



- As of 30 September 2024, UOBAM Megatrends portfolio returned 2.3% for the third quarter of 2024.

Portfolio returns (% in SGD terms) and ETF weight (%)
30 June 2024 – 30 September 2024

	Return (%)	Weight (%)
Changing Demographics		
iShares Global Healthcare ETF	0.0	16.2
Global X Millennial Consumer ETF	3.1	4.1
Invesco Biotechnology & Genome ETF	1.9	6.5
Total	-	26.8
Environmental		
Vaneck Low Carbon Energy ETF	10.5	3.2
First Trust Water ETF	3.7	16.1
First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index	4.3	16.6
Total	-	35.9

Digital		
First Trust Nasdaq Cybersecurity ETF	-0.7	11.5
Global X Artificial Intelligence and Technology ETF	-1.2	8.6
First Trust Indxx Innovative Transaction & Process ETF	4.2	15.1
Total	-	35.2
Overall Portfolio Returns		
3 months (30 June 2024 – 30 September 2024)	2.3	-
1 year (30 September 2023 - 30 September 2024)	19.4	-

Source: Factset/Bloomberg/UOBAM. Portfolio holding period returns and Exchange Traded Fund (ETF) average weights are for the period from 30 June 2024 to 30 September 2024, cash remains at approximately 2.0%.

The information about asset allocation provided herein are subject to change at the discretion of UOBAM without prior notice. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM. Returns are calculated on a single pricing basis.

BREAKDOWN BY THEME

1) Changing Demographics

Performance

	Return (%)	Weight (%)
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Market Development

Equities rose for the third quarter as the Federal Reserve (Fed) lowered interest rates by 50 basis points, easing monetary policy for the first time in four years. This helped to drive rate-sensitive sectors like technology higher and was a tail wind for the Global X Millennial Consumer ETF. Likewise, the Invesco Biotechnology & Genome ETF which has a small-mid cap tilt also rose on the back of rate cuts. Performance of the iShares Global Healthcare ETF remained muted as recession risk receded and the market shifted its focus back to growth stocks. The share price of blockbuster obesity drug makers Eli Lilly and Novo Nordisk has also come down as valuations became lofty and trial results disappointed.

Outlook

The outlook of the healthcare sector remains positive. Valuation remains attractive and earnings growth are strong. Innovation remains robust in key areas such as Alzheimer's, metabolic diseases and cancer, with an aging population and the use of innovative technologies providing a strong boost for the sector. Likewise for the biotechnology sector, we see tailwinds as US enters a rate cutting cycle and acquisitions are being announced at a rapid pace. US Food and Drug Administration (FDA) has increased its pace of drug approval, which could provide a lift for the sector. For the consumer discretionary sector, moderating inflation in the US has helped to ease the worries of the man in the street. Although the consumers' willingness and ability to draw down excess savings is fading, it continues to support spending, particularly among high income consumers. The economy and labour markets remain stronger than expected, helping to support US consumer confidence.

2) Environmental

	Return (%)	Weight (%)
Vaneck Low Carbon Energy ETF	10.5	3.2
First Trust Water ETF	3.7	16.1
First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index	4.3	16.6
Total	-	35.9

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Market Development

The Vaneck Low Carbon Energy ETF was the best performer this month as clean energy related ETFs benefitted from the interest rate cut. Clean energy related ETFs have underperformed over the past year due to rising input costs and more expensive debt. With the US entering the rate cutting cycle, capital-intensive technologies like offshore wind and clean hydrogen would likely become viable again and this has helped to boost stock prices over the quarter. The First Trust Water ETF First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index also rallied on the back of rate cuts.

Outlook

We continue to see the environmental theme having strong growth as the world moves towards net-zero, especially as the US enters the rate cutting cycle. The demand for renewable energy continues to soar, yet global investment in clean energy is still far below where it needs to be. Enterprises and government agencies have been trying to close the supply and demand gap and are directing funding towards achieving new energy sources and lower carbon footprints. The US is also taking steps to protect its clean energy industries and grow US supply chains for electric vehicles, solar panels and other key products. The rate cut cycle should provide tailwind and improve investor sentiment on the clean energy sector. Furthermore, with artificial intelligence (AI) being both a heavy consumer and enabler of clean energy, it is poised to accelerate and propel the energy transition.

3) Digital

Performance

	Return (%)	Weight (%)
First Trust Nasdaq Cybersecurity ETF	-0.7	11.5
Global X Artificial Intelligence and Technology ETF	-1.2	8.6
First Trust Indxx Innovative Transaction & Process ETF	4.2	15.1
Total	-	35.2

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Market Development

The third quarter of 2024 was volatile for AI-related stocks. AI-related names fell initially due to hawkish statements from the US Fed, and recession fears and concerns regarding the profitability of AI projects by the Magnificent 7 companies. Nvidia also fell after its earnings release – despite strong results – as it missed investors' high expectations. However, they began to recover towards the end of the quarter as the Fed delivered a 50-basis points rate cut and concern over the labour market eased. The Global X Artificial Intelligence and Technology ETF and First Trust Nasdaq Cybersecurity ETF ended the quarter slightly negative, while the broadening of the market rally helped the First Trust Indxx Innovative Transaction & Process ETF to gain over the quarter.

Outlook

We continue to see strong structural growth in the digital space as innovation technologies come to the fore in areas such as AI, blockchain and cybersecurity. Advancement in AI continues to improve our lives, powering everything from our smartphones and autonomous driving features on cars, to disease detection and discovery of new drugs. As digital transformation accelerates across industries, so does the risk of cybersecurity threats, leading to companies increasing spending to enhance security which AI and automation are playing an increasingly large role. The digital economy presents enormous opportunities, and we believe that new and exciting products will be created from these technologies for the global economy, and we are at the beginning of the journey to harness their power and capabilities.

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