Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	-4.0	-3.8	-3.5	3.2	6.6	50.7
MSCI World	-3.8	-2.7	-2.4	4.4	9.0	57.4
MSCI Emerging Markets	-6.3	-13.5	-12.7	-6.9	-12.6	6.1
MSCI USA	-3.3	-1.6	-1.8	3.8	13.6	69.5
MSCI Canada	-2.7	-7.8	-9.3	-9.3	-14.3	9.2
MSCI Europe	-3.9	-2.8	-2.4	6.5	4.3	48.8
MSCI Japan	-3.0	-2.7	3.0	14.6	18.2	61.9
MSCI Australia	-6.4	-9.8	-13.6	-5.9	-14.3	14.6
MSCI AC Asia Ex-Japan	-7.1	-14.7	-11.4	-5.0	-4.9	24.0
MSCI Latin America	-7.8	-13.3	-18.5	-18.1	-34.8	-28.0
MSCI EMEA	-4.5	-7.0	-9.1	-1.9	-12.2	-6.0

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 August 2015.

The MSCI AC World Index declined in August, led by the emerging markets (EM) which were spooked by concerns over economic growth relating to China and the government's decision to depreciate the Chinese yuan. The sell-down in EM spread to the rest of the global markets including developed markets (DM) on fears of contagion. In the aftermath of the correction, the US and Japan markets outperformed the broader index in the month. Meanwhile, economic data in the US and Europe continues to surprise on the upside while Japan's economic data remained mixed. Within EM, Latin America was the worst-performing region as economic data continued to deteriorate in the region.

The telecommunications sector was the best performing sector due to its defensiveness and strong dividends amid a weakening global economic outlook. Likewise, the utilities sector also outperformed as the likelihood of a rate increase by the US Federal Reserve (Fed) looks to be pushed back. Financials was the worst performing sector in the month on concerns over global growth while materials declined further on resource demand concerns stemming from China.

The US market outperformed other regions in August despite mixed economic data. US corporate earnings are viewed as being more insulated from demand weakness in the EM (including China). The better-than-expected US housing data has helped to off-set somewhat disappointing trends in the labour market and modest softness in the Purchasing Managers' Index (PMI) which came in below expectations at 51.1 in August.

Europe was roughly in line with the global index with the economic data within market expectations. The Eurozone manufacturing PMI softened slightly to 52.3 in August, but the German IFO business confidence index improved slightly to 108.3. A weaker euro has helped to off-set import price declines, and the Eurozone CPI remained at +0.2%.

The Japan Index outperformed the broader markets in August continuing its strong year-to-date performance. The Japanese market has benefitted from a weaker yen and relatively favourable earnings revisions as corporate managers focus on improving profitability. However, economic data remains mixed with retail sales improving from the previous month while industrial production softened in July. Inflation data was roughly flat after adjusting for the Value-added Tax (VAT) increase last year. We continue to hold the view that deeper reforms are needed before turning more constructive on the market.

Global Equity

EM performance was weak with Latin America underperforming Asia ex-Japan and Europe, the Middle East and Africa (EMEA). Asia ex-Japan underperformed on the back of worsening economic conditions and Chinese investors' increasing scepticism that the government would be able to backstop growth and the recent stock market sell down. Meanwhile, economic data in China continues to track below consensus expectations. Latin America and EMEA continue to move lower as economic data remains poor.

Outlook and Strategy

In terms of equity asset allocation, we have moved to an overweight position in DM and underweight position in EM. Among the DMs, we retain our overweight position in the US. We remain positive on the region in the longer term but have reduced our exposure due to a stronger dollar. The positive market outlook continues to be underpinned by better labour market trends and resilient corporate earnings. In contrast, we remain concerned about growth challenges in Japan and believe deeper structural reforms are required to justify market valuations. We believe Europe should benefit from a weaker currency but we are mindful of continuing geopolitical risks with rising anti-austerity opposition parties.

Within the emerging world, we are neutral on Asia ex-Japan while underweight on EMEA and Latin America. On Asia ex-Japan, we continue to like the secular investment thesis of consumption growth trend within the region. However, the aggregate market performance may continue to be challenging due to slower economic growth, tighter liquidity conditions and potential headwinds from corporate earnings. Growth prospects across the globe remain uneven and fundamental sector/country and stock selection will remain crucial.

The impending rate increase by the Fed and fiscal and monetary adjustments globally could adversely impact EM growth, corporate earnings and capital flows in the period ahead. Stock selection will be paramount to drive investment performance during this period of adjustment, which should reinforce the need for an active approach to portfolio management. We continue to allocate capital to high-quality and sustainable growth companies that are reasonably priced. Our focus is on companies with strong competitive advantages, healthy cash flow and proven track record.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 August 2015 unless otherwise stated.

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