Table of Contents

ILP Sub-Funds available for HSBC Life Goal Builder 3
AB American Income Portfolio (SGD and USD) 3
AB International Healthcare Portfolio (SGD and USD) 7
AB Sustainable Global Thematic Portfolio (SGD and USD) 9
abrdn Pacific Equity Fund (SGD and USD) 12
Allianz China A-Shares (SGD and USD) 14
Allianz Global Artificial Intelligence (SGD and USD) 15
BlackRock Asian Tiger Bond Fund (SGD and USD) 17
BlackRock European Equity Income Fund (SGD and USD) 20
BlackRock Global Allocations Fund (SGD and USD) 21
BlackRock Global Equity Income Fund (SGD and USD) 24
BlackRock Global High Yield Bond Fund (SGD and USD) 25
BlackRock World Gold Fund (SGD and USD) 26
Capital Group Global High Income Opportunities (LUX) (SGD and USD) 27
Capital Group New Perspective Fund (LUX) (SGD and USD) 28
First Sentier Bridge Fund (SGD) 29
Franklin Biotechnology Discovery Fund (SGD and USD) 30
Franklin Technology Fund (SGD and USD) 31
Franklin U.S. Opportunities Fund (SGD and USD) 31
FSSA Dividend Advantage Fund (SGD and USD) 32
FSSA Regional China Fund (SGD and USD) 33
HGIF - Asia Pacific ex Japan Equity High Dividend (SGD and USD) 34
HGIF - Global Equity Climate Change (SGD and USD) 35
HGIF - Global High Income Bond Fund (SGD and USD) 36
HGIF - Global Short Duration Bond (SGD and USD) 37
HGIF - Managed Solutions – Asia Focused Income (SGD and USD) 37
HGIF - Singapore Dollar Income Bond (SGD and USD) 38
HSBC Portfolios - World Selection 1 (SGD and USD) 39
HSBC Portfolios - World Selection 2 (SGD and USD) 40
HSBC Portfolios - World Selection 3 (SGD and USD) 41
HSBC Portfolios - World Selection 4 (SGD and USD) 42

HSBC Portfolios - World Selection 5 (SGD and USD)....... 43
JPMorgan ASEAN Equity Fund (SGD and USD)....... 44
PIMCO Emerging Markets Bond Fund (SGD and USD) 45
Schroder Asian Growth Fund (SGD and USD) 46
Schroder ISF Emerging Multi-Asset (SGD and USD)....... 47
Schroder ISF Global Emerging Market Opportunities (SGD and USD)....... 49
Schroder ISF Sustainable Multi-Asset Income (SGD and USD) 51
Schroder Singapore Trust (SGD and USD)....... 53

ILP Sub-Funds available for HSBC Life Goal Builder

AB American Income Portfolio (SGD and USD)

Investment and Market Review

In the second quarter of 2023, the American Income Portfolio delivered positive absolute returns and outperformed its Benchmark, the Bloomberg[1] US Aggregate Index[2], which returned –0.84%. Year to date, the Portfolio increased in absolute terms and outperformed the Benchmark's return of 2.09% (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.

For the month, the Portfolio increased in absolute terms and outperformed its Benchmark, which returned –0.36%. The Portfolio's off-Benchmark allocation to high-yield corporates and emerging market (EM) bonds helped returns. An underweight in duration[3] also helped in a month when yields rose but was offset by our yield-curve positioning, which detracted.

During the quarter, the Portfolio's off-Benchmark allocation to high-yield corporates and EM contributed, as did our holdings in investment-grade corporates. An underweight in duration also helped performance but was offset by our yield-curve positioning, which detracted.

During the second quarter, developed-market (DM) government bond yields rose in all major markets, particularly among shorter-dated government bonds, as most major DM central banks hiked interest rates, given persistent core inflation. Government-bond returns diverged by country and region as investors digested incoming data and central bank decisions.

During the quarter, 10-year US Treasury yields rose 37 basis points[4] (bps), in part because of resilient growth, while two-year yields increased by 87 bps, extending and widening the 2s/10s inversion that began in March of last year. The Fed hiked 25 bps in May and paused its hiking cycle in June, keeping short-term rates in a range of 5.00% to 5.25%.

In the US, investment-grade corporates returned –0.29%, while US high-yield corporates rose 1.75%. In securitized assets, credit risk–transfer securities (CRTs) and collateralized loan obligations (CLOs) had very strong relative outperformance compared with other credit sectors. The US agency mortgage-backed securities (MBS) sector fell 0.64% but outperformed US Treasuries.

EM hard-currency sovereign bonds gained 2.19%, while EM hard-currency corporate bonds rose 1.37%.

Market Outlook and Investment Strategy

In the US, we witnessed a modest contraction in credit availability, and regional bank deposits stabilized at lower levels. Reducing inflation by slowing economic growth remains the primary challenge for the Fed,

---

[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.
[3] Duration is the measure of the sensitivity of an asset's or a portfolio's price to interest-rate movements.
[4] 1 basis point = 1/100 of a percentage point.

PUBLIC

so less credit extension should help the Fed reign in growth and inflation. However, until the US labor market weakens appreciably, the Fed's path to 2% inflation will be an ongoing challenge.

Strong employment growth, declining jobless claims near the end of the period and an upward revision of first-quarter GDP to 2.0% confirmed that the US economy continues to exceed expectations. In May, the unemployment rate edged up to 3.7%, hourly wage growth moderated somewhat and retail sales were above estimates. The core personal consumption expenditures index, the Fed's preferred inflation measure, fell slightly after being stagnant for the prior six months. Services inflation remains too high given resilient consumer spending.

The housing market is showing signs of strength, along with modestly higher home prices in aggregate based on strong demand. We admit that growth has exceeded our expectations so far in 2023; however, we do expect higher interest rates to slow US growth. For now, the US economic outlook is set for a period of moderating growth in concert with slowing inflation. If the US eventually does enter a recession, we expect that it will be quite mild by historical standards. 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.

Within the Portfolio's duration and yield-curve positioning, 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. As the banking sector stress took hold, correlations[5] between rates and risk assets declined again, and government bonds provided protection on risk-off days. With yields at these levels, government bonds can provide a more attractive entry point and a stronger protection/hedge to credit.

Corporate fundamentals are backwards looking, and the latest reported results from the first quarter of 2023 are starting to show some signs of deterioration, but overall balance sheets remain very strong. Over the coming quarters, we expect fundamentals to weaken but given the strong starting position, even as balance sheets weaken, fundamentals should remain supportive of credit. 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, we expect defaults to increase closer to historical averages during 2023. The quality of the US high-yield market has improved and is much higher than it was 10–15 years ago, as the market has more BBs and less CCCs[6]. Year to date, there have been significantly more rising stars than fallen angels. In addition, within high yield, more volume has been upgraded versus downgraded in 2023, and the number of companies that have been upgraded versus downgraded has been roughly the same. We believe longer-term returns could be attractive, as the yield to worst, as measured by the Bloomberg US High Yield Index, ended the month at 8.5% and has historically been a good predictor of future returns. In addition to cash bonds, we have an allocation to synthetic high

[5] Correlation is a measure of how asset returns relate to each other over time.
[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.

yield[7], which helps improve the Portfolio's liquidity profile. Given a challenging macro backdrop and recent spread tightening, we modestly reduced our allocation during the quarter.

We are rotating out of more cyclical names and into more defensive names, as we believe investors are not getting much benefit in taking cyclical risk.

We continue to allocate to the banking sector. After the banking stress in March, we have reduced our additional tier 1 securities (AT1s) exposure and now prefer senior bonds that should exhibit less volatility. Our small AT1s exposure is 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 are more diversified than regional banks, enabling larger banks to benefit from a "flight to quality" by depositors. 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. More recently, we took some profits on select senior financials we added during the banking stress selloff.

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 in BBB-rated bonds. We added to the space in the new issue market during the period to take advantage of attractive concessions. At the same time, more recently, we took profits on select financial bonds, which have performed well since we added them during March's banking stress. While some of the proceeds went into the new issue market, we also redeployed some to agency MBS.

Within EM, we are cautious given the macro backdrop and ongoing uncertainty. Over the past year and a half, 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

[7] 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.

compelling but caution against taking concentrated risk in EM, and we diversify our allocation across approximately 30 countries and over 80 corporates. Throughout the period, we reduced our allocation to EM sovereigns while adding to higher-quality EM corporates.

We are maintaining our conviction in securitized assets, but the allocation has declined as we look to capitalize on their recent outperformance and improve the liquidity profile of the Portfolio. We increased our allocation to agency MBS, which may provide an offset to our credit exposure in a risk-off environment. In recent months, spreads on agency MBS increased to the widest levels since 2000 due to market volatility resulting from high inflation and an aggressive Fed. In addition to its own historical valuations, agency MBS also looks cheap versus corporates. In the past, this sector has offered attractive risk adjusted returns in times of market stress. Given the ongoing quantitative-tightening 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 or volatility subsides on the back of decelerating inflation. We favor higher coupon mortgages, which are more insulated from FDIC sales. However, given mixed technicals and negative convexity in the sector, our exposure is limited. We expect home prices in the US to continue to come off of last year's peaks, but technicals (in the form of low but stabilizing demand and very low inventories) should help to support the housing market. Additionally, fundamentals are very strong. 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). Additionally, the 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. While our exposure has declined over the past year and a half, we have added to some higher quality tranches in this sector toward the end of the quarter.

The commercial mortgage market is challenged given higher rates, tightening of bank lending standards and expected declines in property values. This has elevated potential refinancing risks for commercial 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 recently reduced our holding in the commercial sector.

Our small allocation to CLOs benefits from the spread pickup they offer over similarly rated corporates as well as resilient structures. CLOs have credit enhancements, coverage tests that ensure sufficient funds to meet debt obligations on debt tranches and several restrictions on asset holdings. Still, given the deteriorating macro backdrop, we favor lower-risk managers focused on higher-quality collateral.

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 25 years since it was incepted.

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

PUBLIC

AB International Healthcare Portfolio (SGD and USD)

Investment and Market Review

Global equities rose during the second quarter despite a continuation of the higher-for-longer narrative from the US Federal Reserve and key central banks. Although disinflation gained some traction, renewed signs of labor market strength, generally strong economic data and a broadening stock market rally indicated that the rate hike cycle would likely continue, albeit at a less aggressive pace During the quarter, fallout from the banking crisis, the threat of a US government default, China's slower-than-expected economic recovery and speculation that the US was considering new restrictions on artificial intelligence (AI) chip exports to China caused periods of volatility. Global stocks, as measured by the MSCI[8] All Country World Index[2]2 above (ACWI), rose 6.2% during the second quarter of 2023 and 13.9% for the year to date (all returns in US-dollar terms).

Early in the quarter, equity markets rallied as easing inflationary pressures led the Fed to downshift to a 0.25% rate increase, raising expectations that peak rates could be in sight. However, sentiment shifted as the quarter progressed. The Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Price Index, matched expectations, but core PCE increased sharply as a resilient labor market and rising wages continued to support robust consumer spending, giving the Fed reason to continue to raise rates. Fed Chair Powell reaffirmed the Fed's determination to reach its inflation target and indicated that rates would likely remain at peak levels long enough to ensure that longer-term inflation expectations are well anchored.

With expectations set at a low bar, first-quarter earnings results proved better than expected in the US and Europe; 75% and 66% of companies, respectively, reported earnings surprises, with some pockets of encouraging guidance. Better-than-feared results from large US and eurozone banks helped ease concerns around widespread deposit outflows, declining loan demand and tighter credit conditions. US mega-cap technology companies fared particularly well and triggered a rally during the last half of the quarter that broadened as optimism around disinflation and generally strong economic data outweighed recessionary concerns and renewed hopes for a soft landing.

Global healthcare stocks increased, with the MSCI World Health Care Index up 2.4% for the quarter, bringing year-to-date returns to 0.8%, in US-dollar terms. For the second quarter, subsector performance was mostly positive, with healthcare equipment & supplies and pharmaceuticals outperforming the most. In contrast, biotechnology and life sciences tools & services underperformed.

Class A shares of the Portfolio were positive during the month, quarter and year-to-date periods. Net of fees, shares of the Portfolio underperformed the MSCI World Health Care for the month and the quarter but remained ahead of the index on a year-to-date basis. For the quarter, an overweight to biotechnology detracted the most, followed by security selection within the healthcare providers & services subsector. Contributions from selection within biotechnology and pharmaceuticals helped offset some of these losses.

Regeneron Pharmaceuticals detracted from performance for the full quarter. The company announced a delay in the approval of a new formulation of its flagship drug Eylea, though given the issue relates to a

---

[8] 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.

supplier and not to the efficacy of the formula, we believe that the delay will be measured in months, not quarters or years, and remain positive on its outlook.

Gilead Sciences detracted after reporting a slight earnings miss attributable to higher-than-expected research and development costs related to clinical trials for its drug development pipeline. Its core HIV business continues to exhibit good profitability and growth, with upside optionality from the company's late-stage pipeline in long-acting HIV treatment and oncology, which we don't believe is fully reflected in the current valuation.

Health insurance provider Elevance Health detracted amid a broad sell-off of health insurers after competitor UnitedHealth Group warned that pent-up demand for surgeries would lead to increased costs for insurance companies. The Team maintains Elevance on compelling valuation and expectations of continued 12%-15% earnings-per-share growth.

Intuitive Surgical, a surgical robotics company, contributed to results. Investors continue to remain enthusiastic about procedure growth, driven in part by commentary from health insurance companies, which state that hospital surgical procedures, particularly in the Medicare population, are leading to increased healthcare utilization. We believe that this is positive in the near term for medical-device companies like Intuitive Surgical.

Vertex Pharmaceuticals was a leading contributor to overall quarterly performance. The company reported an earnings beat and reaffirmed its guidance for the year, though it is facing higher operating expenses as it invests in multiple ongoing clinical trials and builds out its commercial organization for a potential upcoming gene therapy drug launch. We remain attracted to Vertex's business model given its consistently high profitability and execution, with an attractive pipeline that provides upside optionality.

Veeva Systems contributed, as the company raised guidance for fiscal year 2023, reaffirmed its long-term revenue targets and delivered a positive outlook on AI applications, stating that it expects AI to be additive, not disruptive, to its business.

Market Outlook and Investment Strategy

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. Against this backdrop, it is somewhat surprising to us that healthcare as a sector has not performed better. Our view is 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 the positive trajectory for improving volumes, along with a so-far-underappreciated long-term potential for AI in healthcare, as a significant growth area for the sector. We continue to view the political climate for disruptive healthcare legislation as benign given the current composition of Congress.

Though the strength of the economy may have an impact on 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 has proved successful for investors in the past. While the market will continue to debate the ultimate level of interest rates and

the 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 strong levels of profitability and less dependence on economic strength, 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

Global markets, as measured by MSCI[8] All Country World Index[2] (ACWI), increased by 6.2% for the second quarter of 2023, bringing year-to-date gains to 13.9%, in US-dollar terms. The quarter continued to see narrow leadership from US technology companies and FANGs, albeit with some tentative broadening towards the end of the period. The excitement about artificial intelligence (AI), disinflation traction and anticipation of a pause from the Fed propelled growth stocks, which outperformed their value counterparts, and erased all of the underperformance that occurred in 2021 and 2022.

The rebound in investor sentiment on the back of NVIDIA's strong results and the potential for AI brought back "fear of missing out," while masking brewing challenges for economic growth and corporate fundamentals in the second half of the year. Indeed, growth concerns are not completely gone in our view, evidenced by cyclical factor underperformance and weakness in commodities such as oil.

The strong rally in equity markets year to date has masked muted returns for many stocks. The top 10 largest benchmark weights (mostly Big Tech) represented 79% and 56% of US and global market returns, respectively. This exceptionally narrow leadership has been justified by their winning position in the AI race, as providers of the critical infrastructure and cost-cutting/efficiency initiatives narrative that arrived after a period of weak investor sentiment and amplified returns.

Historically, episodes of sharply narrowing breadth since 1980 saw markets typically trade sideways during subsequent months as rotations continued within the market. According to Goldman Sachs, in addition to below-average returns, drawdowns have also been larger than average in these situations. Eventually, however, a "catch-up" has been most common, and is something we expect in 2024 rather than the second half of 2023, for reasons discussed below.

Macroeconomic data confused as much as it revealed this quarter. With so much tightening occurring in the past 15 months, our base case remains a further weakening of the US job market over the course of the next 12 months. In our view, the Fed is keen to lower inflation and slow down hiring, which ultimately will pressure earnings growth. It appears unlikely to us that it would therefore revert to cutting rates again too quickly. Meanwhile, the disinflationary pressures should continue, which, although welcome in some ways, may provide a new headwind for companies that enjoyed strong pricing power during the past 18 to 24 months.

In sum, economic and earnings recession risks haven't gone away, but they may take longer to materialize. The rate hike process has felt relatively smooth so far. And although it may feel long past, we experienced a banking crisis during the first quarter and as a result are seeing tighter credit conditions and less demand for loans. As such, we expect a bumpy road from here.

This assessment conflicts with market expectations for a soft landing with little impact on the earnings front, as the market is now anticipating a recovery in corporate profits in the second half of the year. Valuations have meanwhile repriced higher even as earnings expectations rose, with both US and global markets trading well above their historical averages. This is largely the result of more optimistic soft landing expectations that followed better-than-expected first-quarter earnings metrics, more resilient macro data and excitement around AI and what it could mean for growth and productivity.

AI certainly has potential for good and it is already having a profoundly positive impact on a number of industries. In healthcare, AI is being used to detect certain forms of cancer in CT scans and to identify new molecular structures to enable drugs and vaccines to come to market much faster. In automobiles, AI is being used in active safety systems to identify objects in the road and to help plan the path of the vehicle so that it can avoid an accident. That said, there are risks as well. Computer-generated content on the web has the ability to shape opinions and marginalize certain viewpoints. Many AI models reflect the data they were trained on, which can have unintended consequences if left unchecked.

These developments preceded the onset of generative AI, a new type of model that has the potential to transform many aspects of society and could offer substantial productivity gains. As we move through the initial part of the “innovation curve,” our Portfolio’s exposure to date has largely been via AI “enablers” such as semiconductor firms, as well as cloud players that provide critical infrastructure. While many of the companies in this ecosystem will see a growth benefit from spending on AI this year, multiples in the exposed names have expanded dramatically, causing us to take profits in some cases.

The fact that AI adoption will increase from here is without debate. But how it develops, gets utilized in society and ultimately impacts the world from a social and environmental perspective is yet to be fully determined. As investors, we view our role as being able to influence its development through thoughtful investment and engagement.

For the second quarter and the year to date, Class A shares of the AB Sustainable Global Thematic Portfolio rose in absolute terms but underperformed their Benchmark, the MSCI ACWI, net of fees. Although participating in the AI rally, the outperformance of Big Tech remained a headwind for the Strategy this quarter. As a result, our security selection within the technology sector detracted, along with an underweight to communication services. This was compensated by contributions from selection within healthcare, although the sector continued to be neglected during the quarter, and an underweight to energy.

MSCI, from our Empowerment theme, detracted amid macro weakness that weighed on new subscription sales and lowered the near-term revenue outlook—with lengthening cycles and budget tightening among clients. We view the recent weakness in new sales as temporary and believe its asset-based fees should continue to rebound in 2H:23 on improving AUM fund flows. Furthermore, the company has a growing recurring revenue base and client retention has stayed at 95%.

Bio-Rad Laboratories, from our Health theme, is a developer and manufacturer of specialized technological products for the life-science research and clinical diagnostics markets. The stock detracted as it was pressured by end-market softness; this included biotech funding pressures in emerging biotech customers and inventory destocking in process chromatography (to develop and manufacture biopharmaceuticals), along with temporary business challenges like supply chain issues impacting margins.

Deutsche Börse, from our Empowerment theme, is a German multinational offering international exchange organization and innovative market infrastructure that covers the entire financial market transaction process. The company detracted amid news flow around the CEO's decision to step down and the takeover of Danish investment-management software company SimCorp, which gives Deutsche Börse an avenue into software services for the asset-management industry.

Abcam, from our Health theme, is a leading provider of research-grade antibodies, enabling scientists and researchers to make discoveries in the area of human health that will lead to new drugs and diagnostic tests. The company contributed after Abcam disclosed its takeover interest and announced that the board would be pursuing a strategic review, including a sale of the business.

Flex, from our Climate theme, is a manufacturer of products that enable connectivity, safety and innovation for societies around the world through programs that involve waste reduction, product reuse and overall environmental sustainability. Shares of the company contributed on strong results that highlighted new business in areas of secular growth and regionalization/nearshoring efforts by its customers, which allowed it to overcome pressures from a slower macroeconomic environment.

TopBuild, from our Empowerment theme, is a leading installer of insulation for residential, commercial and industrial buildings. Shares of the company contributed as new housing starts, commercial activity and industrial insulation demand outperformed expectations. Secular demand for housing continues to be strong as inventory levels remain at historical lows.

Market Outlook and Investment Strategy

The macro backdrop has become more favorable to thematic investing. When economic growth becomes scarce, investors tend to rotate towards companies that have the ability to sustain sales and profit growth. Given this, our sustainable themes have a lot to offer. Within our Climate theme, the shift toward safer and more electric vehicles (EV) continues apace, driven by increasing model choice and auto original equipment manufacturer preference. Spending on EVs is being increased and adoption accelerated because of government incentives globally. We're also seeing a standardization of charging guidelines here in the US, which should encourage further adoption. Every EV rolling off the line contains significantly more electronic content, benefiting suppliers in this ecosystem.

Within our Empowerment theme, the phenomenon that is ChatGPT has highlighted the capabilities of AI to create better customer experiences and increase productivity by facilitating software development and cocreation with engineers and other content creators. Generative AI models are often massive in size (up to 500 million parameters) and require a significant amount of computation to train and run, which in turn creates a robust tailwind for computing firms. Per NVIDIA, these new transformer AI models require 273 times more power every two years, placing an even greater focus on energy efficiency strategies—an area in which we have several investments.

Within the Health theme, one persistent challenge is the labor shortage facing the healthcare industry (i.e., nurses and doctors), which pressures the capacity for hospitals to treat patients. We own several medical device companies in our portfolios that provide solutions to improve nurse and doctor productivity, and enable patients to be treated in less acute care settings such as the home, all while improving patient care and outcomes. Furthermore, new diagnostic tests and instruments help automate manual work in laboratories and speed up medical decisions. Challenges like these are long-term in nature,

PUBLIC

and demand for solutions to these challenges should be less dependent on the macroeconomic environment for growth.

We believe a portfolio with companies on the right side of change, trading at reasonable valuations, provides a strong combination for the current market environment. Resilient fundamentals and attractive valuations for growth stocks beyond the mega-caps has created a powerful setup for us to develop the Portfolio with a collective group of companies that embody these views.

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

abrdn Pacific Equity Fund (SGD and USD)

Investment and Market Review

It was risk off across Asia in August, as stock markets took a breather from their recent rally. Concerns refocused on inflation, tightening US monetary policy and soft economic data from China. In the US, the Federal Reserve's latest meeting minutes suggested a more cautious stance. Our macro view has evolved through the year to one where we now believe that the US will have a soft landing rather than a recession. Our Research Institute believes that a further loosening of US labour market conditions is likely to prove necessary to restore price stability, and that a pause by the Fed looks likely in September, but November is shaping up to be a much closer call.

Chinese equity markets were bogged down by heightened concerns over the real estate sector, owing to a triple whammy of negative news. Country Garden, among the top three domestic property developers, came close to its day of reckoning over liquidity albeit scraping through with a last-minute payment extension deal. Zhongzhi, one of the leading trust funds in China, failed to meet fund redemptions, and lastly, property sales fell further in August. After a positive policy tone set in the July politburo meeting, the market was also disappointed at the slow rollout of follow-up actions, although efforts accelerated in the final week of August with supportive measures like an easing of mortgage policies and a cut in stamp duty.

Given the size of the China market, weakness in mainland stocks in August following a clawback of some underperformance in July, was a key driver of underperformance across the rest of Asia Pacific. Notably, all markets across the Asia Pacific ex Japan region posted negative returns. An exception was Indonesia, where the market posted a slight gain as the strong post-Covid recovery and ability to attract foreign direct investment were reflected in the 5.2% growth in second-quarter GDP.

Our Fund posted negative returns over the month, but it proved more resilient than the benchmark with a relative outperformance of 33bps. This has helped claw back some relative underperformance year to date, to -577bps for the year to date ended August from -608bps as of end-July.

While China has remained the biggest detractor year to date, the impact on performance in August was only marginally negative, given that the Fund is underweight to China in a weak month for mainland markets compared to the benchmark, although China is still our biggest country position. Sentiment and consumer demand remained weak across a broad swathe of the mainland economy. We expect volatility to remain high in China because of government policy uncertainty over the past few years, alongside generally low valuations. Glodon, China Tourism Group and Aier Eye Hospital were key detractors from

performance. Hong Kong-based stocks AIA Group and Budweiser APAC also felt the impact of weak consumer demand. AIA, though, posted robust results, although investors focused on its lower-than-sector activity in the low-margin whole life segment in China while ignoring other data that were better than the sector average and its strong franchise in Southeast Asia, given that China is only a third of its overall business.

Through the year, our macro view on China has also shifted to one of slowing growth. Our Research Institute deems the latest batch of policy announcements as more significant than previous ones, but they remain fairly incremental and it is unclear whether they will be enough to unlock household confidence, particularly with respect to property.

This has had implications for us even as stock selectors. Slower Chinese growth and the lack of a comprehensive stimulus package mean a greater focus on earnings visibility and a deeper conversation around valuations. The result is that we have exited China Merchants Bank, given that years down the road, issues around liquidity in the real estate sector and local government financing vehicles still persist with little appetite for a resolution. A recent call by the People's Bank of China for banks to manage their profits in the interests of the broader society has not added to our confidence as well.

We also sold out of Yonyou Network Technology. Although the long-term sector outlook remains positive given China's self-sufficiency drive and support of domestic champions in software services, Yonyou has struggled to deliver consistently on its strategy and our deeper dive into the company offered scant comfort that measures by management would improve execution significantly. Following our exit, Yonyou released disappointing results that affirmed our views.

More broadly, the rollout of more supportive policies, in a coordinated manner which was unseen so far this year, sends a strong signal to the market that the government is intensifying its effort to prop up the economy. This bodes well for the economy and stock market for the rest of the year. The upcoming long holidays (the Mid-Autumn festival and National Day) will be keenly watched as a gauge of consumer confidence. We remain positive about the market recovery and continue to believe in the long-term growth potential of the 5 themes (aspiration, digital, health, wealth, green), and believe that the current low-valuation environment is ripe for picking high-quality assets at an attractive price.

Turning to the rest of the region, our holdings in Australia did well, especially Cochlear, CSL and Goodman. Cochlear and CSL did relatively well given their resilient healthcare business models in a period of uncertainty. Cochlear is a leading manufacturer and distributor of medical hearing devices while CSL is a manufacturer, processor and distributor of human plasma products.

In Korea, our core holding in Samsung Electronics took a breather after doing very well for us in the earlier months of the year while LG Chemicals was weak as investors turned more cautious owing to concerns around the weakness in chemical demand from a delayed China recovery so far, and worries about the slowdown in electric vehicle demand in Europe.

Market Outlook and Investment Strategy

Looking ahead, we see market sentiment remaining volatile over the short term, given prevailing concerns over global growth, US monetary policy and China. Mainland valuations are very undemanding and look attractive in both absolute and relative terms. The rest of Asia is also benefiting from global supply chain diversification, as companies increasingly adopt China plus 1 or plus 2 strategies. India is in the early stages

of a cyclical upswing and enjoying a demographic dividend that places the country well for sustainable long-term growth. More broadly, the region will gain from growing demand for AI-related apps and chips, especially the semiconductor and consumer electronics sectors.

Asian valuations continue to be attractive when compared to markets like the US, along with expectations of better earnings performance in the fourth quarter and early 2024. We continue to favour quality companies with solid balance sheets and sustainable earnings prospects that can emerge stronger and position the portfolio well in tough times. We are finding the most attractive opportunities around the following structural themes: Aspiration, Building Asia, Digital Future, Going Green, Health & Wellness and Tech Enablers.

Source: abrdn Asia Limited.

Allianz China A-Shares (SGD and USD)

Investment and Market Review

The Fund outperformed the benchmark in July. Stock selection was the key contributor, with positive picks in the Financials, Health Care and Industrials sectors proving particularly helpful during the month.

At a single stock level, a key contributor was one of our top holdings, Citic Securities, a large full-service brokerage house in China. Citic Securities operates across diverse business segments including research, asset management and underwriting. The company is a key beneficiary of ongoing financial reforms in China, especially reforms related to initial public offerings (IPOs) given its investment banking capabilities. In a month where the Politburo stressed the need for policy to turn more supportive and implied looser credit conditions ahead, our holding in Citic Securities benefitted.

Conversely, a key detractor this month was Beijing Kingsoft Office. The company is the dominant office software service provider in China and is commonly seen as the “Microsoft of China”. Key growth drivers include China’s software localisation trend and tailwinds from office artificial intelligence (AI) applications. Although the stock has seen some profit taking pressure after a strong rally earlier this year, we believe Kingsoft Office has credible plans to introduce large language models into its existing suite of products and should be able to monetise these new services soon.

Market Outlook and Investment Strategy

A late-month rally helped Chinese stocks to close July sharply higher. The improvement was driven by growing optimism over further support measures from the Chinese authorities, with the Politburo pledging to step up policy measures to boost economic growth. Additionally, China’s housing and urban development minister admitted the property sector needs more effective measures such as lower home mortgage rates and down-payment ratios for first-time home buyers to boost home purchases, bringing more confidence into this critical sector and the overall economy.

The hope of policy support overshadowed weakness across the reported economic data. China’s gross domestic product (GDP) grew a mere 0.8% quarter-on-quarter (seasonally adjusted) in Q2, far weaker than the expansion seen in the first three months of 2023. In addition, the official manufacturing purchasing managers' index (PMI) fell to 49.9 in July, marking the fourth consecutive month of contraction.

With valuations at the current levels, weak domestic investor appetite for risk assets, and under-ownership among foreign funds, the bear case for China equities is well known. Typically, when investor sentiment has been so poor, China equity markets have recovered. Indeed, the acknowledgement by the Politburo meeting of the disappointing economic data has sparked a catalyst for Chinese assets to react positively.

In addition to the rhetoric around policy support, we see some softening of direct Sino-US tensions, with more face-to-face exchanges being reported between the two countries in recent weeks. Another important development has been more accommodating tones from China's top leadership towards private and internet companies, and we believe this will help rekindle animal spirits among households and corporates.

Notwithstanding such encouraging signals, the economic recovery will probably not progress in a straight line. There will likely be continued equity market volatility, but the recovery trend should incrementally improve as more concrete government support measures unfold. The formulation and implementation of effective policy measures should result in significant improvements in market confidence, in our view.

We continue to focus the portfolio on areas of the market where we find structural growth tailwinds. For example, we initiated several new ideas during the month, including a networking equipment producer in router switches and cloud service servers, which should benefit from increasing adoption of AI servers; an auto braking system manufacturer that is gaining market share in the domestic market on the back of import substitution trends; as well as a leading semiconductor testing solutions provider with circa 60% share in China's analog/mixed signal testing market and a growing presence in digital and power discrete testing markets. As of month end, the largest sector overweights in the portfolio remain in Consumer Discretionary and Consumer Staples sectors, while our largest sector underweight is in Financials.

Source: Allianz Global Investors

Allianz Global Artificial Intelligence (SGD and USD)

Investment and Market Review

Global equities rallied over July, buoyed by further signs of cooling inflation and hopes of a soft landing for the US economy. The promise of additional stimulus measures from the Chinese authorities to boost the nation's stagnating economy further lifted sentiment, particularly in emerging markets. Energy stocks led the advance as oil prices gained, with the Communication Services sector also posting solid gains. In contrast, defensive sectors such as Utilities, Health Care and Consumer Staples lagged.

After pausing its rate-hiking cycle in June, the US Federal Reserve (Fed) raised rates by 25 basis points (bps) in July, taking the fed funds rate to a 22-year high of 5.25–5.50%. US policymakers suggested that any further rises will be data-dependent. The European Central Bank (ECB) also implemented another 25-bps increase but amended its guidance, suggesting that further hikes could be considered "if necessary". Meanwhile, the Bank of Japan (BoJ) tweaked its yield curve control policy to allow more flexibility.

Oil prices surged to a 3-month high following the decision by the Organisation of the Petroleum Exporting Countries plus (OPEC+) countries to implement deep production cuts, with Brent crude closing the month

PUBLIC

around USD 85 per barrel. Wheat prices jumped to a 5-month high on news that Russia had terminated the Ukrainian Grain Export Agreement but later lost ground on the prospect of ample US supplies.

Information Technology stocks delivered solid performance during the period, as measured by the MSCI World Information Technology Index and the sector's performance within the S&P 500 Index. From a sector perspective within the MSCI AC World Index, Energy stocks surged as oil prices rebounded. The Communication Services sector was another bright spot, helped by well-received earnings reports from a technology conglomerate and a social media company. Conversely, stocks in the Health Care and Utilities sectors lagged.

During the period, the Fund outperformed versus the custom benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). The Fund benefitted from stock selection in Information Technology and Health Care sectors, while Materials and Real Estate slightly detracted from performance. Artificial intelligence (AI) Infrastructure, AI Applications and AI-enabled industries categories all outperformed the custom benchmark.

Our position in ON Semiconductor Corp., a power semiconductor provider with presence across various end-markets, was the top contributor over the period. During the period, the stock benefitted from solid earnings and positive outlooks from semiconductor peers. Looking out, the company's growth trajectory remains robust given its focus on being a value-added semiconductor supplier to high-growth opportunities that include electric vehicles, data centres and silicon carbide.

Our underweight position in a tech giant was another contributor for the period. Shares pulled back as quarterly results missed investors' lofty expectations. The stock was also weighed by the lack of clarity on the launch timing of the highly anticipated productivity tool powered by AI.

Our position in Enphase Energy Inc., a producer of microinverters for residential solar energy systems and energy storage solutions, was the top detractor over the period. Despite releasing solid quarterly results, shares underperformed as forward guidance missed investor expectations due to channel inventory build. Longer term, Enphase is well positioned to benefit from rapidly increasing attach rates of backup storage systems to residential solar systems and expansion of smart grid systems.

The underweight positioning to a graphics processing units manufacturer was another detractor for the period. Shares benefitted from positive commentary on AI-oriented server spending from other technology companies.

Market Outlook and Investment Strategy

From a macroeconomic perspective, most major indicators in July pointed to the increased probability that the US economy may achieve a soft landing. The phrase "goldilocks" was used to describe lower-than-expected inflation readings combined with continued resilience in the labour market and consumer spending. Although the Fed did raise rates again by 25 bps at its late-July meeting, there was an expectation that this may be the last raise as the current cycle of inflation continues to abate. However, chairman Powell and other Fed governors made clear that they expect inflation to take time to come down to their 2% target and therefore rates will need to stay higher for longer. Low unemployment and higher gross domestic product (GDP) allow the Fed greater flexibility to keep rates at higher levels. Once again, the expected recession continues to be pushed further into the future.

The benign economic environment was one catalyst for equity markets, but another was better-than-expected earnings results and guidance. For July, over 80% of the companies in the S&P 500 reported beats versus expectations. However, the median stock which beat on earnings actually lagged the S&P 500 Index by 50 bps the day of the report, which is both counter-intuitive and the opposite of historical performance. We believe this shows that despite companies having lowered expectations over the past few quarters, beating that lowered bar is less important than other indicators such as margins, free cash flow and of course forward guidance.

After the strong year-to-date equity market returns (especially for technology stocks), we expect to see more volatility over the coming quarters as interest rates likely stay higher for longer and as more restrictive financial conditions slow economic growth. We believe earnings for many of the companies we are invested in are likely to be more resilient in the context of a slowing economy as they are benefitting from innovations in AI. Our portfolio remains aligned to our long-term perspective, as AI will impact all industries and will be a key avenue to shareholder value creation.

The US equity markets this year have favoured companies that are poised to benefit from growing interest in AI. Semiconductors were the recent winners along with some cloud and software providers that provided a clear business thesis around the technology going forward. For the Q2 earnings reporting season, the broader topic of AI was mentioned in more than 20% of earnings calls, with a significant increase of discussions 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.

What is the implication for investors in the Fund? The developments around generative AI and generative pre-trained transformer (GPT) technology are a further demonstration that long-term 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 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 -0.92% in August 2023. Of this, +0.51% was from carry, -0.53% was from duration and -0.90% was from credit.

UST yields rose driven by a series of robust economic data suggesting a stronger-than-anticipated US economy. Fed Chair Powell expressed that forthcoming Fed decisions will hinge on the evolving economic outlook, and the central bank is prepared to raise interest rates further if needed. Credit spreads widened on the back of China-related headlines, impacting China and Hong Kong credit particularly in the real estate and financial sectors.

In China, trade data in July surprised to the downside while CPI inflation turned negative largely due to a high base. Property sales remained weak, and sentiment was negatively impacted by a large Chinese property developer missing two USD bond coupon payments due early August. Chinese authorities implemented a slew of measures that underscored China's commitment to stabilizing its economy and markets – these included policy rate cuts, equity market selling restrictions and relaxation of new homebuyer definitions. We believe the key for China's long-term growth sustainability is the progress of structural reforms. We see more comprehensive measures to be rolled out as we approach the Third Plenum in Q4.

On the geopolitical front, US and China are opening new lines of communication to tackle contentious issues, in one of the first signs of progress towards stabilizing relations. Working groups will be created to focus on Asia-Pacific regional and maritime issues, and perhaps broader issues as well.

On the local market front, Bank of Thailand hiked 25 bps as expected, bringing policy rate to 2.25%. The central bank has toned down their hawkish view, and forward guidance seems to suggest that further hikes are not necessary for now. Over in India and Indonesia, the Reserve Bank of India and Bank Indonesia both did not change policy rates, as expected. Bank of Korea also held rates steady, while pledging to maintain policy restrictive for the foreseeable future.

Asia has seen YTD supply amount to around US$ 74 billion, about 37% lower than last year. With a holiday-driven August out of the way, we would expect marginal pickup in issuance activity.

In August, the BGF Asian Tiger Bond Fund (A2 shareclass) returned -1.03% while its benchmark, the JACI, returned -0.92%. Gross of fees, the fund performed flat to the benchmark.

Active credit returns were positive. Our underweight in a Hong Kong developer contributed, as the company was hit by market rumours that it may face tight liquidity in the near term. Our credit hedges also contributed to active credit returns against the widening of credit spreads this month. Other notable contributors include select positions in financial subdebt and an underweight in Hong Kong HY.

On the other hand, our off-benchmark convertible bonds underperformed, particularly in a Chinese name. Select positions in China TMT also detracted due to worries about the economic backdrop and geopolitical tensions, despite stable fundamentals and earnings. Another notable detractor is select positions in financial seniors.

Market Outlook and Investment Strategy

We reduced some risk in line with our overall cautious stance, reducing credit beta from 1.19 to 1.09. We have also cut down on our CDS hedges post the outperformance in the month, as we continue managing our CDS positions dynamically.

PUBLIC

Sold down some positions in financials, particularly Korean bank seniors whose valuations have become more tight. Added to some financial subdebt that had sold off in the past month's volatility but were fundamentally stable.

Reduced off-benchmark convertible bonds and de-risked in China across TMT, sovereign/ SOEs and real estate.

Reduced IG credit allocation in Korea and Middle East as we expected new issuances in these regions.

Added to Sri Lanka where there was positive newsflow and added slightly to Pakistan tactically.

Within Indonesian sovereigns, removed local currency bond positions as they have outperformed and added to USD ones, where there is likely less issuance need than initially planned.

On the local markets front, we went short JPY duration and removed our long IDR and long KRW duration.

Positioning:

USD Duration: Long

Hard Currency Credit:

- The fund is positioned in an up-in-quality manner, with 79.4% in IG (including cash) as of end August 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 August, ATBF has a 26.4% allocation to China - a 11.6% 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 and reduced regulatory risks. In the property sector, there has been a lack of meaningful easing measures alongside continued weakness in results. 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.
- 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 and have underweight exposure to Frontier sovereigns such as Pakistan, Sri Lanka and Mongolia.

- 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.
- Middle East: Our allocations in Middle East credit are on the back of 1) attractive carry and 2) their diversifying feature to a core Asian allocation given Middle Eastern countries are typically oil exporters and Asian ones are mostly oil importers. We have cut down our positions there recently given oil prices have come off their highs and technicals have become weaker.

Source: BlackRock (Luxembourg) S.A.

BlackRock European Equity Income Fund (SGD and USD)

Investment and Market Review

The Fund returned -1.48% (A2 share class, EUR, Net), outperforming the MSCI Europe Index which returned -2.45%.

The tail end of the Q2'23 earnings season brought few surprises, following similar themes to the bulk of company reporting in July. The primary driver of market weakness in August seemed to come from macro read outs where prior period indicators around US employment, manufacturing, and GDP were revised down. The tone in Europe was similar with macro readings around PMIs and inflation disappointing to a degree.

Too much focus on these backward-looking economic measures misses the point in our mind. The key for investors is to focus on what the market is telling us about companies 12-months from now and beyond. While we wouldn't be surprised to see a bit of profit taking after the market's strong run, the next 6-18 months looks more interesting today and we are focused on finding the best opportunities for the portfolio today which position it for the future.

The lowest returns in the market were seen in the consumer discretionary sector where the portfolio underweight aided relative returns.

The market was led by the energy sector. The portfolio is also underweight this sector which led to a small headwind to performance.

Market Outlook and Investment Strategy

The portfolio's position in Novo Nordisk was the largest contributor to returns. The drug company reported successful results from its Select trial which showed that their obesity drug, Wegovy, is also effective in preventing major adverse cardiovascular events. The trial resulted in a 20% reduction in MACE, a result well beyond expectations which had been tempered when the trial was continued beyond interim checkpoint in Q3'22. We believe these results can help underpin the validity of this new category of obesity drugs, leading to further uptake from commercial insurers and government programmes.

The portfolio also benefitted in relative terms through avoiding payments company Adyen, which fell during the month on the emergence of a competitive threat to its US business from Paypal's Braintree unit.

Shares in UPM continued to recover during August, as pulp prices have started to recover from cyclical low levels.

A position in speciality chemical and food ingredients distributor Azelis weighed on returns after the company reported slightly weaker results than expected driven by higher interest costs and marginally lower revenues. We remain positive on the medium term thesis and expect recent acquisitions to come through strongly.

A further headwind to returns resulted from not owning positions in UBS or Total, both of which rallied during the month on positive results and higher energy prices respectively.

Changes in the month were limited. We reduced Roche and opened a new position in Merck where we see more attractive near term catalysts resulting from a valuation which has de-rated and the potential for an acceleration in their healthcare business.

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

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Allocations Fund (SGD and USD)

Investment and Market Review

Global markets generally declined in August, as volatility at the long end of the U.S. Treasury curve weighed on risk sentiment for much of the month. Global equities, as measured by the MSCI World Index, fell -2.4% in August. Non-U.S. stocks declined sharply as the U.S. dollar appreciated over 1.8% during the month. Chinese stocks fared particularly poorly as ongoing problems in the country's residential real-estate sector and a lack of meaningful stimulus continue to weigh heavily on both consumer and investor confidence. From a style perspective, large-cap stocks generally outperformed their small-cap peers, while growth stocks outperformed value stocks. Global bonds generally declined in August on the back of Fitch Ratings downgrade of the U.S. government's credit rating from AAA to AA+, a first by a major ratings firm in more than a decade. The decision sent yields on 10-year Treasuries to their highest level since last November, pushing yields higher across nearly all corners of the bond market and weighing sharply on stock prices. Non-U.S. bonds performed particularly poorly due to "sticky" inflation data out of Europe and an appreciating U.S. dollar. The one segment of the bond market that was positive was U.S. high yield.

Robust July consumer data and a still strong U.S. labour market led investors to conclude that recession risks are diminishing, leading to a preference for owning credit spreads rather than long-duration bonds.

Market Outlook and Investment Strategy

A stable earnings environment, coupled with continued disinflation, is supportive of stock prices, and led us to further increase the fund's overweight to equities. In a recent market insight, Portfolio Manager, Russ Koesterich, discussed that while equity markets have experienced impressive gains YTD, there are many sectors that are trading at or below their long-term average, which may suggest a modest shift in positioning.

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

Within industrials, we continue to emphasis exposure via capital goods companies that specialize in construction and automation, select transportation companies who have the potential to benefit from strength in the travel industry, as well as defense companies that remain in demand in a deglobalizing world.

From a regional perspective, U.S. exposure decreased, primarily driven by market movement. Across our positioning, we continue to emphasize quality and GARP stocks which have historically tended to outperform the broader equity market during periods of economic deceleration. We maintain a slight overweight to European equities, largely due to idiosyncratic positioning in select luxury goods and banks. Positioning across the region has been pared back in recent months in recognition of near-term economic headwinds that may be compounded by the need for additional monetary tightening. In Japan, we have continued to add exposure, bringing positioning closer to a neutral weighting given a more positive outlook for economic growth given stronger domestic consumption and rising wages.

Across derivatives, we worked to monetize some of the equity gains by via option overwrites on select single name equities that had performed well recently. Given the low volatility environment, we extended convexity via call spreads that would provide additional upside.

Total portfolio duration was 1.7 years (slightly lower than 1.8 years as of July month-end), vs. benchmark duration of 2.4 years. Despite a strategic view that duration can once again be employed as a partial hedge to equity, we are mindful that the US economy has proven very resilient to higher rates thus far, which suggests that we may be in a regime of higher equilibrium rates for the time-being and back-end rates could drift higher.

The bulk of our U.S. exposure remains at the front and belly of the curve, at the expense of long-dated rates, which have remained very inverted. Despite the run-up in long-dated US rates over the month, we remain underweight given the potential for additional upside pressure in an environment where inflation and policy uncertainty are elevated.

We are overweight duration in Europe and select EM countries (notably Mexico and Brazil), while underweight the U.S. and Japan. Within Europe, sovereign exposure is primarily held in Germany and Spain. 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. Furthermore, with hiking cycles further along in EM and DM hiking cycles maturing globally, we expect that EM duration can outperform if we see any further slowing of global growth.

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 ~10% of AUM and is a key differentiator vs. traditional "60/40" portfolios.

Modest exposure to gold-related securities, primarily through call options on gold ETFs as an additional hedge to elevated equity volatility. Historically gold has performed well during periods where real rates are declining, a weaker U.S. dollar and increased geopolitical / recessionary concerns.

Cash positioning increased slightly due to the general decline across equities given market weakness in August. Exposure within cash is primarily held via a combination of U.S. treasury bills and select commercial paper in high quality issuers.

In recent months, we have worked to neutralize FX positioning. As of month-end, the Fund was neutrally positioning in the U.S. Dollar (60%) with small overweights spread across the Swiss Franc, Japanese Yen, and British Pound Sterling, along with select EM currencies. That said, in the current environment of climbing U.S. real and nominal rates, we recognize that the U.S. dollar could serve as a tactical hedge and looked for opportunities to modestly increase exposure via a basket approach over the month.

Asset allocation (as % of net assets*): Equity: 61%, Fixed Income: 32% Precious Metals: 1%, Cash Equivalents: 6%.

Despite the possibility that the Federal Reserve may keep short-term interest rates elevated for a protracted period, we continue to believe that the U.S. economy will likely avoid a "hard" economic landing or protracted recession in 2023. This is mainly driven by a recognition of resilience across U.S. consumers and corporations, coupled with the expectation for nominal GDP to have the potential to remain at or above 5% annualized for the next several quarters, which could serve as support for U.S. corporate earnings. We believe that a stronger earnings outlook, coupled with decelerating inflation data, can provide a supportive backdrop for stocks, even despite valuations (at the index level) that are elevated relative to historical averages. While the valuation of the S&P 500 Index is elevated relative to its own history, this is primarily driven by a small number of stocks, with many sectors within the index possessing valuation levels that are at or below their 30-year averages. In this environment, we have a slight overweight to equities, with an emphasis on stable growth and quality. Considering the resiliency of the U.S. economy and the potential for further support on corporate earnings, we have also looked to balance this exposure by adding to cyclical segments of the economy. We are constructive on fixed income as short-term U.S. interest rates are at elevated levels relative to recent history, though maintain an underweight to duration as U.S. recession risk has receded. Despite the increase in U.S. rates over the month, we maintain exposure at the front and belly of the curve, on the view that U.S. inflation will follow a prolonged – but choppy – deceleration. 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, and cash.

Source: BlackRock (Luxembourg) S.A.

PUBLIC

BlackRock Global Equity Income Fund (SGD and USD)

Investment and Market Review

Global equity markets pulled back slightly in August, with the MSCI ACWI returning -2.79%.

In the US, the government's credit rating was downgraded at the beginning of the month by Fitch Ratings following the debt ceiling standoff earlier in the year. The chair of the Federal Reserve (Fed), Jerome Powell, in his Jackson Hole speech, reaffirmed a data-dependent approach and warned that inflation remained 'too high' and commented that the central bank remained ready to keep rates 'restrictive' to address persistent price pressures.

In the Euro area, labour markets remained tight, with the unemployment rate dropping to 6.4%(1) in July, its lowest level on record. However, the economic outlook in the region remained uncertain, as the August composite Purchasing Managers' Index (PMI) fell to 47(2), its lowest level in almost 3 years. In the UK, the Bank of England (BoE) hiked its policy rate by 25 bps(3) and highlighted its intention to hold rates at restrictive levels for some time.

In China, signs of a deteriorating macro backdrop played a role in the pullback during the month amidst concerns around the property sector, stalling growth, rising deflation risk and a weakening currency. The country cut its interest rate as credit demand remained weak and consumer spending remained stubbornly below pre-Covid levels.

From a sector perspective, Utilities, Materials and Financials declined the most while only the Energy sector had positive returns. From a regional perspective, all regions had negative returns with Emerging Markets and the Middle East declining the most.

Market Outlook and Investment Strategy

We believe 2023 will continue to be a year of volatility in markets. Whilst we are seeing some signs of normalization in inflation, absolute levels remain high requiring Central banks to commit to further action. Against this backdrop, we have seen a narrow equity market where Information Technology has seen a strong rally given focus on the opportunities from Artificial Intelligence, despite the long duration characteristics of cashflows in this sector sensitising valuations to real rates. By contrast, broader market returns have remained muted given the ongoing debate about the likelihood of a recession – whilst we can foresee a scenario in which a recession is avoided in large part due to the resilience of the consumer, 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.

Given the narrow nature of the market returns so far this year and emerging picture on the underlying health of the economy as the year progresses, we would expect to see greater differentiation in market returns as the year progresses. Our focus on identifying quality companies at attractive valuations makes us well positioned for such an environment. In our view, Quality companies offer resilience to 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. We continue to seek idiosyncratic stories and structural growth opportunities which we think will be critical

in navigating through this period – volatility also poses opportunity for long term investors like ourselves, given the dispersion in valuations.

Put another way, it is alpha rather than beta which will drive returns for the rest of 2023 - our disciplined process focused on quality stocks at attractive valuations gives us confidence that we can continue to construct a well-diversified fund 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 0.37% for the month of August. This month, amidst fluctuating global bond yields, high-yield bonds experienced slight gains along with erratic yield movements. Furthermore, credit quality on the lower end continued to outperform, driven by robust US economic data and positive high-yield earnings results.

From a rating perspective, CCCs outperformed single Bs and BB-rated bonds over the month of August. Global high yield risk premiums widened 10 bps in August, representing a final period-end spread of T+472 bps, a yield-to-worst of 9.09%, and an average market-weighted price of $84.15.

The fund returned +0.11% in August (net), underperforming its benchmark by 0.04%. Within high yield credit, security selection within Wirelines (o/w Zayo Group Holding) and Other Financial Institution (u/w Country Garden Holdings) sectors, and underweight allocation to the Foreign Agencies sector contributed to the performance results.

Security selection within Cable & Satellite (u/w Dish Dbs Corp), Media & Entertainment (o/w Clear Channel Outdoor) and Banking (o/w Barclays) sectors detracted from performance results.

Market Outlook and Investment Strategy

Broadly, there were no significant changes to the fund's investment themes or positioning in August. The fund’s portfolio risk increased over the month (beta was 0.96). Overall, the fund continues to favor more measured risk-taking in today's environment.

From a ratings standpoint, the fund increased exposure to B and CCC rated names while decreasing exposure to BB and BBB rated names; from a sector perspective, the fund added names to the Banking, Foreign Agencies and Oil Field Services sectors, while reducing risk in the Midstream, Airlines and Metals and Mining 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 Clarios Global (Automotive), Alliant Holdings (Property & Casualty) and Carnival Holdings (Leisure).

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 730+ issuers, an average issuer-level position of roughly 13bps, with the top 25 names constituting 19.89% of the portfolio.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Gold Fund (SGD and USD)

Investment and Market Review

The BGF World Gold Fund returned -4.9% in August, outperforming its benchmark, the FTSE Gold Mines Index, which returned -7.8%. Fund performance in US dollar terms and net of fees for the A-share class Global equity markets represented by the MSCI ACWI All Country World Index struggled in August, returning -2.8%.

Renewed stress in the Chinese property market led to weak macroeconomic data out of China, causing volatility in global equity markets.

The gold price fell -1.3% during the month, ending at ~$1,939/oz. A strengthening US dollar caused weakness in the gold price. For reference, the DXY (a US dollar index) rose +1.0% to 103. Q2 production results were released during the month and were mixed, but better than results earlier in the year.

Physically backed-gold ETFs continued to see outflows, with total holdings down to ~64.75 million ounces from ~68.06 million ounces at the end of July 2023. Performance for the non-gold precious metals was mixed. The silver and palladium prices fell -1.5%, and -3.9% respectively, whilst the platinum price rose +3.3%.

The fund's underweight position in senior producer AngloGold Ashanti was the largest positive contributor to relative performance after the company announced poor Q2 results. The fund's overweight position in Endeavour was a notable detractor to returns. The tense political situation in west Africa weighed on the stock.

The fund's off-benchmark position in the mid-tier developer, Bellevue, was a notable contributor to relative performance, with the company still on track to start production in Q4.

Market Outlook and Investment Strategy

We see a strong argument for adding to gold and gold equities for diversification benefits.

The Russia Ukraine crisis and rising interest rates put much greater uncertainty around global economic growth. Encouragingly, we have seen a marked change in behaviour in the sector with companies returning this capital to shareholders in the form of dividend increases and share buybacks.

We expect inflation to be stickier on the way down than the market expects, whilst interest rate expectations may have peaked. This suggests to us that real interest rates are more likely to move lower than higher, which should be supportive for gold.

PUBLIC

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%[9]. 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[10]. 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 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

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

PUBLIC

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 rallied, driven by strong gains among a handful of technology companies linked to the development of artificial intelligence (AI) platforms. The U.S. Federal Reserve's decision to pause its aggressive rate-hiking campaign also helped support the market's advance, along with better-than-expected economic growth in the U.S., Japan and India.

Market Outlook and Investment Strategy

The current portfolio is well-balanced by geography, sector, style, theme and characteristic of underlying companies. 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 so far this year. If and when the market does broaden out, the portfolio is well-positioned to potentially benefit from the market shift.

It is also deliberately not positioned for a single outcome or 'type' of short-term market environment. The portfolio has exposure to both long-term secular growth and select exposure to companies in more cyclical areas that are backed by durable tailwinds. These are underpinned by a broad set of set resilient or defensive businesses that could provide stable foundations. Companies with strong pricing power

across a variety of industries are another focus. Even though inflation is likely to come down from recent levels, we expect it to remain persistently higher than the ultra-low and stable levels of the 2010s.

Source: Capital Group

First Sentier Bridge Fund (SGD)

Investment and Market Review

2023 has thus far been a more upbeat year than 2022 for Asian equities and fixed income. Year-to-date, the MSCI AC Asia Pacific ex Japan Net Index rose 3.02% while the JP Morgan Asia Credit Index (JACI) Investment Grade benchmark saw gains of 3.07%.

The year began with China's reopening story buoying market sentiment before momentum fizzled out due to the lack of sustained property sales volume and weak economic data, which dragged prices of China property bonds down. Among the Asian countries, Taiwan and South Korea's equity markets were strong on news about the advance of artificial intelligence (AI), which boosted their technology-heavy markets. Meanwhile Malaysia and Thailand declined as both markets recorded net investor outflows.

Investment grade Asian credit stood resilient against a number of headwinds, such as headline news on Adani relating to allegations of fraud and stock market manipulation, the regional banking crisis as well as the US debt ceiling impasse. This resilience was largely driven by supply technicals in the bond market where the significant slowdown in primary market issuance for Asian Credit provided price support for the sector.

Market Outlook and Investment Strategy

The past decade or so has been characterised by financial repression and seemingly-free money, and those taking the biggest risks often reaped the biggest rewards with little consequence. Today that is no longer true. After the excesses built up over the years, it would not be surprising if there were more dislocation ahead. Inflation and interest rates look set to remain elevated, putting pressure on costs and demand, while the growth outlook (and indeed expectations for a recession) seem the countervailing force.

From a bottom-up perspective, while this operating environment presents a challenge, these are also opportunities for the companies in our portfolio. Dominant market leaders with strong balance sheets should benefit from uncertainties in the external environment, and their pricing power will be on display. Such franchises emerge much stronger through these periods, often with higher market shares and superior profitability. We remain excited about the long-term prospects of the companies in the portfolio.

Similarly, despite signs of slowing earnings and weaker economic activity in the region, fundamentals of Asian Investment Grade (IG) corporates remain sound. Considering the mounting macro uncertainty, valuations are starting to look rich, despite modest weakening in Asian IG credit metrics within still solid territory. Nevertheless, high all-in yields well above 5% does makes this asset class attractive from an income carry perspective. Our bias is to look for idiosyncratic and relative value opportunities.

Source: First Sentier Investors

Franklin Biotechnology Discovery Fund (SGD and USD)

Investment and Market Review

Following a strong rally during the first half of 2022's third quarter, global equities fell sharply during the remainder of the period as investors worried that the global economy would weaken further or enter a recession as many central banks tighten monetary policy. Stock selection in the materials sector contributed to relative performance; Global equities collectively advanced in the fourth quarter of 2022 as gains in October and November more than offset losses in December. The fund significantly outperformed its benchmark index in the fourth quarter of 2022, when stock selection—especially in the consumer discretionary, energy and information technology sectors—contributed to relative performance

Global equities collectively rose during the first quarter of 2023 amidst investor optimism about an approaching end to the worldwide rate-hiking cycle. The fund recorded a positive return in the January-March quarter but slightly lagged its benchmark due mainly to allocation effects. Global equities collectively rose during the second quarter of 2023 as concerns about the banking industry subsided, the US debt ceiling issue was resolved, many companies' first-quarter earnings exceeded consensus estimates, and investors welcomed several central banks' slower pace or pausing of interest-rate hikes. Stock selection in the health care, industrials and consumer staples sectors added to relative return.

Market Outlook and Investment Strategy

We expect continued volatility in the health care sector as the macroeconomic environment stabilises, and we have become more optimistic for the remainder of 2023. Valuations within the biopharmaceuticals space looked relatively attractive heading into July. M&A activity has increased meaningfully in recent months and, given the strong balance sheets in the large-capitalisation tier, we believe further consolidation is likely. We remain focused on stocks we believe were oversold recently but whose fundamentals remain intact and strong. In general, we are optimistic that positive proof-of-concept and late-stage clinical trial readouts will unlock value for these companies.

We also see opportunities at the other end of the "prevalence spectrum" in addressing rare diseases. In addition, we are focused on innovative drug modalities such as in vivo gene editing, gene therapy, targeted protein degraders, novel immunology targets, and targeted oligonucleotide therapeutics. We continue to favour small- and mid-capitalisation companies, as they offer what we deem to be superior growth profiles and low valuations versus large caps.

While 2022 was an especially challenging year from a positive-catalyst standpoint, we are hopeful that improving fundamentals will continue to lift investor sentiment, much as we have seen in recent months. In the latter half of 2022 and the first half of 2023, several companies reported positive findings from ongoing clinical trials that resulted in meaningful share-price appreciation. With M&A activity finally picking up after a slow 2022, we expect it to continue into the latter half of 2023, with an emphasis on smaller "bolt-on" deals.

Source: Franklin Templeton

PUBLIC

Franklin Technology Fund (SGD and USD)

Investment and Market Review

Following a strong rally during the first half of 2022's third quarter, global equities fell sharply during the remainder of the period as investors worried that the global economy would weaken further or enter a recession as many central banks tighten monetary policy. The fund held up better than its benchmark over the July–September period as activity in the enterprise technology buying centre industries suggested sales and earnings reports and outlooks have been largely resilient. Global equities collectively advanced in the fourth quarter of 2022 as gains in October and November more than offset losses in December. The fund's fourth quarter underperformance was generally due its overall portfolio mix.

Global equities collectively rose during the first quarter of 2023 amidst investor optimism about an approaching end to the worldwide rate-hiking cycle. After a strong rally in January, global stocks declined in February and experienced heightened volatility in March due to banking turmoil in the United States and Switzerland. However, fairly quick action by authorities in both countries to stem potential contagion reassured many investors, driving global stocks higher. Global equities collectively rose during the second quarter of 2023 as concerns about the banking industry subsided, the US debt ceiling issue was resolved, many companies' first-quarter earnings exceeded consensus estimates, and investors welcomed several central banks' slower pace or pausing of interest-rate hikes. The fund outperformed the benchmark index based primarily on favourable stock selection.

Market Outlook and Investment Strategy

The fund remains well positioned for an expected bottoming in IT sector fundamentals after several quarters of growth deceleration stemming from post-COVID digestion and macroeconomic uncertainty. We're not yet through these headwinds. Cloud computing and related software providers are still experiencing a deceleration in growth. However, absent a worst-case-scenario for the macroeconomy, we think we're past the halfway mark on this deceleration and believe enterprise IT spending can experience stabilisation, potentially by the end of 2023. The fund maintains significant exposure to enterprise technology businesses, which stand to benefit from this stabilisation. We also believe we're close to the end of the interest rate cycle, which should give technology sector valuations some breathing room.

While we remain cautiously bullish on AI, it is but one of our 10 "digital transformation," or DT, sub-themes. We continue to actively invest across our remaining nine DT sub-themes: new commerce; digital media transformation and the rise of the metaverse; digital customer engagement; secure cloud and SaaS (software as a service), fintech and digital payments; electrification and autonomy; IoT (Internet of Things); cybersecurity; and the future of work. We continue to believe DT is a multi-trillion-dollar opportunity. In our long-term view, the most important aspect is still "quality," which we define as companies with strong, improving competitive positions, experienced/talented management teams with a proven track record of execution, premium-level financial strength and strong unit economics.

Source: Franklin Templeton

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

Investment and Market Review

Following US and global equity market rallies in the 2022's third quarter, US equities collectively fell for a third consecutive quarter and to 22-month lows, capped by the worst September in two decades. Stock selection in consumer staples, communcation services and industrials helped performance. Following a solid rebound in October and November as inflation data improved, the US equity market pulled back broadly in December, leaving major indices with their strongest quarter of 2022 but their worst calendar-year performance since 2008. , Amidst a wide dispersion of returns across the major US equity indices, nine out of 11 sectors appreciated, with investors favoring cyclicals such as energy, industrials, materials and financials foremost, while the consumer discretionary and communication services sectors retreated. An underweight in Apple proved positive for relative performance in the IT sector

Key US equity indices ended the first quarter of 2023 with gains despite a bout of heightened financial market volatility in March due to turmoil in the banking industry. Stock selection in consumer staples and communcation serviceshelped performance. Key measures of US stocks rose during the second quarter of 2023, driven by better-than-expected first-quarter corporate earnings reports, the suspension of the debt ceiling, subsiding concerns about US regional banks, resilient economic growth, and hopes for an end to the US Federal Reserve's campaign of interest-rate hikes.

Market Outlook and Investment Strategy

We believe that in the second half of 2023, US equities can benefit from cooling inflation and earnings optimism. Following two consecutive quarters of falling US corporate profits, the outlook for earnings is beginning to brighten. In our assessment, many companies have performed well because of their strong balance sheets, attractive profitability, platform-like dynamics and an increased focus on efficiency in an uncertain macroeconomic environment.

The strength of the stock market rebound has been bolstered by optimism about the transformative opportunities that AI applications might present. We believe AI is a key pillar of the digital transformation that is driving significant disruption in multiple industries while spurring new growth. In our view, there are opportunities for companies to increase productivity, lower costs and ultimately drive competitiveness in this era of generative AI. Other areas of investment we are focused on are in health care, which is backed by multidecade demand trends from an ageing population worldwide, and in energy, as we move towards more renewable, sustainable energy platforms.

The fund invests in quality growth businesses that, in our analysis, have robust competitive positions, strong pricing power and healthy financials. Our focus on major secular themes, like digital transformation and health care innovation, leads us to both established and emerging growth players in various sectors. Currently, our largest sector exposure is in IT, where we prefer software companies, followed by health care, consumer discretionary and financials, where we prefer fintech companies.

Source: Franklin Templeton

FSSA Dividend Advantage Fund (SGD and USD)

Investment and Market Review

Key contributors to performance included Keyence, which delivered strong sales growth against the uncertainty of the slowing global economy. Midea rose on expectations of solid earnings results, as

external industry data pointed to strong demand for Midea's air-conditioner units. On the negative side, JD.com fell on concerns of slowing sales growth and rising competition. Anta Sports reported weaker than expected performance of Anta brand sales in the year to date.

New purchases over the period included Shenzhen Inovance, an industrial automation company that has increased market share over the past few years. We believe the company stands out in terms of its stable management team, its energetic drive and ambition. The Fund also bought Kasikornbank, Thailand's leading commercial bank with high capital levels, a robust deposit franchise and strong digital capabilities. Valuations have fallen close to where it was during the Asian Financial Crisis. We believe return on equity should recover to attractive levels as asset quality issues subside.

The Fund sold Realtek, which has benefited from the previous two years' cyclical strength. Its margin profile is not as attractive as its integrated circuits (IC) designer peers, as the business includes many long-tail consumer connectivity products. The Fund also divested Vietnam Dairy Products (Vinamilk), as it has struggled to keep up with the competition.

Market Outlook and Investment Strategy

After the excesses built up over the years, it would not be surprising if there were more dislocation ahead. Inflation and interest rates look set to remain elevated, putting pressure on costs and demand, while the growth outlook (and indeed expectations for a recession) seem the countervailing force.

From a bottom-up perspective, while this operating environment presents a challenge, these are also opportunities for the companies in our portfolio. Dominant market leaders with strong balance sheets should benefit from uncertainties in the external environment, and their pricing power will be on display. Such franchises emerge much stronger through these periods, often with higher market shares and superior profitability. We remain excited about the long-term prospects of the companies in the portfolio.

Source: First Sentier Investors

FSSA Regional China 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. Sinbon Electronics added to performance with strong earnings growth on the back of robust demand from the industrial, medical and auto segments. On the negative side, JD.com reported slower than expected revenue growth due to increased competition. China Merchants Bank (CMB) declined as China's property market slowdown fuelled concerns on mortgage repayments and bank stocks in general.

New purchases included Haier Smart Home, a leading global home appliances manufacturer with a solid franchise in refrigerators and washing machines. It is the only domestic player with a strong presence in the high-end segment and is ahead of peers in terms of international expansion, with most of its overseas sales coming from its own brands.

The Fund also purchased Yifeng Pharmacy, a leading organised pharmacy business that should gain share in a fragmented market. The group operates more than 9,000 drugstores across ten provinces. Meanwhile,

the founder is young and has a good reputation. Macro tailwinds include the ageing population and prescription outflows from hospitals to private pharmacies.

There were no significant disposals during the period.

Market Outlook and Investment Strategy

In recent months, members of the team visited Shanghai, Shenzhen and Guangdong Province to meet with companies. It now appears that the initial optimism around China's post-Covid reopening has been tempered with a more conservative outlook about China's mid-term growth. Although pent-up demand had helped to boost restaurants and travel, the economy in general has been more lacklustre.

Despite the near-term weakness, we remain positive about China over the long term. As China matures, we think investor expectations will eventually adjust to a slower rate of growth. With this backdrop in mind, we continue to look for companies that have good management, strong competitive advantages and attractive returns. The companies we like to own are typically industry leaders that should benefit from gaining market share over weaker rivals, or those that have been improving their returns and expanding their customer markets.

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 0.80% over the 1y horizon. In terms of country, New Zealand (+25.48%) is the best performing country while Mainland China (-17.00%) was the worst performing country. In terms of sectors, information technology (+14.26%) is the top performing one while consumer discretionary underperformed (-15.32%).

China was amongst the best performing markets in the second half of 2022 driven by reopening related optimism. However over the first half of 2023 Taiwan and Korea became the best performing markets driven by artificial intelligence related euphoria, while China was the worst performing market driven by mixed geopolitical developments and concerns of weakening economic momentum.

The fund outperformed against the benchmark on a 1-year basis. Positive allocation and stock selection effects in Mainland China and positive allocation effect in consumer discretionary positively contributed to performance, partially offset by the unfavourable allocation and stock selection effects in India as well as unfavourable stock selection effect in financials space.

Amongst the largest relative contributors over the year is our holding in DBS which has outperformed due to favourable rate cycle and earnings upgrade.

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 June 2023.

Market Outlook and Investment Strategy

Markets have remained choppy – yet valuations are generally attractive, earnings are stabilizing and positioning is light, which enables us to maintain a constructive view on Asian equities:

Valuation: Valuations fell to 12.9x forward P/E / 1.7xx P/B slightly below its longer term averages even after strong July returns and with significant divergence within the region. India is the most expensive market at 21x while China being the cheapest at 9.9x.

Earnings: Asia was early in the earnings downgrade cycle and earnings estimate revisions have stabilized. Consensus forward EPS in the region is now at -2% / 18% / in 2023 / 2024 – earnings recovery in 2024 will be the main driver of returns in 2023.

Source: HSBC Global Asset Management

HGIF - Global Equity Climate Change (SGD and USD)

Investment and Market Review

The Global Equity Climate Change Fund returned 15.8% over the period 30 June 2022 to 30 June 2023. Over the past 12 months, whilst US bond yields advanced higher, global equity markets rallied as investors began to embed expectations of an end to interest rate hikes as inflation cooled. Inflation remained high albeit declined as supply chains normalised and energy prices dropped. The climate change theme gained a boost in August 2022 as the US congress agreed on the biggest ever climate spending package in the country's history, the Inflation Reduction Act, which provided strong support for the buildout of clean energy and domestic manufacturing. As for the portfolio, the IT and Industrial sectors, which made up around 70% of the portfolio, were the key performance contributors. The top 3 contributors were First Solar, Schneider and Infineon – First Solar rose 179% as it was a direct beneficiary of the announced IRA tax credits, whilst Schneider and Infineon both experienced stronger than expected growth in several quarters coming from electrification and autos respectively. The top 3 detractors were EDPR, Ball Corp and Neste – EDPR underperformed as declining power prices was a headwind for the business; Ball Corp faced end consumer demand challenges whilst Neste was impacted by the announcement of Sweden reducing its biofuel mandate.

Market Outlook and Investment Strategy

We believe inflation will continue on its downward trajectory, giving reason for centrals banks to pause rate hikes. Following the supply chain disruptions during and after COVID, corporates are re-thinking about resiliency and we expect de-globalisation to be a recurring theme in years to come, with government policy driving the re-shoring activity. Against a backdrop of scarce growth opportunities in a slowing global economy, companies with structural growth drivers, such as those offering climate change solutions, present an attractive investment option. As the details of the US IRA tax credits are worked through, we expect this to drive a ramp up in clean energy investments over the next few years, which should benefit not just the Renewable Energy eco-sector but also Industry – Energy Efficiency and Sustainable Mobility. As for the investment strategy, the Climate Change Fund is focused on capturing the secular growth opportunities from the Climate Change theme, whilst remaining disciplined on valuation and company quality. Even though the Renewable Energy and Industry – Energy Efficiency sectors are the biggest weights in the portfolio, we see growing importance of ICT in the fund – in addition, we favour US over Europe given the former's more attractive policy measures.

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 Securitized Credit while EMD lagged somewhat.

The second half of 2022 saw a mixed market, defined on the one hand by continued high inflation, central bank hawkishness and concerns over the slowdown in growth. This gave way to a more positive sentiment towards year end driven by better than expected earnings and surprise lower CPI for both October and November giving hope that the Fed will continue to slow the pace of rates hikes. Corporate credit markets started 2023 with a continuation of their year-end rally before turning more volatile mid quarter over renewed inflationary concerns. This was compounded in mid-March as a potential Banking crisis drove sharp moves in both rates and spreads. Q2 saw the return of some stability following the bank driven volatility of March. This was helped by data points for payrolls, CPI and ISM manufacturing coming in at somewhat benign levels while earnings were relatively strong. This ultimately drove credit spreads tighter over the first half of the year.

The US treasury yields rose with the fed raising rates, inverting the curve over the period. The 2, 5, 10 and 30 year saw yields move higher by 1.94%, 1.12%, 0.82% and 0.68% respectively to finish June at 4.90%, 4.16%, 3.84% and 3.86%.

Market Outlook and Investment Strategy

With strong economic data from durable goods orders, US housing starts as well as personal income and spending together with continued strength in employment figures and wages, the US economy appears resilient as the Fed plans for 2 more rate hikes before year end, outpacing market expectations that are pricing in less than one. At the half year mark credit spreads are tighter in an indication that markets have yet to price in the threat of an economic slowdown and potential recession. Although valuations are less compelling we don’t see any specific catalysts to spreads meaningfully wider in the short term while longer term we still expect that spreads are more likely to move wider as we move towards a slowdown. We continue be tactical with our positioning, taking advantage of short term opportunities when they arise.

We continue to see credit spread risk and maintain our lower HY exposure. Although we are slightly short on spread duration we are maintaining a bit of positive carry by taking advantage of the inverted yield curve. Regionally allocations have remained largely unchanged since last month. Cash and cash equivalent exposure remains elevated while developed market sovereign exposure is also on the higher side, reflecting our defensive credit positioning. Some shorter duration cash bonds continue to look attractive and we have been buying some 5yr and in bonds with good carry on a case-by-case basis across different regional exposures as we still expect carry to be a major component of returns this year.

Source: HSBC Global Asset Management

HGIF - Global Short Duration Bond (SGD and USD)

Investment and Market Review

With strong economic data from durable goods orders, US housing starts as well as personal income and spending together with continued strength in employment figures and wages, the US economy appears resilient as the Fed plans for 2 more rate hikes before year end, outpacing market expectations that are pricing in less than one. At the half year mark credit spreads are tighter in an indication that markets have yet to price in the threat of an economic slowdown and potential recession. Although valuations are less compelling we don’t see any specific catalysts to spreads meaningfully wider in the short term while longer term we still expect that spreads are more likely to move wider as we move towards a slowdown. We continue be tactical with our positioning, taking advantage of short term opportunities when they arise.

We continue to see credit spread risk and maintain our lower HY exposure. Although we are slightly short on spread duration we are maintaining a bit of positive carry by taking advantage of the inverted yield curve. Regionally allocations have remained largely unchanged since last month. Cash and cash equivalent exposure remains elevated while developed market sovereign exposure is also on the higher side, reflecting our defensive credit positioning. Some shorter duration cash bonds continue to look attractive and we have been buying some 5yr and in bonds with good carry on a case-by-case basis across different regional exposures as we still expect carry to be a major component of returns this year.

Market Outlook and Investment Strategy

Yields for UST remain pressured upwards, given sticky service sector inflation and a hawkish Fed. Bond fundamentals are expected to improve in H2. US curve inversion reached highs in Q2. Steeper yield curve is expected, but this may not be achieved until 2yr yields decline. The 10yr Bund and the 10yr US Treasury spread reversed after reaching a peak of circa 100 bps as the Fed pushed further out the timing of the peak rate. European peripheral spreads remained in a range while the Italian spread outperformed.

Looking at Credit, we remain cautious on the overall credit outlook. Inflation is beginning to decelerate and the risks of recession have increased as we start to see cracks in pockets of the macro data and also within single name credit stories. We have taken a tactical approach for the summer grind tighter, whilst reducing risk through bonds which performed well and screen rich. Overall, biased to maintain an overweight carry positioning whilst also near term cautiously risk facing. We continue to hold protection through HY credit derivatives, which supports our decompression theme.

The broad US dollar has likely seen the peak in Q4, the peak in inflation and Fed hawkishness. However, the US economy has been resilient and the terminal rate will be pushed into restrictive territory. The USD is expected to trade in a short-term range before resuming its down trend towards year-end. We remain cautious on high beta currencies given the uncertainties on the global growth outlook.

Source: HSBC Global Asset Management

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

Investment and Market Review

The fund delivered a positive return over the 1-year period, mainly contributed by our position in Asian equities. Asian equities in the portfolio posted gains driven by the strong performance of our holdings in semiconductor supply chain companies in Korea and Taiwan on the back of the heated AI theme. On the fixed income front, Asian investment grade bonds and Asian local currency bonds also have contributed positively to the performance. On the other hand, Asian high yield bonds detracted from performance largely due to intensified risk in the Chinese property market on the back of a few idiosyncratic headlines. We expect there will be greater credit differentiation in the property space. Hence, we position into better quality names with more land banks in tier 1/2 cities and stronger funding access.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix. Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024. In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While 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 year. Singapore sovereign yield curve tracked the US treasury curve closely by turning inverted in light of the policy normalization by the MAS before pausing the rate hike in the later part of the period. With core inflation continued falling towards the MAS forecasts, the central bank has paused its monetary tightening cycle for some time. Despite still-high accommodation costs amid the buoyant property market, Singapore continued to see downside surprises in inflation, with core inflation momentum easing driven by energy disinflation. Furthermore, industrial production weakened, increasingly pointing to intensifying external woes, especially in tech. Non-oil domestic exports weakened over the period. The weakness was broad-based, with electronics shipments extending the weakness, and pharmaceuticals and petrochemicals sectors falling, reflecting the intensifying trade headwinds that Singapore continues to face. Meanwhile, Asian credit market also returned positively during the period despite higher US Treasury yields as both investment grade and high yield credit spreads tightened, with high yield bonds outperforming investment grade bonds.

Market Outlook and Investment Strategy

The Monetary Authority of Singapore (MAS) expects core inflation to moderate further in the coming months amid the easing inflation in Singapore’s major trading partners. We should see better growth momentum in the latter half of this year amid the ongoing recovery in the travel-related sectors and trade

stabilization. The MAS is likely to keep its current policy parameters at the next policy meeting and be on hold for an extended period. Therefore, our view that the MAS should have completed this current tightening cycle remains unchanged. If core inflation continues to fall for the rest of the year as per MAS's forecasts, the MAS could begin to ease its monetary policy early next year. The maturing global monetary tightening cycle and the limited bond supply are supportive for SGD bonds. At the same time, we expect the SGD to be fundamentally stable for the rest of 2023, given Singapore's ample current account surplus and FX reserves. In terms of valuation, SGD bond yields are still looking attractive.

The fund's duration was being managed at around four years. The fund 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 and broader Asia Pacific region given their relatively defensive nature and attractive yields. Meanwhile, the fund is also exposed to China and Hong Kong financials as well as Macau gaming. At the same time, the fund has some exposure to the China property sector, focusing on the better-quality companies which will be more likely to benefit from the funding loosening policies in the sector, reflecting mostly our conviction on the individual credit rather than our view on the sector. It also 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

The MSCI All Country World Index in USD delivered a return of +16.7% over the period, by contrast the FTSE World Government Bond Index (USD Hedged) delivered a return of -1.9%. Equity markets were supported by better than expected developed market GDP growth, robust earnings, the lifting of COVID-19 lockdowns in China, and latterly a rally in Artificial Intelligence related stocks as investors became increasingly optimistic about the beneficial impact of Large Language Models.

Global central banks continued to hike rates over the period, with the US Federal Reserve raising rates by 400bps over the period. The continued monetary tightening acted as a headwind to Global Fixed Income markets.

The World Selection Portfolios have participated enthusiastically in the market rally, with all five funds delivering positive returns over the period. The portfolios maintained a modestly cautious posture; underweight global equity, spread duration, and rate duration. Given the depth of the US Yield Curve inversion we introduced a US Steepening trade. Additionally, the portfolios maintained a preference towards higher quality and more defensive areas of the developed equity market. During the period we introduced an allocation to Listed Infrastructure. Finally, the portfolios held a preference for 'Eastern' over 'Western' markets, and as a result were overweight emerging market equity, local currency emerging market debt, Japan equity, China equity and Brazil equity.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix.

Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. The Fed is now likely at peak hawkishness, we expect a policy pause in September and potential cuts at the end of 2023.

Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024.

In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While in Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 2 (SGD and USD)

Investment and Market Review

The MSCI All Country World Index in USD delivered a return of +16.7% over the period, by contrast the FTSE World Government Bond Index (USD Hedged) delivered a return of -1.9%. Equity markets were supported by better than expected developed market GDP growth, robust earnings, the lifting of COVID-19 lockdowns in China, and latterly a rally in Artificial Intelligence related stocks as investors became increasingly optimistic about the beneficial impact of Large Language Models.

Global central banks continued to hike rates over the period, with the US Federal Reserve raising rates by 400bps over the period. The continued monetary tightening acted as a headwind to Global Fixed Income markets.

The World Selection Portfolios have participated enthusiastically in the market rally, with all five funds delivering positive returns over the period. The portfolios maintained a modestly cautious posture; underweight global equity, spread duration, and rate duration. Given the depth of the US Yield Curve inversion we introduced a US Steepening trade. Additionally, the portfolios maintained a preference towards higher quality and more defensive areas of the developed equity market. During the period we introduced an allocation to Listed Infrastructure. Finally, the portfolios held a preference for ‘Eastern’ over ‘Western’ markets, and as a result were overweight emerging market equity, local currency emerging market debt, Japan equity, China equity and Brazil equity.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix.

Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. The Fed is now likely at peak hawkishness, we expect a policy pause in September and potential cuts at the end of 2023.

Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024.

In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While in Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 3 (SGD and USD)

Investment and Market Review

The MSCI All Country World Index in USD delivered a return of +16.7% over the period, by contrast the FTSE World Government Bond Index (USD Hedged) delivered a return of -1.9%. Equity markets were supported by better than expected developed market GDP growth, robust earnings, the lifting of COVID-19 lockdowns in China, and latterly a rally in Artificial Intelligence related stocks as investors became increasingly optimistic about the beneficial impact of Large Language Models.

Global central banks continued to hike rates over the period, with the US Federal Reserve raising rates by 400bps over the period. The continued monetary tightening acted as a headwind to Global Fixed Income markets.

The World Selection Portfolios have participated enthusiastically in the market rally, with all five funds delivering positive returns over the period. The portfolios maintained a modestly cautious posture; underweight global equity, spread duration, and rate duration. Given the depth of the US Yield Curve inversion we introduced a US Steepening trade. Additionally, the portfolios maintained a preference towards higher quality and more defensive areas of the developed equity market. During the period we introduced an allocation to Listed Infrastructure. Finally, the portfolios held a preference for ‘Eastern’ over ‘Western’ markets, and as a result were overweight emerging market equity, local currency emerging market debt, Japan equity, China equity and Brazil equity.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix.

Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. The Fed is now likely at peak hawkishness, we expect a policy pause in September and potential cuts at the end of 2023.

Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024.

In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While in Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 4 (SGD and USD)

Investment and Market Review

The MSCI All Country World Index in USD delivered a return of +16.7% over the period, by contrast the FTSE World Government Bond Index (USD Hedged) delivered a return of -1.9%. Equity markets were supported by better than expected developed market GDP growth, robust earnings, the lifting of COVID-19 lockdowns in China, and latterly a rally in Artificial Intelligence related stocks as investors became increasingly optimistic about the beneficial impact of Large Language Models.

Global central banks continued to hike rates over the period, with the US Federal Reserve raising rates by 400bps over the period. The continued monetary tightening acted as a headwind to Global Fixed Income markets.

The World Selection Portfolios have participated enthusiastically in the market rally, with all five funds delivering positive returns over the period. The portfolios maintained a modestly cautious posture; underweight global equity, spread duration, and rate duration. Given the depth of the US Yield Curve inversion we introduced a US Steepening trade. Additionally, the portfolios maintained a preference towards higher quality and more defensive areas of the developed equity market. During the period we introduced an allocation to Listed Infrastructure. Finally, the portfolios held a preference for 'Eastern' over 'Western' markets, and as a result were overweight emerging market equity, local currency emerging market debt, Japan equity, China equity and Brazil equity.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix.

Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. The Fed is now likely at peak hawkishness, we expect a policy pause in September and potential cuts at the end of 2023.

Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024.

In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While in Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 5 (SGD and USD)

Investment and Market Review

The MSCI All Country World Index in USD delivered a return of +16.7% over the period, by contrast the FTSE World Government Bond Index (USD Hedged) delivered a return of -1.9%. Equity markets were supported by better than expected developed market GDP growth, robust earnings, the lifting of COVID-19 lockdowns in China, and latterly a rally in Artificial Intelligence related stocks as investors became increasingly optimistic about the beneficial impact of Large Language Models.

Global central banks continued to hike rates over the period, with the US Federal Reserve raising rates by 400bps over the period. The continued monetary tightening acted as a headwind to Global Fixed Income markets.

The World Selection Portfolios have participated enthusiastically in the market rally, with all five funds delivering positive returns over the period. The portfolios maintained a modestly cautious posture; underweight global equity, spread duration, and rate duration. Given the depth of the US Yield Curve inversion we introduced a US Steepening trade. Additionally, the portfolios maintained a preference towards higher quality and more defensive areas of the developed equity market. During the period we introduced an allocation to Listed Infrastructure. Finally, the portfolios held a preference for ‘Eastern’ over ‘Western’ markets, and as a result were overweight emerging market equity, local currency emerging market debt, Japan equity, China equity and Brazil equity.

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation remains sticky, raising the probability of small additional rate hikes. Conversely, Eastern economies face a much more benign growth and inflation mix.

Upwardly revised growth figures are raising hopes of a soft landing in the US. However, a recession is still possible towards the end of 2023, as tight monetary policy slows growth. The Fed is now likely at peak hawkishness, we expect a policy pause in September and potential cuts at the end of 2023.

Sluggish eurozone economic data limits the risk of further ECB policy tightening, despite the stickiness of core inflation. Given our view that a Eurozone recession is still possible, we see rates falling faster than the market currently expects in 2024.

In the East, inflation is much less of a concern, and areas of supportive policy can help maintain growth. There are risks that a global slowdown might dampen trade revenues, but this can be partially offset by a weaker dollar. Rollouts of targeted fiscal policy support in China looks likely after the July Politburo meeting. While in Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

JPMorgan ASEAN Equity Fund (SGD and USD)

Investment and Market Review

Stock selection in Malaysia helped although that was dragged down by Thailand. There were a small number of large individual contributors and detractors. To round off 1H2023, Indonesia took the lead, while Thailand and Malaysia were the worst performing countries.

On the positive side, it was Thai and Malaysian names which contributed.In Thailand, overweight to Energy and underweight to Utilities names were outperformers. PTTEP traded up in relations to a stronger oil price, while Energy Absolute and other utilities traded off policy uncertainties following the surprising election result in May-23. The pro-reform Move Forward party centred its campaign on anti-monopoly/duopoly, and power tariff reform. In Indonesia, GoTo was a contributor as stock corrected post its index inclusion, albeit we now have a slight underweight to the stock post rebalancing. In addition, there was an announcement that there will be a change in CEO. The current CEO Andre Soelistyo (one of Gojek founder) will step down from CEO role and will be replaced by Patrick Walujo. Elsewhere, the underweight to Malaysia was a key contributor aided by not owning glove, utilities, and telco names.

On the negative side, a few Thai names detracted. Ngern Tid Lor was the largest detractor on concerns over its share sale and funding cost risk. Thai financials fared less well this month as funding cost risk tilted to the upside. Overweight to Global Power Synergy (Thai utilities also detracted on the mentioned political overhang reasons. In Singapore, Singapore Airline rallied on the recovery of air passenger traffic. In Indonesia, the underweight to Indah Kiat Pulp & Paper also detracted as the stock traded up on announcement of major capacity expansion that may double its earnings in 4-5 years.

Market Outlook and Investment Strategy

ASEAN is currently seeing a “two-sided” economy, with a divergence between manufacturing-oriented vs. tourism/reopening sectors. Manufacturing exports have been slowing while tourism continues to be a tailwind. Inflation pressures appear to be moderating with central banks in the region starting to see room to begin easing later in the year. China’s re-opening is an unequivocal positive for ASEAN from both a tourism and trading standpoint. Re-opening narratives are continuing to unfold on the ground with pick-up in credit cycle, improving economic activities and consumption. However, tightening financial conditions in developed markets could pose a headwind to growth.

Looking forward, we are seeing a regime change which includes that of higher rates structurally and slower growth in North Asia. The implication is that market leadership at the sector and country level could make tidal turns and perform much differently than the last decade. At the core, the structural positives for ASEAN continues to be evident. After a pause during covid, the return of the FDI through supply chain diversification will continue a key driver for the region. Financial and digital penetration will continue to rise. Additionally, tourism will once again be a crucial pillar in the economy. 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 Thailand (reopening exposure), Indonesia and Vietnam (long term growth profiles). Thailand's recent election results have led to some policy uncertainty, however political noise tends to throw up good opportunities thus a bottom-up perspective and we now have a larger overweight to the country. On the other hand, Malaysia continues to be an underweight but bottom-up ideas continue to present itself in various forms. 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

The primary contributors to performance over the month included the underweight to EM spreads, legacy exposure to Venezuelan debt, and security selection within Angolan sovereign debt. The underweight to EM spreads contributed to performance, as spreads widened due to spillover effects from the weaker economic outlook for China. Legacy exposure to Venezuelan debt contributed to performance as bond prices rose amidst talks of lifting of US sanctions, and progress in payout settlements for defaulted bonds of the state oil company. Security selection within Angolan sovereign debt contributed to performance as prices for select securities not held in the fund fell, amidst the devaluation of the Kwanza.

Detractors from performance included security selection within Chinese corporate debt, the overweight to Egyptian sovereign debt and the legacy exposure to Ukrainian corporate debt. Security selection within Chinese

corporate debt detracted from performance, as a select issuer missed scheduled debt payments, which worsened risk sentiment. The overweight to Egyptian sovereign debt detracted from performance, as spreads

widened amidst the issuer's slow progress in selling state-owned assets, which is a requirement for continued funding from the IMF. The legacy exposure to Ukrainian corporate debt detracted from performance as spreads for a select security widened, retracing some of its price rally in July.

Market Outlook and Investment Strategy

PIMCO continues to remain constructive on emerging markets fixed income, with the late stage economic cycle opening up pockets of opportunities across the asset class. The near-term improvement in inflation has proven beneficial for growth-sensitive assets such as local duration and EM FX, while balance sheet sensitive assets such as hard currency debt have had mixed performance. The Fed is nearing the end of its tightening cycle, which remains a positive catalyst for the asset class; however, the high expectations for the re-opening in China have not materialized, muting positive spillovers into EM. For the second half of 2023, we expect the deflationary trend to continue in EMs and for local duration to be well positioned to benefit from this environment.

Of the 20 countries in the GBI-EM Global Diversified index, 18 countries have seen headline inflation fall YTD, with the most pronounced falls observed in Brazil, Chile and Romania, where central

banks have been more aggressive in hiking. As inflation moderates, we expect EM central banks to take a cautious approach to easing policy, focusing more on inflation expectations than on near-term growth.

In the hard currency space, there were concerns about select frontier countries with limited market access defaulting. However, over the first half of 2023, many of these sovereigns have been successful in securing multilateral funding. Pakistan and Ghana are the latest sovereigns to reach staff level agreements with the IMF. Further, distressed names like Sri Lanka, which secured funding early last year, have shown signs of economic stabilization.

Among core EM economies, the news flow has been positive. The proposed fiscal reform bill in Brazil has clipped the tail risk for the public debt/GDP trajectory. In Colombia, President Petro's cabinet reshuffles led to some political noise, but has been moderated by the composition of the Congress, which keeps in check on the President's ability to push through unpopular reforms. Despite promising news, capital flows to EM have been muted this year, but this is nevertheless an improvement from the large outflows seen in 2022.

Source: PIMCO

Schroder Asian Growth Fund (SGD and USD)

Investment and Market Review

After the initial optimism about the rebound in economic growth following China's abandonment of Covid controls late last year, sentiment has steadily deteriorated in recent months and the market view has rapidly swung towards a new consensus that the pace of the recovery is disappointing and the scope for 'stimulus' is limited. Although we have seen a rapid normalisation in travel patterns and most other aspects of day-to-day life recently, it appears that consumer and business confidence are still fragile after two years of intermittent lockdowns and disruptions. A weak labour market, pressure on household incomes and falling property prices have all heightened concerns and pushed up savings rates. Given these very visible problems in the domestic economy and the property market, the debate amongst investors has moved away from China's cyclical upside potential towards a refocus on longer-term structural headwinds for growth such as weak demographics, the large debt overhang at the local government level, property market weakness and elevated geopolitical risks.

Meanwhile, despite the weaker headline macroeconomic data and all the property market troubles, the bottom-up performance from most of the Hong Kong and China equities we own in portfolios has been much more encouraging. The strongest operating performance has been seen in travel and leisure related sectors – hotels, gaming, restaurants, luggage, brewers - where the rebound in activity and earnings in China has exceeded initial expectations this year. E-commerce and online advertising has also seen a healthy rebound this year and the key large cap stocks have delivered strong bottom line growth as greater cost discipline and, in some cases, aggressive share buy backs complements the better top line performance. There are also encouraging signs of improvement in areas such as life insurance sales and high-end retail property rentals that support their recovery thesis. Unfortunately, in most cases, stock prices for these companies have remained under pressure despite the healthy earnings delivery. The market seems to be in a mood to 'buy the rumour, sell the fact' – i.e. selling into any strength around the results on the expectation that business momentum is peaking out after the initial post-COVID recovery.

While we share many of the market's concerns about the structural headwinds China faces, our view remains that there is room for authorities to surprise positively with well co-ordinated policy support for the economy while the better managed businesses with stronger franchises can still deliver growth even against a slower GDP growth backdrop.

Elsewhere in the region, Korean and Taiwanese equities have performed well this year, owing to gains in the key large-cap semiconductor stocks that dominate their indices. While end-market demand remains soft for many electronics products, and inventories are still fairly elevated across the supply chain, investors have started to position for an improvement in coming quarters. Timing the exact inflection point in end-demand is almost impossible in these cyclical industries, but we continue to think that the underlying structural drivers for semiconductors will remain very strong, underpinning solid demand growth for key technology leaders in Taiwan and Korea over the coming years. The other key market, India, has proved more defensive than their Chinese counterparts in recent months and sentiment towards the economy and its longer-term potential remains very favourable at a time when the China's fortunes are increasingly being questioned by investors. A healthy domestic growth outlook, an absence of geopolitical headwinds, scope to increase market share in global manufacturing at the expense of China, along with steady domestic fund inflows into local equity markets are all in the market's favour. That being said, we feel this positive outlook is well discounted today given the elevated valuations in many sectors. 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 the region are now back to below long-term average levels following the recent weakness. There remains a very widespread in multiples between those stocks and sectors in favour, notably in markets such as India and Taiwan that have performed strongly this year, and the apparently 'deep value' on offer in less popular areas of the market of late such as Hong Kong and China. As the last few months have reminded us, gains in Asian equities require a more stable global macroeconomic backdrop, less volatility in US-China relations and a more positive cyclical outlook for the Chinese economy to attract foreign fund flows. Visibility remains limited on many of these fronts. Nevertheless, we remain hopeful that there is scope for a continued recovery in activity in key stocks and sectors in China and a rebound in technology sector fundamentals later this year. 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)

<u>Investment and Market Review</u>

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 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)

<u>Investment and Market Review</u>

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

PUBLIC

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 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

Schroder Singapore Trust (SGD and USD)

Investment and Market Review

Reinforcing their prior messaging that June 2023 was just a 'skip' to assess the situation, the US Federal Reserve (Fed) stayed the course and hiked the reference rate by another 25bps to 5.50% at its July 2023 meeting. This was widely expected by the market, and expectations are now for a maximum of one more hike for the rest of the year, or just holding stable for longer.

Given the current high level of borrowing costs and gradually declining inflation rates, the view is that even if there are a few more policy rate hikes in upcoming FOMC meetings, the overall rate hike cycle may be nearer to a pause phase. However, a number of other key global central banks continue to raise policy rates and these latter actions could continue to pressure overall financing costs for many companies.

Thus, bond yields are supportive of equity valuations, with market expectations of imminent "peaking policy rates" manifested in deeply inverted yield curves. Weighed against these are potential negative earnings surprises as lagged effects of the last 12-15 months' short-term interest rate hikes will begin to impact the general economy. Data points on exports and consumer tech hardware inventory corrections are some early indicators of this impact.

For Singapore equities, the impact of higher financing costs may be more significant for more highly-leveraged companies and selected REITs which are nearing regulatory limits on gearing levels, while companies in the tech supply chain may also be affected by the inventory correction cycle in the near term. The effects on other sectors such as banks and consumer discretionary may be less clear cut, as economic re-opening in North Asia may help support macro activity.

Market Outlook and Investment Strategy

For REITs, 2023 could see increased impact of rate hikes on distributable income (DPU) as prior interest rate hedges roll off. The magnitude will depend on whether net property income can rise faster than costs. REITs that have triple net leases or scope for repricing of lease payments may be more cushioned against potential DPU pressure i.e. REIT-specific factors like decisions on short-term versus longer-term debt mix, lease structures, and lease expiration.

In addition to higher interest costs, there is a potential risk of asset valuation declines as cap rates increase. Compounding these could be rising vacancy levels as tenants give up leases. There has been downward pressure on capital values of commercial real estate in micro-markets within the US and elsewhere. In Singapore, commercial real estate has held up well so far, but the combination of rising financing costs, slowing rental growth, a potential increase in vacancies, and rising cap rates may be a more significant headwind in the medium term. Nonetheless, being closer to the end of this rate hike cycle could be positive for selected REITs at the margin.

Apart from interest rate trends, other structural factors to monitor for the medium term include the widening geopolitical rifts and the implications of these for capex in “friend shoring” countries. We continue to look for stocks that provide a good balance of asset quality and valuations, and will look to add to our holdings when opportunities present themselves.

Source: Schroder Investment Management Limited

PUBLIC