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HSBC Insurance Asia Equity Fund (SGD)

Investment and Market Review

MSCI AC Asia Pacific ex Japan gained 1.20% over second half 2024 (SGD term). In terms of geography, Singapore was the best performing country while China also outperformed while Korea was the worst performing country. In terms of sectors, Financials was the top performing one while Energy underperformed.

China's outperformance was driven mainly by the strong performance in September due to hopes for more stimulus. On the other hand, Korea was the worst performing market on the back of political volatility.

The fund underperformed against the benchmark on a 6-month basis. Positive stock selection effect in India and Materials positively contributed to performance, partially offset by the unfavourable stock selection effect in Indonesia as well and Information Technology.

In terms of positioning, we are most overweight to Korea and Information Technology. On the other hand, we are most underweight to India and Industrials as of end December 2024.

Market Outlook and Investment Strategy

While the US election event uncertainty has peaked, the macro and policy implications of the elections are still yet to unfold and policy uncertainty has risen which could likely result in volatility in the equity markets. However, Asian regional valuations are generally attractive, earnings are stabilizing and positioning is light. which enables us to maintain a constructive view on Asian equities. It is also worth noting that valuation dispersion among stocks has increased in various global markets – suggesting higher alpha than beta markets currently, and benefits active equity managers like ourselves.

Source: HSBC Global Asset Management

HSBC Insurance Asia Focused Income Fund (SGD)

Investment and Market Review

The fund achieved a positive return over the 6-month period against a volatile market backdrop, mainly contributed by our position in our core Asian fixed income exposures. Asian equities were flat over the period, and our tactical trades into single Asian equity countries were mixed. Exposures to India, Taiwan, Singapore were additive, while this was offset by exposures to Japan, EM value, and China. On the fixed income front, Asian investment grade bonds, Asian high yield bonds, and Asian local currency bonds. This was further supported by contributions from emerging market debt, both hard and local currency.

Market Outlook and Investment Strategy

We expect falling inflation, resilient growth, and robust corporate profits to persist in 2025, allowing the global rate cutting cycle to continue. This supports our base case for a soft landing of the economy, with inflation stabilising around 2% while economic growth is expected to stay positive, albeit below trend.

Global conditions are supportive of further market gains in 2025, but rising policy uncertainty is likely to translate to a more volatile market environment. Converging global growth gives neglected parts of global stock markets outside the US an opportunity to catch up. Emerging markets continue to trade at a valuation discount and have the potential to deliver strong returns. For emerging markets, the US dollar outlook is key: it is hard to forecast a materially weaker dollar in 2025, but a stronger dollar may not be guaranteed.

Source: HSBC Global Asset Management

HSBC Insurance Asian Bond Fund (SGD)

Investment and Market Review

Asian credit, represented by the JPM Asian Credit Index (JACI), returned -0.80% in December 2024. Of this, 0.46% was from carry, -1.28% was from duration and 0.02% was from credit. UST yields rose through the month as market expects less rate cuts in 2025.

The Federal Reserve (Fed) cut rates by 25 basis points but signaled a more cautious approach to rate cuts ahead. Persistent inflationary pressures continued to hinder the broader easing cycle that markets had been expecting.

In China, the Politburo meeting was held, which announced the need to implement more proactive fiscal policy and a moderately accommodative monetary policy, along with enriching the policy toolkit, boosting consumption and improving investment efficiency. Promoting technological innovation and stabilizing the real estate market are also top priorities. The Central Economic Work Conference followed the policy guidance set out in the Politburo meeting. Official targets for GDP growth and fiscal deficit will only be confirmed in March next year.

In South Korea, President Yoon Suk Yeol briefly imposed martial law, which was later rescinded, followed by his subsequent impeachment. While stable fundamentals are expected to continue supporting South Korean credits, domestic policy uncertainty now adds to the existing challenges in the external trade environment. Financial regulators have indicated their readiness to implement market stabilization measures if required.

In Frontiers, Moody’s upgraded Sri Lanka’s foreign currency issuer rating to ‘Caa1’ from ‘Ca,’ and Fitch raised its long-term foreign currency rating to 'CCC+' from 'restricted default,' reflecting progress after creditor approval of the country's $12.55 billion debt restructuring plan.

Asian credit, represented by the JPM Asian Credit Index (JACI), returned 3.69% in November 2023. Of this, +0.52% was from carry, +2.15% was from duration and +1.01% was from credit. Asian credit staged a comeback this month due to lower UST yields, news of Chinese policy support and general positive sentiment.

n terms of manufacturing activity, China’s manufacturing Purchasing Managers Index (PMI) slowed in December, though both the official and Caixin figures remained slightly above expansion territory at 50.1 and 50.5 respectively. Elsewhere, Japan, Taiwan, Indonesia and Thailand showed notable improvements in manufacturing performance. In terms of services, China’s Caixin General Services PMI rose to 52.2, up from 51.5 in November, marking the fastest expansion since May 2024.

On the local market front, the Reserve Bank of India (RBI) left rates unchanged at 6.5%, and the policy stance was left unchanged at “neutral”. Sanjay Malhotra was appointed as the new RBI governor, marking a shift in tone with an upcoming rate cut being increasingly likely. Bank Indonesia and Bank of Thailand maintained their policy rates as part of prioritizing currency stability for the former and preserving policy space for the latter. Bangko Sentral ng Pilipinas cut policy rate by 25 bps, though reiterating that any future monetary easing would be “measured” to ensure price stability.

Asia saw 2024 supply amount to around US$162 billion across IG and HY (a 51% year-on-year increase), and 2025 supply is forecasted to remain relatively flat at US$170 billion. The primary market slowed as we headed into the holiday season in December, but issuance is likely to pick up in January which is traditionally a busy month.

Fund Performance

In December, the BGF Asian Tiger Bond Fund (A2 shareclass) returned -1.07% net of fees while its benchmark, the JACI, returned -0.80%.

Active credit returns were close to flat relative to benchmark. Our largest contributors came from select positions in Sri Lanka, security selection in India HY, security selection in Indonesia HY and in Financials. Other notable contributors include off- benchmark Middle East and overweight in China HY Industrials.

On the other hand, select positions in Hong Kong IG detracted slightly due to idiosyncratic issuer news and developments. Other detractors include select positions in China property and underweight in Indonesia sovereigns.

Ex-ante credit beta remains stable at 1.06.

The fund added to select Australian names, off-benchmark middle east, select names in China TMT and smaller additions elsewhere.

On the flip side, reductions were made across credit hedges, off-benchmark convertible bonds, select positions in financials and smaller reductions elsewhere.

On the rates front, we added a small JPY short duration position and increased our USD duration slightly.

<u>Market Outlook and Investment Strategy</u>

USD Duration: Long

Hard Currency Credit:

• The fund has an IG-tilt with 60.7% in IG (including cash) as of end December and a BBB- average rating.

• APAC IG: This segment remains a resilient source of short-dated carry, has a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts and absorbable issuance pipeline. We are comfortable with some Indonesia renewable operators in the private utility space, select India names with dominant market positions and strong balance sheets that we expect should weather through near-term inflation and macro headwinds, and select Thai corporates names. We are underweight regions and sectors with tighter valuations.

• China: As of end December, ATBF has a 16.6% allocation to China - a 14.7% underweight compared to its benchmark. At the same time, we still find a number of attractive opportunities in China. The backdrop of (1) stable fundamentals for most of the Chinese companies, coupled with (2) the lack of issuance due to alternative funding channels onshore and (3) strong demand from Chinese investors is keeping volatility for large segments of the market low and the backdrop for Chinese fixed income favourable. In China offshore state-owned enterprises (SOEs), fundamentals are stable overall, and technical are strong due to limited supply and supportive onshore banks. While we are selectively positioned in some strategic SOEs, we have an underweight overall in the sector on the back of tight valuations. Within private-owned enterprises (POEs), we like the technology, media, and telecom sector due to improving credit trends and the sector remains strategic to China's national interests. Within financials, we find select attractive opportunities, reflecting a combination of systemic importance, strong shareholders, strong company fundamentals and event-driven trades. As for the China real estate sector, it is now an immaterial component of JACI (less than 2%).

• Non-China HY: In India HY, we like renewables, steel companies, infrastructure credits and select non-bank financing companies. There has been pickup in growth, improved access to domestic liquidity and stable credit profiles. In Indonesia HY, we like names in energy, renewables and real estate. Macau gaming is another interesting sector, which has been technically well-supported by the increase in travel, improving fundamentals, and stable credit profiles. We like select opportunities in Philippines, Hong Kong, Singapore (including in SGD), and smaller issuing countries on a name-by-name basis. For Frontier sovereigns such as Pakistan, Sri Lanka and Mongolia, we are selectively positioned with a focus on curve selection.

• APAC Financials: Asian financials' profitability has been improving due to the higher rates environment. Asset quality has not shown much deterioration from higher funding costs as economy recovery continues. We are currently underweight names with tighter valuations, mostly in China Hong Kong, and South Korea, but remain comfortable with the fundamentals in the sector overall. For example, Chinese asset management companies' systemic importance has been illustrated through Huarong's bailout led by Citic Group. Other financial holdings in countries such as Hong Kong, Malaysia and Thailand are mostly in top banks with good fundamentals and/or parental/ government support that would help them weather through macro uncertainty.

• Middle East, Japan and Australia: Off-benchmark allocation to Middle East USD credit provides attractive carry and limited supply risk. We have also built-up positioning in Japan, largely in short-dated financials with attractive carry and ESG profiles. We also have Australian bank positions with strong fundamentals, capitalization and profitability ratios.

Source: BlackRock (Luxembourg) S.A.

HSBC Insurance China Equity Fund (SGD)

Investment and Market Review

In 2024, the annual returns of Chinese and Hong Kong equity markets turned positive after declining for three consecutive years. The rise was propelled by two rounds of rebounds – at the end of April and at the end of September – on the back of positive policy support. In times of few policy announcements, however, overall sentiment towards the markets has remained fragile given the continued weakness in the property market as well as the intense geopolitical tension.

The fund delivered a positive return but underperformed the benchmark in 2024. From a sector perspective, both allocation and stock selection were unfavourable. Sector allocation effect was negative, mainly due to the underweight position in financials and the overweight position in healthcare. Stock selection detracted because it was weak in technology, healthcare and financials, offsetting the positive selection effect in consumer discretionary. From a market perspective, unsuccessful stock selection in China was the main detractor.

Market Outlook and Investment Strategy

At the stock level, garment exporter Shenzhou International underperformed during the period on concerns over potential tariffs on a Trump win. Camera module maker Sunny Optical also traded lower in the beginning of the year, as market priced in a slowdown of China smartphone demand and weaker demand for auto in the beginning of the year. The underweight position in China Construction Bank also hurt performance, as the high yield SOE bank was favoured by investors in times of uncertain growth in China. On the positive side, our underweight position in PDD was return accretive, as the stock was down after announcing softer than expected 2Q2024 results. Market was also getting more concerned about PDD's overseas business TEMU given Trump's strong anti-China stance. EV battery maker, CATL, traded higher on the back of strong EV sales in China as well as global market share gain. The underweight position in Baidu contributed. The internet company performed poorly as its advertising revenue remained under pressure given the weakness in China's consumption market.

Source: Schroder Investment Management Limited

HSBC Insurance Chinese Equity Fund (SGD)

Investment and Market Review

The Chinese Equity Fund rose 6.49% over the six months as of 31 December 2024 (SGD terms), while its benchmark, MSCI China 10/40 Net Total Return Index rose 15.34% (SGD terms) over the same period.

Market continued to be dragged by the prolonged property downturn and weak consumer confidence, domestic imbalances and deflation pressure persisted. However, market sentiment turned positive quickly after the policy pivot in the last week of September. On September 24, the PBOC, together with the CSRC and NFRA, announced a package of policy stimulus measures that span across monetary policy, property and equity market cohorts. PBoC Governor Pan announced a 20bp primary policy rate cut, a 50bp RRR cut and a 50bp interest rate cut on existing mortgages and confirmed that the National Stabilization Fund is under consideration. China's fiscal stance also finally loosened and the National People's Congress standing committee meeting in November approved a RMB10tn local government debt resolution plan, the largest in almost a decade.

Both sector allocation effect and security selection effect were negative during the period. Our underweight position in Utilities contributed positively to the performance. The sector lagged on style rotation out of defensive high yielders into cyclical beta plays. On the other side, our underweight position and unfavourable stock selection in Financials hurt our relative performance. Attractive dividend yields and rational policy combo have driven major banks' shares to all-time highs. Our high cash level, in particularly during September, dragged the relative performance during market rally.

Market Outlook and Investment Strategy

Further enhancing the stimulus efforts is the proactive and accommodative tone set during the December Politburo meeting. The array of supportive fiscal and monetary measures—including accelerated efforts for local government debt resolution, reductions in policy and other key rates, and property market stabilization initiatives—sends a positive signal to global investors seeking reassurance from Chinese policymakers. This reconfirms our belief that Beijing is earnestly combating concerns around deflation.

Looking ahead, we anticipate that China will continue to introduce more targeted measures and subsidies in consumption-focused areas to boost domestic demand. With recent strong exports data, further domestic demand stimulus and fiscal easing spending may only happen after the new tariff policy under the second Trump administration is clearer in later 2025. Stimulus measures may take some time to be reflected in macro data and earnings, so market may remain sluggish in short term without near term catalyst. However, with the support of continuous stimulus, we believe that market downside is limited.

We see opportunities in consumer sectors, especially those tied to the service economy, as they are well-positioned to benefit from the supportive policies on demand-side measures and from the potentially improving financial positions of local governments and sector fundamentals. TMT (telecom, media, and technology) is another sector to note as we expect earnings in selective subsegments may grow meaningfully this year due to technology advancement and further monetization enhancements.

Source: HSBC Global Asset Management

HSBC Insurance Emerging Markets Equity Fund (SGD)

Investment and Market Review

Emerging market (EM) equities rose in US dollar terms over the period, although some way behind developed market equities. Concerns about US interest rates staying “higher for longer” were a headwind for EM early in the year. However, money policy easing measures announced by both US and Chinese authorities in September and again before year-end were supportive towards the end of the period. More recently, policy uncertainty following Donald Trump’s presidential election victory in November has weighed on EM returns in general, not least because of investor concerns about the potential impact of Trump’s proposed tariffs, particularly on China. Elections were held in a number of EM during 2024, some of which were well received by markets while others caused some volatility.

Taiwan was the strongest index market, benefiting from global optimism about artificial intelligence-related technology. January’s presidential election saw the ruling Democratic Progressive Party (DPP) remain in power, although it lost its majority in parliament, and the previous vice president Lai Ching-te voted in as president. China was well ahead of the index, boosted by optimism about the authorities’ support for the economy which included monetary policy measures and guidance that fiscal policy measures are forthcoming. India outperformed, helped by political developments. Prime Minister

Modi's Bharatiya Janata Party-led (BJP) National Democratic Alliance retained its parliamentary majority in the country's generation election, which was held in the first half of the year, although the BJP lost its single party majority.

South Africa ended the year behind the index. While investors welcomed the formation of a coalition "Government of National Unity" between the ruling African National Congress Party, the key opposition Democratic Alliance and a number of smaller parties in June, US-election-related uncertainty weighed on the index market later in the period. Thailand and Saudi Arabia both gained in US dollar terms but underperformed the index.

The remaining EM delivered negative returns. Korea was down double-digits. Not only has poor performance from index heavyweight Samsung Electronics proved a headwind, political instability following the impeachment of first the president and then the acting president in December, has also been detrimental to the index market. Political developments also weighed on the Mexican market following Claudia Sheinbaum's election as president in June and her Morena party's supermajority. Investor worries centre on the party's intention to achieve meaningful reforms and the prospect of institutions being weakened given proposed judicial reforms. Brazil declined. Three interest rate hikes between September and December, in response to stubbornly high inflation and concerns about the fiscal outlook weighed on the index market.

The fund rose in US dollar terms and outperformed its benchmark with notably strong stock selection more than offsetting negative country allocation.

The fund's overweight to Brazil was the biggest detractor from returns in terms of country allocation. The fund was overweight South Africa at the start and end of 2024 and neutrally positioned between March 2024 and November 2024; the overall impact of the overweight position was negative. The fund's overweight to Poland, and the underweight to India, also had a negative impact. In contrast, the overweight to Taiwan contributed to returns as did the underweight to Saudia Arabia. During the period we were able to exit some Russian holdings. As Schroders have valued all remaining Russian positions at zero since 3 March 2022, there was a positive impact.

From a stock selection perspective, Taiwan (overweight TSMC and Hon Hai Precision) contributed the most. The fund also benefited from its holdings in Brazil (overweight Nu Holdings, Embraer), India (overweight Mahindra & Mahindra, Bharti Airtel, off-benchmark Coforge) and UAE (overweight Emaar Properties). Stock selection detracted in South Africa (overweight Goldfields, Aspen, Bid Corp and underweight Naspers) and China (zero-weight Xiaomi, off-benchmark AIA Group).

<u>Market Outlook and Investment Strategy</u>

President-elect Trump's fiscal policies may be supportive of US growth in the short-term and this should have some positive spillover effects to the rest of the world, including EM. Although well advanced, the technology cycle continues to be supportive of EM, with AI-related demand expected to sustain at least through H1 2025. There is also some scope for legacy technology demand to improve as the year progresses.

However, Trump's policies are likely to put upward pressure on US inflation and, therefore, Fed policy, the US yield curve and the dollar, which is broadly unhelpful for EM equity returns. That said, the dollar has already strengthened significantly, pressuring EM currencies, many of which screen as cheap.

Meanwhile, US bond yields and Fed rate expectations have recently adjusted markedly, and EM real interest rates are elevated. Much appears already priced in to markets.

Aggregate EM inflation has been trending downwards in recent months, but increased uncertainty about the external environment given the Trump victory, may drive caution from EM central banks. Those EM with resilient growth face a risk that inflation picks up again, curtailing the degree of potential rate cuts. Indeed, Brazil has raised rates three times since September in the face of rising domestic inflation expectations.

The potential for broad-based application of tariffs on exports to the US, with a particularly significant rise in tariffs on China, is the most notable risk for EM. Tariffs would likely lead to currency weakness for exposed countries, especially given the potential for depreciation of the renminbi, and could further slow the global trade cycle, which is already expected to soften moving into 2025. Our base case is for a more nuanced US approach to tariff application than that suggested by campaign rhetoric, although the balance of risk is to a more aggressive rollout.

Recent moves by US authorities, including the categorisation of several large Chinese tech companies as security risks given their alleged ties to the Chinese military, represent some of the non-tariff ways in which the geopolitical tension between the two countries is currently playing out. We expect the process of US-China decoupling to continue, which may create further volatility. That said, risk premia are already elevated.

The application of high tariffs and/or non-tariff measures may prompt a more significant Chinese policy response to defend against the impact on growth. Indeed, there is already a stronger policy backstop given September’s stimulus announcements and December’s commitments to more expansionary fiscal and monetary policy. Further moves, particularly to tackle the real estate sector, would be a welcome development. That said, policy action is likely to continue to be incremental – anything more would be a positive surprise - and execution will be key.

Headline EM valuations versus their own history are reasonable overall, being close to historical median levels. Emerging European and Latin markets are generally cheap while Asia is a more mixed picture, and India and Taiwan remain expensive. Meanwhile, EM’s discount to developed markets on a 12-month forward price-earnings basis is still near its widest in 20 years, even after adjusting for sector weights.

Near term, the key risks for EM continue to be the policy uncertainty associated with the new US administration, policy developments in China and a deterioration in AI sentiment. Geopolitics is a further area to monitor, both in terms of US-China trade relations, as well as the conflicts in Ukraine and the Middle East.

Source: Schroder Investment Management Limited

HSBC Insurance Ethical Global Equity Fund (SGD)

Investment and Market Review

Global equities collectively posted strong gains for the first quarter of 2024 as they extended a five-month rally. Better-than-expected fourth- quarter 2023 earnings reports, growth opportunities tied to artificial intelligence (AI) and optimism about an economic soft landing in certain regions bolstered investor sentiment. Meanwhile, expectations for interest-rate cuts in the United States and Europe diminished amid cautious central bank comments, along with some higher-than-anticipated US inflation data. As measured by MSCI indexes in US-dollar terms, developed market equities collectively reached a new record high and modestly outperformed a global index, while emerging market and frontier market equities significantly underperformed it. Global growth stocks outpaced global value stocks.

Although June political developments in Europe pressured results in that region, enthusiasm about artificial intelligence (AI) helped drive collective gains in global equities during the second quarter of 2024, particularly in the United States. Renewed optimism about an economic soft landing in many regions, an interest-rate cut in the eurozone, and investor expectations for potential rate cuts in the United Kingdom and the United States during the second half of this year also aided investor sentiment. Global manufacturing activity expanded in June for the fifth consecutive month, and flash reports for June indicated services activity expanded in many regions. As measured by MSCI indices in US-dollar terms, emerging market equities outperformed a global index, while developed and frontier market equities underperformed it. Global growth stocks significantly outperformed global value stocks.

Global equities ended the third quarter of 2024 collectively higher as they recovered from bouts of heightened volatility, including a market selloff in early August following an interest-rate hike by the Bank of Japan, as well as the release of a weaker-than-expected employment report in the United States, which led to recession fears. However, stock markets rebounded as resilient economic reports and a continued disinflation trend in the United States reignited hopes for an economic soft landing. Interest-rate cuts by the US Federal Reserve (Fed), the European Central Bank (ECB), the People’s Bank of China (PBoC) and other central banks further bolstered equities worldwide. As measured by MSCI indices in US-dollar terms, emerging market equities outperformed developed market equities; global value stocks significantly outpaced global growth stocks

During the fourth quarter of 2024, global stocks were pressured by investor concerns about economic growth, persistent inflation in some regions and the likelihood of further interest-rate cuts in 2025. While Donald Trump’s presidential victory and the potential for additional tax cuts and expansionary fiscal policy supported US equities, investors outside the United States were concerned about the president-elect’s tariff plans and their implications on global trade. On the economic front, global manufacturing activity contracted in December after stabilising in November, while global services activity expanded in November for the 22nd consecutive month and flash reports for December showed continued strength in many regions. As measured by MSCI indexes in US-dollar terms, developed market equities outperformed emerging market equities, while global growth stocks significantly outperformed global value stocks.

Market Outlook and Investment Strategy

The year 2025 brings a mixture of opportunities and headwinds, presenting an uneven landscape that will continue to test our price discipline and stock selection expertise. First and foremost, this is the year of Trump 2.0. The re-election of US President-elect Trump—who will take office on 20 January—and the Republican Party’s control of the US Congress have excited many investors with promises of business-friendly and pro-growth policies, potentially including corporate tax cuts and deregulation. These policies, if implemented, may support earnings growth and profit-margin expansion, as well as revenue-accretive corporate actions such as mergers and acquisitions. However, the risks of US tariff hikes are tangible, potentially hurting not only American companies relying on overseas supply chains, but also global trade and growth. We recall the sizeable earnings downgrades that hit all regions in the 2018–2019 trade war during President-elect Trump's first term, with Asia bearing the brunt. A similar scenario cannot be ruled out as the second Trump presidency begins.

Meanwhile, expectations of monetary policy easing will remain a key market driver. Further rate cuts by major central banks, including the US Federal Reserve (Fed) and the European Central Bank, are likely in the cards, but uncertainties abound. Sticky inflation is a tail risk that bears watching, especially in the United States, where higher tariffs and near-full employment may keep consumer prices high. Already, the Fed has reduced its projected rate cuts in 2025 from four to two. A slowdown of the easing trajectory has largely been priced in, but further setbacks may be a major downside surprise to both equity returns and earnings growth prospects.

Against this backdrop, we will continue to focus on identifying companies that, in our analysis, are favourably or fairly priced relative to their robust fundamentals. These are businesses that can generate free cash flow, protect profit margins, sustain earnings growth and deliver shareholder returns throughout the business cycle. With a bottom-up perspective, we see these opportunities across multiple sectors and geographies. Health care, for instance, is a sector that may have been oversold despite its defensive growth qualities. The sector's share-price underperformance in 2024 may yield mispricing opportunities that can help enhance the portfolio's defensive bulwark. Energy is another sector where we see value potentially emerging from the selloffs in 2024, with select stocks offering ample free cash flow yield and generous shareholder policies at compelling prices.

Overall, as we stay invested, we will aim for diversified exposures across defensives and cyclicals, maintaining what we believe is a balanced portfolio structure that can sufficiently capture near-term upside and long-term value without eroding our risk/reward profile. Being diversified also means paying attention to the valuation gap between the US market and the rest of the world. After two years of exceptional returns, US equity valuations may have become stretched relative to European and Asian stocks, which are trading at a roughly 40% discount based on one-year forward price-to-earnings ratios. The US market remains critical and we are ready to narrow our underweight gap relative to the benchmark, but this will be done selectively. Recent new additions—including a technology conglomerate and a consumer health giant—followed careful assessment of prices relative to peers and their own intrinsic worth, as well as their future growth trajectories. In balance, we initiated fresh exposure to China, while adding two Danish positions to the portfolio, among other moves. As the year progresses, we will continue to seek idiosyncratic ideas in Europe and Asia for portfolio enhancement.

Source: Franklin Templeton

HSBC Insurance Ethical Global Sukuk Fund (SGD)

<u>Investment and Market Review</u>

Global fixed income markets remained volatile over the first quarter of 2024, falling in January and February before rebounding slightly in March. The US Federal Reserve (Fed) kept the federal funds target rate unchanged at a 23-year high at its two meetings during the quarter and maintained its outlook for three rate cuts in 2024. The European Central Bank also kept its key refinancing rate at a 22-year high over the quarter, reiterating that key interest rates are at levels that, if maintained for a sufficiently long duration, could help it reach its inflation target. Against this backdrop, the Sukuk market rose marginally.

Global bond markets remained volatile throughout the second quarter of 2024, falling in April and then rebounding a little in May and June. The US Federal Reserve (Fed) kept the federal funds target rate unchanged at a 23-year high at its May and June meetings. In June, the Fed updated its 2024 rate-cut projection to one—down from a previous forecast of three—though Fed Chair Jerome Powell left open the possibility of two 2024 rate cuts. The European Central Bank embarked on a monetary policy easing cycle in June with a cut of 25 basis points (bps), as had been widely expected. Against this backdrop, the Sukuk market rose slightly.

Global equities ended the third quarter of 2024 collectively higher as they recovered from bouts of heightened volatility, including a market selloff in early August following an interest-rate hike by the Bank of Japan, as well as the release of a weaker-than-expected employment report in the United States, which led to recession fears. However, stock markets rebounded as resilient economic reports and a continued disinflation trend in the United States reignited hopes for an economic soft landing. Interest-rate cuts by the US Federal Reserve (Fed), the European Central Bank (ECB), the People's Bank of China (PBoC) and other central banks further bolstered equities worldwide. As measured by MSCI indices in US-dollar terms, emerging market equities outperformed developed market equities; global value stocks significantly outpaced global growth stocks.

Global aggregate bond indexes registered negative total returns over the fourth quarter of 2024. The US Federal Reserve (Fed) lowered the federal funds target rate by 25 basis points (bps) in November and by another 25 bps in December. However, following the December meeting, Fed Chair Jerome Powell stated that the central bank would be more cautious about future rate cuts, and its revised projection of only two rate cuts in 2025—down from the four projected in September—weighed on investor sentiment. The European Central Bank also delivered two 25-bp cuts over the period, with the central bank reiterating its data-dependent stance. Against this backdrop, the Sukuk market was also down.

Market Outlook and Investment Strategy

Even though our probability estimates for a significant slowdown in the United States have decreased significantly over the past few months, the possibility still exists. Also, credit spreads have continued to tighten, approaching all-time lows, reinforcing our defensive bias despite the improving US growth outlook. The possibility of tariffs and potential volatility in emerging market currencies after the new administration assumes power in January tempers our non-US dollar allocations.

We still anticipate more market volatility over the next few quarters, given the uncertain economic and (geo)political environment we are trying to navigate, and our outlook continues to support an increase in defensive allocations to higher-quality fixed income sectors—such as global Sukuk.

Our rationale for continued long duration and defensive credit allocations is based on three interrelated themes that we believe are likely to play out during the next year: 1. The possibility of projected rate cuts turning to rate hikes, with a higher impact on shorter US Treasury maturities than longer-dated benchmark rates, and a return of yield-curve inversion. 2. Stretched valuations of risk assets and higher-for-longer interest rates eventually weighing on credit spreads, with a greater impact on high-yield relative to investment-grade issues. 3. Stable oil prices, with the potential for lower prices coming from projected excess supply, exacerbating widening budget deficits in Saudi Arabia and other oil producers in the Gulf Cooperation Council (GCC) as well as Asia.

Mitigating these risks to some extent is the relative economic strength of GCC issuers that have been accumulating reserves and improving debt metrics over the past three years, along with an ongoing market development and structural reform story that continues to attract incremental demand to global Sukuk markets.

However, with 10-year real yields above 2.25% and a Fed keen on lowering rates, as well as equity valuations (as measured using price-earnings multiples) at the higher end of their historical range, our central expectation for our fixed income markets is for solid but restrained performance potential in 2025.

Source: Franklin Templeton

HSBC Insurance Europe Dynamic Equity Fund (SGD and USD)

Investment and Market Review

•An overweight in Zalando, the German online fashion retailer, contributed. The company provided a positive trading update stating that full-year profitability would beat consensus expectations by 8%. This was driven by better inventory sell-through and less discounted sales.

•An overweight in UniCredit, an Italian banking group, contributed. The bank's financial health improved with a projected 10.1% net income rise for 2024, showcasing operational resilience. Furthermore, UniCredit's exchange offer for Banco BPM highlighted its commitment to strategic growth in the Italian banking sector.

•An overweight in Prosus, the Netherlands headquartered global investment group, detracted. The stock declined as their largest holding, Tencent, was put onto a US entity list due to alleged connections to the Chinese military.

•An overweight in Banca MPS, the Italian bank, detracted. The bank made an offer to buy rival Mediobanca, which they rejected saying that a tie-up would be detrimental to shareholders as it lacked strategic and financial rationale. The offer came as a surprise and drove some underperformance in the bank's shares.

Market Outlook and Investment Strategy

•We are currently most overweight in consumer discretionary distribution & retail and banks. The largest underweight positions are in capital goods and household & personal products.

•We added a position in Richemont, the Swiss luxury stock, following strong third-quarter results. Group sales surpassed expectations, driven by the core 'Jewellery Maisons' division and improved US growth, with increased consumer spending. This robust sales trend is positive for the product mix and EBIT margins. Consequently, consensus estimates have risen as analysts incorporate this news into their forecasts.

•We sold out of Marks & Spencer Group, the British retailer. Third quarter results were not the positive catalyst we had expected in the context of very strong execution and a beat-and-raise cycle over the last 24 months. With earnings momentum slowing and concerns over the UK's growth prospects, we felt there were other more attractive investment opportunities elsewhere.

•European equities trade on an extreme discount to US equities. This argument may not be new to prospective investors; however, the European equity market today can offer comparable levels of quality and growth. This valuation support is recognised by European CEOs, who are buying back more stock.

•Technology adoption, healthcare innovation, emerging market consumption and climate change remain the key mega forces behind our secular themes. In 2025, we believe the biggest influencer on opportunity in this part of our portfolio will be AI.

•We believe the disinflationary trend is likely to continue, alleviating pressure on central banks, which have adopted a measured approach to interest rate adjustments.

•Looking ahead, improving economic conditions, attractive fundamentals and structurally improving interest rates are likely to present investors with many attractive opportunities across markets

Source: J.P. Morgan Asset Management

HSBC Insurance Global Bond Fund (SGD)

Investment and Market Review

Global government bond yields traded in a wide range during March but ended the month lower. The rhetoric from key central banks remained consistent with a patient and gradual approach to reducing policy rates. By month-end, market pricing was more aligned with this than had been the case at the start of the year, when a much greater scale and pace of monetary policy easing was discounted. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) kept interest rates on hold as expected. While inflation has cooled markedly over the past year to the end of March, market concerns have grown over whether this progress had stalled, most notably in the US.Market.

Fixed-income markets fluctuated throughout June, influenced by the trajectory of central bank monetary policy rates based on incoming data and political-related volatility that affected several key global economies. US Treasury

(UST) yields traded in a wide range but ended the month lower. Weaker US inflation and economic activity data helped to consolidate expectations that the Federal Reserve (Fed) will soon begin to ease the restrictiveness of monetary policy.

Following weeks of intense speculation, the US Federal Reserve (Fed) delivered its first interest rate reduction since March 2020 with a 50-basis-point (bp) cut that brings the fed funds target rate to a range between 4.75% and 5.0%. Following the decision, Fed Chair Jerome Powell cited greater confidence that inflation is moving sustainably toward the Fed's 2% target while the labour market was in better balance, allowing for the recalibration given the balance of risks to both sides of its dual mandate. US Treasuries (USTs) were also supported by a decline in oil prices, which reflected ongoing concern over global demand as well as reports that Saudi Arabia would soften its position on curtailing supply to support prices.

Global government bond yields rose in December as US economic data continued to demonstrate resilience and concern grew that the disinflation trend across major developed market (DM) economies may have stalled, as evidenced by actions from the Federal Reserve (Fed). Despite cutting the fed funds rate by another 25 basis points (bps), the Fed indicated via its updated Summary of Economic Projections that it expected only 50 bps of cuts in 2025—fewer than the market had anticipated.

Outlook and Investment Strategy

The Fund made several portfolio changes throughout the year. Overall portfolio duration slightly decreased during the year, but importantly where we held duration evolved. US Treasury duration starting the year was primarily invested on the 30-year part of the curve, however, as US economic data came in stronger than expected throughout the year, we rolled down the curve and added 5- and 10-year US Treasury exposure.

After the strong fourth quarter rally, we took some profits on our US Treasury position, and to end the year we remain invested to the 10-year part of the US Treasury curve. In the US, we continue to favour the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios. The fund also initiated exposure to UK Gilts, German bunds and Spanish government bonds in the fourth quarter. The growth slowdown remains more evident in the UK and Euro area, while at the same time these central banks have also indicated an end to their rate hiking cycles. We increased positions to EM local currency sovereign bonds early in the year, and began selectively trimming some of that exposure later on as it performed well. We also trimmed some of our US RMBS exposure for profit taking. Finally, we initiated and then sold a Japan sovereign duration short.

Our base case coming into 2023 was that inflation would decline and it has. With inflation lower and major developed market central banks about to embark on rate-cutting cycles, the macro environment is generally favourable for bonds. With that said, there are still uncertainties in the economy that should dominate headlines in 2024. We are entering the year with major global economies in varying growth trajectories, with the Eurozone in below trend growth, China still weak, and the US economy holding on for now but with various aspects at play that could impact a hard or soft landing.

We therefore feel it's important to employ an active and nimble approach in the coming year, as investors navigate the macro backdrop. We currently hold an overweight to high quality developed market duration, primarily via US Treasury duration, followed by UK Gilts and some European duration (German bunds and Spanish government bonds). In the US, we continue to favor the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios.

It is also important to remember that a number of fixed income sectors continue to have strong yields, and are out yielding the S&P 500 Index, making the case for bonds compelling. We therefore also currently hold select US corporate credits with meaningful yield cushion. We believe US credits are a good place to be right now given that the Fed has reached peak rates and the starting yields remain compelling. With that said we are being selective in our credits and doing the bottom-up work, meaning we like companies with strong balance sheets and management teams. We see opportunities across fixed income sectors and through active, relative yield curve and cross-country positioning. Hard or soft landing, we believe the bonds we are invested should do well given a lower inflation backdrop, a central bank pivot, and higher starting yields. Finally, we believe that our portfolio represents a compelling opportunity, with a 7.3% YTM and an investment grade credit quality rating.

Source: Franklin Templeton

HSBC Insurance Global Emerging Markets Bond Fund (SGD and USD)

Investment and Market Review

Contributors to performance included the overweight positioning in the Nigerian Naira, overweight positioning in the Turkish Lira and overweight positioning in the Egyptian Pound. The overweight positioning in the Nigerian Naira contributed to performance, as the currency appreciated over the month on the back of the central bank intervening in the open market. The overweight positioning in the Turkish Lira contributed to performance, as the currency continues to have sufficiently high carry to offset the spot depreciation over the month. The overweight positioning in the Egyptian Pound contributed to performance, as the currency had sufficient carry to offset the spot depreciation.

Detractors from performance included the underweight position in the Kuwaiti Dinar, positioning in the Mexican Peso and overweight positioning in the South African duration. The underweight positioning in the Kuwaiti Dinar detracted from performance, as the currency outperformed its regional peers. The positioning in the Mexican Peso detracted from performance, as the currency depreciated sharply towards the end of the month on increased fears of possible US tariffs. The overweight positioning in South African duration detracted from performance, as South African long-term yields modestly increased over the month as markets reprice the extent of future easing possible by the SARB. The overweight positioning in Nigerian duration detracted from performance, as Nigerian yields increased over the month on the back of higher-than-expected monthly inflation in November.

Market Outlook and Investment Strategy

We believe the EM asset class remains in a favorable position, with a slightly asymmetric risk return profile tilted to the upside. EM fundamentals continue to show resilience, characterized by stable growth and positive debt restructurings. However, the looming threat of tariffs from the US and changing global supply chain dynamics will have implications for EM economies, leading to possible winners

(wide and Argentina) and losers (wide and China). Divergence in economic trends and the resulting differentiation in asset prices will drive key investment opportunities in the coming year.

Developed market central banks commenced their monetary easing cycles in 2024 and have since diverged in terms of speed and extent of easing projected for 2025. In the US, market expectations for future policy easing have been repriced given the continued resilience of US GDP, as well as expectations of potentially inflationary policies under the Trump administration. In the EU, the more consistent softness in economic data has allowed the ECB to go further in its easing cycle. While developed economies have started to bring down their policy rates, financing costs in global capital markets remain high by recent standards.

In the EM space, most central banks have slowed down their pace of policy easing and taken a more data dependent approach to calibrate their future policy path. While many EM countries are still expected to cut rates in 2025, Brazil stands out as the key EM which is hiking and doing so aggressively. The combination of higher rates and a wide fiscal deficit have led Brazilian assets, especially the Real, to underperform the broader EM asset class in 2024. Frontier markets, led by countries like Ghana and Sri Lanka on the other hand, were the key outperformers. Given ongoing IMF programs and better debt/GDP trajectories post restructuring, we see scope for further economic strength and improvement in overall credit quality. This outlook is highly contingent on global financial conditions continuing to remain supportive.

Looking forward, the key challenge for EMs will be navigating policy uncertainty stemming from US trade policy changes. The range of possible actions taken by the US are wide, and could range from a blanket tariff of 20% on all imports to more targeted tariffs on countries with which the US has large trade imbalances. In either case, we expect FX to act as the adjustment lever to proposed policy changes. For this reason, we are cautious on EM FX for a number of countries, and expect higher volatility going forward.

We remain focused on keeping the overall quality of our portfolios high, with sufficient cash levels in order to be able to take advantage of opportunities in a higher volatility environment, as well as new issue concession in the primary market.

Source: PIMCO

HSBC Insurance Global Emerging Markets Equity Fund (SGD and USD)

Investment and Market Review

Following two very strong years for the fund in 2019 and 2020, the period since 2021 has been one of the most challenging in the strategy's close-to-thirty year history. At a top level, the underperformance of high quality, long duration growth businesses during this period has been an undeniable style headwind for this quality-growth fund. However, we fully acknowledge that it has not been the style environment alone, it has also been a difficult period for stock selection, particularly in China.

China (combining Hong Kong and the mainland) accounted for over 300 basis points of the underperformance in 2023. Nine of the top ten stock detractors for the year were in China or China-related. These were predominantly domestic names, for example Yum China (fast-food restaurant company), Foshan Haitian Flavouring (condiments producer), Wuliangye Yibin (baiju) and AIA (insurance). These companies simply haven't seen the earnings impulse given China's disappointing re-opening, with consumer confidence still very fragile. In e-commerce, the combination of not holding Pinduoduo and an overweight in JD.com cost 200 basis points alone. Pinduoduo has built an unparalleled consumer mindshare in the value-for-money attribute allowing them to benefit from more value-focused consumer spending. At the same time the company has benefited from exponential growth in its international ecommerce arm, Temu (popularly called the dollar store of online shopping).

Meanwhile, JD.com doesn't have meaningful overseas exposure and has been negatively impacted by the increased competitive intensity in the e-commerce space.

India has also been a difficult market in this case because we have not participated in the ongoing mid-cap capital formation rally. So while our largest Indian investment, HDFC Bank, was a modest detractor, the real impact was driven by the market's performance being more concentrated in areas not owned in the portfolio. Notably, very richly valued domestically exposed sectors: utilities, industrials and materials. We feel more comfortable with this given valuations and, in fact, the portfolio is now slightly underweight India for the first time in 10 years.

Stock selection in Latin America was bright spot for the portfolio. Mercadolibre in Argentina contributed strongly to returns. Company results showed a business which delivered margin improvement while gaining market share in e-commerce, with its two key markets: Brazil and Mexico, showing 20%+ growth. At the same time, concerns over the company's credit exposure to consumers seems to have been misplaced, with robust risk management limiting credit losses. Additionally, investments in financials across the region Nu Holdings (a digital banking platform) and Itau in Brazil and Banorte in Mexico supported returns.

An overweight exposure to Information Technology contributed to performance. Increasing confidence of a positive inflection point in the hardware demand cycle and AI demand continuing to accelerate aided holdings in Samsung Electronics, TSMC and Realtek Semiconductor.

We still strongly believe that our investment philosophy of compounding superior earnings growth over long periods by owning high-quality businesses remains effective, as does our portfolio design which leads to low turnover and costs, high and consistent levels of active money, and effective diversification.

Market Outlook and Investment Strategy

The inflation and interest rate narrative in developed markets remains higher for longer. In contrast, many EM central banks have relatively high policy rates, especially compared with domestic inflation. Consequently, EM central banks have ample capacity to cut rates assuming inflation remains on its current downward trajectory: Brazil, Chile, Hungary and Poland have started.

China's economic recovery continues to disappoint as consumer and business confidence remains weak in the face of high youth unemployment and weakness in the all-important property sector. The policy pendulum has swung pro-growth and pro-business and stimulus measures are wide ranging. However, the authorities are more focused on managing risks to growth rather than underwriting a broad-based recovery. Instead, we will need to wait for the cumulative effects to be felt as we move into 2024.

In contrast to China, prospects in other regions look to be more encouraging. Latin America, the GCC and South Asia have attractive domestic growth drivers, while North Asian technology companies look to be entering a new cycle with structural demand for AI, cloud adoption and EVs set to drive growth.

With China's weaker than expected reopening, EM earnings estimates for 2023 are now for a mid-teen decline followed by high teens growth in 2024/5.

2023 was a higher turnover year for the fund, albeit that turnover for the year was still only 25%. This was a reflection of a) changes to our internal estimates in China, which rearranged the ownership hierarchy, b) a higher rate environment raising the importance of up-front return (i.e. dividend yield), and c) re-arranging of the China position.

Allocation-wise the focus has been to neutralize China as much as possible. As discussed earlier, stock selection has been challenging in this market but we have reviewed assumptions and made adjustments where estimates appeared overly optimistic. In some instances, we have exited investments where conviction had diminished, for example Foshan Haitian Flavouring, Wuxi Biologics, Pharmaron Beijing and Dada Nexus.

On a relative basis the weight of India in the fund is the lowest it has been in a long time. During the year we exited Reliance Industries given a low single digit expected return and trimmed positions in Britannia Industries, Kotak Mahindra, HDFC Life Insurance. Valuation-wise we believe this is the right way to be positioned in the market but structurally we acknowledge that India is delivering. In many ways, India is the opposite of China – investors should think of the portfolio as structurally long India but tactically short and conversely the fund will be structurally short China but currently is tactically more neutral.

WEG, a Brazilian company operating globally in electric engineering, power and automation technology, is a new position in the portfolio. A business which has shown innovation, pricing, competitiveness, and relevance. Having sold many years ago because of valuation, we are now coming back given the franchise quality.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Equity Fund (SGD)

Investment and Market Review

After reaching new highs following the US Federal Reserve's larger-than-usual 0.50% rate reduction at the end of the third quarter, global equities experienced mixed performance during the fourth quarter as uncertainty over the outcome of the US presidential election, shifting monetary policy expectations and ongoing geopolitical tensions weighed on sentiment. For the quarter, global equities, as measured by the MSCI1 World Index,2 declined 0.2%; for the year, the index has gained 18.7% (all returns in US-dollar terms).

Early in the quarter, US economic data, including solid third-quarter GDP fueled by resilient consumer spending, continued progress in lowering inflation, and the likelihood of additional rate cuts helped reinforce US soft-landing hopes. But uncertainty about the upcoming US presidential election, concern over third-quarter earnings of the Magnificent Seven stocks and rising bond yields sent stocks lower. Global equities reversed course and rallied in November following the US election, which saw the Republicans winning the presidency as well as the majority in both the Senate and the House of Representatives. Market performance was supported by President-Elect Donald Trump's policy initiatives—including lower taxes and relaxed business regulations—and resilient US economic data.

Global equities pulled back in December after 10-year US Treasury yields moved sharply higher as the post-election rally lost momentum amid concern that Trump administration policies would likely add to the federal budget deficit and reaccelerate inflationary pressures. Despite implementing a third consecutive rate cut, the Fed's Summary of Economic Projections amplified these concerns and offered a more cautious outlook for 2025, which included the potential for higher inflation and signaled a less aggressive rate-cut trajectory. Fed Chair Jerome Powell characterized the US economy as being in "a really good place" but called the Fed's latest rate cut a close call and emphasized the challenge of balancing economic growth and progress on inflation. However, uncertainty over potentially higher inflation, the Trump administration's policy initiatives and shifting monetary policy expectations contributed to rising Treasury yields, which dampened equity market sentiment and led to a subdued finish for the quarter.

Growth-oriented stocks rose and value-oriented stocks declined in absolute terms for the quarter, while both growth- and value-oriented stocks rose in absolute terms for the year to date. However, growth stocks have outperformed on a relative basis (as measured by the MSCI World Growth and Value indices). Sector performance within the MSCI World was mixed. The consumer-discretionary and communication-services sectors led outperformance, while the materials and healthcare sectors declined in absolute terms and underperformed the market.

Class A shares of the Global Equity Blend Portfolio decreased in absolute terms and underperformed the Benchmark, the MSCI World, for the quarter, while increasing but underperforming for the year to date, net of fees. During the quarter, both stock and sector selection detracted from overall performance. Stock selection within technology and consumer discretionary detracted the most, while selection in industrials and energy contributed, offsetting some of the losses.

Ireland-based global clinical research organization ICON detracted after reporting 3Q:24 results missed expectations, leading to a reduction in its full-year 2024 guidance. The company saw weak revenues and bookings, citing three factors: two large pharma customers were restructuring their research and development spend; a cautious biotech environment with continued budget cuts; and lower vaccine-related revenue due to trial cancellations/delays. We are reviewing our investment thesis in light of recent developments to assess whether other ways to play the growth in medical innovation theme are more attractive.

UK-based sportswear retailer JD Sports Fashion detracted after reporting 3Q:24 like-for-like sales were down 0.3% versus expectations of 2%–3%, with underlying profits guidance now at the lower end of expectations, while retailer peers such as Next reported better results. Mild weather and discounting by competitors in October led the company to issue a profit warning, leading its shares to fall 14%, as the disappointing results led to rising concerns about another difficult winter for fashion retailers with cautious consumer spending and unseasonable weather.

Portugal-based utilities company EDP Energias de Portugal also detracted from results. Shares pulled back during the quarter after reporting a substantial drop in profits for the third quarter which was largely attributable to underperformance in its renewables business. EDP's sale of a transmission line in Brazil, although aligned with its focus renewables, raised some concern about near-term revenue streams. Despite the disappointing quarterly results, EDP remains committed to making major investments in renewable energies to continue its energy transition.

Taiwan Semiconductor Manufacturing (TSMC) was the leading contributor for the quarter on continued strong performance in its foundry business given AI-related demand for chip manufacturing. Customer spending is expected to remain strong into 2025 and we continue to like TSMC given its near-monopoly position and profitability premium versus weaker peers. The chipmaker reported significantly higher third-quarter sales growth, and guidance calls for revenue to rise an average of roughly 32% over the next three quarters. TSMC is expected to report fourth-quarter earnings in early January.

UK-based aerospace engine and aerostructures supplier Melrose Industries contributed after management reported a 7% year-over-year revenue increase for the four months ended October 31, 2024, driven by robust demand in the aerospace aftermarket segment and engines division. Investors also responded positively to 2025 guidance, which suggests Melrose is on course to deliver its adjusted operating profit target despite continued supply chain challenges, and is also expected to increase free cash flow as a result of its successful restructuring efforts and continued profits growth in 2025.

Wells Fargo contributed as shares continued to trade higher after reporting strong third-quarter earnings with better-than-expected forward net interest income guidance. Analyst upgrades which call for increased earnings per share in 2025 also added to positive sentiment. In addition, Wells Fargo and the banking sector could benefit from President-Elect Donald Trump's fiscal policies, which are expected to ease banking regulations, including capital requirements for loans.

Market Outlook and Investment Strategy

We believe the current environment necessitates a balanced approach. Many investors have been underweight value, which has been out of favor for several years. However, value stocks have historically done well in softer- and harder-landing environments, making them important for a balanced allocation today. On the other hand, market narrowness should end in due course and our growth-focused names remain fundamentally strong and trade at relatively attractive valuations.

We continue to believe that our blend of durable, undervalued and less macro-dependent companies that offer idiosyncratic return drivers provide a compelling path forward, differentiated from the concentrated mega-cap complex.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

HSBC Insurance Global Equity Volatility Focused Fund (SGD and USD)

Investment and Market Review

Global equities presented positive returns in H2’2024. In 3Q 2024, equities experienced a roller coaster ride, finishing on a high. Since the 16 July peak of the S&P 500, there has been a significant rotation in performance within the global equity space. Previous winners such as US tech have been lagging, while unloved regions and sectors – value, defensives and small caps – have taken the lead. By contrast, in 4Q 2024 global equities presented negative returns, with Growth stocks showing strong performance and Value stocks detracting from performance. European markets gains in 3Q 2024 have come amid a broadening out of performance across sectors. The bloc’s relatively modest exposure to the technology sector has played in its favour. However, in the final quarter of 2024, European markets suffered losses, impacted by apprehensions with the possibility of a trade war if US implement new tariffs, and political instability in France and Germany. Finally, equities in Emerging Markets underperformed their developed markets counterparts in the period, as concerns over higher-for-longer US rates and heightened trade tensions have weighed on sentiment.

Over the review period, the fund outperformed its market cap weighted index. Our exposure to Styles weighed on performance. On a portfolio level, our exposures to Size and Industry Momentum contributed to performance, while our exposures to Value, Low Risk and Quality detracted from performance. On a country basis, our overweight allocations to mainland China and United Arab Emirates coupled with our underweight exposure to Denmark contributed to performance. Conversely, our overweight allocations to South Korea and India coupled with our underweight exposure to United States weighed on performance.

Market Outlook and Investment Strategy

The HGIF Global Equity Volatility Focused Fund's investment strategy follows a proprietary systematic investment process which focuses on risk premia offered by exposure to factors such as Value, Quality, Momentum, Low Risk, and Size. The portfolio construction process seeks to maximize the Fund's risk-adjusted return while reducing volatility and drawdowns during periods of market turbulence.

A backdrop of active fiscal policy, trade uncertainty, and geopolitical tensions may cause volatility and could leave investors 'spinning around' in 2025. We expect disinflation, resilient growth, and robust corporate profits to progress, allowing the global rate cutting cycle to continue. Growth rates in advanced economies are expected to converge. US growth is cooling but we see little risk of a near-term downturn. The world's premium economic growth rates will be in Asia and Frontier economies. For emerging markets, US dollar dynamics are key. It is hard to forecast a materially weaker dollar in 2025, but a stronger dollar isn't guaranteed.

We believe the fund continues to be well-positioned to weather the uncertainty and market turbulence we are likely to see in terms of geopolitical risks and macro uncertainty, and the risk-aware and globally diversified approach across both developed and emerging markets that our Fund follows continues to be appropriate.

Source: HSBC Global Asset Management

HSBC Insurance Global High Income Bond Fund (SGD and USD)

Investment and Market Review

The strategy delivered positive absolute performance over the period gross of fees. Overall the fund saw positive contribution to return across all asset classes with Euro Credit the best performing segment followed by US and EMD while Securitized Credit lagged somewhat.

The second half of the year began with a combination of weaker economic data and a more dovish Fed tone in July which gave way to a more dramatic shift in sentiment in August, as risk assets sold off while treasury yield move sharply lower as a weaker than expected jobs report sparked worries about the strength of the economy and the potential for a more serious recession. Q4 saw a jump in rates as markets reacted to solid US economic data as well as risks associated with the US elections while risk assets rallied post-election. Risk assets sold off in December as markets reacted to weaker US data, higher rates, and a more hawkish Fed tone.

The US treasury curve normalized somewhat in the second half of the year. The 2, 5, 10 and 30 year saw yields move by -0.51%, 0.01%, 0.17% and 0.22% respectively to finish December at 4.24%, 4.38%, 4.57% and 4.78%.

Market Outlook and Investment Strategy

Although market sentiment began the year less negative than it ended 2024 some uncertainty remains around the incoming Trump administration's domestic and foreign policy initiatives and their impact on the global economy. The Fed's less dovish tone following its December rate cut also caused uncertainty, perhaps implying that this rate cutting cycle may be closer to its end than the market had previously thought. Global Credit yields remain attractive above historical averages although spreads look light at current levels. Credit fundamentals remain solid however and supportive of current spreads. Demand technicals are expected to remain supportive with yields at currently high levels but may be somewhat offset by strong supply. We are tactically positioned with a somewhat neutral bias in the short term, remaining selective between regions, sectors and issuers based on their fundamentals and relative value.

We continue to skew higher quality in anticipation of an economic slowdown, however soft in nature it may be. We continue to maintain attractive carry vs the universe by taking advantage of what is still a relatively flat yield curve. With regards to allocation and positioning changes, we shifted from some idle cash and EMD to Securitized Credit. This allocation along with adjustments elsewhere also flattened the headline duration of the fund to neutral, bringing it down to 4.4 years, in line with the investment universe. We continue to have a small curve steepener position with an overweight to shorter dated bonds and an underweight to the longer end of the curve.

Source: HSBC Global Asset Management

HSBC Insurance Global Multi-Asset Fund (SGD)

Investment and Market Review

The 12-month period was dominated by changing expectations over when major central banks might be able to cut interest rates. Softer-than-expected US inflation data in late 2023 reinforced the market's view that the Federal Reserve (Fed) had finished its rate hiking cycle and would move towards cuts early in 2024. However, as 2024 progressed, inflation proved to be stickier than expected, leading markets to push back both the timing and extent of US rate cuts. By early summer, weaker employment data raised concerns that the Fed might have delayed rate cuts too long, prompting fears of an economic slowdown or even recession. In response, the Fed implemented a substantial 50 basis point cut in September.

Similarly, the eurozone and UK faced higher-than-expected inflation, which tempered expectations around policy easing for both central banks. Nonetheless, they enacted cut rates during the period. In Japan, however, the scenario differed as the Bank of Japan (BoJ) ended negative rates and adjusted its monetary policy to a 0.0-0.1% short-term rate in March 2024, abandoning its yield curve control policy. This shift was due to rising inflation and signs of higher wages. Subsequently, the BoJ increased rates to 0.25% in July.

In emerging markets, China's mixed economic data indicated a sluggish recovery from the Covid-induced slowdown, compounded by a persistent real estate crisis. To counter these issues, Chinese authorities launched stimulus measures in September 2024, including interest rate cuts and support for the stock market and property sector.

Against an unusually constructive backdrop in 2024 for risk assets, equities and high-yielding credit were the largest contributors.

Our US equity allocation led the way, benefitting from our tilt towards companies exhibiting high earnings. Asset allocation within equities provided a further boost—notably, we caught much of the rally in Japanese equities earlier in the year, before reducing our exposure in late Q2 prior to the well-documented selloff.

High yield was the standout performer in fixed income, where we benefited from our increased exposure on the view that corporates were healthier and the outlook was more positive than the market was expecting. Within investment grade, we shifted some exposure to Australia due to more attractive valuations compared to the US and a greater likelihood of interest rate cuts.

Finally, within alternative assets, insurance linked securities and securities debt posted gains, with both continuing to play an important role as an income generator and effective diversifier.

Market Outlook and Investment Strategy

US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the “Trump trade” will deliver even more outperformance in the months ahead. However, with the new Administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect positive returns from equities in 2025, with market performance broadening out from recent winners.

The S&P500 is looking expensive but valuations away from the mega caps and outside of the US appear more reasonable. We think there is potential for markets to broaden out further in the US, particularly given Trump’s focus on deregulation and corporate tax cuts.

Valuations in Europe are more attractive and sentiment is almost universally negative towards the region. With elections in Germany (which could prompt a shift in fiscal policy) and rate cuts from the ECB, we believe there is potential for the market to do better in 2025.

In EM, valuations excluding India and Taiwan are broadly cheap. Much of the uncertainty is priced in and market stress may provide opportunities to add to exposures in the coming months.

In credit, strong fundamentals support the level yield on offer, however spreads are tight, meaning many credit markets look expensive. On this basis, we prefer European High Yield where valuations are more attractive.

We remain positive on the US dollar which should benefit from US exceptionalism, further divergence in monetary policy, and equity inflows to the US, while proving a hedge against a more protectionist environment.

Source: Schroder Investment Management Limited

HSBC Insurance Global Sustainable Equity Portfolio Fund (SGD and USD)

Investment and Market Review

Global markets, as measured by the MSCI1 All Country World Index2 (ACWI) fell 2.4% in December and declined 1.0% during 4Q:24 bringing returns for the year to 17.5%, in US-dollar terms. According to Bloomberg, nearly half (45%) of the 2024 MSCI ACWI return came from the Magnificent Seven (Mag 7) illustrating the uphill battle for stock picking in 2024. In a year that saw continued strength in AI momentum, it comes as no surprise that technology was the best performing sector over the 12-month period. Close behind were the communication-services and financials sectors. Materials was the only sector to post negative performance for 2024, but healthcare and energy also disappointed, lagging the broader market.

Global equity markets watched for the long-awaited results of the US presidential election, which ended in a victory for Donald Trump, who will commence his second term in January 2025. After much anticipation, the US market reacted positively to the Trump win with a big rally as expectations for stronger economic growth, higher corporate profits and an improved regulatory environment flowed through to equity prices. However, outside of the US, the majority of countries experienced declines, with China and Taiwan in particular selling off during November as tariff uncertainty proved to be a headwind. With the exception of Microsoft, the Mag 7, led by electric vehicle company Tesla (non-held), rose. Indeed, since the election, the Mag 7 returned 1.6%, while in aggregate the remaining holdings in the MSCI ACWI declined 1.6%.

Class A shares of the AB Sustainable Global Thematic Portfolio decreased in absolute terms and underperformed the MSCI ACWI in December and during the quarter, though they rose and underperformed the Benchmark for the year, net of fees.

History doesn’t always repeat itself, but our quality growth Portfolio is experiencing a sense of déjà vu. Portfolio performance during 4Q:24 broadly mirrored 4Q:16, with the Portfolio lagging in the weeks following both Trump elections. In both cases, we have seen our underweight allocations to more cyclical areas, such as discretionary and traditional banks, serve as an initial performance headwind. While the market concentration is a new dynamic for Trump 2.0, investors have once again sought safety in these large-cap stocks.

ICON, NextEra Energy and Monolithic Power Systems (MPS) were the leading held detractors from relative performance during the quarter. ICON, the outsourced contract research organization (CRO), is facing some near-term headwinds, including lower research-and-development spend at some large pharma customers and slower decision-making by biotech companies overall. The current end-market pressures may persist for the next several quarters, and the timing of a rebound in biotech funding activity is unknown. Shares declined further around the potential impact of Trump’s appointees on medical research (particularly vaccines).

CRO peers have also reported elevated trial cancellations in 4Q:24, though ICON has experienced this to a lesser degree. US energy company NextEra Energy detracted during the quarter. Despite rising 40% through the first 10 months of the year, NextEra's share price fell as the company was hit negatively by higher interest rates and concerns over potential changes to the inflation reduction act that might add pressure to the business.

MPS detracted during the quarter despite the power semiconductor firm reported a strong quarterly result that saw its AI power segment moderate its growth. Shares declined further on reports of an increased failure rate of some of its chips on NVIDIA server boards in customer data centers. Management maintains that its relationship with NVIDIA remains strong and, looking into 2025, expects growth drivers to diversify away from NVIDIA with new product ramps in both the communications and auto segments. MPS's unique process design enables more energy-efficient power solutions and has allowed it to outgrow the industry by 10%– 15% per year for the past several years.

Key held contributors to relative performance during the quarter included Flex, On Holding and Visa. Flex, an outsourced manufacturer whose products include server racks for data centers, benefited from the rally in companies providing solutions for the increased energy needs of the AI infrastructure build-out. While there have been modest headwinds for Flex in the auto and industrials segments, the company posted strong earnings growth as data center and power products carry a higher margin. Additionally, Flex was included in the S&P 400, which also boosted the share price during the quarter. Switzerland-based provider of sports apparel products On Holding contributed after posting a strong set of results that saw solid sales growth. The company is benefiting from strength in the running shoe category and accessing underpenetrated wholesalers.

On Holding has guided for another year of growth in 2025 with updated and new product lines. Visa contributed as the global payment processor and payment card provider was boosted by the post-election Trump bump, which was viewed as supportive for financial names. There is also optimism that the Trump administration will make Visa's legal battle easier over the next couple of years and bring a swifter conclusion. Visa also reported solid earnings during the quarter—driven by accelerating payment volume growth and operating margin expansion—and announced decent guidance for 2025.

Market Outlook and Investment Strategy

As we move into 2025, investors will be seeking clarity on several key issues for the markets. We'll witness how much of the campaign rhetoric will be translated into policy by the Trump administration, particularly around tariffs and immigration. We'll also see if some of the more controversial cabinet picks get confirmed and how much of the status quo will be disrupted once those individuals take office, particularly related to healthcare. In light of the inflation risks associated with incremental tariffs, we expect the Fed's stance to remain hawkish and maintain a keen eye on US debt and deficit concerns. We'll also be watching for signs of continued momentum in the AI race, as tech giants weigh "if you build it they will come" versus the need to see a return on investment for all this capex. Finally, we're eager to see if clarity on a number of these fronts serves as a catalyst for diversification away from the perceived safety of the Mag 7's big balance sheets and relative earnings stability.

Despite uncertainty in the backdrop, we take some comfort in the fact that we've been here before. When Trump was elected to the White House for the first time back in 2016, investors bid up perceived "winners" with enthusiasm, assuming much of the campaign rhetoric would translate into prompt action. Many of our holdings were under pressure as they lived outside the focus areas of the initial exuberance. In 2017, however, reality set in and much of the newly elected president's ambitious agenda took longer to accomplish than expected. Our Portfolios, which lagged initially, recovered nicely as our secular themes and associated quality growth companies delivered on their promise, delivering durable earnings growth. We enter 2025 under a similar backdrop, and our relative valuation versus the market is even more compelling than it was at the start of 2017. We're also not standing still and added to our financials exposure, in particular, during the quarter. Key additions included Fiserv, a financial technology business that provides services to the secular growth area of digital payments; Jefferies Financial Group, a beneficiary of a favorable capital markets cycle; and an insurance firm (name withheld as trading recently completed) whose focus on life reinsurance positions it well for attractive compounding. These businesses all exhibit high-quality fundaments and are exposed to attractive secular growth opportunities. We funded these positions with profit-taking in technology and cash on hand.

As we reflect on 2024, like you, we're frustrated by the relative price performance of our holdings. Underneath this price performance, however, we're encouraged by the robust fundamentals our Portfolios demonstrated throughout the year, as seen by our superior earnings growth versus the market. The net result of this dynamic is a set of Portfolios that's trading at or near the most attractive relative valuations we've seen in the last 11 years. We've been here before. And the last time we reached these levels (2017), the Portfolios went on to have a strong relative move compared with the market. Until this relative value is unlocked, we'll continue to focus on what we can control—developing unique thematic insights, owning high-quality businesses levered to secular growth themes and maintaining disciplined Portfolio management.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

HSBC Insurance India Equity Fund (SGD and USD)

Investment and Market Review

The S&P IFCI/India Gross Index lost 2.47% over the second half of 2024 (SGD term). In terms of sectors, Healthcare was the top performing one while Energy underperformed.

India underperformed the region in the second half of year with underperformance concentrated in 4Q24 on the back of waning earnings momentum, domestic growth concerns and a depreciating rupee.

The fund outperformed the benchmark on a 6-month basis. Positive stock selection effect in Financials and Industrials were the largest contributors to performance. On the other hand, unfavourable stock selection effect in Consumer Staples and Energy were the largest detractors to strategy performance.

The largest stock contributor over 2H24 was Multi Commodity Exchange India while the largest stock detractor was Exide Industries.

In terms of sector positioning, we are most overweight to financials and real estate and most underweight to Utilities and Industrials as of December 2024.

Market Outlook and Investment Strategy

We expect India to remain relatively resilient in 2025 underpinned by its macro stability, mid teens earnings growth expected in 2025 / 2026 led by structural growth drivers (rise in discretionary consumption and capex cycle), as well as a reliable source of domestic risk capital providing support to the market. India's correlation with emerging markets have also decreased in recent years.

Potential risks in the next 6-12 months to the Indian equity market include China policy announcements in 2025 and whether that would drive foreign investor rotation between the two markets, in addition to risks related to President elect Trump, though India's risk are relatively limited vs other markets in the region. Near term domestic growth is also a risk

Source: HSBC Global Asset Management

HSBC Insurance Pacific Equity Fund (SGD and USD)

Investment and Market Review

Asian equities posted decent gains despite a volatile 2024, on the back of a challenging macro backdrop of a weak China economy, lowered expectations of US monetary policy easing amid a strong US economy and increasing geopolitical noise and uncertainty ahead of the US presidential election in November. Following a period of multi-decade-high inflation, the tighter monetary policy environment by central banks around the world proved effective as inflationary pressures began to ease.

Early in the period, sentiment was weighed down by concerns about China's stalled recovery amid continued property woes and the Chinese authorities implemented various measures through the review period to support sentiment, financial markets and the broader economy. Its aggressive stimulus package in September then lifted a mainland market as it signalled a shift towards a pro-growth stance. While there are still concerns about the possibility of further US tariffs and sanctions, investor sentiment towards the mainland China market improved towards the end of the period.

The US Federal Reserve's shift towards a more dovish stance supported markets but also introduced volatility as investors adjusted their expectations. Global economic growth held up better than expected, though US recession fears heightened in the latter half of the period before subsiding somewhat. In addition, the global artificial intelligence (AI)-driven strength in technology stocks also boosted stocks across Asia, particularly in Taiwan. All this offset concerns over the potential impact of new US president-elect Donald Trump's tariff policies on the region.

As noted above, the technology-heavy market of Taiwan was the top performer in the region as investors judged that the semiconductor cycle was nearing its trough and responded to rapid developments in artificial intelligence (AI). Indian equities also made strong gains thanks to the buoyant economy, growth in the corporate sector and substantial foreign capital inflows, as investors shrugged off initial concerns about the uncertain outcome of the general election.

By contrast, South Korea was the weakest market, as political turmoil towards the end of the year, due to the short-lived imposition of martial law followed by the impeachment of the then-president Yoon Suk Yeol, resulted in extreme market volatility.

In terms of Fund performance, 2024 marked a year of two halves for the Fund, which returned 12.11% in Singapore dollar terms, underperforming the benchmark index by 201 basis points. This underperformance mainly came from the first half of 2024, where the continued market rotation to value created a stylistic headwind for our quality-focused portfolio. Encouragingly, the Fund's performance stabilised in the second half of 2024. This reflects the positive impact of investment process enhancements that have flowed through in better performance. The Fund outperformed its benchmark six months to December with the underperformance in China and Hong Kong narrowing significantly following some significant repositioning of the Fund's exposure to those markets.

Delving deeper in the key performance drivers, China, including Hong Kong, was the key detractor from relative performance. Our exposure to consumer-related stocks like Kweichow Moutai and Yum China hurt performance, as concerns over a slower-than-expected consumer recovery and a struggling property sector weighed on sentiment. In Hong Kong, our heavier-than-benchmark exposure detracted due to weak macro sentiment and foreign outflows, with key detractors being AIA Group and Budweiser APAC.

Entering the second half of 2024, we rigorously assessed our China exposure and repositioned the Fund towards names with the highest earnings visibility over the short term, as the mainland macro backdrop remained challenging. Specifically, we consolidated our consumer exposure and exited Budweiser APAC, Kweichow Moutai and Aier Eye Hospital. These companies are good-quality companies, and we will revisit them as the domestic growth backdrop improves on the back of further policy stimulus.

While AIA was among the biggest detractors from performance, with its share price impacted by fund flows, we maintain our high conviction in the insurer. AIA continues to deliver strong fundamental results, and we believe that its quality is mispriced. Its management has also been receptive to our engagement efforts with announcements of additional share buybacks and an enhanced capital management plan.

As part of the Fund's repositioning, we also expressed more conviction in names where we see highest earnings visibility, such as Tencent, CATL and Trip.com, which were also among the top contributors to relative performance.

As a result, the Fund's China exposure proved positive in the second half of 2024, with a performance turnaround (+40bps) from a relative underperformance in the first six months. Despite being underweight to China, the Fund also benefited in September, when both onshore and offshore Chinese equities rallied following China's policy pivot with a spree of stimulus measures, albeit more supply side and monetary focused, towards the end of the month.

Elsewhere, our stock holdings in Taiwan, Thailand, Singapore and South Korea added to the Fund's performance over the year, mitigating the China impact. Hence, despite a tough macro backdrop, we continued to see opportunities to add to performance through our stock picking in Asia.

In Taiwan, we saw our holdings in the tech supply chain perform solidly. Taiwan Semiconductor Manufacturing Co (TSMC) was the top performer. TSMC posted better-than-expected results and was more positive on the AI supply chain. Delta Electronics also stood out. We had added to the position earlier in the year because we thought that the market was undervaluing the company's structural growth from the upgrading of data centres driven by rapid AI development and the need for cloud computing. This was given Delta's market leadership in the power supply business, where power supply would need to be upgraded with each subsequent iteration of more powerful chips and servers. Accton Technology, the other AI beneficiary given its exposure to datacentre switches and AI accelerators, also benefited from similar demand strength.

Elsewhere, Thailand's Advanced Info Service rose on steady earnings, supported by capable management and an ability to control costs effectively.

In Singapore, DBS Bank contributed positively, as its results continued to exceed market expectations. The bank announced a S$3 billion share buyback over the next one to two years and raised its dividend guidance, reflecting confidence in sustained profits despite an upcoming interest rate cut cycle.

Meanwhile, the technology sector detracted due to weak stock selection, with mixed returns from holdings. Samsung Electronics was weighed down by concerns over weak demand for smartphones and legacy memories, and the risk of entering the high-bandwidth memory (HBM) market late. We believe Samsung's investment in HBM capacity reflects its view of HBM visibility, and we are monitoring developments closely. The lack of exposure to SK Hynix for much of the period also weighed on returns; we initiated a position in the stock towards the end of the review year. SK Hynix is benefiting from growing demand for HBM for AI processing and is developing energy-efficient chips and investing in greenhouse gas reduction technologies. Losses were mitigated by positive contributions from TSMC, as mentioned above.

Our semiconductor equipment exposure through the Netherlands, meanwhile, detracted due to industry challenges and restructuring of business and capex by large customers. While our holdings here remain quality companies, we have cut the portfolio's risk exposure to the semiconductor and technology hardware sectors and concentrated on names where we see the strongest visibility in view of the tariff uncertainty and volatility as we head into 2025.

In terms of portfolio activity, we have continued to use earnings visibility and cash flow generation as our key focus points, With this in mind, we have exited where we expect any fundamental weakness to persist for the next few quarters, and held on, or even added to holdings where fundamentals have remained resilient. As such, adjustments have been stock specific, not related to broad themes or sectors. We have resisted making wholesale changes and in some cases, we believe that sticking with our favoured long-term positioning has proved to be the right call.

Among the key trends, China has remained the major challenge for performance and our positioning. We have continued to monitor our holdings closely and exited positions in Aier Eye Hospital, Alibaba, China Tourism Group Duty Free, Glodon, Sungrow Power Supply and Wuxi Biologics on concerns over their earnings visibility. In their place, we introduced consumer-related stocks that have quality and a strong competitive edge in their markets. An example would be Trip.com. This leading online travel agency (OTA) in Asia displays a level of dominance in both China and India, the two most populous nations. We see a long runway for growth, with the international and domestic accommodation segment boosted by rising penetration in the core markets, and additional growth coming from outbound travel and trip.com.

We also introduced Meituan and Midea in China. Meitian operates a super app that caters to a wide range of consumer lifestyle needs, especially in food delivery. Over the longer term, we see its services, especially core food delivery, as having a long growth pathway with profitability set to rise from growing scale and improving efficiency. Midea is a leading home appliance group in China. It is well managed, has a broad product portfolio, good brand equity and a track record of strong execution. We expect the company to benefit from stable growth in China's home appliance market, along with growing taste for premium products. Another example was China Merchants Bank (CMB), the highest-quality lender on the mainland as evidenced by various financial ratios, including return on equity. China's banking market remains a structural growth story and CMB has capitalised on this through impressive execution over the years which is testament to the management's track record. In recent years, CMB has not only maintained its retail focus but has also been investing heavily in digital capabilities and growing its high-margin wealth management business.

Meanwhile, we retain our favourable view of India, which is a high-conviction market for us, and continued to increase our exposure to the country, where we have found quality companies that are well placed to capitalise on a favourable economic and policy backdrop. Among new holdings initiated here were Bajaj Auto, one of the largest two-wheel manufacturers in the world that we see can benefit from structural growth in demand in India as more people in India move out of very low-income groups and their purchasing power increases; Bharti Airtel, a leading telecommunications service provider with a pan-India reach and sophisticated customer base with higher-than-average mobile spending; Indian hospital operator Fortis Healthcare was added given compelling valuations relative to the rest of the sector, and as its hospital business continues to do well, while its diagnostics segment is expected to recover gradually; Indian Hotels (IHCL), India's largest hospitality company, which is well placed to tap on the hotel industry's multi-year upcycle with demand growth likely to surpass supply growth for the next few years; Info Edge (India), one of the strongest domestic internet companies; NTPC, an Indian state-owned energy enterprise that has a clear pipeline of both thermal and renewable energy; Pidilite Industries, a high-quality consumer and specialty chemicals business; Phoenix Mills, a leading retail-led developer and operator across India that has quality malls in top-tier and state capital cities as well as a good pipeline of new assets to be launched over the next few years; and lastly, Tata Consultancy Services, which continues to see new deal wins, showcasing its best in class capabilities in IT services. Against these we exited Hindustan Unilever and Infosys.

We continue to be positive on the longer-term structural growth outlook of Asia's technology sector. In particular, Taiwan and South Korea are at the cutting edge of the global technology boom, especially in semiconductors and AI. Within this context, we invested in pure-play memory semiconductor company SK Hynix as mentioned above. We also added a position in Taiwan's Hon Hai Precision Industry which is emerging as a key beneficiary of rising AI server demand, as it transitions from being an iPhone assembler to a vertically integrated AI server manufacturer.

We also initiated two holding in Vietnam over the period – FPT Corp, a diversified technology group with a fast-growing software outsourcing business, a name that we have known for many years. FPT also owns a telecoms unit, an electronics retailing company, and has interests in other sectors, such as education. More broadly, Vietnam is rising up fast as an alternative supply chain option amid geopolitical uncertainty, and with foreign direct investments (FDI) pouring into higher technology sectors, especially automotive and electronics. Joint Stock Commercial Bank For Foreign Trade Of Vietnam (Vietcombank) is among the highest-quality banks in Vietnam. It benefits from scale, a strong deposit franchise and a good long-term track record. The bank has been able to manage through multiple cycles and deliver growth over time. As for fundamentals, it leads its peers in profitability and efficiency, with a higher return on equity, lower cost-to-income ratio and lower cost of funding versus its domestic rivals.

Market Outlook and Investment Strategy

Sentiment appears volatile around Asia over the short term given the looming inauguration of Donald Trump as US President on Jan 20 and what that might mean in terms of tariff risks especially for China.

The implications of Trump 2.0 for the broader region are complex. Trump is likely to drive uncertainty and volatility, which could create opportunities for long-term investors. Higher tariffs and trade barriers are expected, hurting China and prompting aggressive domestic growth efforts. Export markets may face pressure from higher tariffs and limited US rate cuts. Geopolitical tensions remain challenging, with potential shifts in Asia if Trump follows his first-term playbook. This period of change and volatility will affect multiple fronts. However, Asia's diversity means the entire region should not be painted with a broad brush. Economies like India, driven largely by domestic factors, may benefit from supply diversification away from China, which is also benefiting ASEAN. Intra-regional trade remains strong, and Asia lacks the macro imbalances seen in the West, ensuring resilience and growth. Quality companies should remain well-positioned.

From a portfolio perspective, we believe we are well prepared for a Trump presidency due to our quality-focused stock picking approach. We have tightened quality characteristics, adding names with greater near-term earnings visibility and steady cash flow generation, while reducing and exiting names with less visible earnings. We have managed down our exposure to tariff-related risks. For our China exposure, we have focused on each holding’s ability to defend and grow market share, expand overseas with limited tariff risks, and deliver shareholder returns through dividends and buybacks. We have also reduced our technology exposure. We maintain our conviction in our holdings and their ability to navigate market crosswinds, given their quality and fundamentals.

Finally, Asian earnings have shown resilience, even amid global economic uncertainties. Current valuations are relatively cheap, presenting attractive opportunities for investors. Historically, quality stocks in Asia have outperformed during market recoveries. Under a Trump presidency, this trend could continue, as his policies often focus on economic growth and deregulation, benefiting high-quality companies with strong balance sheets and consistent earnings growth. The inherent strengths of the Asian market, such as robust domestic consumption, technological innovation, and a growing middle class, further support the case for quality stocks. These factors drive economic growth, ensuring sustained demand for products and services from quality companies. In summary, the combination of resilient earnings, attractive valuations, and a supportive policy environment under Trump suggests that quality stocks in Asia could be poised for a significant comeback, offering stability and growth for investors.

Source: abrdn Asia Limited.

HSBC Insurance Premium Balanced Fund (SGD)

Investment and Market Review

Asian stocks advance in 2024

Asian equities rose in 2024, with the MSCI AC Asia ex Japan Index (Net Total Return) returning 12.0% in US dollar terms. Stocks in the region started the year on a positive note amid expectations of interest rate cuts by the US Federal Reserve (Fed), optimism over the health of the global economy as well as enthusiasm over the advent of artificial intelligence (AI) technology. Equities rallied further into the second half of the year as eagerly-anticipated rate reductions from the US Fed materialised, kicking off the start of an easing cycle worldwide. Towards the end of the year, investors did however take some profits off the table as Donald Trump’s US presidential election victory raised the spectre of escalating global trade tensions. Slowing growth in Mainland China also remained an area of concern. Although Beijing attempted to address this with a range of policy measures, investors generally decided that more has to be done to help the ailing economy.

Within the region, Taiwan, Singapore and Malaysia were the best performers (as measured by the MSCI indices in USD terms), while South Korea, Indonesia and the Philippines lagged.

Taiwan, China and Hong Kong advance while South Korea retreats

In North Asia, the Taiwan market (+34.4%) led gains, finishing the year on a robust note as healthy demand for artificial intelligence (AI)-related hardware and applications lifted the island's technology-heavy bourse. China was next on the list, rising 19.4% as investors cheered a slew of government measures to tackle slowing growth, rising youth unemployment and bolster confidence in the struggling financial and property segments. Hong Kong shares pared some gains to settle 0.1% higher for the year. Investors turned risk averse as concerns over the health of the local and mainland economies resurfaced.

Conversely, South Korean equities (-23.4%) trailed the region as political drama, tepid global demand and the prospect of more potential trade tariffs from a Trump presidency dented investor sentiment. In December, President Yoon Suk Yeol dramatically declared martial law before reversing the decision hours later. The Bank of Korea (BOK) trimmed its 2025 GDP growth forecast to 1.9% and cut its benchmark interest rate by a quarter-percentage point in an unexpected back-to-back easing following October's policy pivot.

ASEAN markets' performance mixed; Singapore outperforms region

Singapore (+32.3%) led gains among the ASEAN member countries as policy continuity from the newly appointed prime minister and moves to increase stock market liquidity assured investors the economy was in good hands. Moreover, the city-state raised its growth forecast for 2024 to around 3.5%, with the economy recovering faster than anticipated. The Malaysian market finished 20.7% higher amid bullish sentiment on its growth prospects. Thailand added 1.3% for the period on expectations for a more stable political environment with the appointment of a new prime minister, Paetongtarn Shinawatra, the head of the ruling Pheu Thai party. Indonesian stocks (-12.9%) were the worst performers in the bloc amid concerns over slowing growth and a more fractious global trading environment following Trump's presidential election win. The country elected a new president, ex-army general Prabowo Subianto, into office over the period. Similarly, the Philippines declined 0.7% as investors feared more mercantilist policies from the second Trump administration.

Indian stocks end in the green

Indian share markets (+11.2%) settled higher in the period. One of the key factors which helped lift market sentiment was policy continuity with the re-election of Narendra Modi as prime minister for a third term, albeit as part of a coalition. Another positive was that the first budget under the new government included a narrower fiscal deficit target, spending on infrastructure, and moves to boost employment. To combat a widening trade deficit, the authorities also unveiled measures to lower ocean freight costs, increase the supply of shipping containers, speed up export procedures and reduce port congestion.

Market Outlook and Investment Strategy

Loosening global monetary policy a boon for twin deficit economies

After three years of tightening monetary policy, global central banks have started to ease, creating investment opportunities, particularly in twin deficit economies such as India and parts of ASEAN. However, this environment may be complicated by the unpredictable nature of Trump's return to power, which could increase market volatility due to his protectionist policies. Rate cut expectations are already being dialled back.

Trade risks from Trump presidency priced into Chinese stocks

Despite concerns about Trump's impact on emerging markets, historical data shows that during his first term, China, South Korea and Taiwan outperformed the S&P 500—despite being the most trade-sensitive equity markets. This time around, Chinese equities already reflect a higher risk premium for trade disruptions. Investing in companies with strong management and adaptability is crucial for mitigating risks and seizing opportunities. In China, opportunities lie in self-sufficiency and industries that have consolidated. Supply chain diversification is essential, especially in regions with minimal trade surpluseswith the US.

Still positive on India in the long run

India remains a compelling long-term investment opportunity despite short-term reservations regarding rich valuations. Fortunately for patient investors, opportunities at more reasonable prices are emerging. Near-term challenges include Prime Minister Modi's coalition government limiting significant reforms and proactive regulation by the RBI and the Securities and Exchange Board of India (SEBI), which may slow growth in some sectors. The digitisation of the Indian economy profoundly impacts long-established traditional distribution channels and brand moats—elements that have benefited several companies for decades.

Seeking out quality Korean names amid market volatility

South Korea's recent political turmoil, characterised by leadership instability and public protests, has led to increased volatility in its equity market. Investors are cautious as political uncertainty affects economic policies and investor confidence, resulting in fluctuating stock prices and a slowdown in capital inflows. While political turmoil will continue to be a negative, there are some Korean companies that continue to grow globally and deliver good returns. The political turmoil also presents an opportunity to select good companies at lower valuations.

Sustained US policy easing supportive of ASEAN economies

Buoyed by expectations of lower rates, ASEAN has outperformed the US and Asia ex-Japan markets since mid-2024 and trails China only narrowly. Despite likely inflationary policies under Trump’s second term, we believe that the US monetary easing cycle will continue into 2025. This is supportive for ASEAN markets, especially those with positive domestic fundamental change, namely Malaysia, Singapore and the Philippines, in our opinion. Under the Trump administration, we anticipate added impetus for "China plus one", as manufacturers—including those from China—continue to seek low-cost and low-tariff production locations.

Focus on Asian companies able to harness change to grow sustainably

While geopolitical uncertainties persist, Asian markets can still offer attractive returns. A sustained shift towards lower interest rates could benefit economies like India and China if accompanied by supportive policies and structural reforms. Investors should focus on companies capable of harnessing these changes for sustainable growth in 2025 and beyond.

Fund Performance Review (31 December 2023 to 31 December 2024)

The Fund returned 2.82% for the review period

Over the review period, the iFast NAM Asia Premier Trust (the "Fund") posted a return of 2.82% (SGD terms on a NAV-NAV basis), lagging the benchmark which returned 15.79%. At the sector level, our positioning in financials and information technology dented relative performance though holdings in materials and consumer discretionary contributed to returns. From the country level, stock selection in China and Hong Kong weighed on relative performance while those in Taiwan and India proved beneficial.

Fund Positioning

Key overweight sectors included healthcare and information technology, while communication services and financials were the most underweight sectors. In terms of markets, the key overweight markets were the Philippines and China, while India and Hong Kong were the key underweights.

Source: iFAST Financial Pte Ltd

HSBC Insurance Singapore Bond Fund (SGD)

Investment and Market Review

Throughout the second half of 2024, the Singapore sovereign yield curve shifted lower while the US Treasury yield curve steepened. Meanwhile, economic data releases during the 6-month period were mixed. In July, the core CPI print released remained unchanged MoM and slightly below expectations, with headline inflation falling to a three-year low YoY. Manufacturing production came in weak, with non-oil domestic exports (NODX) declining for the fifth consecutive month. For August, manufacturing production in July was up, driven mainly by electronics. NODX in July advanced on a MoM basis, supported by strong demand from the US and Asia. The final Q2 GDP print indicated a healthy recovery, although some unevenness in growth was noted. September saw continued disinflation trends, with core CPI rising in August but at a softer pace. NODX moderated slightly, primarily due to a contraction in pharmaceutical exports, although electronics exports remained resilient. In October, Singapore released Q3 GDP print and it grew QoQ at a higher-than-expected pace, thanks to the recovery in goods producing sector. Services output also grew steadily. However, headline CPI inflation slowed in September due to lower transportation inflation, while core CPI rose YoY, driven by increases in healthcare and education prices. NODX grew in September but fell short of expectations, primarily due to weaker electronics exports. In November, there was a significant upward revision of Singapore's Q3 GDP, making it the second fastest-growing economy in ASEAN. Headline CPI inflation moderated YoY in October, falling below expectations due to softened rental inflation, while core CPI also decelerated on the back of broad-based cooling of price pressures. NODX again fell short of expectations, driven by declines in core and pharmaceutical exports, despite an increase in tech exports. By December, we saw headline CPI rebounded slightly YoY in November due to higher transportation inflation, while core CPI slowed and exceeded market consensus. Industrial Production (IP) rose YoY but was below expectations, mainly due to weakness in biomedical production. NODX rebounded in November thanks to the expansion in core exports.

Market Outlook and Investment Strategy

The disinflation trend in Singapore is firmly established, with recent CPI reports indicating a slowdown in inflation rates. Core CPI for November was recorded at 1.9%, below expectations, aligning with the Monetary Authority of Singapore's (MAS) projections for a gradual easing in inflation. As we approach the upcoming Monetary Policy Committee (MPC) meeting, there is a growing sentiment that MAS may consider easing its policy stance. The potential for a slight reduction in the policy slope is on the table, allowing for a mild appreciation of the Singapore Dollar (SGD) while still addressing inflationary pressures. Historical patterns suggest that MAS typically adopts a cautious approach, making incremental adjustments rather than abrupt changes. Overall, the 2025 outlook remains cautiously optimistic, with expectations for continued disinflation and a measured response from MAS to maintain economic stability. Additionally, the Monetary Authority of Singapore (MAS) has indicated that outstanding Singapore Government Securities (SGS) bonds are expected to grow at a slightly faster rate in 2025 compared to 2024, supported by improved global financial conditions. The supply outlook remains favourable for SGS, as MAS can adjust the issuance sizes of each bond based on current market demand and liquidity conditions. SGD yields should continue to track UST yields closely albeit being more stable. Looking ahead, the overall expectation is for SGD rates to gradually align more closely with USD rates, particularly as the outlook for USD rates remains lower.

The fund holds a meaningful proportion of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. As of this month, we are underweight in SGD bonds, while overweighting Asia USD HY bonds given the tightening in spreads and lower rates sensitivity. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Europe, North America and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund overweight Japan and Hong Kong financials sectors. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Source: HSBC Global Asset Management

HSBC Insurance Singapore Equity Fund (SGD)

Investment and Market Review

Singapore ended 2024 with a respectable total return of +23.52% (SGD terms) for the Straits Times Index, outpacing the gains seen in both ASEAN as well as Asia ex-Japan as a whole. While the bulk of returns can be attributed to the strong run in banks given expectations for a higher interest rate environment, we did see gains also coming from growth and turn-around names such as Singtel and Yangzijiang Shipbuilding.

However, what the strong returns does not show was the multiple twist and turns the market took throughout the year in achieving this result. We started the year with expectations for rapid interest rate cuts which evolved to a higher-for-longer scenario more recently, as well as a hike in expectations for a China stimulus package which eventually fizzled out when it became clear that none was forthcoming to the extent that markets were expecting. This year was definitely one which kept investors on their toes.

Market Outlook and Investment Strategy

Looking ahead, all eyes are now on what President Trump will do when he takes over the Oval Office as well as the ensuing impact on global growth outlook. There are growing concerns that his proposed policies will result in increased inflation within US, and this is being reflected in the Fed rate expectations, which was pricing in five cuts for 2025 at the start of October last year, to only two cuts or less in January 2025. The wild card would be whether the newly set up Department of Government Efficiency (DOGE) is truly able to pull off the USD2trn of savings from the current federal government spending of c. USD6.5trn annually. If the savings is achieved, that would reduce funding pressure considerably for the US government and would likely result in lower interest rates as funding pressure eases for the government.

Back in Singapore, we are awaiting the General Elections, which must be called by 23 November 2025. The is likely to be a watershed moment for the ruling People’s Action Party as we witness the changing of guard with the new Prime Minister, Mr. Lawrence Wong, leading the party for the first time in the General Election. Beyond the political implications of what the election results would entail, the conclusion of the elections would also pave the way for yet another milestone moment, the conclusion of the Equities Market Review Group review.

Convened in August 2024 by the central bank, the review group has set a 12-month timeline to provide their findings and recommendations to the government as to the best way to revitalise the Singapore equities market. There has been much discussion on the best way to further enhance the attractiveness of Singapore as a listing hub, and we do hope that this is given serious thought and consideration by the government when the recommendation report finally comes out. The precedence set by Japan and Korea in revitalising their equities markets have seen decent success, so there is hope that if Singapore was to take this seriously, we could see similar levels of success for the local bourse. If this does happen, it should provide a positive catalyst for the Singapore equities market.

Between the potential left-field events that could come once President Trump settles into the Oval Office, and the potential measures the Singapore authorities could adopt in revitalising the domestic equities market, 2025 is shaping up to be one with potentially wide-ranging outcomes for equities markets. This could unlock more opportunities to pick up interesting companies at fair valuations. We continue to believe that well-managed companies with prudent debt levels will outperform in the longer term and will look to pick up stocks that provide a good balance of asset quality and valuations when opportunities present themselves.

Source: Schroder Investment Management Limited

HSBC Insurance US Equity Portfolio Fund (SGD and USD)

Investment and Market Review

US equities presented strong returns in H2'2024. US equities finished third quarter with strong returns as optimistic jobless claims data calmed markets, further bolstered by the Fed's decisive 50bp rate cut. Small caps posted higher gains than mid caps and large caps. Reaction to Trump and the Republicans victory in the US elections was the main driver of performance in Q4, with expectations around US economic growth, lower taxes and deregulation supporting positive returns for the S&P500.

Over the 6-months rolling to December 2024, the HGIF Economic Scale US Equity fund delivered positive returns. Although the fund does not have a benchmark, when comparing to the S&P 500 Index which serves as a proxy for the US equity market, both our asset allocation and stock selection contributed to performance.

In comparison with the S&P 500 Index, our overweight allocations to Financials and Consumer Discretionary coupled with our underweight exposure to Information Technology contributed to performance. Conversely, our overweight allocations to Materials, Energy and Consumer Staples weighed on performance.

In terms of stock positions, our overweight allocations to Lumen Technologies Inc (Communication Services) and Walmart Inc (Consumer Staples) coupled with our underweight exposure to Microsoft Corp (Information Technology) contributed to performance. Conversely, our underweight exposures to Tesla Inc (Consumer Discretionary), Apple Inc (Information Technology) and Broadcom Inc (Information Technology) weighed on performance.

Market Outlook and Investment Strategy

HSBC Economic Scale strategy aims to outperform the market cap index over the long term by using an alternatively weighting scheme to provide investors with exposure that reflects the economic scale or 'footprint' of companies rather than their respective market capitalisation. This is calculated as the company's contribution to Gross National Product (GNP).

A backdrop of active fiscal policy, trade uncertainty, and geopolitical tensions may cause volatility and could leave investors 'spinning around' in 2025. We expect disinflation, resilient growth, and robust corporate profits to progress, allowing the global rate cutting cycle to continue. Growth rates in advanced economies are expected to converge. US growth is cooling but we see little risk of a near-term downturn. US fiscal policy is set to remain loose. Concerns about inflation are likely to linger for a bit longer. Interest rate cutting cycles are likely to be shallow in 2025, with the Fed taking a more hawkish view on inflation and the timetable for further rate cuts. The fundamentally weighted and diversification-focused nature of the HSBC Economic Scale Equity Strategy supports the case for outperformance over the concentrated nature of the market cap index which is biased towards large cap and high growth stocks.

The strategy yields stable weights with low linkage to share prices which smoothens the noise of stock prices. Therefore, we believe it is well positioned to weather the uncertainty (geopolitical risks and macro uncertainty) in the markets well compared to a market-cap weighted benchmark.

Source: HSBC Global Asset Management

HSBC Insurance US Opportunities Equity Fund (SGD)

Investment and Market Review

US stocks rose significantly during the first quarter of 2024, advancing for five consecutive months, as stronger-than-expected fourth-quarter 2023 earnings reports, enthusiasm about artificial intelligence (AI), ongoing economic resilience and hopes for interest-rate cuts drove the Standard & Poor's 500 Index, Dow Jones Industrial Average and NASDAQ Composite Index to reach new record highs. At its January and March meetings, the US Federal Reserve kept the federal funds target rate unchanged at a 23-year high but maintained its outlook for three rate cuts in 2024. Large-capitalisation stocks generated the largest gains, followed by mid- and small-cap stocks, with growth outpacing value in all three market-cap tiers.

Major US indexes reached new record highs during the second quarter of 2024. While the Dow Jones Industrial Average ended the period with losses, fervor for artificial intelligence (AI) lifted the Standard & Poor's 500 Index and NASDAQ Composite Index to solid quarterly gains. The US Federal Reserve (Fed) kept the federal funds target rate unchanged at a 23-year high at its May and June meetings, reducing its projected number of rate cuts for 2024 from three to one. Large-capitalisation stocks collectively generated gains, while small- and mid-cap stocks generally declined, with growth faring better than value in all three market-cap tiers.

US equities collectively finished the third quarter of 2024 with record-high performance, helped by encouraging data showing cooling inflation, resilient job growth and improved consumer sentiment. The US Federal Reserve's (Fed's) robust interest-rate cut was another positive catalyst that drove stocks higher. Over the quarter, value stocks generally outpaced growth stocks while small- and mid-capitalisation stocks outperformed large-cap equities as many investors rotated away from large-cap technology-related stocks.

US stocks collectively rose in the fourth quarter of 2024, with the S&P 500 Index, Dow Jones Industrial Average and NASDAQ Composite Index reaching new record highs. Donald Trump's victory in the US presidential election and the Republican Party's success in gaining a majority in both chambers of the US Congress led to investor optimism about a more market-friendly and economic growth-focused administration. However, some investors expressed concerns about the potential impacts of threatened tariffs on various industries and trade relationships with other countries, as well as on inflation and the US Federal Reserve's (Fed) interest-rate easing path. By market capitalisation and investment style, large-cap equities generally outpaced their mid- and small-cap counterparts, with growth stocks outperforming value stocks in all three capitalisation tiers.

Market Outlook and Investment Strategy

The US economy appears to be firing on all cylinders heading into 2025, with no signs of a major slowdown. Backed by a fairly steady consumer spending, a healthy labour market and generally lower inflation, the country's economic outlook continues to be positive. While equity valuations could stay higher for longer, we view the risk/reward profiles of many companies at current stock-price levels as balanced, and we expect corporate earnings growth—rather than investors' willingness to pay higher valuation multiples—to fuel stock returns in 2025. Conversely, potential policy changes such as higher tariffs under incoming President Donald Trump could lead to higher inflation, which could alter the Fed's plans and trigger market volatility. But given our positive outlook for long-term growth, we would view short-term market swings opportunistically.

The rotation we have seen since the Fed's initial interest-rate cut in September could signal broader market participation, creating an opportunity for active managers who are able to look beyond the benchmark indexes. We see 2025 as a year when market breadth can expand and small-, mid- and large-cap companies can all take the spotlight.

In terms of sectors, we think IT could potentially continue to be a huge area of opportunity. With the buildout and advancement of generative AI, we are at the beginning of a transformational shift. Holistically, we think the IT sector should continue to benefit from increased investment, as companies use the technology lever to lower costs and increase productivity.

We continue to see significant growth potential in the industrials sector, fuelled by trends including reshoring of US manufacturing, electrification and meaningful infrastructure investment. Our long-term outlook for health care remains bullish. Looking past the noise, we see wide-ranging innovation (genomics, robotics, personalised medicine) and meaningful demographic shifts that support our convictions.

Deregulation could positively impact the energy sector, with higher fossil fuel production and a streamlined permitting process for oil, natural gas and coal, as well as increased support for offshore drilling and nuclear power. The financials sector could also benefit as deregulation and lower taxes could help boost profits. With a potentially stronger economy and lower regulatory burden, banks may see an increase in lending activity, and fintech innovation may surge.

We will be closely monitoring the economy and are mindful of geopolitical risks that could potentially impact markets and portfolios. That said, we are bottom-up fundamental investors, and our primary focus is investing in what we regard as great businesses positioned to potentially benefit from secular growth. This approach results in a portfolio that generally emphasises both quality and value over a long-term horizon.

Source: Franklin Templeton

HSBC Insurance World Selection 1 Fund (SGD and USD)

Investment and Market Review

During the second half of 2024 global markets continued to gain, with strong positive returns across both fixed income and equity markets. Global equities were up 5.5%, helped by supportive earnings in the Tech sector and beyond, US elections outcome and strong economic data and rate cuts. Global bonds also delivered 3.5%, as the Fed began the interest cut cycle. Higher yielding areas of the fixed income market outperformed lower risk bonds, helped by continued policy easing across developed and emerging markets. Alternatives posted mixed performance, with Commodities and Style Factor Hedge Funds neutral over the period while Trend Following strategies registered negative returns.

As a result of the market performance, all five World Selection Portfolios delivered positive absolute returns in both the second half and over the whole year.

Market Outlook and Investment Strategy

Over the next 6-12 months we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Defensive optimism: Equity market momentum remains intact, and the economic picture is still resilient. We are tilted towards equity markets and focus on areas where economic performance and company profitability is likely to be strongest. We prefer developed markets over emerging markets.

• Tilting towards US sectors: US Communication Services remains more attractively valued compared to US Tech, and offers exposure to AI related advancements. US Financials as a good hedge to US resilience, while US Quality offers exposure to companies with resilient balance sheets amid some economic and political uncertainty.

• Tilting towards Infrastructure, away from Property and credit;

• Increased exposure to Gold as a hedge to economic and geopolitical risk.

Selective cyclical strength: Within the global economy, certain regions and sectors remain poised to benefit from cyclical economic strength and resilience amid a more nuanced global landscape.

• Within emerging markets, we prefer Taiwan as a play on AI theme, China given its recent policy pivot and more measures introduced to stabilise growth; and Turkey, which benefits from good economic momentum and political backdrop

• Within Europe, we prefer Spanish equities given strong economic growth in the region, and European Banks, on favourable valuations and momentum

Selective global government exposure: The Fed interest rate cutting cycle continues, as inflation is falling back to target and labour markets are cooling. Further rate cuts and concerns about downside growth risks should support the performance of bonds, with improved returns on longer-term exposure, which we continue to favour via Treasuries and Gilts. We also like Australian bonds on a relative value basis versus German bunds, and we are tilted away from Japanese bonds.

Source: HSBC Global Asset Management

HSBC Insurance World Selection 2 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Insurance World Selection 3 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Insurance World Selection 4 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Insurance World Selection 5 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Life FlexConcept Fund (USD)

Investment and Market Review

The past quarter (30.09.2024 – 31.12.2024) witnessed the re-election of Donald Trump as US president. The president-elect's policy agenda led to a shift in market expectations. Market saw an emphasis on substantial government spending through tax cuts and the potential imposition of tariffs ranging from 10% to 20% on all imports, and up to 60% on goods from certain countries, particularly China. Although the additional funding needs are said to be offset by spending cuts, market participants expect that those will mostly be financed by new debt issuances. The spectre of new inflationary pressures have gradually led money markets to price out a total of 100bps of expected interest rate cuts by the FED for 2025.

Higher interest rates and an increase in debt issuance has led the US-Dollar to steadily appreciate over the course of Q4. The proposed tariffs have introduced further uncertainty to an already unstable baseline scenario in Europe. Here, a continued stream of negative news, ranging from the unresolved tension of the war in Ukraine to high energy prices and political turbulence in Germany and France, has had a negative effect on sentiment. Economic development in the EU has been lagging behind its peers in Asia and America, but it is finally showing signs of recovery, especially in its peripheral countries. In Asia, Japan has successfully continued to normalise its interest rate environment, with stabilisation of its inflation outlook, improvement in its GDP growth outlook and further rate hikes expected in 2025. The Chinese economy continues to be hampered by the unresolved real estate crisis, which the government is attempting to address with ever-increasing fiscal stimulus.

However, the proposed measures have so far failed to convince investors of their long-term effectiveness.

The index closed the quarter with a draw-down of -4.76% QoQ. The fund tracked its benchmark closely with a tracking error of 0.96% over the reporting period. After costs the Fund slightly outperformed the index and ended the reporting period -4.71% lower QoQ. Figure 1 compares the development of Fund and Index over the reporting period.

The Index performance in the final quarter of 2024 suffered from a general underperformance in bond markets. US fiscal and monetary policies dominated the reporting period, which in turn drove market sentiment in Europe and the UK. Higher rates expectations prior to the US presidential election gave way to a general risk-on sentiment once Trump's victory was confirmed. On the back of this, the index strategy recouped initial losses by December. Powell's surprisingly hawkish statements during the FED's last meeting of the year triggered a selloff in long durations which in turn dragged down equity valuations shortly before the holiday season. The remaining less correlated index constituents in China and Japan proved to have negligible effect on the index performance in Q4. Long duration bonds were punished by rising interest rates in Japan while equity markets remained positive due to favourable economic data. Chinese stocks experienced major inflows at the beginning of the quarter due to a large-scale stimulus program pushing futures to gains of +10% by mid-October. However, the euphoria was short lived, and futures gave up all gains soon after ending the reporting period -4% lower. Until December all equity markets were allocated by the index strategy. In December, the Japanese Nikkei and European Euro Stoxx 50 left the index allocation reducing its equity part to 30%.

Leverage increased from 150% to 200% on the back of the rebalancing from more volatile equity to less volatile bond positions in the index.

Market Outlook and Investment Strategy

The MEAG FlexConcept fund ("Fund") is tracking the performance of the Systematix BEST 10% RC USD Index ("Index"), which applies a rules-based investment strategy on global bond and equity markets, allocating at least 50% of the investments into bond markets. Given positive momentum in equity markets the index would allocate up to 50% in equities, where the remainder is added to the bond portion. The resulting bond-equity mix is leveraged to achieve a target annualized volatility of 10%, where the index leverage is limited to 300%.

Source: Munich Re Investment Partners GmbH