Faltering momentum amid a growth shock

Quarterly Investment Strategy

Second Quarter 2022

Outlook for 2Q2022

While we do not believe that investors need to assume an overly bearish outlook, we do think the outlook has become uncertain enough that risk taking has to be pulled back.

In our view:

- As long as growth is sustained, then market performance can be sustained.
- Global GDP growth in 2022 was expected (prior to the Ukraine invasion) to grow at 4.4 percent. This may slow somewhat but is still forecast to be positive.
- Corporates had been very resilient in the pandemic and global corporate earnings were significantly higher than before the pandemic.

Source: UOBAM, 1 March 2022

Outlook for 2Q2022

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Investment opportunities remain

Continue to focus on real assets – We continue to overweight commodities, property, and alternatives. While equities may be challenged by current uncertainties, energy and materials equities are likely to perform positively.

Within equities we favor Asia – Asia's lower valuations make it less vulnerable. The underperformance from last year still imply more upside potential. And now it is out of the way of the direct conflict in Europe.

Risk haven assets upgraded – Gold's outlook has improved as now it is both an inflation hedge and a safe haven asset in a risky world. US Treasuries have shifted from a very negative outlook to a more balanced outlook as its risk haven status becomes more important and inflation risks may diminish if growth is revised down.

Source: UOBAM, 1 March 2022

Outlook for 2Q2022

Investment opportunities remain

Alternatives should outperform – Although the overall market outlook has become more muted, market dispersion has sharply increased allowing alternative strategies to outperform.

Fixed income diversification warranted again – In a strong growth year that 2022 was looking to be, fixed income opportunities were limited. But in a riskier world where the growth outlook is uncertain, fixed income has a role again.

Source: UOBAM, 1 March 2022

2Q22 Global Asset Allocation View

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GLOBAL ASSET ALLOCATION	- -	-	N	+	+ +
Equities	○	●	◄	◄	○
- US Equities	○	●	◄	◄	○
- European Equities	○	●	◄	○	○
- Japan Equities	○	○	●	○	○
- Asian ex Japan Equities	○	○	○	●	○
Government Bonds	○	●	○	○	○
Investment Grade Credits	○	○	►	●	○
High Yield Credits	○	○	●	○	○
Real Estate Investment Trusts	○	○	○	●	○
Commodities	○	○	○	●	○
Alternatives (Hedged Strategies)	○	○	○	●	○
Alternatives (Private Equity)	○	○	○	●	○
Cash	○	►	►	●	○

Source: UOBAM, 1 March 2022

Note: *3-6 months horizon; The weights are relative to the appropriate benchmark(s).

'- -' denotes maximum underweight, '-' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.

2Q22 - Risk Management Mode

GLOBAL ASSET ALLOCATION	- -	-	N	+	+ +
Equities	○	●	◄	◄	○
Fixed Income	○	►	●	○	○
Commodities	○	○	○	●	○
Alternatives (hedged stategies)	○	○	○	●	○
Cash	○	►	►	●	○

FIXED INCOME	○	►	●	○	○
DEVELOPED	○	●	◄	○	○
US T-Bills	●	◄	○	○	○
G7 Sovereigns	○	●	○	○	○
Investment Grade	○	○	○	●	○
High Yield	○	○	●	◄	○
Leverage Loans	○	●	○	○	○
Cocos	○	●	○	○	○
Duration	○	○	●	○	○
Yield Curve*	○	●	○	○	○
EMERGING MARKETS	○	○	►	●	○
EM IG	○	○	○	●	○
EM HY	○	○	●	◄	○
EM Local Currency	○	●	○	○	○
Asia IG	○	○	●	○	○
Asia HY	○	○	●	○	○
Asia Local Currency	○	○	►	●	○

EQUITY REGIONAL ALLOCATION	- -	-	N	+	+ +
DEVELOPED	○	●	◄	○	○
US	○	●	◄	◄	○
EUROPE	○	●	◄	○	○
JAPAN	○	○	●	○	○
CANADA	○	○	●	○	○
AUSTRALIA	○	○	●	○	○
EMERGING	○	○	●	○	○
Asia Ex-Japan	○	○	○	●	○
LATAM	○	○	●	○	○
EMEA	○	●	◄	○	○

	- -	-	N	+	+ +
COMMODITIES	○	○	○	●	○
Gold	○	○	►	●	○
Base Metals	○	○	○	●	○
Bulk Commodities	○	○	○	●	○
Energy	○	○	►	●	○
Agriculture	○	○	►	●	○

Source: UOBAM, 1 March 2022

Mid-cycle expansion under pressure

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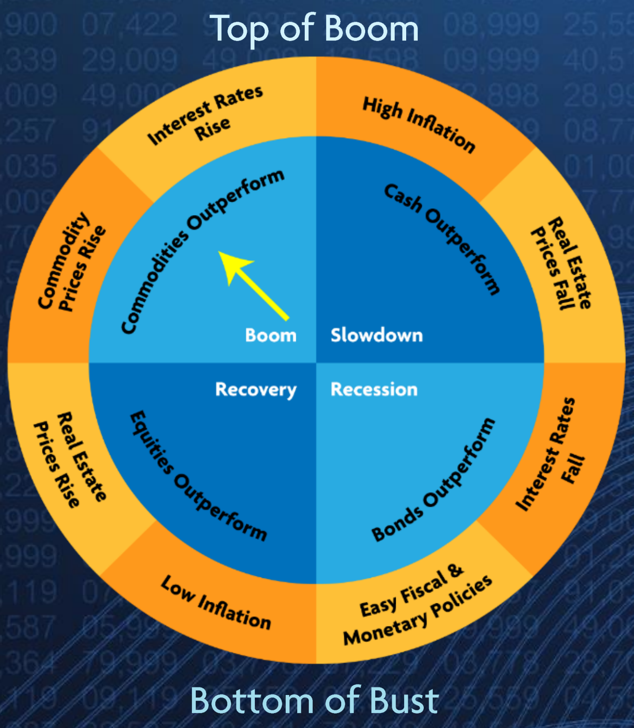
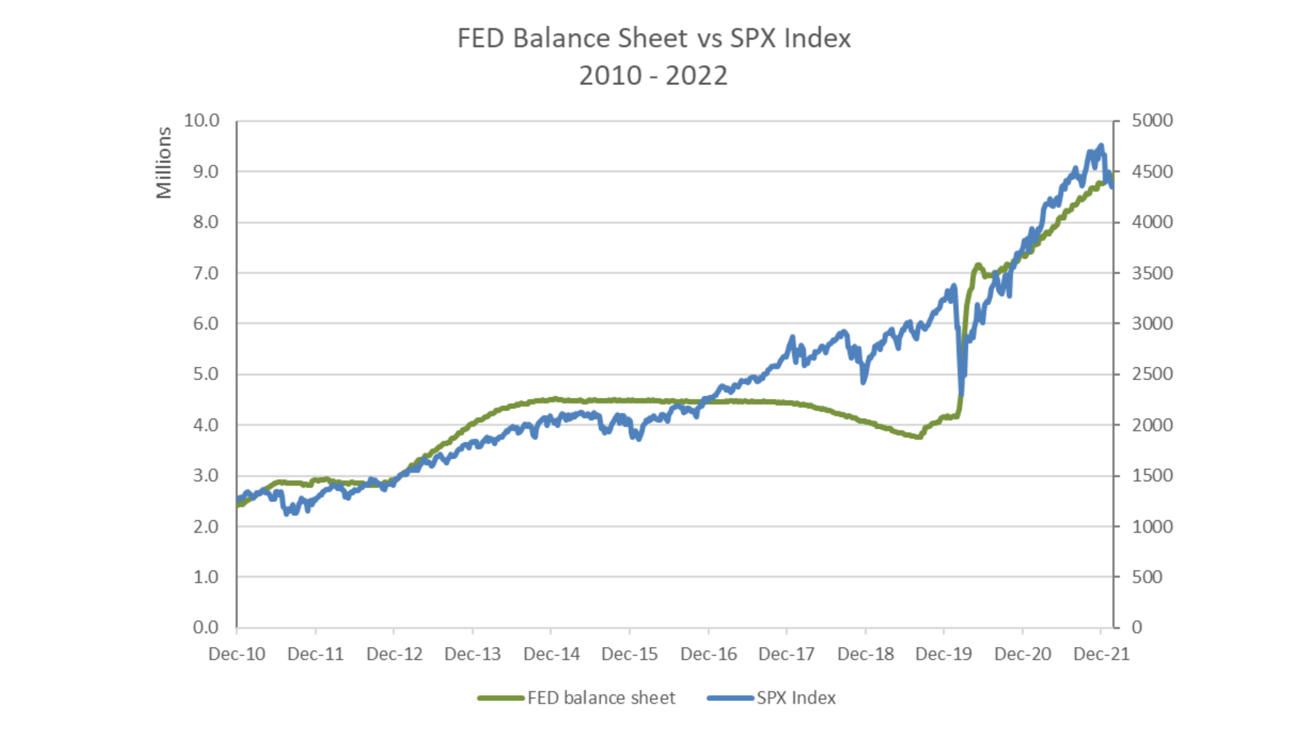
UOBAM Investment Clock



- The cycle was looking much more like a mid cycle expansion than we saw in the past decade
- This implied we should expect rising equities, commodities and property, but fixed income markets under pressure
- But persistent inflation and a very hawkish Fed pivot are threatening to increase the speed of this cycle and potentially even bring an end to the cycle

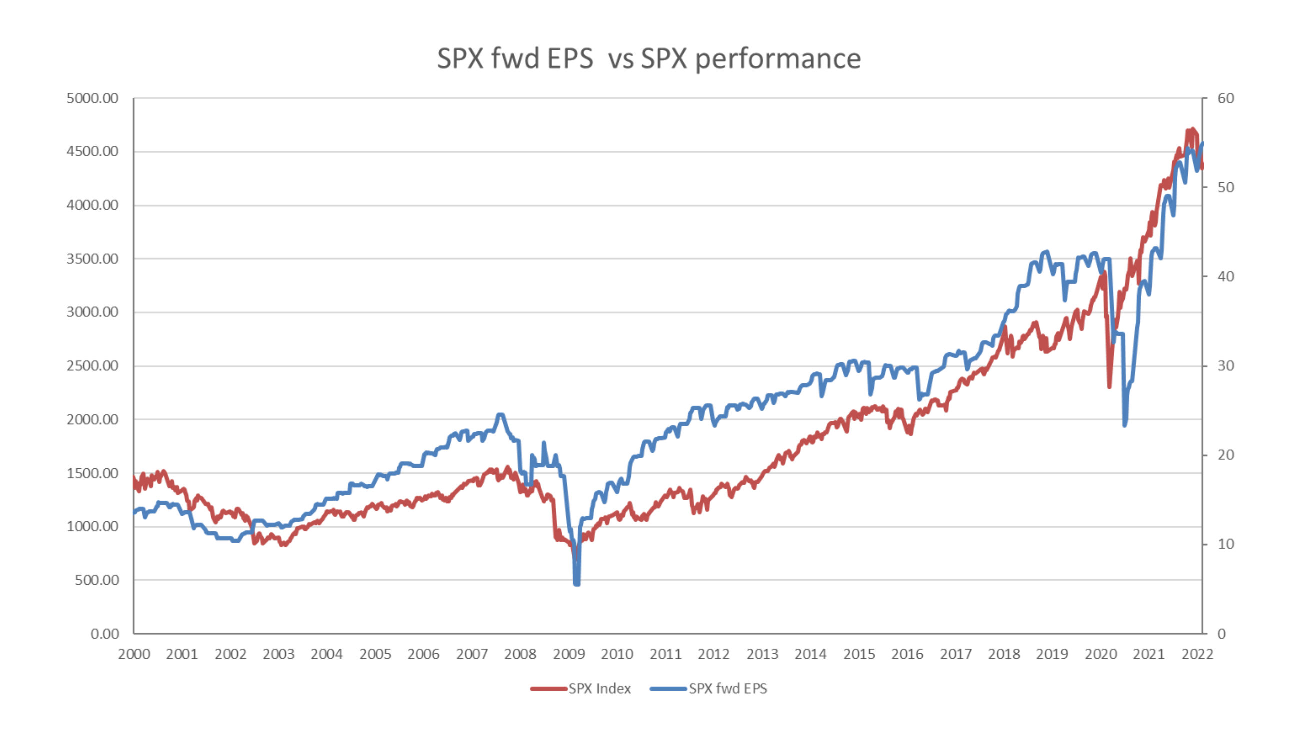
Source: Bloomberg, UOBAM, March 2022

Many investors are convinced this is one of the most important relationships for equity markets – Central bank policy is what is keeping markets up. Now that it is ending the outlook is bearish.



Source: Bloomberg, UOBAM, 28 Feb 22

Others believe that this is the most important relationship – markets are at all time highs because earnings are at all time highs.



Source: Bloomberg, UOBAM, 28 Feb 22

Equity markets have usually performed (thought with volatility) through rate hikes and QT.

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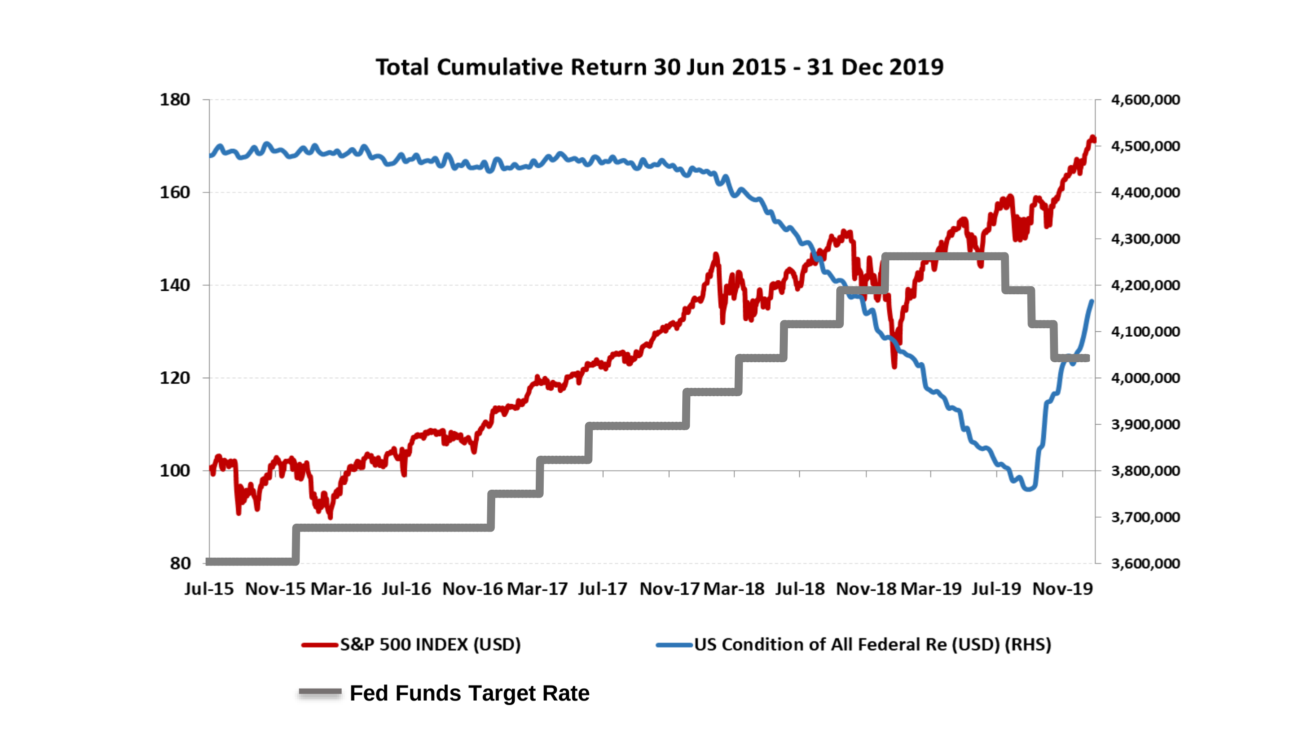

Source: Bloomberg, UOBAM, 28 Feb 22

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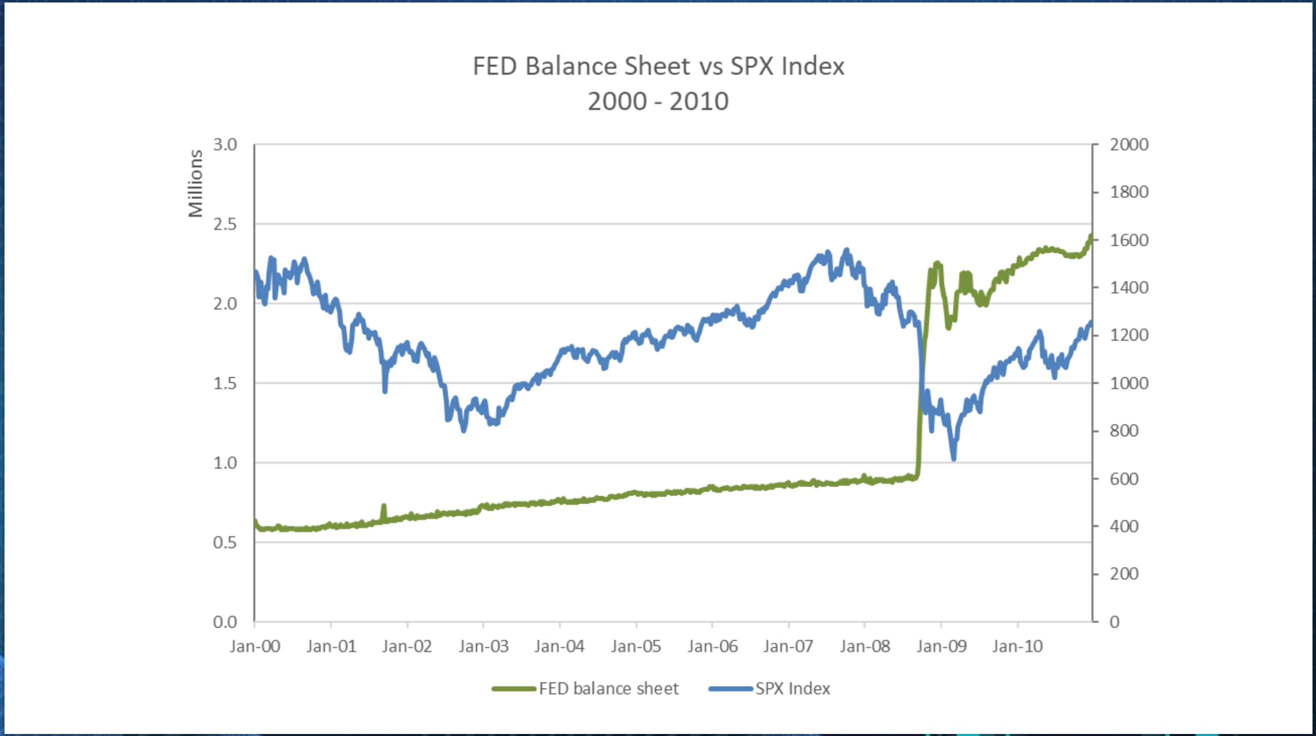
Central bank correlation with markets were not as strong before the financial crisis.



Source: Bloomberg, UOBAM, 28 Feb 22

Global GDP Growth

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Real GDP Growth Consensus Estimates (%)

	2018	2019	2020	2021F	2022F	2023F
Global	3.6	2.8	-3.1	**5.9**	4.4	3.5
United States	2.9	2.3	-3.4	**5.5**	3.9	2.5
Eurozone	1.8	1.6	-6.4	**5.1**	4.2	2.3
Japan	0.6	0.0	-4.7	**2.0**	2.6	1.3
Asia ex. Japan	6.0	5.4	1.4	**7.0**	5.5	5.2
China	6.7	6.0	2.3	**8.0**	5.3	5.3

Previous 2021 forecasts: Global 6.0, US 6.2, Asia 7.5, China 8.5

Source: Bloomberg, UOBAM, 28 Feb 22

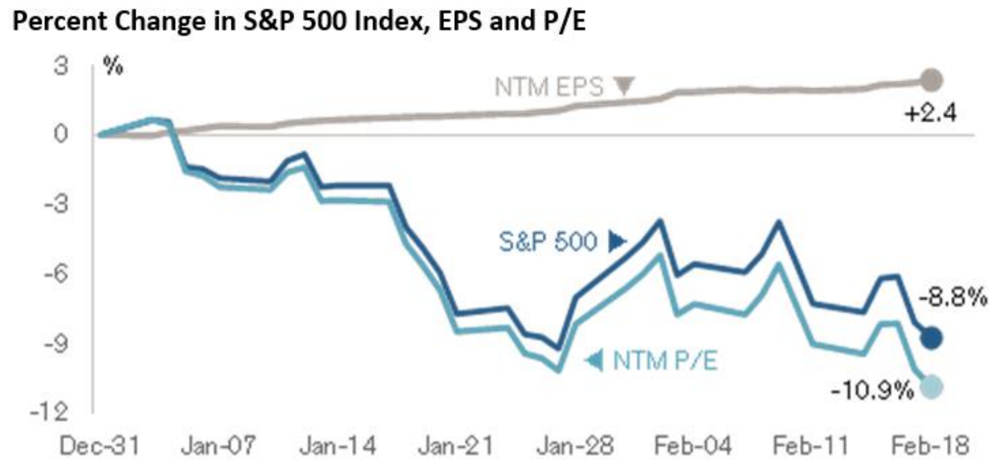
Earnings revisions have been very positive

	EPS Growth (YoY%)		PER		DVD YLD	PBR		ROE	
Regions	2022E	2023E	2022E	2023E	2022E	2022E	2023E	2022E	2023E
US	7.2	9.9	20.4	18.5	1.4	4.2	3.8	20.6	20.6
Europe	2.9	5.9	14.4	13.6	3.2	1.9	1.8	13.4	13.4
Japan	11.7	6.5	13.6	12.8	2.5	1.3	1.2	9.3	9.3
Asia Ex Japan	9.8	12.0	13.6	12.1	2.5	1.6	1.5	12.0	12.3
China	13.3	14.2	12.3	10.8	2.2	1.5	1.3	11.9	12.3

Based on Calendar Year

Source: Bloomberg, UOBAM, 28 Feb 22

Pre-Ukraine fundamentals were strong, EPS forecasts were being steadily upgraded even through market volatility.



Source: Bloomberg, UOBAM, 28 Feb 22

Equity valuations are still reasonable after adjusting for rise in bond yields.

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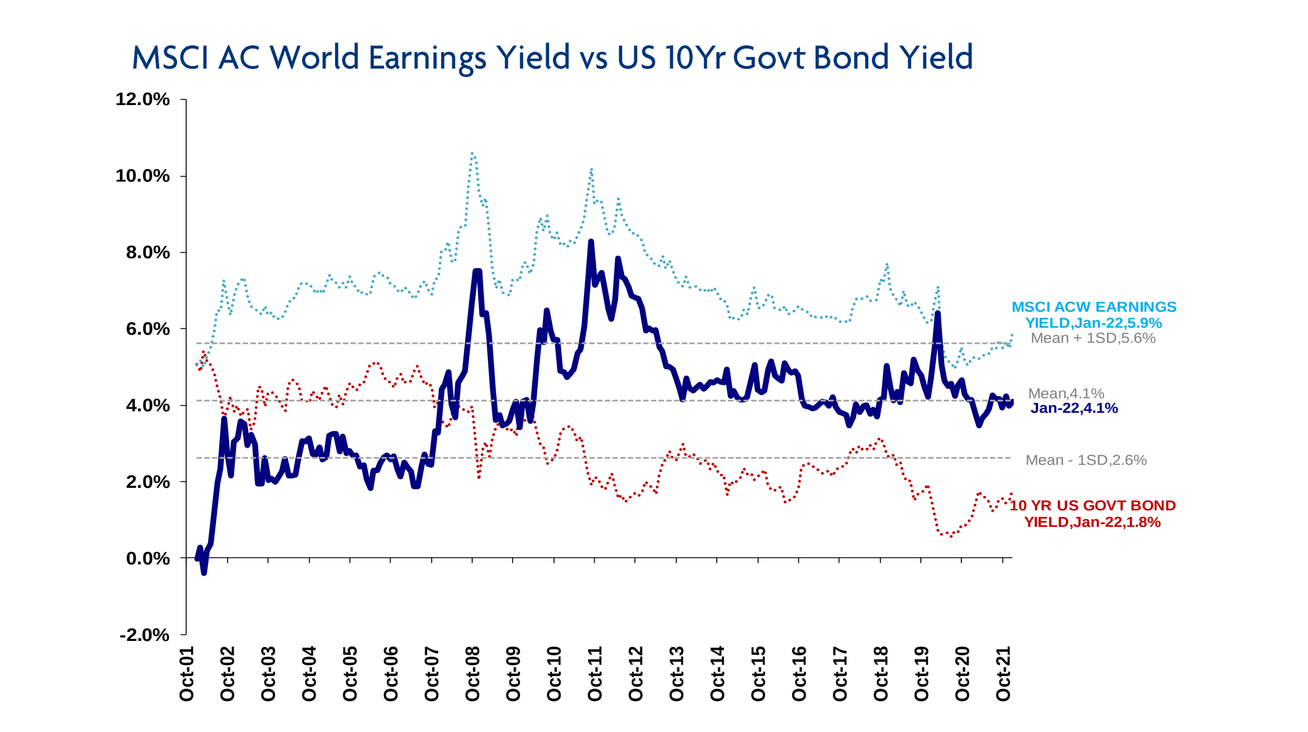

Source :MSCI, FACTSET, 31 Jan 22

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