Singlife Model Portfolios
Quarterly Investment Review – Q4 2022

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

Asset Manager's Reflections

Market Review
IIn the fourth quarter, global equities enjoyed positive momentum in October and November. However, 2022 ended with declines in December. Yet, the MSCI ACWI was up 9.8% (in US dollars).
Markets interpreted weakening inflation data to be a precursor for central banks to become less hawkish, while across Europe the unseasonably warm weather ensured that the expected energy crisis has (so far) been averted. In addition, the expectation that the Chinese economy may well reopen more quickly than had previously been thought saw markets rally hard through November into December. European and Asian markets were the best performing, closely followed by emerging markets and UK equities. Then followed gains in US and Japanese equities.
Despite signs that global inflation could be easing, major central banks continued their hawkish stance in the fourth quarter. In the US, the Federal Reserve Board (Fed) increased rates by 125 basis points (bps). As of the end of 2022, the federal funds rate stands at a range of 4.25% to 4.5% — the highest level in well over a decade. Similarly, the European Central Bank twice took the decision to raise rates. Among developed markets, the Bank of Japan has been an exception as rates stayed at -0.1%. Nonetheless, in December, it surprised the markets by widening its yield curve control band for 10-year Japanese government bonds, causing the yen to strengthen significantly. In China, the key lending rates also stayed unchanged.
Fixed income markets continued to be volatile over the fourth quarter. Similar to the moves in global equities, lobal bonds initially enjoyed gains in October and November. But concerns over inflation risks, in part due to the reopening of China, weighed on global bonds in December. Yet, in the fourth quarter, the Bloomberg US Aggregate Bond Index returned 1.87% (in US dollars). In October, the 10-year US Treasury note yield rose to 4.3%, its highest level since 2008. But it finished the fourth quarter at 3.88%. Meanwhile, the yield on the two-year Treasure note was at 4.43% at year-end. This inversion in the yield curve is seen as a predictor of a US recession.
In the UK, the fallout from the ill-fated Truss/Kwarteng mini budget and its subsequent reversal saw wild swings in UK government bond markets. This, in conjunction with continued monetary policy tightening from central banks, has meant that the outlook for developed world government bond yields has ebbed and flowed. After the initial sell-off during early October, UK gilts recovered, ending the quarter around 1.7% higher. Credit markets also benefited as lower rates and tighter credit spreads drove returns. UK investment-grade indices delivered a roughly 5.3% return over the quarter, while global high-yield bonds were up close to 7%. Emerging-market debt (EMD) assets delivered a mixed outcome over the quarter, with hard-currency bonds rallying hard as the US dollar weakened against a broad range of currencies. EMD local-currency bond returns were broadly flat as sterling rebounded following a prolonged period of challenged returns.

Outlook
For 2023, we are faced with an environment where fundamentals deteriorate, driven by quantitative tightening and a surge in central bank rates. As a result, we expect two distinct phases of market performance in 2023-24.

The first phase will be driven by our view that the Fed kills the economic cycle. The US will enter a recession sometime in the second quarter until the second half, and the Fed will hike policy rates to 5% and potentially higher if needed. We expect 2023 earnings growth to be downgraded as higher rates lead to demand destruction. Thus, there is a need to be selective as developed market risk assets will likely remain under pressure.

The second phase will be driven by central banks pivoting and signalling rate cuts. Yet, several preconditions need to be met before this phase happens. They include inflation levels moderating and trending toward the Fed's expected inflation target of 2%, driven by labour market conditions softening and the contraction of growth on the back of restrictive policy compressing demand. There is uncertainty on the timing of this pivot. When it happens, we expect a meaningful recovery as markets will shift focus to the change in monetary regime, better economic and corporate fundamentals (driven by supportive monetary conditions), and demand picking up from lows.

Across both phases, we expect sovereign bonds to benefit. But we recognise the risk that inflation remains sticky and thus will only increase duration gradually and at an attractive level. At present, the portfolios are defensively positioned with low allocations to developed market equities and bonds as well as sizeable allocations to money market and short-term debt exposures. As rates rise, we expect money market and short-term debt exposure to benefit and participate at higher rates. Within bonds, the portfolio tilts are toward investment grade bonds, which we expect will remain more resilient against high yield bonds. The quality of debt and strength of issuers will matter a lot more, given weaker issuers are vulnerable to downgrades, rising funding costs and refinancing risks. In addition to having a low equity allocation, within equities, we have allocated sizably to defensive low volatility equity exposure. We expect market volatility to remain, given uncertainty on the Fed's terminal rate and pivot point.

While we expect central bank driven volatility in developed markets, we see countercyclical opportunities in areas such as China. Currently, reopening in China is proceeding at a rapid pace, and we see this process bringing forward Chinese economic recovery. We expect consumption to be the primary driver of the recovery, supported by reopening and excess savings. The reopening path will be met with an increase in the infection rate, resulting in China achieving peak infection earlier and allowing for Chinese growth to recover sooner.

The current market pricing of Chinese earnings growth and valuations are modest, and we expect upside potential for the earnings of Chinese corporates along with valuation expansion. In addition to China's reopening, there are several additional forces supporting Chinese equities. They include China's change in housing policy support, in conjunction with the review of the requirement of the three red lines for Chinese property developers, a continuation of policy support through stable credit policy and the expansion of structural monetary policy operations. These will be additional factors in support of Chinese equities. Therefore, we have increased exposure to Chinese equities at the start of 2023.

With policy likely to undergo further transition in 2023, we see numerous opportunities to benefit portfolios through both phases and will be positioning the portfolios based on key drivers identified, to take advantage of market dislocations as they play out.

Singlife Model Portfolios

Quarterly Investment Review – Q4 2022

Model Portfolios advised by abrdn Asia

Singlife Model Portfolios' Allocation (as of 31 December 2022)

Funds	Singlife Conservative	Singlife Balanced	Singlife Dynamic
Fixed Income			
Neuberger Berman Strategic Income Fund SGD-H	35%	24%	11%
United SGD Fund	47%	33%	21%
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	6%	13%	20%
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%

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.

Singlife Model Portfolios
Quarterly Investment Review – Q4 2022

Model Portfolios advised by abrdn Asia

Important Information

With effect from 1 January 2022, Aviva Ltd and Singapore Life Pte. Ltd. (Singlife) came together to create a leading financial services company in Singapore. The combined company will be known as Singapore Life Ltd.

The Singlife Model Portfolios are advised by abrdn Asia Limited ("abrdn Asia"), which is licensed to conduct Fund Management and Dealing in Capital Markets Products regulated activities. abrdn Asia is registered with the Accounting and Corporate Regulatory Authority in Singapore (Reg. No. 199105448E) and its business activities are regulated by the Monetary Authority of Singapore.

This document is for information only and does not constitute an offer or solicitation to buy or sell any of the investments mentioned. Neither Singlife nor any officer or employee of Singlife accepts any liability whatsoever for any loss arising from any use of this publication or its contents. This document is confidential and constitutes proprietary information and may not be used other than by the intended recipient. This document may not be reproduced, distributed or published without prior written permission from Singlife. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately.

The views expressed are opinions of abrdn Asia as of the date of this document and are subject to change based on market and other conditions. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. The mention of any individual securities should neither constitute nor be construed as a recommendation to purchase or sell securities, and the information provided regarding such individual securities is not intended to be used to form any basis upon which an investment decision is to be made. Nothing in this document constitutes accounting, legal, regulatory, tax or other advice. Portfolio allocations, holdings and characteristics are subject to change at any time. Any statistics have been obtained from sources abrdn Asia believed to be reliable but the accuracy and completeness of the information cannot be guaranteed. All investments involve risks, including possible loss of principal. Past performance is not necessarily indicative of future performance. The information contained in this document, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available as at the date of this document and reflects prevailing conditions and abrdn Asia's views as of the date of this document, all of which are accordingly subject to change at any time without notice and abrdn Asia is under no obligation to notify you of any of these changes.

Recipients should be aware that many of the investment products which may be described in this newsletter involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such investment products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any investment product should not be considered to be a disclosure of all risks or a complete discussion of such risks. This document was prepared without regard to the specific investment objectives, financial situation or needs of any investor. You should seek advice from a qualified financial advisor before relying on the information, analyses and opinions for any investment decisions. In the event that investors choose not to seek advice from a financial adviser, investors should consider whether the product is suitable for them.

Unless otherwise stated, performance results do not reflect the deduction of policy charges. It should be noted that performance results will be reduced by policy charges. Investment into the model portfolios are not bank deposits or other obligations, or guaranteed or insured by Singlife or any of their affiliates, or by any local governmental or insurance agency, and are subject to investment risks, including the possible loss of the principal amount invested. Investors should be aware of the risk of exchange rate fluctuations that may cause a loss of principal.

This newsletter is only for the purpose of distribution in Singapore. The information and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, availability or use would be contrary to the applicable law or regulation or which would subject Singlife to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This advertisement has not been reviewed by the Monetary Authority of Singapore.