AS AT 30.09.2024

Market Review

Global equities, which had ended August on a record high, fell significantly in the first week of September on concerns over US growth. They then saw a rebound. The confirmation of a slowdown in inflation, the affirmation of the global monetary policy easing cycle – in particular with a first larger- than-expected cut in US policy rates – and the announcements of ambitious monetary and fiscal measures to support activity in China helped the MSCI AC World index in US dollar terms to rise by 2.2% in September, ending the month at an all-time high.

Beijing's initiatives to address 'new problems that require a sense of responsibility and urgency' were quicker and deeper than expected – significant multiple rate cuts, direct help to consumers, support for the property market. In response, Chinese equities soared (+23.6% for the MSCI China index, back to its highest level since early February 2023), leading to a strong outperformance of emerging markets (+6.4% for the MSCI Emerging Markets index in US dollar terms). The performance of the MSCI China and MSCI Hong Kong indices explained the solid rise of the MSCI AC Asia ex Japan index (+8.2%) despite the decline in South Korean equities and limited gains in Taiwan and India.

Within developed markets, US equities were boosted by the cut in key rates on 18 September. The extent of the cut, which could have reflected authorities' fears about growth, first worried investors, but the Fed's commitment to ensure a soft landing for the economy quickly reassured. The S&P 500 index ended the month at a record high, up by 2.0% from the end of August and by 20.8% year to date. The monthly rise in the Nasdaq composite was 2.7%, as tech stocks took advantage of the fall in bond yields. Eurozone equity markets posted a more modest rise (+0.9% for the EURO STOXX 50; +1.0% for the MSCI EMU), penalised by poor economic indicators pointing to the likely stagnation of third quarter GDP in the eurozone. Furthermore, equity investors seemed less sensitive to the ECB cutting its main policy rate by 25bp in September than they were to the 'Fed pivot' theme. In Japan, equity indices ended down (-1.9% for the Nikkei 225; -2.5% for the Topix). The appreciation of the yen, which in mid- September reached a year-to-date high against the US dollar, was one explanation, but we should not ignore the sharp decline in indices on Monday 30 September in reaction to the election on 27 September, after the market closed, of Shigeru Ishiba as the leader of the LDP (Liberal Democratic Party). Before his election, which was not wholly expected, the new Prime Minister had repeatedly spoken in favour of normalising monetary policy. Finally, after the Japanese market having benefited in recent months from the disaffection for Chinese equities, the opposite sentiment may have been at work in September.

Globally, the consumer discretionary sector posted the largest increase, followed by materials, especially in emerging markets for the latter. The energy sector saw the biggest drop. Doubts about global demand and worsening geopolitical tensions led to erratic oil prices, which ended the month down. At the end of the month, rumours of an upcoming rise in Saudi Arabia's production weighed further on prices. Brent ended the month down by 8.9% at USD 72 per barrel and WTI down by 7.3% at USD 68/bbl.

In September, the growth style (+2.5% for the MSCI AC World Growth) modestly outperformed the value style (+1.9% for the MSCI AC World Value).

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Fund Performance & Portfolio Activity

Fund Performance

The fund BNP Paribas Sustainable Multi-Asset Growth returned +1.58% in September outperformed the benchmark by +13bps (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.

The effect from stock selection however was rather neutral this month.

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

Portfolio Activity

There was a small negative selection effect coming from the thematic equity bucket. BNP Paribas Funds Healthcare Innovators had a very difficult month while Templeton Global Climate Change was recovering after a difficult month of August.

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

During the month of September, there were no meaningful movements in the portfolio.

We ended the month with an overweight equity position (1.41 to 1.64 % 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

The Fed has finally started its monetary easing cycle, but its decision on 18 September did not answer all investors' questions and the volatility of monetary policy expectations levels remains. In the short term, the questions are about the pace of cuts in the last quarter. Over the longer term, it is hard to see how far key rates should fall when central banks are reluctant to unveil their estimate of the neutral rate, while suggesting it is higher than it was before Covid. Investors stuck to Jerome Powell's comments about ensuring the much spoken-of soft landing for the economy, which, coupled with an accommodative monetary policy, is undoubtedly a favourable environment for equity markets. From a microeconomic point of view, the earnings outlook has been regularly revised upwards. However, despite the new records set by many indices, equities performed erratically in the third quarter, reflecting a certain feverishness fuelled by fears of excessive valuations of certain sectors, geopolitical risks and the impending US elections. For now, opinion polls make it impossible to predict who will win the presidential election. In any case, which party controls the US Senate and House after the elections will be crucial to electoral platform implementation, regardless of which candidate is elected President. It is therefore particularly challenging to implement scenario-specific strategies based on this or that political outcome, and recurring fears over the resilience of global growth or

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doubts about measures to support demand in China. Our equity exposure is now close to neutral, which will allow us to seize opportunities, be they directional, sectoral or geographical. For now, we favour assets that we believe offer more visibility from a fundamental perspective. We see this as the case for US technology stocks and eurozone investment quality credit.

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