Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	1.1	3.3	11.1	3.3	20.0	31.0
MSCI World	1.0	2.8	11.3	2.8	19.7	32.8
MSCI Emerging Markets	2.4	7.6	9.5	7.6	22.0	16.1
MSCI USA	0.0	2.5	12.7	2.5	21.8	48.4
MSCI Canada	0.8	-0.3	8.9	-0.3	20.5	10.1
MSCI Europe	4.2	3.9	10.0	3.9	14.7	7.9
MSCI Japan	-0.4	1.0	7.2	1.0	19.2	33.6
MSCI Australia	3.0	8.2	15.5	8.2	28.4	19.1
MSCI AC Asia Ex-Japan	3.1	9.4	8.9	9.4	22.1	28.3
MSCI Latin America	0.4	8.2	13.9	8.2	28.2	-1.0
MSCI EMEA	0.4	-0.7	7.3	-0.7	13.8	-4.0

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 March 2017.

The MSCI AC World Index rose in March with the emerging markets (EM) outperforming developed markets (DM). In the developed markets, Australia and Europe outperformed while US and Japan underperformed. For the EM, Latin America (LATAM) as well as Eastern Europe, the Middle East, Africa (EMEA) underperformed.

Consumer discretionary was the best performer for the month followed by Information Technology and utilities which outperformed. A number of sectors including consumer staples, real estate, energy, financials, healthcare, industrials, materials and telecommunications underperformed, weighed down by US stocks over increased skepticism on the Trump administration to implement economic agenda. The US Purchasing Managers' Index (PMI) weakened to 57.2 in March from 57.7 the previous month. Retail sales advanced more than forecasted while consumer spending rose more than estimated.

European equities outperformed ahead of the developed markets, after relief in the Dutch elections that voted a moderate incumbent party. Eurozone manufacturing PMI continued an upward climb, moving higher to 56.2, while the German IFO business confidence index rose to 112.3, both indicating accelerating expansion. The Eurozone consumer price index (CPI) saw a 1.5 % year-on-year increase for the month.

Australian equities outperformed the benchmark, as the ASX hit a two year high lifted by defensive sectors including utilities. Higher unemployment figures and the slide in oil prices failed to dent the country's stock performance in the energy sector. Retails sales rose while real GDP growth for the fourth quarter of 2016 was revised upward driven by consumer spending.

Japan fell into the red, underperforming the broader index despite improving data including a weakening yen which boosted manufacturing exports. The large jump in exports for February registered the highest trade surplus since 2010. Concerns over US trade protectionism heightened after Prime Minister Shinzo Abe grew increasingly vocal over the importance of free trade.

Eastern Europe, Middle East and Africa (EMEA) markets underperformed for the third consecutive month in 2017. Within EM, Asian equities performed better on sentiments that protectionist US trade policies showed little sign of materialising. Meanwhile within Asia ex-Japan, the Indian market outperformed as the economy demonstrated a resiliency and recovery to the shock caused by the demonetisation policy introduced in 2016.

Global Equity

Outlook and Strategy

Across regions, we have neutralised our regional exposure in Developed Markets (DM) against the Emerging Markets (EM). This is largely due to our expectations of a range bound US dollar which should ease investor concerns regarding capital outflow from the latter region. Trump's rhetoric on global trade protectionism could continue to be an overhang on the EM region although the rhetoric more recently seems to have resided.

Within DM, we are now neutral on the US on valuation. However, we expect earnings growth to pick up again with improving economic conditions. Meanwhile, the tightening labour force will result in higher wage inflation but the higher disposable income along with lower gasoline prices will support the retail sector, which remains a larger part of the economy. We retain the view that the economy remains on a strong recovery trajectory, and the US remains attractive for selective value plays.

We are moving to an overweight position in Europe on the back of further economic recovery. A weaker euro has helped to lift confidence and boost economic activities. The region also has significant operating leverage to an upturn in economic activity with profit margins currently at trough levels. The backdrop of increasing geopolitical risks in the region appears to be subsiding and this would remove any overhang on the region.

Concerns in Japan continue to linger. Economic data remains mixed but we believe that the Bank of Japan (BoJ) will remain accommodative, which would help to support the market. Despite disappointments on policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. A weak Yen also should be beneficial to the exporters and corporate earnings. However, we remain sceptical about any structural improvement in the economy in the longer term and hence we have an underweight position in Japan.

We retain EM as neutral as we are seeing selective value plays within the region. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period following the Global Financial Crisis. The slowdown in China continues to weigh heavily on the demand and prices of resources. The abrupt shift in the resources sector has dampened investments and growth in much of the developing world. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint but challenges from a cyclical standpoint remain. Growth is falling short of expectations and corporate earnings could face further downward pressures unless productivity levels can continue to rise. There are interesting bottom-up opportunities and stock selection is increasingly critical.

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