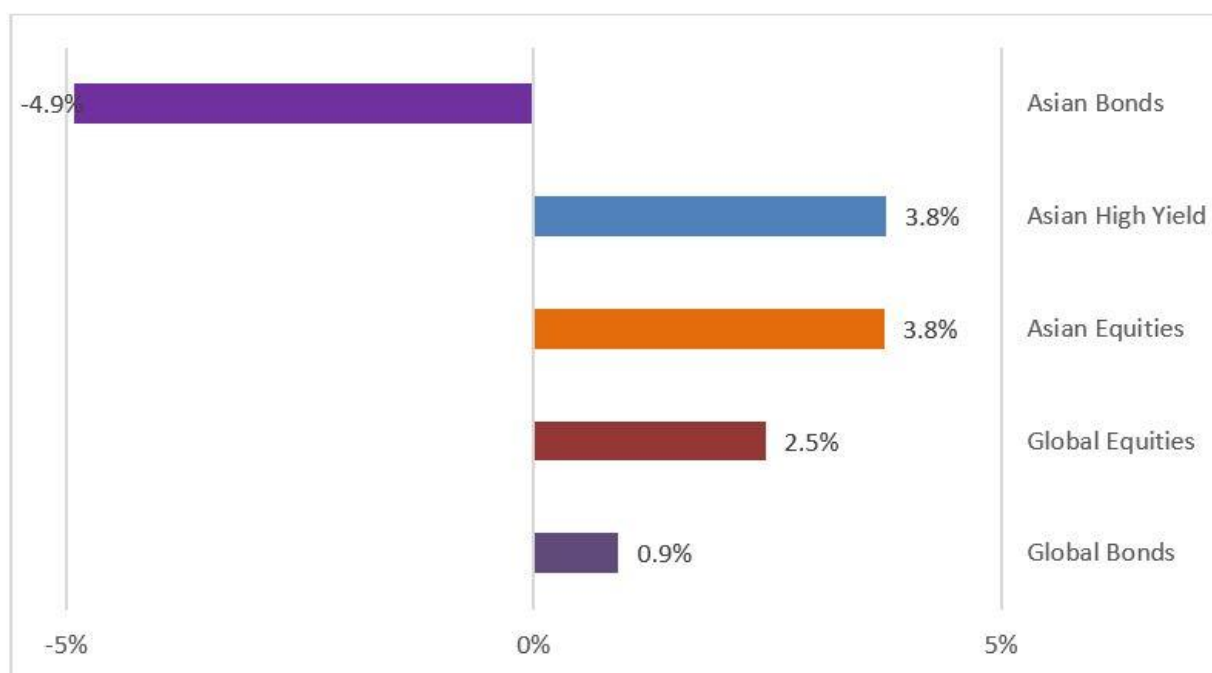




## Q4 2022 Market developments

- Global equities rose after declining for three consecutive quarters
- Global bonds gained in Q4 due to expectations of central banks shifting away from sharp interest rate hikes
- Asian equities rebounded as China eased Covid restrictions

## Asset class performance (% in SGD terms) 30 September – 31 December 2022



Source: UOBAM/Bloomberg. Performance as at 31 December 2022.

Indices used as follows:

Asian High Yield J.P.Morgan Asia Credit (JACI) Non-Investment Grade Index,  
Asian Equities MSCI AC Asia ex Japan Index,  
Global Bonds Bloomberg Global Aggregate Index,  
Asian Bonds J.P.Morgan Asia Credit (JACI) Investment Grade Index,  
Global Equities MSCI All Country World Index (ACWI) on a Net Asset Value basis.

Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes. The historical performance presented should not be used as a proxy for the future or likely performance.

After 3 consecutive quarters of losses, equities and bonds turned positive in Q4. Stocks rallied sharply and investor sentiment improved after softer-than-expected inflation in the US and Europe led to hopes that the US Federal Reserve (Fed) and the European Central Bank (ECB) would moderate their interest rate hikes. The Fed delivered a 50-basis-point rate hike in December, lower than the 75-basis-point in previous meetings. However, the Fed reinforced its commitment to bringing inflation down to its target level by keeping monetary policy restrictive through 2023, along with a higher terminal rate at 5.1% and a longer tightening cycle. Nonetheless, investors' optimism triggered significant declines in US Treasury yields and the US dollar.

Chinese stocks also surged as the government eased its pandemic measures, forging a pathway towards reopening. China also unveiled rescue packages for the real estate sector and temporarily eased restrictions on bank lending aimed at addressing the liquidity crisis faced by developers. The rest of the North Asian markets also strengthened in line with the global market. However, Asian investment grade bonds detracted due to currency effect, as the US dollar depreciated against the Singapore dollar by roughly 6% in the fourth quarter.

# UOBAM Invest Digital Adviser Retail Market Highlights

4th Quarter 2022

## Overview

Global equities and bonds turned positive in Q4 2022 as inflation showed signs of peaking.



Asian shares rebounded as China relaxed its zero COVID-19 policy.

## Central Banks' Actions



Central banks worldwide continued to raise interest rates in Q4 2022 to combat inflation.

The US Federal Reserve ("Fed") raised rates by 0.50% in December, lower than the 0.75% hike in previous meetings.



US Treasury yields dropped and bond prices rose on hopes of a less hawkish Fed.

## Asia spotlight



Chinese stocks rallied as the government began lifting COVID-19 restrictions in December.



China also unveiled support measures to boost liquidity in its cash-strapped property sector.



Asian equity markets strengthened in line with the global market while US-denominated Asian investment grade bonds were pressured due to the weaker US dollar.

### Looking ahead

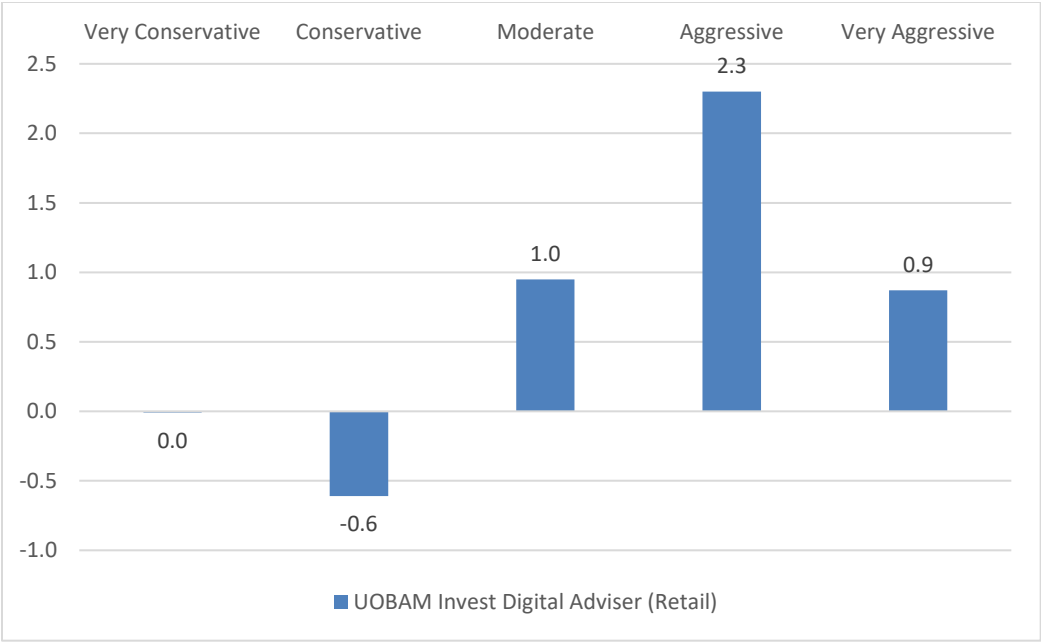


- We believe a global economic slowdown and period of below-trend growth is likely, but employment should remain somewhat resilient.
- The worst is most likely over for fixed income, but equities could have a wider range of outcomes.
- We recommend investors to stay invested for the long term.

# Portfolio performance

- As of 31 December 2022, UOBAM Invest portfolio returns for the fourth quarter, 2022 ranged between -0.6 percent and 2.3 percent

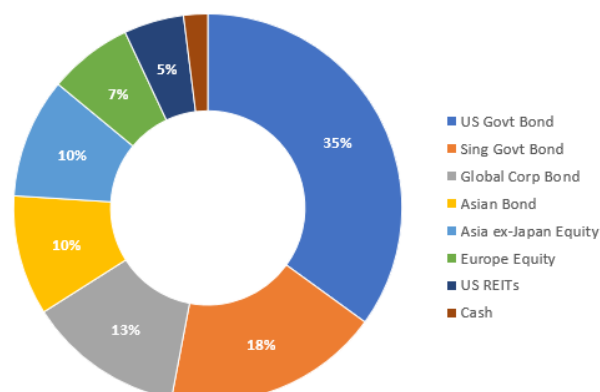
## Portfolio returns (% in SGD terms) 30 September – 31 December 2022



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. Portfolio returns on the scheme is calculated on a single pricing basis.

## 1. Very Conservative portfolio

Period	Portfolio Return (%)
3 months	0.0
6 months	-2.6
1 year	-17.6
Since Inception (26 July 2020)	-6.1



Source: UOBAM as of 31 December 2022 | US REITs: US Real Estate Investment Trusts

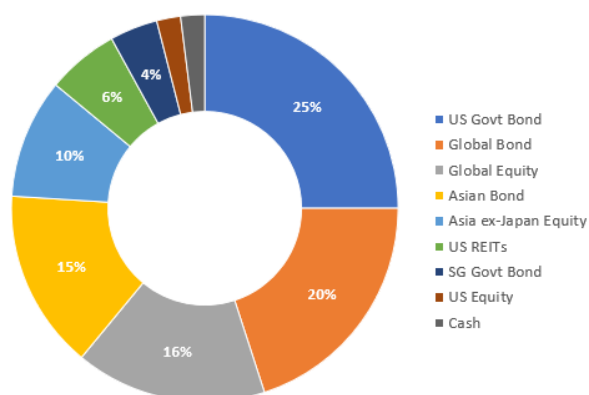
Since inception returns are annualised | The information about asset allocation provided herein are subject to change at the discretion of UOBAM without prior notice. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are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

Over the past three months, this portfolio was flat, as it was weighed down by US government bonds which were down about 6% due to the weakening of the US dollar. Allocation to European equities contributed to performance as Europe jumped almost 12% in Singapore Dollar term, making it the best performing region in Q4.

Over the one-year period, the portfolio saw almost 18% drawdown mainly due to the weak emerging market government bond performance. We have since capped the emerging market bond allocation to 10 percent to reduce the volatility of the portfolio.

## 2. Conservative portfolio

Period	Portfolio Return (%)
3 months	-0.6
6 months	-4.5
1 year	-14.8
Since Inception (26 July 2020)	-2.4



Source: UOBAM as of 31 December 2022 | US REITs: US Real Estate Investment Trusts

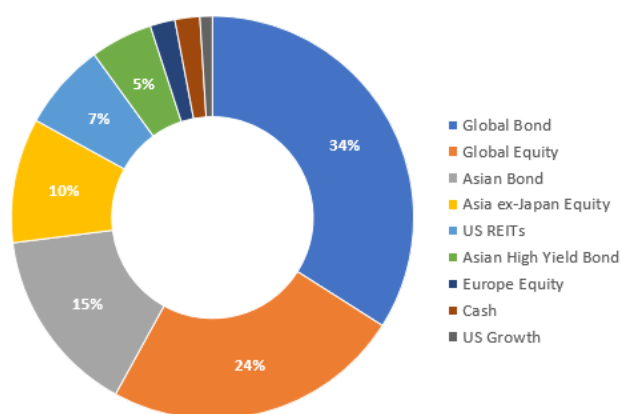
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Over the past three months, this portfolio has been weighed down by its allocation to US government bonds which was down about 6% due to the weakening of the US dollar. Allocation to emerging market government bonds helped to mitigate losses as it rebounded in Q4.

Over the one-year period, the portfolio was down about 15% in line with most broad asset classes. Allocation to US government bonds helped to mitigate some losses.

### 3. Moderate portfolio

Period	Portfolio Return (%)
3 months	1.0
6 months	-3.5
1 year	-15.3
Since Inception (26 July 2020)	-0.6



Source: UOBAM as of 31 December 2022 | US REITs: US Real Estate Investment Trusts

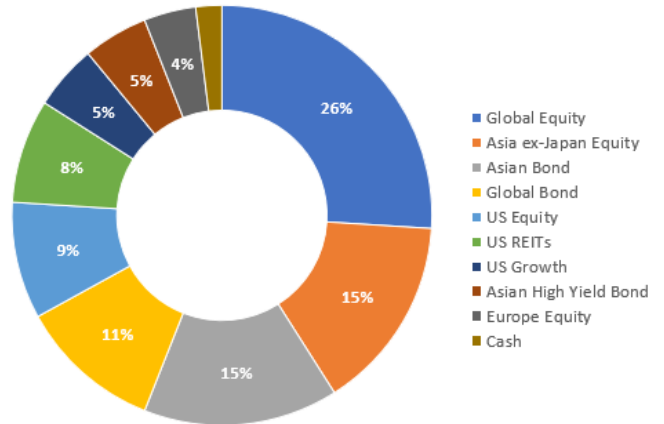
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Over the past three months, this portfolio was up 1% led by the rebound in emerging market government bonds and global equities. However, the gains were largely offset by the decline in global investment grade bonds in Singapore dollar term due to the weakening US currency.

Over the one-year period, the portfolio declined approx. 15% mainly due to allocation to Asian equities and US REITs.

#### 4. Aggressive portfolio

Period	Portfolio Return (%)
3 months	2.3
6 months	-2.6
1 year	-16.1
Since Inception (26 July 2020)	1.7



Source: UOBAM as of 31 December 2022 | US REITs: US Real Estate Investment Trusts

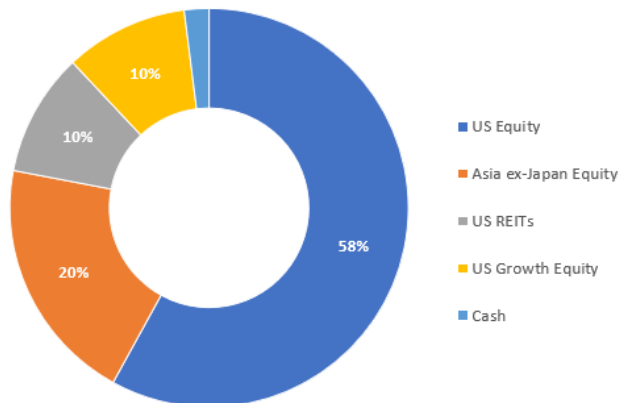
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Over the past three months, this portfolio performed was up 2.3%. Allocation to global, European and Asian equities all contributed to performance, whereas allocation to global investment grade bonds detracted due to the weakening US dollar.

Over the one-year period, the portfolio fell about 16%, as sell-off in equity markets was tempered by the allocation to US government bonds.

#### 5. Very Aggressive portfolio

Period	Portfolio Return (%)
3 months	0.9
6 months	-4.5
1 year	-22.2
Since Inception (26 July 2020)	1.1



Source: UOBAM as of 31 December 2022. | US REITs: US Real Estate Investment Trusts



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Over the past three months, this portfolio has been weighed down by its sizeable US equities allocation as US equities underperformed. On the other hand, the allocation to Asian equities contributed to performance.

Over the one-year period, this portfolio was down approx. 22%, mainly due to the weak performance of US growth and US REITs amidst rising interest rates.

## Looking ahead

- We believe an economic slowdown and a period of below trend growth is very likely
- We see a bigger range of outcomes for equities depending on how severe the economic slowdown in 2023 would be
- The worst is most likely over for fixed income, and we expect little downside from bonds, especially for high quality Government bonds

Looking forward into 2023, we believe that core inflation will persist, but overall inflationary pressure appears to be moderating. As such, we expect US Federal funds rate to peak at 4.75% to 5% by the middle of 2023 and stay there for some time. The higher peak rate has increased the risk of a global recession, but economic trajectories remain difficult to forecast. We are mostly convinced that there will be a slowdown and below trend growth, but are less convinced that it will result in significant unemployment.

Such period of below trend growth would mean a lacklustre environment for equities, and we may see corrections along the way. However, if there are improvements in inflation and we see signs of economy avoiding a sharp recession, equities could recover earlier than expected. As such, we see a bigger range of outcomes for equities.

For fixed income, the worst is most likely over as inflation is likely past its peak and the Fed is approaching its terminal rate. Therefore, we see little downside to bonds, especially high-quality Government bonds.

Over in Asia, we see more upside in the coming year. Asian equities and fixed income valuations are more attractive compared to developed markets, and Asian economies have enough structural growth to withstand 4% to 5% interest rates. Although Asian equities and fixed income had a decent run up in the last 2 months of the year, we are still structurally favourable on Asian equities and fixed income.

As we have seen in the market recovery in Q4, the run up could come rapidly. As such, we recommend investors to build their wealth by remaining invested for the long term and dollar cost average instead of trying to time the market.

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We encourage you to take this opportunity to review your investment objective and portfolio. Should you require any assistance, please do not hesitate to contact us at [UOBAMInvest@UOBGroup.com](mailto:UOBAMInvest@UOBGroup.com).

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