Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	0.8	6.6	8.0	3.0	7.8	28.6
MSCI World	0.7	6.1	7.6	2.0	7.3	31.2
MSCI Emerging Markets	1.5	10.3	11.4	11.9	12.2	7.9
MSCI USA	0.2	5.2	8.1	3.7	10.2	48.4
MSCI Canada	1.6	6.3	10.7	16.4	10.6	7.6
MSCI Europe	0.7	6.8	4.2	-3.4	-1.6	8.6
MSCI Japan	1.5	10.3	11.1	-0.9	7.4	20.9
MSCI Australia	2.8	9.7	11.1	7.8	18.9	9.7
MSCI AC Asia Ex-Japan	1.8	11.4	12.2	8.5	12.2	21.3
MSCI Latin America	-0.7	6.5	12.5	27.4	23.5	-14.5
MSCI EMEA	3.1	7.0	6.0	13.9	4.1	-11.5

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 30 September 2016.

The MSCI AC World Index rose in September with the emerging markets (EM) outperforming developed markets (DM) as measures from global central banks to sustain stimulus rekindled appetite for riskier assets in developing nations. Within DM, both Europe and the US market underperformed. In the EM, Eastern Europe, Middle East and Africa (EMEA) markets outperformed while Latin America (LATAM) underperformed. Inflation and retail sales continued to be soft alongside weak commodity prices and subdued global growth.

Energy, industrial metals and agriculture were the best performing sectors. The energy sector saw a lift on news with Organisation of the Petroleum Exporting Countries (OPEC) cutting back supplies. Telecoms, financials and healthcare meanwhile underperformed.

The US market underperformed the broader market, even as economic data improved from the previous month. The Purchasing Managers' Index (PMI) rebounded from contractionary mode with a reading of 51.5 in September against 49.4 in August. Retail sales declined year on year as the economy faces lacklustre productivity growth and margin pressures from rising wages.

Europe performance came in just below the global index despite better economic data. The Eurozone manufacturing PMI moved higher to 52.6 was higher or lower than with market expectations. Retail sales came in below expectations while the German IFO business confidence index jumped to 109.5 from 106.2 in the previous month. The Eurozone consumer price index (CPI) increased to 0.4% year-on-year in August.

The Japan index underperformed the broader index on investor concerns over the efficacy of Japanese monetary policy. The Bank of Japan shifted away from adhering to a rigid target for money supply expansion to controlling the shape of the yield curve as it kept benchmark rates steady to revive growth. Japanese retail sales continued to remain soft as both households and corporate retain a conservative approach to spending.

Within EM, EMEA outperformed LATAM and Asia ex Japan. Within LATAM, Brazil continues to grapple with political uncertainty and weaker long term economic fundamentals. In Asia ex-Japan, performance was mixed. Thailand, Philippines, India and Malaysia posted losses while Singapore underperformed. China, Hong Kong, Indonesia and Taiwan outperformed on the back of real estate gains and a pickup in tech activity.

Global Equity

Outlook and Strategy

In terms of equity asset allocation, we have neutralised our position in DM. Among the DMs, we retain our overweight position in the US as the stronger US dollar, which was a headwind to corporate earnings, abated on a year-on-year comparison basis. Valuations are fair but we believe earnings could surprise on the upside with the recovery in oil prices. Last but not least, our positive market outlook in the longer term continues to be underpinned by better labour market trends and resilient corporate earnings. In Europe, we think the region should benefit from a weaker currency and steady improvement in domestic economic conditions. European corporate earnings have been resilient although we are starting to see some slowdown in economic momentum. We are mindful and continue to monitor geopolitical risks associated with refugee inflow, as well as the rise of anti-establishment political parties across the region. We retain our neutral position in Japan. While there are some notable improvements in corporate performance, the macroeconomic outlook is mixed; valuations are also less supportive than before and earnings revisions are turning negative with a strengthening yen. Overall, we believe the market should be supported by favourable monetary conditions.

Within the emerging world, we are overweight on Asia ex-Japan, but remain underweight on EMEA and LATAM. Asia ex-Japan equities continue to offer good investment opportunities driven by the rise of the region's increasing affluent consumers, and valuations are broadly supportive. However, the aggregate market performance may continue to be challenged due to slower economic growth, tighter liquidity conditions and potential headwinds if corporate margins and earnings are revised lower. Growth prospects across the globe remain uneven and fundamental sector/country and stock selection will remain crucial.

The expectation that the US Federal Reserve will continue to increase interest rates could trigger fiscal and monetary adjustments globally. This could adversely impact corporate earnings, capital flows and EM growth in the future. Stock selection will be paramount in driving investment performance during this period of adjustment which would reinforce the need for an active approach to portfolio management. We continue to allocate capital to high-quality and sustainable growth companies that are reasonably priced. Our focus is on companies with strong competitive advantages, healthy cash flows and proven track record.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 September 2016 unless otherwise stated.

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