Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	2.6	5.0	7.8	13.2	21.3	35.6
MSCI World	2.4	4.9	7.1	11.8	20.9	36.5
MSCI Emerging Markets	4.0	5.9	13.5	24.9	24.2	26.6
MSCI USA	2.7	5.2	6.3	10.2	20.9	43.6
MSCI Canada	0.1	4.0	8.2	5.5	14.1	11.5
MSCI Europe	1.1	4.2	8.3	16.7	25.0	26.4
MSCI Japan	5.1	7.0	10.3	12.8	15.4	41.9
MSCI Australia	1.9	1.1	1.6	9.0	16.6	16.9
MSCI AC Asia Ex-Japan	5.2	6.5	15.6	29.3	28.0	37.9
MSCI Latin America	-3.2	2.9	6.5	15.3	8.2	2.3
MSCI EMEA	1.5	1.9	2.8	6.5	13.0	3.1

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

The MSCI AC World Index rose in September that saw emerging markets (EM) outperforming the developed markets (DM). Within the EM, Latin America and Eastern Europe, the Middle East and Africa (EMEA) underperformed. Asia ex-Japan outperformed after a series of optimistic data reports bolstered confidence on global growth.

Information technology was the star performer, lifted by technology giants that reported stronger than expected revenue fueled by a burgeoning internet economy. Materials and utilities also outperformed, while all others underperformed and healthcare slipped into the red. Energy underperformed despite threats to a disruption of oil supply from Iraq.

US stocks rose to record highs, ending slightly higher against the broader index as investors digested prospects that Governor Jerome Powell was in the lead to head the US Federal Reserve. In the US, the manufacturing index slipped to 58.7 after the previous peak of 60.8. Over in Europe, stocks saw capped their modest gains from the intensifying threat of Catalonia's secession from Spain, even as PMI moved higher to 58.5 and the German IFO business confidence index rose to 116.7. The Eurozone consumer price index (CPI) saw a 1.4 % year-on-year increase for the month.

Australian equities underperformed the global index even as all sectors witnessed positive returns. The month of October registered the best on record for the year as technology names led the advance. Retail sales declined while the trade surplus widened.

The Japan index outperformed, bolstered by Prime Minister Shinzo Abe's super majority win in parliament that signaled an extension to the country's easy monetary policy. Abe pledged to keep to the timeline to increase the sales tax in October 2019 and half of the funds generated from the sales tax hike will be channeled to social security measures including subsidies to childcare and education. During the month, the Bank of Japan kept its status quo and iterated inflation was skewed to the downside.

ASEAN as a region performed in line with the benchmark. Singapore stocks outperformed, supported by local banks, and a fresh fervor of redevelopment sales in the residential sector spreading to commercial projects. Indonesia's underperformance was driven by soft earnings in the third quarter, persistent outflows, rising bond yields and a weaker rupiah. Malaysia underperformed despite an expansionary budget being announced ahead of political elections in 2018. The Philippines saw strong remittances growth offset by weak car sales while the government relaxed foreign investment restrictions into mass media and other sectors. In Thailand, the end of the

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year-long mourning period for the former King lifted stocks slightly as economists forecast a revival of consumer spending.

Outlook and Strategy

Across regions, we maintained our neutral position in both DM and 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 which was an overhang on the EM region at the start of his office appeared to have rescinded more recently which fuel the improved sentiments towards EM.

Within DM, we are now neutral on the US on valuation. However, we expect earnings growth to pick up again with improving economic conditions. We remain of the view that the tightening labour force should eventually result in higher wage inflation and higher disposable income that should support the retail sector which are the 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 have 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. Geopolitical risks in the region appeared to have picked up with the Catalonian referendum recently but seem to be subsiding. However, we remain watchful of the situation. We are also watchful of any further strengthening of the Euro which could possibly derail the recovery of the region.

Economic data in Japan have improved recently along with the global economic upturn and 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 on 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. However, there are interesting bottom-up opportunities and stock selection is increasingly critical. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint especially in Asia ex Japan and hence we are overweight in the region while underweight in the rest of EM.

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