AS AT 31.08.2024

Market Review

Global equities rose by 2.4% in August (MSCI AC World index in US dollar terms), ending the month at a new all-time high. This fourth consecutive monthly gain may understandably have been unexpected after the 6.4% decline between the end of July and 5 August, at the peak of volatility (VIX at 65 intraday and at 38.6 at the end of the day compared to around 16 at the end of July) resulting from forced selling on equities.

The sources of this turbulence were diverse and interlinked: A macroeconomic strand stemming from disappointing US economic employment indicators that investors interpreted as a sign of recession; brisk positioning adjustments in the wake of the unwinding of yen carry-trade operations after the Bank of Japan unexpectedly raised it policy rate on 31 July; and low liquidity in the summer lull.

The equity rally that followed was initially timid but later affirmed itself when investors felt reassured about the resilience of the US economy, slowing inflation and, finally, the prospect of cuts in key rates by the US Federal Reserve (Fed) from September. At the beginning of the month, emerging markets fell sharply (-6.3% for the MSCI Emerging Markets index in US dollar terms after the first three days of quotations) but their rebound afterwards was quite sluggish due to lingering doubts about the Chinese economy. The MSCI China index rose by only 0.9% in August, hampering the rise in emerging market equities (+1.4%). This underperformance reflected disappointments over economic growth and the continued difficulties of China's real estate sector. The authorities still seem hesitant to detail new support measures, contenting themselves with fuelling hopes by maintaining the rumour mill.

The decline in oil prices despite the rise in geopolitical risks illustrated the persistent doubts about global demand related to activity in China. Following sharp swings, WTI ended the month down by 5.6% at USD 73.6 per barrel. The MSCI AC Asia ex Japan index posted a monthly rise of 1.8% in August, reflecting the weak performance globally in the semiconductor sector during the month.

After the first warning in July, investors appeared less comfortable with the artificial intelligence theme despite encouraging results from leading US tech companies. This mindset may explain the modest decline in the 'Magnificent 7' index in August and the limited rise in the Nasdaq Composite (+0.6%), while the S&P 500 gained 2.3% and is up 18.4% year-to-date. Eurozone equities rose by roughly the same magnitude as the S&P 500 in August (+1.7% for the EURO STOXX 50 index; +1.6% for the MSCI EMU in euros) but their year-to-date gain has been less impressive (+9.6% and
+8.2% respectively). Japanese equities were at the epicentre of the turbulence in early August (with the Topix index falling by 12.2% on 5 August and by over 20% after the first three trading sessions of the month). Despite an impressive rebound, they ended the month down (-1.2% for the Nikkei 225; -2.9% for the Topix). In addition, the appreciation of the yen weighed on exporters, while the prospect of a rapid cut in key rates in the US weighed on Japan's financial sector.

Globally, defensive stocks outperformed in August, with the healthcare and consumer staples sectors posting

Source: BNP Paribas Asset Management as at 31 August 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: 6.63%, 2022: -14.53%,. Classic RH SGD, Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in SGD.

the biggest monthly gains.

The growth style and value style both performed in similar fashion in August: +2.3% for the MSCI AC World Growth index and +2.5% for the MSCI AC World Value index, despite the sharp fall in US bond yields that should have supported growth stocks.

Fund Performance & Portfolio Activity

Fund Performance

The fund BNP Paribas Sustainable Multi-Asset Growth detracted by -0.25% in August underperformed the benchmark by -60bps (Classic RH SGD, Capitalisation share class, net of fees, NAV-to-NAV with dividends reinvested, in SGD).

The effect from asset allocation was slightly positive this month mainly thanks to our position in Real Estate.

The effect from stock selection was however negative this month and came mainly from the thematic equity part of the portfolio.

The thematic equity bucket had a rather difficult month as most of the thematic equity funds underperformed the classic benchmark. Funds like Pictet Human, BNP Paribas Easy Ecpi Global Esg Infrastructure and BNP Paribas Funds Inclusive Growth had a good month, but this positive effect was completely erased by the positions in Templeton Global Climate Change, BNP Paribas Easy Ecpi Global Esg Hydrogen and Sparinvest Sicav Ethical Global Value.

The fixed income position had a rather neutral effect on selection.

Portfolio Activity

During the month of August, we did the following meaningful movements in the portfolio:

1) We closed our overweight position in Emerging Local Debt
2) We closed our conviction on Emerging Markets Equity
3) We introduced the iShares MSCI World Paris-Aligned Climate in all profiles in order to further limit the volatility within the thematic equity pocket.

We ended the month with an overweight equity position (1.67 to 2.28 % depending on the profile) and hold about 1.2% in European Real Estate. We keep on running a small overweight duration position.

Fund Outlook and Positioning

In August, the rapid rebound in global equities led to a fourth consecutive monthly gain. The two recent

Source: BNP Paribas Asset Management as at 31 August 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: 6.63%, 2022: -14.53%,. Classic RH SGD, Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in SGD.

warnings (sell-off in technology stocks in July; broad-based market turmoil in early August) should not be ignored, however. The recovery in equities and the resilience of other risk assets are indeed favourable and tend to prove that the economic and financial environment has not changed since the beginning of the summer. On the other hand, investor nervousness – seen since the start of the year in the exceptional volatility of expectations about US Federal Reserve monetary policy – remains. A lasting consensus on the economic scenario is hard to establish. The unexpected rise in the unemployment rate in early August convinced investors that the US economy was in recession. A few days later, after encouraging data on consumption and inflation, the ideal soft- landing scenario that would allow the Fed to start its easing cycle, was back in the limelight.

We share the view that economic growth should remain strong enough (no recession) and that monetary policies will gradually become less restrictive. These assumptions point to a favourable environment for companies. This situation already underpinned our main positions, particularly a small overweight in equities with a preference for US tech stocks.

However, there will doubtless be many sources of uncertainty towards the end of the year, such as geopolitical tensions and political risks (US elections in November), questions about the future of artificial intelligence as an investment theme, the pace of key rate cuts, etc. In the coming months, investor nervousness could be expressed by new episodes of sharp volatility. This is why the investment decisions made in recent weeks reflect our strong convictions while limiting risk on topics with lower visibility.

Source: BNP Paribas Asset Management as at 31 August 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: 6.63%, 2022: -14.53%,. Classic RH SGD, Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in SGD.

DISCLAIMER

Source: BNP Paribas Asset Management as at 31 August 2024. **Past performance is not indicative of current or future performance.** The above views represent our judgement as at the date of this report and may be subject to change without notice. Any economic and market trends/forecasts are not a guide to future performance of the fund. The funds/securities mentioned above are for illustration only and shall not constitute any investment advice. Calendar year performance: 2023: 6.63%, 2022: -14.53%,. Classic RH SGD, Capitalisation shareclass, net of fees, NAV-to-NAV with dividends reinvested, in SGD.