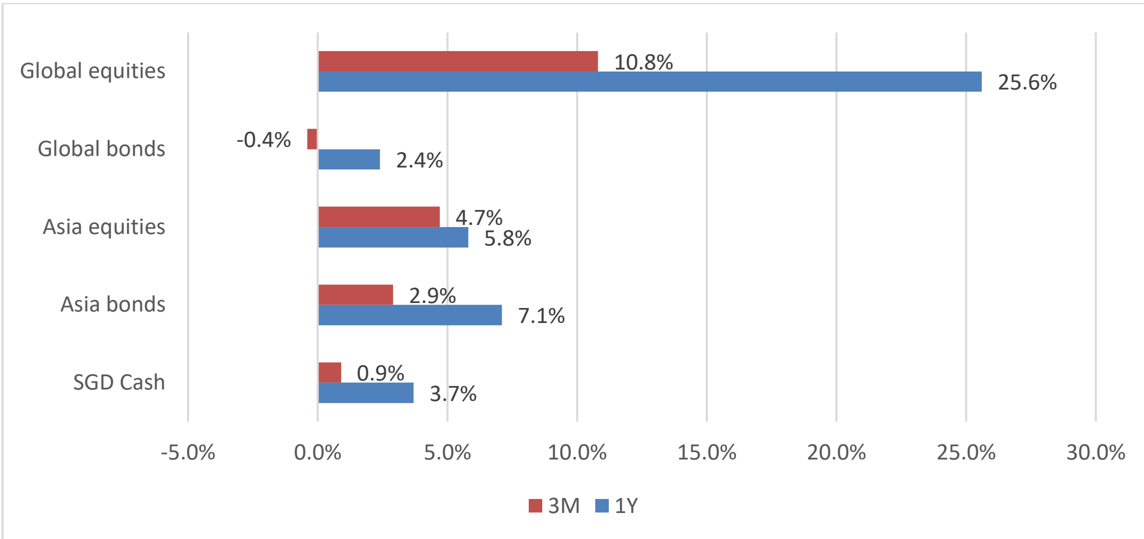
UOB Asset Management

UOBAM Invest Corporate

Q1 2024 Market developments

- Global equities rose in the first quarter of the year due to optimism over the economy and interest rate cuts, which was further boosted by investor exuberance over artificial intelligence (AI) in 2024.
- However, global bonds experienced a slight dip as US treasury yield increased over the quarter.
- Asian equities rose but to a lesser extent compared to global equities as the Chinese market continues to be volatile.
- Asian high yield bonds also rose, benefitting from improving credit quality and decreasing exposure to China's challenging real estate industry.

Asset class performance (% in SGD terms)



Source: UOBAM/Bloomberg. Performance as at 31 March 2024.

Indices used as follows:

Asian Bonds	J.P.Morgan Asia Credit (JACI) Investment Grade Index;
Asian High Yield	J.P.Morgan Asia Credit (JACI) Non-Investment Grade Index;
Asian Equities	MSCI AC Asia ex Japan Index;
Global Equities	MSCI All Country World Index (ACWI); and
Global Bonds	Bloomberg Global Aggregate Index on a Net Asset Value basis; and
SGD Cash	3M Singapore Overnight Rate Average (SORA)

Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes. The historical performance presented should not be used as a proxy for the future or likely performance.

Global equities rose significantly in the first quarter of 2024, with several equity indices reaching record high. AI optimism has helped to drive stocks higher, with semiconductor names such as Nvidia rising more than 80% in the first quarter. Stock market was also boosted by optimism over rate cuts potentially starting in June 2024 despite slightly higher than expected inflation numbers in the first quarter. Recession fears continue to recede as the global economy – and especially the US' remaining strong and the labour market continues to be tight with subdued unemployment rate.

Asia equities continue to lag its global counterpart. Chinese equities continue to be volatile, dropping close to 10% in January 2024 as investors grew pessimistic on the outlook of China, before rebounding as a series of measures were rolled out – such as restrictions on short selling and state-controlled entities aggressively buying back stocks. Elsewhere in Asia, Taiwanese market rose as technology stocks rallied, with chipmaker Taiwan Semiconductor Manufacturing Company soaring over 30% on AI-related exuberance.

Global bonds ended the quarter slightly lower as US government bond yields rose. Investors dialled back the number of rate cuts from six at the beginning of the year to three at the end of the quarter. The shorter-term U.S. 2 Year Treasury yield rose from 4.2% to 4.6% while the U.S. 10 Year Treasury yield rose from 3.9% to 4.2% as inflation remained slightly higher than expected, and the economy and labour market remained strong. Despite these, the US Federal Reserve (Fed) has indicated that it still expects to cut rate three times in 2024 as it focuses on the overall progress of inflation.

In contrast, Asian high yield bonds rose strongly in the first quarter. Investors favoured high yield bonds as income is at the highest as it had been in years. Asian corporates continue to show strong credit fundamentals and tightening credit spread. Default rate has decelerated dramatically after peaking in 2021 and 2022 due to well-publicised defaults by Chinese property developers. Inflation is also mostly under control, which would possibly allow Asian central banks to cut rates sooner than the Fed, thus easing financing pressure on high yield issuers.

UOBAM Invest
Digital Adviser (Corporate)

Q1 2024 Highlights

Portfolio returns (%)

Portfolios	3M	1Y
Very Conservative	0.3%	1.8%
Conservative	0.9%	2.7%
Moderate	2.9%	5.6%
Aggressive	3.3%	6.7%
Very Aggressive	6.2%	13.0%
Global Market Indices		
SGD Cash	0.9%	3.7%
Global Bonds	-0.4%	2.4%
Asia Bonds	2.9%	7.1%
Global Equities	10.8%	25.6%
Asia Equities	4.7%	5.8%

Performance as at 31 March 2024. Indices used: SGD cash - 3M Singapore Overnight Rate Average (SORA), Global bonds - Bloomberg Global Aggregate Index on a Net Asset Value basis, Asia bonds - J.P. Morgan Asia Credit (JACI) Investment Grade Index, Global equities - MSCI All Country World Index, Asia equities - MSCI AC Asia ex Japan Index

What happened in 1Q24?

- Global economies, especially the US, remained positive
- Recession fears continued to recede on the back of good retail and employment data
- China outlook improved slightly after new government measures

How did the markets perform?

- Global equities rose to record highs, driven by AI optimism
- Global bonds dipped slightly as markets prepared for interest rate cuts
- In Asia, Chinese equities remained volatile while the Taiwan market continued to rally

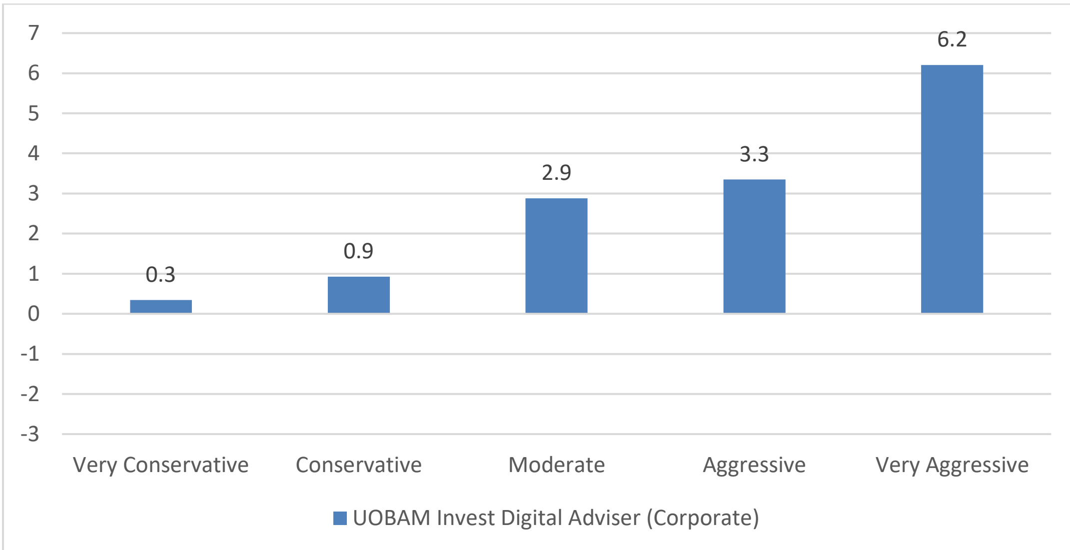
Looking ahead

- We are positive on both corporate bonds and equities
- Equities are set to broaden beyond tech stocks, while the tech boom could last for years
- Bonds still in demand as a source of income
- We recommend investors to stay invested for the long term

Portfolio performance

- As of 31 March 2024, the UOBAM Invest portfolio returns for the first quarter, 2023 ranged between 0.3 percent and 6.2 percent.

Portfolio returns (% in SGD terms) 31 December 2023 – 31 March 2024

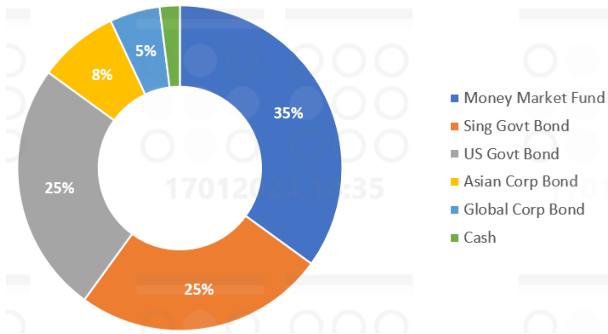


Source: Factset / UOBAM. Portfolio returns as 31 March 2024.

Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM. Portfolio returns on the scheme is calculated on a single pricing basis.

1. Very Conservative portfolio

Period	Portfolio Return (%)
3 months	0.3
6 months	2.7
1 year	1.8
Since Inception (18 Dec 2019), per annum	-3.1



Source: UOBAM as of 31 March 2024

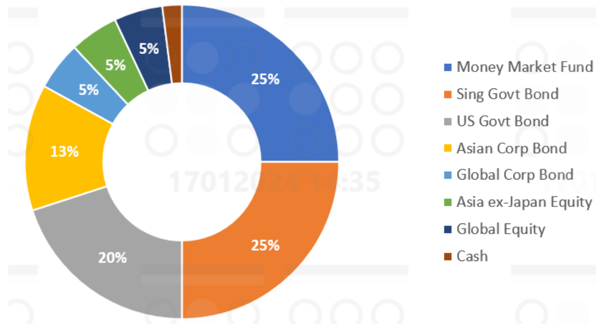
The information about asset allocation provided herein are subject to change at the discretion of UOBAM without prior notice. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM. Returns are calculated on a single pricing basis.

For the three-month period ending 31 March 2024, this portfolio was up 0.3%. All asset classes had positive performance except Singapore government bonds. The smallest contributor was Singapore government bonds while the largest contributor was US government bonds.

Over the one-year period, the portfolio gained 1.8%. Emerging market government bonds detracted while the largest contributor was money market funds.

2. Conservative portfolio

Period	Portfolio Return (%)
3 months	0.9
6 months	3.7
1 year	2.7
Since Inception (18 Dec 2019), per annum	-0.5



Source: UOBAM as of 31 March 2024

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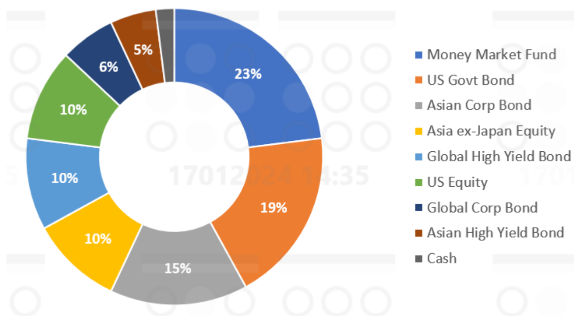
For the three-month period ending 31 March 2024, this portfolio was up 0.9%. All asset classes had positive performance except Singapore government bonds. The smallest contributor was Singapore government bonds while the largest contributor was global equities.

Over the one-year period, the portfolio gained 2.7%. Emerging market government bonds detracted while the largest contributor was global equities.

3. Moderate portfolio

Period	Portfolio Return (%)
3 months	2.9
6 months	5.5
1 year	5.6
Since Inception (18 Dec 2019), per annum	-0.2



Source: UOBAM as of 31 March 2024

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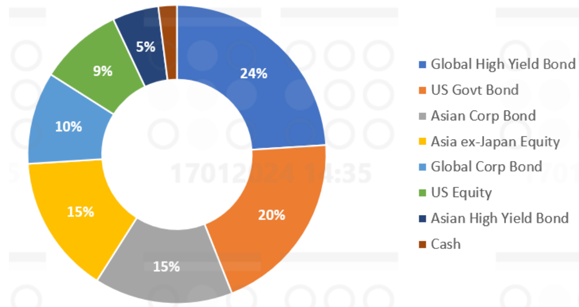
For the three-month period ending 31 March 2024, the portfolio was up 2.9%. All asset classes had positive performance. The smallest contributor was the global investment grade bonds while the largest contributor was US equities.

Over the one-year period, the portfolio gained 5.6%. Emerging market government bonds detracted while the largest contributor was US equities.

4. Aggressive portfolio

Period	Portfolio Return (%)
3 months	3.3
6 months	6.6
1 year	6.7
Since Inception (18 Dec 2019), per annum	1.2



Source: UOBAM as of 31 March 2024

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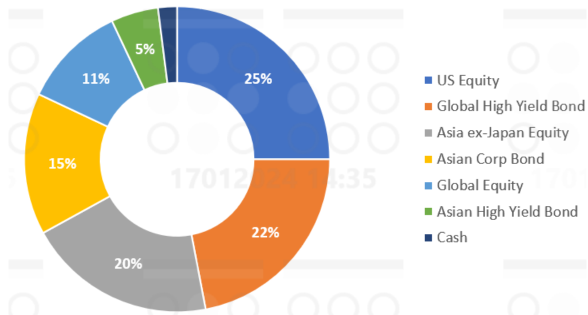
For the three-month period ending 31 March 2024, this portfolio was up 3.3%. All asset classes had positive performance. The smallest contributor was the global investment grade bonds while the largest contributor was US equities.

Over the one-year period, the portfolio gained 6.7%. Emerging market government bonds detracted while the largest contributor was global high yield bonds.

5. Very Aggressive portfolio

Period	Portfolio Return (%)
3 months	6.2
6 months	10.8
1 year	13.0
Since Inception (18 Dec 2019), per annum	3.6



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For the three-month period ending 31 March 2024, the portfolio was up 6.2%. All asset classes had positive performance. The smallest contributor was the Asia investment grade bonds while the largest contributor was US equities.

Over the one-year period, the portfolio gained 13.0%. Emerging market government bonds detracted while the largest contributor was US equities.

Looking ahead

- Although market volatility has decreased, monetary policy remains in focus
- We are constructive on equities and see more stocks participating in the rally
- Higher quality bonds remain attractive and act as an important portfolio stabiliser

Financial market volatility decreased over the quarter to its lowest level since the pandemic, driven by renewed speculation of a dovish Fed policy going forward which led to a retreat in government bond yields. Inflation data suggests that elevated inflationary pressures are starting to ease towards the Fed's target, leading to the shift in the Fed policy conversations from holding interest rates higher for longer, to rate cuts in 2024. Economic activity is forecasted to moderate, as tighter financial conditions begin to weigh on the economy, albeit remaining expansionary. Against this backdrop, a US economic soft landing is increasingly probable given that inflation is coming down while the economy continues to expand.

As such, we remain constructive on US equities due to its favourable economic outlook. We remain cautious on European equities as growth in the Eurozone is relatively weaker. Being more dependent on external demand, it may be hurt by the weaker growth in China. Over in Asia, we expect Chinese equities to remain volatile due to its muted growth momentum, continued weakness in the property market and weak confidence among households and corporates.

For the bond market, we maintain our preference for high quality investment grade bonds and continue to view bonds as an important portfolio stabiliser amid the fluid macro environment. As inflation moderates and eases towards the Fed's target, we look to increase the duration of the bond holdings when appropriate.

2023 was a strong year for global equities. Wall Street analysts predicted a down year for global equities but it ended positive 20%. However, the journey has not been smooth. Global equities suffered large drawdowns in March 2023 and in the third quarter, only to end the year near all-time high. Likewise for treasury yields that rose and fell sharply in the second half of the year. Investors that remained invested through the volatility would have finished the year positive. As such, we recommend investors to build their wealth by resisting the urge to time the market, but rather stay vested in their portfolio for the long term and dollar cost average.

We encourage you to take this opportunity to review your investment objective and portfolio.

Should you require any assistance, please do not hesitate to contact us at

UOBAMSupport@uobgroup.com.

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