



- As of 31 December 2023, UOBAM Megatrends portfolio returned 8.8% for the fourth quarter of 2023.

Portfolio returns (% in SGD terms) and ETF weight (%)
30 September 2023 – 31 December 2023

	Return (%)	Weight (%)
Changing Demographics		
iShares Global Healthcare ETF	2.4	16.0
Global X Millennial Consumer ETF	13.2	11.9
Columbia Emerging Markets Consumer ETF	1.8	5.1
Total	-	33.0
Environmental		
Invesco MSCI Sustainable Future ETF	3.2	9.6
Vaneck Low Carbon Energy ETF	3.1	9.8
First Trust Water ETF	11.1	13.6
Total	-	33.1

Digital		
Amplify Online Retail ETF	17.2	7.4
First Trust Nasdaq Cybersecurity ETF	14.6	13.9
Global X Artificial Intelligence and Technology ETF	11.9	10.7
Total	-	32.0
Overall Portfolio Returns		
3 months (30 Jun 2023 – 30 Sep 2023)	8.8	-
Year to date as of 31 Dec 2023	19.7	-

Source: Factset/Bloomberg/UOBAM. Portfolio returns from 30 September – 31 December 2023. Exchange Traded Fund (ETF) average weights from 30 September – 31 December 2023, cash remains at approximately 2.0%.

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BREAKDOWN BY THEME

1) Changing Demographics

Performance

	Return (%)	Weight (%)
iShares Global Healthcare ETF	2.4	16.0
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Market Development

Equities market had a strong fourth quarter of 2023. Growth stocks were buoyed by falling U.S. Treasury rates due to dovish US Federal Reserve (Fed) comments and expectations of central banks cutting interest rates in 2024. This benefitted the Global X Millennial Consumer ETF that has growth-oriented holdings such as Uber and Meta. Likewise, the iShares Global Healthcare

ETF has also rebounded as market breadth broadened and investors looked towards other parts of the market that are undervalued.

The Columbia Emerging Markets Consumer ETF's performance continues to be muted as China's economic performance remained sluggish and weakness in the property sector burdened the country's recovery. Top holdings such as Alibaba and Tencent fell due to scrapped cloud IPO plans and new online gaming rules respectively amid weakened investor confidence. On the other hand, Taiwan and Indian stocks performed well due to technology stocks' rally and strong corporate earnings.

Outlook

The outlook of the healthcare sector remains positive. Valuation remains attractive, company fundamentals such as sales and earnings growth are strong, and innovation remains robust, with continued developments in areas such as Alzheimer's disease, metabolic diseases and cancer. An aging population and the use of innovative technologies would provide a strong tailwind for the sector, and the resilience of the healthcare sector would provide stability for the portfolio, especially as investors start to look at sectors that lagged in 2023. For the consumer discretionary sector, moderating inflation in the US has helped to ease the worries of consumers. US consumers ended 2023 with a surge in confidence for 2024, and as inflation eases, they plan to boost spending over the next six months according to the Conference Board survey¹. Their spending continues to support the US economy, underpinned by a resilient labour market.

2) Environmental

	Return (%)	Weight (%)
Invesco MSCI Sustainable Future ETF	3.2	9.6
Vaneck Low Carbon Energy ETF	3.1	9.8
First Trust Water ETF	11.1	13.6
Total	-	33.1

Source: Factset/Bloomberg/UOBAM. Returns from 30 September – 31 December 2023.

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¹ Conference Board, 20 December 2023

Market Development

The Invesco MSCI Sustainable Future ETF and Vaneck Low Carbon Energy ETF have underperformed the broader equities market as the impact of high interest rates continue to hit the clean energy sector. Clean energy projects have become less attractive due to rising input costs and more expensive debt. On the other hand, the First Trust Water ETF has performed well as it benefitted from a broadening of market breadth to more defensive sectors.

Outlook

Despite these near-term headwinds, we continue to see the environmental theme having strong growth as the world moves towards net-zero. The demand for renewable energy continues to soar, yet global investment in clean energy is still far below where it needs to be. Furthermore, rising global temperatures driven by climate change highlights the need for more alternative energy and faster transition away from fossil fuels. 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. With the Fed signalling rate cut in 2024, concerns about weakening corporate earnings due to elevated interest rates should subside and we should see investor sentiments on the clean energy sector improving.

3) Digital

Performance

	Return (%)	Weight (%)
Amplify Online Retail ETF	17.2	7.4
First Trust Nasdaq Cybersecurity ETF	14.6	13.9
Global X Artificial Intelligence and Technology ETF	11.9	10.7
Total	-	32.0

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Market Development

Growth stocks rallied in the fourth quarter as dovish Fed comments and expectations of central banks cutting interest rates in 2024 boosted investor sentiments. The Fed held its key interest rate steady in the fourth quarter and indicated at least three rate cuts in 2024. Market participants were even more optimistic and priced in more aggressive rate cuts which benefitted the Digital

theme as it is more sensitive to interest rate changes. All three ETFs outperformed the broad equities market, especially the small/mid cap tilted Amplify Online Retail ETF as investors' risk appetite increased.

Outlook

We continue to see strong structural growth in the digital space as innovation technologies come to the fore in areas such as artificial intelligence (A.I.), blockchain and cybersecurity. A.I. usage continues to proliferate, powering everything from our smartphones and autonomous-driving features on cars, to generative A.I. applications such as ChatGPT. And as the size of the digital economy grows, so does the frequency and magnitude of digital crimes, leading to increased spending to enhance security. We believe that enormous value 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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