# Singlife Model Portfolios
Quarterly Investment Review – Q1 2023

**Model Portfolios advised by abrdn Asia Limited (“abrdn Asia”)**

Singlife

## Asset Manager's Reflections

Global equity markets ended the first quarter of 2023 higher, with the MSCI AC World Index returning 7.44% (total return in US dollars). Despite the volatility over the review period, investor appetite for risk assets remained strong. Especially in March, markets shrugged off unrest in the banking sector, while the US Federal Deposit Insurance Corporation rescued Silicon Valley Bank (SVB) and Signature Bank, and UBS acquired Credit Suisse.

In the US, most major indices rose. In particular,technology stocks performed well as the NASDAQ Composite Index finished the quarter with its best performance since mid-2020. Continental Europe outperformed the global average, with rises across the board. UK shares also advanced. In aggregate, the Asia Pacific region finished the quarter up, with Japanese shares performing strongly as well. Emerging market (EM) shares mostly rose over the quarter, with good performance from Asia. A key support for Asia has come from China. Following the lifting of Covid-19 restrictions, macro data appeared to point to an ongoing recovery in addition to policy tailwinds, with the latest being a required reserve ratio cut by central bank. The restructuring of the Alibaba Group into six main business divisions was well received by investors, and also supported Chinese market sentiment.

Sovereign, investment grade (IG) and high yield (HY) corporate bonds rose in the first quarter despite the volatility in the wake of bank failures in the US, followed by spill over effects to Europe. The US Federal Reserve (Fed), Bank of England and European Central Bank all raised interest rates, pressing ahead to control inflation while providing assurances to markets on the provision of the facilities to support the banking sector. Annual inflation rose in the UK but declined in the US and Eurozone.

**Outlook and positioning**

We are only three months into the year 2023, and we have had our share of market events. Consensus forecasts of the probability of recession have stabilised, with policy-easing expectations brought forward. As seen in breakeven rates, there is increased confidence that the consumer price index inflation level will trend towards central bank ranges. The optimism of investors challenges the reality of recent events.

Meanwhile, current global banking concerns are expected to have an impact on economies. Oil prices have rebounded, driven by the supply shock by the Organization of the Petroleum Exporting Countries, which is putting upward pressure on inflation. At the March 2023 Federal Open Market Committee meeting, the Fed indicated no intention to cut interest rates this year. Yet markets are still pricing expectations of a cut.

With this disconnect, we remain cautious on developed markets (DMs). Monetary tightening has historically worked with a lag, and we expect DM economies to contract in the second half of 2023. In contrast, we expect Asia, led by China, to desynchronise. We see Asian equities outperforming on a relative basis, with China’s growth and earnings with the potential to surprise on the upside. The continued recovery in China, as seen in purchasing managers' index metrics, and the positive tone in China’s policy stance towards internet and private-owned enterprises, are supportive drivers for the region. The portfolio is currently positioned with a tilt to Chinese equities.

On sovereign rates, we see the Fed potentially reaching terminal rates in May 2023, with some risk of further tightening in the event that inflation remains persistent. Sovereign yields have fallen over the past month, making valuations rich, and the scope for yields to rise in the near term as markets price in a May 2023 hike makes us cautious on duration. Before adjusting duration exposures, we prefer waiting until the Fed indicates a pause. The portfolio is positioned with a sizeable allocation to short-duration exposures at present.

Credit spreads have faded the extremes of March 2023, with spreads in a state of ‘gridlock’ at present. Spreads are not wide enough to push for further selling and are too tight to attract significant capital. In the absence of another ‘crisis headline’, we expect carry to be the driver of performance. Having said that, we are cautious on HY given our concerns on growth and the disconnect between market pricing and the reality of recent events,and prefer IG credit.

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## Singlife Model Portfolios' Allocation (as of 31 March 2023)

| Funds | Singlife Conservative | Singlife Balanced | Singlife Dynamic |
|---|---|---|---|
| **Fixed Income** | | | |
| Neuberger Berman Strategic Income Fund SGD-H | 35% | 24% | 11% |
| United SGD Fund | 44% | 25% | 8% |
| 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% | 4% |
| Allianz Best Styles Global Equity SGD-H | 1% | 4% | 6% |
| Nikko AM Shenton Global Opportunities Fund | 5% | 11% | 17% |
| Fidelity Funds - World Fund | 3% | 9% | 12% |
| 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 | 4% | 10% | 16% |

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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