Global Equity

EQUITIES	1 Mth (%)	3 Mth (%)	6 Mth (%)	YTD (%)	3 Yrs (%)
MSCI AC World	-2.9	2.1	4.6	4.7	22.1
MSCI World	-2.9	2.6	5.0	4.4	21.3
MSCI Emerging Markets	-3.0	-1.0	1.9	6.9	29.6
MSCI USA	-2.3	4.8	10.3	6.4	34.7
MSCI Canada	-1.2	-1.0	-0.4	1.2	27.3
MSCI Europe	-4.4	0.4	-1.3	1.8	6.3
MSCI Japan	-5.0	-0.3	0.6	1.1	-2.5
MSCI Australia	0.4	-0.9	-1.5	4.6	34.8
MSCI AC Asia Ex-Japan	-1.7	0.7	3.1	8.1	29.3
MSCI Latin America	-6.0	-4.7	-0.9	4.0	29.9
MSCI EMEA	-3.2	-0.4	3.2	8.2	32.1

Returns in Singapore dollars. Source: Bloomberg, 30 April 2012

Markets turned down in April due to deteriorating economic indicators, especially in Europe and China. Amidst a more uncertain backdrop, defensive sectors performed better as investors actively sought out stability. Consumer Staples, Healthcare and Telecoms outperformed, while more cyclical sectors (Industrials & Materials) underperformed. The worst performing regions were Latin America, Japan and Europe.

The Eurozone sovereign debt problem continued to linger, and economic indicators worsened considerably. The Eurozone's composite Purchasing Managers' Index ("PMI") fell to 46.9 in April, pointing to a deteriorating growth outlook. Political transition in France, with the election of Francios Hollande, a socialist, added to uncertainty. Mr. Hollande's views on how to deal with the crisis seem very different from those of Germany's Angela Merkel. Meanwhile, Spain's 10- year bond yield breached the 6% mark as the country re-entered a recession and suffered an S&P downgrade.

The United States continued to hold up better compared with the other developed economies. Although US economic indicators softened slightly, they continue to point to growth ahead. The Services Institute for Supply Management Index ("ISM index") declined slightly to 53.5 in April (56.0 in March). However, the manufacturing ISM rebounded to 54.8 (53.4 in March). There was a nearly four percentage point jump in the new order index to 58.2 in April.

Asian markets were flat, with the MSCI AC Asia ex-Japan Index edging down -0.1% in US dollar terms. China, Thailand, and the Philippines performed strongly while India and Taiwan did not. While inflation pressures in Asia are starting to abate, growth expectations are being lowered due to a combination of weaker external demand and slumping domestic demand. This shift in growth expectations is most evident in China. In contrast, the Thai economy continued to benefit from a recovery in industrial activity and exports as business resume on-line following last year's floods.

Global Equity

Latin America markets performed poorly. The MSCI Brazil Index fell by 8% in US dollar terms. A slump in demand in China created concern that Brazil's commodity exports would decline. Meanwhile, the central bank cut interest rates by 75 basis points ("bps") to 9%, resulting in a weakening of the Brazilian Real. Despite some short-term challenges, we have a positive view of the investment opportunities evident in Brazil, with growth expected to recover in the second half of the year.

The recent declines in equity markets remind us that the recovery remains fragile, and that the growth backdrop is reflective of weak final demand. We continue to monitor both economic and political developments closely as they could potentially alter the broader outlook. Our strategy of targeting high performing businesses at the right price remains. At the margin we have shifted our allocation towards more stable regions (the US) and more stable sectors (Consumer Staples, Healthcare and Telecoms) and away from more cyclical sectors.

Global Equity

Outlook and Strategy

	Policy	Change	Comment
US	Overweight	–	The Q12012 earnings season ended on a positive note with upward earnings revisions seen in April 2012. However, management guidance is becoming cautious. Financials and Information Technology saw the biggest Earnings Per Share ("EPS") upgrades while Telecoms and Materials have the poorest EPS revisions. Valuations in the US equity market remain attractive as Price-Earnings Multiple of 12.9 is below long-term average while Earnings Yield gap stays high. We continue to favour the US over other developed regions. **OVERWEIGHT**.
Europe	Underweight	–	Earnings downgrades continued in Europe as consumer and investment spending are affected by the extended and unresolved sovereign debt problem. Earnings momentum remains negative with EPS growth projected at 8.4% in 2012 and 11.3% in 2013 compared with 11% and 11.7% respetively previously. **UNDERWEIGHT**.
Asia (ex-Japan)	Overweight	–	Earnings momentum has stalled in Asia but remains at 16.6% and 14% respectively versus 10.0% and 14.3% respectively at the start of the year. We focused on companies that provide exposure to the region's positive structural growth factors such as a growing middle income class and growing urbanization. We have recently increased our weights in Defensive sectors including Telecoms and Utilities. **OVERWEIGHT**.
Japan	Underweight	–	Negative earnings revisions in Japan continue but at a moderating pace for FY 2012. The Bank of Japan extended its asset purchasing programme by Y5 trillion which initially weakened the currency temporarily. Overall, however, we remain Underweight Japan for its less attractive longer-term growth profile. **UNDERWEIGHT**.

Global Equity

	Policy	Change	Comment
Latin America	Overweight	–	Earnings momentum weakened in April with EPS growth projected at 8.4% in 2012 and 11.3% in 2013 versus 11.0% in 2012 and 11.7% in 2013 respectively at the start of the year. Although the region, especially Brazil, is not immune to a slowing Chinese economy, it continues to be supported by supportive structural factors such as a healthy debt position, rising domestic consumption and growing urbanization. Moreover, the 2014 World Cup and 2016 Olympics will spur substantial infrastructure developments ahead of these major world events. **OVERWEIGHT**.
EMEA	Underweight	–	The EMEA (Eastern Europe, Middle East & Africa) outlook varies by region. Growth prospects in Eastern Europe remain uncertain owing to their close financial and trade links with Western Europe. The outlook in Africa and Middle East is clouded by growing political risks. **NEUTRAL**.

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