Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	3 Yrs
MSCI AC World	-0.6	6.2	10.9	6.2	51.3
MSCI World	-0.7	6.2	11.6	6.2	57.5
MSCI Emerging Markets	-0.6	6.0	5.2	6.0	11.4
MSCI USA	-0.6	5.1	14.4	5.1	71.5
MSCI Canada	-2.3	-2.3	-3.2	-2.3	15.2
MSCI Europe	-1.6	7.3	6.8	7.3	45.7
MSCI Japan	2.6	14.1	15.7	14.1	44.3
MSCI Australia	-1.5	7.4	7.8	7.4	33.4
MSCI AC Asia Ex-Japan	1.3	8.7	13.1	8.7	34.2
MSCI Latin America	-6.7	-6.2	-15.6	-6.2	-28.2
MSCI EMEA	-2.1	5.7	-1.1	5.7	-4.1

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

Global equity markets retraced their performance in March, with both developed markets (DM) and emerging markets (EM) declining after a strong performance in February. Japan was the best-performing market within DM, continuing its strong year-to-date performance as a result of strong fund inflows. Within EM, Asia ex-Japan was the best-performing region. The fall in commodities prices in the month led to weakness in major commodities-exporting markets.

In terms of sector performance, mid-cycle sectors such as consumer discretionary and financials outperformed while deep cyclical sectors such as energy and materials underperformed. Defensive sectors were mixed with healthcare outperforming while consumer staples underperformed the broader index. The healthcare sector remained resilient on the back of mergers and acquisition activities and strong corporate earnings momentum. Interest rate sensitive sectors such as utilities and telecommunications remained under pressure as the market remained fixated on the US Federal Reserve's (US Fed) expected rate hikes in the coming months.

The US market performed in line with the broader global equity market in March. However, investors remain cautious over the US Fed's March meeting comments where they dropped the "patient" guidance, leaving the door open for rate hikes in the coming months. Leading indicators such as the Purchasing Managers' Index (PMI) continued to register a positive reading of 51.5 in March albeit being below consensus expectations. Meanwhile, the US labour market weakened in the month with non-farm payrolls coming in below expectations.

Europe underperformed in March despite economic data coming in better than expected. The on-going Greece negotiations for further European Union aid likely cast an overhang on the market. The Eurozone manufacturing PMI improved to 52.2 from 51.0 in February. Meanwhile, deflationary pressures in the currency bloc continued with the Consumer Price Index (CPI) coming in at -0.1% albeit improving against a -0.2% reading in the previous month. While this is mainly attributed to lower oil prices, price trends will need to be monitored closely.

Japan outperformed the broader market as the market was boosted by strong foreign fund inflows as well as a portfolio allocation shift within the Government Pension Investment Fund (GPIF) towards domestic equities. However, the economic data remained mixed despite the country coming out of recession with February industrial production and retail sales remaining negative. Inflation data was flat after adjusting for the VAT hike last year. We continue to hold the view that deeper reforms are needed at both corporate and economy-wide levels before turning more constructive on the market.

Global Equity

The emerging market performance was mixed with Asia ex-Japan outperforming Europe, the Middle East and Africa (EMEA) and Latin America. Within Asia ex-Japan, the Chinese market continued to rally in response to more monetary easing and improved local investor sentiments. Malaysia was weak along with the lower oil price. The weakness in Latin America was largely due to Brazil which continues to face pressure amidst more corruption probes in its national oil company. Likewise, Columbia continued to decline as a result of lower oil prices along with Russia.

Outlook and Strategy

In terms of equity asset allocation, we are neutral on both DM and 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 and rising wage growth hurting corporate profits in the near term. 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 in the country despite strong fund inflows currently. We believe Europe should continue to benefit from a weaker currency but we are mindful of continuing geopolitical risks with rising anti-austerity opposition parties.

In the emerging world, we are overweight on Asia ex-Japan where we have identified some good bottom-up investment opportunities. However, the aggregate market performance continues to be challenging due to slower economic growth, tight liquidity conditions and potential headwinds from corporate earnings. Growth within the region remains uneven and fundamental sector/country and stock selection will remain crucial.

The pending rate hike by the US Fed and fiscal and monetary adjustments globally could adversely impact EM growth, corporate earnings and capital flows. Stock selection is paramount to driving investment outperformance. This backdrop should be favourable for active managers. 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 March 2015 unless otherwise stated.

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