

# Outweighing the uncertainties

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# Investment Strategy

As of mid-2018, investment returns in most asset classes, have been lacklustre. The equity markets are slightly up for the year and most fixed income markets are slightly down. Still, the year holds much promise with global gross domestic product (GDP) expansion and double-digit corporate earnings growth.

Overall, our assessment is that the risks from trade spats, European politics and other geopolitical issues are unlikely to undermine growth. This is the reason why we continue to expect growth assets to outperform in 2018. We argue that historically, equity returns average around 13% during years of double-digit earnings growth. There are only a few years in history where equities fall below their average returns against a backdrop of both global growth and earnings growth at double-digit rates.

Hence, we continue to overweight equities, underweight fixed income, neutralise commodities, overweight alternatives, and underweight cash.

# Global Asset Allocation

Sector Allocation	View	Notes
 <p>Equities</p>	+	<p><b>Rationale:</b> Solid broad-based global economic growth continues. Corporate earnings growing at healthy rates across most regions.</p> <p><b>Risks:</b> Trade wars, European politics (Italy), late stage growth, and inflation could rise and trigger more rate hikes.</p>
 <p>Fixed Income</p>	-	<p><b>Rationale:</b> Stronger growth leads to rising rates which will be a headwind for fixed income performance.</p> <p><b>Risks:</b> Bond yield moves have already been priced in, if growth disappoints, bonds could be a surprise winner.</p>
 <p>Commodities</p>	■	<p><b>Rationale:</b> Strong global commodity demand, but oil prices and several key base metals appear to be peaking.</p> <p><b>Risks:</b> China's growth could slow more than expected.</p>
 <p>Alternatives</p>	+	<p><b>Rationale:</b> Equity and fixed income trends have been lacklustre which give alternatives the chance to outperform on lower volatility.</p> <p><b>Risks:</b> Extreme market volatility and market movements outside of individual company performance.</p>
 <p>Cash</p>	-	<p><b>Rationale:</b> We are underweight on cash in a pro-growth environment that should lead to strong returns in equities and commodities.</p> <p><b>Risks:</b> Any correction, even a temporary one, would benefit from having extra cash to deploy.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

The global economic expansion is into the ninth year, and markets appear to be concerned that the world is due for a new recession. Even as inflation and interest rates normalise, raising uncertainties in the markets, macro growth factors remain supportive of growth assets such as equities. In addition, our assessment of recession indicators indicates that the chance of a new recession within the next 12 to 18 months appears low.

The trade spats between the US and China present uncertainties to be avoided and monitored, rather than implemented into our base case view for asset allocation. Hence, while we do not recommend radically shifting to a risk-off position for an expectation of an economic downturn, we are modestly shifting portfolios to reduce some of the sectors and geographies that are more vulnerable to trade risks.

In a continued expansion with strong broad-based global GDP growth and strong earnings in a normalising cycle, we advocate an overweight position in equities and an underweight position in fixed income.

# Global Investment Strategy

## Outweighing the uncertainties

Growth assets including equities continue to be supported by healthy global growth and earnings growth. The bullish case for equities is fairly straightforward unless something unusual happens in 2018.

Our equity scorecards which monitor for typical drivers of equity performance continue to look healthy. These include leading indicators, absolute GDP growth, earnings growth, fund flows and fiscal policy. We shifted valuations to neutral even as they had previously been a negative factor. The price-to-earnings multiples in the US had been high earlier in the year but after earnings growth and a sideways market, valuations have returned close to average levels. Meanwhile, other markets including Asia are back in line with long-term averages. The obvious negative in the scorecard comes from tightening monetary conditions globally. This headwind is largely offset from an expansionary fiscal policy boost in the US which is unusual at this stage of the late cycle. Thus, the backdrop for equities remains strong and it would take the rise of new risks to undercut the outlook.

A period of normalising interest rates is inherently a headwind for fixed income markets. While there is debate over the US Federal Reserve (Fed) enacting more than three interest rate hikes in 2018, there is broad consensus that the peak of the Fed funds rate is somewhere between 3% and 3.5%. We expect the 10-year US Treasury (UST) yield curve to flatten and even invert at some point in the next couple of years. It also means that 10-year UST yields have already made its largest moves and given the better carry in credit, we would expect fixed income funds to be positive through the rest of the year after being down in the first half of the year. The range of possibilities is not really as uncertain and as wide as markets may fear at the initial stages of the rate hike process.

While we have constructive views on equities and fixed income, a significant number of risk issues could undermine our expectations. The most material issue so far in the first half of 2018 has been the concerns of US-China trade skirmishes which could be potentially negative for the global economy, particularly should protectionist policies materialise.


“It increasingly appears that the US and China would require time to address trade issues, and these headlines would remain a significant overhang for markets over the coming quarter. We expect that the trade concerns would eventually moderate.”

The trade frictions between the US and China will not disrupt a backdrop of growth, and there would be some form of compromise. In the grand scheme of things, however, the economic impact of the trade tariffs announced are small. We continue to believe the spats with US trading partners have largely been about negotiating tactics and that none of the parties involved really want sustained trade conflicts.

European political issues still remain a key risk with Italian elections in September. We would expect markets to turn more volatile if leaders representing anti-Euro sentiments are elected. Finally, tensions with North Korea have been on the radar for years. The recent Trump-Kim summit was a positive step in the right direction, and the fears which gripped the markets six months ago have alleviated. However, the denuclearisation process remains elusive and any concrete steps to indicate so in the next few months would positively boost markets. In the event of North Korea failing to enact on promises, we would have to continue to monitor further risks of hostilities in Asia.

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# US Equity

Country Allocation	View	Notes
US 	+	<p><b>Rationale:</b> Sentiment with US corporates is bullish owing to a tax cut stimulus. The economy is likely to run the highest GDP growth rate and the highest level of corporate profit growth above its long-term average. Valuations which had been high in recent years are closer to long-run averages due to profit growth.</p> <p><b>Risks:</b> Inflation from overheating is increasingly of a risk from a strong economy. Policy mistakes such as trade wars and excessively rapid rate hikes could create a growth shock.</p>

## Summary

The markets may be underestimating the strength of the US economy. Our scorecards indicate the US in a significantly stronger position compared to Europe. This includes growth, leading indicators, momentum and earnings.


# Europe Equity

Country Allocation	View	Notes
Europe 	-	<p><b>Rationale:</b> European economic trends have been coming in below expectations and corporate profit growth is below that of global averages.</p> <p><b>Risks:</b> Political risks over the coming quarter are elevated and the risk of anti-Euro sentiment rising in the country. Growth could continue to surprise on the downside.</p>

## Summary

European politics has become a key risk in the wake of Italy's new government taking a strong anti-Euro stance. A new round of elections will be likely held in September and could trigger markets to turn more volatile if the anti-Euro sentiment spreads.

# Japan Equity

Country Allocation	View	Notes
Japan 	■	<p><b>Rationale:</b> Industrial production data in April was reassuring. Domestic economic conditions appear on track to maintain its above-potential growth, alongside moderating however still healthy global purchasing managers' index (PMI) in major economies.</p> <p><b>Risks:</b> Structural issues such as demographic trends remain an overhang on the country, escalations over trade with the US or a sharp appreciation in the yen.</p>







## Summary

The below-target inflation rate is supportive of the continued accommodative monetary policies from the Bank of Japan (BoJ), which should help support the market, alongside the slowing pace of foreign exchange (FX) driven negative corporate earnings revisions.

Maximum Overweight: ++   Slight Overweight: +   Neutral: ■   Slight Underweight: -   Maximum Underweight: --

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# Asia Ex-Japan Equity

Country Allocation	View	Notes
China 	+	<p><b>Rationale:</b> Stable economic growth and strong corporate profit backdrop. Macro risks are subsiding. Ongoing US-China trade tensions remain but are unlikely to derail China's longer-term growth path. Valuations still cheap against regional and global markets.</p> <p><b>Risks:</b> Escalation in US-China trade disputes or a slowdown to earnings momentum.</p>
Hong Kong 	+	<p><b>Rationale:</b> Continued tight demand and supply fundamentals in the property sector. Office rental trends remain solid while retail sales recovery gathers momentum. Macau gaming growth remains solid. Better infrastructure connectivity with the mainland to boost Macau and Hong Kong retail growth.</p> <p><b>Risks:</b> Lofty prices of HK residential property remains a social problem. Political interference from China. Any sharp spikes to US rates or the HIBOR (Hong Kong Inter-bank Offered Rate).</p>
India 	-	<p><b>Rationale:</b> Valuations are unattractive despite a recent market correction. Private investment and household consumption show encouraging signs of recovery, however downward earnings revisions continue especially in the financial sector.</p> <p><b>Risks:</b> Strong local domestic liquidity to help support the market. Positive momentum in consumption could drive the market.</p>
Indonesia 	-	<p><b>Rationale:</b> Valuations are low, however concerns remain with inflation, Rupiah vulnerability and economic growth momentum. Risk of further selling pressure due to a high level of foreign ownership in Indonesian Rupiah bonds. Domestic consumption is expected to improve on the back of pre-election handouts, government financial aid and job creation.</p> <p><b>Risks:</b> Markets could rebound if US dollar strength recedes and funds return to the emerging markets.</p>
Malaysia 	-	<p><b>Rationale:</b> Short-term economic and policy uncertainties with the new government could have positive prospects in the medium term. Downside to economic and earnings growth from fiscal deterioration.</p> <p><b>Risks:</b> A sharp spike in oil prices and optimism on reforms could strengthen the Ringgit and boost the stock market.</p>
Philippines 	-	<p><b>Rationale:</b> Rising inflation risks on back of higher oil prices and secondary impact from tax reforms could lead to further monetary policy tightening. A current account deficit has pressured the Philippine peso while valuations are still high relative to other Asian markets.</p> <p><b>Risks:</b> Good domestic growth rates with solid consumption levels notably at the mid-to-high end. A reversal in USD strength could support the peso and the market.</p>

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Singapore 	+	<p><b>Rationale:</b> GDP economic growth momentum remains strong, with further upside from positive surprises in consensus earnings estimates. Markets have re-rated on improved optimism with valuations still attractive relative to ASEAN peers.</p> <p><b>Risks:</b> Rising interest rates could hit the real estate sector and stall its recovery. Renewed geopolitical volatility.</p>
South Korea 	■	<p><b>Rationale:</b> Continued downward earnings revisions in technology and consumer discretionary sectors. Tactically increasing weights on selected opportunities in technology given the peak season in the third quarter. Valuations remain cheap.</p> <p><b>Risks:</b> Any adverse developments with US relations. President Moon's less pro-business stance compared to his predecessor is a domestic regulation risk.</p>
Taiwan 	-	<p><b>Rationale:</b> Downward earnings revisions. The Chinese smartphone market has also registered weaker than expected sales. Tactically increasing weights on selected opportunities in technology to capitalise on seasonal demand in the third quarter. Non-technology stocks are sensitive to US equity and bond markets.</p> <p><b>Risks:</b> Smartphone sales may recover more strongly than expected.</p>
Thailand 	■	<p><b>Rationale:</b> Solid external demand driven by tourism, exports and higher energy prices. Acceleration in domestic demand is supportive of GDP growth upgrades. Inflation is still benign while current account is in a strong surplus position.</p> <p><b>Risks:</b> Further delays in government infrastructure investments. Market valuations are still on the high side.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary







The earnings revision in Asia that was strong at the beginning of 2018 has trailed global markets, largely due to moderating export growth momentum. Despite this, earnings revisions remain positive and market valuations are still reasonable at a sizeable discount to global markets. The Asian markets are trading near their 18-year historical mean level based on price-to-earnings multiple, and at a slight discount on a price-to-book basis.

Despite solid underlying fundamentals in Asia, market performance has been impacted by heavy foreign selling. The US dollar strength and the emerging market (EM) contagion triggered by Turkey and Argentina has resulted in a huge capital flight from Asia. Southeast Asia has witnessed the brunt of the selloffs despite stronger FX reserves and corporate balance sheets compared to the broader EM.

In Asia, we favour countries with stable currencies, current account surpluses and positive earnings revisions. The main risks are trade wars, spikes in 10-year UST yields, a strengthening US dollar and geopolitical challenges that would derail global growth momentum. We continue to be positive on Asia given the backdrop of still healthy global GDP growth, the region's continued positive earnings revisions and cheaper valuations versus global markets.

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# Global Fixed Income Strategy

Sector Allocation	View	Notes
Developed Market (DM) 	-	<p><b>Rationale:</b> Despite recent volatility from Italy, the conversation has shifted back to European Central Bank (ECB) normalisation which should see German bund yields trading higher. In addition, we expect US yields to be supported.</p> <p><b>Risks:</b> If Italy takes on an antagonist stance against the EU, we might see a larger flight to quality flow.</p>
DM Government 	-	<p><b>Rationale:</b> We maintain more of an underweight on Europe against the US, as we assess that the former is more underpriced.</p> <p><b>Risks:</b> Trade or geopolitical risks could see an increased demand for DM bonds.</p>
DM Credit 	-	<p><b>Rationale:</b> We remain positive on corporate credits for carry against a supportive macro backdrop.</p> <p><b>Risks:</b> Rate shocks and geopolitical tensions may trigger credit spreads to widen.</p>
Emerging Market (EM) 	■	<p><b>Rationale:</b> The global headwinds that have caused the emerging markets sell-off in Q2 are likely to persist into Q3. The risks of divergence between US and EM growth performance, exacerbated by potential trade tensions; tighter USD funding conditions; and a stronger dollar forcing some central banks to adopt more restrictive policies. Valuations have adjusted with their fair value providing buffers, and are attractive compared to US high yield. EM offers plenty of opportunities for differentiation, based on political developments, policymaking and exposure to tighter funding conditions and higher oil prices.</p> <p><b>Risks:</b> The pace of US monetary tightening and protectionist measures, deleveraging in China, inflation surprises, and geopolitical risks.</p>
EM Government 	■	<p><b>Rationale:</b> Generally more positive policy tone emanating from EM. Most countries have deployed both monetary tools (currency depreciation, rates) and fiscal tools (subsidy cuts, value-added-taxes) to improve their imbalances.</p> <p><b>Risks:</b> Sensitivity to sharp commodity price declines and/or sharply higher USD funding costs. Risks such as a trade war would impact manufacturing exporters negatively.</p>
EM Corporate 	-	<p><b>Rationale:</b> EM corporate fundamentals showed improvement with defaults running at historic low rates, and stabilising levels of leverage levels. Overall, EM corporate credit is trading relatively expensive to EM sovereigns and quasi-sovereigns.</p> <p><b>Risks:</b> Protectionist US trade policies, EM political risks, geopolitical risks. A potential recovery in the capital expenditure or mergers and acquisitions cycle would be cash flow negative.</p>

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EM Local Currency 	-	<p><b>Rationale:</b> We are defensive on EM local currency for the time being, due to rumbling trade tensions, though return dispersion among countries should still be evident. Trade dependent economies will warrant more caution.</p> <p><b>Risks:</b> Trade frictions are unpredictable and could take a sudden turn for the better or the worse. Flexibility would be paramount.</p>
Duration 	■	<p><b>Rationale:</b> Our view on duration is neutral as we do not expect the yield curve to steepen henceforth.</p> <p><b>Risks:</b> The yield curve could further flatten toward the end of the year as the Fed continues to hike interest rates.</p>
Yield Curve 	■	<p><b>Rationale:</b> The gap between 2-year and 10-year UST yields should continue to flatten, and we see strong support for the spreads at 40 basis points, which should prove supportive in the near term.</p> <p><b>Risks:</b> Duration demand could spike higher ahead of the US mid-term elections.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Financial markets will remain volatile in the near term with geopolitical headlines particularly those stemming from trade tensions. The political crisis in Italy coupled with the change in government in Spain will continue to add to regional uncertainty in Europe. Though global growth concerns have intensified lately, these do not suggest a widespread slowdown given that monetary conditions in the advanced economies remain accommodative.

The broader geopolitical backdrop has become less supportive of the EM assets with protectionist threats from the US, populist pressures in Europe and concerns in the Middle East.

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Regional Allocation	View	Notes
Latin America 	■	<p><b>Rationale:</b> Disinflation has continued, allowing some tolerance for upward price pressures from currency depreciation. Relative higher real rates, improved current account balances and higher FX reserves provide insulation to tightening funding conditions for most EM sovereigns. Political uncertainty ahead of elections remains elevated in Brazil, Colombia and Mexico. Valuations in the region remain attractive, on a relative basis.</p> <p><b>Risks:</b> A renewed political crisis in Brazil might slow down the pace of reform. The region will see elections in Colombia and Mexico in 2018. Any failure to the North American Free Trade Agreements (NAFTA) negotiations will weigh as a risk for Mexico.</p>
CIS/EE* 	+	<p><b>Rationale:</b> In Russia, growth remains moderate given the country's cautious consumer and business confidence. Fiscal policy stance is expected to remain tight, given Russia's fiscal rule. Russia regained its investment grade status earlier this year from Standard &amp; Poor's. In Turkey, a growth-friendly policy mix continues to take its toll on macro balance, keeping the country susceptible to weaker external pressures. In Poland, growth is likely to moderate as household consumption normalises after a period of strong growth.</p> <p><b>Risks:</b> Geopolitical risks including Russia's involvement in US politics could result in further sanctions; weaker macro and political stability in Turkey could lead to further downgrades.</p>
Middle East/Africa 	+	<p><b>Rationale:</b> In South Africa, improving investor confidence, looser monetary policy and low inflation will allow the country to receive a meaningful contribution from investment, which in turn, supports economic growth. Moderate strengthening of oil and resource prices in the wake of Organisation of the Petroleum Exporting Countries (OPEC) production cuts has moderately eased pressure on oil exporters. Many countries have deployed both monetary tools and fiscal tools to improve their imbalances.</p> <p><b>Risks:</b> Even as fiscal budgets would be adversely impacted by weakening oil prices, Middle Eastern sovereigns have the lowest debt to GDP ratios and strong access to capital markets. Any escalation in the political dispute between Qatar and the Gulf Cooperation Council (GCC) might lead to oil price volatility in the region.</p>
Asia 	■	<p><b>Rationale:</b> Continuous robust global growth alongside improved corporate earnings. Valuations had cheapened substantially after a recent sell-off due to unfavourable technicals from a surge of new supply. With healthy credit fundamentals intact, this presents good buying opportunities while awaiting an ease of supply.</p> <p><b>Risks:</b> Any sharp increases in global interest rates may moderate risk appetite. China's reforms continue to add to growth pressures. Markets still remain wary of challenges domestically in the US and geopolitical risk from the Korean Peninsula.</p>
Singapore 	+	<p><b>Rationale:</b> The economy is sustainably growing at robust levels, with inflation relatively contained.</p> <p><b>Risks:</b> The openness nature of the economy renders it vulnerable to the risk of trade retaliation between the US and China.</p>

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\* Commonwealth of Independent States and Central and Eastern Europe

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# Currencies

FX Allocation	View	Notes
US Dollar <b>US\$</b>	■	<p><b>Rationale:</b> Although USD should remain on a lower structural path in the longer term as evidenced by a flattening yield, trade tensions means that we cannot price in USD weakness too aggressively.</p> <p><b>Risks:</b> The USD could rally should political tensions intensify in Europe. On the other hand, a quicker pace to the flattening of the yield curve could result in depreciation.</p>
Euro <b>€</b>	■	<p><b>Rationale:</b> ECB normalisation should continue despite political tensions with Italy. We expect asset purchases to end this year.</p> <p><b>Risks:</b> Should yields on Italian bonds spike again, ECB could decide that any contagion effect is too significant to ignore and continue with asset purchases beyond this year.</p>
Japanese Yen <b>¥</b>	+	<p><b>Rationale:</b> With the BoJ cornering the market, the current easing policy is unsustainable in the long run and we expect asset purchases to decrease significantly going forward.</p> <p><b>Risks:</b> A return to deflation would make the central bank cautious about making any alterations to their yield curve control policy.</p>
Singapore Dollar <b>S\$</b>	+	<p><b>Rationale:</b> We see another tightening move from the central bank at its October meeting where the slope of the nominal effective exchange rate (NEER) could be shifted back to 1%.</p> <p><b>Risks:</b> Inflation prints could remain soft, which would delay any moves to tighten.</p>
China Renminbi <b>CNY</b>	■	<p><b>Rationale:</b> We are biased towards CNY strength in the medium term. However, the possibility of CNY weakness due to trade frictions means we cannot afford to be too bullish on CNY in the coming quarter.</p> <p><b>Risks:</b> An all-out trade war would see the CNY depreciate.</p>







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## Summary

A flattening yield curve means that the US dollar is more likely to depreciate in the next two to three years. However, trade tensions from the US means that we have to be tactically cautious and refrain from being too aggressive on USD weakness. As political risks from Italy subside with the ECB on course for policy normalisation, EURUSD should continue on a medium-term uptrend in the second half of the year.

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# Commodities

Sector Allocation	View	Notes
Commodities 	■	<p><b>Rationale:</b> Continuing global GDP growth, particularly in non-developed markets with the highest rates of commodity consumption. Strong demand and low levels of expansionary capital expenditure are tightening global supply-demand balances and putting upward pressure on commodity prices.</p> <p><b>Risks:</b> A USD rally would be negative for commodities given the strong negative correlation in recent years.</p>
Gold 	+	<p><b>Rationale:</b> Positive aggregate demand from physical gold exchange-traded-funds (ETFs) and central banks, together with low levels of speculative positioning. Accelerating inflation means real interest rates would remain low even if central banks raised interest rates.</p> <p><b>Risks:</b> Non-inflationary growth and higher real interest rates would be negative for gold, which does not pay interest. Physical gold prices are also negatively correlated with the USD.</p>
Base Metals 	■	<p><b>Rationale:</b> Manufacturing PMI and industrial production data remain strongly positive. Widespread supply shortfalls are possible in two to three years if strong demand growth and lack of investment in new supply continue.</p> <p><b>Risks:</b> Elevated speculative positioning in futures markets, potential for credit-linked demand slowdown from China. Country-specific risks on production royalties and mine ownership remains a concern.</p>
Bulk Commodities 	■	<p><b>Rationale:</b> China continues to close low-quality domestic production of iron ore, coal and steel, benefiting higher grade producers overseas. Low levels of capital investment.</p> <p><b>Risks:</b> Demand may weaken with unexpected increases in trade tariffs and/or a slowdown in China's domestic property market. Thermal coal threatened by increasing output from alternative energy producers.</p>
Energy 	■	<p><b>Rationale:</b> OPEC production discipline, sharply lower output from Venezuela and strong aggregate crude oil demand growth from emerging markets - particularly from China and India.</p> <p><b>Risks:</b> Rapid increase in US onshore shale and Canadian oil sand production. OPEC currently signalling it may raise aggregate production given high oil prices. High level of speculative positions.</p>
Agriculture 	-	<p><b>Rationale:</b> Agricultural prices remain at relatively low levels, presenting upside risk in the event of unusual weather conditions.</p> <p><b>Risks:</b> Recent years have seen favourable weather and bumper harvests, leading to high stock-to-use ratios and reserve supplies.</p>



Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Global economic growth continues to expand, with industrial production and PMI data signalling continued demand strength in multiple regions. Despite this, Chinese demand could weaken in the second half of 2018 given tighter credit conditions.

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Sector Allocation	View	Notes
Hedge Funds 	+	<p><b>Rationale:</b> Macro concerns including interest rate hikes, potential trade wars and unsolved US-North Korea issues may lead to frequent reversals of market direction. This may benefit absolute return strategies which are able to adjust their levels of exposures and fundamental focused ones that are hedged.</p> <p><b>Risks:</b> Asset markets may rally due to abating macro concerns and improving corporate fundamentals. This may lessen the attractiveness of hedged strategies.</p>
Private Equity 	+	<p><b>Rationale:</b> Superior return opportunities at reduced volatility makes private equity an attractive opportunity in the current volatile public market environment. Venture capital, private debt, big buyout and secondary funds continue to attract significant funding.</p> <p><b>Risks:</b> Valuations are far from cheap in many areas after a prolonged period of inflow amid a period of abundant liquidity.</p>

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## Summary

Alternative investments are seeing a boon, as investors look for protection and returns, triggered by rising interest rates, a volatile environment and elevated valuations in the equity and fixed income asset classes.

Hedge funds have proven to be able to provide protection in periods of volatility in Asia while private equity continues to provide access to high growth businesses, superior yields and returns from active operational restructuring and improvements.

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