Table of Contents

abrdn Pacific Equity Fund (SGD and USD) 3
Amundi Cash USD 6
Amundi Funds Pioneer US Bond (USD and SGD Hedged) 7
Amundi Funds Pioneer US Equity Fundamental Growth 8
Architas Flexible Bond Fund 10
Architas Flexible Equity Fund 11
Architas Multi-Asset Balanced Fund 12
AXA World Funds Europe Real Estate 13
AXA World Funds – Global Inflation Bonds (SGD Hedged) 13
AXA World Funds Europe Small Cap 14
AXA World Funds - Global High Yield Bonds 15
BlackRock China Fund 16
BlackRock Global Allocation Fund 17
BlackRock Global Equity Income Fund 20
Blackrock Global Equity Income Fund 21
BlackRock World Energy Fund 23
BlackRock World Gold Fund 24
BlackRock World HealthScience Fund 24
BlackRock World Mining Fund 25
BlackRock World Technology Fund 26
FAM Global Income Fund 27
FAM Global Opportunities Plus Fund 28
FAM Millennium Equity Fund 29
Federated Hermes Global Emerging Markets Equity Fund 30
Fidelity Global Financial Services Fund 32
Franklin Technology Fund 33
Fullerton Total Return Multi-Asset Advantage Fund 34
Fundsmith Equity Fund SICAV 37
Goldman Sachs Emerging Markets CORE Equity Portfolio 38
HSBC GIF Asia Pacific ex Japan Equity High Dividend (SGD) 39
HSBC GIF Global Lower Carbon Equity (USD) 40

HSBC Portfolios World Select 5 (SGD Hedged) 41
Janus Henderson Fund - Continental European Fund 42
Janus Henderson Horizon Fund - Pan European Absolute Return Fund 43
JPM Global Income Fund (USD Hedged and SGD Hedged) 45
JPMorgan Funds - Brazil Equity Fund 48
JPMorgan Funds - Greater China Fund 49
JPMorgan Funds - India Fund 51
Franklin Templeton Western Asset Global Bond Trust 53
Mirae Asset ESG Asia Great Consumer Equity Fund 54
PGIM Global Total Return Bond Fund 57
Pictet Asian Local Currency Debt Fund 58
Pictet Global Emerging Debt Fund 59
Pictet Premium Brands Fund 60
Pictet Security Fund 61
PineBridge Asia ex-Japan Small Cap Equity Fund 62
Principal Preferred Securities Fund 62
Robeco Global Consumer Trends Fund 64
Schroder Asian Growth Fund 65
Schroder Asian Income Fund 66
Schroder Global Emerging Market Opportunities Fund 68
Schroder Multi-Asset Revolution 30 Fund 70
Schroder Multi-Asset Revolution 50 Fund 72
Schroder Multi-Asset Revolution 70 Fund 73
Schroder Singapore Fixed Income Fund 74
Schroder Singapore Trust 76
Templeton Shariah Global Equity Fund 78
United SGD Fund 79
United Singapore Bond Fund 79

PUBLIC

abrdn Pacific Equity Fund (SGD and USD)

Investment and Market Review

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

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

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

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

Although China was a major drag on performance, it also represents a unique opportunity globally as its economy recovers from years of Covid-related restrictions. We still see significant potential for China’s economy and market to spring back, given that we are seeing some green shoots of recovery. The rollout of more supportive policies in a coordinated manner sends a strong signal to the market that the government is intensifying its effort to prop up the economy. This is likely to result in an incrementally better outlook for 2024.

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

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

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

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

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

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

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

We sold out of Longi Green Energy Technology and Yonyou Network Technology on earnings visibility concerns. Despite retaining a cost advantage, Longi's technological edge has been eroded and we see evidence of oversupply in the solar value chain that we expect to persist in the medium term. While

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Yonyou Network is restructuring its business to better address execution amidst a weaker growth environment, a strategy that we agree with, we think it will take some time for this to bear fruit. Other exits included China Merchants Bank, GDS, JD.com, Kasikornbank, Kotak Mahindra Bank, National Australia Bank, Tata Consultancy Services and Zhongsheng Corp, given better opportunities to deploy our capital elsewhere.

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

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

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

Market Outlook and Investment Strategy

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

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

Source: abrdn Asia Limited.

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Amundi Cash USD

Investment and Market Review

The inflation figures published in December showed a slight rebound: headline CPI rose by 1bp to 0.1% (3.1% annualized) while core CPI came out at 0.3% (4% annualized).

The jobs figures were stronger than expected with 199,000 job creations during the month compared with 185,000 the previous month and the unemployment rate dropped to its lowest level in four months at 3.7%. The average hourly wage rose by 4.0% a year, in line with forecasts. Growth in the third quarter was revised downwards, from 5.2% to 4.9% on an annualized basis.

Lastly, with regard to the business indicators, ISM Manufacturing has stayed below 50 (46.7) for the 14th consecutive month while ISM Services was higher than expected at 52.7 and up compared with the previous month (51.8).

Monetary policy:

On December 13, the Fed left its key rates unchanged for the third time in a row, suggesting that the July hike was the last in the cycle and that it would take care not to keep interest rates too high for too long.

The US central bank considers that the labour market is becoming more balanced in a context of disinflation and that the downside risks to growth are increasing. Based on the economic projections, the Fed members are now expecting growth of 1.4% in 2024 (-0.1% versus the September projections) and expect inflation to drop to 2.4% in the case of core PCE (-0.2% compared with September). Expectations concerning employment remain unchanged at 4.1% in 2024.

In these conditions, the committee foresees 75bp of interest-rate cuts in 2024, bringing the Fed Funds rate to 4.625% at the end of 2024 whereas the committee's September projections had been for a rate of 5.125%. This substantial revision of the target key rate for 2024 triggered an acceleration in expectations of interest-rate cuts and of their timing: at the end of December the markets were counting on 160bp of cumulated cuts in 2024, with the first cut at the March meeting, and Treasuries yields had fallen by around 40bp for the 2-10 years section.

Like in the previous month, the prospect of an end to the cycle of interest-rate hikes was positive for the Credit market. The spread on the 1-3-years IG Corporate index thus narrowed from 100bp at end-November to 93bp at the end of December. Money market yields also fell significantly: at the end of December, the rate at issuance of top-ranking bank issuers stood at respectively 5.44%, 5.37% and 5.17% for 3-, 6- and 12-month maturities, down by respectively 13bp, 28bp and 53bp compared with the end of November. This movement was accompanied by a contraction in spreads of several basis points across all maturities.

Market Outlook and Investment Strategy

The Sub-Fund is a financial product that promotes ESG characteristics pursuant to Article 8 of the Disclosure Regulation. To offer returns in line with money markets rates. The Sub-Fund invests at least

67% of assets in money market instruments. The Sub-Fund maintains within its portfolio a WAM of 90 days or less.

The Sub-Fund does not invest more than 30% of assets in transferable securities and money market instruments issued or guaranteed by any nation, public local\ authority within the EU, or an international body to which at least one EU member belongs.

The Sub-Fund may invest up to 10% of assets in units/shares of other MMFs.

The Sub-Fund may use derivatives for hedging purposes.

Benchmark : The Sub-Fund is actively managed and seeks to achieve a stable performance in line with the Compounded Effective Federal Funds Rate Index.

The Sub-Fund may use a benchmark a posteriori as an indicator for assessing the Sub-Fund's performance. There are no constraints relative to any such Benchmark restraining portfolio construction. The Sub-Fund has not designated the Benchmark as a reference benchmark for the purpose of the Disclosure Regulation.

Management Process : The Sub-Fund integrates Sustainability Factors in its investment process as outlined in more detail in section "Sustainable Investment" of the Prospectus. The investment team uses both technical and fundamental analysis, including credit analysis, to select issuers and short term private securities (bottom-up) while constructing a high quality portfolio with a strong focus on liquidity and risk management. The Sub-Fund seeks to achieve an ESG score of its portfolio greater than that of its investment universe.

Source: Amundi

Amundi Funds Pioneer US Bond (USD and SGD Hedged)

Investment and Market Review

The "Santa Claus" rally in financial markets came to fruition this December as investor optimism swelled in response to a dovish policy pivot by the Federal Reserve and domestic data releases consistent with an economic soft landing. For the final meeting of 2023, the FOMC signaled no more interest rate hikes for this cycle and Chairman Powell stated, surprisingly, that the committee actually began discussing the conditions under which they would start to reduce the Federal Funds rate. Has freshly updated Summary of Economic Projections indicated that the median expectation, or "dot", for the year-end 2024 Funds rate was 50 basis points lower than the prior projection (September SEP) and implied 75

basis points of Fed Funds rate cuts during 2024. Notably, the 0.5% decline in the year-end 2024 Funds rate outpaced the 0.2% forecasted drop in 2024 core inflation by 0.3%.

A faster decline in the Funds rate relative to projected inflation suggested a recent adjustment to the Fed's reaction function as they signaled heightened sensitivity to the level of the real Fed Funds rate (Fed Funds less YoY core PCE) during 2024 as inflation glides back towards their 2% long-term target. Economic data released during December told a story of economic resilience: the unemployment rate declined from 3.9% to 3.7% and November retail sales and consumer spending accelerated after

October's slowdown. Inflation data remained benign with year-on-year core PCE inflation declining to 3.2% with a month-over-month increase of only 0.1% in November. Interestingly, 6-month annualized core PCE was measured at 1.9% or just below the Fed's long-term inflation target.

Treasury yields declined significantly for the second consecutive month, with the two-year Treasury yield dropping 45 basis points to 4.25% and the ten-year Treasury yield falling 48 basis points to 3.86% (roughly the same yield level as the beginning of 2023). The S&P 500 index posted a total return of 4.5% and major fixed-income spread sectors outperformed Treasuries. The Bloomberg U.S. Aggregate Index returned 3.83% and bested comparable duration Treasuries by 0.26%. The Bloomberg US MBS Index generated the strongest relative performance of the investment grade Rated spread sectors: the 4.31% monthly total return was 0.64% better than comparable Treasuries. The Bloomberg U.S. Corporate Investment Grade Index's return of 4.34% was 0.30% better than comparable Treasuries. The securitized credit sectors performed well and generated positive duration-adjusted excess returns across the board. All the "plus" sectors posted strong returns: the ICE BofA US High Yield Index returned 3.69%, the Morningstar LSTA US Leveraged Loan Index 1.60%, the J.P. Morgan EMBI Plus Index (sovereign debt) 5.2%, and the J.P. Morgan CEMBI Broad Diversified Index (EM corporates) 3.07%. Oil prices declined by 5.7% on the month as markets discounted excess supply despite a backdrop of bubbling geopolitical tensions. The U.S. Dollar continued to slide in response to the lower domestic interest rate environment.

Market Outlook and Investment Strategy

The Sub-Fund seeks to increase the value of your investment and to provide income over the recommended holding period.

The Sub-Fund is a financial product that promotes ESG characteristics pursuant to Article 8 of the Disclosure Regulation.

The Sub-Fund invests mainly in a broad range of U.S. dollar denominated investment grade bonds. Investments may include mortgage-backed securities (MBS) and asset-backed securities (ABS). The Sub-Fund may also invest up to 25% of its assets in convertible securities (incl. contingent convertible bonds up to 5% of net assets), up to 20% in below-investment grade bonds and up to 10% in equities. The Sub-Fund may invest up to 70% of net assets in ABSs and MBSs. This includes indirect exposure gained through to-be announced securities (TBA), which is limited to 50% of its net assets. The exposure to nonagency MBS and ABS is limited to 50% of its net assets.

The Sub-Fund may invest up to 10% of its assets in UCIs and UCITS.

The Sub-Fund makes use of derivatives to reduce various risks, for EPM and as a way to gain exposure (long or short) to various assets, markets or other investment opportunities (including derivatives which focus on credit and interest rates).

Source: Amundi

Amundi Funds Pioneer US Equity Fundamental Growth

Investment and Market Review

The S&P 500 Index jumped 11.69% in the fourth quarter of 2023 on the back of slowing inflation and indications from the Fed that it would cut interest rates in 2024. Growth continued to lead value, with the Russell 1000 Growth Index returning 14.16% compared with 9.50% for the Russell 1000 Value Index.

Most of the so-called Magnificent 7 continued to perform well, but the market showed signs of broadening; the S&P 500 Equal Weighted Index eked out a slightly higher return than the capitalization weighted S&P 500 Index. For the year, the S&P 500 gained 26.29% as inflation receded and a much feared recession failed to materialize. Returns were driven in large part by the Magnificent 7, nearly all of which rose more than 50%. The average stock, as represented by the S&P 500 Equal Weighted Index, returned a more modest 13.87%.

Market Outlook and Investment Strategy

The resilience of the US economy over the past year has been quite remarkable. The Fed hiked interest rates through mid-2023 at the fastest rate ever, and the economy has remained intact. This caused investors to shift their view of the equity markets over the course of the year, from cautious to optimistic. The consensus view now appears to be that the economy will achieve a soft landing.

We continue to believe that the economy will weaken as the cumulative impact of higher interest rates, depleted excess savings, budget deficits, and a difficult political environment all converge during the year.

While it is true that the Federal Reserve has become less hawkish over the past 6 months, it remains more hawkish than most market participants. The market is now pricing in about 6 Fed rate cuts during 2024. We think this outcome is unlikely unless the economy slows dramatically. The Fed Reserve rarely cuts interest rates while the economy is growing.

For this reason, interest rate cuts may cause equities to decline as investors lower their earnings estimates for 2024 to reflect economic weakness. Conversely, it is also possible that the Fed resumes hiking interest rates if economic growth surprises to the upside. Neither outcome would be a positive for equities in our view – unless the Fed takes the unusual step of cutting rates while the economy is still growing.

Regardless, we think consensus earnings expectations for 2024 are too high. Corporate profitability soared over the past two years due to inventory shortages and a corresponding increase in pricing power. This trend is now reversing and likely to put pressure on profit margins in 2024. As mentioned above, we believe a mild recession is more likely than a soft landing, though we admit the odds of a soft landing may have risen somewhat over the past several months as inflation has come down without severely impacting economic growth. Either way, earnings estimates will likely decline in the coming quarters as companies adopt a more cautious outlook given economic uncertainty.

We are highly selective in the stocks that we add to the Portfolio, seeking to avoid speculative and unprofitable companies that could easily fall out of favor again, as they did in 2022.

At the sector level, the Portfolio is overweight non-bank financials and health care for stock specific reasons, and underweight information technology. The underweight in technology is primarily due to limited exposure to Apple for position size limit and valuation reasons.

Source: Amundi

Architas Flexible Bond Fund

Investment and Market Review

Architas Flexible Bond Z USD delivered a return of 10.67% in 2023. This was in-line with its internal benchmark (35% ICE BofA Gbl HY TR USD Hdg + 35% JPM EMBI Global Diversified TR USD + 15% Bloomberg Global Aggregate Corporate TR Hedged USD + 15% JP Morgan JACI TR.)

Performance in 2023 was ahead of similar peers as represented by the Morningstar EAA Fund Global Flexible Bond – USD Hedged peer group which returned an average of 8.01% during the year.

Performance was primarily led by manager selection with a number of key holdings outperforming their respective benchmark. Neuberger Berman EM Debt Hard Currency was the top contributor as it outperformed Emerging market debt indices due to its strong credit selection and duration management expertise.

High yield was also a notable area for performance where holdings such as Baring Global High Yield and iShares Global High Yield Sustainable Credit Screened outperformed high yield indices.

Most notable detractors in 2023 were the AXAWF Emerging Market Bond Fund which underperformed its respective Emerging market debt benchmark due to weaker credit selection and an underweight in some of the better performing Latin American markets.

iShares JPMorgan ESG $ EM Bond also underperformed due to an underweight in some of the better performing Latin American markets.

Market Outlook and Investment Strategy

Asset allocation was a modest detractor to performance in 2023 also. An overweight to Emerging market debt in Q2 and Q3 weighed on performance as it underperformed other bond asset classes during that period.

In addition, an allocation to Asian High Yield, via the AXAWF Asian High Yield fund, also negatively impacted performance as the asset class was weighed down by further woes in the Chinese property sector. The holding was removed from the portfolio in Q3.

In terms of recent portfolio changes, exposure to higher quality investment grade corporate bonds was increased later in the year on the view that a more benign interest rate environment should support longer maturity bonds. Within the Investment Grade Credit allocation the portfolio has a preference for defensively orientated strategies.

Exposure to emerging market corporates was marginally increased in Q4 at the expense of sovereign emerging debt.

The portfolio remains balanced across the fixed income spectrum with allocations to high yield, emerging market debt and investment grade bonds.

The portfolio maintains an underweight to Asian high yield following renewed concerns on the Chinese property sector.

Source: Architas

Architas Flexible Equity Fund

Investment and Market Review

Over the course of 2023 the fund underperformed its benchmark. Active management faced several issues throughout the year. Firstly, concerns over Commercial Real Estate Contagion sparked fears in the US regional banking sector causing the collapse SVB bank & First Republic Bank. This drove the market to rapidly price in interest rate cuts, believing the Fed would dial back its restrictive monetary stance. With lower rates priced in, Growth stocks, whose valuations are very sensitive to interest rates, began to materially outperform Value (14% OP in Q1). Next came the narrow market breath, giving rise to the 'Magnificent Seven' of NVIDA, Meta, Amazon, Microsoft, Alphabet, Apple and Tesla. These seven names accounted for 42% of the positive market return. Their effects can be seen in a comparison of the equal weighted version of the MSCI world which underperformed the market cap version by 7.1% in 2023. Elsewhere, 2023 was to be the year that China reopened post COVID and thus sparking a boom and it's equity market. However, this did not come to fruition as a real estate crisis, weak consumer spending and high youth unemployment hampered the recovery resulting in Chinese equities underperforming Asia ex Japan by 17.4%.

Market Outlook and Investment Strategy

Looking at performance of the fund, manager selection was particularly challenging. Firstly, two of our Asian holdings materially underperformed their benchmarks thus detracting from relative performance. One of these holdings, Matthews Asia ex Japan was sold and the other, First Sentier Asia equity plus, was materially reduced. Some of this allocation was moved to the Goldman Sachs emerging market core equity fund. This was done in order to mitigate the negative effect China was having on our Asia ex Japan allocation. Within the US concentrated market participation resulted in our active managers underperforming. This was offset by increasing our allocation to the NASDAQ 100. Elsewhere, in Q1 we had a position in iShares S&P 500 financials as believed the higher rate environment and stable economy would be beneficial to Banks. However, the unforeseen collapse of SVB bank which caused widespread concern in the US banking sector resulted in this position detracting. On a positive note, despite the challenging environment for Asian equities, two of our top contributors came via Federation Hermes Asia ex Japan and Fidelity Asia Pacific opportunities as both managers outperformed their benchmarks.
From an allocation point of view, we remained fully invested in equity markets throughout the year, expecting markets to grind higher. In Q1 we were underweight US equities and overweight Asia on the belief of a Chinese equity market recovery. This was reduced as we went neutral US equities in Q2 and then overweight in Q3 & Q4. This was funded by an underweight in both Asia ex Japan & Europe. On Japanese equities, we moved overweight in Q2 and maintained this position in to Q4 where we moved back to Neutral post strong relative performance. Within the Asia ex Japan allocation, to mitigate the negative effects of China we began to increase our exposure to emerging markets as they have a strong crossover but lower weighting to China.

Source: Architas

Architas Multi-Asset Balanced Fund

Investment and Market Review

Over the course of 2023 the fund underperformed its benchmark. Active management faced several issues throughout the year. Firstly, concerns over Commercial Real Estate Contagion sparked fears in the US regional banking sector causing the collapse SVB bank & First Republic Bank. This drove the market to rapidly price in interest rate cuts, believing the Fed would dial back its restrictive monetary stance. With lower rates priced in, Growth stocks, whose valuations are very sensitive to interest rates, began to materially outperform Value (14% OP in Q1). Next came the narrow market breath, giving rise to the 'Magnificent Seven' of NVIDA, Meta, Amazon, Microsoft, Alphabet, Apple and Tesla. These seven names accounted for 42% of the positive market return. Their effects can be seen in a comparison of the equal weighted version of the MSCI world which underperformed the market cap version by 7.1% in 2023. Elsewhere, 2023 was to be the year that China reopened post COVID and thus sparking a boom and it's equity market. However, this did not come to fruition as a real estate crisis, weak consumer spending and high youth unemployment hampered the recovery resulting in Chinese equities underperforming Asia ex Japan by 17.4%.

Market Outlook and Investment Strategy

Looking at performance of the fund, manager selection was particularly challenging with asset allocation having a marginal positive contribution. Firstly, two of our Asian holdings materially underperformed their benchmarks thus detracting from relative performance. One of these holdings, Matthews Asia ex Japan was sold and the other, First Sentier Asia equity plus, was materially reduced. Some of this allocation was moved to the Goldman Sachs emerging market core equity fund. This was done in order to mitigate the negative effect China was having on our Asia ex Japan allocation. Within the US concentrated market participation resulted in our active managers underperforming. This was offset by increasing our allocation to the NASDAQ 100. Elsewhere, in Q1 we had a position in iShares S&P 500 financials as believed the higher rate environment and stable economy would be beneficial to Banks. However, the unforeseen collapse of SVB bank which caused widespread concern in the US banking sector resulted in this position detracting. On a positive note, despite the challenging environment for Asian equities, two of our top contributors came via Federation Hermes Asia ex Japan and Fidelity Asia Pacific opportunities as both managers outperformed their benchmarks. Looking at the contribution from bonds, PineBridge Asia Pacific Investment Grade Credit added value as they outperformed their benchmark. Additionally, our underweight bonds added value given the outperformance of equity markets and in particular our overweight to spread asset classes such as high yield.

From an allocation point of view, we remained neutral on bonds and equities until the end of Q3. Over Q4 we reduced our bond exposure and increased our allocation to equities predominantly via the US. Cash was also increased at the beginning of December as bonds posted a sharp rally in November.

Within the equity allocation, we were underweight US equities in Q1 and overweight Asia on the belief of a Chinese equity market recovery. This was reduced as we went neutral US equities in Q2 and then overweight in Q3 & Q4. This was funded by an underweight in both Asia ex Japan & Europe. On Japanese equities, we moved overweight in Q2 and maintained this position in to Q4 where we moved back to Neutral post strong relative performance. Within the Asia ex Japan allocation, to mitigate the

negative effects of China we began to increase our exposure to emerging markets as they have a strong crossover but lower weighting to China.

Within fixed income, we favored spread asset classes such as high yield and EMD for the majority of the year as we saw value given the attractive yields and stable economic outlook. in Q4 this was reduced to a neutral position to take profit given the strong performance in spread asset classes.

Source: Architas

AXA World Funds Europe Real Estate

Investment and Market Review

Risk assets ended the month of December with a strong rally, driven by the sharp drop-in interest rates in line with a slowdown in inflation.

Several Federal Reserve policymakers stated that markets were premature in anticipating rate cuts in 2024. Inflation is still above the Fed' 2% target so policymakers stated they would need to see several months of data to be confident that inflation will continue to fall. The European Central Bank kept interest rates steady during their last meeting of the year. Markets have bet that the ECB will eventually cut rates in 2024, President Lagarde stated that policymakers did not discuss rate cuts and that policy would remain tight.

On the economic front, US nonfarm payrolls increased by 199k in November, coming in above consensus estimate of 180k. The unemployment rate decreased to 3.7%. S&P Global Flash US PMI clocked in at 51.0 in December, marking a five-month high. Meanwhile, HCOB flash Eurozone Composite PMI came in at 47.0, marking a two-month low. The core inflation rates in the Eurozone and the UK in November decelerated to 3.6% and 5.1%, respectively. Meanwhile, the core inflation in the US was unchanged at 4.0%.

With 10-year US and German rates easing dramatically over the month of December 2023, thanks to cooling inflation and markets anticipating rate cuts next year, real estate stocks rallied. The European real estate index was of the top performs for the month, outperforming other major indices such as the S&P 500, MSCI, and Stoxx600.

Market Outlook and Investment Strategy

Global economic growth has remained resilient in spite of the fastest rate rise in recent history. Inflation is slowing and central bank rhetoric has shifted to higher for longer, but this does not mean higher for ever. Real assets typically priced off the longer end of the yield curve which hasn't seen as much volatility as the short end.

Source: AXA Investment Manager

AXA World Funds – Global Inflation Bonds (SGD Hedged)

Investment and Market Review

2023 was in hindsight a transition year. At the beginning of the year, consensus was of normalisation of both inflation and monetary policy. Also, the overall expectation was some sort of activity contraction, underpinned by the fallout of the Silicon Valley Bank (SVB) in the US and Credit Suisse in Europe in March. The increased fears of a banking crisis result of the level of restrictiveness triggered a sharp rally in rates pricing the pivot of the hiking cycle by the end of the year.

However, Central Banks in DM economies were still focused on the fight again inflation which remained sticky. Headline inflation continued to ease, due to negative base effects from oil prices but core inflation remained stubbornly high. A mix of excess saving deployment but also higher real income supported the stickiness and the Central Banks focused turned to core services and the labor market.

Most Central Banks reached peak rates by September but with no forward guidance, and data dependency as the name of the game, rates volatility increased, and market participants discounted a "higher for longer" stance in policy rates. The sell off pursued until the end of October when the November FOMC acknowledge the tightening in financial conditions. The rally accelerated after the unequivocal pivot message in their last meeting of the year.

Despite the dramatic swings in rates (up to 100 bp), performance was positive for inflation-linked bonds over the year. The Euro Area was the best performer, led by Italian linkers, supported by the strong inflation indexation over the year (~3%).

Since breakevens have repriced lower, we see the rally in 2024 to come from a downward shift in real yields to accommodate from the fall in inflation and adjust to the policy restrictiveness in the economy.

Market Outlook and Investment Strategy

For 2024, We would favour the Euro Area, US and UK in that order with a preference for the 5-year tenor, as we keep the steeping bias for this stage of the cycle. However, we don't see rates coming to deeply negative territory as it was the case in 2020-2021 (period that needed substantial accommodation to sustain activity) but a drop between 50bp-100bp to take them back in line with potential real growth.

Source: AXA Investment Manager

AXA World Funds Europe Small Cap

Investment and Market Review

Equity markets staged a remarkably strong rally in November. The speed with which the U.S. 10-year yield fell caught investors off guard. Flirting with 5% in October, it has lost nearly 70 basis points over the month. Slowing inflation data and a small rise in unemployment emboldened investors, as a sign that central banks may finally be giving up on the resolutely restrictive monetary policy bias adopted since 2022. Equity indices were therefore unanimous in welcoming this news, which, it should be remembered, nevertheless attest to the slowdown in economies. It should be noted that the yield curve, which was inverted until the end of September, regained its usual shape from October onwards.

The U.S. market took the lion's share of the rise, but European indices also surged ahead. Only the UK market lagged behind. Cyclical and long-duration sectors (automotive, consumer discretionary, IT, real

estate & construction, industrials, utilities) significantly outperformed the more defensive sectors (healthcare, consumer non-discretionary, energy). Small-cap stocks, which had been hit hard by the low levels of liquidity, outperformed large stocks this month.

The Euro appreciated against the Dollar and the price of a barrel of crude oil has stabilized around $75. Volatility indices collapsed.

Market Outlook and Investment Strategy

The macroeconomic outlook suggests lower interest rates in 2024. Markets may have got ahead of the game in terms of the extent to which rate cuts are priced in, but as growth is expected to slow and inflation ease, the risk of further rate increases has diminished. How much will inflation fall is a key question as it will determine how quickly rates are cut and how much nominal GDP will slow. This has implication for the strength of companies 'revenue growth which in turns impact their earnings per share and more generally total return for equity investors. It also impacts leverage ratio and balance sheet quality. Against this background, we remain faithful to our approach, and continue to target companies with strong pricing power, good visibility on their growth prospects thanks to exposure to promising themes, and a solid financial structure.

Source: AXA Investment Manager

AXA World Funds - Global High Yield Bonds

Investment and Market Review

We came into 2022 with a macro positioning that was well suited to the rising rates environment, carrying much less duration and less yield than the universe, which helped drive outperformance as elevated, sticky inflation across developed economies drove central banks into aggressive monetary tightening policies that triggered a significant sell-off in rates. In the last quarter of 2022, we started adding back duration and yield to the portfolio in bonds issued by companies that we had liked fundamentally for some time, that were now available at price points that we felt reflected fair compensation for underlying credit risk, leading to a relatively neutral macro positioning at the start of 2023.

Throughout 2023, our macro positioning has remained broadly in line with the universe, with more reliance on security selection to drive performance, which has been met with mixed results. Positive security selection in sectors such as Media and Real Estate has been negatively offset by detractors in Telecoms and Retail. This shift in positioning is demonstrated through the reduction in the short duration overweight within the “defensive” bucket of our custom segmentation tool, in favour of higher yielding “equity-like” opportunities as the market has evolved in the past year.

Market Outlook and Investment Strategy

Moving forward, we expect to be path dependent from a macro perspective, driven by developments in central bank policy and economic data. Our macro view is one of modest but positive real GDP growth, in which inflation continues to fall but with uncertainty around the extent to which it will fall in different regions, meaning the scope for significant interest rate cuts is relatively limited. Recent company

earnings and guidance have been mixed in both Europe and the US, with high dispersion from sector to sector.

From a valuation perspective, after the sharp sell-off in March 2020, credit spreads have remained relatively range bound as high yield fundamentals have remained resilient – breaching 600bps briefly in June 2022 before returning to a range of 375-525bps for most of 2023. This contrasts with yields, which have continued to rise dramatically across the fixed income spectrum in line with the increase to the risk-free rate.

From a geographic perspective, we have moved the portfolio from an 80/20 split in terms of US vs European HY coming into 2023, to more in line with the benchmark at 75/25. In today's market, for global portfolios hedged to USD, we can benefit from ~170bps of extra carry when hedging EUR-denominated bonds back to USD, hence we have been looking for more opportunities where we can take advantage of this differential. From an outlook perspective, however, we have more concerns in Europe than the US, which leads us to a broadly neutral geographic positioning. Although a soft landing in the US now appears possible with inflation trending back towards the Fed's target of 2% and economic data broadly holding up despite some signs of weakening, there is a risk of over tightening by holding rates at current levels for too long. Yet in the short term, higher rates are impacting Europe faster than the US in terms of slowing consumer spend and more restrictive fiscal support, leading to a more pronounced drop in activity, together with concerns around Europe's energy supply and the resulting potential for further inflationary pressures through the winter.

While we do acknowledge that there are pockets of weakness in the global economy, our current expectations remain in place ranging from a mild recession in the near term to simply a period of below-average growth. Correspondingly, we also still believe that the default rate of the global developed high yield market is unlikely to increase to a level significantly higher than its long-term average. Based on our outlook for the global economy and current valuations, we believe that our approach to global high investing can continue to deliver attractive risk-adjusted returns over the next 12 months.

Source: AXA Investment Manager

BlackRock China Fund

Investment and Market Review

Our overweight in New Oriental Education was this month's top contributor at a stock level. The company continued to rally on the back of strong revenue growth driven by its diversifying business model outside of tutoring. An overweight in e-commerce company PDD also contributed as the company's stock price gained following betterthan-expected 3Q earnings results.

Our underweight in Meituan also helped relative performance, as the stock fell after announcing 3Q earnings in which core food delivery business saw growth fatigue, while it also sees challenges from the current macro and consumer environment in China. On the other hand, China Oilfield Services was the top detractor this month as the stock pull back on recent weakness in oil price.

Not owning Xiaomi weighed on our relative performance, as the stock soared on the back of strong sales for its new flagship smartphone. Our overweight in CATL was another detractor, as the stock corrected

on negative headlines from US IRA excluding EVs with Chinese batteries from receiving US IRA consumer credit of $7500 off.

In November, we initiated a new position in Phison Electronics, a Taiwanese memory controller maker, as we noticed the company is shifting business towards less commoditized modules and controllers, while competitors are struggling to keep up with the R&D. We also bought AAC Technologies, a Chinese acoustic component company, as we see smartphone shipment starting to recover on and AAC is exposed to high end android phones including Huawei and Xiaomi.

We topped up our holdings in Tencent, to neutralize the position as the core business remains resilient with margin improvement. We trimmed Meituan as we identify concerning trend for its food delivery business, while its local life segment is seeing competition from other platforms such as Douyin.We also reduced our holdings in Ping An Insurance to lower the portfolio beta. We sold out of Yum China as the company is facing competition from Tastien.

Market Outlook and Investment Strategy

We are most overweight Information Technology via our exposure in Taiwan IT. We are also overweight in Energy mainly via chemical and oil service companies. We are most underweight in Health Care mainly due to our cautiousness towards pharmaceuticals and biotechnology, while we are selectively positioned in CDMOs with revenue from overseas. We are also underweight Consumer Discretionary due to underweight in a few benchmark names.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Allocation Fund

Investment and Market Review

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

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

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

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

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

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Equity Income Fund

Investment and Market Review

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

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

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

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

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

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

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

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Source: BlackRock (Luxembourg) S.A.

BlackRock World Energy Fund

Investment and Market Review

Positive contributors to relative performance included the Fund's US liquified natural gas exports exposure via Cheniere. Cheniere reported strong quarterly results and upgraded earnings guidance. The group also announced it had signed new contracts on its LNG expansion project.

Midstream group Williams was a beneficiary of lower interest rate expectations. Stock selection within E&P companies was positive for performance through not owning US shale oil companies Occidental Petrolem and Pioneer Natural Resources, which both saw share prices fall.

Detractors to relative performance were largely concentrated within the midstream distribution companies. Not owning Canadian pipeline group Enbridge detracted as the shares rose on lower interest rate expectations. Positioning within refining was negative for relative returns after Neste (not held) saw a partial recovery in its share price and activist investor related moves at Phillips66 (not held).

During the period, the fund added to an oilfield services company and exited a midstream oil and gas pipline company. The supply of oil remains realtively constrained, particularly outside of US shale oil, whilst energy company balance sheets are much stronger today than in the past, suggesting greater resilience. We do not expect the positive supply surprise of 2023 and which has contributed to recent oil price weakness, to be repeated in 2024. On the demand side, whilst there is some uncertainty around near term oil demand with slowing US and European economies and weaker than expected growth in China, looking beyond 2023, demand is forecast to continue to increase as provided the US and Europe avoid a sharp recession. We see energy share prices as attractive relative to other areas of the stock market, given valuations.

Market Outlook and Investment Strategy

Importantly, we have seen investors force capital discipline onto the energy sector and many energy companies have committed to return free cash flow to shareholders rather than return to maximising production. We believe oil fundamentals remain supportive, with continued production capex discipline and that this may underpin a stronger for longer oil price on a 1-3 years view.

Commodities, including oil, have historically been used to help provide inflation protection in balanced portfolios and we see inflationary pressures remaining. Russia's invasion of Ukraine and the recent conflict between Israel and Hamas have introduced significant new geopolitical risks for investors to consider. Europe has looked to diversify its energy supplies, which has driven in increased demand for

LNG, from the US and Middle East.

OPEC's actions to reduce announced production targets (in October 2022 and throughout 2023) demonstrates a willingness, in our view, to be more active to manage oil prices.

Within our energy portfolios, key themes that are shaping portfolio construction this year include a bias towards higher quality international oil producers and selective exposure to US shale. Valuations appear attractive with energy companies expected to maintain capital discipline and deliver high free cash flows.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Gold Fund

Investment and Market Review

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

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

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

Source: BlackRock (Luxembourg) S.A.

BlackRock World HealthScience Fund

Investment and Market Review

Not holding a position in Bayer AG was the largest contributor to relative performance as the company reported negative clinical trial data for an important anti-clotting drug pipeline guiding poor efficacy for the treatment.

Not holding a position in Bristol-Myers Squibb was another contributor to active performance after reporting weaker than anticipated financial results as some key products fell short of expectations. Elsewhere, not holding a position in CSL was the largest detractor from relative returns after the biotechnology company saw some recovery following the GLP-1 related sell-off that pressured many companies in the healthcare sector. Lastly, an overweight in Becton Dickinson was a primary detractor. The medical device manufacturer reported disappointing earnings over the period and issued a weak outlook for 2024.

Market Outlook and Investment Strategy

Despite broad equity market performance year to date, we continue to navigate an uncertain political and economic environment. We seek opportunities in segments with attractive valuations, stable growth, and promising product pipelines over the medium-to-long term. We also consider new innovations and technological developments for selective growth opportunities in the biotechnology, pharmaceuticals, and medical devices space.

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

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

Source: BlackRock (Luxembourg) S.A.

BlackRock World Mining Fund

Investment and Market Review

The BGF World Mining Fund rose +6.6% in November, underperforming its benchmark, the MSCI ACWI Metals & Mining 30% Buffer 10/40 Index, which rose +8.9%.

November was a strong month for broader equity markets, with the MSCI ACWI TR Index rising +9.2%. Signs of moderating inflation and easing interest rate expectations contributed to a positive market sentiment amongst investors.

The mining sector performed well but modestly lagged broader equity markets. China's manufacturing PMI reached a three-month high, rising to 50.7 from 49.5 in October. Mined commodities were up across the board, with the copper and iron ore prices (62% fe) rising +4.5% and +7.8% respectively.

The copper price was buoyed by the shock to supply caused by the closing of the Cobre de Panama asset in Panama, which accounts for 1.5% of global copper supply. Iron ore prices appeared to be up on China's seasonal restocking ahead of Chinese New Year. Elsewhere, the precious metals also performed well on geopolitical risk in the Middle East, an uncertain macroeconomic outlook, a fall in real rates and weakness in the US dollar. For references, gold and silver prices rose +2.1% and +9.2% respectively.

Both sub-sector allocation and stock selection had a negative impact on relative performance. The fund's overweight position in First Quantum Minerals was the largest detractor to returns. Panama's government announced the closure of the Cobre Panama mine after the Supreme Court ruled that the concession granted was unconstitutional. The stock fell -29.2% as a result.

The fund's off-benchmark position in Sigma Lithium was the largest positive contributor to returns as it announced good Q3 production results during the month.

Not owning Posco detracted from performance as short sale restrictions in Korea were removed.

Market Outlook and Investment Strategy

We added to our diversifieds exposure on a valuation basis. We reduced our position in ArcelorMittal due to continued weak steel demand in Europe and M&A risk. We participated in an equity raising for an emerging copper producer.

China has re-opened but with less impact than had been expected early this year. Uncertainty persists around China's commodity demand, but we are seeing the Chinese administration announce financial support incrementally. Longer-term, we are excited by the structural demand growth for a range of mined commodities that will result from the low carbon transition.

Meanwhile, commodity supply is likely to be constrained by the capital discipline of recent years, whilst inventories for many mined commodities are at historic lows. Mining companies have low levels of debt, continue to return capital to shareholders but appear to be entering a higher capital expenditure phase.

In 2023, we've seen Brown to Green emerge as a key theme, where mining companies are focusing on reducing the greenhouse gas emissions intensity associated with their production. We expect to see a re-rating for the mining companies able to best navigate this and are playing this in the portfolio.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Technology Fund

Investment and Market Review

On an individual stock basis, not holding a position in Cisco Systems was the largest contributor to relative returns. Cisco's stock fell after reporting weak hardware orders as the enterprise market works through built up inventory. An off-benchmark position in LatAm e-commerce company MercardoLibre

also contributed to active performance. MercadoLibre reported continued earnings strength with growth acceleration from sustained market share gains in Brazil and Mexico.

Elsewhere, an off-benchmark position in Alphabet detracted from active performance. Alphabet's stock rose in the month but underperformed the broader market on weaker growth in their cloud business relative to competitors. Lastly, an off-benchmark position in Coupang detracted from relative performance as the Korean e-commerce stock trade down on weak growth among the company's emerging verticals.

Over the month, the Fund added to select Japanese companies with positive near-term catalysts and semiconductor manufacturers exposed to automotive end-markets. The portfolio sourced funds from select renewable energy stocks that remain under pressure.

Market Outlook and Investment Strategy

Mixed macroeconomic indicators continue in 2023, leading enterprises to remain conservative with IT spending in preparation for a potential recession. We believe that concerns about interest rates and inflation have largely been priced into tech equities. However, there remains uncertainty regarding the severity and duration of a potential economic slowdown.

The recent advancements in generative artificial intelligence have brought new momentum into the tech sector, offsetting some of the negative impact from macro weakness. While the initial beneficiaries have been mega-cap tech names building the physical infrastructure required to train generative AI models, we see a variety of opportunities in companies aligned with the theme going forward.

We maintain our exposure to long-term secular themes within the portfolio, such as artificial intelligence, cloud computing, and electric vehicles, as well as more nascent themes such as metaverse, space, and quantum computing.

While growth assets have been penalized due to rising rate concerns, the fundamentals of the companies within the portfolio remain compelling. The secular growth trends driving technology are multi-year transformations that we expect to persist, regardless of the macroeconomic environment or geopolitical risk.

Source: BlackRock (Luxembourg) S.A.

FAM Global Income Fund

Investment and Market Review

Through most of 2023, financial media was abuzz with the debate on landings. Investors were torn between whether there would be a soft landing, that is, beat inflation without a significant slowdown, or a hard landing where central banks hiked rates so much to trigger a significant slowdown.

Markets were similarly torn. 2023 started with soft landing, but that gave way to hard landing as the banking crisis in March shifted the odds in favour of the hard landing camp. It was only in the last two months of the year where it was clearer that the war on inflation was won, and clarity on the soft landing emerged.

While it was indeed a hard road to a soft landing, this turn of the tide was favourable for our positions such as Emerging market and Asia high yield bonds. This led the fund to gain 3.85% in USD terms in December. This may look like quite a lot for an income fund in a month but it is not unexpected in an environment that is favourable for our themes.

Market Outlook and Investment Strategy

For income investors, the era of easy money that lasted over 15 years made the search for income really challenging. Near zero interest rates meant that that investors could not count on government bonds for return or provide a buffer against other risk assets. It was also slim pickings in investment grade credits which got bid up in the crowded search for yield.

The unprecedented rate hikes in 2022, and the subsequent volatility of 2023 led to a much-needed flushing out and reset of fixed income markets that became too overbought.

What are the implications and opportunities of this regime shift? Government bonds now play a dual role of providing risk-free return while being a buffer against risk assets. As such, where income investors were searching for yield, they are now “Spoilt for yield” which FGI is able to capitalize on. The fund has meaningful exposure to emerging and developed markets, and does not rely only on high yield exposures to get its income.

Investors who are not constrained to traditional markets can also participate in the great opportunity in alternative income. This was a segment that generated double digit income in 2023 without being affected by market volatility. What is more important is that the return opportunity for 2024 continues to be attractive.

Source: Finexis

FAM Global Opportunities Plus Fund

Investment and Market Review

Through most of 2023, financial media was abuzz with the debate on landings. Investors were torn between whether there would be a soft landing, that is, beat inflation without a significant slowdown, or a hard landing where central banks hiked rates so much to trigger a significant slowdown.

Markets were similarly torn. 2023 started with soft landing, but that gave way to hard landing as the banking crisis in March shifted the odds in favour of the hard landing camp. It was only in the last two months of the year where it was clearer that the war on inflation was won, and clarity on the soft landing emerged.

While it was indeed a hard road to a soft landing, this turn of the tide was favourable for our positions across equities and fixed income such as small caps and Emerging market/Asian bonds. This led the fund to gain 4.21% in USD terms in December.

Market Outlook and Investment Strategy

This clarity in soft landing also means that the era of easy money that lasted over 15 years, is indeed coming to an end. What are the implications of this regime shift for multi-asset investors? For starters,

they can no longer count on making money the same way as before. The liquidity that fueled broad-based growth that benefitted broad markets no longer exists in the new high-rate world. Investors can now look towards areas of specific growth for return.

There are recovery opportunities in US small caps which have shown how they can benefit in the new high-rate world. We are also constructive on Europe which is poised to benefit from a recovery with its base of industrial companies.

Emerging opportunities are those that march to their own beat, providing a differentiated source of return. Here, we are adding Vietnam equities which is poised to benefit from ongoing US-China tensions, while growing strongly through its exports and positive demographics.

On the fixed income front, there are two important shifts:

1. With government bonds going from return-free risk to risk-free return, they now play a dual role of providing risk-free return while being a buffer against risk assets.
2. From Search for yield to Spoilt for yield: FGOP has meaningful exposure to emerging and developed markets, and does not rely only on high yield exposures to get its income.

Source: Finexis

FAM Millennium Equity Fund

Investment and Market Review

Through most of 2023, financial media was abuzz with the debate on landings. Investors were torn between whether there would be a soft landing, that is, beat inflation without a significant slowdown, or a hard landing where central banks hiked rates so much to trigger a significant slowdown.

Markets were similarly torn. 2023 started with soft landing, but that gave way to hard landing as the banking crisis in March shifted the odds in favour of the hard landing camp. It was only in the last two months of the year where it was clearer that the war on inflation was won, and clarity on the soft landing emerged.

While it was indeed a hard road to a soft landing, this turn of the tide was favourable for our positions such as US small caps which staged a rebound. This led the fund to gain 5.72% in USD terms in December. From this we have some observations:

- Performance was better than the magnificent seven. This is consistent with the way markets have behaved throughout history: Outperformance by large caps eventually lead to a change in market leadership.
- Changes in market leadership that happened during regime shifts persisted. The outperformance of market segments sensitive to soft landing in recent months marks the early phases of a much bigger rally as economies undergo a regime shift from the end of the era of easy money.

Market Outlook and Investment Strategy

For equity investors, many of whom have only experienced the era of easy money that lasted over 15 years, what are the implications of this regime shift? For starters, they can no longer count on making money the same way as before. The liquidity that fueled broad-based growth that benefitted broad markets no longer exists in the new high-rate world. Investors can now look towards areas of specific growth for return.

US small caps already in the portfolio are well positioned and have shown how they can benefit in the new high-rate world. We are constructive on Europe which is poised to benefit from a recovery with its base of industrial companies.

Emerging opportunities are those that march to their own beat, providing a differentiated source of return. Here, we are adding Vietnam equities which is poised to benefit from ongoing US-China tensions, while growing strongly through its exports and positive demographics.

Source: Finexis

Federated Hermes Global Emerging Markets Equity Fund

Investment and Market Review

Emerging Markets (EM) as measured by the MSCI Emerging Markets Net TR Index returned 8.0% in US Dollar terms in November, the best monthly performance since January 2023, though underperforming Developed Markets as measured by the MSCI World Net TR Index which posted 9.4%.

All global equity markets moved higher in November as slowing US inflation data supported a soft-landing scenario, sending US bond yields and the US Dollar lower. China was a notable laggard due to low confidence in the macroeconomic recovery and lower-than-expected Q4 2023 guidance from internet and consumer companies.

EM currencies recorded strong gains of 2.0% while the US Dollar finished -3.0% lower. Crude oil prices were down again (-5.2%) in November after posting notable declines in October. EM equity fund outflows continued; all be it at a declining rate (-$5.1bn) following large outflows in October (-$8.3bn). EM Growth (9.2%) outperformed EM Value (6.8%) for consecutive months.

All EM regions posted positive performance in November, led by Latin America (14.0%), followed by Emerging Asia (7.6%) and Emerging Europe, Middle East (6.5%). Egypt (22.5%) was the top-performing index market, followed by Korea (16.2%) where tech-related stocks rallied strongly. Mexico (15.5%) and Brazil (14.2%) also posted double-digit growth. The former was supported by currency gains and the latter by further signs of disinflation and another policy rate cut, taking the SELIC rate to 12.25%. Taiwan (13.2%) also benefited from a rally in tech stocks. Thailand (1.4%) was the weakest index market on the back of a weaker-than-expected Q3 GDP print. China (2.5%) was also some way behind the index with economic data released in the month proving somewhat mixed.

All sectors delivered a positive return, Information Technology (12.6%) and Communication Services (11.0%) led the relative outperformers, while Consumer Discretionary (4.3%) and Energy (5.2%) lagged the most.

The Fund returned 7.66%, underperforming the benchmark index by 32bps on a relative (geometric) basis. Stock selection detracted the majority, notably in China and Korea. This offset the positive contribution to relative returns from asset allocation, notably exposure to the Renminbi associated with the China allocation which appreciated strongly against the US Dollar.

Samsung Electronics moved higher as dynamic random-access memory (DRAM) exports grew 36% year-on-year in November, after 16 months of contraction. Gradual semiconductor demand recovery, rising DRAM and NAND pricing, as well as potential AI-related chip demand, is expected to drive a meaningful earnings recovery in Q4 and into 2024.

Itausa, a Brazilian investment holding company, rose given exposure to Itau Unibanco (80% of NAV) has benefited from high interest rates and good asset quality. The divestment of its stake in XP has helped reduce debt at a holding level, while the strategy to diversify investments into areas such as sanitation and infrastructure has been very accretive.

Shares in Hero Motorcorp, India's leading manufacturer of motorcycles and scooters, rose sharply on strong growth recorded in the festive season (September-November 2023) with volume growth of +19% year-on-year, while demand in rural markets outpaced urban markets.

Non exposure to PinDuoDuo, China's leading e-commerce discount retailer, detracted as its shares jumped 45% in the month. Its value-for-money proposition has benefited from Chinese consumers down trading, while its international business, Temu, has secured the company a second growth driver.

AIA Group, the largest life insurer in Asia, gave up recent gains as new sales to mainland China visitors (MCV) were down 33% quarter-on-quarter after strong pent-up demand in Q2 2023. We believe MCV sales should be better sequentially in Q4 2023, and for AIA to benefit from a new upcycle of MCV business in Hong Kong longer-term. There is a large pool of onshore wealth that could be invested offshore, likely in safer assets such as insurance savings.

Shares in BYD, China's leading car manufacturer, fell sharply in November due to the markets extremely bearish sentiment on domestic EV sales and price competition amid the slowing Chinese economy. YTD, BYD car sales have reached 2.7m and is in line to deliver their annual target of 3m. We expect profitability per car to continue to grow in 2024 as savings from battery, high end car sales and continued economies of scale more than offsets discounts.

Market Outlook and Investment Strategy

Several central banks in Emerging Markets (EM) are shifting to a dovish stance, after a long period of hawkish monetary policy and interest rate increases. Chile, Brazil, Peru and Poland have already begun the process by lowering their benchmark interest rates. China also lowered its interest rates to help its economy, which is struggling with low growth and property issues. This trend is likely to continue, making it cheaper to borrow money and boosting economic activity in emerging markets. The developed world is still facing high wage growth and inflation, which the team expects will keep central banks relatively hawkish, while emerging economies enjoy lower interest rates.

Despite the relatively favourable macroeconomic and monetary policy outlook, EM equities remain volatile, due in part to increasing pressure from the rising US bond yield, the stronger US Dollar, and China's economic woes. These factors are gradually normalising now providing a helpful tailwind for

emerging markets. The team is optimistic about the future, based on several economies easing their monetary policies, India, Indonesia and Mexico being stable, a new technology cycle boosting companies in Taiwan and Korea, and China's economic overhaul improving the prospect of the new economy and path to sustainable economic growth.

The team continue to prioritise their investment in quality and growth stocks, beneficiaries of structural trends trading at attractive valuations, even though cyclical stocks have done better in recent years. While the team have added exposure to quality cyclicals, they believe that higher-for-longer interest rates will slow down global growth as people and businesses borrow less. Also, companies and small businesses will have to pay more to borrow money, which will affect their future growth plans. Hence, they prioritise companies with strong fundamentals, structural growth drivers and low debt, that can better navigate the challenges of a low growth, high rate.

Source: Federated Hermes

Fidelity Global Financial Services Fund

Investment and Market Review

The A-Euro share class of the fund returned 5.8% on a net-of-fees basis during the month, while the comparative benchmark MSCI AC World Financials (N) index returned 6.7%. At a portfolio level, while selected insurance franchises pared gains, the fund's conviction names across the capital markets sub-sector proved rewarding buoyed by robust quarterly results. At a stock level, Swiss wealth management company Julius Baer Gruppe came under pressure over concerns relating to weak revenue trends. Nonetheless, it is a high return business with strong structural growth prospects and ample surplus capital. The holding in brokerage and trading company Interactive Brokers Group also detracted from returns. It maintains best-in-class technology amongst peers, while leadership in cost efficiency, quality of execution, access to global markets, and scalability driven by automation should support continued account growth. Meanwhile, certain insurance stocks lagged the broader market and pared previous months gains. Insurance brokerage and risk management service provider Arthur J Gallaghar declined on peaking valuation concerns. The company is a capital-light cash generating long-term compounder with robust organic growth revenue potential and high free cash flows. Shares in reinsurance services provider RenaissanceRe Holdings underperformed, despite reporting strong underwriting performance. It is best positioned amongst peers to benefit from the significant hardening of pricing in the reinsurance market in the near term. On a positive note, selected quality capital market franchises continued to add value. Intermediate Capital Group rallied on strong net flows and asset management performance. The company is well poised to benefit from a solid track record of AUM (assets under management) growth and underlying demand for private credit. The holding in UK-based private equity company 3i Group contributed to returns driven by the strong performance of one if its key investments in discount retailer Action. Leading investment management company KKR added value as strong performance of the insurance segment offset a decline in asset sales. The company maintains an attractive financial profile, with high operating margins and a track record of high revenue growth.

Market Outlook and Investment Strategy

The PM team invest in long term winners, with strong governance, social sustainability metrics and relatively attractive valuations. The fund's stocks tend to be well-capitalized with durable competitive advantages, and these factors should dampen fund volatility. The focus is on three key pillars i.e. fundamentals of the business (durable competitive advantages, solid operating fundamentals, improving stock specific drivers, etc); quality (long term winners in given industries, a bias towards companies with predictable, consistent profit growth, strong balance sheets, etc); and the macroeconomic backdrop, which is crucial for assessing risks and tactical opportunities in the financials space. The exposure consists of balance sheet financials (banks, consumer finance, and insurers) and diversified financials (exchanges, asset managers, payments businesses and data/analytics providers). At an industry level, the fund has an overweight exposure to capital markets and insurance subsectors. Within capital markets, quality franchises continue to benefit in periods of volatility and high interest rates, with a strong capital standing and share buyback potential. Insurance majors are currently locking in medium-term benefits from higher rates and can grow in any macroeconomic condition. The conviction insurance positions include Arthur J Gallagher and Everest Group which are beneficiaries of favourable pricing in an inflationary environment, secular growth trends and higher interest rates through security portfolios. Exchange operators are beneficiaries of volatility, while wealth managers' earnings are poised to benefit from an eventual recovery in M&A and IPO activity.

Source: FIL Investment Management

Franklin Technology Fund

Investment and Market Review

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

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

underweight in both IT Services and Communications Equipment as several poor-performing index-component companies sold off toward the end of the year, like Cisco Systems.

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

Market Outlook and Investment Strategy

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

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

Source: Franklin Templeton

Fullerton 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.

PUBLIC

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

Fundsmith Equity Fund SICAV

Investment and Market Review

In 2023 returns on capital and operating profit margins were higher in the portfolio companies than in the past. Gross margins were steady. Importantly all of these metrics remain significantly better than the companies in the main indices (which include our companies). Moreover, if you own shares in companies during a period of inflation it is better to own those with high returns and gross margins.

Consistently high returns on capital are one sign we look for when seeking companies to invest in. Another is a source of growth — high returns are not much use if the business is not able to grow and deploy more capital at these high rates. So how did our companies fare in that respect in 2023? The weighted average free cash flow (the cash the companies generate after paying for everything except the dividend, and our preferred measure) grew by 14% in 2023.

Market Outlook and Investment Strategy

The adoption of AI may lead to a situation where everyone has it, so no one has any advantage. The nalogy I would offer (with acknowledgement to Warren Buffett) is a football stadium. As the game

becomes exciting and the striker runs into the penalty area with the ball, the second row of spectators stands up to get a better view.

This blocks the view of those in the third row who follow suit. Pretty soon all the spectators are standing but no one has a better view than before, but they are all less comfortable. So, I think we will suspend judgement of who, if anyone, will emerge as a winner in AI.

Source: Fundsmith

Goldman Sachs Emerging Markets CORE Equity Portfolio

Investment and Market Review

The MSCI Emerging Markets Index rose significantly during November 2023. The increased expectations of interest rate cuts from the Federal Reserve in 2024 and the higher likelihood of a soft-landing for the US economy encouraged investor sentiment, causing Emerging Markets equities to return back to positive territory. Taiwanese and the South Korean equities rose significantly in November on the back of global excitement around Artificial Intelligence and Semi-Conductor demand. Chinese equities also had a strong month as there was an uptick in both retail sales and industrial production. Even though the property sector continued to be a drag on the country's output, encounraging signs were observed from Beijing, where in the government was reportedly weighing a plan for banks to offer unsecured loans to developers for the first time. Mexico and Brazil also posted strong growth in November; the former was supported by currency gains and the latter was supported by further signs of disinflation and another policy rate cut.

Market Outlook and Investment Strategy

The Goldman Sachs Emerging Markets CORE® Equity Portfolio Class I Shares (Acc.) (Close) returned +6.88% during the period, underperforming its benchmark, MSCI Emerging Markets (Net Total Return, Unhedged, USD) (+8.00%), by 112 bps on a net basis. The Goldman Sachs Emerging Markets CORE Equity Portfolio Base Shares (Acc.) (Close) returned +6.82% during the period, underperforming its benchmark, MSCI Emerging Markets (Net Total Return, Unhedged, USD) (+8.00%), by 119 bps on a net basis. The bottom-up stock selection detracted from relative performance while the top-down country selection contributed positively to excess returns over the period.

Among investment themes, signals within the High-Quality Business Models pillar detracted during the period. Signals within Themes and Trends, Fundamental Mispricings, and Sentiment Analysis also hurt relative performance.

The factors looking at management quality within the High-Quality Business Models pillar hurt relative performance. These factors aim to identify companies with strong management teams that are able to generate value for their shareholders. Moreover, within Themes and Trends, signals gauging economic linkages detracted during the period. Meanwhile, changes in valuation related factors hurt the performance of the Fundamental Mispricings pillar. Lastly, within Sentiment Analysis, signals evaluating hedge fund short sentiment detracted from relative returns.

Among sectors, holdings within the Consumer Discretionary sector detracted the most from relative performance, with an underweight position within the Broadline Retail industry being especially

challenged. On the upside, holdings within the Consumer Staples sector contributed the most to excess returns, with an overall underweight position within the Beverages industry contributing particularly strongly.

Source: Goldman Sachs

HSBC GIF Asia Pacific ex Japan Equity High Dividend (SGD)

Investment and Market Review

The Asia credit market posted positive returns over the past six months as US Treasury yields trended lower towards the end of the year after spiking up beforehand. Investment grade (IG) bonds outperformed high yield (HY) bonds as IG spreads tightened more than HY spreads over the period. From IG spreads perspective, one of the best performers was India infrastructure due to positive news flow around the investigation on a conglomerate. Meanwhile, Indonesia, Singapore, and India utilities were also amongst the better performers. On the contrary, China property was the worst performer as continual negative rating actions across the sector and the fallout of one of the largest private developers, have weighed on the overall market sentiment. Also, Philippines quasi-sovereign spreads have widened as well. In the HY arena, the best performer was Sri Lanka sovereign due to its agreement with China to restructure its debt to secure more funds from the IMF. Pakistan sovereign also saw spreads tightening after reaching a preliminary deal with the IMF. In addition, Indonesian consumer spreads also tightened amid improving domestic economy. Conversely, China oil and gas spreads widened as a major issuer’s subsidiary has entered a multi-million-dollar contract, potentially impacting the parent company’s cash flow position. Furthermore, China property also dragged the overall performance with idiosyncratic headlines and spillover effect on the sector.

Market Outlook and Investment Strategy

Asia credit finished the challenging year with a positive return on credit spread compression and higher carry despite the 100bps rate hike by the Fed. Going into 2024, Asia credit outlook looks more promising, with the peak of global rates, well-performing Asian economies, and China to benefit from more policy support. Asian economies should continue to benefit from the more favourable macroeconomic dynamics and better growth prospects, as they have not experienced the same inflation and interest rate shocks as the western economies. This should help cushioning the credit market from downgrades or defaults and allow governments to be supportive with fiscal and monetary policies. Asian bonds will remain resilient, offering attractive yield premium to the West, with high quality and low volatility, particularly in the investment grade market. Overall, with the negative influence from the China real estate funding crisis fading, we believe 2024 will be a pleasant year for Asian credit.

Over the month, we continued to trim our overall exposure in the China property sector as the physical housing market remained weak given the continual decline in home sales. We are neutral on the sector, overweight only the SOE and semi-SOE developers, while remaining underweight the POE names as we remain selective with an emphasis on better quality companies, which will more likely to benefit from the stimulus policies in the sector. In addition, we are overweight the China TMT sector given the removal of regulatory risks and improving sector fundamentals. We are also overweight China IG corporates in a selective manner. We maintain our overweight in Macau gaming in view of the strong

visitor arrivals and the strong recovery in the industry's gross gaming revenue. The fund continues to hold an overweight stance in bank subordinated debt given its relatively defensive nature and attractive yields, particularly those in China and Korea. We are also overweight in the consumer sector, expecting the companies to benefit from the increasing economic activities. On the other hand, we remain underweight sovereign and quasi-sovereign bonds given their broadly speaking lower yields than other sectors. Similarly, we are also underweight China, Indonesia and Philippines. The fund continues to hold an underweight stance in banks, primarily through an underweight in the China banks sector. We remain neutral in duration positioning amid declining US Treasury yields. We have also used interest rate futures to help manage our duration exposure actively.

Source: HSBC AM

HSBC GIF Global Lower Carbon Equity (USD)

Investment and Market Review

Global equities traded sideways in H2'23 but managed to post positive performance overall. Equities took a dip in Q3, as investors grappled with the prospect of a higher for longer interest rate environment but managed to rebound strongly in Q4 as expectations of a pivot towards rate cuts strengthened. At a regional level, developed market equities outperformed emerging market equities. In line with the global picture, US equities struggled in Q3 but managed to finish on a strong note as inflation slowed which raised hopes of future rate cuts in 2024. After declining in Q3, Eurozone shares also rallied at the end of the period, supported by cooling inflation which boosted optimism about future rate cuts.

Over the review period, the fund outperformed its market cap weighted index. Our overall exposure to Styles detracted performance while our exposure to industries contributed to performance. Global alpha style performance was positive, driven by Value which dominated as interest rates remained elevated. Our exposure to Low Carbon characteristics also contributed to performance. Meanwhile our exposures to Size, Industry Momentum, Low Risk and Quality factors detracted from performance in the review period. On an industry basis, our overweight allocations to Software & Services and Insurance, along with our underweight exposure to Household & Personal Products contributed to performance. Conversely, our overweight exposures to Semiconductors & Semiconductor Equipment, Energy and Technology Hardware & Equipment weighed on performance.

Market Outlook and Investment Strategy

The HGIF Global Lower Carbon Equity Fund's investment strategy uses a systematic bottom-up multi-factor investment process, based on five factors (Value, Quality, Momentum, Low Risk and Size), with an aim to maximise the portfolio's risk-adjusted return. The strategy seeks to capture the shift to the lower carbon economy, by integrating lower carbon and ESG in portfolio construction using in-house techniques, and deliver a significantly lower carbon intensity and an enhanced ESG profile compared to the reference benchmark the MSCI World index.

Disinflation continues to trend lower in developed economies, but areas of 'sticky' inflation will persist. The golden path to a soft economic landing in the US is possible, but economic headwinds are strengthening. US economic activity has been resilient, but excess consumer savings are depleting, and labour markets show signs of weakness. Eurozone activity is in worse shape, while Asia is seeing

lacklustre growth, especially in China. Our base case is that the US and European economies will see weaker growth in 2024 as higher interest rates bite.

The strategy's balanced exposure to factors should continue to help navigate the current macro environment and market conditions, and best serve long term outcomes. And the carbon and ESG considerations of the fund, to significantly reduce carbon intensity and enhance the overall ESG profile of the portfolio versus benchmark, should also continue help investors with climate transition and mitigate climate risks in their portfolios in the long run, irrespective of current market scenarios.

Source: HSBC AM

HSBC Portfolios World Select 5 (SGD Hedged)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs. Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income. Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth.

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year. Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise. Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy. Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns. Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and

bonds appealing. Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving. Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC AM

Janus Henderson Fund - Continental European Fund

Investment and Market Review

The change in rhetoric from the US Federal Reserve (Fed) and cooling inflation in developed markets triggered expectations of earlier interest rate cuts in 2024, resulting in a rally across various asset classes.

European equities rose over 3% in December, led by sectors such as travel & leisure, real estate and construction & materials.

The US 10-year Treasury yield continued to decline from 4.3% to 3.9%.

The fund had a good fourth quarter led by the information technology and health care sectors. In particular, semiconductor stocks saw their shares bounce back bounce back as part of the wider rally in technology stocks following the prior weakness in September and early October. Shares in BESI – a key holding in our 'capex supercycle' investment thesis, given that they are the 'picks and shovels' of the semiconductor supply chain – reached a new high. A broad basket of 'capex supercycle' enablers across other sectors were also positive contributors, including Holcim, Saint Gobain and CRH in construction materials, and Siemens and Schneider Electric in industrials.

DSV was a main detractor as the CEO's abrupt departure weighed on the share price. Energy companies also lagged the market recovery, partially as they have come to be regarded as 'defensives' over the last couple of years, and partially due to increasing commentary around potential oversupply in 2024, which may require further OPEC cuts. At the time of writing, the stocks remain attractively valued in our view, and we believe the high cash returns (buybacks and dividends) should be safe even at much lower oil prices.

In terms of activity, we added to the positions in Siemens and Infineon. We trimmed the position in Adidas to take some profits following strong performance. We also trimmed the position in Euronext. We sold the position in Hugo Boss as we felt the brand turnaround story was now well understood. And we sold the position in DSV due to concerns over the sudden departure of its well-liked CEO, as well as the financial implications of a joint venture the company signed in Saudi Arabia on the NEOM project.

Market Outlook and Investment Strategy

We continue to believe in the likelihood of structurally higher inflation and higher interest rates in the years ahead, at least relative to the decade prior to the Covid pandemic. This is not to argue against the potential for near-term disinflation of a more cyclical nature, as supply shocks from both Covid and the Ukraine war are lapsed.

That said, even given the shifting rhetoric from central banks, we continue to lean much more towards a central bank 'plateau' rather than a 'pivot' on interest rates. This is, unless we witness a sharp economic contraction. However, given the fiscal bazooka being deployed under 'Bidenomics' and the need for Europe to follow suit, we may not see the economic 'hard landing' the market intermittently panics over, even if consumers do moderate their appetite to spend.

Longer term, we expect a clear shift towards a multipolar world, of which deglobalisation – and the capital intensive likes of 'Bidenomics' – is an outcome. We could also see a political shift in favour of populist/pro-labour policies, from both traditional 'left' and 'right' ends of the political spectrum. This could mean stronger wage inflation and greater labour market friction. It also leads us to believe equity investors will need to be more sensitive to valuation when making stock purchasing decisions.

The real economy implications will also present opportunities for stock-pickers. Enablers of deglobalisation (think industrial automation, digitalisation, electrification and construction materials firms) could thrive, while large incumbents across many industries (such as brewing, food catering and enterprise software) could see their already dominant positions enhanced as the end of virtually 'free' money tempers the threat of disruption by unprofitable start-ups. Europe offers plentiful opportunities to access these themes, being home to large global champions at what we see as reasonable valuations.

Source: Janus Henderson

Janus Henderson Horizon Fund - Pan European Absolute Return Fund

Investment and Market Review

Following on from November (the fund's strongest month in at least a decade), December was another positive month for performance. Overall, the fund's 2023 gains were broadly consistent with our ambition to deliver equity-like returns while limiting drawdowns versus the European stock market. Volatility in the fund continued to significantly undershoot the market as per our targets, even though 2022 and 2023 were exceptionally low volatility years in the wider market. 2023 was a tale of two halves for the fund. We had trouble generating much positive performance during the first half of the year and missed a large part of the January rally, and then the rebound following the US regional bank and Credit Suisse crisis. However, during the second half of the year, the fund performed consistent with the rise in wider European equities, but with a much lower drawdown during October.

December's main positive contributors were fairly broadly split across many stocks in the long and short books, with few significant detractors outside of the fund's index hedging. Semiconductor equipment long positions in ASML and VAT Group continued to perform well, but our second-best stock contributor was aerospace engine company Rolls Royce, followed by UK housebuilder Taylor Wimpey. Construction-exposed long positions Geberit (sanitary ware) and CRH (aggregates) were also positive contributors. The breadth of the stock market rally was strong anyway over the course of November and December, and even carried over into the new year, which is an encouraging sign for the market outlook for 2024 in our view. And while the January barometer – the first five trading days of the year – has been worryingly negative and challenging from a factor rotation perspective – the bullish thrust created over November and December also back-tests quite promisingly for the 2024 market outlook.

For the very near-term January trading, we will need to assume ongoing higher volatility. US markets – and presumably European markets, but we only have reliable, transparent data for the US – entered into a put options-dominated, negative gamma market regime last week. Even with the rebound of late, this seems more like a neutral gamma market, but with quite elevated equity long positioning in particular from the systematic hedge fund community, which could also be quickly unwound. In recent years for which data exists, negative gamma positioning periods have typically yielded worse returns and exhibited higher realised volatility. As a consequence, we have shrunk the number of holdings in the book, and lowered net exposure. At the time of writing, we have 34 long and 25 short positions (versus the usual up to 40 and 25 respectively). We also have significant stock market index put spread overlay, plus put spreads on individual stocks in place to control net asset value (NAV) drawdown risk.

Our underlying book composition remains pro-cyclically oriented. Despite the rotation of the first few trading days in January – selling fourth quarter winners and buying 2023 losers – we feel little has changed in the fundamental picture and greater scheme of things from a price action point of view. Lists of stocks on 12-month relative highs versus the wider market in both Europe and the US remain dominated by cyclicals, in particular from technology, housebuilder, financials and consumer discretionary sectors. Examples in our long book of stocks continuing to make new relative highs in recent days (at the time of writing) include Pandora (budget jewellery), European banks (we own UBS and UniCredit) and above-mentioned Taylor Wimpey. On the other hand, the 12-month relative low lists continue to be dominated by more defensive names. In Europe, these were most notably stocks like LVMH and Campari (recently exited again after brief episodes of trying to bottom-fish in the long book) or Diageo (in the short book).

What has hurt us most year-to-date has been our semiconductor equipment long positions in ASML, ASM International and VAT Group. However, there have been no specific events or announcements for these companies. The prospects for a 'capex cycle' upswing continue to improve, given the dynamics of artificial intelligence (AI) - where the next step will be upgrading the AI capabilities to devices like PCs and smartphones (and which for the first time in a long while has the potential to drive a meaningful strong replacement cycle) - coupled with an ongoing leading edge memory segment rebound. We are using recent weakness to increase the fund's semiconductor equipment long exposures, while hedging with some put options structures on analogue semiconductor stocks where there have been more profit warnings. As per usual historic cadence, automotive semiconductors are last into and last out of the contraction. On the other end of the spectrum, memory is usually first in and first out of the correction. So while memory prices are sharply off the bottom, we are now seeing profit warnings in the late-cycle analogue space. In late November, Analog Devices had lowered its outlook. Its peer, ON Semiconductor, had significantly reset guidance in late October. Now in the new year, Mobileye and Microchip have profit-warned. Ultimately, the main difference is our equipment names are world-leading oligopolists or quasi-monopolists without whom the semiconductor world cannot continue to drive the significant leading-edge advances. They are the crucial arms dealers with unique intellectual property. Analogue semiconductors makers operate under much more competitive pressure, and will face much more intense competition from China in the later years of this decade it seems to us. For tactically trading this cycle upswing, however, this matters little right here but already has a big influence on new peak an trough valuation multiples assigned to these stocks. Finally, overall a typical semiconductor cycle upswing historically lasts about two and a half years. The trough was in spring 2023, which points to almost two more years to go based on the historic average. Possibly, one could even argue that given

that this preceding cycle downswing was longer and deeper than any other with the exception of the 2001-02 wider tech crash, the upswing may also extend for longer and higher than usual.

Outside of semiconductors, the fund's long positions are concentrated in the areas of 'always looking good', small-ticket consumer discretionary items, as we are seeing positive real wage growth for the first time after two years due to fading inflation. This includes some consumer-driven medical technology stocks such as Carl Zeiss and Straumann, which historically have traded closely correlated to consumer confidence, and financial services firms such as brokerages and exchanges, where money is returning to the stock market from money market funds. It also includes highly capital-generative banks, that are still seemingly priced for recession and sharp increases in provisioning, along with some construction exposure, given the prospect of lower mortgage rates.

The fund's short book is chiefly targeting consumer staples given the slow volume growth, making firms at risk of having to give back the aggressive pricing taken over the last two years, and the late-cycle de-stocking dynamics. The short book also includes health care stocks, due to the more challenged research and development (R&D) pipeline, China procurement disruptions from an anti-corruption drive, and late-cycle destocking in consumables.

Market Outlook and Investment Strategy

Our outlook for 2024 is one of cautious optimism. Central banks are now openly talking about interest rate cuts and even an end to quantitative tightening. Real narrow money creation across the G-7 and even the E-7 economies has inflected up, and even though it remains in weak negative territory it is no longer getting worse. Market-based financial conditions measures have clearly eased. It will likely take time for those factors to translate into an improving real economy, and thus we think it will remain a more tactical equities playing field. We see a significant opportunity set ahead of us to play idiosyncratic early-cycle winners versus stocks with a very high risk of profit warning. We are particularly encouraged by the fund's second half of 2023 performance, and are optimistic that we can even out the wobble in the first week of January soon.

Source: Janus Henderson

JPM Global Income Fund (USD Hedged and SGD Hedged)

Investment and Market Review

Our equity allocation contributed to portfolio performance over 2023. However, our focus on dividend paying equities was a relative headwind as indicated by MSCI World High Dividend lagging MSCI World by 15% (local currency). Within equities, the majority of our allocations were able to achieve better returns than their respective high-dividend equity comparators due to active bottom-up stock selection.

Elsewhere in equities, our covered calls strategies were also additive to fund performance. We have been able to use these instruments to take advantage of market volatility and generate an additional source of attractive yield for the portfolio. In contrast, our short positions in equity index futures, which we held at times during the year to hedge some of our equity exposure, detracted from returns.

Within fixed income, our allocation to high yield credit was the largest contributor to performance. Other physical allocations including investment grade corporate credit, emerging markets debt and

securitized assets were also additive to returns. However, the duration that we have added to the portfolio via US Treasury futures detracted from returns as yields pushed higher during the year.

2023 proved to be a year of unexpected twists and turns, as investors were challenged by aggressive policy tightening, elevated bond market volatility, a banking crisis, and heightened geopolitical tensions in the Middle East. Throughout the year, market sentiment was shifting even more than usual, bouncing from recession and growth concerns at the start of the year, to resilient growth over the summer, to higher-for-longer in the autumn, and ending the year focused on future rate cuts. Despite these headwinds over the year, a resilient global economy and less hawkish central banks have led to positive returns across all major asset classes. Increasing hopes for a soft-landing and AI enthusiasm pushed equities higher, while the prospect of rate cuts in 2024 have fuelled a rally in the bond market.

Equity markets delivered strong returns in 2023, with the MSCI World Index returning 23.1% in local currency terms. Performance varied across regions, with developed markets, led by the U.S., significantly outperforming emerging markets. Within equity markets the majority of the move higher was concentrated in a small sub-set of names. Growth stocks in particular bounced back strongly, in part driven by an increasingly positive outlook for artificial intelligence (AI). In fact, the 'Magnificent Seven' stocks contributed to around 80% of the S&P 500 index returns over the year, while returns outside of these technology stocks were much more muted.

Within fixed income, 2023 has brought continued volatility, with the 10-year US Treasury yield trading in a range of 3.3%-5.0%. Rates moved higher throughout the year, hitting the highest level in 15 years in October, before reversing sharply through the final months of the year on expectations of Central Bank cuts in 2024. Global fixed income returns were positive over the year, with the Bloomberg Global Aggregate Index (local currency) returning 5.7% in 2023.

Outside of core bonds, credit markets delivered strong returns through the year, benefiting from tighter spreads and more recently the strong rally in rates. High Yield corporate credit was one of the best performing asset classes, as stable corporate balance sheets and supply pressures from a decline in new bond issuances kept the asset class buoyant. The Bloomberg Global High Yield TR Index (EUR) ended the year up 10.5%, while the Bloomberg Global Aggregate Corporate TR Index (EUR) returned 6.5%.

Market Outlook and Investment Strategy

As we enter 2024, yields across many asset classes are still close to multi-decade highs. In fact, investors have not seen a convergence of yields on equities, bonds, and other asset classes at levels of 4% or more in 20 years. This market backdrop continues to offer compelling opportunities for income investors who can lock in high yields currently on offer.

Looking ahead, as central banks move from hiking to cutting rates in 2024, we expect both stocks and bonds to benefit. We continue to be mindful of a two-way risk market where balance is necessary and look to remain nimble and flexible to take advantage of income opportunities that arise in the market.

The Fund remains well-balanced and focused on delivering attractive risk-adjusted yield and return through a diversified portfolio of income generating securities. Overall, we are leaning into credit, paired with duration, and staying close to long-term neutral weights in equities.

Within equities, we maintain our preference for developed market high dividend equities, particularly the U.S., which has higher quality characteristics and has historically delivered strong positive returns after the end of rate hikes. Within credit, while we do not see room for meaningful spread tightening from here, U.S. High Yield offers compelling forward returns given that all-in yields look attractive and corporate fundamentals remain supportive. We maintain a constructive view on duration and expect it to play a more meaningful role in the portfolio as we continue to see slowing growth a gradual downtrend in inflation. We are however cautious about taking big positions and selective about when to add to duration.

The Fund started the year with a modestly conservative positioning given our outlook for below trend growth, still stubborn inflation, rising rates and subsequent concerns on the outlook for earnings and margins. As the year went on, our positioning reflected a more constructive outlook that centered on a softer landing macro scenario.

We increased our net equity exposure during the period. On a regional basis, early in the year we added to emerging market equities on the back of the China reopening story and a softer US dollar. However, our confidence in that theme faded given headwinds seen in the Chinese economy. We later added to developed markets through allocations to Global Equity and S&P/NASDAQ index futures. We closed our allocation to Global REITs in October in part due to an organizational change in the underlying strategy, as well as our cautious view on the real estate sector as rates stay higher for longer.

Within our covered call strategy, as our exposure reached maturity and rolled-off we saw less attractive entry points given the remarkably calm volatility environment for equity markets. Nevertheless, looking ahead, we intend to remain active in trading covered calls to source income and broaden our portfolio mix.

Within fixed income, US high yield was one of our largest allocations within the portfolio as spreads and yields offered compelling compensation relative to fundamentals and expected defaults. We continued to increase our allocation to high yield during the year as the carry was attractive, offering a useful way for us to lean into risk. Alongside this we held a small allocation to investment grade credit and emerging markets debt as sources of diversification.

We incrementally added to the duration profile of the portfolio via US treasury futures as yields backed up and we sought to take advantage of attractive valuations. As inflation continued to cool and central banks approached the end of their hiking cycle, we believed that duration offered attractive return and diversification benefits for the portfolio.

Elsewhere, we maintained our allocation to non-agency securitized credit which provided both a reasonable yield and diversification alongside traditional credit and equities. We maintained higher allocation to cash throughout the year as cash rates were attractive relative to history. Cash also served as dry powder to take advantage of any dislocations that may emerge as the economic environment evolves.

Source: JPMorgan Asset Management

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JPMorgan Funds - Brazil Equity Fund

Investment and Market Review

Stock selection contributed to relative returns, while sector allocation, which is an output of the bottom-up process, detracted.

An underweight to Vale, one of the largest producers of iron ore and nickel in the world, was a tailwind to performance. Continued weakness with respect to iron ore prices have weighed on the stock.

The portfolio's holding in MercadoLibre also known as MELI, contributed to returns during the year. MELI is a leading e-commerce market and fintech platform player in Latin America. The stock performed well on the back of strong quarterly results with broad-based margin improvement seen across geographies and business lines. Increasing synergies with its fin-tech business and reduced competitive intensity in key markets combined with an improvement in profitability metrics makes MELI well positioned to be a likely market leader across each of its markets.

The portfolio's holding in Lojas Renner, one of the largest Brazilian retailers, detracted from returns during 2023. The stock underperformed as high interest rates led to increased delinquencies in its consumer finance business. Additionally, concerns persisted due to the uncertainty caused by the import tariff tax exemption for foreign ecommerce players announced by the Brazilian government. However, over the medium-term Lojas, due to its scale as well as the lack of a sizeable competitor in the market, should benefit as the Brazilian economy recovers.

An overweight to Atacadao, one of the largest Brazilian chains of warehouse stores, hurt returns. The stock fell 7.3% during the year driven by high food inflation. Normally, the company can adapt its strategy given food inflation's cyclicality, however, this year, trends have been a lot of more erratic, with inflation cycles being significantly shorter and different across categories. This has been a challenge for the stock.

Market Outlook and Investment Strategy

Up until now, LatAm economies have shown resilience against tightening global rates since Central Banks in most of these countries kept rates high, which ensured that exchange rate depreciation pressures were kept at an arms length. This also allowed certain banks in the region to start cutting rates. Brazil saw inflation coming off and resultantly, their central banks cut rates further with the Brazilian SELIC rate now lower by 50bps to 11.75%. That said, internal and external risks remain. The Brazilian economy continues to show sigs of weakness with service output falling for the third consecutive month, leading to the weakest growth since the pandemic. Externally, the US economy and its presidential elections will probably add volatility to 2024 while the Middle East crisis can escalate and impact inflation.

We continue to see a relatively positive set up: growth differentials are shrinking, rates are already coming down before the rest of the world and while political risks may bring volatility, it will be par for the course. Valuations too are touching attractive levels with region below 15-year average valuations - Brazil ~8x vs 10.5x – implying that the region is interestingly poised as we enter 2024.

We are fundamental stock pickers who target high-quality businesses that generate strong compounded earnings over the long run. We believe this approach is suited to current market conditions, as we seek

to find businesses that can grow regardless of the economic backdrop. We have a consistent bias towards domestic growth stocks, which tend to be found in the small- and mid-cap areas of the market.

During the year, a few positions were reduced within the portfolio. A position in the consumer discretionary sector was trimmed after a recent meeting with management where the company is taking actions to reduce its average prices. Also, a small position in information technology was sold on the back of decreased conviction in the name.

Source: JPMorgan Asset Management

JPMorgan Funds - Greater China Fund

Investment and Market Review

2023 was a year of headwinds mostly for growth names in China, due to a combination of exogenous (e.g. global rate environment) and domestic factors (e.g. lack of consumer confidence, property downturn, regulatory uncertainties), which impacted market performance and led to a prevailing risk-off sentiment. The risk-off sentiment led to the market favouring defensive, state-owned names with generally a lack of profitability mindset.

The Taiwanese market, in contrast, was one of the best performing major markets within Asia in 2023. The technology sector led the market backed by the AI-related optimism. Mid-way through the year market sentiment was uplifted further by upbeat results and outlook from Nvidia as its incremental computing capabilities were expected to support increasing demand from AI applications. Downstream PC names contributed towards the rally later in the year on the back of expectations around upgrade demand from incremental AI functionality.

Both allocation and stock selection effects were negative across different sectors.

On the negative side, internet stocks featured amongst the top detractors, as over the year the internet space was characterised by aggressive capital allocation driving returns down across much of the sector, and also by some ongoing regulatory pressure. The top detractor over the year was e-commerce name Meituan, which saw a multiple derating and which posted weak guidance in part reflecting increasing competition. Not owning PDD and overweight to JD.com also offset some gains within internet.

Within healthcare, JD Health lagged due to guidance for a downward earnings revision during the third quarter, while in December drug research company Wuxi Biologics was hit by a surprise negative cut to earnings, knocking management's credibility.

Within the renewables space, we underestimated new supply additions in solar which ultimately depressed pricing in 2H23, impacting JA Solar. For Suzhou Maxwell (classified as an industrial name) the challenges were slightly different as the technology they backed has seen slower than expected adoption: competing technology has seen a faster takeoff, reaching large production scale earlier than expected.

The financials sector had a challenging year mostly amid property downturn. This dragged down the higher quality names which we held, although we believe these names are not facing systemic risk. Meanwhile, investor risk aversion favoured SOEs which were defensive in a China context despite

lackluster long-run return trajectories. As the majority of SOEs, Chinese banks tend to have low returns on capital, with lack of attractive earnings growth, and are particularly at risk of being used as instruments of government policy, we continue to avoid them.

On the positive side, overweight allocation to information technology and stock selection in the communication services sector added value. Taiwanese semiconductor names Global Unichip, Faraday, Aspeed and eMemory were amongst the top contributors as the stocks did well on AI-related optimism and a positive outlook. Perceived AI name Beijing Kingsoft was another top performer, while hardware name Silergy saw progress in inventory adjustment. Also in IT, software / systems integration name Shanghai Baosight enjoyed the prospect of a better earnings outlook due to import substitution. Avoiding consumer stock Li Ning was also a positive.

Market Outlook and Investment Strategy

While it has become clear that Chinese mass psychology was characterised by diminished animal spirits in 2023, the critical issue is whether this marks a permanent loss of confidence under the current policy backdrop. Action in the property market, or the lack of it, will be a good indicator. Over the past two decades the sorts of easing measures seen in recent months (such as lowering mortgage downpayment ratios) historically triggered an uptick in demand for residential property, at least in China's major cities. This has informed our portfolio positioning, as we aim to keep up with an eventual cyclical recovery that is not yet priced in given the high degree of macro pessimism.

It seems likely too that the regulatory environment will remain significant. The Christmas headlines relating to gaming controls followed months of messaging intended to reassure investors that China is "open for business", and that the regulatory environment is strategic and coordinated. President Xi has emphasized the need for synchronized and consistent policies not just at the fiscal and monetary level, but also in the industrial / environmental /technological fields. As a result the news of the new regulations was not taken well. We were encouraged by a subsequent pledge from the National Press and Publication Administration (NPPA) that they will listen to all feedback in order to address public concerns –but the key as ever will be the extent to which this actually takes place.

We expect the Hong Kong market to continue to be volatile in the near-term, despite the US interest rate outlook appearing to have become more favourable for equities. Weak consumer confidence and deflationary pressure in China are expected to remain a concern for investors in the near-term. Positively, valuations remain supportive over the medium to long-term basis, which along with improving capital allocation from major corporates, should cushion the market from significant downward pressure.

In Taiwan, consensus earnings growth numbers are positive on the back of a global manufacturing order recovery. Additionally, lower rates should support growth / cyclical stocks. Pockets of secular growth stories in the market should continue to shine such as AI-related themes and specification upgrades in certain components.

After positioning the portfolio more cyclically early in the year (e.g. travel, leisure, consumer services), those trades were partially reversed amid weaker-than-expected consumption recovery. We then reduced positions in capex sensitive names or stronger related to consumption. Instead, we reinvested mostly in more secular growth or growth which is less dependent on China's domestic demand,

including: 1) upstream hardware and downstream applications, 2) export-related businesses. We continue to believe that economic recovery is a question of patience and time horizon. Given the scarring effect of COVID, we are cognizant that it will take some time for confidence to build, for both consumers and businesses. Yet, Chinese households have built up huge surplus savings which we believe are likely to be deployed. We believe that ultimately consumption should gradually grow, particularly in services such as leisure, tourism, and food & beverage.

In Taiwan, we continue to be structurally overweight the technology sector because of its secular opportunities. Additionally, we have been adding to a few select quality tech names on underperformance and after the last leg of earnings downgrades. Our holdings outside the technology sector include a contrarian industrial name (Evergreen Marine), a domestic consumption proxy (Poya) and a financials name (Chailease) in anticipation of an eventual China manufacturing PMI recovery, among other names.

We have trimmed China e-commerce names amid intensifying competition. Our renewable energy names are mainly focused on solar and EV supply chain.

We stay neutral on real estate, owning only three names: China Resources Mixc, and China Overseas Land & Investment (COLI) and Sun Hung Kai Properties. We added to COLI on high expected return and positive earnings momentum. Given real estate has a long supply chain across both upstream and downstream, we have indirect exposure through companies such as SKSHU Paint (decorative paints) and Haier Smart Home (home appliances including air conditioning). These stocks already discounted a very weak outlook for real estate.

Within financials, we typically run a large structural underweight, particularly in state owned banks, whilst we are currently more constructive on insurance. We rotated within financials, driven partly by valuation as well as declines in short end/steepening of yield curve. Within banking, we added to higher quality selective consumer financials for stock specific reasons.

Over the long term, we retain our high conviction in structural growth opportunities, such as technology, carbon neutrality and consumption.

Source: JPMorgan Asset Management

JPMorgan Funds - India Fund

Investment and Market Review

Stock selection contributed to relative returns, while sector allocation, which is an output of the bottom-up process, detracted.

An underweight to Vale, one of the largest producers of iron ore and nickel in the world, was a tailwind to performance. Continued weakness with respect to iron ore prices have weighed on the stock.

The portfolio’s holding in MercadoLibre also known as MELI, contributed to returns during the year. MELI is a leading e-commerce market and fintech platform player in Latin America. The stock performed well on the back of strong quarterly results with broad-based margin improvement seen across geographies and business lines. Increasing synergies with its fin-tech business and reduced competitive

intensity in key markets combined with an improvement in profitability metrics makes MELI well positioned to be a likely market leader across each of its markets.

The portfolio's holding in Lojas Renner, one of the largest Brazilian retailers, detracted from returns during 2023. The stock underperformed as high interest rates led to increased delinquencies in its consumer finance business. Additionally, concerns persisted due to the uncertainty caused by the import tariff tax exemption for foreign ecommerce players announced by the Brazilian government. However, over the medium-term Lojas, due to its scale as well as the lack of a sizeable competitor in the market, should benefit as the Brazilian economy recovers.

An overweight to Atacadao, one of the largest Brazilian chains of warehouse stores, hurt returns. The stock fell 7.3% during the year driven by high food inflation. Normally, the company can adapt its strategy given food inflation's cyclicality, however, this year, trends have been a lot of more erratic, with inflation cycles being significantly shorter and different across categories. This has been a challenge for the stock.

Market Outlook and Investment Strategy

Up until now, LatAm economies have shown resilience against tightening global rates since Central Banks in most of these countries kept rates high, which ensured that exchange rate depreciation pressures were kept at an arms length. This also allowed certain banks in the region to start cutting rates. Brazil saw inflation coming off and resultantly, their central banks cut rates further with the Brazilian SELIC rate now lower by 50bps to 11.75%. That said, internal and external risks remain. The Brazilian economy continues to show sigs of weakness with service output falling for the third consecutive month, leading to the weakest growth since the pandemic. Externally, the US economy and its presidential elections will probably add volatility to 2024 while the Middle East crisis can escalate and impact inflation.

We continue to see a relatively positive set up: growth differentials are shrinking, rates are already coming down before the rest of the world and while political risks may bring volatility, it will be par for the course. Valuations too are touching attractive levels with region below 15-year average valuations - Brazil ~8x vs 10.5x – implying that the region is interestingly poised as we enter 2024.

Portfolio Positioning

We are fundamental stock pickers who target high-quality businesses that generate strong compounded earnings over the long run. We believe this approach is suited to current market conditions, as we seek to find businesses that can grow regardless of the economic backdrop. We have a consistent bias towards domestic growth stocks, which tend to be found in the small- and mid-cap areas of the market.

During the year, a few positions were reduced within the portfolio. A position in the consumer discretionary sector was trimmed after a recent meeting with management where the company is taking actions to reduce its average prices. Also, a small position in information technology was sold on the back of decreased conviction in the name.

Source: JPMorgan Asset Management

Franklin Templeton Western Asset Global Bond Trust

Investment and Market Review

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

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

U.S. Corporate high yield also contributed, followed by investment-grade credit. These sectors benefited from high starting yields and the narrowing of spreads. Within US investment grade credit, financials in particular outperformed, followed by industrials. Within US high yield, the communications sector underperformed, but broadly, every other sector performed well. Prime MBS also contributed given the resiliency in the U.S. residential housing market. Finally, UK Gilts that were added later in the year were accretive to the portfolio, as were tactical allocations to German and Spanish government bonds.

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

Market Outlook and Investment Strategy

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

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

Our base case coming into 2023 was that inflation would decline and it has. With inflation lower and major developed market central banks about to embark on rate-cutting cycles, the macro environment is generally favourable for bonds. With that said, there are still uncertainties in the economy that should

dominate headlines in 2024. We are entering the year with major global economies in varying growth trajectories, with the Eurozone in below trend growth, China still weak, and the US economy holding on for now but with various aspects at play that could impact a hard or soft landing.

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

It is also important to remember that a number of fixed income sectors continue to have strong yields, and are out yielding the S&P 500 Index, making the case for bonds compelling. We therefore also currently hold select US corporate credits with meaningful yield cushion. We believe US credits are a good place to be right now given that the Fed has reached peak rates and the starting yields remain compelling. With that said we are being selective in our credits and doing the bottom-up work, meaning we like companies with strong balance sheets and management teams. We see opportunities across fixed income sectors and through active, relative yield curve and cross-country positioning. Hard or soft landing, we believe the bonds we are invested should do well given a lower inflation backdrop, a central bank pivot, and higher starting yields. Finally, we believe that our portfolio represents a compelling opportunity, with a 7.3% YTM and an investment grade credit quality rating.

Source: Franklin Templeton

Mirae Asset ESG Asia Great Consumer Equity Fund

Investment and Market Review

The MSCI All Country Asia ex-Japan Index was up 6.34% (in USD terms) for the year 2023. By country/region, Taiwan and Korea were the leading outperformers, while Hong Kong and China were the primary underperformers. Sector-wise, IT and Energy were the leading outperformers, while Real Estate and Consumer Staples were the main underperformers.

MSCI China was down 11.04% (in USD terms) over 2023, underperforming peers due to a mix of domestic and global macro factors. Performance was mixed throughout the year, with some gains in the first quarter following favourable policy shifts for the internet, game approvals, and real estate, and the resumption of foreign investor inflows. However, risk appetite weakened from 2Q23 on concerns of moderating economic recovery and ongoing geopolitical tensions. Optimism also curbed from August due to rising concerns on the property sector, soft macro data, piecemeal-style policy delivery, and a weakening Chinese currency. China's GDP growth slowed to 4.9% in Q3 from 6.3% in the previous quarter, but industrial production, exports, and retail sales showed signs of recovery. In October, the Standing Committee of China's National People's Congress (NPC) announced a surprise mid-year expansion of the Central budget, increasing it by RMB 1 trillion (0.8% of GDP).

Indian equities returned 21.29% (in USD terms) in 2023, thanks to the country's strong investment cycle and resilient domestic economy. Indian markets initially underperformed over the first three months of the year on concerns of global slowdown and recession risks and corrections following Hindenburg's report on the Adani group. However, performance rebounded strongly from the second quarter as the

market continued to improve on fundamentals and macro indicators. In November, the Reserve Bank of India (RBI) clamped down on unsecured lending by increasing risk weights on unsecured consumer credit and credit card dues. November consumer price index (CPI) inflation climbed less than expected to 5.6% y/y (vs 4.9% y/y in October) as not only did vegetable prices rise less than expected, but the momentum of food prices was generally more muted. In line with expectations, India's Monetary Policy Committee (MPC) retained the status quo, keeping policy rates on hold at 6.5% and holding on to a "withdrawal of accommodation" stance while observing a cautious tone.

Korean equities saw strong but volatile gains in 2023, returning 23.59% (in USD terms) for the year. The first quarter was positive thanks to expectations of a bottoming semiconductor cycle, and another buying spree occurred in May following the upbeat sales guidance from Nvidia on the back of robust AI demand, which boosted Korean semiconductor names. July saw a strong rally driven by a surge in retail investor momentum and concentrated interest in battery stocks. However, the market reversed its gains in August due to rising doubts over disinflation, concerns over China's economic slowdown, and price corrections in battery-related stocks. Further price corrections were felt in September and October due to heightened macro volatilities and persistent investor concerns about the EV industry and demand before finally seeing a rebound in November and December on a more optimistic outlook for 2024. The Bank of Korea delivered three 25bp rate hikes throughout the year, bringing the policy rate to 3.5% in August 2023.

Taiwan was the leading performer in 2023, with equities rising 31.33% (in USD terms). 2023 was a record year for Taiwanese equities, with the TWSE posting a 27% gain (in TWD terms), the highest annual return since 2009. Despite ongoing challenges with weak demand, sentiment towards the tech industry improved at the start of the year with the de-risking of earnings expectations and anticipation of demand recovery from China's reopening. The tech sector saw another boost in May, thanks to strong sector re-ratings on the back of optimism on the AI theme. Returns fell in 3Q23 due to challenges in the industrials, energy, and materials sectors, while soft external demand and falling exports contributed to a decline in manufacturing PMI and industrial production. Additionally, positive implications from US tech for the generative AI trade failed to offset global risk-off sentiment around this time, while higher US treasury yields also weighed on tech names. However, performance picked up again in the last few months of the year thanks to optimism in the tech and semiconductor sectors on expectations of a less hawkish US Fed.

Within ASEAN, Indonesia was the leading outperformer, with equities returning 7.59% (in USD terms) in 2023, followed by Singapore (up 5.33%) and the Philippines (up 4.08%). On the downside, Thailand and Malaysia were the region's underperformers, with equities down 10.49% and 3.49% (in USD terms), respectively. In Thailand, underperformance was partly due to uncertainty surrounding the country's election situation. However, the parliament voted for Srettha Thavisin, Pheu Thai candidate, as the new Prime Minister in August 2023, ending the political limbo which left Thailand with no active government since parliament was dissolved in March. In Indonesia, returns were driven by strong foreign exchange tailwinds and higher-than-expected GDP growth in the earlier half of the year. However, returns moderated slightly towards the end of the year due to a surprise rate hike and currency weakness. Bank Indonesia (BI) raised its policy rate by 25bps to 6.0% in October to stabilize the Indonesian Rupiah on the back of renewed global uncertainty and to pre-emptively manage inflationary pressures.

Market Outlook and Investment Strategy

US economic momentum showed signs of slowing at the end of 2023, leading to a rise in investor optimism globally. But early bets on a dovish Fed in 2024 have been tempered by stronger-than-anticipated economic indicators. The US December inflation and retail sales figures, and the latest set of employment data surprised on the upside, undermining earlier predictions of imminent rate cuts. Consequently, the US Dollar Index (DXY) strengthened in January, prompting emerging market (EM) equities to pull back. Despite the S&P 500's robust performance in January, it's worth noting that a disproportionate driver of the index's gains was due to a small handful of tech giants—a dynamic that has characterised the market throughout the previous year. Due to these robust economic indicators, the Fed has maintained a hawkish stance and signalled that it may withhold any rate cuts until there is additional evidence of a sustained deceleration in inflation.

Within the portfolio, our conviction in India remains strong, with the country positioned as a structural overweight in the fund. This optimism is anchored in the clear trajectory for sustained multi-year growth that India presents. The country's financial market is on a robust uptrend, characterised by increasing participation from local investors, enhanced liquidity, expanding research coverage, and vigorous capital-raising activities. The latest Interim Budget reflects a commitment to fiscal prudence, favouring gradual consolidation over sweeping fiscal measures. Notably, the fiscal deficit projection for FY24 is marginally lower than initially budgeted at 5.8% of GDP, with an ambitious target of 5.1% for FY25, implying a meaningful fiscal tightening. This, in turn, creates room for monetary easing by allowing more leeway to lower interest rates without stoking inflation. In this environment, we expect private companies to drive a greater portion of growth in India, as the shift towards a more fiscally disciplined environment with easing monetary policy will be conducive to the growth of the private sector. Within India, we continue to favour consumer banks and discretionary sectors such as food delivery, jewellery retailer, and autos, as well as healthcare and real-estate-related names. These domains stand to benefit from the domestic consumption story, which we believe will be a key growth driver in the medium to long term.

In contrast, we've cautiously dialled back our exposure to Chinese and Hong Kong equities amid persistent medium-term structural concerns. While valuations are reasonable and policy easing may provide tactical gains, nominal GDP growth is tracking below real GDP, highlighting underlying weakness in China versus countries like India. That said, we are more positive on specific consumption-related sectors such as online platforms, music, education, and travel and tourism. The Chinese government has exhibited encouraging gestures of support toward private enterprises, as evidenced by the recent developments in the online gaming sector, including the latest round of gaming approvals. These actions have contributed to a more reassuring outlook on the regulatory landscape, bolstering our confidence in the government's stance on private industry regulation. In terms of travel, the 2024 Chinese New Year (CNY) Golden Week will kick off from 10 February till 17 February. The 8-day golden week would be the longest-ever CNY holiday, and we anticipate a significant uptick in travel demand driven by family reunions and leisure activities. The structural growth in Chinese tourism is poised to continue, and we expect experience-related consumption to show robust performance, especially with the resurgence of group tours, increased flight capacity, a return to regular pricing, and favourable visa policies contributing to a recovery in outbound travel.

In the northeast Asian region, we've modestly adjusted our positions in Korea and Taiwan to better align with benchmarks while capturing opportunities. In Taiwan, the much stronger-than-consensus 4Q23 GDP release makes us more confident about a 2024 recovery. Despite expectations of a slowdown in

PUBLIC

developed markets this year, the replacement cycle for PCs and notebooks will likely be extended till 2025. Additionally, we see the potential for AI to drive considerable growth across industries as AI-related applications come to the market for high-end smartphones, healthcare, and other consumer products. In Korea, we maintain our preference for compelling exporters, such as in autos and entertainment, and remain watchful of capital market reforms that could boost the long-term investment case if executed well with stakeholder support.

Finally, within ASEAN, Indonesia stands out and remains a key overweight for the portfolio due to a confluence of favourable factors. The country is riding structural tailwinds, propelled by an ambitious reform agenda that bolsters the green energy sector and electric vehicle (EV) ecosystem, alongside a resilient pattern of domestic consumption and robust foreign direct investment (FDI) flows. Current polling positions Prabowo and his coalition in the lead, signalling a potential continuation of Jokowi's macroeconomic policies, with a focus on self-sufficiency and higher social spending. Post-election, we anticipate an acceleration of economic growth fuelled by a positive fiscal impulse, strong credit expansion, and the activation of FDI, which have been waiting on the sidelines. Banks, in particular, are poised for a promising year ahead, with credit growth projected to sustain a low double-digit climb in 2024. This financial vitality, along with election-related spending (likely to support household consumption) and increased investment via National Strategic Projects (PSN), should keep growth buoyant in Indonesia.

Source: Mirae

PGIM Global Total Return Bond Fund

Investment and Market Review

The Fund outperformed its benchmark, the Bloomberg Barclays Global Aggregate Bond Index, by +88 bps (gross). (Returns and Commentary are Preliminary)

Overall security selection was the largest contributor to performance during the quarter, with selection in developed high yield, developed swaps, developed investment grade corporates, emerging agencies, and developed sovereigns contributing the most. This was partially offset by selection in developed futures and emerging Treasuries, which detracted.

Overall sector allocation also contributed, with overweights to developed investment grade corporates, emerging sovereigns, developed sovereigns, developed high yield, and developed other ABS contributing the most. This was partially offset by an underweight to developed agency MBS, which detracted. Within credit, positioning in cable & satellite, consumer non-cyclicals, and telecom contributed. Selection in foreign non-corporates detracted.

During the quarter, the Fund's duration positioning contributed to performance. Yield curve positioning, specifically in developed market rates, detracted.

Market Outlook and Investment Strategy

Government bond yields fell sharply towards the end of 2023 due to markets pricing in both U.S. Fed and ECB rate cuts in 2024. In the U.S., Q4 economic data remained resilient, CPI data continued to trend in the right direction, and macro risks to the U.S. economy generally appeared to be fading. The U.S. Fed

pivoted at the FOMC meeting in December with its median projection for two additional 25 bps rate cuts in 2024 and 2025, which would bring the Fed funds rate to 4.6% and 3.6%, respectively. It also maintained a semblance of vigilance against inflation by maintaining its 2026 and long-run rate projections. Markets bit down on the Fed's projected rate cuts. Credit spreads tightened sharply as expectations of a soft landing and a dovish central bank pivot gathered steam.

The Eurozone Composite PMI for December matched November's revised figure of 47.6, beating estimates and representing the seventh consecutive month of decline. In addition, ECB refinancing remained at 4.5% since the decision was made to keep it at this level in October. Growth expectations stayed below 1% with flattish domestic demand, with risks skewed to the downside given tight monetary policy, supply constraints, and slower global growth.

Despite the Q4 compression in credit spreads, exposure to credit beta should continue adding value as central banks shift towards easing policy rates. Similarly, there remains a range of opportunities to generate alpha through active management, including term structure positioning, sector allocation, local EM rates, and even FX.

In China, mounting credit-fueled stimulus for local governments was enough to control the descent of growth and may produce upside risks, though the medium-term outlook remains bleak due to demographics, deleveraging, and de-risking. We expect China's growth to continue slowing to about 4.5% in 2024 from an estimated 5.3% in 2023. However, beyond 2024, we expect growth to moderate further to an approximate ceiling of 3% over the medium term.

Source: PGIM

Pictet Asian Local Currency Debt Fund

Investment and Market Review

The index returned 6.71% over the quarter. Returns were positive for all countries in the universe, in particular Korea and Thailand. Most of the performance came during November and December following a weaker October that was dampened by the Israel conflict. While EM central banks had embarked on an easing cycle, they were proceeding with caution as US GDP data suggested the resilience of the US economy as Treasury yields pushed past 5%. The weak CPI print for October was supportive of a US soft-landing scenario, which led to a rally across the US Treasury curve and a weaker Dollar. As pressure for further tightening from the federal reserve eased, the discussion on EM central bank cuts was back to the forefront where attractive yields and cheaper currencies set the scene for the rally in EM local assets. Pockets of resilience, continuing disinflationary trends and EM central bank easing combined with supportive technical factors and valuations benefitted EM assets and showed a slowdown in outflows from the asset class.

Market Outlook and Investment Strategy

At the end of the year, December continued to bring much needed relief for EM assets; data has been relatively benign and we see a more positive outlook for EM assets going into 2024. Pockets of resilience, a continuation of the disinflationary trend and EM central bank easing combined with supportive technical factors and valuations should provide an opportunity for EM assets to outperform. The

increased optimism has been reflected in a turnaround (or at least a slowdown) in outflows, which continues to provide some support for the asset class. If rates volatility continues to settle and the economy follows the "soft landing" path, the outlook for flows into next year looks much more constructive. Our main conviction continues to be the overweight local rate duration combined with curve steepeners, where we see value, and EM central banks to continue with their easing cycles. Recent US data developments and in turn lower UST yields supported a window for sustained USD weakness. From a spread perspective, spreads at the index level have in the main, traded sideways year-to-date with some periods of volatility and dispersion but the sharp rise in UST yields has resulted in decade highs. We still expect US rates to move lower and spreads to tighten and so we took a more constructive position, reducing the underweight and adding to opportunities in higher-yielding names.

The backdrop remains positive for EM local and therefore we continue to be positioned overweight, with the main conviction being currencies. Key overweight positions are Indonesian Rupiah, Indian Rupee, Korean Won and Thai Baht. Positioning remains stable in the local rates space, with continued overweight positions in Korea and Indonesia, and we continue to look for further opportunities.

Source: Pictet

Pictet Global Emerging Debt Fund

Investment and Market Review

The index returned 9.16% over Q4 and 4.73% in December in USD terms, delivering a strong positive return and ending the year on a high note. The quarter saw a strong positive contribution in high yield names, where positive restructuring news boosted returns in places like Zambia and Sri Lanka. Most of the performance came during November and December following a weaker October that was dampened by the Israel conflict. While EM central banks had embarked on an easing cycle, they were proceeding with caution as US GDP data suggested the resilience of the US economy as Treasury yields pushed past 5%. The weak CPI print for October was supportive of a US soft-landing scenario, which led to a rally across the US Treasury curve and a weaker Dollar. Country level news was also supportive, with the most notable development being in Argentina, where the election of Javier Milei and his more pragmatic policy agenda led to a sizable rally. At the close of 2023, the Fed struck a more dovish tone, supporting the market's assessment with respect to a policy pivot in 2024. Pockets of resilience, continuing disinflationary trends and EM central bank easing combined with supportive technical factors and valuations benefitted EM assets and showed a slowdown in outflows from the asset class.

Market Outlook and Investment Strategy

At the end of the year, December continued to bring much needed relief for EM assets; data has been relatively benign and we see a more positive outlook for EM assets going into 2024. Pockets of resilience, a continuation of the disinflationary trend and EM central bank easing combined with supportive technical factors and valuations should provide an opportunity for EM assets to outperform. The increased optimism has been reflected in a turnaround (or at least a slowdown) in outflows, which continues to provide some support for the asset class. If rates volatility continues to settle and the economy follows the "soft landing" path, the outlook for flows into next year looks much more constructive. Our main conviction continues to be the overweight local rate duration combined with

curve steepeners, where we see value, and EM central banks to continue with their easing cycles. Recent US data developments and in turn lower UST yields supported a window for sustained USD weakness. From a spread perspective, spreads at the index level have in the main, traded sideways year-to-date with some periods of volatility and dispersion but the sharp rise in UST yields has resulted in decade highs. We still expect US rates to move lower and spreads to tighten and so we took a more constructive position, reducing the underweight and adding to opportunities in higher-yielding names.

In external debt, we continue to remain constructive, particularly in the high-yield space, where we still believe there are attractive opportunities that will add value via their recovery stories through reform and restructuring programmes. Examples include Angola, Sri Lanka, Nigeria, Egypt and Ghana. In higher-quality names, overweight duration positions remain in Paraguay and Uruguay versus underweights in Saudi Arabia and Chile. We also continue to look for opportunities in new issues going into the start of the year. Off-benchmark positions also remain with a constructive view on local rates and currencies as well as adding to corporate positions where we have the necessary conviction.

Source: Pictet

Pictet Premium Brands Fund

Investment and Market Review

Q4 was a strong quarter for equities as hopes for a US soft landing and a dovish central bank pivot gathered pace. Premium Brands published their Q3 results, which were mixed overall. Travel-related companies such as Marriott and Hilton continued to shine and provided encouraging trends for 2024. Sports companies turned in a mixed performance, with LuluLemon, adidas and On Holding reporting better than expected Q3 results, but Nike, spoiling the party with a cut in their sales outlook, announced in December for their next two quarters, providing a cautious tone and announcing a major restructuring in their business. In Luxury, Ferrari and Hermes surprised positively on sales and margins whereas the rest of the sector came in line to slightly lower than expectations, as illustrated by LVMH and Richemont, pointing to a deceleration of growth trends in Europe and in the US driving consensus earnings downwards for the year.

Market Outlook and Investment Strategy

As prospects of a US recession are seeming to fade and inflation trends have started to abate, 2024 offers some hopes for more accommodative central banks and rising consumer confidence in many parts of the world. Supportive travel trends globally and the progressive return of Chinese tourists could also be additional positive drivers. On the other hand, geopolitical tensions and ongoing wars pose risks to global stability and could fuel market nervousness. Premium Brands tend to resist well across consumer cycles as they display unique know-how, strong brand reputation, recurring cashflows and solid balance sheets. They also benefit from secular growth drivers in the long term, leading to strong sales and profitability metrics. They tend to gain market share following times of crisis and uncertainty.

The strategy invests in companies with strong brands that fulfil consumers' aspirations. We favour recognised brands with high-quality products, superior services and relevant digital engagement. We evaluate the ability of companies to generate sustainable growth with high profitability and strong cash-flow generation. Valuation levels must be attractive relative to growth prospects.

Source: Pictet

Pictet Security Fund

Investment and Market Review

December saw another month of strong gains for both bonds and stocks, adding to a rally that began early in the fourth quarter. The end-of-year surge left the MSCI World Index up a remarkable 22% in local currency terms in 2023, the best annual showing since 2019 as investors heralded the end of interest rate hikes and prepared for a likely easing of monetary policy in 2024. The rally was especially strong in the US, where the S&P 500 finished the year within touching distance of its all-time high after Fed chairman Jerome Powell said the central bank has "done enough" and rates were "likely at or near" their peak. Stock markets also took heart from Fed's updated policy projections pointing to 75 bps of cuts during 2024. December also saw broad-based gains among most sectors, except for energy, which was hit by a retreat in oil prices. For the year, IT and communication services were the clear winners. Regarding the security universe, IT Security Products, Physical Security Products, and Security Services were all positive over the quarter.

Market Outlook and Investment Strategy

Given the persistent uncertainties surrounding the current state of the world, we believe that securing the critical infrastructures of countries, protecting citizens' integrity and ensuring the ability of businesses to meet their objectives are top priorities. Given the Russia-Ukraine conflict, key structural themes will redefine Europe, among them Cybersecurity, Reshoring and Security of Supply Chains. Cyber is the new war frontier. The conflict has further highlighted the increasing importance of cybersecurity in conflicts given that the Russian invasion was accompanied by coordinated cyberattacks. Going forward, malware, phishing and attacks on infrastructure are likely to happen at a higher rate. The emergence of generative AI is opening new opportunities in the semiconductor design/manufacturing space and increasing the need for more space in refurbished Data Centers (power and thermal management). We therefore remain confident about the fund's ability to outpace the global equity market on earnings and cash-flow growth over the next few years. We are therefore confident that the fund is an attractive investment opportunity to capture long-term new opportunities benefitting from strong fundamentals and good diversification properties.

In 2024, investors are facing a remarkable change in the economic landscape vs. 2023 (higher rates and recession). The global economy may be slowing, but it remains resilient enough to avoid a hard landing. Inflation is declining around the world, albeit with bumps, which will encourage most major central banks to terminate their tightening campaign and start cutting interest rates in the coming months. From a region perspective, business cycle indicators show that while emerging market economies remain resilient, developed markets are slowing. We expect the US economy to slow below potential. That's mostly because consumption could start to slow down as American households work through the savings surplus they built up during Covid. In addition, manufacturing, housing sectors and advanced leading indicators suggest capital investment will contract in the coming months. The euro zone is also subdued, with countries dependent on manufacturing faring especially badly. But that should improve with China's slow recovery. Japan remains the one bright spot in the developed world. In such times,

PUBLIC

with above normal volatility level expected, security spending will remain the top priority. This is further supported by strong regulations. We will add selectively into companies with strong fundamentals.

Source: Pictet

PineBridge Asia ex-Japan Small Cap Equity Fund

Investment and Market Review

The MSCI All Country Asia Pacific ex Japan Small Cap Daily Total Return Net Index reported gains in November. Most of the markets in the region were in positive territory with Korea and Taiwan leading the index performance. More signs of interest rate peaking, supported by softer US employment and inflation prints, boosted investor confidence towards the equity markets.

While China reflected positive returns for the month, investors remained cautious on the pace of domestic economic recovery as they await more stimulus measures by the government moving ahead.

Tech-oriented and US exposed markets like Korea and Taiwan gained on the back of a dovish stance by the Fed on peak interest rate expectation and tech inventory re-stocking. India also continued to report a positive performance as sentiment remained strong on its growth prospective.

Market Outlook and Investment Strategy

The Fed’s softer tone in the latest Federal Open Market Committee (FOMC) meeting revived investors’ confidence back to equities with softer employment and falling inflation data. Easing inflation and a potential Fed rate cut next year may provide support to the Asia ex Japan equity market, although the global economic outlook and the development of geopolitical events could create uncertainty.

The team maintains its positive stance on China as we continue to see a slow yet steady recovery while valuation at historical lows remains attractive compared to its peers. However, we expect some volatility until the property sector stabilizes.

Taiwan and Korea also continue to present opportunities in the tech sector which is positioned to benefit from inventory restocking, content growth and peaking interest rates. We remain vigilant on these structural growth stories in spaces benefitting the most in the developing global scenario.

Source: PineBridge

Principal Preferred Securities Fund

Investment and Market Review

The United States Treasury (UST) bond market went on one of its biggest monthly rallies over the course of 23 years as the Federal Reserve’s (Fed) third pause caused jubilation that the Fed will cut rates as early as next March. The UST 10-year note rallied (in following the path of December 2024 secured overnight financing rate (SOFR) futures) 4.44% in November as traders celebrated a Fed “pivot party”, which we believe is premature (discussed later and in our 2024 outlook). Keep in mind that there had been seven times prior over the last 23 years when the UST 10-year price had rallied over 4% in a

calendar month (2.6% of the time). In each month that followed, the UST 10-year price has declined to consolidate the 2 standard deviation move. Tomorrow's Fed decision will include their "dots" report and through this report, we expect emphasis to be put on the "higher for longer" messaging well into next year because the Fed's attempt to have forward guidance tone for the market will help the Fed. Instead, it has hurt the Fed in reversing any tightening effects that were lauded just one meeting ago. Financial conditions point to expansion and are stronger than any other time this year. The spread between UST 2-year notes and UST 10-year notes further inverted this month (after closing the second quarter at its lows of -107) by another 20 basis points (bps) to -36 bps. Note that the average slope of the UST 2s-10s yield curve has been 113 bps since December 1999 with a high of +281 bps (and a low of -107). The 30-year bond closed the month yielding 4.49% (60 bps lower) and the 10-year note closed yielding 4.33% (57 bps lower). Real rates on the front end of the treasury curve (e.g., UST 5-year Treasury Inflation Protected Securities (TIPS)) fell by 23 bps (to 2.11%); the 5-year implied breakeven inflation rate (i.e., the difference in yields between the 5-year UST and the 5-year TIPS) declined by 21 bps to close at 2.17%. We continue to emphasize that the Fed must deal with a very challenging conflict between ongoing excess fiscal spending not being aligned with the Fed's urgent disinflationary goal. The effect of massive fiscal excess, zooming treasury debt costs and quantitative tightening may lead to a "fiscal fit" (or some evident concern expressed by lower UST bond market prices challenging Congress to gain control) causing even higher real rates on the UST term structure; and the Fed's (subtle) acceptance of 3% inflation rather than 2% inflation over time. The Fed has paused now since the end of July and as this period of no change lengthens, the Fed's policy card will focus more on financial conditions and the "neutral rate" elevating than it will on the timing of shallower cuts. Equity prices measured by the S&P 500 zoomed 8.9% higher in November while the Chicago Board Options Exchange Volatility Index (VIX) fell 28.8% to 12.92, which was among the lowest scores of the year. Financial conditions are stellar and stimulative.

Market Outlook and Investment Strategy

A Fed conundrum: If the Fed cuts rates too soon it could impair its credibility and forfeit the effectiveness of forward guidance in recruiting markets to assist it; but if the Fed leaves rates too high for too long it could prompt a fiscal fit (i.e., volatility in the UST markets) caused by the rising costs of the massive U.S. debt load. Either way, it appears inflation will stay elevated (i.e., above 2%). Fiscal deficit spending growth is expected to be twice as fast as GDP growth for decades, which means the Fed will have to print money to absorb the debt—monetizing debt is inflationary.

A False dawn: Neither the bond market nor the equity market is appreciating the need for the Fed to keep interest rates high for longer because fiscal growth pressures (something the Fed cannot directly opine on) are trading against restrictive rates pressure. The bond market is discounting five federal funds rate cuts to 4% by December 2024, which is well below the median rate of 5.125% in the Fed dots report (and below the lowest dot in the 4.375%-6.125% range of opinions from the board of governors) for 2024. The bond market is not in agreement with the Fed's narrative and has dismissed its resolve to not repeat the policy mistake of the 1970s. The equity market is taking its cues from December 2024 SOFR futures in expecting an almost immediate series of rate cuts and has virtually ignored any risk of recession despite a continuously inverted yield curve.

• Can the U.S. government borrow at twice the speed of the economy without crowding out other asset classes to pay for it? We think not.

• Will the Fed have to print the money again to pay for it? We think so.

Source: Principal

Robeco Global Consumer Trends Fund

Investment and Market Review

The Federal Reserve, the European Central Bank and the Bank of England all left key interest rates on hold last month. The Federal Reserve delighted investors with projections that suggested it would cut rates three times in 2024. Stock markets jumped and the benchmark S&P 500 closed within striking distance of its all-time high, set nearly two years ago.

The MSCI All Country World Index (in EUR) gained 3.5% (4.8% in USD) last month. Robeco Global Consumer Trends slightly lagged the reference index and returned 3.0% (4.3% in USD). Calendar year 2023 returns were excellent at 29.7% (34.3% in USD) compared to 18.1% (22.2% in USD) for the MSCI ACWI Index.

Defensive stocks, laggards for most of 2023, started to improve as yields continued to drop. Global consumer staples and healthcare stocks, which were down almost the entire year, even managed to end the year in the green. In our portfolio that meant our health & wellbeing theme performed particularly well, with especially long-duration stocks like Lululemon (+14%), Idexx Laboratories (+19%) and Costco (+14%) benefiting from lower discount rates and increased demand for growthier stocks. The emerging middle-class theme lost some of its momentum as our luxury goods exposure recovered – Richemont (+6%) and LVMH (+4%) –but winners like Ferrari (-8%) saw profit taking following a 60% surge in 2023. Finally, we saw some profit taking in the digital transformation of consumption theme, with the Magnificent Seven including Microsoft (-1%) slightly lagging the market after a banner 2023 for tech stocks.

Market Outlook and Investment Strategy

From a macro-perspective we have reached the end of interest rate hikes by Central Banks, and markets are already expecting the first rate cuts in the first half of 2024. Given this dynamic and the potentially even recessionary economic environment, a quality growth investment style typically does well. Our balanced approach should provide protection to the downside, while also providing enough structural growth to participate in the upside.

We remain convinced in our belief that long term investors should focus on high quality businesses with valuable intangible assets, low capital intensity, high margins, and superior returns on capital. Companies with these traits have historically delivered above average returns while offering downside protection in volatile market environments. Firms that exhibit these characteristics are poised to deliver healthy revenue and earnings growth in the future and we therefore expect them to continue to generate attractive long-term returns. Valuations have derated to a more normal level, although we believe premium valuations for these businesses are justified given the quality of their business models, the high levels of earnings growth and the sustainability of their franchises. We continue to have a positive long-term outlook for our investments.

Source: Robeco

Schroder Asian Growth Fund

Investment and Market Review

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

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

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

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

Indian equities have also performed much better than their Chinese counterparts in recent months. A healthy domestic growth outlook, geopolitical tailwinds, scope to increase market share in global manufacturing at the expense of China and steady domestic fund inflows into local equity markets are all factors in the market's favour. Valuations remain elevated in many sectors, so this positive outlook is well-discounted today – especially for small- and mid-cap stocks that have been the focus of domestic buying and where expansion in valuation multiples is most marked. However, we continue to see strong

longer-term fundamentals in areas such as private sector banks, healthcare and select consumer-related stocks, which remain core positions in regional portfolios.

Market Outlook and Investment Strategy

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

Source: Schroder

Schroder 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

Schroder Global 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.

Market Outlook and Investment Strategy

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

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

In China, the economy continues to face structural, as it transitions away from a growth model based on infrastructure and real estate, and cyclical challenges. GDP growth is projected to slow over the

medium-term, albeit with cycles. That said, sequential, quarter-on-quarter growth should see a short-lived pick up 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

Schroder Multi-Asset Revolution 30 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 30 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

Schroder Multi-Asset Revolution 50 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.

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

Schroder Multi-Asset Revolution 70 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.

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

Schroder Singapore Fixed Income Fund

Investment and Market Review

2023 started with declining expectations for global growth and elevated fears of an onset of a recession amid the higher-for-longer rate environment. The global economy turned out to be in a better shape. This was despite the Middle East tension, bond sell-offs, regional banking crisis and central banks' relentless policy rate hikes. Across the major regions, labor market stayed tight, inflation continued to

trend lower and consumer spending remained strong. The year soon ended with a Santa rally amidst growing excitement that central banks will cut interest rates sooner in 2024 than previously expected. The end of “high-for-longer” rates fears boosted returns across major asset classes towards the end of the year. Equity markets as represented by the S&P 500 returned +8.0% in H2 2023. Fixed income markets ended the period filled with optimism, given market expectations of early central bank cuts.

Throughout 2023, the US economy has proved remarkably resilient, particularly from US consumers that have overcome headwinds of falling real incomes, higher interest rates and tighter credit conditions. Streams of data surprises were enough to lift risk markets and point the market towards the possibility of a soft landing scenario. Q4 GDP advance estimates surpassed expectations and continued to show an upward trajectory, increasing 3.3% year over year (y/y). Resilient private domestic final demand was the key driver. Consumer spending reaccelerated at the close of 2023 while December new home sales rose to 664k amid declining mortgage rates. The Fed’s preferred inflation measure, core PCE, continued to moderate lower to 3.2% y/y in November while the labour market remains tight and growth resilient, paving the path for a soft landing for the US economy. During the last Federal Open Market Committee meeting, Fed chair Jerome Powell indicated that the central bank was aware of the risk of keeping rates at restrictive levels for too long. Minutes from the latest policy meeting showed policymakers expect rates to end next year at 4.50%-4.75%, down from the current 5.25%-5.50% range.

Despite the weak global backdrop, Asia’s growth also demonstrated resilience due to the export tailwind and domestic offset. The labor market remains healthy, with ongoing job gains and steady real income growth. CPI inflation also continues to moderate across most Asian economies, albeit divergence in moderation given the labor market tightness, the stage of business cycle, the size of fiscal subsidies and exposure to external supply shocks. That said, Asian central banks were still weary of upside risks to inflation and kept policy rates unchanged in the H2 2023. Shadowing the Fed, Asian central banks would likely stay on hold till the Fed makes its first move to pivot.

Advance estimates for Q4 GDP in Singapore indicated growth of 2.8% y/y, driven by a turnaround in the manufacturing sector that expanded by 3.2% y/y in Q4 vs a 4.7% contraction in the prior quarter – the result of output expansion. Services sector momentum on the other hand, appears to be slowing. While non-oil domestic exports (NODX) registered their first positive print in 14 months in November at 1.0% y/y, it was soon reversed when NODX ended the year at -1.5% y/y in December – reflecting the rather bumpy exports recovery path particularly with the projected slowdowns in Singapore’s major export destinations. Electronics exports also remained sluggish through the period ending the year at -11.7% y/y as a reflection of rather dreary global electronics demand. Core inflation rose 3.3% y/y in December, partly due to volatile travel costs. With inflation volatility well-anticipated by the MAS, their stance is likely to stay as an extended hold.

Singapore bonds posted positive returns of 2.7% for H2 2023, led by the outperformance of the spreads sector (as measured by the iBoxx ALBI Non-Government Total Return Index) which returned 4.3% vs the government bonds sector (as measured by the iBoxx ALBI Singapore Government Total Return index) which returned 2.1%.

The Schroder Singapore Fixed Income Fund outperformed its benchmark over the 6-month period. The A share class returned 3.3% (net returns) and the I share class returned 3.5% (net returns), while the benchmark returned 2.7%.

Both spreads and rates drove returns in H2 2023. Security selection in the government related segment and Financials sector in the SGD credit space aided performance. The rally in the Asian USD credit space in Q4 also ensured the Fund's allocation to the Schroder Asian Investment Grade Credit Fund contributed meaningfully to returns.

The Fund's overall underweight Singapore duration stance hurt returns though slightly cushioned with the long US duration positioning with the use of US Treasury futures. In contrast, curve positioning particularly the overweight in the belly (7-15Y) of the SGS curve was a positive for returns.

Market Outlook and Investment Strategy

Most New Year resolutions tend to revolve around motivation for change and that should certainly apply to markets as well. Especially with overly optimistic markets getting ahead of itself with regards to pricing for Fed rate cuts for the year though some semblance of a reality check appears to be at play. Expectations for a first cut in March would likely need to be taken back a notch particularly with the resilience of the US economy and the still-tight labour market leaving room for the Fed to stay on hold while awaiting the lagged effects of their monetary policy to play out in financial markets. The consensus view remains for the US economy to achieve a soft landing.

Though still heavily reliant on its external environment, growth in Singapore would still stay on course. This is particularly so with the encouraging rebound in the manufacturing and construction sectors in the second half of 2023 that outpaced the slowing momentum in domestic services and tourism.

The MAS is likely to stay on an extended hold with expectations for upside in inflation risks on the back of the oncoming 1% GST hike as well as utilities price hike. The labour market though still tight, has been easing per expectations, driven by supply normalization as well as some demand softness last year. The MAS, would thus be comfortable with keeping with their current FX policy settings.

The SGD credit space has had a good run in 2023, though a lot is riding on the Fed's policy stance – both magnitude and pace for this segment of the market in 2024. Net interest margins (NIM) for banks have hit multi-year peaks and would still be a beneficiary for the current elevated rates backdrop. That said, with rate cuts an increasingly unpreventable scenario, the NIM expansion story would be coming to an end soon, replaced with credit cost concerns instead as the lagged effects of monetary policy finally start to catch up. Higher borrowing costs would certainly raise refinancing concerns for the property sector as well. While underlying fundamentals remain positive, prospects of slower global growth as well as potential uptick in vacancies (especially in the retail space given the relatively higher rental cost in Singapore vs its regional peers as well as the sluggish return of Chinese tourists) would be challenges for the property sector. We thus continue to prefer property names with a higher proportion of their debt in fixed rates as well as keep our exposures diversified in the Financial sector.

Source: Schroder

Schroder Singapore Trust

Investment and Market Review

It has been a roller coaster ride in terms of markets expectations for where forward interest rates should be. Despite the Fed holding rates stable at 5.5% in the December 2023 Federal Open Market Committee

(FOMC) meeting, the revised guidance was for a higher possibility of rate cuts going into 2024, which indicates that we are likely approaching the end of this higher interest rate environment.

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

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

Market Outlook and Investment Strategy

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

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

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

As we transit from a peak interest rate environment into a potential rate cut cycle, this is likely to lead to more market volatility as markets toggles between the hope of lower rates benefitting the bottom line versus the risk of a further economic slowdown as post-Covid recovery spending eases back to more normal levels. We continue to believe that well-managed companies with prudent debt levels will outperform in the longer term and will look to pick up stocks that provide a good balance of asset quality and valuations when opportunities present themselves.

Source: Schroder

Templeton Shariah Global Equity Fund

Investment and Market Review

Global equities collectively advanced in the fourth quarter to close out a generally strong 2023. In October, equities declined for the third consecutive month due to investor concerns about surging sovereign bond yields, worsening geopolitical uncertainty due to the Israel-Hamas war and the prospect of higher-for-longer interest rates. However, renewed optimism that major central banks, including the US Federal Reserve, might begin cutting policy rates sooner than previously expected drove bond yields lower and equities significantly higher in the final two months of the year. Moderating inflation, encouraging economic data, and softening but solid employment figures in several regions, particularly in the United States, reinvigorated expectations for an economic soft landing, further supporting risk appetite. Global manufacturing activity remained in

contraction during the quarter, while global services activity expanded in December at the fastest rate in five months. As measured by MSCI indices in US-dollar terms, developed market equities modestly outperformed a global index, while emerging market and frontier market equities lagged it. In terms of investment style, global growth stocks significantly outperformed global value stocks, which nonetheless posted strong gains for the quarter.

Market Outlook and Investment Strategy

As the new year begins, hopes of impending Fed rate cuts—with as many as six cuts currently priced in by the market, which is double the Fed's latest projection—and a US soft landing abound. If these macro drivers come through and translate to broad-based earnings growth, US equities may have further upside in 2024 despite their relatively high valuations; a lively Wall Street may in turn bode well for the global markets. However, we are cognisant of the likelihood that global economic growth will slow further in 2024, as projected by the United Nations recently. With geopolitical disruptions and mixed consumer sentiment also at play, we will not be surprised if corporate earnings and profit margin growth in 2024 proves weaker than widely expected. Importantly, even if central banks cut their policy rates, financing costs will not return to the low levels

of yesteryears. This may be particularly challenging for companies with weaker fundamentals.

With that in mind, we wrapped up 2023 with a broadly constructive view on our portfolio positioning. While the fund's full-year performance lagged its benchmark, we note that this was due mainly to our underweight allocations to Microsoft and Tesla. These benchmark-related factors are not a reflection of our stock selection and research expertise, in our view; indeed, our overall stock selection was a performance contributor in 2023.

Going forward, we will stay the course, maintaining a flexible stance as we navigate a potentially complex market landscape, ready to act on opportunities to add value and quality to the portfolio without sacrificing its risk/reward profile.

Our relatively cautious approach in the fourth quarter has left us with a cash holding of 5.1% of total net assets at the end of 2023. We are keen to deploy that on new or existing ideas that, in our analysis, are attractively valued relative to their long-term fundamentals and earnings power.

With our consistent focus on bottom-up fundamental research and valuation discipline, we believe we can identify such opportunities across the spectrum. For instance, despite the macroeconomic uncertainties, we are not averse to investing further in cyclicals, such as industrials, consumer discretionary and materials sectors, as long as they meet our stock selection and research criteria. Meanwhile, we have in the fourth quarter trimmed or exited several positions and rotated some of the capital to positions that, in our assessment, have better risk/reward profiles. This will remain another priority for us in 2024, as we stay committed to positioning the fund for greater resilience and long-term returns.

Source: Franklin Templeton

United SGD 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. 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.

Market Outlook and Investment Strategy

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

United 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

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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