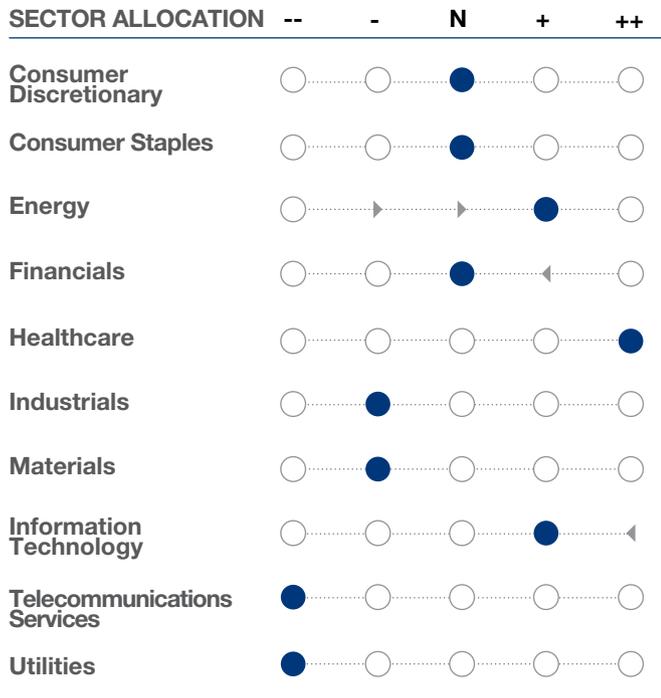


EQUITY STRATEGY

GLOBAL EQUITY

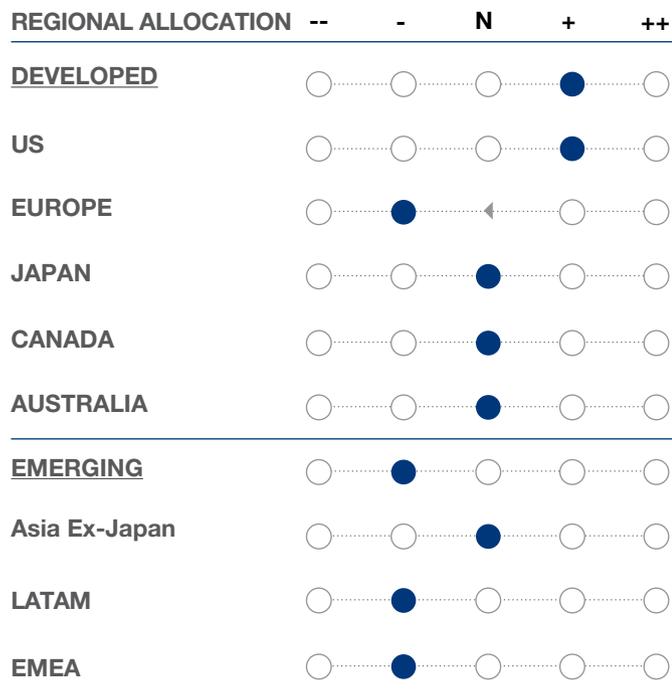


Notes:
The weights are relative to the benchmark – MSCI AC World Index.
‘- -’ denotes maximum underweight, ‘-’ slight underweight, ‘N’ neutral, ‘+’ slight overweight, ‘+ +’ maximum overweight; arrows show change from last quarter.

We have a positive outlook on global equities in the longer term, underpinned by continued growth in the advanced economies, modest earnings growth outlook and strong corporate profitability.

Given the years of underinvestment following the Global Financial Crisis, we believe that technology companies should benefit from rising corporate expenditure on technology hardware, software and business solutions. Hence, we are overweight on the information technology sector. We are also overweight on the healthcare sector given its strong cash generation and dividend yield. The sector continues to benefit from recent merger and acquisition activities and strong earnings growth momentum from the biotech sub-sector. We also have an overweight position in energy as we believe that the demand-supply fundamentals in the sector have improved considerably in recent months amid attractive valuations.

Our strategy continues to be underweight on materials given the sub-par growth of the global economy. We have also adopted a more cautious stance on interest rate-sensitive sectors such as utilities and telecommunications which could be impacted adversely by expectations of the US Fed tightening policies in the coming quarters.



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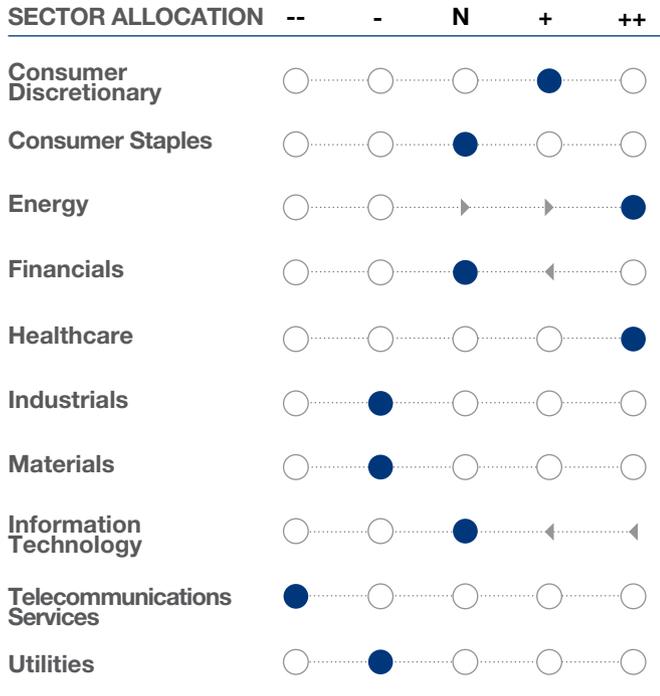
Across regions, we have a preference for Developed Markets (DM) over Emerging Markets (EM). This is due to the divergence in growth trajectories, the effects of capital flows from EM, and perceived risks to earnings expectations from shifting revenue and cost trends. Within DM, we remain overweight on the US. Our view is that the dollar strength which was previously a headwind to overseas corporate profits will subside in the coming quarters due to base effect. Meanwhile, the tightening labour force will result in higher wage inflation but the higher disposable income along with lower gasoline prices will support the retail sector, which remains a larger part of the economy. We retain the view that the economy remains on a strong recovery trajectory, and the US remains attractive for selective value plays.

We hold an underweight position in Europe despite the potential for further economic recovery. A weaker euro has helped to lift confidence and boost economic activities. The region also has significant operating leverage to an upturn in economic activity with profit margins currently at trough levels. However, heightened political risks arising from the UK's vote by referendum to exit the European Union creates an overhang on the region.

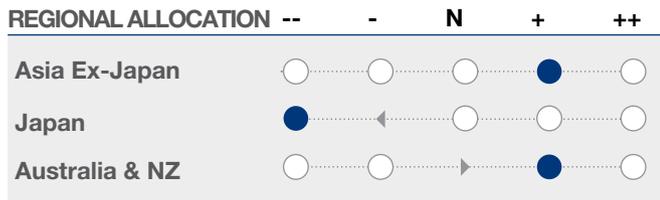
Concerns continue to linger over the long-term efficacy of Japan Prime Minister Abe's 'third arrow' economic policy. However, we see opportunities arising from beneficiaries of Japan's QE. Economic data remains mixed but we believe that the Bank of Japan (BoJ) will remain accommodative, which would help to support the market. Despite disappointments on policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. Hence we retain our neutral position in Japan.

We retain our underweight position in EM. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period following the Global Financial Crisis. The slowdown in China continues to weigh heavily on the demand and prices of resources. The abrupt shift in the resources sector has dampened investments and growth in much of the developing world. We believe that the EM still present good multi-year opportunities from a structural and macro standpoint but face challenges from a cyclical standpoint. Growth is falling short of expectations and corporate earnings could face further downward pressures unless productivity levels can continue to rise. There are interesting bottom-up opportunities and stock selection is increasingly critical.

ASIA PACIFIC EQUITY



Notes:
The weights are relative to the benchmark – MSCI Asia Pacific Index.
'- -' denotes maximum underweight, '- ' slight underweight, 'N' neutral, '+' slight overweight, '+ +' maximum overweight; arrows show change from last quarter.



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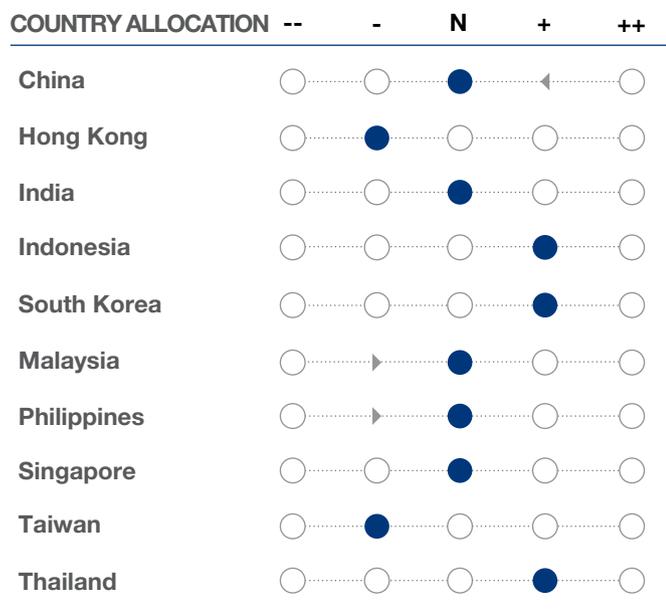
Our strategy is currently overweight on the energy, healthcare and consumer discretionary sectors. We have increased our weights in the energy sector recently given the strong demand response resulting from low oil prices and improving demand-supply balance globally. We are also overweight on the healthcare sector given its strong cash generation and dividend yield. We remain positive on the longer-term trend for the consumer sector as it provides exposure to the continued strong growth of domestic demand. We have reduced our position in the technology sector to neutral as the sector is currently facing headwinds arising from slowing revenue growth. However, we remain positive on the longer term trend.

The strategy is underweight on the materials sector due to concerns on China, which is experiencing slower growth. The country is also currently in the midst of implementing reforms.

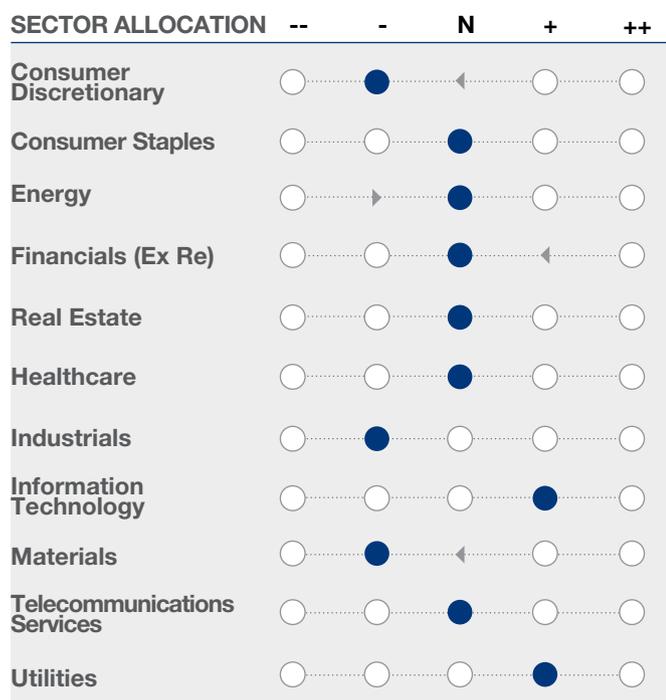
Across regions, the current positioning of the Asia Pacific strategy is to be overweight on Asia ex-Japan, Australia and New Zealand. The position is funded from an underweight position in Japan. This is a result of bottom-up securities selection and does not necessarily reflect a view on the respective regions.

For example, the overweight position in Asia ex-Japan is due mainly to the relative attractiveness of Indonesia and India financials against the rest of the region. Similarly, the underweight position in Japan reflects our concern on the operating prospects of Japanese financial and material companies.

ASIA EX-JAPAN EQUITY



Notes:
The weights are relative to the benchmark – MSCI Asia ex-Japan Index.
‘- -’ denotes maximum underweight, ‘-’ slight underweight, ‘N’ neutral, ‘+’ slight overweight, ‘+ +’ maximum overweight; arrows show change from last quarter.



Notes:
The weights are relative to the benchmark – MSCI Asia ex-Japan Index.
‘- -’ denotes maximum underweight, ‘-’ slight underweight, ‘N’ neutral, ‘+’ slight overweight, ‘+ +’ maximum overweight; arrows show change from last quarter.

The outlook for growth in Asia remains challenging due to the slowdown in China. Expectations for the US Fed to resume rate hikes in the second half of 2016 (2H16) could present headwinds for Asian currencies. Although inflation remains low, central banks will have less room to cut interest rates as the risk to currency stability and capital outflows need to be balanced against growth concerns.

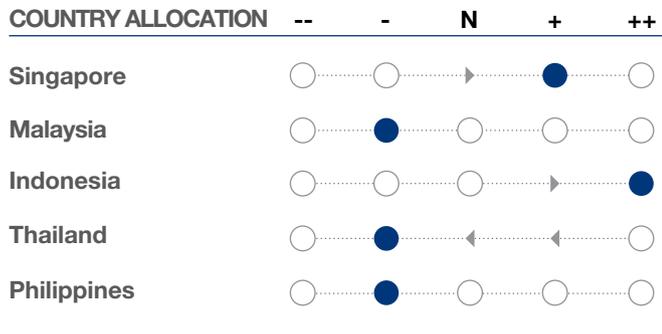
China remains in a conundrum of rising debt and slower growth. There have been marginal improvements in economic data but it remains to be seen whether the recovery is sustainable. We continue to stay cautious on China’s economy but expect growth to stabilise as a result of earlier monetary loosening, government spending and a property market pick-up. Structural challenges in terms of overcapacity and high debt levels remain, but on a positive note, we see that economic rebalancing is accelerating.

We have reduced our position in China to neutral. We are also underweight on Hong Kong due to the challenging outlook for the property sector, which faces the headwinds of a slowing China and potentially higher interest rates. In Taiwan, we are more constructive on the technology sector due to improving inventory and product cycles. We are overweight on Indonesia as we expect lower interest rates to flow through to increased spending and investment. We are also more optimistic on India as moderate inflation and rising incomes could boost consumption.

Asian equity valuations are currently attractive at around one standard deviation below the mean level on a price-to-book basis – a level that was last seen during the 2008 Global Financial Crisis.

Asia’s mostly favourable demographic trends and rising incomes underpin the long-term fundamental growth potential of the region, making it an attractive investment destination. We see investment opportunities in niche segments relating to the new economy. Rising internet and smartphone penetration will accelerate technological disruption across various sectors including retail, financial services, travel and transportation. This trend presents bottom-up investment opportunities across the whole ecosystem of e-commerce including information technology services and financial technology sectors.

ASEAN EQUITY



Notes:
The weights are relative to the benchmark – MSCI South East Asia Index.
‘- -’ denotes maximum underweight, ‘-’ slight underweight, ‘N’ neutral, ‘+’ slight overweight, ‘+ +’ maximum overweight; arrows show change from last quarter.

In ASEAN, domestic demand continues to be the primary driver for growth as external demand remains weak. In the early part of the year, the strength of the USD had moderated, removing a headwind for ASEAN currencies and allowing central banks room to ease monetary policy. Going into 2H16, we think ASEAN markets could see increased volatility as expectations rise for the US Fed to resume rate hikes.

The ASEAN strategy is most overweight on Indonesia where the market has corrected to attractive levels and we expect lower interest rates to translate into increased spending and investment. The passing of the Tax Amnesty Bill could boost confidence.

We have raised Singapore from neutral to overweight. Despite the global growth slowdown and oil price volatility posing risks to the economy, valuations are supportive and we think the government has policy tools to support growth. The strategy has reduced the overweight position in Thailand after the market’s strong performance over the last six months as we expect the country’s economic outlook to moderate in 2H16.

We remain underweight on Malaysia overall due to near-term headwinds from disappointing corporate earnings. However, we expect a recovery in oil prices to bolster the economy and ease pressure on the currency. In the Philippines, political conditions have stabilised after President Duterte’s strong win. Economic fundamentals remain robust, however, we view valuations as expensive.