Singlife Model Portfolios
Quarterly Investment Review – Q4 2023

Model Portfolios advised by abrdn Asia Limited ("abrdn Asia")

Singlife

Asset Manager's Reflections

Global equity markets ended the quarter higher. With inflationary pressures declining, major central banks kept interest rates on hold as they adopted a data-dependent approach to monetary policy for the time being, before they looked to start easing. Also, fears of a global recession fell, particularly given the robust performance of the US economy. The MSCI AC World Index returned 8.92% in Singapore dollar (SGD) terms.

Over the fourth-quarter, US equities enjoyed double-digit gains. Inflationary pressures eased following multiple interest-rate increases from the US Federal Reserve (Fed) since early 2022. European equities also advanced over the quarter, mirroring the robust gains in the US. UK equities ended higher but underperformed most other regional indices. Japanese equities rose slightly in Japanese yen (JPY) terms, while the volatility in JPY continued and appreciated against the USD. Indian shares also enjoyed double-digit returns. Stocks in Taiwan and South Korea were supported by these countries' relatively high weighting to the buoyant technology sector. However, investors remained concerned about the outlook for China, particularly the country's highly indebted property sector, as well as the ongoing wars in Central Europe and the Middle East. As a result, Chinese equities declined in the final quarter of 2023. Elsewhere, Chinese authorities announced fresh stimulus measures, leading to an appreciation in the yuan.

In global fixed income, government bonds rose in local-currency terms. As mentioned, major central banks refrained from further raising interest rates over the quarter but stressed data-dependent stance as core inflation remained elevated. Meanwhile, investors became less concerned about the risk of a global economic recession given robust economic data, particularly in the US. Elsewhere, 10-year government bond yields in the US, Germany and the UK all notably declined over the final quarter of 2023. Corporate bonds had a strong quarter globally as investor risk appetite improved. In the US, higher-quality investment-grade (IG) and riskier high-yield (HY) bonds performed well, with the spreads on both instruments tightening. IG bonds benefitted from their longer duration, or sensitivity to changes in interest rates. HY bonds were supported by their income attractions and a better outlook for issuers' credit quality.

Looking ahead, there are multiple key aspects that will keep volatility elevated. As markets try to price in the turning points of monetary policy (i.e., when central banks will cut rates), we expect a tug of war between the "higher for longer rates scenario" versus the "monetary policy pivot scenario".

Adding to this debate, there are several significant national and presidential elections that will increase geopolitical volatility. The Taiwan presidential election in January 2024 will be one of the main areas of focus as markets will be watching for any cross straits China-Taiwan tensions emerging from this election. The most impactful event will be the US presidential election in November 2024, with former President Trump likely to get the Republican nomination, and running against President Biden.

Elevated volatility presents entry points for 3 key themes that will drive markets for 2024: (a) slower growth, (b) moderating inflation, and (c) falling interest rates. As such, under a falling interest rate environment, we expect longer duration assets such as sovereigns and real estate investment trusts (REITs) to outperform. We also expect a similar outperformance to come from EM sovereigns and credit, given the higher yields offered.

On equities, there is a need to be nimble. Markets will swing between moderating inflation and lower inflation supporting equities and slowing growth raising concerns of a soft landing turning into a contraction resulting in a drag on equities. Regarding equity regions, we expect the Magnificent 7 stocks in the US to benefit from lower discount rates. In addition, we expect Japan benefit from a shift in corporate behaviour placing strong emphasis on profitability and returning excess capital to shareholders. We also anticipate healthy returns from India as it is expected to deliver one of the strongest economic and earnings growth in the region. Should India's Modi-led government retain its majority in the upcoming elections, this will be a further catalyst for the Indian market. Last but not least, equity valuations in China are reaching attractive levels. Should the Chinese government decide to introduce meaningful stimulus to turn around China's growth prospects, this move will be the trigger to unlock China's attractive valuations.

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Singlife Model Portfolios' Allocation (as of 31 December 2023)

Funds	Singlife Conservative	Singlife Balanced	Singlife Dynamic
Fixed Income			
Neuberger Berman Strategic Income Fund SGD-H	35%	24%	11%
United SGD Fund	42%	23%	6%
BlackRock Global Funds - US Dollar High Yield Bond Fund SGD-H	2%	2%	2%
United Asian High Yield Bond Fund SGD-H	1%	1%	1%
Equities			
United Global Growth Fund	1%	2%	5%
Allianz Best Styles Global Equity SGD-H	4%	11%	16%
Nikko AM Shenton Global Opportunities Fund	6%	13%	20%
Fidelity Funds - World Fund	4%	11%	15%
Eastspring Investments - Global Low Volatility Equity Fund	2%	6%	13%
JPMorgan Funds - Asia Pacific Equity Fund	2%	6%	10%
abrdn All China Sustainable Equity Fund	1%	1%	1%

Source: abrdn Asia. The portfolios allocation may change from time to time, at the discretion of the Asset Manager. Figures may not always sum up to 100% due to rounding. This information should not be considered a recommendation to purchase or sell any security or an indication of future performance.

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