Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	-2.5	1.3	-3.3	-3.3	-3.0	29.0
MSCI World	-3.1	1.4	-3.8	-3.8	-2.0	32.5
MSCI Emerging Markets	2.0	0.9	1.4	1.4	-11.6	2.4
MSCI USA	-1.7	2.8	-1.4	-1.4	3.3	47.6
MSCI Canada	-1.4	4.2	9.5	9.5	-5.4	8.8
MSCI Europe	-6.7	-2.4	-9.6	-9.6	-11.0	14.2
MSCI Japan	-5.2	0.7	-10.1	-10.1	-9.2	15.6
MSCI Australia	-1.7	1.3	-1.7	-1.7	-2.8	11.6
MSCI AC Asia Ex-Japan	0.7	0.7	-2.7	-2.7	-11.6	14.0
MSCI Latin America	9.2	5.6	19.6	19.6	-7.2	-17.4
MSCI EMEA	1.4	-0.9	6.4	6.4	-13.6	-10.5

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 30 June 2016.

The MSCI AC World Index was marginally lower in June with the emerging markets (EM) outperforming developed markets (DM). Within DM, only the US market outperformed while the Europe and Japan markets underperformed. In the EM, Latin America (LATAM) outperformed mainly on the back of a strong rally in Brazil while Asia ex-Japan and Eastern Europe, the Middle East and Africa (EMEA) underperformed.

The utilities and consumer staples sectors were the best-performing sectors as risk appetite turned cautious on the back of the UK referendum result where it voted to exit the European Union. The energy sector also outperformed as dividends remained resilient with the oil price remaining stable amid the Brexit outcome. On the other hand, cyclical sectors such as financials and consumer discretionary were hard hit as they bore the brunt of the sell-down.

The US market outperformed the broader market on the back of better than expected economic data. The Purchasing Managers' Index (PMI) moved higher with a reading of 53.2 in June improving from May's reading of 51.3. Retail sales also came in above expectations in June while labour and housing markets continued to improve although at a slower pace.

Europe underperformed the global index despite better than expected economic data. The Eurozone manufacturing PMI moved higher to 52.8 from 51.5 while the German IFO business confidence index ticked up marginally to 108.7 from 107.7. Meanwhile, the Eurozone consumer price index (CPI) improved marginally to 0.1% in June.

The Japan Index underperformed the other regions on the back of yen strengthening from the outcome of the UK referendum. The Japanese market had benefited earlier from a weaker yen and relatively favourable earnings revisions and we are now starting to see negative earnings revisions as a result of a stronger yen. However, economic data remains mixed with both retail sales and industrial production tracking below expectations.

EM performance was strong in the month with LATAM outperforming Asia ex-Japan, and EMEA. Within LATAM, Brazil rallied strongly on the back of a Presidential impeachment trial being passed by Congress. In Asia ex-Japan, performance across various regions was mixed. The top performers were Indonesia followed by Malaysia while Hong Kong and China were soft on weaker than expected economic data.

Global Equity

Outlook and Strategy

In terms of equity asset allocation, we continue to be overweight on DM. Among the DMs, we retain our overweight position in the US as the stronger US dollar, which was a headwind to corporate earnings, abated on a year-on-year comparison basis. Valuations are fair but we believe earnings could surprise on the upside with the recovery in oil prices. Last but not least, our positive market outlook in the longer term continues to be underpinned by better labour market trends and resilient corporate earnings. In Europe, we think the region should benefit from a weaker currency and steady improvement in domestic economic conditions. European corporate earnings have been resilient although we are starting to see some slowdown in economic momentum. We are mindful and continue to monitor geopolitical risks associated with refugee inflow, as well as the rise of anti-establishment political parties across the region. We retain our neutral position in Japan. While there are some notable improvements in corporate performance, the macroeconomic outlook is mixed; valuations are also less supportive than before and earnings revisions are turning negative with a strengthening yen. Overall, we believe the market should be supported by favourable monetary conditions.

Within the emerging world, we are neutral on Asia ex-Japan, but remain underweight on EMEA and LATAM. Asia ex-Japan equities continue to offer good investment opportunities driven by the rise of the region's increasing affluent consumers, and valuations are broadly supportive. However, the aggregate market performance may continue to be challenged due to slower economic growth, tighter liquidity conditions and potential headwinds if corporate margins and earnings are revised lower. Growth prospects across the globe remain uneven and fundamental sector/country and stock selection will remain crucial.

The expectation that the US Federal Reserve will eventually increase interest rates could trigger fiscal and monetary adjustments globally. This could adversely impact corporate earnings, capital flows and EM growth in the future. Stock selection will be paramount in driving investment performance during this period of adjustment which would 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 30 June 2016 unless otherwise stated.

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