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HSBC Life Asian Balanced Fund

Schroder Asian Growth Fund

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

Schroder Singapore Fixed Income Fund

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

Source: Schroder

HSBC Life Asian Growth Fund

Investment and Market Review

MSCI AC Asia ex Japan fell 5.35% in January ahead of a decision on interest rates by the Federal Reserve and weak demand in the World's second largest economy dragging on growth.

Market Outlook and Investment Strategy

Mainland China recorded negative returns (-10.6% USD) and was the worst performing regions this month. Mainland Chinese stocks fell to a five-year-low After China's manufacturing activity shrank for the fourth straight month in January. Hong Kong also underperformed this month (-9.56%) USD as investors battle the collapse of China's second largest real estate developers' and its liquidation order.

Korea was the second worst performing region this month with negative returns (-9.89%) USD, on the back of lowered 2024 GDP forecast and raised inflation projects.

Taiwan markets also declined (-0.93% USD) as foreign invested offloaded Taiwanese stocks this month, turning more risk-averse ahead of the presidential election.

By sector Energy was the best performing and only sector with positive performance this month, while Materials and Consumer Discretionary were the worst performing sectors.

Source: HSBC AM

HSBC Life Asian Income Fund

Investment and Market Review

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

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

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

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

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

Source: Schroder

HSBC Life Greater China Fund

Investment and Market Review

Chinese and Hong Kong equities fell in January as investors assessed the consistency and persistence of policy support for more insights into the health of the country's economy. Nonetheless, China shows a more proactive stance to shore up growth. The People's Bank of China (PBoC) announced a larger-than-expected 0.50 percentage point cut in the reserve requirement ratio for banks from February 5. This is the biggest reduction in two years, and is expected to free up 1 trillion yuan for the market. The PBoC also said it is widening the uses for commercial property lending by banks in its latest effort to ease the liquidity crunch facing troubled real estate firms. China's securities regulator announced curbs on short selling to stabilise price volatility and strengthen the market. More Chinese cities, including Suzhou and Shanghai, have relaxed home purchase restrictions in a bid to revive demand.

Market Outlook and Investment Strategy

China's economy grew 5.2% in the fourth quarter from a year earlier, missing market expectations. Consumer prices and factory-gate prices extended their declines in December, highlighting lingering deflationary pressure. In January, the Caixin Purchasing Managers' Index (PMI) showed a modest expansion in manufacturing activity for the third consecutive month, contradicting official data that suggested a continued contraction. Taiwanese equities also performed weakly, while signs of a rebound in the broader technology industry remained intact.

Source: FIL

HSBC Life Total Return Multi-Asset Advantage Fund

Investment and Market Review

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

Source: Fullerton

HSBC Life Fortress Fund A & B

Investment and Market Review

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

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

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

In its inaugural decision following the transition to a quarterly schedule, Singapore's central bank kept the prevailing rate of appreciation of the Singapore dollar nominal effective exchange rate (SGDNEER) policy band, leaving the width and the level at which it is centred unchanged. The central bank anticipates a strengthening of the economy in 2024, characterised by more broad-based growth. While core inflation is expected to remain elevated in the earlier part of the year, the MAS foresees a gradual decline, reaching a lower point by the fourth quarter and further decreasing in the subsequent year. Although the central bank maintained its 2024 core inflation projection at between 2.5–3.5%, it revised down the full-year headline inflation forecast to the same range, partly attributing the adjustment to larger Certificate of Entitlement premiums compared to the previous year.

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

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

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

Market Outlook and Investment Strategy

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

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

2024 is likely to offer strong potential for stock-picking alpha, in our opinion. We are overweight in the tech sector, which should see a more convincing recovery this year. We continue to like ""New Singapore"" stocks, which represent the future economy of Singapore, in areas such as renewable energy, tech, data, healthcare, food and logistics. We are also cautiously adding to REITs which feature strong balance sheets and benefit from sound underlying demand."

Source: Nikko AM

HSBC Life Total Return Multi-Asset Advantage Fund

Investment and Market Review

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

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

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

Source: Fullerton, MSCI Jan 2024

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

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

In China, investors lost hopes of a strong growth impetus from a reopening of China in early 2023. High youth unemployment, defaults by large property companies and a tense external relationship with the US engendered an atmosphere of pessimism and price deflation in Chinese society. Policy makers' denial of a balance sheet recession and without sustained large-scale meaningful government support, we witnessed an alarming drop in asset prices despite positive headline GDP growth.

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

Market Outlook and Investment Strategy

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

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

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

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

Geopolitics remains a risk factor. Borrowing from Thucydides Trap cases in the last 100 years, the US was involved in two major conflicts involving UK and Japan. It also avoided a war with the Soviet Union in the 1990s and is now engaging both China and Russia in a power struggle. At the regional level, the war in Ukraine is more likely to see some form of settlement as both Europe and Russia are not willing to prolong this while the intractable Israel-Arab conflict has no solution in sight. Lastly, the US presidential election has an unpredictable outcome but we know the electorate is polarised. Elevating geopolitical risks can bring about a resurgence in inflation (surging commodity prices), recession (trade wars) and a breakdown of the financial system (confiscation of Russian foreign reserves). We aim to be nimble and prudent to navigate these risks in our investment strategy.

Investment Strategy

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

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

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

Source: Fullerton

HSBC Life Global Balanced Fund

<u>Investment and Market Review</u>

2023 turned out to be a much better year than expected. No doubt there were wobbles along the way such as the stress in the US banking sector around the first quarter. However, investor sentiment improved through the year as a peak in interest rates was coming into view. In the US, the rally was marked by narrow leadership, dominated by the 'Super 7' stocks as the Artificial Intelligence (AI) boom lifted their share prices higher by +103.9% (in SGD) in 2023. The rally in the US equity market was also supported by growing consensus that interest rate cuts may be approaching. Within Asia, Taiwan, Korea and India were the strongest markets in 2023. However, China declined amid its unresolved property market crisis, yuan depreciation and geopolitics which gripped the market for most parts of the year.

In fixed income, the US 10-year yield was little changed, from 3.87% as at end-2022 to 3.88% as at end-2023. However, this masked the volatility in bond markets throughout the year. At one point, the 10-year US Treasury Yield hit 5% in mid-October before retreating to 4.93% at month-end. Government bond yields were on the rise notably in Q3 amid higher-than-expected inflation and a greater resolve by central banks to combat inflation. Bond markets eventually stabilised towards year-end when the US Fed shifted from a hawkish to a more dovish tone in December as it became comfortable with the progress made in bringing inflation back towards its 2% target. Meanwhile, Global and Asia investment grade debt posted positive returns as spreads largely tightened amid robust labour markets, declining inflation and rebounding consumer confidence.

Commodities fell, primarily due to falling energy prices. Gold surged as investors sought safe havens, driven by fears of more negative banking news during the US banking crisis early in the year, hopes for Fed rate hike pauses, the ongoing Middle East conflict and high demand from central banks. In currencies, the US Dollar weakened as investors' appetite for riskier currencies revived. Meanwhile, SGD appreciated against the greenback in 2023.

SMART 50 registered gains over the year, with both equities and bonds contributing positively to performance. Within equities, returns were driven by our Global equity and US large cap strategies, whilst Thematic, Japanese and Asian equities allocations also contributed positively and supplemented returns. Within fixed income, our exposures to Global and Asian credit were beneficial with credit outperforming sovereign bonds significantly. US energy and Chinese equities returned negatively and offset some gains.

The Fund rose less than its reference benchmark due mainly to its positioning during the first half of 2023. An overweight position in Asia/China which aimed to benefit from China's re-opening/normalization as well as an underperformance in the underlying equity strategies weighed on relative performance. The Fund outperformed over the second half of 2023 with both asset allocation and stock selection contributing positively to relative returns. We cut our exposure to Europe and Asia/China equities in early Q3 given less positive views towards these regions, and added to the US and Japan. These was beneficial with Europe and Asia/China underperforming while the US saw more resilient performance. An underweight in fixed income also helped, as did positive selections from the underlying US equity strategy which contributed significantly to relative returns.

Market Outlook and Investment Strategy

Looking ahead, after the strong rally in markets into year-end, valuations look a bit stretched across asset classes. Our base case is still for a soft landing in the US but this is now very much reflected in the level of equities, credit spreads and the extent of rate cuts priced into the bond market. We need the pack of cards to be reshuffled to provide fresh opportunities.

The strong move in markets in recent weeks leaves us neutral as we start 2024. We believe rates are reaching a plateau and we expect growth to soften in the next few months. We remain cognisant of restrictive monetary policies, slowing growth and geopolitical tensions. However, despite all these, as a long-term, disciplined investor, backed by a tried and tested investment process, we are optimistic that such short-term headwinds can be a source of opportunities due to the mispricing they generate. It is important to note that volatility may persist, and a cautious approach is still warranted at this cyclical juncture. Risks associated with weaker growth and a re-escalation in geopolitical events are among the headwinds to monitor.

Source: Schroder

HSBC Life Global Defensive Fund

Investment and Market Review

"In the final months of last year, focus had shifted decisively toward the prospect of monetary policy rate cuts over the medium term as a disinflation trend appeared to be firmly in place. This carried over into January, though the timing and speed of easing remained broadly contested by markets and policymakers alike. Central bankers generally expressed more hesitancy on declaring victory over inflation, which questioned the degree of easing that had become discounted by the market. Incoming data that suggested the global economy would avoid a meaningful slowdown also led global government bond yields broadly higher after the strong rally over the preceding months. US Treasuries (USTs), in particular at short maturities, outperformed their global counterparts as markets expected the Federal Reserve (Fed) to be the first to cut its policy rate. The US yield cure steepened.

Economic data in January was broadly supportive of the view that the US economy was heading for a so-called soft landing categorized by gradual disinflation, while avoiding a sharp contraction in economic growth. The former encouraged the Fed to pivot toward the prospect of easing monetary policy, but the latter ensured it does not need to do so overzealously. GDP data for the US beat expectations for the second quarter in a row in 4Q23, aided by continued resilience of the US consumer. Country-level data at the end of the month provided the European Central Bank (ECB) with similar optimism that inflation across Europe was moderating. During the month, ECB President Christine Lagarde indicated that a policy rate cut could come as early as the summer, but likely later than market expectations. The growth backdrop on the continent continued to be challenged. As 4Q23 GDP data for the eurozone stagnated, preliminary January Purchasing Managers’ Index (PMI) readings remained in contraction, typically consistent with flat to mildly negative GDP growth moving forward. In the UK, while December headline inflation data accelerated modestly, the recent prints were below the Bank of England’s (BoE) November inflation forecasts. By month-end, market expectations were that the BoE would announce a first policy rate cut in June. Retail sales data for December in the UK was particularly weak, suggesting the UK economy contracted in 4Q23.

Market Outlook and Investment Strategy

During the month, both the Fed (5.25%-5.50%) and the ECB (4.00%) kept policy rates on hold. Similarly, the Bank of Canada held its policy rate at 5.00%. It also for the first time indicated the central bank would not need to hike again if the economy evolved in line with expectations. Similarly, the Norges Bank and the Riksbank maintained their policyrates at 4.50% and 4.00%, respectively. The Bank of Japan (BoJ) kept policy unchanged in January, as expected. However, BoJ Governor Kazuo Ueda indicated that the chance inflation reaches 2% had been gradually increasing. Japanese government bond yields rose over the month.

Chinese officials continued to provide policy support to the economy, including announcing an unexpected 50-basis-point (bp) cut to the reserve requirement ratio (RRR). Despite ongoing concerns over the underlying strength of the Chinese economy, GDP data showed the economy grew 5.2% in 2023, consistent with officials' growth target at the beginning of the year. Following their US counterparts, local emerging market (EM) government bond yields generally ended the month higher.

Investment-grade corporate bonds outperformed in January, despite the monetary policy uncertainty. Robust demand for primary issuance and broadly positive signs from the start of the 4Q23 earnings season offered support to the asset class. The US dollar ended the month stronger as risk appetite waned amid ongoing tensions in the Middle East and a prospect for global monetary policy easing to be slower than previously anticipated.

Source: Franklin Templeton

HSBC Life Emerging Market Opportunities Fund

Investment and Market Review

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

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

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

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

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

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

Hungary, Greece and Poland were the top performers in the year. The anticipation of easing monetary policy supported returns in central Europe as inflation in the region eased during the first half of the year.

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

Mexico performed well. It enjoyed strong economic momentum driven by exports to the US and an acceleration in "near-shoring" investments. This, together with an orthodox central bank, helped the currency appreciate. The best stock performers in 2023 included companies exposed to manufacturing or domestic consumption. Peru also outperformed. The Czech Republic gained on strong performance from all three of its constituents.

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

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

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

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

<u>Market Outlook and Investment Strategy</u>

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

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

In China, the economy continues to face structural, as it transitions away from a growth model based on infrastructure and real estate, and cyclical challenges. GDP growth is projected to slow over the medium-term, albeit with cycles. That said, sequential, quarter-on-quarter growth should see a short-lived pick up in the first half of this year, driven by stronger manufacturing exports and as previous policy stimulus impacts. So far, the government has taken somewhat piecemeal measures to support the economy given ongoing deflationary concerns, which is a key risk given debt levels. The pace of policy has picked up but has not been sufficient to increase confidence and activity; measures in property for example are quickly fading. Geopolitics, particularly relations with the US, remains difficult. Improved communications between US and Chinese officials is positive, albeit this is against a backdrop of a declining trajectory in relations. Meanwhile, EU relations are a further area of concern as China increases exports in key areas.

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

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

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

Source: Schroder

HSBC Life Global Perspective Fund

Investment and Market Review

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

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

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

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

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

Health care innovation: We are in a golden era of health care innovation with companies developing new drugs and platform technologies to combat large and underserved markets such as obesity and cancer. The portfolio is invested across a broad range of companies within health care, focusing on companies with proven franchises, strong pipelines and no significant patent cliffs.

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

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

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

Source: Capital Group

HSBC Life Global Growth Fund

Investment and Market Review

2023 turned out to be a much better year than expected. No doubt there were wobbles along the way such as the stress in the US banking sector around the first quarter. However, investor sentiment improved through the year as a peak in interest rates was coming into view. In the US, the rally was marked by narrow leadership, dominated by the ‘Super 7’ stocks as the Artificial Intelligence (AI) boom lifted their share prices higher by +103.9% (in SGD) in 2023. The rally in the US equity market was also supported by growing consensus that interest rate cuts may be approaching. Within Asia, Taiwan, Korea and India were the strongest markets in 2023. However, China declined amid its unresolved property market crisis, yuan depreciation and geopolitics which gripped the market for most parts of the year.

In fixed income, the US 10-year yield was little changed, from 3.87% as at end-2022 to 3.88% as at end-2023. However, this masked the volatility in bond markets throughout the year. At one point, the 10-year US Treasury Yield hit 5% in mid-October before retreating to 4.93% at month-end. Government bond yields were on the rise notably in Q3 amid higher-than-expected inflation and a greater resolve by central banks to combat inflation. Bond markets eventually stabilised towards year-end when the US Fed shifted from a hawkish to a more dovish tone in December as it became comfortable with the progress made in bringing inflation back towards its 2% target. Meanwhile, Global and Asia investment grade debt posted positive returns as spreads largely tightened amid robust labour markets, declining inflation and rebounding consumer confidence.

Commodities fell, primarily due to falling energy prices. Gold surged as investors sought safe havens, driven by fears of more negative banking news during the US banking crisis early in the year, hopes for Fed rate hike pauses, the ongoing Middle East conflict and high demand from central banks. In currencies, the US Dollar weakened as investors' appetite for riskier currencies revived. Meanwhile, SGD appreciated against the greenback in 2023.

SMART 70 registered gains over the year, with both equities and bonds contributing positively to performance. Within equities, returns were driven by our Global equity and US large cap strategies, whilst Thematic, Japanese and Asian equities allocations also contributed positively and supplemented returns. Within fixed income, our exposures to Global and Asian credit were beneficial with credit outperforming sovereign bonds significantly. US energy and Chinese equities returned negatively and offset some gains.

The Fund rose less than its reference benchmark due mainly to its positioning during the first half of 2023. An overweight position in Asia/China which aimed to benefit from China's re-opening/normalization as well as an underperformance in the underlying equity strategies weighed on relative performance. The Fund outperformed over the second half of 2023 with both asset allocation and stock selection contributing positively to relative returns. We cut our exposure to Europe and Asia/China equities in early Q3 given less positive views towards these regions, and added to the US and Japan. These was beneficial with Europe and Asia/China underperforming while the US saw more resilient performance. An underweight in fixed income also helped, as did positive selections from the underlying US equity strategy which contributed significantly to relative returns.

<u>Market Outlook and Investment Strategy</u>

Looking ahead, after the strong rally in markets into year-end, valuations look a bit stretched across asset classes. Our base case is still for a soft landing in the US but this is now very much reflected in the level of equities, credit spreads and the extent of rate cuts priced into the bond market. We need the pack of cards to be reshuffled to provide fresh opportunities.

The strong move in markets in recent weeks leaves us neutral as we start 2024. We believe rates are reaching a plateau and we expect growth to soften in the next few months. We remain cognisant of restrictive monetary policies, slowing growth and geopolitical tensions. However, despite all these, as a long-term, disciplined investor, backed by a tried and tested investment process, we are optimistic that such short-term headwinds can be a source of opportunities due to the mispricing they generate. It is important to note that volatility may persist, and a cautious approach is still warranted at this cyclical juncture. Risks associated with weaker growth and a re-escalation in geopolitical events are among the headwinds to monitor.

Source: Schroder

HSBC Life Global High Growth Fund

Investment and Market Review

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

Source: Schroder

HSBC Life Global Secure Fund

Investment and Market Review

2023 turned out to be a much better year than expected. No doubt there were wobbles along the way such as the stress in the US banking sector around the first quarter. However, investor sentiment improved through the year as a peak in interest rates was coming into view. In the US, the rally was marked by narrow leadership, dominated by the 'Super 7' stocks as the Artificial Intelligence (AI) boom lifted their share prices higher by +103.9% (in SGD) in 2023. The rally in the US equity market was also supported by growing consensus that interest rate cuts may be approaching. Within Asia, Taiwan, Korea and India were the strongest markets in 2023. However, China declined amid its unresolved property market crisis, yuan depreciation and geopolitics which gripped the market for most parts of the year.

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Commodities fell, primarily due to falling energy prices. Gold surged as investors sought safe havens, driven by fears of more negative banking news during the US banking crisis early in the year, hopes for Fed rate hike pauses, the ongoing Middle East conflict and high demand from central banks. In currencies, the US Dollar weakened as investors' appetite for riskier currencies revived. Meanwhile, SGD appreciated against the greenback in 2023.

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Market Outlook and Investment Strategy

Looking ahead, after the strong rally in markets into year-end, valuations look a bit stretched across asset classes. Our base case is still for a soft landing in the US but this is now very much reflected in the level of equities, credit spreads and the extent of rate cuts priced into the bond market. We need the pack of cards to be reshuffled to provide fresh opportunities.

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Source: Schroder

HSBC Life World Healthscience Fund

Investment and Market Review

Global equity markets had a strong start to 2024 but ended the month roughly flat with the MSCI ACWI returning +0.6% in January. Central bankers were hesitant to define the likelihood of interest rate cuts in the near-term which led equities to seesaw and yields to rise.

In the US, the S&P 500 hit a record high in early January as investors appeared optimistic about the probability of a 'soft landing'. On the employment front, the US jobs report showed a tight labour market with greater-than-expected job creations and wage growth in December. In addition, core inflation fell slightly to +3.9%. However, risk assets traded down towards the end of the month as the Federal Reserve Chair Jerome Powell explicitly stated that a rate cut in March was unlikely.

In the Eurozone, the European Central Bank left rates on hold, as expected, due to slowing wage growth. In the UK, investors scaled back their expectations of rate cuts from the Bank of England after inflation surprised to the upside. Consumer prices rose at a rate of +4.0%, up from November's figure, which marks the first acceleration in 10 months.

In China, the economy remained under pressure, leading the People's Bank of China to announce a 50 basis points (bps) cut to the reserve requirement ratio which will inject an estimated $140bn of liquidity into the financial system to boost growth.

Market Outlook and Investment Strategy

From a sector perspective, Information Technology, Communication Services and Healthcare were the strongest performers over the month, while Materials, Real Estate and Utilities were the most challenged. Regionally, Japan and the United States had the highest returns in January while Emerging Markets and Asia ex-Japan declined the most.

Source: BlackRock

HSBC Life India Opportunities Fund

Investment and Market Review

After a stellar 2023, Indian equities started the new year on a strong foot as global investor sentiment was dominated by a relatively hawkish stance from the US Federal Reserve and lingering uncertainties around China's recovery path. The MSCI India Index rose 3.76% in Singapore dollar terms over January, outperforming the Asia Pacific ex-Japan region, global emerging markets as well as developed markets. All sectors except consumer staples, financials and materials gained.

On the domestic front, India's retail inflation rose in December from 5.55% to 5.93% due to another uptick in food prices.1 The Indian central bank's inflation target range is between 2% and 6%. Industrial production growth saw a steep decline for November, down from 11.7% to just 2.4% due to decelerating output in mining, electricity and manufacturing.2

Market Outlook and Investment Strategy

It was an earnings heavy month. Among our holdings, both Infosys and Tata Consultancy Services reported results that were in line with market expectations, and their new deal win momentum remained robust despite forecasts suggesting a potential slowdown in global IT spending, with many projects getting deferred. Within financials, HDFC Bank's headline numbers were generally in line with investor estimates, and its net profit exceeded expectations due to a one-off tax benefit. However, liquidity concerns along with management admitting that deposit growth may constrain loan growth weighed on the share price.

Finally, Syngene International's results were weak, impacted by a slowdown in global biotechnology funding, and the company lowered its guidance for revenue growth again. Even if the funding environment improves in the near term, it is likely to take time to make an impact on the company's share price, given a 12-18 month fund deployment time in the sector.

Following the end of the month, India released its interim budget for the year to tide through until the parliamentary elections are called sometime between April and May. Predictably, the government's focus turned on consolidating the fiscal deficit, but while maintaining the public capex-led, infrastructure-driven growth momentum, albeit at a slower pace. We are keeping an eye on the likely ramp up in private capex over the period.

In key portfolio activities, we initiated Pidilite Industries, a dominant and high-quality consumer and specialty chemicals player with a key strength in adhesives. Havells India is a proxy to the electrical and consumer durables sector, with a diversified presence across products and segments. Finally, Kfin Technologies, a digital platforms business for the asset management industry, stands to benefit from structural growth trends.

Conversely, we exited Asian Paints to fund better opportunities elsewhere.

Source: abrdn

HSBC Life Pacific Equity Fund

Investment and Market Review

Asian equities began the new year on a weak note, underperforming developed markets, mainly due to economic concerns and geopolitical tensions. Expectations that the US Federal Reserve will soon begin to cut rates receded as Fed chairman Jay Powell indicated that the long-awaited easing of US monetary policy may start later than hoped. China and Hong Kong were among the worst performers, owing to prevailing consumer and property concerns, and news flow around more US curbs on China's biotech and tech sectors. Korea also underperformed as weak demand and slowing growth in electric vehicles weighed on the industrials and materials sectors. India, however, bucked the regional decline on the back of decent results from the IT sector and local investor buying. Taiwan also outperformed the wider region following the presidential elections which were won by Lai Ching-te, the candidate from the ruling party.

In January, the Fund generated negative returns over the month but outperformed the benchmark by 48 basis points.

Our core holding, Taiwan Semiconductor Manufacturing Company, was among the top contributors on good results which beat market expectations and management's sales guidance for 2024 was above consensus. Similarly, ASML and ASM International in the Netherlands made a positive contribution. ASML reported record sales and earnings which surprised the market positively, and at ASM International, the company's outlook strengthened on the back of continued visibility on investment in advanced semiconductor technologies. All three stocks also benefited from Nvidia's beat in its results and sales forecast.

In the healthcare sector, Samsung Biologics was boosted by solid results but, more importantly, the stock jumped strongly in late January on upbeat sentiment that the company may benefit from proposed US legislation that aims to restrict Chinese biotech firms from accessing the all-important American market. In Australia, our healthcare exposure via CSL also contributed as its share price continued the upward trend from late last year. Oil and gas group Woodside Energy was also among the top performers in January.

Market Outlook and Investment Strategy

On the other hand, the fund's financial exposure as well as a couple of Chinese healthcare holdings detracted from relative performance. In India, HDFC Bank dropped back after its credit provision was higher than expected in its latest results, and the market reacted to concerns on whether tightening liquidity and relatively slower increase in deposits would affect future loan growth. In China, healthcare-related names including Aier Eye Hospital and Wuxi Biologics also came under pressure on weak sentiment. Elsewhere in Hong Kong, AIA Group's share price was relatively weak despite solid fundamental results from the insurer. Not holding India's Reliance Industries also proved costly as its shares continued rising.

Engaging with Korea Shipbuilding & Offshore Engineering, we explored the potential opportunities arising from the green economy trend. The company has underscored its leadership by providing eco-friendly marine vessel solutions. Notably, it disclosed plans to introduce ammonia-powered engines in the latter half of this year.

In key portfolio activity in January, we established a new position in Bharti Airtel, a leading telecoms service provider with a pan-India reach and sophisticated customer base with higher average mobile spending.

Source: abrdn

HSBC Life Shariah Global Equity Fund

Investment and Market Review

Global equities collectively ended January 2024 with slight gains despite bouts of volatility as investors reassessed their expectations of interestrate cuts in the United States and Europe amidst pushback from the US Federal Reserve (Fed) and the European Central Bank. At the same time, investors generally remained optimistic about the prospect of an economic soft landing, a view reinforced by the International Monetary Fund's upgrade of its 2024 global growth forecast.

Market Outlook and Investment Strategy

As measured by MSCI indices in US-dollar terms, developed and frontier market equities slightly outperformed a global index, while emerging market equities declined and significantly underperformed it. Global growth stocks substantially outperformed global value stocks.

Source: Franklin Templeton

HSBC Life Short Duration Bond Fund

Investment and Market Review

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

Market Outlook and Investment Strategy

The Chinese government announced more supportive policies in January 2024, including a 50bps cut to the Reserve Requirement Ratio (RRR) following the release of a mixed set of economic data. JP Morgan Asia Credit Index (JACI) Investment Grade credit spreads widened slightly to 150bps (+2bps) as new issues supply kicked in on a fresh year of 2024. A total of US$19.6 billion of Asia ex-Japan G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) were priced in January 2024 versus US$1.63 billion of bonds priced in December 2023. However, this was 33 per cent year-on-year (y/y) lower when compared to US$29.2 billion in January 2023. The financials sector and Korea continue to lead new supply at 43 per cent and 48 per cent of total issuances.

Source: UOB AM

HSBC Life Singapore Balanced Fund

Investment and Market Review

Schroder Singapore Trust

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

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

Schroder Singapore Fixed Income Fund

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

Source: Schroder

HSBC Life Singapore Bond Fund

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

Source: UOB AM

HSBC Life Singapore Equity Fund

Investment and Market Review

Singapore equities reversed their gains in January, similar to the reversals within the broader Asia Pacific-ex-Japan region and emerging markets, as investors remained in watch-and-wait mode ahead of the US Federal Reserve's (Fed) decision on the interest rate trajectory. The Fed ultimately kept its lending rate unchanged for the fourth consecutive time.

Domestic macro data also softened, with manufacturing production and non-oil domestic exports weaker than expected in December. Meanwhile, the Monetary Authority of Singapore (MAS) maintained its monetary policy to combat still-elevated inflation. However, despite the one-off impact of the GST hike, the MAS reduced its overall inflation forecast for 2024 from 3-4% to 2.5-3.5%. The domestic economy was estimated to have expanded by 1.2% in 2023, with growth projection for 2024 at between 1% and 3%. A peak in global interest rates and a turnaround in the electronics cycle are expected to aid the recovery in the financial and manufacturing sectors, respectively. 1

Market Outlook and Investment Strategy

Corporate newsflow was heavy over the month. For instance, our core bank exposure DBS Group obtained regulatory approval to increase its stake in Shenzhen Rural Commercial Bank Corporation from 13% to 16.69%. Meanwhile, Keppel Corp signed a multi-year deal to provide electricity at the Singapore site of semiconductor manufacturer GlobalFoundries. Keppel also published its half-yearly results for 2023 which were in line with expectations. Its 48% year-on-year growth in recurring income highlighted its new structure's strength and led to a higher dividend per share of 19 Singapore cents. Keppel Infrastructure Trust's agreement with the National Environment Agency for the Senoko waste-to-energy plant was extended for three years, with an option for a further one-year extension. In the information technology sector, UMS Holdings raised S$51.6 million through a share placement.

There was no key portfolio activity in January.

Source: abrdn