Singlife Model Portfolios
Quarterly Investment Review – Q1 2024

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

Singlife

Asset Manager's Reflections

Global equity markets ended the first quarter of 2024 notably higher, supported by reduced inflationary pressures in most developed economies after a prolonged period of monetary tightening. Meanwhile, economic data has generally been more robust than was feared, meaning that a likely scenario would be a mild economic slowdown rather than a recession. The MSCI AC World Index returned 9.17% in Singapore dollar (SGD) terms.

US equities advanced over the period, with major indices posting strong gains despite lingering economic and geopolitical uncertainties. The S&P 500 index surged 10.55% during the first quarter of 2024, marking its best first-quarter performance in well over a decade. The tech-heavy Nasdaq Composite index also gained 9.32%, propelled by the ongoing artificial intelligence (AI) tailwinds and robust quarterly performances from mega-cap technology stocks like NVIDIA, Microsoft, and Meta Platforms. Similarly, as inflation showed signs of cooling, European equity markets enjoyed robust gains, with major indices reaching new highs. UK equities ended higher but underperformed most other regional indices. The internationally focused FTSE 100 Index outperformed the domestically focused FTSE 250 Index, thanks to the strength in energy, financials, aerospace and industrials sectors. Japanese equities also rallied, with the Nikkei 225 index reaching a multi-decade high and the TOPIX also posting robust gains. Emerging markets (EMs) generally ended higher given increased optimism about the global growth outlook as falling annual inflation rates led to central banks considering future interest-rate cuts. However, Chinese equities languished despite China's authorities announcing fresh stimulus measures to support the economy. Indian equities outperformed as fourth-quarter gross domestic product was better than expected. Stocks in Taiwan and South Korea were supported by their relatively high exposure to the buoyant technology sector.

In fixed income markets, global government bonds fell in local-currency terms. As price pressures continued to ease in most major economies, investors began to look ahead to potential rate cuts in 2024. However, with core inflation still elevated, central banks have maintained a data-dependent stance. Meanwhile, concerns about the risk of a global economic recession lessened given the robust economic data, particularly in the US. Elsewhere, corporate bonds had a solid quarter. In the US, riskier high-yield (HY) bonds outperformed higher-quality investment-grade (IG) bonds, with the spreads on both instruments tightening. HY bonds were supported by their income attractions and a better outlook for issuers' credit quality. IG bonds lagged due to their longer duration, or sensitivity to changes in interest rates, as underlying government bond yields increased.

Our base case is for a US "soft landing", in which growth slows but remains positive. The drivers of US growth exceptionalism should fade somewhat over 2024. However, the benign cooling in the labour market and moderation in inflation over the past year mean that an outright contraction in growth is not needed to tame inflation. That said, there are significant uncertainties including higher than normal probability of a US recession on the back of drag from past monetary policy tightening that may still be in the system.

Looking ahead, the last mile deceleration in inflation is likely to be slow and bumpy. With wage growth moderating in many economies, and some drivers of the latest sticky inflation figures in the US are likely temporary, while inflation should inch closer to most central banks' targets over the course of 2024. Therefore, most major develop market central banks are likely to begin interest rate cuts around the middle of this year. Across EMs, cooling inflation and the high starting point for real rates leave room for further rate cuts this year. Chinese policy should continue to ease, although de-risking and national security considerations are likely to keep this limited.

Our asset class views remain largely unchanged. On equities, there is still a need to remain nimble as stretched positioning is offset by supportive fundamental and momentum. The better probability-weighted economic outlook should continue to support earnings growth, which has been notably resilient of late. Although the US equity market concentration is narrow and some measures of financial market sentiment are stretched, most of the Magnificent 7 technology stocks have strong earnings support. Elsewhere, we prefer to add to technology and AI exposures via Korean and Taiwan equities which are relatively cheaper than US technology shares. We also continue to favour Japan equities, due both to the economy's emergence from deflation and corporate governance reforms that have encouraged the return of capital to shareholders. Within the region the other market that we continue to be optimistic around is India, while we expect the country to deliver one of the strongest economic and earnings growth in the region. Finally, despite recent headwinds, equity valuations in China are reaching attractive levels. The government has put a floor under the market, but it still lacks a meaningful stimulus or a catalyst to turn around China's growth prospects and unlock China's attractive valuations. On duration, the direction of travel is to add but timing is the key. Recent central bank communication has shown policy makers to be comfortable with impending rate cuts and somewhat less concerned than previously thought about inflation. Finally, we remain neutral on the US dollar with conflicting drivers from near-term US growth exceptionalism and carry, set against an expectation of moderating US growth and a global soft landing.

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Singlife Model Portfolios' Allocation (as of 31 March 2024)

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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