence.) Oil experienced a turbulent month with spot Brent Crude up 4.6%, as multiple geopolitical conflicts alongside US supply shortages disrupted markets. However, spot Gold price was lackluster on higher Treasury yield and ended the month down -1.1%. A number of data releases pointed to the ongoing resilience of the US economy: (i) the advance Q4 GDP growth at annualised quarter-on-quarter rate of 3.3% is higher than the consensus estimate of 2.0% due to strong personal consumption; (ii) unemployment rate, at 3.7% in December, remained close to multi-decade low (3.5%). The same pattern was echoed in various surveys: the University of Michigan's consumer sentiment index for January rose to a two-and-a-half year high in January. We believe US growth can continue to hold-up as demand for services demand is robust, manufacturing is improving, and with the likely boost to spending to come once the Federal Reserve launches its monetary easing policy.

In China, the domestic economy continues to struggle, with disappointing retail sales and further deterioration in housing activity. Confidence remains weak even as the fourth quarter's GDP grew 5.2% year-on-year, in line with expectations. Although the PBOC announced a number of stimulus measures, the policies were not considered strong enough or effective which the market wanted to re-ignite activities. Ongoing concerns around the economic outlook for China likely contributed to the weak performance of most Asian equities. Thus, outlook for China remains negative in our opinion.

Geopolitical backdrop remains a persistent risk factor, most recently Houthi rebels' attack on commercial shipping in the Red Sea, and has the potential of significant supply-chain disruption. Elevating geopolitical risks can bring about a resurgence in inflation (surging commodity prices), recession (trade wars) and a breakdown of the financial system (confiscation of Russian foreign assets). We aim to be nimble and prudent to navigate these risks in our investment strategy.

Market Outlook and Investment Strategy

We remain positive on financial markets and have added exposure to equity anticipating a positive US growth and stable to falling interest rates. This is largely unchanged in the last three months. Among developed economies, we retain an overweight in the US, where growth prospects are better, over Japan and Europe. We are underweight Asia as China remains a drag. Our exposure in emerging market Asia is primarily outside of China, with an overweight in India. We are aware that much bad news has been priced into China and Hong Kong equity markets. Most international investors have large underweight exposure in these markets. Hence, we will be alert to opportunities for tactical investments back into China and Hong Kong.

We expect central banks to start cutting interest rates in mid-2024, providing a supportive environment for fixed income. Given how much the market has priced-in, we will be selective and careful in adding duration at this stage, preferring to wait for higher interest rates to extend duration as the yield curve is inverted in many markets.

To manage the risk outcomes, we will seek out portfolio diversification and will selectively employ cheap option strategies to protect the portfolio against unexpected risks.

Source: Fullerton

HSBC Life Fortress Fund A & B

Investment and Market Review

Singapore stocks veered lower in January, snapping a two-month winning streak. While the US Federal Reserve kept interest rates steady as expected, it poured some cold water on the prospects for a March rate cut. Meanwhile, China remains a drag on the region's performance despite continued efforts to stimulate markets over the month. In Singapore, consumer prices rose faster in December, while the Monetary Authority of Singapore (MAS) kept its monetary policy settings unchanged for a third straight time.

For the month, the Straits Times Index (STI) fell 2.67% on a total return (TR) basis in Singapore dollar (SGD) terms. In terms of sectors, utilities and consumer discretionary were the best performers, returning 6.78% and 1.00% respectively on a month-on-month (MoM) TR basis. At the other end of the spectrum, consumer staples and real estate were the worst performers, returning -5.51% and -4.95% respectively (on a TR basis) for the month.

Of the 30 component stocks in the index, Yangzijiang Shipbuilding, Sembcorp Industries and Singapore Airlines were among the best performers in January with MoM TR gains of 12.75%, 6.78% and 1.83% respectively. Conversely, DFI Retail Group, Seatrium and Jardine Cycle & Carriage were January's worst performing STI stocks, with MoM TR returns of -15.58%, -15.25% and -12.60% respectively.

In its inaugural decision following the transition to a quarterly schedule, Singapore's central bank kept the prevailing rate of appreciation of the Singapore dollar nominal effective exchange rate (SGDNEER) policy band, leaving the width and the level at which it is centred unchanged. The central bank anticipates a strengthening of the economy in 2024, characterised by more broad-based growth. While core inflation is expected to remain elevated in the earlier part of the year, the MAS foresees a gradual decline, reaching

a lower point by the fourth quarter and further decreasing in the subsequent year. Although the central bank maintained its 2024 core inflation projection at between 2.5–3.5%, it revised down the full-year headline inflation forecast to the same range, partly attributing the adjustment to larger Certificate of Entitlement premiums compared to the previous year.

Core inflation increased slightly to 3.3% year-on-year (YoY) in December 2023 from 3.2% in November, primarily attributed to higher services inflation. The average core inflation for 2023 reached 4.2%, surpassing the 4.1% recorded in 2022. Headline Consumer Price Index also accelerated in December, reaching 3.7% in the month, up from 3.6% in November, reflecting a faster rise in transport costs and the pickup in core inflation. Overall inflation for 2023 moderated to 4.8% from the previous year's 6.1%. The MAS highlighted potential upward risks to inflation from factors including geopolitical conflicts, adverse weather events and prolonged tightness in the domestic labour market, while acknowledging that an unforeseen global economic downturn could alleviate cost and price pressures more rapidly.

According to advance estimates, Singapore's economy expanded by 2.8% YoY in the fourth quarter of 2023, faster than the downwardly revised 1.0% growth in the July to September period. For the whole of 2023, the economy grew by 1.2%, slower than the 3.6% growth in 2022. Meanwhile, data reported during the month presented a mixed picture of the economic recovery. Non-oil domestic exports contracted, declining by 1.5% YoY in December, following a 1.0% expansion in the previous month. The result fell below the expected 3% growth and was attributed to weakness in electronics shipments and slower growth in pharmaceuticals. Similarly, industrial production returned to negative territory in December, decreasing 2.5% YoY, a decline from November's downwardly revised zero growth and falling short of the expected 1% rise. Weakness in factory output was largely driven by declines in the biomedical sector. In contrast, retail sales growth accelerated in November, increasing by 2.5% YoY after a 0.1% decline in October, while the December Purchasing Managers' Index rose by 0.2 point to reach 50.5.

In Singapore dollar (SGD) terms, the Fund returned -0.84% on a NAV-NAV basis in January, outperforming its benchmark, which fell 2.67%. Our allocations to stocks listed in Malaysia, US and Hong Kong added value, as did our overweights in Yangzijiang, First Resources and Sembcorp Industries. Our overweights in Seatrrium and Dairy Farm, and underweight in Singapore Airlines detracted from performance.

Market Outlook and Investment Strategy

We continue to expect economic growth in Singapore to accelerate modestly in 2024 to about 2%. We expect the US economy to remain broadly resilient, but are now more cautious on China, due to the continued problems facing its property sector. We remain positive on the manufacturing sector on a recovery in tech demand, and we also continue to see a modest improvement in tourism.

We foresee a milder expansion in corporate earnings in 2024, after two strong years in 2022–23. In particular, bank lending margins are likely to stay elevated in a higher-for-longer interest rate scenario, while credit costs are likely to remain contained. Against this backdrop, valuations for Singapore stocks are attractive at around 10x price/earnings ratio, against a historical average of about 14x.

2024 is likely to offer strong potential for stock-picking alpha, in our opinion. We are overweight in the tech sector, which should see a more convincing recovery this year. We continue to like ""New Singapore"" stocks, which represent the future economy of Singapore, in areas such as renewable energy,

tech, data, healthcare, food and logistics. We are also cautiously adding to REITs which feature strong balance sheets and benefit from sound underlying demand."

Source: Nikko AM

HSBC Life Total Return Multi-Asset Advantage Fund
Investment and Market Review

In this last monthly update for 2023, we will outline the key developments that shaped financial markets and share our outlook for 2024.

A strong rally in US government bonds brought the 10-year Treasury yield to end the year at 3.87%, some 115 bps below its peak of 5.02%. The US Federal Reserve (Fed) held policy rates unchanged in December, or three consecutive meetings of no rate hike. Through its "dot plot", the Fed communicated its expectation to lower the Fed funds rate to 4.6% by the end of 2024, 3.6% in 2025 and 2.9% in 2026. This Fed's pivot and a strong US economy encouraged global equity markets to rally, led by phenomenon gains of +111% average in the Magnificent 7 stocks - Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia and Tesla. In 2023, both equity and fixed income markets delivered strong positive return, a mirror opposite to the experience in 2022. In Asia, the bursting of the China property market caused deflation and dragged down China and many of the Asian countries' equity market.

Index	2023 Total Return in USD	2022 Total Return in USD
MSCI World	23.8%	-18.1%
MSCI Asia ex-Japan	6.0%	-19.7%
MSCI China	-11.2%	-21.9%
Bloomberg Global Aggregate (USD hedged)	7.1%	-11.2%
JP Morgan Asia Investment Grade Credits	7.4%	-10.0%

Source: Fullerton, MSCI Jan 2024

US economic growth, inflation and central banks' policy are the key determinants of financial market trends in 2023, interrupted by three risk-off events, namely a US banking crisis in Q1, new highs in long duration interest rates in Q3 and the Israel-Palestine conflict in Q4.

For most of 2023, equity investors were overly concerned that the US would slip into a recession. Often cited reasons include a prolong inversion of the yield curve, contracting money supply as the Fed conducts quantitative tightening and a banking crisis. Such concerns and high level of cash rates pushed investors to seek refuge in US money market funds, reaching US\$5.9 trillion as of end December.

In China, investors lost hopes of a strong growth impetus from a reopening of China in early 2023. High youth unemployment, defaults by large property companies and a tense external relationship with the US engendered an atmosphere of pessimism and price deflation in Chinese

society. Policy makers' denial of a balance sheet recession and without sustained large-scale meaningful government support, we witnessed an alarming drop in asset prices despite positive headline GDP growth.

The trajectory and composition of US inflation, hence the stance of the US Fed was another focal point of investors. Investors were convinced that interest rates would remain high for longer and this would lead to a US recession and/or impact asset prices negatively. Such concerns drove the 10-year Treasury bond yield above 5% and restrained the recovery in stock market from its bear market bottom in late 2022. Investors' sentiment went through a 180-degree turn when the Fed paused for a second meeting in November, followed by an easing of inflation data and subsequently, the Fed pivoted in its last policy meeting of the year. As long duration bond yields dropped, a sharp rebound in equity markets from its October lows (arising from Israel-Palestine conflict) ensued.

Market Outlook and Investment Strategy

Using Fullerton's four-factor investment framework, namely Global Growth, Global Inflation, Global Liquidity and Investors' Risk Appetite, to assess the outlook for financial markets, we believe that disinflation and increased liquidity are the key drivers for 2024 with geopolitics generating risk outcomes.

Growth resulting from disinflation is a good macro environment for both stocks and bonds. The US economy has weathered the sharp rise in interest rates much better than expected. Economists were wrong in predicting a US recession in 2023 and have shifted their narrative to a soft landing. After a strong run, we expect its 2024 GDP growth to moderate to the 2% to 3% range. Government spending and artificial intelligence related investments are the key pillars to growth. As wage growth is expected to be above the rate of inflation, growth in consumer spending should remain positive.

A second important feature is that global disinflation looks likely to be the norm in 2024. Aggressive central banks' tightening in the last two years appears successful in cooling inflation of major developed economies. US inflation rate peaked at 9.1% and this moderated to 3.1% in November 2023. In eurozone, inflation peaked at 10.6% and has declining to 2.4% as technical recession emerged in four European countries. At the same time, deflation in China will see lower price products exported to its trading partners, thus easing pressure on their corporate profit margins.

After three years of rising interest rates, we believe that the interest rates cycle has peaked. As long as inflation trend remains benign, central banks will likely keep their monetary policy accommodative. Positive growth globally amid stable to falling interest rates are providing a favourable environment to financial markets in 2024.

Geopolitics remains a risk factor. Borrowing from Thucydides Trap cases in the last 100 years, the US was involved in two major conflicts involving UK and Japan. It also avoided a war with the

Soviet Union in the 1990s and is now engaging both China and Russia in a power struggle. At the regional level, the war in Ukraine is more likely to see some form of settlement as both Europe and Russia are not willing to prolong this while the intractable Israel-Arab conflict has no solution in sight. Lastly, the US presidential election has an unpredictable outcome but we know the electorate is polarised. Elevating geopolitical risks can bring about a resurgence in inflation (surging commodity prices), recession (trade wars) and a breakdown of the financial system (confiscation of Russian foreign reserves). We aim to be nimble and prudent to navigate these risks in our investment strategy.

Investment Strategy

We remain positive on financial markets in 2024 and have added exposure to equity anticipating a positive US growth and stable to falling interest rates. Among developed economies, we retain an overweight in the US, where growth prospects are better, over Japan and Europe. We are underweight Asia as China remains a drag. Our exposure in emerging market Asia is primarily outside of China, with an overweight in India. We are aware that much bad news has been priced into China and Hong Kong equity markets. Most international investors have large underweight exposure in these markets. Hence, we will be alert to opportunities for tactical investments back into China and Hong Kong.

We expect central banks to cut interest rates in 2024, providing a supportive environment for fixed income. However, the forward US interest rates are already discounting rate cuts from March 2024 and the 10-year Treasury yield has fallen sharply after a massive rally in the last two months. Given how much the market has priced-in, we will be selective and careful in adding duration at this stage, preferring to wait for higher interest rates to extend duration as the yield curve is inverted in many markets.

To manage the risk outcomes, we will seek out portfolio diversification and will selectively employ cheap option strategies to protect the portfolio against unexpected risks

Source: Fullerton

HSBC Life Global Balanced Fund

Investment and Market Review

Global equities gained in the first half of 2024, with the advance led by developed markets. US shares registered a robust advance, supported by a corporate earnings rebound and optimism for an economic soft landing. Eurozone shares were higher overall although some gains were given up in the second quarter amid uncertainty caused by the announcement of parliamentary elections in France. Japanese shares were the top performers in local currency terms with stock market indices reaching new all-time highs; the Topix returned +20.5% in JPY terms but registered +8.1% in SGD terms as the Yen weakened.

Asia ex-Japan equities achieved modest gains in the first quarter but saw a strong rebound in the second quarter. Taiwan, India, and Singapore were the best-performing markets in the MSCI AC Asia Pacific ex-

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Japan Index over the 6-month period. Shares in China also achieved strong gains in the second quarter. Low valuations for many Chinese stocks encouraged Asia-focused investors to cautiously return to the market following concerns about India's high valuations and Japan's continued currency weakness. Overall, the MSCI AC World Index gained 14.4% in SGD terms over 1H2024.

Market Outlook and Investment Strategy

Looking ahead, economic data continued to confirm our expectations of a soft landing, with activity remaining positive and inflation moving in the right direction for now. In particular, our expectation of the Federal Reserve starting to cut rates in the third quarter has been supported by recent inflation prints. This leads us to maintain our preference for equities, particularly as corporate earnings are also coming through. With interest rates starting to fall, emerging markets are looking interesting. Many emerging economies have brought inflation under control, are running more prudent fiscal policy and benefit from the manufacturing recovery that is currently under way.

The biggest risk ahead of us is the US election. Protectionism is likely to remain a feature of US policy whoever wins. Immigration policy could be important in the context of wage growth, particularly because labour markets are still buoyant. The possibility of a Republican clean sweep does raise concerns about more expansionary fiscal policy which could point to higher yields at the longer end of the yield curve as investors worry about the sustainability of the fiscal deficit. We remain underweight duration and continue to favour Investment Grade bonds as carry remains supportive and liquidity is abundant.

Gold should benefit from falling real rates whilst also offering protection against more persistent inflation or fiscal deficit concerns. Overall, a benign environment for growth is supportive of equities, and inverted yield curves mean that, in bonds, it still pays to wait for better levels or more tangible signs of recession risk. Source: Schroder

HSBC Life Global Defensive Fund

Investment and Market Review

The global fixed income market was volatile in 2023, but ultimately ended the year positive. Expectations for a "higher for longer" interest rate environment given persistent inflation triggered a sell off in the second and third quarters. However, the market rallied sharply in the fourth quarter, as inflation moderated, and the Fed "pivoted" by indicating an end to its monetary tightening campaign. Risk assets also rallied in hopes that the Fed would be able to orchestrate a soft landing.

Given this backdrop, the portfolio had strong positive returns for the calendar year. The top contributor to the portfolio was exposure to select emerging market local currency sovereign bonds. The Fund's exposure to Brazil, Mexico, and Colombia contributed on the back of attractive valuation opportunities driven by high nominal yields and peaking inflation following aggressive and early rate-hiking cycles.

U.S. Corporate high yield also contributed, followed by investment-grade credit. These sectors benefited from high starting yields and the narrowing of spreads. Within US investment grade credit, financials in particular outperformed, followed by industrials. Within US high yield, the communications sector underperformed, but broadly, every other sector performed well. Prime MBS also contributed given the

resiliency in the U.S. residential housing market. Finally, UK Gilts that were added later in the year were accretive to the portfolio, as were tactical allocations to German and Spanish government bonds.

On that detractor side, US Treasury duration detracted given the second and third quarter bond sell off. However, we believe the recent fourth quarter rally in duration is encouraging and a sign that the market has pivoted away from a higher for longer scenario. In addition, a lower inflation backdrop along with the likelihood that central banks have reached peak rates are all encouraging for duration. Finally, a short to Japanese sovereign duration also detracted as did exposure to the Japanese yen.

Market Outlook and Investment Strategy

The Fund made several portfolio changes throughout the year. Overall portfolio duration slightly decreased during the year, but importantly where we held duration evolved. US Treasury duration starting the year was primarily invested on the 30-year part of the curve, however, as US economic data came in stronger than expected throughout the year, we rolled down the curve and added 5- and 10-year US Treasury exposure.

After the strong fourth quarter rally, we took some profits on our US Treasury position, and to end the year we remain invested to the 10-year part of the US Treasury curve. In the US, we continue to favour the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios. The fund also initiated exposure to UK Gilts, German bunds and Spanish government bonds in the fourth quarter. The growth slowdown remains more evident in the UK and Euro area, while at the same time these central banks have also indicated an end to their rate hiking cycles. We increased positions to EM local currency sovereign bonds early in the year, and began selectively trimming some of that exposure later on as it performed well. We also trimmed some of our US RMBS exposure for profit taking. Finally, we initiated and then sold a Japan sovereign duration short.

Our base case coming into 2023 was that inflation would decline and it has. With inflation lower and major developed market central banks about to embark on rate-cutting cycles, the macro environment is generally favourable for bonds. With that said, there are still uncertainties in the economy that should dominate headlines in 2024. We are entering the year with major global economies in varying growth trajectories, with the Eurozone in below trend growth, China still weak, and the US economy holding on for now but with various aspects at play that could impact a hard or soft landing.

We therefore feel it's important to employ an active and nimble approach in the coming year, as investors navigate the macro backdrop. We currently hold an overweight to high quality developed market duration, primarily via US Treasury duration, followed by UK Gilts and some European duration (German bunds and Spanish government bonds). In the US, we continue to favor the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios.

It is also important to remember that a number of fixed income sectors continue to have strong yields, and are out yielding the S&P 500 Index, making the case for bonds compelling. We therefore also currently hold select US corporate credits with meaningful yield cushion. We believe US credits are a good place to be right now given that the Fed has reached peak rates and the starting yields remain compelling. With that said we are being selective in our credits and doing the bottom-up work, meaning we like companies with strong balance sheets and management teams. We see opportunities across fixed income sectors and through active, relative yield curve and cross-country positioning. Hard or soft landing, we

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believe the bonds we are invested should do well given a lower inflation backdrop, a central bank pivot, and higher starting yields. Finally, we believe that our portfolio represents a compelling opportunity, with a 7.3% YTM and an investment grade credit quality rating.

Source: Franklin Templeton

HSBC Life Emerging Market Opportunities Fund Investment and Market Review

The fund outperformed its benchmark, the MSCI Emerging Markets (EM) Index, over the year.

All four EM held as core markets for the entire year added value. The overweights to Brazil and Greece aided performance as did stock selection in the latter (zero-weight OTE). The drag from being overweight South Africa was more than offset by strong stock selection gains (overweight Shoprite and Firststrand), while stock selection in Chile (overweight Banco Santander Chile) was also positive.

Taiwan, which replaced Korea as a core market in April, detracted as stock selection gains did not offset the market underweight. China, which became a core market in July, was also negative, driven by poor stock selection (overweight JD.com).

Looking at the non-core markets, the off-benchmark position in Kazakhstan (Kaspi and Halyk Savings Bank) added value while India (overweight HDFC Bank) detracted.

During the period we were able to exit some Russian holdings. As we have valued all remaining Russian positions at zero there was a positive impact.

Emerging markets (EM) delivered positive returns in US dollar terms over 2023 although these were behind those generated by developed markets (DM), by some margin. Growing confidence of a “soft landing” in the US, optimism about potential US interest rate cuts in 2024 and the onset of the EM monetary policy easing cycle underpinned EM performance over the year. However, China was again a major drag on broad EM returns, registering a double-digit decline.

Hungary, Greece and Poland were the top performers in the year. The anticipation of easing monetary policy supported returns in central Europe as inflation in the region eased during the first half of the year. Hungary was the first to cut its key interest rate in June 2023 from a peak of 18% in May to 10.75% in December 2023. Poland followed suit in September, and overall reduced interest rates by 100bps to 5.75%. Political factors also contributed to Greece and Poland’s outperformance. In Greece, the ruling New Democratic Party won a second term in office in May 2023, signalling a continuation of market-friendly policies. Later in the year, markets welcome Donald Tusk’s election as prime minister at the head of a pro-EU liberal coalition government, which ended the eight-year rule of the populist Law & Justice (PiS) party.

Mexico performed well. It enjoyed strong economic momentum driven by exports to the US and an acceleration in “near-shoring” investments. This, together with an orthodox central bank, helped the currency appreciate. The best stock performers in 2023 included companies exposed to manufacturing or

domestic consumption. Peru also outperformed. The Czech Republic gained on strong performance from all three of its constituents.

Brazil was ahead of the benchmark. It started the year with fiscal policy uncertainty and concerns about the central bank's independence, although these eased as the year progressed and the government deployed its fiscal policy responsibly and upheld the central bank's autonomy. With a fiscal anchor in place, the central bank started easing monetary policy from very high levels, which has been beneficial for the economy. This, together with attractive valuations, underpinned the market's strong performance.

Taiwan and Korea delivered good returns, helped by performance from the technology sector which benefited from investor optimism about artificial intelligence development. India was up too, with Colombia some way behind it. In the former market, economic growth has held up well and moderating inflation has meant monetary policy has remained loose, the combination of which has boosted sentiment. Later in the year, a strong showing by the ruling Bharatiya Janata party in key state elections was also supportive.

Some of the energy-related markets lagged, including Qatar, UAE and Kuwait, which was negative. Saudi Arabi was the exception, registering returns marginally in excess of the index. South Africa performed poorly as the ongoing electricity crisis continued to weigh on investor confidence, not least because it severely hinders the economy's ability to grow.

China was the poorest performer in an EM context. A convincing economic rebound failed to materialise in 2023; instead, the economy's anaemic recovery was accompanied by an ongoing crisis in the real estate industry and regulatory uncertainty, particularly regarding tech companies. Meanwhile, geopolitical tension between the US and China persisted throughout the year and included the imposition of various technology restrictions by both parties.

Market Outlook and Investment Strategy

The global economy was more resilient than many had anticipated in 2023, underpinned by the US economy. As a result, US monetary policy remained tighter for longer than had been expected 12-months ago. While the US economy remains healthy, there are signs of a moderation in activity, and with the eurozone likely in technical recession, a slowdown in global growth is anticipated this year. Against this backdrop, further disinflation should gradually follow, enabling the US Federal Reserve (Fed) and other major central banks to begin monetary policy easing.

A soft landing for the US economy and a combination of Fed policy easing and a weaker US dollar should be broadly supportive for EM. The key downside risks around this outlook are that markets have over-anticipated the scale of Fed easing, or that the degree of growth slowdown is underestimated. The scope for rate cuts varies by EM economy, with Latin America likely to lead, and Asia, where real rates are lower, lag. Upside surprises to inflation are risks to this outlook, notably with regards to the path of energy and food prices. Global geopolitics, especially the conflict in the Middle East, bears monitoring. The trade, notably the technology cycle, should continue to improve this year, which is also supportive of EM. The risk to this outlook is that DM demand mutes the rebound.

In China, the economy continues to face structural, as it transitions away from a growth model based on infrastructure and real estate, and cyclical challenges. GDP growth is projected to slow over the medium-term, albeit with cycles. That said, sequential, quarter-on-quarter growth should see a short-lived pick up

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in the first half of this year, driven by stronger manufacturing exports and as previous policy stimulus impacts. So far, the government has taken somewhat piecemeal measures to support the economy given ongoing deflationary concerns, which is a key risk given debt levels. The pace of policy has picked up but has not been sufficient to increase confidence and activity; measures in property for example are quickly fading. Geopolitics, particularly relations with the US, remains difficult. Improved communications between US and Chinese officials is positive, albeit this is against a backdrop of a declining trajectory in relations. Meanwhile, EU relations are a further area of concern as China increases exports in key areas.

EM valuations are reasonable, particularly in relation to DM. In absolute terms, the 12-month forward price-earnings and price-book ratios are broadly in line with the historical median (since 1995), while EM is cheap on a dividend yield measure. Earnings per share growth expectations for 2023 are negative, but a rebound of 18% is projected for 2024, and 15% in 2025, based on consensus forecasts. At the market level, EM valuations are generally attractive, with the notable exception of India and on some measures South Korea. EM yields and currencies in general are at attractive levels. The valuation gap to DM has also widened over the past year, and the gap to the US is, excluding the pandemic, now wider than in the global financial crisis.

There are various risks to the outlook in 2024, notably stemming from geopolitics. US-China relations, Russia's invasion of Ukraine and the Middle East conflict all bear close monitoring. Higher energy prices pose upside risk to inflation and rates expectations, while risk aversion could drive safe haven demand for the US dollar. El Nino could also lead to deterioration in the inflation outlook. In addition, there are a series of key EM elections this year. The US presidential election in November will also be important to watch for EM, notably from a US dollar and a policy perspective. Strategic competition between the US and China is a bipartisan issue in Washington DC.

As at early 2024, the fund's core list consists of Brazil, Chile, Greece, China, South Africa and Taiwan.

Source: Schroder

HSBC Life Global Perspective Fund Investment and Market Review

Global equities rose modestly over January, led by Japan and the US. In contrast, European stocks were broadly flat while emerging markets and Pacific ex Japan sold off. An uptick in inflation and a more cautious tone from central bankers made it appear less likely that rate cuts for the US and eurozone would begin early in the spring. The December CBOE Volatility Index (VIX) increased to 14.9, up 5.9% from the prior month. (A VIX reading below 20 is widely viewed as an indicator of market stability.)

Sector returns across the MSCI All Country World Index were mixed. Information technology, communication services and health care led while materials, real estate and utilities lagged.

Information technology: Stock selection in the information technology sector boosted relative returns, although a below-index holding was a slight detractor. A below-index position in Apple was a plus as shares lost 4%, continuing to suffer from worries related to its smartwatches given the patent dispute with Masimo and concerns over the outlook for iPhone sales in 2024 given increased competition in China.

Communication services: The choice of stocks in the communication services sector added relative value. An above-index holding in Meta Platforms was a bright spot. Shares gained 10%, continuing their recent strong run amid firming sentiment on the outlook for the online advertising industry and investor enthusiasm on the social networking giant's exposure to AI technology.

Health care: An above-index position in the health care sector was helpful for relative results. In particular, a large above-index position in Novo Nordisk was beneficial as shares rose 11%, hitting an all-time high given good fourth-quarter results, continuing signs of strong growth in the obesity care market, and as the pharmaceuticals firm ramps up production capacity to meet increased demand.

Consumer discretionary: Stock selection and, to a lesser extent, an above-index position in the consumer discretionary sector detracted from relative returns. Holding Tesla proved costly as shares plunged 25% after fourth-quarter results disappointed forecasts and it warned of a likely slowdown in EV volume growth over 2024. Sentiment was also hit by worries over the outlook for margins given rising competition across the global EV sector.

Financials: The choice of stocks in the financials sector hindered relative results. An above-index position in Asia-focused insurer AIA Group hurt as shares fell 10%, continuing to sell off on concern over China's economy and the outlook for sales in the country.

Materials: Positioning in the materials sector also weighed on returns on a relative basis. Shares of speciality chemicals group Sika lost 12% after sales for the full 2023 year fell short of prior guidance. Sales growth in the Americas region slowed sharply due to the impact of inflation, higher borrowing costs and a labour shortage across the construction sector.

Market Outlook and Investment Strategy

Contrary to many market participants' expectations, the global economy avoided a recession in 2023. Instead, what has happened is a 'desynchronisation' of the economy, also known as a rolling recession, with different sectors experiencing downturns at different times. If this trend continues, the US and other major developed market economies could potentially avoid a hard recession.

With US inflation continuing its downward trend in recent months, history tells us that equities tend to outperform both bonds and cash in the 12 months following the end of interest rate hiking cycles. While it remains to be seen whether we are at the inflection point of US monetary policy, the portfolio is deliberately not positioned for a single outcome or 'type' of short-term market environment.

Instead, it is well-balanced by geography, sector, style, theme and characteristic of underlying companies. It has exposure to secular growth trends and select companies in more cyclical areas that are backed by durable tailwinds. This is reflective of our view that a greater breadth of equity market leadership is likely to emerge over the next cycle despite the narrowness witnessed in 2023. If and when the market does broaden out, the portfolio is well-positioned to potentially benefit from the market shift.

While the portfolio continues to be constructed from the bottom-up, there are several long-term, multi-decade trends that portfolio managers are keeping a close eye on, including:

Health care innovation: We are in a golden era of health care innovation with companies developing new drugs and platform technologies to combat large and underserved markets such as obesity and cancer.

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The portfolio is invested across a broad range of companies within health care, focusing on companies with proven franchises, strong pipelines and no significant patent cliffs.

Digital disruption: The last decade of digital disruption was powered by cloud computing, SaaS and internet platforms. Whilst we still expect strong growth in these areas over the next decade, the next lift could come from the mass adoption and commercialisation of AI.

Energy transition: Ongoing efforts to decarbonise the global economy could provide multi-decade tailwinds for companies across a wide range of industries. This includes raw materials, semiconductors, electric vehicles (EVs), energy storage, electrification equipment, air conditioning providers and alternative fuel.

Evolving globalisation: The global economy is constantly evolving and we are now in a period of elevated geopolitical tensions with companies focusing on supply chain resiliency rather than efficiency. The rise of “nearshoring” can generate opportunities in a variety of industries such as logistics, infrastructure machinery and medical equipment.

Source: Capital Group

HSBC Life Global Growth Fund Investment and Market Review

Global equities gained in the first half of 2024, with the advance led by developed markets. US shares registered a robust advance, supported by a corporate earnings rebound and optimism for an economic soft landing. Eurozone shares were higher overall although some gains were given up in the second quarter amid uncertainty caused by the announcement of parliamentary elections in France. Japanese shares were the top performers in local currency terms with stock market indices reaching new all-time highs; the Topix returned +20.5% in JPY terms but registered +8.1% in SGD terms as the Yen weakened.

Asia ex-Japan equities achieved modest gains in the first quarter but saw a strong rebound in the second quarter. Taiwan, India, and Singapore were the best-performing markets in the MSCI AC Asia Pacific ex-Japan Index over the 6-month period. Shares in China also achieved strong gains in the second quarter. Low valuations for many Chinese stocks encouraged Asia-focused investors to cautiously return to the market following concerns about India’s high valuations and Japan’s continued currency weakness. Overall, the MSCI AC World Index gained 14.4% in SGD terms over 1H2024.

Market Outlook and Investment Strategy

Looking ahead, economic data continued to confirm our expectations of a soft landing, with activity remaining positive and inflation moving in the right direction for now. In particular, our expectation of the Federal Reserve starting to cut rates in the third quarter has been supported by recent inflation prints. This leads us to maintain our preference for equities, particularly as corporate earnings are also coming through. With interest rates starting to fall, emerging markets are looking interesting. Many emerging economies have brought inflation under control, are running more prudent fiscal policy and benefit from the manufacturing recovery that is currently under way.

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The biggest risk ahead of us is the US election. Protectionism is likely to remain a feature of US policy whoever wins. Immigration policy could be important in the context of wage growth, particularly because labour markets are still buoyant. The possibility of a Republican clean sweep does raise concerns about more expansionary fiscal policy which could point to higher yields at the longer end of the yield curve as investors worry about the sustainability of the fiscal deficit. We remain underweight duration and continue to favour Investment Grade bonds as carry remains supportive and liquidity is abundant.

Gold should benefit from falling real rates whilst also offering protection against more persistent inflation or fiscal deficit concerns. Overall, a benign environment for growth is supportive of equities, and inverted yield curves mean that, in bonds, it still pays to wait for better levels or more tangible signs of recession risk.

Source: Schroder

HSBC Life Global High Growth Fund Investment and Market Review

Global equities were mixed in January, with developed markets broadly higher while emerging markets struggled. Stock selection was negative, particularly in financials, industrials, and energy. Conversely, selection in healthcare and communication services added value in the month.

Source: Schroder

HSBC Life Global Secure Fund Investment and Market Review

Global equities gained in the first half of 2024, with the advance led by developed markets. US shares registered a robust advance, supported by a corporate earnings rebound and optimism for an economic soft landing. Eurozone shares were higher overall although some gains were given up in the second quarter amid uncertainty caused by the announcement of parliamentary elections in France. Japanese shares were the top performers in local currency terms with stock market indices reaching new all-time highs; the Topix returned +20.5% in JPY terms but registered +8.1% in SGD terms as the Yen weakened.

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Market Outlook and Investment Strategy

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This leads us to maintain our preference for equities, particularly as corporate earnings are also coming through. With interest rates starting to fall, emerging markets are looking interesting. Many emerging economies have brought inflation under control, are running more prudent fiscal policy and benefit from the manufacturing recovery that is currently under way.

The biggest risk ahead of us is the US election. Protectionism is likely to remain a feature of US policy whoever wins. Immigration policy could be important in the context of wage growth, particularly because labour markets are still buoyant. The possibility of a Republican clean sweep does raise concerns about more expansionary fiscal policy which could point to higher yields at the longer end of the yield curve as investors worry about the sustainability of the fiscal deficit. We remain underweight duration and continue to favour Investment Grade bonds as carry remains supportive and liquidity is abundant.

Gold should benefit from falling real rates whilst also offering protection against more persistent inflation or fiscal deficit concerns. Overall, a benign environment for growth is supportive of equities, and inverted yield curves mean that, in bonds, it still pays to wait for better levels or more tangible signs of recession risk.

Source: Schroder

HSBC Life World Healthscience Fund

Investment and Market Review

Global equity markets advanced in June, with the MSCI World Index returning 2.0%. The index ended the first half of 2024 up +11.7%, led higher by mega-cap tech stocks exposed to the artificial intelligence (AI) theme.

In the US, the S&P 500 Index gained +3.6% in June, while the tech-heavy Nasdaq Composite Index returned +6.0%. May's US jobs report exceeded expectations for new job additions and renewed optimism around a soft landing. Headline CPI came in cooler than expected, leading yields to fall and growth to outperform value. At the same time, uncertainty regarding the upcoming Presidential election led to higher volatility towards the end of the month.

In Europe, the European Central Bank (ECB) delivered its first rate cut since 2019, despite resilient inflation and wage growth. Contrastingly in the UK, the Bank of England (BoE) held interest rates steady. National elections across the UK and

EU drew investor attention over the period. In China, equities traded down as the government's proposed capital market reform was interpreted as a potential challenge for investors.

From a sector perspective, Information Technology and Communication Services were the strongest performing sectors while Materials and Utilities declined.

Regionally, the US had the highest returns while Europe and emerging markets underperformed.

Market Outlook and Investment Strategy

Despite strong equity market performance in the first quarter of 2024, we continue to navigate an uncertain political and economic environment. We seek opportunities in segments of the health care

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sector with attractive valuations, stable growth, and promising product pipelines over the medium-to-long term. We also consider new innovations and technological developments for selective growth opportunities in the biotechnology, pharmaceuticals, and medical devices space.

From a policy perspective, we believe the environment should be benign in the near-term. With the passage of drug reforms included in the Inflation Reduction Act, there is now more certainty following years of speculation. President Biden announced ten drugs his administration will target for price negotiations as part of the prescription drug provisions included in the Act. The administration aims to leverage Medicare's market power to decrease prices for top-selling drugs treating blood clots, diabetes, cancer, and arthritis. Negotiations will take place over the next year for changes to take effect in 2026.

We expect continued market volatility and seek attractive opportunities in stable, strong cash flow generating companies across all health care industries. Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

Source: BlackRock (Luxembourg) S.A.

HSBC Life India Opportunities Fund Investment and Market Review

India was one of the best-performing equity markets for the year ended June 2024, outperforming the broader Asia Pacific region as well as developed and emerging markets. All sectors on MSCI India posted gains as the index rose 35.08% in Singapore dollar terms (SGD) and 34.89% in US dollar terms (USD).

Prime Minister Narendra Modi won a third term in office, but without securing an outright majority. This pushed him unexpectedly into a coalition government for the first time, which in turn sent tremors through the stock market in early June. However, investors swiftly shrugged off initial concerns, taking the market to new all-time highs within days after Modi's party retained most of the key ministries in the new cabinet.

On the macro front, India's gross domestic product grew by 8.2% in the fiscal year 2024, according to provisional data, surpassing the previous year's 7% growth rate. The Reserve Bank of India kept interest rates on hold for over a year now, as inflation has largely stayed within the central bank's target range.

Market Outlook and Investment Strategy

India is one of the world's fastest-growing major economy, backed by a resilient macro backdrop which includes a real estate boom, strong consumer sentiment in urban areas and a robust infrastructure capex cycle. Expectations around a good monsoon season would be key for a pick-up in rural demand. The growth story is underpinned largely by supportive policies from the central government as well as a decade of painful but necessary economic reforms. The groundwork laid by these sweeping reforms have put India on a positive economic trajectory.

Still, India faces some near-term risks, most of which are external. These include potentially higher global energy prices and a slowdown in the world economy.

We expect our core quality holdings to continue to deliver resilient compounding earnings growth over the medium term, come what may in terms of macro conditions. The portfolio's consistency of earnings growth remains healthy and the fundamentals of our holdings, including pricing power, strong balance sheets and the ability to sustain margins, remain solid. Our conviction in the experienced management teams of these companies was affirmed during a recent trip to India where we met several companies to get more clarity about the situation on the ground.

Source: abrdrn

HSBC Life Pacific Equity Fund

Investment and Market Review

Asian equities continued to perform well over the year as inflationary pressures eased and investors welcomed signals from the US Federal Reserve that it was moving its monetary policy towards potential rate cuts in 2024. Early in the period, sentiment was weighed down by concerns about China's stalled recovery amid continued property woes, a higher for longer interest rate environment and conflict in the Middle East. The Chinese authorities implemented various measures through the review period to support sentiment, financial markets and the broader economy. While there are still concerns about the possibility of further US tariffs and sanctions, investor sentiment towards the mainland China market improved towards the end of the period.

The technology-heavy market of Taiwan was the top performer in the region as investors judged that the semiconductor cycle was nearing its trough and responded to rapid developments in artificial intelligence (AI). Indian equities also made strong gains thanks to the buoyant economy, growth in the corporate sector and substantial foreign capital inflows. Investors shrugged off initial concerns about the uncertain outcome of the general election and the market recovered quickly. By contrast, the Hong Kong market was among the key laggards, with concerns over China's macro outlook compounded by the impact of heavy foreign capital outflows.

Market Outlook and Investment Strategy

We continue to be positive on the outlook for Asian equities, although we see short-term noise and volatility ahead of the US election in November. Rates and inflation have likely peaked in the US setting the scene for rate cuts in Asia, and the outlook is bright due to the broad-based growth across Asia and the fundamental strength of the companies in the portfolio which are typically leaders in the industries or markets in which they operate. Furthermore, the turnaround in the IT and semiconductor cycle, green transition and near-shoring as a result of geopolitics continues to benefit companies and countries in Asia. China is clearly showing signs of bottoming and recent corporate results have underscored the strength of some business franchises. Ultimately, we continue to have conviction in our holdings and their ability to navigate the various crosswinds buffeting markets.

Source: abrdrn

HSBC Life Shariah Global Equity Fund

Investment and Market Review

Although June political developments in Europe pressured results in that region, enthusiasm about artificial intelligence (AI) helped drive collective gains in global equities during the second quarter of 2024, particularly in the United States. Renewed optimism about an economic soft landing in many regions, an interest-rate cut in the eurozone, and investor expectations for potential rate cuts in the United Kingdom and the United States during the second half of this year also aided investor sentiment. Global manufacturing activity expanded in June for the fifth consecutive month, and flash reports for June indicated services activity expanded in many regions. As measured by MSCI indices in US-dollar terms, emerging market equities outperformed a global index, while developed and frontier market equities underperformed it. Global growth stocks significantly outperformed global value stocks.

The fund lagged its benchmark during the second quarter, when stock selection in the consumer discretionary, materials and consumer staples sectors detracted from relative return. Other major detracting stocks included Salesforce, a position that we have closed, and Albemarle in the materials sector. Albemarle is a leading producer of lithium, which is an essential material for electric vehicle (EV) battery production. Its shares have continued to underperform the broader market amid weak lithium prices and headwinds in the EV industry; lower-than-expected first-quarter earnings (reported on 1 May) further dampened sentiment. We stay invested and regard the stock as part of our exposure to EVs' structural growth potential, which may yet drive lithium demand to potentially rise significantly within this decade.

In contrast, stock selection in the industrials sector added to relative performance during the second quarter, with Hitachi, Ltd. as the top contributing stock. Hitachi's shares performed well in the second quarter, as the company impressed many investors with better-than-expected results for its fiscal year ended 31 March 2024, along with a 200-billion-yen share buyback programme for its current fiscal year. Our view is affirmed: Hitachi is an exemplary company in terms of corporate governance and capital allocation discipline; we also favour its business portfolio, which is geared towards information technology (IT) services, power grid and railways—all with structural growth potential. Meanwhile, our off-benchmark sponsored ADR (American depositary receipt) allocation to Taiwan Semiconductor Manufacturing Company (TSMC) was also a major contributor. Including its on-shore shares, TSMC is one of the fund's top-10 holdings. Against the backdrop of the ongoing AI rally, TSMC commands a very wide competitive moat in terms of technologies, innovations and business track record. A rock-solid balance sheet and generous capital return policies add to the investment case.

Market Outlook and Investment Strategy

Entering the second half of 2024, we continue to see a range-bound equity market in which sentiment waxes and wanes on macroeconomic, geopolitical and corporate news flow. Expectations surrounding the pace and timing of interest-rate cuts by the US Federal Reserve will remain a key market mover. Without speculating on policy decisions, we will watch this space closely as the rate outlook may impact the

portfolio in various ways. For instance, if inflation proves sticky and rates stay higher for longer, growth stocks will likely underperform following their year-to-date rally; value and cyclical stocks may instead fare better.

We will navigate this uneven landscape with Templeton's hallmark expertise in bottom-up stock selection and valuation assessment. We believe our strong focus on identifying companies that, in our analysis, are appealingly priced relative to their long-term fundamentals—especially free cash flow generation, earnings power and shareholder returns—should continue to underpin a diversified and resilient portfolio that can potentially weather the entire market cycle. This will be coupled with attention to timely risk/reward adjustments, by rotating capital out of fair or fully valued positions to better-priced or higher-conviction ideas.

With that disciplined approach, we look to stay invested across both growth and cyclical sectors. Our high-conviction areas include the IT sector, particularly semiconductor and software stocks that are essential participants in the AI and digitalisation trends; the health care sector, for its defensive qualities and reasonable valuations; as well as the industrials sector, especially companies aligned with the energy transition theme. Geographically, Japan remains appealing to us—we focus on companies that, in our assessment, have a strong prospect of shareholder return enhancements through corporate reforms, along with ample exposure to global earnings amid the potential boost of a weak yen. With that in mind, we recently initiated a new position in a Japanese industrial engineering company with presence in the global aerospace value chain. This followed our decision to exit a Japanese mining and metal stock on the back of its year-to-date rally. Source: Franklin Templeton

HSBC Life Short Duration Bond Fund

Investment and Market Review

The US economy showed strong resilience with its better-than-expected fourth-quarter 2023 Gross Domestic Product (GDP) growth, rebound in Purchasing Managers' Index (PMI) for January 2024, and robust labour market alongside easing inflation readings, which boosted hopes for a soft landing. The Federal Reserve (Fed) decided to hold interest rates unchanged at 5.25-5.50 per cent in the January Federal Open Market Committee (FOMC) meeting but pushed back the prospects of a March (2024) rate cut. The US Treasury (UST) curve steepened with the 2- year UST yield declining 4 basis points (bps) to 4.21 per cent while the 10-year UST yield increased by 3 bps to 3.91 per cent in January 2024. Oil prices rallied (West Texas Intermediate (WTI) oil price +5.9 per cent, Brent oil price +6.1 per cent) amid rising geopolitical tension in the Middle East/Red Sea. However, other commodities did not fare well (iron ore price of -6.4 per cent, copper price of +0.4 per cent) as China's growth concerns persisted.

Market Outlook and Investment Strategy

The Chinese government announced more supportive policies in January 2024, including a 50bps cut to the Reserve Requirement Ratio (RRR) following the release of a mixed set of economic data. JP Morgan Asia Credit Index (JACI) Investment Grade credit spreads widened slightly to 150bps (+2bps) as new issues supply kicked in on a fresh year of 2024. A total of US\$19.6 billion of Asia ex-Japan G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) were priced in January 2024 versus US\$1.63 billion of bonds priced in December 2023. However, this was 33 per cent year-on-year (y/y) lower

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when compared to US\$29.2 billion in January 2023. The financials sector and Korea continue to lead new supply at 43 per cent and 48 per cent of total issuances.

Source: UOB AM

HSBC Life Singapore Balanced Fund

Investment and Market Review

Schroder Singapore Trust

Singapore stocks fell in January 2024, with the Straits Times Index declining 2.67% in SGD terms. The utilities sector was the only sector that posted positive returns (+3.09%), while the consumer staples sector was the worst performer, declining 5.50% over the month.

Advance estimates for Q4 2023 GDP came in at 2.8% y/y (+1.7% q/q SA), bringing 2023 GDP growth to 1.2% y/y. This was greater than market expectations on the back of robust manufacturing and construction.

Schroder Singapore Fixed Income Fund

The Fund returned -0.31% (SGD, I Acc. share class, net of fees) over the month, trailing its benchmark which returned -0.27%. Spreads and rates both contributed to returns in January. Spreads were the primary returns contributor over the month. In the SGD credits space, security selection in the Financials and TMT sectors added to returns.

Source: Schroder

HSBC Life Singapore Bond Fund

Investment and Market Review

The macro releases over January 2024 were a dent in the hopes of a recovery in the manufacturing sector after the sector showed signs of a rebound over the previous few months. The non-oil domestic exports (NODX) in December 2023 was -1.5 per cent year-on-year (y/y), below November's reading of +1.0 per cent y/y and consensus expectations of +3.0 per cent y/y. The weakness was broad-based and driven by both electronics exports and non-electronic exports. Industrial production in December 2023 was similarly weak at -2.5 per cent y/y and below November's +0.0 percent y/y and consensus of +1.0 per cent y/y. In the latest Monetary Authority of Singapore (MAS) statement released in January 2024, MAS shared that their official growth outlook for 2024 was 1.0 to 3.0 percent with growth supported by a turnaround in the electronics cycle. Inflation ticked up slightly in December 2023. Headline Consumer Price Index (CPI) was +3.7 per cent y/y, rising from November's +3.6 per cent y/y on higher core CPI and slightly higher private transport costs. Core CPI was +3.3 per cent y/y in December 2023 (November 2023: +3.2 per cent y/y; consensus +3.0 percent y/y) driven by the recreation and culture component on the back of year-end holiday demand. MAS continued to guide for a core inflation range of 2.5-3.5 per cent in 2024 (on an ex-Goods and Services Tax basis).

The SGD credit-related new issue market was active in January 2024, with SGD 2.72 billion issued (December 2023: SGD 0.2 billion). Given strong risk-taking sentiment, these deals managed to hold up in secondary trading despite arguably tight valuations. Oversea-Chinese Banking Corporation (OCBC) Bank issued SGD 450 million of Additional Tier-1 (AT1) Perpetual (Perp) Non-callable (NC) 5.75 years at 4.05 per cent coupon (versus MAS Government Bond yield at 4 per cent) which traded up to \$101 in the secondary market. City Development Limited issued an SGD 285 million 5-year bond with 3.712 per cent coupon at \$100, with an implied spread of 86 basis points (bps) over Singapore government securities (SGS). In contrast, the previous SGD 470 million, 4.139 percent Coupon matures in the 2028 issue was marked at 110 bps over SGS for a shorter tenor. Else, there was also issuance from Standard Chartered PLC (SGD 335 million 6NC5 senior unsecured TLAC bonds at 4.20 per cent yield) and SGD 500 million Perpetual coming from Singapore Telemedia's data centre subsidiary STTGDC Private Limited.

Market Outlook and Investment Strategy

After a strong rally in November and December 2023, bond market performance was more muted in January 2024. Yields rose slightly, with the 10-year US Treasury (UST) yield up from 3.88 percent to 3.91 per cent. This was likely due to growth data releases in the manufacturing sector, consumer confidence and labour market. As such, rate cut expectations for the US Federal Reserve (Fed) in 2024 fell to 5.7 cuts as of end-January 2024 from 6.5 rate cuts priced at the end of 2023. Risk premiums continued to decline across markets, with global investment grade corporate credit spreads tightening by 4 bps to 1.11 per cent in January 2024. SGS curve underperformed in contrast, with yields from the 3-year part of the curve increased by about 15-20 bps (versus flat to small bear steepening pressure in UST). This likely reflected tight valuations and relative illiquidity as attention was on the 2-year SGD 3 billion June 2026 SGS issue re-opening. The re-tap did well, however, with the cut-off yield at 3.04 per cent versus 3.06 per cent previously. We continue to hold a positive view on global growth in 2024 due to supportive macro-fundamentals including healthy labour markets, an improving global manufacturing and trade cycle and continued strength in consumer spending. This macro backdrop supports a view that the 10-year UST yield is likely to trade closer to our expected range of 4.0-4.5 per cent (previously 4.25-5.0 per cent) in the first half of 2024. While SGS broke its correlation with USTs in January 2024, the correlation closed up in early February 2024. With yields much lower now, the expectation is for SGS yields to lag UST in future rallies into 2024. Meanwhile, there will be a 20-year re-opening of the March 2046 issue end of February 2024 to watch out for.

Source: UOB AM

HSBC Life Singapore Equity Fund

Investment and Market Review

Singapore equities rose strongly for the 12 months under review, trailing the broader Asia Pacific region and emerging markets as well as developed markets. Investors remained focused on the global interest rate trajectory, particularly in the US. However, the expectations of a delay in US monetary policy easing and hence a higher-for-longer interest rate environment lifted Singapore banks, which are a significant market component.

Investment and Market Review & Market Outlook and Investment Strategy of the ILP sub-funds for INSPIRE and HSBC Life Wealth Invest (CPF) for the 6 months ending 30 June 2024.

On the macro front, the economy advanced by 1.1% in 2023, and the trade ministry forecast gross domestic product (GDP) growth for 2024 at 1-3%. A peak in global interest rates and a turnaround in the electronics cycle are expected to aid the recovery in the financial and manufacturing sectors, respectively.

In politics, Lawrence Wong took oath as Singapore's new Prime Minister on May 15, taking over from Lee Hsien Loong who led the country for the past 20 years. We view this as ensuring policy continuity and political stability, as well as setting the wheels in motion for the country's next general election which must be held by 23 November 2025.

Market Outlook and Investment Strategy

Singapore's improving economic growth suggests some domestic resilience against a still-weak external macro environment. In China, we are seeing signs of a bottoming, while the market is growing in expectations that even though the US Federal Reserve has indicated policy rate cuts in 2024, the monetary policy pivot could come later than expected. We could also see rising noise and volatility ahead of the US presidential election in November.

Domestically, we expect the recovery in the manufacturing and financial sectors to be supported by the turnaround in the electronics cycle and the expected easing of interest rates globally. The Singapore dollar, meanwhile, has remained stable in recent months, given that the central bank has maintained the sustained appreciation of the policy band. This will continue to temper the impact of imported inflation and domestic cost pressures.

Singapore equities, as measured by the Straits Times Index that we use as a benchmark, have done well since the Covid-19 pandemic. Their performance was driven more by capital gains, which we expect could be milder going forward. Amid macro uncertainties, however, we expect Singapore equities and the Singapore dollar to remain relatively defensive. We suspect that a bigger driver of returns going forward will be dividend, especially with market expectations of a US rate cut late in 2024, which would translate quickly to lower rates in Singapore due to the country's monetary policy. This could drive more demand for high dividend-yielding stocks, which we find plenty in Singapore. At the same time, we continue to seek and unearth less-covered small-cap gems that will supplement our portfolios with some element of more exciting growth.

Source: abrdn