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ILP Sub-Funds available for HSBC Life Goal Builder

AB American Income Portfolio (SGD and USD)

Investment and Market Review

In the second half of 2023, the American Income Portfolio (Class A) delivered positive absolute returns and outperformed its Benchmark, the Bloomberg[1] US Aggregate Index[2], which returned 3.37%. Year to date, the Portfolio increased in absolute terms and outperformed the Benchmark's return of 5.53% (all returns stated net of fees and in US-dollar terms).

The Portfolio management team would like to note that the Portfolio's strategy is Benchmark agnostic, meaning that it is not constrained by its Benchmark.

During the period, the Portfolio's off-Benchmark allocation to high-yield corporates and emerging markets (EM) contributed, as did our underweight in agency mortgage-backed securities (MBS). Our yield-curve positioning also helped, where we are overweight in the intermediate part of the curve.

In the second half of 2023, fixed-income government bond market yields were volatile as investors adjusted their expectations for inflation and economic growth. US Treasury yields led global developed-market yields higher over the period until mid-October, when yields started to fall sharply as inflation continued to decline and most central banks basically ended their interest-rate hiking cycles. Government bond returns were positive across all major developed countries.

In the US, investment-grade corporates returned 5.15%, while US high-yield corporates rose 7.66%. Among securitized assets, credit risk–transfer securities (CRTs) and collateralized loan obligations (CLOs) led relative credit sector returns. EM hard-currency sovereign bonds increased 4.73%, while EM hard-currency corporate bonds rose 3.07%.

Market Outlook and Investment Strategy

Economic growth in the US has been better than expected for most of 2023, and although the US economy is slowing, growth seems likely to remain positive in 2024. Our forecast is for US GDP to expand at a below-potential rate in coming quarters. Below-trend growth should support gradual disinflation that should allow the Fed to begin monetary easing. We are skeptical about an early start to, and an aggressive pace of, Fed easing currently priced into financial markets, since that path seems more consistent with a hard landing for the US economy. We instead foresee an easing cycle in which the Fed cuts rates in an effort to bring the economy back into equilibrium, rather than a path to forestall a recession—a cycle of choice rather than of necessity. A determining variable for the Fed will be the strength of the US labor market and corresponding wage-growth pressures on inflation. Our base case for US GDP, however, suggests a more modest rebalancing of the labor market that leads to a later start of rate cuts and a more gradual pace of easing.

Against this backdrop, a well-diversified barbell approach is critical. We diversify our exposure with credit (high-yield and investment-grade corporates, securitized assets, and EM) and government bonds.

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[1] Bloomberg provides indices to help investors measure the risk and return of fixed-income investments.

[2] An investor cannot invest directly in an index, and index results are not indicative of the performance for any specific investment, including an AB fund. Indices do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns.

During the period, we increased the Portfolio's duration[3] exposure as yields moved higher and valuations became even more attractive. As yields fell to end the year, we took profits and reduced our duration exposure. The bulk of yield-curve exposure is still focused on the intermediate part of the curve, which historically tends to offer the best protection per unit of duration during spread-widening periods. We also have a 5s/30s curve steepener, which should benefit from attractive valuations given the yield curve's historically high magnitude of inversion. With yields at these levels, government bonds can provide a more attractive entry point and a stronger mitigation/hedge to credit. Also, as we've seen during the March banking sector stress, when it really matters, correlations[4] between government bonds and risk assets fall back to negative levels.

Corporate fundamentals have been very resilient and balance sheets remain strong; however, they have deteriorated somewhat. We expect this trend to continue as the economy slows and companies have to manage around greater interest expense. Despite this, fundamentals should remain supportive of credit given the strong starting point. Leverage levels are currently at the lower end versus long-term levels, and interest coverage is at or near all-time highs. As rates have become more restrictive and corporations face more headwinds—including higher financing costs—we expect defaults to increase in 2024 to average or slightly higher than average levels. During 2023, there have been significantly more rising stars (US$125 billion) than fallen angels (US$14 billion). Most analysts expect a similar level of rising starts and fallen angels for 2024. We believe longer-term returns for high yield should be attractive, as the yield to worst, as measured by the Bloomberg US High Yield Index, is 7.6% and has historically been a good predictor of future returns. In addition to cash bonds, we have an allocation to synthetic high yield[5], which helps improve the Portfolio's liquidity profile.

We continue to allocate to the banking sector where we prefer to allocate to senior bonds. Our additional tier 1 securities exposure remains focused on stronger banks where we would rather own subordinated debt of high-quality companies than the senior securities of lower-quality companies given the deteriorating macroeconomic environment. We view this as a way to go "up in quality" while maintaining a competitive yield. In all of our holdings, we are focusing on large national champion banks, where post-global-financial-crisis regulation has strengthened balance sheets and mandated periodic stress testing, and avoiding US regional banks. Banks are in a strong position to absorb losses from bad loans and securities, have strong ongoing earnings capacity (as seen in earnings releases) and have created loan-loss reserves. Capital ratios remain high and non-performing loans are near all-time lows. Deposits in these larger banks are also more diversified than regional banks. We expect credit metrics to weaken somewhat from their highs as growth declines but not to the extent that would trigger ratings downgrades. We expect capital adequacy ratios to decrease to medium-term targets and non-performing loans to move toward "through-the-cycle" levels. Overall, we see banks as well-positioned to absorb credit losses as they come through, given their strong starting position. Also, given these banks' systemic importance, we believe that regulators would provide support in the event of financial distress, as they did in March.

[3] Duration is the measure of the sensitivity of an asset's or a portfolio's price to interest-rate movements.
[4] Correlation is a measure of how asset returns relate to each other over time.
[5] A derivative is a tradable financial instrument that derives its value from underlying assets, such as stocks, bonds, commodities and livestock. Investments in derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments.

We remain cautious on the energy sector as it tends to be very volatile and heavily tied to the price of oil, which we believe is tough to predict. Over the last three years, energy has been the best-performing high-yield sector by a long shot and trades at one of the lowest spread levels, so valuations are less attractive. Overall capacity remains below pre-COVID-19 levels as rig counts have been kept in check. We prefer midstream over E&P, as midstream relies more on volume than price. The high-yield energy sector has become higher quality, as many weaker credits have defaulted and there has been a large influx of fallen angels.

Among investment-grade corporates, the majority of our exposure is focused on BBB-rated[6] bonds. In recent months, we've been adding in the new issue market and took profits on some of our existing holdings, moving the proceeds to agency MBS. Agency MBS should offer compelling risk adjusted returns when corporate spreads widen, helping reduce the risk profile of the Portfolio.

Within EM, we are cautious given the macro backdrop and ongoing uncertainty. Over the past two years, we have reduced our EM sovereign exposure to limit the idiosyncratic risk. Our preference today is for corporates, given their attractive risk-adjusted returns. We recognize that valuations are extremely compelling but caution against taking concentrated risk in EM, and we diversify our allocation across approximately 30 countries and over 80 corporates.

We are maintaining our conviction in securitized assets, but our allocation has shifted this year. We have increased our allocation to agency MBS, which may provide an offset to our credit exposure in a risk-off environment. The last two months saw extremely strong performance in the sector as a sharp rate rally and growing likelihood of soft landing drove the market. Despite the recent spread compression, this sector still offers a compelling relative value versus corporates. In the past, agency MBS have offered attractive risk adjusted returns in times of market stress. Given the ongoing quantitative-tightening (QT) program, we do not expect spreads to tighten sharply in the near term, but we do expect agency MBS to perform well as growth slows on the back of decelerating inflation. We favor higher coupon mortgages, which are more insulated from the QT program. However, given mixed technicals and negative convexity in the sector, our exposure is limited.

The US housing market has proven extremely resilient. Despite coming off 2022's peaks, home prices have been increasing. We expect home prices to be flat to moderately positive in 2024, supported by lack of inventory. Today's higher home prices have significantly increased the homeowner's equity, which provides an incentive for them to stay current on their mortgages (this supports our CRT holdings). This home price appreciation has significantly decreased the loan-to-value ratios of more seasoned vintages, strengthening their fundamentals. Also, the borrowers in existing mortgage pools have locked in lower rates, which insulates them from rising rates. Household balance sheets are in strong shape and strict lending standards prevent lower-income borrowers from buying homes that are too highly priced relative to their income.

The commercial mortgage market is challenged given higher rates, tightening of bank lending standards and expected continued declines in property values, which has contributed to the elevated refinancing risk for commercial real estate borrowers. This has elevated potential refinancing risks for commercial

[6] Credit quality is a measure of the creditworthiness and risk of a bond or portfolio, based on the issuer's financial condition. For purposes of this document, all ratings are based on ratings of S&P, Moody's, Fitch or other nationally recognized statistical rating organizations (NRSROs): AAA/Aaa is highest, and D is lowest.

real estate borrowers. Still, fundamentals vary by vintage and property type. The office sector is most challenged, while industrial and multi-family continue to outperform. Therefore, picking your spots is important. We prefer earlier vintages, which have less exposure to office space and have benefited from price appreciation of the underlying properties. We also favor higher-quality tranches, where high credit enhancements should protect us against any potential losses due to credit impairment. We have reduced our allocation during the period.

Our small allocation to CLOs benefits from the spread pickup they offer over similarly rated corporates and the resets of their floating coupons. CLOs have credit enhancements, coverage tests that ensure sufficient funds to meet debt obligations on debt tranches and several restrictions on asset holdings. However, we are cautions around the weakening of loan fundamentals on the back of high inflation, high rates and slower growth. Given the deteriorating macro backdrop, we favor lower risk managers focused on higher-quality collateral. Our recent additions have been focused on the highest rated tranches.

The Portfolio Management Team remains committed to the American Income Portfolio's credit barbell strategy, which has proven resilient through market dislocations and periods of stress in the over 30 years since it was incepted.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

AB International Healthcare Portfolio (SGD and USD)

Investment and Market Review

International stocks rose during the six-month period ended 31 December 2023. Global central banks—led by the US Federal Reserve—began to pause rate hikes, but equity markets continued to experience bouts of volatility as hawkish rhetoric indicated that rates would likely stay higher for longer to sustainably rein in inflation. Later in the period, stronger-than-expected third-quarter economic growth triggered a rapid rise in bond yields—especially the 10-year US Treasury note, which briefly crossed the 5% threshold for the first time in 16 years. Headwinds from higher Treasury yields, conflict in the Middle East and mixed third-quarter earnings weighed on investor sentiment globally and briefly sent all major indices into correction territory in October. Equity markets rallied sharply during November and December, as optimism rose that the US Federal Reserve would begin to cut interest rates in 2024—both earlier and more than previously anticipated. Although US mega-cap technology stocks drove returns through much of the year, the rally broadened considerably during the fourth quarter as soft-landing expectations in the US continued to be underpinned by cooling inflation and moderating economic growth. Within large-cap markets, both growth- and value-oriented stocks rose, but growth outperformed value, led by the technology sector and artificial intelligence optimism. Large-cap stocks narrowly outperformed small-cap stocks, although both rose in absolute terms.

Global healthcare stocks increased over the period, with the MSCI[7] World Health Care Index[8] up 3.0%, in US-dollar terms. Subsector performance was mostly positive. Biotechnology and healthcare providers &

[7] MSCI indices measure the performance of different stock types in geographic areas. They track the performance of the stocks included in the index and are used as the base for exchange-traded funds.

services led outperformance, while healthcare technology and healthcare equipment & supplies underperformed on a relative basis.

For the second half of 2023, Class A shares of the AB International Health Care Portfolio posted positive absolute returns and outperformed their Benchmark, the MSCI World Health Care, net of fees. Selection within healthcare equipment & supplies contributed, as did selection within pharmaceuticals. In contrast, underweight positions in life sciences tools & services and healthcare equipment & supplies detracted.

Pharmaceutical company Novo Nordisk contributed during the period. The company has had success with its weight-loss drug, Wegovy. Management raised full-year sales and operating profit guidance for a third time in 2023, citing soaring demand for both Wegovy and its diabetes medication, Ozempic. In addition, Novo applied for regulatory approval in the US and Europe for expanded use of Wegovy as a treatment to reduce the risk of cardiovascular disease, which would likely increase the probability of insurance coverage.

Regeneron Pharmaceuticals contributed to relative performance, as the stock outperformed after the company received FDA approval for a higher-dose version of its macular degeneration drug, Eylea.

Vertex Pharmaceuticals contributed to performance. The company announced positive results from its Phase 2 trial of a non-opioid painkiller that significantly decreases pain in patients with diabetes who suffer from chronic nerve pain. The statistically significant and clinically meaningful results could have broad implications for pain management, as the drug provides similar levels of pain relief without the addictive potential of opioids.

Genmab detracted from performance. The stock declined on modestly disappointing results from a drug developed in partnership with Johnson & Johnson, though we did not view the drug as a significant driver of long-term value. Genmab remains very profitable, with a strong balance sheet and growth optionality from its pipeline.

Roche detracted from relative performance. The stock continues to lack identification of a catalyst in its pipeline, following a recent disappointing data readout for its oncology product, Tiragolumab, adding to investor concerns. Our focus remains on profitability and valuation, and we continue to believe that Roche’s valuation excludes the current value of its drug development pipeline.

Japan-based medical information website operator M3 detracted. The company’s takeover bid for corporate welfare benefits provider Benefit One was met with a competing offer from Dai-ichi Life Holdings, sending shares of M3 lower.

Market Outlook and Investment Strategy

[8] An investor cannot invest directly in an index, and index results are not indicative of the performance for any specific investment, including an AB fund. Indices do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns.

Higher rates for longer and the prospects of an economic recession have continued to challenge the market as it wrestles with the potential resilience of consumers and corporate profit margins, which may yet engineer a soft landing for the economy. It remains somewhat surprising to us that healthcare as a sector has not performed better. We maintain our view that this likely reflects the near-term euphoria around the rise of AI technology, which has driven much of the recent move higher in the broader market. From a fundamental standpoint, profitability in the healthcare sector remains solid, growth opportunities abound, and the political environment remains manageable. We see tremendous potential for AI to improve the efficiency of the healthcare system—by speeding up clinical trials, reducing administrative burden and improving outcomes through reductions of medical errors—which we believe is not reflected in the valuations of many companies in the space. In addition, while there has been much written about the potential impact of obesity medications across various companies, we believe that it is too soon to tell how these drugs might affect broader society. Despite meaningful clinical benefits, the long-term safety and cost/access of the drugs need to be monitored. We continue to manage the position in accordance with our risk parameters. Lastly, we expect the political environment with respect to healthcare reform to remain benign given the gridlock that currently exists in Congress.

In addition, while there has been considerable recent outperformance of the unprofitable biotechnology cohort, we believe that this is due largely to the expectation of lower rates (as long-duration stocks tend to perform better given the prospect of lower discount rates) aided by some recent mergers and acquisitions (M&A) activity. Our views on this cohort remain unchanged, success rates of clinical trials remain in the mid-single digits, volatility for the sector is high and M&A is unpredictable.

Though the strength of the economy may affect select subsectors of healthcare, we continue to believe that the economic sensitivity of the sector remains low relative to other sectors, while the innovation potential remains high. Ultimately, we are confident in our long-held philosophy and process—with the goal of delivering a consistent exposure to profitability and growth—which have proved successful for investors in the past. While the market will continue to debate the ultimate level of interest rates and its impact on the broader economy, we maintain our belief that much of the normalization of rates has already occurred. Longer term, given the continued innovation present in the sector, combined with its strong levels of profitability and less dependence on economic conditions, we continue to believe that healthcare remains well positioned.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

AB Sustainable Global Thematic Portfolio (SGD and USD)

Investment and Market Review

Recession fears dominated the early part of 2023 as the US Federal Reserve continued its steady path of rate increases. Instead, the economy proved resilient and surpassed bearish expectations. Concern about recession has been replaced by hope for “immaculate disinflation," a scenario where inflation slows without a meaningful impact on growth and employment.

The market's narrow rally was fueled by a surprisingly strong economy, the artificial intelligence (AI) ambitions of Big Tech and, lately, the prospect of interest-rate cuts in 2024. Even the bond market has perked up after a historic downturn—one that briefly sent yields to 5%.

Global markets, as measured by the MSCI[9] All Country World Index[10] (ACWI), increased by 7.3% during the second half of 2023, bringing full-year returns to 22.2%, in US-dollar terms. During the fourth quarter, fear of higher-for-longer interest rates was replaced by the prospect of easing of financial conditions in what is widely viewed as a "Fed pivot" on the back of disinflation forces.

From a timing perspective, many of our themes have been overlooked this year given the dominance of the Magnificent Seven. Incredible benchmark concentration reinforces our view that benchmarks are inherently backward looking. In 2023, this concentration has had a negative impact on our relative performance, but we believe that, over the long term, our disciplined process will help us to uncover more attractive investment opportunities for investors. Our portfolios remain highly differentiated as compared to the benchmark with many of the mega-cap names absent from our holdings. Indeed, names that our portfolios actually hold have performed well compared with the rest of the market, arguing that the underlying fundamentals of the majority of our holdings remain strong.

Many of our Portfolio's companies have seen prices reset even as earnings expectations for the Portfolio as a whole have continued to grow nicely, in line with our expectations. While valuations at the index level have risen dramatically, the increase is distorted by the influence of a few key stocks. In contrast, our portfolios trade at very reasonable valuations and the premium compared with the market is at one of the lowest levels in the past decade.

For the second half of 2023, Class A shares of the AB Sustainable Global Thematic Portfolio increased in absolute terms but underperformed their Benchmark, the MSCI ACWI, which returned 7.3%, net of fees and in US-dollar terms. Both stock and sector selection detracted from overall relative returns during the period. Stock selection within industrials and utilities detracted the most, although this was partially offset by contributions from selection within financials and an overweigh to the technology sector.

BYD, an electric vehicle (EV) manufacturer from our Climate theme, detracted. Shares declined along with Chinese EV peers on recent pricing promotions into the end of the calendar year as the company looks to shed some inventory, which has been slightly above average. We remain optimistic on BYD's growth and profitability profile given its well-documented cost advantage and the increasing contribution from its premium brands and exports.

TOMRA, a provider of equipment for recycling collection, waste sorting and food sorting, from our Climate theme, detracted. The stock underperformed amid softer recycled materials prices and weaker-than-expected margins. TOMRA's pricing power has lagged cost inflation, putting near-term negative pressure on margins. The company was also hit by a cyberattack that has resulted in added costs and impaired customer billing, along with a delay in the rollout of Scotland's deposit recycling scheme. We

[9] MSCI indices measure the performance of different stock types in geographic areas. They track the performance of the stocks included in the index and are used as the base for exchange-traded funds.

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view these issues as temporary and continue to believe that TOMRA should benefit from strong secular growth in recycling collection machines and food-sorting equipment.

Alcon, an eye-care product maker from our Health theme, detracted after the company reported mixed earnings results and trimmed the high end of its guidance, citing foreign exchange headwinds and weaker surgical segment results.

Intuit, a software company specializing in financial services, from our Empowerment theme, contributed. The company reported strong earnings results that displayed the strength of its platform—especially in its mission-critical small business offerings (including its QuickBooks accounting services), which empower and equip small businesses with the necessary financial tools and data to make decisions that help them thrive. Intuit has been investing in AI for the past decade, and the company is uniquely well positioned to accelerate growth in its core products via new generative features, as management highlighted at a recent investor day.

Fair Isaac Corporation (FICO), a predictive analytics company best known for its market-dominant FICO score, from our Empowerment theme, contributed as shares were buoyed by strong fourth-quarter results and solid 2024 guidance. The company highlighted continued opportunity for price hikes as well as a robust pipeline for software sales.

TopBuild, an installer and specialty distributor of insulation and building material products from our Empowerment theme, contributed. Shares traded higher amid rate tailwinds and management's cautious optimism that residential demand could hold up relatively well in 1H:24, supported by improving trends in single-family housing starts and a steady cadence of growth in multifamily units.

Amid all the noise, our themes continue to move forward as broad shifts in the global economy run their course. Global challenges such as access to healthcare and infrastructure needs are not solved overnight. Entering the year with a more defensive mindset did not help; however, our core thematic exposures continue to offer robust growth potential.

We believe a portfolio with high-quality companies on the right side of change, trading at reasonable valuations, provides a strong combination for the current market environment. Resilient fundamentals and narrow leadership in the market have created a powerful setup for a group of companies that fit this profile.

Within information, communication and technologies, the latest earnings results from a number of leaders like NVIDIA, AMD and the cloud providers demonstrate that society's move toward intelligent digital economies is leading to increased demand for bigger networks, more powerful and energy efficient data centers, and new consumption models. We continue to expect the key AI enablers—companies that facilitate the training and running of AI models in an energy-efficient way—and the adopters that successfully integrate AI in their applications will enjoy strong tailwinds in the near term.

Within transportation, secular shifts in automotives continue—EV global sales rose more than 50% through September 2023 versus 63% growth in 2022. EV adoption continues to grow, but it will not be a straight line. Additionally, automotive original equipment manufacturer (OEM) stocks are still in a discovery phase, learning what features have the greatest appeal with consumers. As with our other themes, our focus on the enablers of vehicle electrification is driving an earnings tailwind despite OEM-specific challenges. Every EV rolling off the line contains significantly more electronic content, benefiting

suppliers in this ecosystem. We're also seeing a standardization of charging standards in the US, which should encourage further adoption.

In our Health theme, there have been a few dynamics at play in 2023. A lot of the diagnostic and testing companies benefited from robust demand during the early days of COVID. Lead time to get products significantly increased, so customers ordered more to ensure supply. In 2023, we saw the reverse as lead times decreased. We are going through a period of inventory digestion (for life sciences and diagnostic tools particularly) along with macroeconomic weakness in China—a double whammy of sorts for suppliers into this ecosystem. The underlying growth rate of their customers (biopharmaceutical production) remains in the double digits. The market enthusiasm around weight loss has also drawn investor attention and buying activity, further depressing valuations for companies outside this group. We expect 2024 should see an improvement in inventory profiles and growth rates for suppliers of medical innovation products as well.

As Ben Graham said, "In the short run, the market is a voting machine but in the long run it is a weighing machine." Rather than chasing the market's chosen few, our focus continues to be on identifying powerful themes and the companies best positioned to capitalize on these opportunities. This approach has delivered strong results for our clients over time and we are highly confident in its ability to do so in the future.

Market Outlook and Investment Strategy

The US economy is slowly weakening. Unemployment is rising, although far more gradually than most had anticipated. That said, some lead indicators point to further deceleration in the first half of 2024, including the drop in M2 money supply. Regardless of the level, it is virtually certain that the growth rate is declining. Financial conditions have certainly eased of late—a trend that has been noticed by the markets and is likely to continue as long as disinflation persists. The fact that it's an election year increases the chances of a supportive fiscal, and perhaps monetary, environment—though elevated perceived risks relating to the outcome could dampen equity valuations.

The strong equity market rally in 2023 has masked more muted returns for most stocks. The 10 largest stocks in the S&P 500[11] (largely big technology-oriented companies) accounted for an abnormally large share of its weight and year-to-date returns. The equal-weighted S&P 500 underperformed the cap-weighted S&P 500 by 12.4%, while the equal-weighted MSCI ACWI underperformed the cap-weighted MSCI ACWI by 13.3%.

Although some of the returns are justified by the superior profitability of these mega-cap technology stocks and the new growth avenues that AI has provided, the narrowness will likely end in due course, as it has in the past. Catalysts for a change in leadership are often difficult to predict, but a few logical ones include: a recovery in growth from sectors such as healthcare and communications that have been plagued with excess inventories; a recognition that the generative AI wave will benefit more than just the cloud providers as related earnings materialize; and weaker results, and/or multiple compression from historically elevated levels, in one of the individual market leaders that leads investors to question the whole group.

[11] The S&P 500 is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

abrdn Pacific Equity Fund (SGD and USD)

Investment and Market Review

Asian markets made gains in 2023 after the US Federal Reserve signalled potential rate cuts in 2024 and China rolled out economic support measures. After a bright start to the year, investor sentiment was weighed down by concerns about interest rate increases and a sluggish recovery in China. However, a gradual fall in inflationary pressures and the announcement of concerted policy action at China's July Politburo meeting subsequently improved the mood in Asian markets. South Korea and Taiwan led gains, owing to optimism over artificial intelligence and better prospects for the semiconductor sector. Indian equities also outperformed thanks to a buoyant economy. China and Hong Kong were among the weakest, along with Thailand which was affected by political uncertainty following its general election.

Against this backdrop, the Fund fell by 2.3% over the year, underperforming the benchmark's return of 5.9%. Broadly, quality remained out of favour in Asia, with any results blip being punished, even in cases when the overall earnings were in line with market expectations. Prior to this sharp value rally, our performance was on a stronger footing. The Fund's weak performance in 2023 was driven largely by China, Hong Kong and to a lesser extent Korea. The relative underperformance was mitigated by the non-benchmark holdings in the Netherlands and strength from our ASEAN exposure.

In China, we have faced acute style headwinds and underperformance occurred during months of intensifying macro uncertainty. Once the macro backdrop data weakened, market confidence in China's recovery waned and the market shifted to focus on short-term themes, namely SOE reform and AI names, rather than fundamentals. Steadier structural growth names have been sold down aggressively as a result. Overall, the performance of low quality Chinese SOEs has also given Chinese markets a value tilt, which also created a style headwind for our positioning, especially regarding the onshore market, where we have a significant overweight, in the context of an underweight to China overall. Put simply, we have held the names that have been sold down to fuel the rally in SOE and AI stocks. We do not think that in these two areas, fundamentals can catch up with expectations implied by current valuations.

Among our holdings, China Tourism Group Duty Free suffered from macroeconomic headwinds for travel and duty free, along with some fundamental challenges, due to inventory destocking and a crackdown on daigou (third-party resellers) and tax policy changes for Hainan. We view duty free as a powerful structural opportunity and we believe CTG's near monopoly position is secure due to a deliberate government policy to repatriate overseas spending. Therefore, this is one holding that we have backed through a period of disrupted fundamentals. For consumer staples, the key detractor was Budweiser APAC, given the weak macro backdrop in China and the market's focus on temporary headwinds in its Korea business. Another key laggard was insurer AIA, which delivered solid earnings beats but was sold down on macro concerns – concerns that we see easing.

Although China was a major drag on performance, it also represents a unique opportunity globally as its economy recovers from years of Covid-related restrictions. We still see significant potential for China's economy and market to spring back, given that we are seeing some green shoots of recovery. The rollout of more supportive policies in a coordinated manner sends a strong signal to the market that the

government is intensifying its effort to prop up the economy. This is likely to result in an incrementally better outlook for 2024.

In Korea, the issue in Korea has been a technical one. Our preferred holding in Samsung Electronics has recovered with the memory cycle, as we expected. We added to the position in the second quarter. However, our holding is in the preference shares which lagged the ordinary shares this year. Samsung ordinary shares have responded to passive flows as they account for a larger portion of the index relative to preference shares. The preference shares trade at a discount to the ordinary shares and that discount has widened recently. In the short term, we expect this discount to narrow, reflecting fundamental improvements. Over the longer term, we see the preference shares as a play on Samsung Electronics' improving governance, given that over time, we expect the company to buy back preference shares, closing the discount to ordinary shares. We have been engaging Samsung Electronics actively on governance, stewarding the group towards better governance standards. In the meantime, the preference shares continue to offer a premium yield.

Outside of China, returns have been better because markets have been more resilient for the most part.

In tech hardware and semiconductors, our semiconductor exposure has benefitted performance over the last three years as demand for advanced semis has remained robust, while competitive pressures have been benign. This year, the market further chased global AI-related trends and investors viewed chip stocks with renewed interest. Highly specialised global leaders including TSMC, ASML and ASM International all added to our performance as macro conditions continued to ease at the margin.

For Southeast Asia, our bank holdings including OCBC in Singapore performed well. In Indonesia, the domestic economy continues to thrive, and this has provided a tailwind for Bank Central Asia. The current account is in surplus for a third year and the currency has performed well, supporting the domestic economy.

Our holdings in Australia did well, too, especially our holdings in Cochlear, and Goodman Group. Cochlear, a leading manufacturer and distributor of medical hearing devices, did well given its resilient healthcare business model in a period of uncertainty. Goodman was seen as benefiting from the demand boom for data centres from AI and the cloud.

Elsewhere, India continued to outperform over the year. However, the rising tide has not lifted all boats and we have seen the Adani Group companies underperform significantly. We have long been sceptical about the governance of the organisation and many of these concerns were exposed in a short seller report in January, which caused the companies to fall rapidly. Power Grid Corporation of India performed well as our thesis on grid investment played out, while dependable earnings continue to be prized. Maruti Suzuki, UltraTech Cement and SBI Life were also among the top performers.

In terms of key portfolio trades, we have reviewed all our holdings over 2023 and assessed where we would not want to hold a position through volatility and where we should further back our holdings, in the context of valuations for quality businesses reaching very attractive levels. Generally, we have exited where we expect any fundamental weakness to persist for the next few quarters, and held on, or even added to holdings where fundamentals have remained resilient. As such, adjustments have been stock specific, not related to broad themes or sectors.

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We sold out of Longi Green Energy Technology and Yonyou Network Technology on earnings visibility concerns. Despite retaining a cost advantage, Longi's technological edge has been eroded and we see evidence of oversupply in the solar value chain that we expect to persist in the medium term. While Yonyou Network is restructuring its business to better address execution amidst a weaker growth environment, a strategy that we agree with, we think it will take some time for this to bear fruit. Other exits included China Merchants Bank, GDS, JD.com, Kasikornbank, Kotak Mahindra Bank, National Australia Bank, Tata Consultancy Services and Zhongsheng Corp, given better opportunities to deploy our capital elsewhere.

At the same time, though, we also initiated positions in several quality companies that we felt could enhance portfolio returns. In India, we added Larsen & Toubro (L&T), the country's largest engineering and construction company; Bharti Airtel, a leading telecom service provider with a pan-India reach; and Godrej Properties, given that it is well positioned to benefit from the real estate up-cycle with a strong brand and established platform; and India's ICICI Bank, which has been delivering superior growth and returns improvement without compromising on asset quality. It has leveraged on its scale as well as retail and digital franchise to grow in mortgages and also growing off a low base in business banking and SMEs, while the way it articulates its growth approach also sounds sensible.

Across North Asia, we introduced Aier Eye Hospital, the largest domestic private eyecare hospital chain in China; Accton Technology, a Taiwan group specialising in high-speed networking switches; Korea Shipbuilding & Offshore Engineering (KSOE), the world's largest shipbuilding group; Sands China, and Yageo Corp, Taiwan's leading supplier of passive components, such as resistors and capacitors; and Yum China, one of the largest restaurant operators in China, running the KFC, Pizza Hut, East Dawning and Little Sheep chains.

In Southeast Asia, we also invested in Bank Negara Indonesia, a well-run state-owned lender.

Market Outlook and Investment Strategy

Cautious optimism is taking root in Asian equities after a difficult 2023. This is given expectations of a peaking of US interest rates and US dollar strength. Another positive is that the Asian technology sector is coming out of its trough, and in China we are seeing some green shoots of recovery. We remain hopeful of a consumer recovery in China as we anticipate growing traction from the cumulative impact of supportive policies announced since last August. Growth in Asia outside of China has been more resilient, particularly in India where the economy is in the early stages of a cyclical upswing. Geopolitics bears watching, given that 2024 is an active year for elections, with polls due in Taiwan, Indonesia and India. Asian valuations remain attractive versus markets like the US.

We remain focused on ensuring that our conviction is appropriately reflected in our positioning. We continue to believe that quality companies with solid balance sheets and sustainable earnings prospects will emerge stronger in tough times. Over the longer term, we see the most attractive opportunities around some key structural themes in Asia. Rising affluence is spurring growth in areas including financial services, while an infrastructure boom is set to benefit property developers. Asia is also in the driver's seat when it comes to the green transition with plays on renewable energy, electric vehicles and environmental management all having a bright future.

Source: abrdn Asia Limited.

Allianz China A-Shares (SGD and USD)

Investment and Market Review

The Fund lagged the benchmark in November. Stock selection was the key detractor as a result of relative weakness in the Financials and Health Care sectors, which was partly offset by a positive contribution from Consumer Discretionary stocks.

At a single stock level, a key detractor was a packaged frozen food supplier. The company previously benefitted from strong “cook-at-home” demand during the COVID lockdowns, as well as subsequently seeing a rebound in restaurant orders. Latest quarterly results were in line with expectations, with the company demonstrating strong cost control. The recent share price pullback reflects overall weak consumer sentiment and market concerns over the likelihood of some near-term sales pressure.

Conversely, one of the top contributors was a company specialised in the development of high-tech auto parts such as chassis systems, intelligent driving and anti-vibration systems. It is a key supplier to a US electric vehicle (EV) maker, and news of price hikes on certain models, as well as the start of cyber truck deliveries, supported market sentiment. Another positive was the announcement of a new factory focused on producing components for the EV maker’s humanoid robots, after the company set up a dedicated robot division earlier in the year.

Market Outlook and Investment Strategy

China equities recovered modestly in November, led by offshore markets as internet platforms reported quarterly results which have generally been ahead of market expectations. At a macro level, a stronger China currency and some thawing in US-China relations also contributed to market gains.

In terms of the currency, the recent sharp rally in US bond yields, and subsequent weakening of the US dollar, has brought some welcome relief to the People’s Bank of China (PBoC). For much of the past three months, the PBoC had been signalling that the pace of the yuan depreciation had been too rapid. And this, in turn, had contributed to higher interbank rates at a time when the PBoC would typically have wanted to keep rates lower to support growth.

The yuan/US dollar spot rate strengthened by around 2.5% in November. This easing of currency pressure gives the PBoC more flexibility to guide down interbank rates and to use other tools, such as cuts in the reserve ratio requirement (RRR), to provide a more supportive monetary policy setting.

In terms of geopolitics, last month’s meeting between Presidents Xi Jinping and Joe Biden has appeared to put a floor under the US-China relationship, at least for the time being. In China, the summit was hailed as “positive, comprehensive and constructive”, with the People’s Daily declaring that “San Francisco should become a new starting point for stabilising Sino-US relations”. While the Xi-Biden meeting will likely do little to alter the basic shape of US-China relations, it should help restore a sense of predictability and lessen the risk of dangerous misunderstandings.

The main issue weighing on markets continues to be that the recent economic stabilisation remains fragile. In particular, the property slump is not yet resolved. With property being by far the largest component of total household assets, the ongoing weakness is contributing to subdued overall consumption. While market valuations are generally quite depressed, and therefore provide some

downside support, it is likely that greater confidence in the economic outlook is needed to act as a catalyst for a significant market advance.

During November, portfolio activity was focused on adding to preferred stocks in the semiconductor supply chain, industrial automation, and also in the white liquor space. Conversely, we reduced exposure to renewables, given ongoing overcapacity in the solar sector. We also reduced regional bank exposure on concerns of asset quality deterioration and further pressure on net interest margins. As of month-end, the largest sector overweight in the portfolio was in Consumer Discretionary, while our largest sector underweight was Information Technology.

Source: Allianz Global Investors

Allianz Global Artificial Intelligence (SGD and USD)

Investment and Market Review

Global equities surged over November, recording their best monthly returns since November 2020 when news of an effective COVID vaccine broke. The rally was driven by a growing belief that interest rates had peaked in the US and Europe, with economic data suggesting that a soft landing was the most likely outcome.

Headline inflation rates continued to fall in the US and Europe. As anticipated, the US Federal Reserve (Fed) left interest rates on hold at its November meeting and, for the most part, investors viewed the latest comments from Fed Chair Jerome Powell as dovish. The European Central Bank (ECB) continued to stress that the battle against inflation was far from over but, with headline inflation almost back at the ECB's target, expectations for a rate cut in the spring grew. Conditions in China's property market deteriorated further, though the International Monetary Fund (IMF) raised its forecasts for Chinese economic growth in 2023 and 2024, citing the impact of government stimulus.

Oil prices declined amid downbeat estimates for oil demand in 2024 given a slowing global economy. Natural gas prices, meanwhile, were pressured by mild weather, elevated output and high storage. Gold traded at 6-month highs, rising above USD 2,000 a troy ounce for the first time since May, bolstered by falling US interest rate expectations and dollar weakness.

From a sector perspective for global equities, as measured by the MSCI All Country World Index, the Information Technology and Real Estate sectors had the strongest returns, which was supported by the declining interest rates and easing financial conditions. Conversely, stocks in the Energy sector lagged as energy commodity prices declined. The Consumer Staples sector also lagged broader markets.

Market Outlook and Investment Strategy

The overall macroeconomic landscape became more complicated in recent months. Although gross domestic product (GDP) and employment data point to resiliency, tensions in the Middle East created some additional risks. With inflation coming down but still above central bank targets, policymakers are likely inclined to maintain their restrictive stance. Monetary policy is characterised by long and variable lags as it works through the economy and the financial system. The Fed's recent posture of a policy interest rate that is "well into restrictive territory" with the "risks of under- and over-tightening are becoming more balanced" can provide a glide path for inflation to normalise and for a soft-landing

scenario to materialise. However, the debate whether the US can avoid a mild recession in 2024 can create additional volatility over the coming months.

The recent pullback in yields especially with 10-year US Treasuries is more supportive for longer-duration growth equities. Recently, the equity market is showing signs of broadening out beyond mega cap technology stocks, as interest rates appeared to have peaked, and the Fed might be done tightening as inflation comes down. Following a strong H1 2023 recovery for equities, especially for mega cap technology stocks, H2 has been more volatile. Q3 earnings numbers have mostly met to slightly exceed consensus expectations, but stock reactions have been more mixed. Innovative companies that delivered on their earnings with strong fundamentals have been rewarded as growth remains scarce. We remain focused on companies with earnings profiles that can be more resilient in the context of a slowing economy and a more volatile market environment, while aligning the portfolio to our long-term conviction that AI will impact all industries and be a key driver to shareholder value creation.

The US equity markets this year have favoured companies that are poised to benefit from growing adoption of AI. Semiconductors were the recent winners along with some cloud and software providers that provided a clear business thesis around the technology going forward. The broader topic of AI continues to be mentioned more on corporate earnings calls with a significant increase on generative AI. In addition, Voya recently conducted a study in which 300 information technology key decision makers were asked, “What technologies do you see having the greatest impact on your company in the next five years?” and the top answer was AI and machine learning. However, outside of the technology sector, some companies have started to see slower end demand as the economy slows, so it is unclear if positive momentum from AI can carry over into the broader equity markets over an extended period.

The developments around generative AI technology and large language models further demonstrate that demand for companies within AI infrastructure should remain strong given the computing requirements for training complex AI models and subsequent inference needed for edge intelligence. AI applications will be required to optimise the functionality of these new tools and technologies, of which the plug-ins are just the first step to greater customisation for enterprises and consumers. Lastly, several companies in the AI-enabled industries category have already announced generative pre-trained transformer-related (GPT-related) functionality added to their services to enhance customer engagement and drive greater productivity. We believe this is just the tip of the iceberg as companies become more comfortable with the technology’s potential and software applications improve to drive greater efficiencies across more business processes in time.

Source: Allianz Global Investors

BlackRock Asian Tiger Bond Fund (SGD and USD)

Investment and Market Review

Asian credit, represented by the JPM Asian Credit Index (JACI), returned 3.69% in November 2023. Of this, +0.52% was from carry, +2.15% was from duration and +1.01% was from credit. Asian credit staged a comeback this month due to lower UST yields, news of Chinese policy support and general positive sentiment.

The Federal Reserve kept rates unchanged in their November meeting and hinted that the central bank might be done raising rates for now. However, further hikes were not ruled out, though the market

perceives a high hurdle due to concerns about the adverse effects of tightened financial conditions on economic activity.

Regulators in China have been reported to provide more support for the property sector, signaling the possibility of another round of easing measures. The government is reportedly planning to inject around RMB 1 trillion in low-cost financing to revive the housing market, focusing on affordable housing, urban renewal, and public infrastructure. The government is also reportedly drafting a whitelist for 50 developers eligible for a range of financing support. While these measures signal the government's increasing efforts to stabilize the market, implementation efforts remain to be seen and confidence will take time to rebuild.

The upcoming December Politburo meeting and the Central Economic Work Conference in mid-December will provide more clarity regarding the policy stance for the next year.

In terms of manufacturing activity, China's official manufacturing Purchasing Managers' Index (PMI) slowed to 49.4, though mostly due to seasonal factors. The Caixin manufacturing PMI accelerated to a stronger than expected 50.7, up 1.2 points from October, highlighting a more optimistic story for the sector. In India, manufacturing PMI came in at 56.0 in November, rebounding off an 8-month low in October.

On the local market front, Bangko Sentral ng Pilipinas (BSP) decided to leave rates unchanged at 6.5%, in line with market consensus but tone remains hawkish. Similarly, Bank Indonesia (BI) and Bank of Thailand (BoT) also opted to leave rates unchanged at 6% and 2.5% respectively.

Asia has seen YTD supply amount to around US$104 billion, around 23% lower than the same period last year. December is likely to be a light month for supply based on historical trends, as issuers await the new year.

In November, the BGF Asian Tiger Bond Fund (A2 shareclass) returned 3.79% while its benchmark, the JACI, returned 3.69%. Gross of fees, the fund outperformed the benchmark by 0.66%. Active credit returns were positive. Our overweight in financials was the largest contributor to active credit returns. One of our positions in a defaulted Chinese property issuer outperformed given news that it satisfied restructuring conditions. Our positions in Macau gaming also did well, helped by strong results and several positive rating actions. Our overweight in Indian credit was another notable contributor led by positive news flow from a conglomerate name, along with our overweight in Indonesia HY.

On the other hand, security selection in Indonesia sovereigns and Philippines IG detracted from active credit performance.

Market Outlook and Investment Strategy

Added to convertible bonds across Hong Kong, China and Macau. Also added to BBB-rated China SOEs where we see potential tightening, China TMT across select names, and financials across selective laggards. Credit hedges were also added. Reduced Indonesia HY across select names and rotated from Indonesian sovereigns to quasi-sovereigns for valuation reasons.

Reduced selectively in Middle East and Korea IG. Also took some profit in the financials space and Macau gaming. On rates, we added some USD duration.

USD Duration: Flat

Hard Currency Credit:
The fund is positioned in an up-in-quality manner, with 75.0% in IG (including cash) as of end November and a BBB average rating.

APAC IG: This segment remains a resilient source of short-dated carry, has a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts and absorbable issuance

pipeline. We are comfortable with Indonesia sovereigns and some renewable operators in the private utility space. Thai corporates and financials remain another source of active risk in the fund, although we avoid exposure to the credits linked to ongoing involvement in Myanmar. In Malaysia, we like select exposures in the quasi-sovereign space. In India IG, we like names with dominant market positions and strong balance sheets that we expect should weather through near-term inflation and macro headwinds.

China: As of end November, ATBF has a 27.5% allocation to China - a 9.2% underweight compared to its benchmark. We continue to find opportunities in China while being intentional in positioning to mitigate pitfalls. In China offshore state-owned enterprises (SOEs), fundamentals are stable overall, and technicals are strong due to limited supply and supportive onshore banks. While we are selectively positioned in some strategic SOEs, we have an underweight overall in the sector on the back of tight valuations. Within private-owned enterprises (POEs), we like the technology, media, and telecom sector due to improving credit trends though regulatory risks remain. In the property sector, measures have failed to turn around market sentiment or stimulate sales. As such, we have reduced risk in the sector and any remaining allocations are to stronger names that we believe would be survivors. On the LGFV front, while our short-term view is that there will not be a wave of defaults, we remain cautious and prefer staying mostly in IG quality credits and keeping duration short.

Non-China HY: In India HY, we like renewables, steel companies, infrastructure credits and select non-bank financing companies. There has been pickup in growth, improved access to domestic liquidity and stable credit profiles. In Indonesia HY, we like names in energy, renewables and real estate. We like select opportunities in Philippines, Hong Kong and smaller issuing countries on a name-by-name basis. For Frontier sovereigns such as Pakistan, Sri Lanka and Mongolia, we are selectively positioned with a focus on curve selection.

APAC Financials: Asian financials' profitability has been improving due to the higher rates environment. Asset quality has also improved. The buffers built up during the Covid period will help to cushion the expected deterioration in asset quality as economic growth slows and funding cost rises. Chinese asset management companies' systemic importance has been illustrated through Huarong's bailout led by Citic Group. Other Chinese financials such as leasing companies have been seeing improving business as China recovers from the pandemic. Korean financials still offer value vs Chinese and some SEA ones even after decent spread tightening. They have been more regular issuers in the market, giving us opportunities to take exposure. We are comfortable with the fundamentals of the Korean banking system and do not expect the stress in the housing market to exert too much negative impact. Other financial holdings in countries such as Hong Kong, Malaysia and Thailand are mostly in top banks with good fundamentals and/or parental/ government support that would help them weather through macro uncertainty.
Source: BlackRock (Luxembourg) S.A.

BlackRock European Equity Income Fund (SGD and USD)

<u>Investment and Market Review</u>

November was an incredibly strong month for European equities with the MSCI Europe being up +6.4% (in EUR). Economic data released in November showed a continued fall in inflation: Eurozone inflation dropped sharply to 2.4% from 2.9% in the previous month, which was the lowest annual inflation number since July 2021. Lower energy, food and services prices were the main drivers behind the improving inflation numbers. This led investors to gain confidence that central banks have likely reached the peak of their tightening cycles without causing significant damage to the economy. Hence, markets rallied from oversold levels after having lost ground from August to October.

The market was led by bond proxies such as real estate and risk assets including IT, industrials, financials and consumer discretionary. Energy, healthcare and consumer staples were the weakest performers in the market.

The fund outperformed the rising market driven by both sector allocation and stock selection.

In sector terms, the portfolio's overweight allocation to industrials and IT as well as an underweight to energy and consumer staples aided to returns. The fund's lower exposure to real estate detracted from relative returns. An underweight to consumer discretionary was also negative, although partially offset by strong stock selection.

The industrials sector was the strongest contributor to relative returns in November, driven by both an overweight position and accurate stock selection. Siemens was the top contributor during November. The company highlighted that the outlook expectations for their key segment 'digital industries' for next year are in line, suggesting that the bottom in automation orders has been reached. The segment had a more challenging 2023 given tougher comps and a normalisation in China.

Siemens also printed strong cashflow generation which displays the company's very strong execution. Shares in Schneider Electric also contributed positively following a capital markets day during which they released new organic revenue growth targets of 7-10% through to 2027, with a small degree of margin expansion in addition. This was taken positively by the market which had been concerned about a slowdown in the business. The company remains a high conviction position - and a clear beneficiary of secular efforts to increase electrification and reduce carbon emissions.

Specialty chemical distributor Azelis was also amongst the top contributors. The company guided to an improvement and an overall stabilisation in end markets.

Elsewhere in the sector, positions in CRH, St Gobain and Volvo all contributed positively as lower rates in the future would support industrial and construction activity. well given improving smartphone demand data and a better environment for risk assets in general. An update from American Nvidia also showed continued strong demand, particularly in data centre end markets.

The fund's position in Dutch insurer ASR bounced after reaching a final settlement with consumer groups regarding the historic miss-selling of unit-linked policies, for an amount well below expectation, removing a long-standing overhang for the shares.

On the negative side, a position in Thales was the largest detractor, underperforming the strong market due to its more defensive profile.

Elsewhere, Sanofi continued to drift following the company's announcement to increase its R&D spend in October.

Negative contribution also came from Pernod-Ricard. The spirits industry continued to experience weakness following very strong growth and numerous price increases during Covid. Since then, growth in the US has been slowing and markets have been concerned around a weaker backdrop in China. Further, peer Diageo (not held in portfolio) released a profit warning during November, specifying particular weakness in their Latin American and Caribbean businesses. Diageo noted that they expected sales to decline by more than -20% organically in H1 while holding or gaining market share - indicating a

broad weakening of the spirits market in the region. These news dragged shares down across the industry.

Market Outlook and Investment Strategy

During the month, we added to long duration ideas as well as to stocks benefiting from lower rates in the future. For example, we topped up Pernod on weakness as we believe shares have potential to recover once the company is through the destocking cycle.

We added a position in Assa Abloy, a Swedish high quality business that is well exposed to construction activity particularly in the US, which is likely to benefit from falling rates in the near to medium term future.

We also added British property investment and development company Segro to the portfolio which is another beneficiary of falling rates as well as numerous structural themes and is likely to see upside in the form of a greater than proportional amount of rent renewals in the UK which should fuel top line growth.

We sold a position in Carlsberg as the environment has been tough for European brewers given weather-related headwinds and pricing challenges, which led us to step aside for now.

At the end of the period the largest portfolio overweights were in industrials and materials, while the most significant underweights were in consumer discretionary, staples and energy.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Allocations Fund (SGD and USD)

Investment and Market Review

Global markets rallied sharply in November, as encouraging inflation data, coupled with indications of a cooling U.S. jobs market, sent global stocks and bonds significantly higher during the month. Global stocks, as measured by the MSCI World Index, rallied +9.4% in November. European equities outpaced the broader global equity market, assisted by a weakening U.S. dollar. U.S. stocks, both large-cap and small-cap, enjoyed returns of over 9.0%. Technology was the market’s best performing sector in November, rising nearly +13%. Interest rate sensitive sectors, such as REITs and Financials, also rallied sharply having underperformed the broader equity market for much of the year. REITs enjoyed their biggest monthly advance since October 2011. While this month’s stock rally was at the centre of investors’ attention, bonds, as measured by the Bloomberg U.S. Aggregate Index, enjoyed the best monthly performance since the mid-80’s. Outside of the U.S., both developed and emerging market government bonds were further supported by a weaker U.S. dollar.

The fund’s equity positioning increased broadly via market movement, opportunistic additions and embedded convexity via option exposure. Despite the episodic risk posed to stocks by the instability of long-term U.S. interest rates, we do not find most U.S. stocks particularly expensive when looked at on a forward price/earnings basis. A likely pivot in Federal Reserve monetary policy toward the back half of 2024 may also prove supportive of equity valuations broadly.

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From a sector perspective, we continue maintain a long-term allocation to technology and healthcare. More recently in light of the view that growth, while slowing, will remain supportive, we have balanced this with incremental cyclical exposure, across select industrials, energy and auto companies.

Positioning overweights are concentrated in “stable growth” and “quality” companies that can generate earnings consistency and are aligned with long-term structural trends. This would include software and automation, positioned to grow from R&D, digital infrastructure, and innovation, as well as managed care and medical devices that benefit from aging demographics.

Over the month, the largest increase in exposure was technology which was largely driven by the rally in risk assets. In addition to market movement, the team added to select positions over the month, notably to US banks which we believe to be well-positioned relative to peers and could garner greater market share amidst consolidation and/or market weakness.

Finally, we added to select US energy companies given compelling valuations and the view the supply/demand imbalance is likely to support oil and other commodity prices.

From a regional exposure, we maintained an overweight to U.S. equities, as we emphasized quality and GARP stocks which have historically tended to outperform the broader equity market during periods of economic deceleration. Outside of the U.S., we have rotated some of the fund’s exposure to Japan, where we now maintain a slight overweight (funded by reductions to exposure in Europe and China due to concerns about future growth). In Japan, we believe a weaker currency, supportive monetary policy and shareholder friendly initiatives, and stronger organic growth, as a supportive environment for domestic stocks.

With volatility at a multi-year low across the derivatives market, the team bought index call options to build convexity into the portfolio to allow for additional upside exposure should equity markets experience a rally into year-end. At the individual stock level, we utilized stock replacement trades whereby similar exposure was created via long call options (funded by selling puts) while trimming the stock exposure on the same company, to maintain similar upside with less downside risk should prices decline.

Total portfolio duration was 2.0 years (up from 1.7 years as of October month-end), vs. benchmark duration of 2.4 years.

The bulk of our duration exposure remains in U.S. rates, although relative to benchmark, the fund is underweight, with positioning focused on the front and belly of the curve, at the expense of the long end.

In November, the team remained tactical in our exposure, and used episodic periods of volatility to add and rate rallies to pare down. We have continued to extend positioning out to the 3–5-year part of the curve on the view that when the Fed does begin to transition away from tightening monetary policy, this is the part of the curve that would stand to benefit as the curve steepens. We remain cautious on the long end of the curve due to short-term supply concerns that could push rates higher.

Outside of the U.S., the fund is overweight duration in Europe and Latin America, while underweight Japan. Within Europe, we have both sovereign and short-dated investment grade credit exposure. In addition to the incremental carry when hedged back to the U.S. dollar, European curves are less

inverted as compared to the US, which suggest less potential for rates to rise there. EM exposure is focused in sovereign exposure, notably in Mexico and Brazil, given compelling local yields. Furthermore, with hiking cycles further along in EM (vs. DM), we expect that EM duration can outperform if global growth were to slow further.

Market Outlook and Investment Strategy

We continue to find value in spread assets with exposure in a diversified basket of credit, securitized debt, and various duration hedges. The aggregate exposure of the portfolio's off-benchmark fixed income asset classes represented ~12% of AUM and is a key differentiator vs. traditional "60/40" portfolios. Looking ahead to year-end and the first part of next year, we believe the environment remains supportive for spread assets as a complement to risk assets.

Modest exposure to gold-related securities as an additional hedge to elevated equity volatility.

Cash positioning declined as the team increased the fund's equity positioning. PM, Russ Koesterich was featured in a recent market insight that discussed why investors may want to consider putting cash to work as an extended Fed pause puts us on the lookout for falling cash yields.

As of month-end, the Fund had a modest underweight to the U.S. Dollar, largely driven by the weaker move over the month as both stocks and bonds rallied on encouraging inflation data. The Fund maintained small overweights spread across the Japanese Yen, Swiss Franc and select emerging market currencies, and modest underweights in the Chinese Yuan and Hong Kong Dollar.

Asset allocation (as % of net assets*): Equity: 64%, Fixed Income: 32% Precious Metals: 1%, Cash Equivalents: 3%.

With economic data moderating and U.S. short-term interest rates likely at their peak, we believe that stocks have the potential to continue to appreciate into year-end, albeit with possible bouts of periodic volatility. In our view, recession is no longer the biggest risk to markets. Instead, as occurred last month at a regular government bond auction, it's likely to be caused by instability at the long-end of the Treasury curve. Looking ahead to 2024, we believe that while the economy is slowing, it will remain relatively stable in the first half of next year. That said, exposure will need to remain nimble. As noted in BII's 2024 global outlook, "The new regime of greater macro and market volatility has resulted in greater uncertainty and dispersion of returns. We believe an active approach to managing investment portfolios will carry greater rewards as a result." In this environment, we increased our exposure to equities, bringing positioning to an overweight relative to the benchmark. Within equities, we continue to prefer stable growth and quality, as we believe that stocks in within these categories have the potential to outperform against a backdrop of decelerating economic growth. US inflation data coming in better than expected has been a positive development for financial assets, as it reduces the likelihood of additional Federal Reserve rate hikes, and the recessionary and unemployment risks posed by increasingly restrictive monetary policy. Within fixed income, we have continued to narrow our duration underweight, with a focus on the short-end and intermediate part of the U.S. yield curve. We remain cautious on long-dated U.S. Treasuries due to the supply risks associated with them. The bulk of our fixed income exposure is in a diversified basket of corporate credit, securitized assets, and emerging market sovereigns. In-line with the fund's risk aware mandate, we hold exposure to an array of portfolio hedges (in addition to duration), including derivatives, gold-related securities, cash and FX positioning.

All exposures are based on the economic value of securities and is adjusted for futures, options, and swaps (except with respect to fixed income securities) and convertible bonds. Numbers may not sum to 100% due to rounding.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Equity Income Fund (SGD and USD)

Investment and Market Review

Global equity markets rebounded strongly in November with the MSCI ACWI returning +9.23% as there were some indications of economic improvement in the US and lower inflation rates in developed markets.

In the US, the Federal Reserve (Fed) decided to hold rates steady, that led to a positive sentiment among investors with the market now pricing in several rate cuts next year. Economic data remained resilient as the Consumer Price Index (CPI) data for the month of October was lower than market expectations with inflation sliding to 3.2%(1).

Inflation in the Eurozone fell more than expected to 2.4%(2) in November, mainly driven by falling energy prices. But the European Central Bank (ECB) maintained a cautious view as wage pressures remained strong. In the UK, inflation also fell sharply to 4.6%(3) given lower energy prices. In addition, business activity in the country expanded for the first time since July as the Purchasing Managers' Index climbed to 50.1(4).

In China, retails sales and industrial activity increased more than expected which helped sentiment. The property market continued to be a drag on growth and manufacturing activity in the country shrank for a second straight month in November and at a quicker pace, which suggested the need for more stimulus to shore up economic growth and restore investor confidence.

All sectors had positive returns in the month with Information Technology, Real Estate and Industrials increasing the most. The Energy sector along with the more defensive areas of the markets such as Consumer Staples and Healthcare, had the lowest returns. From a regional perspective, Emerging Latin America, Europe ex-UK and North America had the highest returns.

(1) Financial Times - US stocks and bonds jump after inflation falls to 3.2%

(2) Financial Times - Eurozone inflation falls more than expected to 2.4%

(3) Financial Times - UK inflation slows sharply to 4.6%

(4) Financial Times - UK business activity grows marginally in November

Market Outlook and Investment Strategy

We expect to see further volatility in markets as the debate continues around whether or not interest rates have peaked. Whilst there are signs of normalisation in inflation, we are seeing some signs of weakening consumer demand which could further help levels return nearer to government targets. Notwithstanding that, geopolitical tensions could see inflation levels persist at elevated levels for longer,

forcing central banks to take further action. We have seen a narrow equity market year to date, largely driven by performance of the Information Technology sector, which has benefited from a focus on Artificial Intelligence, despite the long duration characteristics of cashflows and expectations of peaking interest rates. We believe there is scope for the market to see further broadening of returns.

Outside of a small group of stocks, market returns have remained muted given the ongoing debate about the likelihood of a recession. Whilst overall, the consumer has broadly proved resilient to date, we are monitoring data closely for any signs of significant deterioration. We see differing economic conditions priced into various parts of the equity market. Therefore, we see opportunity amongst the uncertainty. We also observe that in cyclical sectors like Industrials, valuations remain demanding particularly in the face of inventory de-stocking, posing risk to equity markets.

We believe quality companies offer resilience in such an environment given their well invested brands, pricing power and intellectual property driving differentiated products and services which are likely to be able to maintain and grow profitability. Historically, quality companies have differentiated themselves in recessionary environments which we believe also holds true in inflationary environments. We continue to seek idiosyncratic stories and structural growth opportunities which we think will be critical in navigating through this period – volatility also poses a potential opportunity for long-term investors like ourselves, given the dispersion in valuations.

We continue to believe it is alpha rather than beta which will drive returns. Our disciplined process focuses on investing in quality stocks at attractive valuations, which gives us confidence that we can continue to construct a well-diversified portfolio that can perform in a range of environments.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global High Yield Bond Fund (SGD and USD)

Investment and Market Review

Per J. P. Morgan, the Global HY market returns were +4.59% for the month of November. High-yield bond yields experienced their most significant decrease in November since July 2022, driven by favorable inflation data, accommodative statements from the Federal Reserve, and strong, resilient economic growth. This led investors to anticipate earlier Goldilocks cuts by mid-2024. From a rating perspective, BBs outperformed single Bs and CCC-rated bonds over the month of November. Global high yield risk premiums narrowed 60 bps in November, representing a final period-end spread of T+461 bps, a yield-to-worst of 9.01%, and an average market-weighted price of $85.34

The fund returned 4.17% in November (net), outperforming its benchmark by 0.04%. Within high yield credit security selection within Banking (o/w Banco Espirito Santo SA), Wireless (o/w Cellnex Telecom) and the Property& Casualty (o/w Alliant Holdings) sectors contributed to the performance results. Conversely, security selection Other Financial Institution (o/w AGPS Bondco) and Healthcare (u/w Community Health System) sectors and underweight allocation to Retailers sector detracted from performance results.

Market Outlook and Investment Strategy

Broadly, there were no significant changes to the fund's investment themes or positioning in November. The fund's portfolio risk increased over the month (beta was 0.99). Overall, the fund continues to favor more measured risk-taking in today's environment. From a ratings standpoint, the fund increased exposure to BBB and CCC rated names while decreasing exposure to AA and D rated names; from a sector perspective, the fund added names to the Banking, Finance Companies and Building Materials sectors, while reducing risk in the Automotive, Leisure and Other Financial Institution sectors over the month.

The fund's core issuer/credit biases remain centered on cash-flow views, determination of a specific catalyst, and/or idiosyncratic characteristics; top issuer overweight include Alliant Holdings (Property & Casualty), Cloud Software Group (Technology) and Clarios Global (Automotive).

From a credit standpoint, we remain underweight BB-rated credits and overweight BBB and B-rated names and select BBB-rated names with improving credit positions or attractive yields.

In addition to credit, we've favored positions in equity and equity-like (preferred and convertible) instruments to enhance the fund's total return profile but will tactically implement hedges to mitigate this risk when markets warrant. We also hold a tactical allocation to CLOs.

Generally, the portfolio remained well-diversified with 722+ issuers, an average issuer-level position of roughly 14bps, with the top 25 names constituting 19.60% of the portfolio.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Gold Fund (SGD and USD)

Investment and Market Review

November was a positive month for gold equities on the back of gold price strength as a weakening US-dollar and declining rate expectations served as tailwinds. The gold price rose by 2.1% in November to US$2,038/oz, ending the month having breached the psychological limit of US $2,000/oz.

For reference, the US 10-year yield fell from 4.9% to 4.3%, and the DXY Index (a US dollar index) fell from 106.7 to 103.5.

Physically backed-gold ETFs recorded outflows for the fifth consecutive month, bringing total holdings down from 2,716 tonnes to 2,693 tonnes.

Meanwhile, net length in the Comex gold futures market rose from 14.9 Moz to 15.5 Moz.

Performance for the non-gold precious metals was mixed, with the silver price rising 9.2%, whilst platinum and palladium prices fell -0.3% and -9.8% respectively.

Market Outlook and Investment Strategy

Gold has been more resilient than one would have expected given the move up in real yields and the outflows experienced by physically-backed gold ETFs.

This appears to have been driven by strong physical demand, particularly from central banks. We believe this provides a solid base for potentially exciting gold price performance should real yields start declining and /or physically-backed gold ETF flows reverse.

Shakey global economic growth, heightened geopolitical risk and the US debt burden are also good reasons to consider gold for diversification in our view.

Meanwhile, sentiment towards gold equities currently appears to be extremely negative; we see this as more likely to improve than worsen on a 12-month view. Gold equities are trading on valuations meaningfully below their long-run averages on a variety of metrics and whilst producers have experienced significant cost inflation, we believe the worst of this is now behind us.

We continue to manage the portfolio with a quality bias so are focused on companies with stronger-than-average balance sheets, lower-than-average costs, higher-quality management teams and better ESG credentials..

Source: BlackRock (Luxembourg) S.A.

Capital Group Global High Income Opportunities (LUX) (SGD and USD)

Investment and Market Review

US high yield bonds rallied over the 12 months under review, returning 9.1%[12]. While yields on US Treasury bonds rose – 82 basis points (bps) to 3.84% in the 10-year part of the curve and 194 bps to 4.90% for two-year maturities – the larger coupons offered by high yield bonds helped to protect them from the sell-off in government debt. In addition, high yield credit spreads tightened sharply over the period, narrowing from 570 bps to 392 bps on an option-adjusted basis for the Bloomberg US Corporate High Yield 2% Issuer Capped Index. The steep inversion of the Treasury yield curve may signal a potential recession, but the US economy has proved remarkably resilient to the sharp hikes in interest rates, helping to allay fears of a sharp rise in default rates. Towards the period end, high yield bonds benefited from growing speculation that a soft landing may be possible.

Emerging market (EM) bonds also advanced over the year to 30 June 2023. US dollar-denominated debt returned 6.8% as measured by the JPMorgan EMBI Global Index. Local-currency debt, as represented by the JPMorgan GBI-EM Global Diversified Index, returned 10.4% in local currency terms and 11.4% in US dollar terms. While central banks in developed economies continued to raise rates to tackle high inflation, EM central banks had started to raise rates earlier. In many EM economies, rates have been kept on hold for much of the review period and, with inflation moderating across numerous emerging economies, there is growing speculation that rates may be cut in some economies in the second half of 2023.

EM bonds contributed the most to absolute returns[13]. Local-currency nominal government bonds helped the most, particularly those in Mexico and Brazil, although South Africa detracted slightly. EM hard-currency government and agency bonds also boosted returns on an absolute basis, with Argentina and Tunisia the top contributors, while Ghana was the largest detractor. EM local-currency inflation linked

[12] Bloomberg US Corporate High Yield 2% Issuer Capped Index.
[13] Reflects absolute contributions to Capital Group Global High Income Opportunities (LUX), in US dollar terms.

bonds were also beneficial, especially positions in Brazil and Mexico. EM corporate bonds also added value, particularly the consumer non-cyclical sector. The basic industry and electric sectors were small detractors.

High yield corporate bonds had a positive impact on the portfolio's absolute returns over the month. The main contributors to absolute returns were the consumer cyclical, energy and consumer non-cyclical sectors. At a security level, Bombardier (Capital goods), Teva (consumer non-cyclicals), First Quantum Minerals (basic industry) and NGL Energy (Energy) were among the top contributors. However, the technology sector and, to a lesser extent, transportation sector weighed on returns, with Diebold Nixdorf (technology) and Altera Infrastructure (transportation) among the biggest detractors.

Market Outlook and Investment Strategy

At the sector level for corporate HY, the portfolio is defensively positioned across a broad range of industries, including to consumer cyclicals and capital goods; but partially offset by a slightly constructive stance to brokerage/asset managers/exchanges, insurance and consumer non-cyclicals.

Within EMD hard currency, we find attractive valuations among the higher-yielding countries on a selective basis, including the Dominican Republic and Honduras. It is underweight in Asia, including to Indonesia and China. Within EMD local currency, GHIO is constructively positioned in Latin America including Brazil and Mexico; Indonesia and South Africa. It is defensively positioned in Thailand, Poland, and Romania.

The high yield market has rallied year-to-date despite tightening financial conditions, but we may see returns moderate in the back half of the year in the event of a significant economic slowdown. Spreads are likely to widen in such a scenario, though they may fall short of recessionary levels, and defaults may increase from the very low levels currently. With limited maturity until at least 2025, new issue from refinancing activity may remain low. Looking at related sectors: The floating rate leveraged loan market experienced near record levels of non-refinancing issuance over the past decade, driven in part by investors' concerns around rising rates. Coupled with the lower overall quality of the loan market compared to the high yield market, we believe that defaults and credit losses for loans could be relatively higher in this cycle.

As inflation continues to moderate across numerous emerging economies, we believe a downward trend in policy rates is likely to follow. This combined with decent sovereign credit fundamentals, relatively attractive nominal rates and positive real rates across many EM countries, leads us to a favourable medium-term view of the asset class. That said, selectivity still reigns given the divergence in policy and inflation dynamics across countries, as well as varying relative and absolute valuations across issuers.

Source: Capital Group

Capital Group New Perspective Fund (LUX) (SGD and USD)

Investment and Market Review

Global equities notched up their best annual return since 2019, with risk appetite driven byhopes of multiple interest rate cuts in the U.S. and Europe during 2024. Falling inflation allowed the US Federal

Reserve (Fed) to sound a dovish pivot even as indicators pointed to continued growth for the US economy, reinforcing optimism around a 'Goldilocks' outcome.

All sectors of the MSCI All Country World Index ended the year higher. Information technology, communication services and consumer discretionary led while utilities, consumer staples and health care were among the laggards.

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. NPF 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

First Sentier Bridge Fund (SGD)

Investment and Market Review

2023 was a challenging year for Asian markets. The euphoric mood from China's post-Covid reopening at the start of the year revealed its alter ego as the year progressed with a slew of turbulent events, such as the regional banking crisis and Israel Hamas war. Adding to that, Asian Credit was dealt a challenging hand – the persistent increase in US rates, a struggling Chinese property sector as well as China's economic slowdown. Fortunately, the resilience of the Asian Credit market came through, with the JP Morgan Asia Credit Index (JACI) Investment Grade benchmark seeing a total return of 7.42%.

Asian equities rose over the year. Weaker inflation readings in the US and comments from Federal Reserve Chair Jerome Powell raised hopes that rate cuts are on the horizon. South Korea was boosted by the ensuing positive market sentiment as well as a domestic ban on short-selling. Taiwan also rose, as its technology and growth companies should benefit from a lower interest-rate environment. Hong Kong and China lagged amid ongoing concerns over geopolitics, property risks and lack of major stimulus.

Market Outlook and Investment Strategy

It has been a decade of poor performance across most Asian equity markets, but in our view that means there are grounds for greater optimism. One prerequisite for higher returns is lower prices, while slower growth (at the economy and at company levels) could, paradoxically, pave the way for higher shareholder returns. In a tougher operating environment, the better companies tend to strengthen their position and gain market share. That is why "quality" tends to perform well in bear markets.

From that perspective we are relatively optimistic, particularly as the quality of the portfolio has seldom been better and the valuation looks attractive. As always, the team's investment process and philosophy remains driven from the bottom up and is focused on finding the region's best companies that can grow larger over time. Meanwhile, we believe pessimism, anchored by lower valuations, is usually a good reason to think more constructively about the opportunities.

In Asian Investment Grade credit, fundamentals remain stable but demand and supply dynamics will likely remain a tailwind during the early part of 2024. Even at relatively tight credit spreads, high all-in yields makes this asset class attractive from an income carry perspective. The Fund's bias is to focus on higher quality names that have the liquidity and resilience to withstand a hard global landing, should such a scenario emerge.

Source: First Sentier Investors

Franklin Biotechnology Discovery Fund (SGD and USD)

Investment and Market Review

Rising interest rates were a detriment to the global health sector, but signs of stabilization emerged throughout the year. M&A activity was reinvigorated alongside FDA drug approvals, leading to a reversal in sector performance from the more difficult 2022 environment. The fund's outperformance was driven by strong security selection in both Biotechnology and Pharmaceuticals.

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The largest contributions to relative performance were off-benchmark Eyepoint Pharmaceuticals and an overweight in Cymabay Therapeutics. Eyepoint Pharmaceuticals reported data from their Phase 2 trial for wet age-related macular degeneration (Wet AMD) that hit all primary and secondary endpoints with a clean safety profile. The positive outcome of this trials caused significant share price appreciation and marked Eyepoint as competition for other Wet AMD mainstay treatments. Cymabay, a clinical-stage biopharmaceutical Cymabay, a company focused on developing and providing therapies to treat liver and other chronic diseases, received favorable approval from the FDA for key treatment of liver disease after continued promising results from their Phase 3 trial. Another key contributor to relative returns was an underweight to Moderna, despite being the largest detractor through the COVID-era. The stock sold off throughout the year after a number of disappointing earnings reports and continuously falling vaccine demand.

In the pharmaceuticals industry, the selloffs in Jazz Pharmaceuticals and Revance Therapeutics were among the largest detractors as we were heavily overweighted in both companies. The shares of Jazz, which develops cannabis-based pharmaceutical drugs, declined after the company disclosed it is pausing the development of its Phase 1b Orexin narcolepsy drug following a negative readthrough. Revance Therapeutics' shares fell as the company revealed total second-quarter 2023 revenues that were below consensus expectations, along with higher-than-expected costs associated with the marketing support behind a dermatology drug similar to Botox. PTC Therapeutics was another key detractor after the share price fell following announcements of a workforce reduction of roughly 25% and missed earnings reports.

Market Outlook and Investment Strategy

In 2023, the biotechnology and pharmaceutical industries began to stabilise, despite continuing to face business and economic challenges that started in 2022. M&A activity across the sector began increasing in 2023 as industry leaders Pfizer and Amgen—both anticipating loss of exclusivity for several key drugs—sought acquisition opportunities during the year. However, the firm hand of regulators was felt during these large acquisitions as the Federal Trade Commission (FTC) initially blocked Amgen's acquisition of Horizon Therapeutics. Though it was ultimately resolved, and the deal closed in October, we recognise the regulatory pressures and uncertainty the sector continues to face. To avoid regulatory scrutiny, we may see a shift away from blockbuster (US$10 billion+) deals involving larger commercial-stage targets with meaningful product sales in favour of smaller but later-stage, clinically de-risked names.

The COVID-19 pandemic brought an unprecedented amount of emerging biotechnology to the initial public offering (IPO) stage, but 2023 told a different story that could continue to unfold in 2024. Simultaneously, big drugmakers want to deepen their product pipelines as the approaching "patent cliff" and the Inflation Reduction Act (IRA) threaten future revenue, with an estimated US$200 billion in annual patent-related revenue at risk through 2030. The road ahead for biotechnology and pharmaceuticals may be different from that of prior years, but as we move into the post-pandemic era, the industry is not lacking innovation prospects despite potential consolidation.

Alongside the biotech and pharma spheres, we are encouraged by what we are seeing in background processes, as novel discovery tools and the adoption of artificial intelligence (AI) and machine learning (ML) technologies are enabling faster and more rational drug discovery and development. While still in the early stages, the adoption of AI/ML tools in drug discovery is expected to grow rapidly in the near

term. We believe AI/ML offers the potential to identify novel targets that were previously thought to be "undruggable," as well as improve drug design by simulating molecular behaviour and interactions.

We believe that, over the long term, investment in the biotechnology industry should lead to a potentially strong performance. The biopharmaceutical business model benefits from wide intellectual property moat (i.e., competitive advantage over other firms), strong pricing power and high profit margins. Global pharmaceutical expenditures are growing at an above-GDP (gross domestic product) rate and are relatively insulated from fluctuations in the business cycle. This is supported by the ageing of developed country populations and the dynamic that older individuals consume far more pharmaceuticals than younger ones. Lastly, innovative new drug platforms and technologies are broadening the market opportunity in areas that still have significant unmet medical needs, outpacing the loss of revenues to patent expirations and legislated price cuts.

Source: Franklin Templeton

Franklin Technology Fund (SGD and USD)

Investment and Market Review

After a tumultuous 2022, marred by persistently high inflation, rapidly rising rates, and broader economic uncertainty, global equity investors enjoyed higher returns in 2023 driven largely by companies within the technology sector and adjacent industries. In a flight to safety, however, much of sector returns were concentrated in what investors dubbed 'The Magnificent 7'. The buzz surrounding Generative AI (Gen AI) further boosted returns for these seven names as investor demand for AI-relevant microchip, software, and computing infrastructure companies soared upon realizing the opportunities for enhanced productivity gains and prospects for accelerating growth. The latter part of the year began to see beneficiaries of stabilized cost of capital and demand for applications of gen AI further down the market cap, a trend we expect to continue into 2024.

Within the portfolio, relative returns were supported foremost by favorable stock selection in Internet Services and Infrastructure. These holdings included off-benchmark and over-weighted contributors Shopify and Mongo DB, which both returned triple digits on the year. Shopify emerged as one of the fund's largest individual contributors through 2023 as the cloud-based commerce platform demonstrated strong sales and profitability trends. We anticipate continued growth from Shopify with the integration of Shopify Magic, a suite of AI-enabled features that assist in store building, marketing, customer support, and back-office management. Alongside Shopify, a significant underweight to Apple, which comprises over 20% of the index and saw lagging share price appreciation, and an off-benchmark exposure in Amazon, which continues to leverage strong AI demand via cloud services and other mechanisms, were the fund's largest individual contributors. Also additive to relative returns was our underweight in both IT Services and Communications Equipment as several poor-performing index-component companies sold off toward the end of the year, like Cisco Systems.

Conversely, relative returns were hindered by an off-benchmark allocation in specialized REITS through Crown Castle. Crown Castle stock has been impacted by slowed capex as investment as interest rates rose and inflation persisted; valuation multiples for Crown Castle and its peers were heavily impacted given their highly leveraged business models. Ultimately, we are continuing to monitor this exposure but

believe carrier capex spending may have the potential to resume to keep up with demand for data growth. Off-benchmark exposure to Construction/Heavy Machinery through Proterra also hurt relative returns but was eliminated by August. From an individual detractor standpoint, the fund's overweight to Dutch payment processor Adyen created a substantial performance lag. Fintech holdings throughout the industry were pressured by signs of declining payment volume growth and near-term earning slowdowns that were poorly received by the market. Adyen's stock price hit its 3-year low in August and the position has since been eliminated. Additionally, overweight exposure in BILL Holdings within Application Software hindered returns. Despite its rapid revenue growth, BILL has been impacted by broader market sentiment as investors became increasingly pessimistic about unprofitable IT companies in a high-inflationary environment. We are closely monitoring competition within BILL's sphere of operations and, though we acknowledge this might be a macro-sensitive story that could remain volatile in the near term, we still believe there still could be opportunity in this field.

Market Outlook and Investment Strategy

Looking back on 2023, we are very pleased to see global equity markets start to recognize many of the themes and quality businesses we've identified and invested in within our portfolio. Our unique perspectives, grounded in deep fundamental research, positioned us well to benefit from revived investor interest in AI-relevant microchip, software, and computing infrastructure companies, a new commitment to cost-cutting from the tech world, and expectations for ongoing productivity enhancements and accelerating growth prospects. With a more supportive economic backdrop in view, we continue to be excited about investing in this sector.

There are four key factors that we believe can drive potentially strong IT sector returns in 2024: (1) an inflection in revenue and earnings growth after several quarters of post-pandemic demand digestion; (2) resilient secular demand for DT and the "application" phase of genAI; (3) a more stable inflation and interest-rate environment; and (4) reasonable equity valuations on an earnings growth-relative basis. Our confidence in above-market growth rates for the IT sector is bolstered by our assessment of strong demand for genAI use cases which we believe should edge into the application stage for enterprise businesses in 2024.

Source: Franklin Templeton

Franklin U.S. Opportunities Fund (SGD and USD)

Investment and Market Review

US equities, as measured by the Standard & Poor's 500 (S&P 500) Index, posted a robust total return for the 12 months ended December 31, 2023. Several prominent bank failures in the early part of the year drove increased uncertainty amongst investors, but government intervention led to swift reorganisations and equities recovered from a brief decline. Technology-related stocks helped support the equity market amidst costcutting efforts and investor optimism that artificial intelligence (AI) would lead to strong growth opportunities, particularly for the manufacturers of the fast microchips that power new AI applications. Towards year-end, moderating inflation and a softening but resilient job market led to investor optimism that the US Federal Reserve (Fed) has concluded its rate-hiking cycle (after pausing for three consecutive meetings) and can manoeuvre the US economy into a soft landing.

The Fund finished the year-to-date period with positive double-digit percentage returns but trailed its benchmark, the Russell 3000 Growth Index. The combination of stock selection and an overweighting in the real estate sector was the biggest drag on relative returns. Within the sector, slower carrier spending and a deceleration in US tower leasing weighed on the shares of wireless tower operator SBA Communications.

Stock selection in the consume discretionary sector further pressured relative returns. A combination of softer discretionary spending by many consumers and excess inventory from supply-chain disruptions led to lower revenue growth during 2023 for sports merchandiser Fanatics Holdings. The utilities sector also hindered returns, with a position in NextEra Energy (not held at period-end) hindering performance. The shares of the renewable energy provider were pressured by investor concerns about slower growth and the financing of future capital projects.

Elsewhere, a weak biotechnology funding environment and channel destocking trends dragged on the shares of life sciences and diagnostics company Danaher in the health care sector.

In contrast, stock selection in the communication services sector delivered outsized relative performance for the fund. Within the sector, the shares of Meta Platforms have been up strongly for the year as aggressive cost cutting, improving fundamentals and an increased focus on AI (artificial intelligence) boosted the interactive media company's stock. Also making a meaningful contribution was our investment in ridesharing company Uber Technologies in the industrials sector. An increase in bookings and a reduction in expenses have been driving profitability for the company. The information technology sector included several holdings that lifted relative returns, including digital workflow manager ServiceNow and cybersecurity company CrowdStrike Holdings.

Market Outlook and Investment Strategy

The year 2023 defied initial consensus expectations that stubbornly high inflation and sharply rising interest rates would impact US economic growth and lead to a recession. Instead, we were encouraged by resilient economic data, easing inflation and the possible end of the Fed's tightening cycle.

In such an environment as 2023, overall US equity returns were extraordinary but driven by a narrow group of mega-capitalisation growth stocks, although market breadth began to improve in the fourth quarter. We believe the scope of equity market performance will broaden further in 2024 and expect several attractive secular themes to drive returns. For example, we remain excited about compelling innovations within the medical technology space, including surgical robotics and bioprocessing systems. We see further potential in several companies that are playing leading roles in society's ongoing energy transition and the proliferation of generative AI.

In the technology space, after a period of budget cutting, we believe businesses in all industries will be more focused on digital transformation to remain competitive. Our confidence in core above-market growth for the information technology sector will likely see an additional boost from strong demand for generative AI. We believe generative AI represents the next major computing platform shift and will likely be a multi-trilliondollar investment opportunity over the next decade. In 2024, we expect to see early AI applications enter the market for consumer and enterprise use. In our longer-term view, generative AI has the potential to accelerate productivity growth, drive profit margin expansion for many companies, and be a tailwind for economic growth.

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While we remain watchful of macroeconomic uncertainties, they do not drive most of our investment decisions. We believe active management is critical to moving quickly and successfully in today's dynamic markets. We look for opportunities that can potentially deliver positive long-term results, even in an environment of elevated interest rates. We have been finding opportunities in what we consider to be high-quality businesses levered to durable secular growth themes with market-leading competitive positions along with strong balance sheets. We believe companies that possess these qualities can invest and grow through a range of economic conditions.

Source: Franklin Templeton

FSSA Dividend Advantage Fund (SGD and USD)

Investment and Market Review

Key contributors to performance included Taiwan Semiconductor (TSMC) which was buoyed by the positive sentiment on AI-related stocks. TSMC has maintained its cutting-edge technology leadership and continued to strengthen its competitive position. Colgate-Palmolive (India) benefited from recovering volume growth and margin expansion.

On the negative side, JD.com fell on concerns of slowing sales growth and rising competition. We think the franchise is still solid, consumer mindshare is strong (especially among mid to high income groups) and valuations are very attractive. China Mengniu Dairy declined on weak consumer demand, though we continue to believe it should benefit gradually from the long-term premiumisation trend with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition.

Market Outlook and Investment Strategy

It has been a decade of poor performance across most Asian markets, but in our view that means there are grounds for greater optimism. One prerequisite for higher returns is lower prices, while slower growth (at the economy and at company levels) could, paradoxically, pave the way for higher shareholder returns. In a tougher operating environment, the better companies tend to strengthen their position and gain market share. That is why "quality" tends to perform well in bear markets.

From that perspective we are relatively optimistic, particularly as the quality of the portfolio has seldom been better and the valuation looks attractive. As always, the team's investment process and philosophy remains driven from the bottom up and is focused on finding the region's best companies that can grow larger over time. Meanwhile, we believe pessimism, anchored by lower valuations, is usually a good reason to think more constructively about the opportunities.

Source: First Sentier Investors

FSSA Regional China Fund (SGD and USD)

Investment and Market Review

Taiwan Semiconductor (TSMC) rose on the expectation that inventories are close to bottoming out (though the timing of any recovery is still uncertain). TSMC has maintained its cutting-edge technology

leadership (in terms of its chips' processing speed and power consumption); and this, along with its business alignment with its customers, has continued to strengthen its competitive position. Mediatek rose on signs of recovering end-demand for smartphones. The company, which designs integrated circuits on semiconductor chips, is benefiting from the use of artificial intelligence in its processes, as it can optimise performance and shorten the chip development time.

On the negative side, China Mengniu Dairy has been affected by weak consumer demand as China's economic recovery remains fragile. In the long run it should benefit from the "premiumisation trend", with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition. China Merchants Bank missed the market's expectations, with net profit growth weaker than forecast. Revenue was lower due to a decline in fee income and a compression in net interest margins; but on the positive side, retail loans posted a modest recovery, asset quality remained stable, and deposit growth was strong.

Market Outlook and Investment Strategy

Investing in China's dynamic market comes with an evolving set of challenges and opportunities. Today, the key challenges include shifts in geopolitics, policy priorities and demographics. In the shorter term, weak consumer confidence and rising unemployment have been additional areas of concern. But there is also an attractive opportunity set in a unique market. The quality of Chinese companies and management have improved over the years and there is room for industry leaders to continue to deliver attractive returns in a maturing economy.

As always, the Fund seeks to invest in quality companies with proven management, dominant franchises and conservative financials. Market downturns provide attractive opportunities to accumulate quality companies at lower prices – perhaps the best time to buy is when things appear gloomy and valuations are undemanding.

Source: First Sentier Investors

HGIF - Asia Pacific ex Japan Equity High Dividend (SGD and USD)

Investment and Market Review

MSCI AC Asia Pacific ex Japan gained 2.66% over second half 2023 (SGD term). In terms of geography, Korea was the best performing country while Mainland China was the worst performing country. In terms of sectors, Real Estate was the top performing one while Consumer Discretionary underperformed.

Taiwan and Korea became the best performing markets driven by artificial intelligence related euphoria and peaking rates narrative. India also outperformed as economy continues to recover and continued net inflows from both foreigners and domestic investors alike. On the other hand, Mainland China was the worst performing market driven by China property, concerns of an economic recovery, and continued geopolitical uncertainty.

The fund outperformed against the benchmark on a 6-month basis. Positive allocation and stock selection effects in Industrials and Information Technology positively contributed to performance, partially offset by the unfavourable allocation and stock selection effects in Financials as well as unfavourable stock selection effect in Consumer Discretionary and Staples space.

In terms of positioning, we are most overweight to Korea, communication services and financials. On the other hand, we are most underweight to India and Consumer Discretionary as of end December 2023.

Market Outlook and Investment Strategy

Asian markets have been choppy but ended in the green to end the year with a 'sooner than expected rate cut' comments from the Fed lifting sentiment on risk assets such as equities. With interest rates having peaked, appetite for greater risk in the form of equity fund strategies could potentially return in 2024. 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 – suggesting higher alpha than beta markets currently, and benefits active equity managers like ourselves.

Source: HSBC Global Asset Management

HGIF - Global Equity Climate Change (SGD and USD)

Investment and Market Review

The Global Equity Climate Change Fund returned 2.8% over the period 1 July 2023 to 31 December 2023. For the first four months of the period, rising rates and concerns about an economic slowdown pressured global equities. However, in the last two months, as rate expectations were reset lower following slowing inflation numbers and a more dovish Federal Reserve, global equities staged an impressive rally. The Fund was up 20.5% in the last two months. Although sales growth was slowing, we still saw strong earnings momentum in our portfolio with 86% of companies reporting earnings exceed expectations in Q3 2023 results. The Industrials sector was the primary positive contributor to the Fund whilst Utilities and Consumer Discretionary sectors were negative, with the latter sector driven solely by weakness in our holding in BYD. Adaptation stocks were strong positive contributors as water infrastructure companies delivered robust earnings results and environmental testing stocks, like Danaher and Agilent, rebounded. Technology companies in the Information & Communication Technologies (ICT) and Circular Economy sub-sectors also displayed resilient performance such as Accenture, Capgemini and Autodesk driven by multiple re-rating. Renewable Energies was the weakest performer as challenges in the wind and solar sector hampered our holdings in Orsted, Solaredge, Enphase and Sungrow.

Market Outlook and Investment Strategy

Inflation has moderated to a more manageable level, easing the business environment going forward. It could also support the case for centrals banks to pause rate hikes and even to consider cutting them. 2023 ended with the COP28 conference in UAE, where countries agreed to triple renewable energy capacity and double energy efficiency by 2030, reinforcing momentum behind the climate theme. The breadth and resilience of demand for climate change solutions has been encouraging, with particular strength in Energy Efficiency, Adaptation, ICT, Circular Economy and Green Buildings. The near-term outlook for the climate theme is very attractive – the global trend of reshoring and the large US stimulus measures (Inflation Reduction Act (IRA), Infrastructure Investment & Jobs Act and CHIPS Act) should drive up multi-year investments across all climate eco-sectors. We have started to see these investment

dollars impacting the financials of our portfolio companies and expect this to accelerate in 2024. As for the investment strategy, the Climate Change Fund is focused on capturing the secular growth opportunities from the climate theme, whilst remaining disciplined on valuation and company quality. Successive quarters of consistent earnings beats of portfolio companies is a testament to the pricing power and structural tailwinds behind our businesses. Even though Renewable Energy and Energy Efficiency are the biggest weights in the portfolio, we see growing importance of ICT in the fund. Whilst we are overweight in Europe, we also see more opportunities to add exposure to the US.

Source: HSBC Global Asset Management

HGIF - Global High Income Bond Fund (SGD and USD)

Investment and Market Review

The strategy delivered positive absolute performance over the period gross of fees. Overall the fund saw positive contribution to return across all asset classes with Euro Credit the best performing segment followed by US and EMD while Securitized Credit lagged somewhat.

H2 ended with a risk asset rally which saw markets finish close to historical highs in a year that started off with volatility, weak sentiment, and negative returns. Following the banking crisis in March which saw risk assets sell off, markets seesawed somewhat as they focused on inflation concerns and debt ceiling anxiety. This gave way to more optimistic sentiment in the second half of the year as inflation concerns began to subside and the expectations for a soft-landing and potential rate cuts in 2024 became the dominant market narrative. As a result credit markets delivered positive total returns in the 2nd half of the year

The US treasury curve normalized somewhat in the second half of the year. The 2, 5, 10 and 30 year saw yields move by -0.65%, -0.31%, 0.04% and 0.17% respectively to finish December at 4.25%, 3.85%, 3.88% and 4.03%.

Market Outlook and Investment Strategy

Starting off 2024, investors seem firmly convinced of a soft economic landing scenario with current spread levels remaining optimistically tight. On the other hand, markets are also expecting a significant number of rate cuts in 2024, starting as soon as March. Our view is that the global economy could slow more meaningfully than what markets are pricing, and we think its likely to occur in the first half of 2024. As a result, over the longer term we still expect that spreads are more likely to move wider in 2024 as we move towards a slowdown with more moderate inflation. In the short term, while we don’t see any specific catalyst that would send spreads meaningfully wider, we do recognize the increased uncertainty which could lead to some short-term volatility in both rates and credit spreads. We continue to have a defensive bias but remain tactical with our positioning, taking advantage of short-term opportunities as they arise.

In global cross-over portfolios, while we continue to see longer term credit spread risk, the immediate threat of a recession seems to have eased. We had reduced HY credit hedges, increasing portfolio beta into the year-end rally. We continue to maintain attractive carry by taking advantage of the flat yield

curve. Regionally allocations have remained largely unchanged over the month, while the overweight to duration decreased slightly vs the investment universe. We continue to take advantage of new issuance in the primary market, when possible, predominantly in higher quality paper.

Source: HSBC Global Asset Management

HGIF - Global Short Duration Bond (SGD and USD)

Investment and Market Review

In H2, both rates and credit markets overall rallied as a result of Q4 inflation moderating to target, economic data holding firm and the dovish shift from the Federal Reserve. The US 10-year Treasury widened 4bps to 3.88%, the German Bund tightened by 37bps to 2.02% and the UK 10-year Gilt decreased by 85bps to 3.54%. Investment grade global corporate spreads tightened by 24bps to 1.15%, global high yield corporate spreads decreased by 68bps to 4.23%. The Bloomberg Barclays Global Aggregate Index rose 4.06% on a USD hedged basis, whilst the unhedged quarterly return was 4.22%. Sterling and Euro were positive which increased the return for the unhedged index. The Bloomberg Barclays Euro Aggregate returned 4.84% in EUR terms and 7.20% when measured in USD. The Barclays US Aggregate rose by 3.37%.

The fund returned 5.5% and outperformed the benchmark by 179bps. In Q3, outperformance was driven by Credit and in particular Securitised Credit which continued to benefit from higher interest rates through high coupon payments. This more than offset underperformance from our overweight to duration as short maturity interest rates rose as a result of inflation. In Q4, both Credit and Rates were key drivers of performance as we were overweight duration and credit risk and both rallied significantly. We had been building these positions throughout Q2 and Q3 in anticipation of economic data remaining resilient and inflation continuing its downward trajectory back to the target.

Market Outlook and Investment Strategy

Yields for UST remain pressured upwards, given sticky service sector inflation and a hawkish Fed. Bond The most notable event in H2 was the long awaited 'pivot' by the Fed. Along-side softer inflation prints and a resilient labour market in the US, this allowed markets to begin to price in the expectation that the battle against inflation was over. Whilst the move in Q4 was welcome and boosted performance, we remain modestly constructive on the overall credit outlook. Overall, we think spreads, particularly in USD denominations, are beginning to look tighter from a valuation perspective. That being said, in the near term, we continue to remain moderately risk-facing, given that the data suggests no clear signs of triggering a 'hard landing' scenario at this stage. Moreover, interest rate sensitive sectors which initially experienced pain on the way up, will likely benefit from the impact of rate cuts on the way down. The bias is to continue maintaining an overweight carry positioning, given that both yields and spreads in certain pockets of the credit market continue to offer attractive opportunities.

In rates, we are overweight duration and the fund currently has a duration of around 2.7 years. We are also overweight selectively on high quality and high carry credit. Thus, starting yields on short duration bonds are still very attractive and can be the basis for total returns without having to reach for duration.

Whilst we do believe that there will be rate cuts in 2024, they are likely to be gradual and in the latter stages of 2024. Given this higher-for-longer macroeconomic environment, 2024 will likely be volatile, especially as market try to price in not only rate cuts but their magnitude and frequency. What's more is that when interest rates do fall, the bond curve will likely steepen, with the move being more pronounced at the front end of the curve, benefitting the short duration portfolio.

Source: HSBC Global Asset Management

HGIF - Managed Solutions – Asia Focused Income (SGD and USD)

Investment and Market Review

The fund generated positive return over the 6-month period on the back of favorable performance across most major asset classes. Asian equities contributed positively to the performance amidst hopes that US interest rates may have peaked led to renewed investor appetite across the region. South Korea and Taiwan were among the top performing equity markets in Asia driven by excitement over AI. On the fixed income front, Asia investment grade bonds gained with markets discounting more aggressive rate cuts in 2024. Asian high yield bonds were down during the period as negative sentiment was built on the back of missed coupon payments from one of China's biggest property developers.

Market Outlook and Investment Strategy

Disinflation in the West should continue into 2024, despite some areas of 'stickier' inflation, while growth is slowing. Eastern economies face a more benign growth and inflation picture, with pockets of strength across Latin America and Asia, despite China's slower economic recovery. Growth in the US has remained surprisingly strong, as economic activity and labour markets have proven resilient. However, we anticipate a slowdown in 2024 as consumer savings dwindle and higher interest rates impact the real economy. The Fed has now likely reached the peak of its policy tightening cycle, and we expect rate cuts from Q2 2024. Growth in Europe has already started to slow, and we expect recession to take hold next year. Sluggish Eurozone economic data and softer-than-expected inflation prints limit the risk of further ECB policy tightening. Over the longer term, we believe there is a new economic regime taking shape in Western markets, with 2% set to become an inflation floor, rather than a ceiling. In addition, fiscal policy may play a more important role, leading to higher inflation and interest rates. In the East, inflation is less of a concern, and areas of supportive policy can help maintain growth. China's economy continues to face a challenging property market and weaker consumer confidence, but further monetary easing is possible, with more fiscal support required to sustain a recovery. In Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HGIF - Singapore Dollar Income Bond (SGD and USD)

Investment and Market Review

The Singapore dollar bond market returned positively over the past six months. Singapore sovereign yield curve tracked the US treasury curve closely by steepening in light of the continual pause in rate

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hike over the period. The Monetary Authority of Singapore (MAS) kept all its monetary policy settings unchanged, with cautious optimism on 2024 growth. This was largely driven by the MAS' assessment of a modest recovery in the global electronics cycle, which showed signs of bottoming out from 3Q GDP. Core inflation continued decelerating from its peak in the first half of the period before picking up in pace due to volatility in energy and food prices. Manufacturing production and non-oil domestic exports (NODX), both showed some green shoots, marking a positive turn in the manufacturing cycle and electronics exports. While initial signs were pointing to softening of labour market conditions with increasing retrenchments in 3Q, the overall condition remained better than pre-pandemic levels, providing resilience to household spending. Meanwhile, Asian credit market also returned positively during the period as US Treasury yields trended lower towards the end of the year after spiking up beforehand as both investment grade and high yield credit spreads tightened, with investment grade bonds outperforming high yield bonds.

Market Outlook and Investment Strategy

The Monetary Authority of Singapore (MAS) has kept its monetary policy unchanged at its last policy meeting in October and we expect no change in MAS's monetary policy in near-term due to the sticky inflation. In our view, MAS has completed its tightening cycle and should be on hold for an extended period. If the disinflation trend continues in the coming months, this should allow MAS to embark its rate cut cycle in early 2024. From technical perspective, the Singapore Government Securities (SGS) should stay less volatile than USTs and be well supported by the low bond supply next year according to the 2024 SGS issuance calendar. We expect SGD yields to follow a moderate downward trajectory, in sympathy with the decline in UST yields over the course of next year.

The fund's duration was being managed at around four years. Over the month, the fund increased exposure to Indonesia property and Japan financials, while trimming exposure to Singapore property. Meanwhile, it continues to hold a meaningful size of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Singapore, Europe and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund is exposed to China financials, Macau gaming and India renewables. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 1 (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with

commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

As a result, all five World Selection Portfolios posted positive absolute returns

Market Outlook and Investment Strategy

There are three key market themes that we anticipate characterising 2024. We are positioning the World Selection portfolios to capture these opportunities.

Slowing growth in Western markets: we expect high interest rates, tighter lending standards, and reduced government spending to slow economic activity

• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 2 (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

As a result, all five World Selection Portfolios posted positive absolute returns

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation There are three key market themes that we anticipate characterising 2024. We are positioning the World Selection portfolios to capture these opportunities.

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• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 3 (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

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Market Outlook and Investment Strategy

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• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 4 (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

As a result, all five World Selection Portfolios posted positive absolute returns

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation There are three key market themes that we anticipate characterising 2024. We are positioning the World Selection portfolios to capture these opportunities.

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• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 5 (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

As a result, all five World Selection Portfolios posted positive absolute returns

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation There are three key market themes that we anticipate characterising 2024. We are positioning the World Selection portfolios to capture these opportunities.

Slowing growth in Western markets: we expect high interest rates, tighter lending standards, and reduced government spending to slow economic activity

• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

JPMorgan ASEAN Equity Fund (SGD and USD)

Investment and Market Review

The ASEAN Markets were largely flat in 2023, while the ASEAN Equity fund lagged marginally on weak stock selection. Stock selection was particularly weak in Materials, albeit names in Consumer Discretionary were helpful. At the country level, stock picking was strong in Indonesia and Philippines, although was not enough to offset the drag from Singapore and Thailand.

On the positive side, In Indonesia, the underweight to Gojek was the largest contributor as the company battled with increasing competition and continued to report quarterly losses. However, the company ended the year with positive news on its collaboration with TikTok. Indosat (Indo telco) was another contributor as the company released good quarterly results, raising their full year guidance on strong cost savings. Within Indo financials, quality banks BCA and Rakyat continued to deliver strong results. They continue to be key indirect beneficiaries of the robust FDI flows going into Indonesia, particularly in the EV related space. The banks have very health loan growth momentum and trading at robust ROE levels. In Philippine, overweight to Ayala Land helped as reported profits grew strongly and the management aims to double earnings over 5 years to 2028. In Thailand, underweight to Energy Absolute helped as the sector sold off on electricity tariff cuts. In Vietnam, off-benchmark exposure to Gemadept (seaport operator) did well on improving fundamentals. FPT (technology solutions provider) rallied double digits and traded at an all-time high on strong balance sheet and high operating efficiency. In 3Q24, they also announced a partnership agreement with Nippon Seiki in Japan, which is a global tier-1 supplier of meters and head-up displays (HUD) for motorcycles and autos.

On the negative side, In Thailand, overweight to SCG Packaging, Global Power Synergy, CP All and underweight to AIS all dragged for their individual reasons. SCGP Packaging was affected by a slower recovery in China. Global Power Synergy (Utility) sold off on concerns over risks of decline from the new government's pledge to cut electric tariffs, which could potentially be a structural shift for the sector. CP All (CVS operator) was impacted by relatively muted consumption which was impacted by a slower than expected recovery. The underweight to AIS (telco) detracted as the telco sector saw industry repair after a period of intense competitive. In Singapore, we underweight Singapore Airlines which was a beneficiary of return in tourism. Elsewhere, the overweight to MapleTree Commercial Trust (REIT) hurt on higher rates. In Malaysia, Mr. DIY was affected by a weak domestic consumption sentiment due to the government's removal of fuel subsidies.

Market Outlook and Investment Strategy

ASEAN is seeing a two-speed economy, with strong services growth offsetting a slowdown in manufacturing exports. Re-opening narratives are still valid, but the pace of recovery in markets like Thailand have been weaker than expected. Financial conditions are tightening at the margin, but the outlook still looks relatively benign, given strong FDI flows into the region amidst ongoing supply chain reconfiguration. Governments are also on conservative fiscal and monetary settings which give them room to maneuver if required.

Going into 2024, a Fed pivot and a weaker USD could be positive for the region. ASEAN equities are negatively correlated with the US Dollar. Overall ASEAN Valuations are looking more attractive than they have been for a long time. At the core, the structural positives for ASEAN continues to be evident. After a pause during covid, the return of FDI through supply chain diversification will continue to be a key driver for the region. Financial and digital penetration will continue to rise. Tourism should also see further recovery in 2024. Investment opportunities present itself through not only 'Old Economy' sectors; but there are also a multitude of 'New Economy' businesses that are emerging as well. These include both enablers and disruptors riding the increasing digitalization, as well as beneficiaries of the decarbonisation mega-trend.

We are overweight to Indonesia and Vietnam (long term growth profiles). Indonesia is ramping up for its own elections in Feb 24, while Vietnam is showing signs of recovery after a painful correction period. Exposure in Thailand is more selective but nonetheless is positioned for its bumpier than expected tourism revival. Malaysia continues to be an underweight, but bottom-up ideas continue to present itself. At a sector level, Financials offers exciting opportunities both cyclically and structurally. Across ASEAN, we believe a bar-bell approach to economic sensitive and longer-term growth plays will help add alpha. Fundamentally, we aim to look for long-term compounders and domestic champions with attractive growth prospects.

Source: J.P. Morgan Asset Management

PIMCO Emerging Markets Bond Fund (SGD and USD)

Investment and Market Review

December saw a continuation of the November rally as markets embraced the narrative that central banks would cut interest rates in 2024, and perhaps sooner and to a larger magnitude than previously

expected. The Fed's quarterly dot plot showed the median expectation of FOMC members was 75bps of cuts in 2024 from 50bps previously, with all but three officials seeing at least 50bps of cuts. With a decline in headline inflation and a more dovish Fed, both stocks and bonds saw outsized returns, ending 2023 strongly. Inflation broadly trended lower across major developed economies. US headline inflation (CPI) came down to 3.1% YoY whilst core inflation remained at 4.0%. However, the PCE reading came in at 2.6% YoY, 0.2% below consensus. In the Euro Area, headline and core inflation also came down to 2.4% YoY and 3.6% YoY, respectively. The UK saw a significant downside surprise in inflation as headline and core inflation came in at 3.9% YoY and 5.1% YoY, respectively.

The PIMCO GIS Emerging Markets Bond Fund returned 5.10% (Inst. Acc. USD unhedged share class, net of fees) in December, outperforming the JP Morgan Emerging Markets Bond Index (EMBI) Global Composite Index by +29bps. Year-to-date, the Fund has returned 11.76% (Inst. Acc. USD unhedged share class, net of fees), outperforming the benchmark by +131bps.

Emerging markets posted positive returns in December, with risk sentiment surging over the month on the back of dovish comments from Fed chair Powell and the continuing fall in EM inflation. Given this backdrop, EM external sovereign debt returned 4.81% driven by a 20bps in tightening spreads and a ~46bps fall in the US 10-year yield.

Market Outlook and Investment Strategy

After a strong year for EM assets in 2023, we continue to remain constructive on the asset class. We expect that the worst of the EM downgrade cycle is behind us; however there is some risk of deterioration in small number of names. With the Fed signaling an end to their rate hiking cycle, the outlook for inflows into EM appears incrementally more encouraging than in the last 2 years.

Of the 20 countries in the GBI-EM GD index, 19 have seen headline inflation fall sequentially in H2'23. The early and aggressive policy tightening by EM central banks has paid off well, with EM inflation peaking before DM inflation and EM domestic demand proving resilient. This resilience of domestic demand has been attributed to private sector balance sheet strength in these EM economies, where leverage build up in the years before the pandemic was generally quite muted. Public sector debt, on the other hand, has been gradually increasing over the past decade. With the exception of HY names lacking strong fiscal rules, balance sheet consolidation is ongoing in many core EMs, keeping debt dynamics on a stable path despite higher borrowing costs. The exception to these trends is China, where a slowdown in the economy and an already high level of corporate debt have limited the government's ability to offer sufficient fiscal support. On an encouraging note, 2024 growth expectations for China seem to have stabilized at a modest 4.5%.

On the political front, it is set to be a busy year in EM, with key elections due in Mexico, India, Indonesia, and South Africa. However, the DM election calendar is likely to have more at stake, with potentially polarizing votes due in the United Kingdom and United States this year.

Given this backdrop, we continue to see value in EM local bonds despite the strong rally in 2023, and see incremental room for select EM FX appreciation. Within hard currency assets, yield levels also screen as attractive. While spreads on IG rated sovereigns screen as tight, they are tight for the right reasons, backed by strong balance sheets and stable debt dynamics in spite of the rapid rise in US yields. High

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yield credits offer substantial spread pick-up, however more caution is required here. Our focus is on select names with multilateral support and positive reform momentum.

Source: PIMCO

Schroder Asian Growth Fund (SGD and USD)

Investment and Market Review

Asian equities witnessed another turbulent year with disparate returns across markets in 2023. China and Hong Kong started on a very much positive footing upon reopening before investor sentiment deteriorated as market view swung towards a new consensus that the pace of the recovery is disappointing, and the scope for stimulus is limited. In face of weaker macro prints, property market troubles, and geopolitical tensions, international investors have been continuing to reduce positions.

Despite the weaker headline macroeconomic data and property market troubles, the operating performance from most Hong Kong and China equities we own in portfolios has been more encouraging, as reflected in recent results. The strongest operating performance has been in the travel and leisure-related sectors. Here, the rebound in activity and earnings in China has broadly met, or in some cases exceeded, initial expectations this year. There are also encouraging signs of improvement in areas such as life insurance sales and high-end retail property rentals that support the recovery thesis. Unfortunately, in most cases, stock prices for these companies have remained under pressure, despite the healthy earnings.

We share many investors' concerns about the structural headwinds China faces, but given the extremes of negative sentiment, there is still room for the authorities to surprise positively with a better-coordinated policy support going forward. In addition, better-managed businesses with stronger franchises can still deliver growth, even against a slower GDP backdrop. After the recent sell-off, share prices in many sectors in Hong Kong and China are not far off levels seen in the depths of the Covid restrictions, when the earnings outlook was far more uncertain for most companies. Given this mismatch in share-price performance against operating fundamentals, we continue to see attractive opportunities in selective areas on a bottom-up basis.

On the other hand, Korean and Taiwanese equities have performed well this year, owing to gains in the key large-cap semiconductor stocks that dominate their indices, as well as significant retail buying momentum in AI and battery supply chains themes that have captured the imagination. While end-market demand remains soft for many electronics products, investors have started to position for an improvement in the coming quarters. Encouragingly, recent comments from companies in the industry point to a stabilisation in the Chinese smartphone market and optimism about a modest rebound in personal computer demand going into 2024. We continue to think that the underlying structural drivers for semiconductors will remain very strong in the coming years. Valuations for large-cap industry leaders within the sector remain attractive and we still have significant exposure to our preferred stocks in anticipation of the cyclical recovery over the medium term.

Indian equities have also performed much better than their Chinese counterparts in recent months. A healthy domestic growth outlook, geopolitical tailwinds, scope to increase market share in global manufacturing at the expense of China and steady domestic fund inflows into local equity markets are

all factors in the market's favour. Valuations remain elevated in many sectors, so this positive outlook is well-discounted today – especially for small- and mid-cap stocks that have been the focus of domestic buying and where expansion in valuation multiples is most marked. However, we continue to see strong longer-term fundamentals in areas such as private sector banks, healthcare and select consumer-related stocks, which remain core positions in regional portfolios.Market

Outlook and Investment Strategy

Aggregate valuations for regional equities are now back at below longer-term average levels, which may provide some downside support. As usual, there remains a significant spread in multiples between those stocks and sectors in favour today. We remain hopeful that there is scope for a continued gradual recovery in activity in key stocks and sectors in China and a rebound in technology sector fundamentals moving into 2024. This could underpin our preferred Asian equities over the medium term. In the meantime, we remain very selective in our exposure, given the continued uneven nature of the recovery in the region, and disciplined about valuations.

Source: Schroder Investment Management Limited

Schroder ISF Emerging Multi-Asset (SGD and USD)

Investment and Market Review

The period under review was something of a roller coaster ride for emerging markets. The broad MSCI Emerging Markets (EM) Index tumbled at the beginning of the period, before surging 14.6% in November, followed by a 7.9% gain in January. The unexpected speed of China's abandonment of its zero covid policy was the key driver, accompanied by signs of cooling inflation in the developed world. However February saw this rally run out of steam, with a re-escalation in US-China tensions and more resilient-than-expected macro data out of the US leading to expectations of further rate hikes weighing on all emerging asset classes. The global economy showed remarkable resilience in March and April, shrugging off higher rates and fears of a credit crunch following the demise of Silicon Valley Bank (SVB), the second largest banking failure in US history. Markets didn't stop in May, with debt ceiling fears spiking then receding, commodity prices falling, and an AI bonanza pushing markets such as Korea and Taiwan higher. In June, in a change of heart from earlier in the year, markets welcomed what looked to be a peak in US interest rates for this cycle which sent emerging assets markedly higher.

Over this eventful period, the MSCI EM index finished up 2.2% led by the commodity-sensitive region of Latin America. Emerging market bonds were the standout, however, and posted positive returns across the spectrum. Local currency sovereigns gained over 11% with investors anticipating a peak in inflation across a number of economies. Hard currency sovereigns were no slouch, rallying almost 7%, while returns in EM corporates were more muted at around 3%.

Against this backdrop, the Fund gained over the period, outperforming EM equities and emerging hard currency bonds.

We saw positive performance from each of the broad asset classes, (equities, fixed income and hybrids). Local currency bonds were the largest contributor over the period. Our selective approach was a positive, where our lean towards Latin America was beneficial, as it was the standout region over the

period. Despite some strengthening in the middle of the period, the US dollar remained materially weaker, providing an additional kicker to local bond returns through currency appreciation. Hard currency bonds were also positive, with the weaker dollar lightening the burden of servicing USD-denominated debts.

Equities too were a notable contributor despite broader weakness. Our small exposure in Eastern Europe had and outsized impact given strength in the region, where the MSCI Eastern Europe Index rallied in excess of 20%. Excitement within the AI space lifted the markets of Taiwan and Korea given their importance within the technology's value chain. Mirroring broader markets, our exposure to China was a headwind to returns.

Hybrids were also positive over the period, with preference shares outperforming convertible bonds.

Overall the fund's diversified approach was in full display over the period, with returns spread across regions, sectors and asset classes.

Market Outlook and Investment Strategy

As the economic view remains mixed, there has been an increased focus on value within our investment approach. We have gradually increased our weighting in equities from 49% to 56% over the 12 months and, latterly, turned our focus towards the more unloved areas of the universe with positions in South Korea, Eastern Europe and frontier markets.

Within bonds, overall asset allocation was increased from 23% to 31%. We retain a preference for sovereigns over corporate debt, and as a result selectively added to local currency sovereign bonds, before taking a small amount of profit late in the period. As many emerging market central banks were ahead of their developed market counterparts in hiking rates to combat inflation, we see scope for future rate cuts as inflation starts to come down. Valuations also remain compelling, with certain high-quality areas of the local-denominated universe yielding in excess of 10%. Additionally early signs that we may start to see the end of the Fed hiking cycle should reduce some of the upward pressure on the US dollar, adding to the attractiveness of local currency bonds.

Despite some short-term noise, we are overall optimistic on the outlook for emerging markets.

The strength of the US dollar acted a major headwind for all EM assets for much of 2022, but we have started experiencing some welcome relief. While we have seen some volatility, we believe that interest rate volatility has the potential to subside over the coming months as the market begins to accept that interest rates are likely be higher for longer. With further meaningful hikes expected from other major central banks in Europe and Japan, we believe that in the coming months, we could see some stability in the US dollar.

We retain a cautious view on China. We believe, cumulatively, enough is being done to turn the corner although the nature of the announcements means the market take some time to register the impact. Current valuations reflect very depressed sentiment, which could see a short term reversal, but we believe the medium term outlook remains challenged. Still in Asia, we continue to favour Korea and Taiwan given their sensitivity to the growth areas of the technology value chain.

EM local currency bonds continue to offer very enticing yields and a number of central banks are further down the path of rate hiking than in the developed world. We see opportunities in Mexico and Brazil as rates peak and the US outlook gradually stabilises.

However we are less positive on the hard currency universe: the high quality names are historically very expensive, while the valuations in the high yield section of the universe are driven by one or two names we continue to avoid.

Overall, we are moving towards a more positive view on emerging markets but retain a bias for high-quality issues. Looking forward, we expect the trend of increasing dispersion between countries, regions and companies to accelerate, requiring an ever more selective and active approach to capitalise on a dynamic, exciting and rapidly evolving opportunity set.

Source: Schroder Investment Management Limited

Schroder ISF Global Emerging Market Opportunities (SGD and USD)

Investment and Market Review

Emerging markets (EM) gained over the 12-month period ending June 2023. Emerging European markets were the strongest performers, despite rising fears about a potential recession in Europe as they began to anticipate rate cuts as inflation eased. Greece also benefited as the ruling New Democracy party won a second term in office in May, signalling a continuation of market friendly policies.

Turkey performed well, largely driven by performance in the second half of 2022 as the central bank cut interest rates to 9%. However, during the first half of 2023 investors took profits following this very strong previous performance and as political uncertainty rose ahead of May's presidential election. In the event, President Erdogan was elected, thus extending his two-decade rule, which prompted some further market falls. Poland and Hungary rallied following months of underperformance as a result of the war being waged in neighbouring Ukraine.

Latin American markets, including Mexico, Brazil and Peru were also top performers. Brazil's performance was driven to a large extent by easing fiscal policy concerns and optimism about potentially imminent rate cuts, which materialised in in August 2023. Despite allegations of fraud and share price manipulation at a major conglomerate early in 2023, India outperformed. Improved macroeconomic data and signs that accommodative monetary policy will be ongoing were supportive.

Korea and Taiwan also posted double-digit against a backdrop of optimism about the growth of artificial intelligence. Thailand was just ahead of the index, but South Africa underperformed. Allegations that the country sold arms to Russia, the worsening electricity situation, and the rand's depreciation against the US dollar weighed heavily on the market. Some of the energy-related markets also lagged the index, namely Saudi Arabia, Kuwait, Colombia, UAE and Qatar.

China was the worst performing index market given the authorities' zero-Covid policy (ZCP), which restricted economic activity, a crisis in the property sector and continuing US-China tensions. Towards the end of 2022, the authorities pivoted away from ZCP, re-opening the economy, and implemented policy support measures for the housing sector, the combination of which was helpful for the equity

markets. China struggled to make headway in the first half of 2023 amid concerns about its anaemic recovery and the prospects for global growth

The fund outperformed its benchmark by some margin over the 12-month period ending June 2023.

Notably, among our core market allocations during the period, our overweights to and stock selection within Brazil, Greece and Korea all added value. Stock selection in Chile was another positive contributor. Meanwhile, our overweight to South Africa detracted, although stock selection was positive.

Among our non-core markets, Kazakhstan had a positive impact, while India proved a drag.

Market Outlook and Investment Strategy

As at early July 2023, our core markets are Brazil, Chile, Greece, China, South Africa and Taiwan.

There has been some improvement in the global growth outlook in recent months, and optimism towards a soft landing has picked up. Schroders' economics team has lifted its forecasts slightly, but 2024 is still on track to be the weakest in over a decade if you exclude the pandemic year of 2020. In addition, the headline growth forecasts hide a mixed picture, with the US more resilient, and economies such as China and Germany losing momentum. With growth slowing, disinflation looks set to continue but the pace of falling inflation may ease, and further falls may come at a higher cost in terms of rising unemployment. There are also upside inflation risks stemming from energy prices, and from the impact of El Nino on the food side. Monetary policy tightening cycles from major central banks look to be peaking, but against this backdrop, rates may be held high for longer.

Concerns over the outlook for China's economy have continued to mount. After the initial burst of recovery in Q1, led by the services sector, activity has not broadened out. Economic scarring from the impact of the pandemic and associated restrictions persists, and private sector and household confidence remains low. There continues to be an ongoing loss of confidence in the real estate sector with negative circularity; a sector which is estimated to account for 25% of GDP. Weak global trade remains a drag on the export side of the economy, though there is potential for a cyclical turnaround in the next 12-months. Deflationary concerns have created headlines recently, raising some concerns given debt levels. However, these are more related to an unwinding of previous commodity price rises, as opposed solely to a demand issue, and should ease.

The authorities have delivered policy support but this has so far been incremental and targeted in nature, with limited impact. There are various policy tools on the table though, suggesting fears of a financial crisis are overblown. The closed capital account means that the economy is internally funded and the government controls the financial system. There is scope for further monetary easing, which could alleviate the interest burden and support real estate. Further fiscal support measures could be delivered for local governments or to support consumption. Meanwhile managed currency depreciation could be another mechanism to ease pressure, though the People's Bank of China recently reaffirmed its commitment to a reasonably stable USD/RMB rate.

Slower global trade has pressured export-oriented EM economies. Signs of ongoing progression in the inventory cycle is encouraging though, and the outlook is for a recovery in the trade and technology cycle in 2024. The main risk to this is a DM recession, though this is not our base case and the outlook has improved somewhat recently. EM disinflation is projected to continue, creating room for monetary

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policy easing. The risks to inflation relate to El Nino and energy prices. Aggregate EM Valuations present a somewhat nuanced picture. EM equities are close to the historical median on a 12-month forward price-earnings (since 1995) and a price-book basis. EM is cheap versus history on a dividend yield basis. At the market level, EM valuations remain reasonable, with the exception of India, and on certain measures South Korea. EM yields and currencies in general are broadly at attractive levels.

Sentiment towards EM has dimmed in the past month, but there are various positive drivers as we move into 2024. Firstly, there is a question as to whether pessimism towards China is overdone. We expect growth to remain muted but the authorities have policy flexibility to provide necessary support. Sentiment is broadly negative and valuations are cheap on a range of metrics. An inflection in global trade would be supportive for China and other EM exporters. Furthermore, early stage monetary policy easing is underway in Brazil and Chile, with other EM central banks expected to follow as disinflation comes through. From a risk perspective, we are cognisant of the fact that a US soft landing is increasingly consensus, raising downside risks in markets. Chinese policy remains uncertain, while geopolitical tensions with the US continue to be elevated. Inflation risks are another area to monitor.

Source: Schroder Investment Management Limited

Schroder ISF Sustainable Multi-Asset Income (SGD and USD)

Investment and Market Review

The period was a mixed one for markets, starting off under challenging conditions but with equities and high yield, in particular, generating strong returns.

It opened with the spectre of inflation looming over markets. Increased concerns over the economic implications of the Russia-Ukraine war, higher global inflation prints and increasing central bank hawkishness all weighed heavy on both equity and credit markets. October brought welcome relief across most equity markets–the US consumer continued to hold up relatively well, while European governments stepped up efforts to avoid an energy crisis over the winter. By November, the picture had improved markedly with US inflation coming in far lower than expected giving investors hope that an end to interest rate rises may be in sight. Then, Chinese authorities announced they were relaxing their strict zero-covid rules to begin an economic reopening. Both equity and credit markets enjoyed an immediate bounce, before running out of steam by the end of the year as global growth concerns replaced global inflation concerns.

After a challenging 2022, the first half of 2023 was far more enjoyable for investors with both equity and bond markets surging. Large cap technology stocks were the stars, with the NASDAQ rallying over 30%, while the broader MSCI All Country World Index enjoyed a 14% gain. Emerging equity markets finished positively, albeit lagging their developed peers as reservations around China's reopening weighed. Credit markets shrugged off a slew of interest rate rises and finished firmly positive, led by the higher-yielding markets in the US and Europe. EM Local denominated debt also finished sharply higher.

All areas of the portfolio contributed positively to returns. In a positive environment for risk assets, equities were the largest contributor, led by our core sustainable income strategy driven by returns in the technology sector. Our US income focussed sustainable strategy also made a material contribution, supported further by tactical positions in Japan, and US banks. Within credit, European high yield bonds

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were the largest contributor, with positive security selection providing a further boost to returns. Yields are at some of their highest levels in over a decade helping to underpin portfolio returns and deliver on our income objective. Emerging Market Debt was also additive, led by allocations to local denominated debt paper in Latin America and Eastern Europe.

Market Outlook and Investment Strategy

Overall equity exposure was increased, and we shifted its composition from a broad global allocation, to an income focussed strategy in the US, and high-quality and very attractively valued companies in Japan and Europe. In addition, we added a small position in renewable energy infrastructure in the UK.

Within credit, after capitalising on the very appealing level of yields on offer in 2022, the team made material cuts to our high yield exposure early in 2023, navigating the volatility in these markets, before adding back once yields became more attractive. Over the course of the year, we shifted all of our US high yield and investment grade exposure into Europe, where spreads are more attractive.

We also materially increased our exposure to local denominated EMD, through a very selective lens, and have favoured commodity-focused countries such as Brazil and South Africa, and Eastern Europe. Many emerging economies are further along in the rate hiking cycle, increasing the scope for rate cuts, with early singes of stabilising inflation further boosting the appeal of the asset class. Later in the period, we began to add to more alternative sources of income including insurance linked securities where the high level of yield and diversification characteristics are well suited in the portfolio context. Lastly, we have increased the portfolio’s duration, from 2.1 years to 2.9 years.

Over the summer we have continued to see encouraging developments on US inflation. With no sign of an imminent recession, this has supported our expectations of a soft landing and increased the probability that rates in the US have reached a plateau.

Inflation should continue to fall gradually, which combined with the ongoing robustness of the US labour market, means real wages should start to rise, supporting consumption. We believe this relatively benign environment remains supportive of US high yield. Despite valuations, it is hard to ignore the 8% yield on offer, and we retain our positioning here.

While the growth picture in Europe looks more challenging, it should start to turn more positive early next year, supporting our European credit exposure.

On the equity side we remain balanced, blending selective growth names in the US which come with full valuations, with some of the interesting cyclical areas offering attractive yields and pricing very little in terms of growth, including financials, energy, Japan and Europe.

We retain a cautious view on China. We believe, cumulatively, enough is being done to turn the corner although the nature of the announcements means the market take some time to register the impact. As a result we employ a more selective approach towards broader emerging markets, favouring exposure via local currency bond markets.

Source: Schroder Investment Management Limited

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Schroder Singapore Trust (SGD and USD)

Investment and Market Review

It has been a roller coaster ride in terms of markets expectations for where forward interest rates should be. Despite the Fed holding rates stable at 5.5% in the December 2023 Federal Open Market Committee (FOMC) meeting, the revised guidance was for a higher possibility of rate cuts going into 2024, which indicates that we are likely approaching the end of this higher interest rate environment.

For reference, whilst the Fed dot plot projection points towards interest rates to decline from the current 5.50% to c. 4.75% by December 2024 (i.e. c. 75bps of rate cuts over 2024), the interest rate markets have moved sharply ahead, and is now pricing in a year-end rate of 3.75% for 2024 (c. 175bps over 2024).

Chances are that actual rate declines will likely fall somewhere in between these two projections. Nevertheless, this still points towards a lower interest rate scenario as we progress through the year. Having said that, we are still coming off record-high interest rate levels. Hence, the refinancing of most debt expiring this year for corporates will continue to be at higher levels as compared to their initial rates.

Higher interest rates have continued to impact bank loans in Singapore, with overall bank loans declining by 3% YTD (as of November 2023). While this was partly due to the higher cost of debt, the gradual economic slowdown post the initial re-opening euphoria was a contributing factor as well. Bank earnings have benefitted over the past two years from the expansion of net interest margins (NIMs) as rates were rising. Conversely, with rates likely to decline, expectations are for some downward pressure for NIMs, which in turn would apply some downward pressure on earnings (albeit with a slight lag to account for loan-repricing). The silver lining here is that loan repayments remain largely on track, with no major spike in credit costs (i.e. defaults/non-payments). We expect that banks with more diversified business segments and more scope for capital management to perform better in this environment.

For REITs, the aforementioned pivot in interest rate expectations has driven an initially rally across the sector, as expectations are now for gradually declining costs of debt as well as a tailwind for asset values, which should benefit their distributable income and net asset value respectively. That said, there remains continued pressure on near-term distribution as debt renewals will still be at higher rates as compared to expiring debt, though that should taper off as we move into 2025 if the Fed does deliver on the projected rate cuts. We will continue to monitor this space and pick up good quality companies at the margin as we approach the tail-end of this rate hike cycle.

One wildcard here is whether there could be another inflationary surge coming from the rise in shipping costs due to recent events in the Red Sea. The attacks on commercial ships traversing there have caused multiple shipping firms to re-route their initial course to avoid the area, and led to longer sailing times and costs as a result. If the current projection of inflation gradually tapering over the next two years is thrown awry as a result of higher logistics cost, that could shift expectations of rate cuts further down the line in order to keep a lid on inflationary pressures.

Market Outlook and Investment Strategy

As we transit from a peak interest rate environment into a potential rate cut cycle, this is likely to lead to more market volatility as markets toggles between the hope of lower rates benefitting the bottom line

versus the risk of a further economic slowdown as post-Covid recovery spending eases back to more normal levels. We continue to believe that well-managed companies with prudent debt levels will outperform in the longer term and will look to pick up stocks that provide a good balance of asset quality and valuations when opportunities present themselves.

Source: Schroder Investment Management Limited