

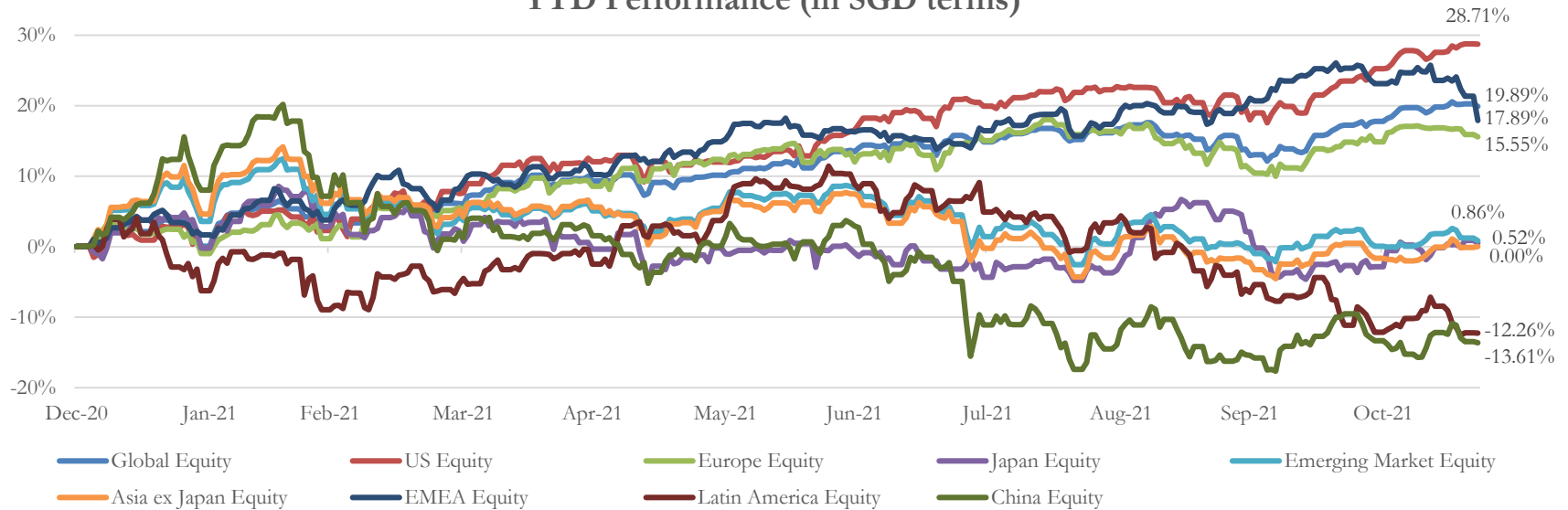


Investment Outlook 2022

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Equity Market Performance

YTD Performance (in SGD terms)

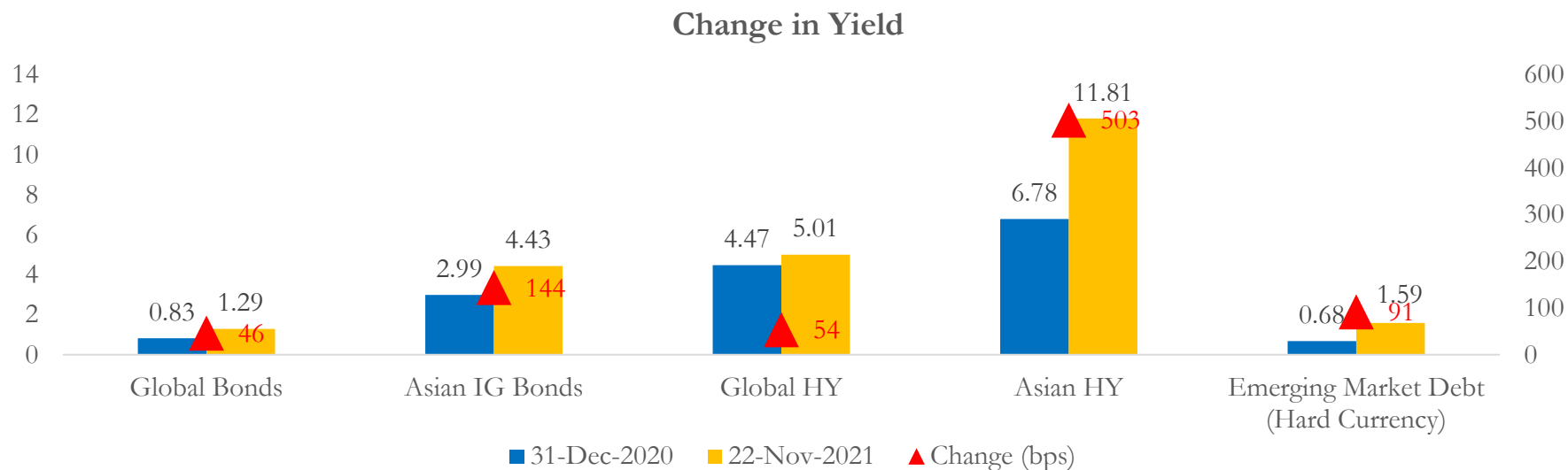


Equity Index (in SGD terms)	Category	1m	3m	6m	YTD	1Y
MSCI AC World index	Global Equity	2.28%	4.06%	9.49%	19.89%	25.01%
S&P 500 Index	US	4.21%	5.62%	15.32%	28.71%	33.63%
STOXX 600 Index	Europe	0.62%	-0.30%	3.37%	15.55%	20.03%
Nikkei 225 Index	Japan	3.30%	5.59%	2.13%	0.52%	7.07%
MSCI Emerging Market Index	Emerging Markets	-1.33%	3.52%	-2.93%	0.86%	5.91%
MSCI Asia ex Japan Index	Asia ex Japan	-0.46%	4.51%	-3.29%	0.00%	4.08%
MSCI China Index	China	-4.52%	4.62%	-12.52%	-13.61%	-14.22%
MSCI EM Eur, ME & Africa	EEMEA	-5.92%	1.91%	3.94%	17.89%	23.47%
MSCI EM Latin America	LATAM	-1.24%	-11.76%	-13.60%	-12.26%	-2.18%

Source: Bloomberg Finance L.P., iFAST Compilations; Data as of 22 Nov 2021
Index performance in SGD terms, returns excludes dividends

Bond Market Performance

Bond Index	Category	1m	3m	6m	YTD	1Y
Bloomberg Barclays Global Aggregate Index	Global Bonds	-0.80%	-2.61%	-2.34%	-5.07%	-3.53%
Bloomberg Barclays Asia USD IG Index	Asian IG Bonds	0.19%	-1.20%	1.35%	-0.56%	-0.17%
Bloomberg Barclays Global High Yield Index	Global HY	-0.79%	-1.34%	-1.03%	0.38%	3.78%
Bloomberg Barclays Asia USD HY Index	Asian HY	-0.24%	-7.52%	-11.49%	-9.27%	-6.56%
Bloomberg Barclays EMD USD Agg Index	Emerging Market Debt (Hard Currency)	0.05%	-1.85%	-0.14%	-1.87%	-0.18%



Source: Bloomberg Finance L.P., iFAST Compilations; Data as of 22 Nov 2021
 Bond Index performance in local currency terms

Key Ideas for 2022

Overweight Equities
relative to Fixed
Income

Prefer Europe and
Japan for DM
Equities

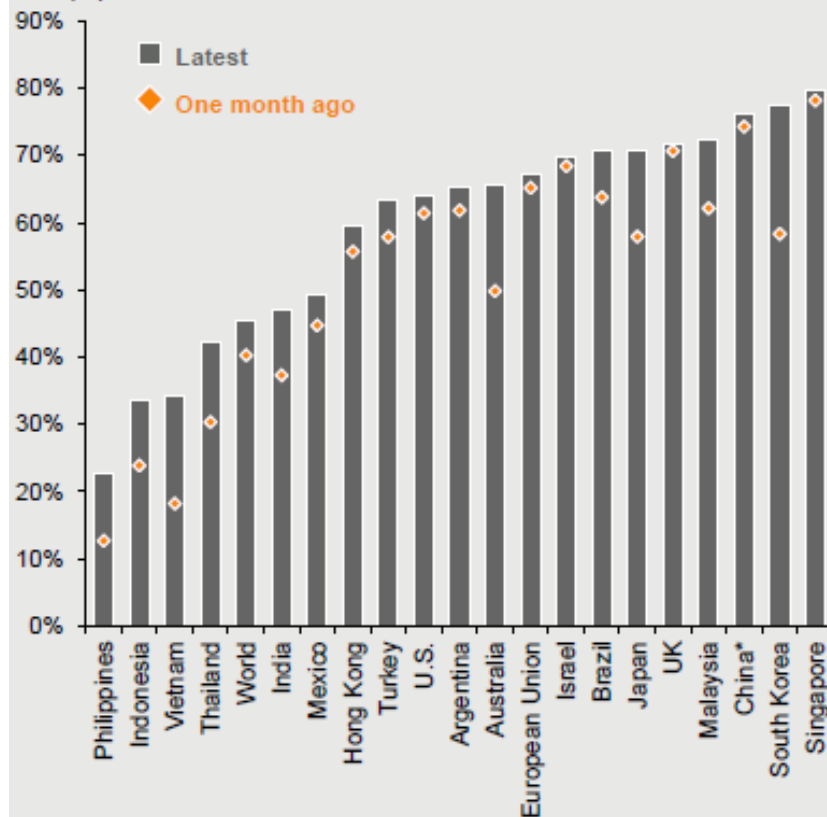
Favour Asia ex Japan
and China Equities

Within FI, overweight
Asian High Yield
Bonds

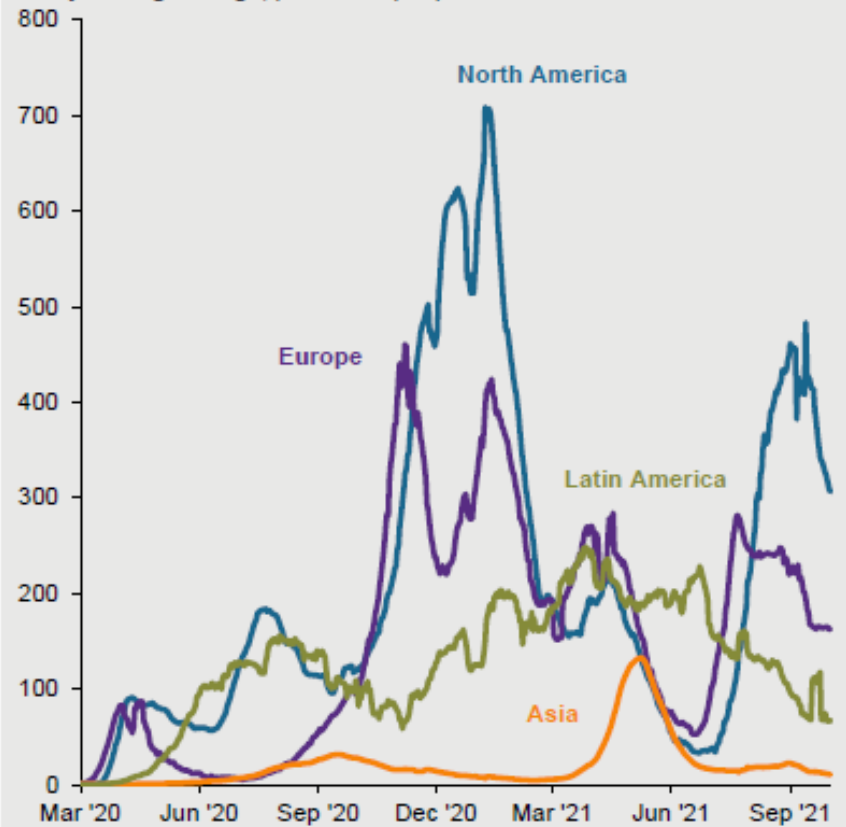
Thematic
opportunities:
Financials, China
Tech, China Semicons

Key Ideas for 2022

People who have received at least one dose of vaccine
% of population



Daily increase in cases (region)
7-day moving average, per million people



Source: J.P. Morgan Asset Management; (Left) Our World in Data; (Right) Johns Hopkins University, World Bank – World Development Indicators. North America includes U.S. and Canada; Europe includes France, Germany, Italy, Spain and UK; Asia includes Australia, China, Hong Kong, India, Japan, Singapore and South Korea; Latin America includes Brazil, Chile, Peru and Mexico. Population numbers are based on World Bank data as of 31/12/20. *For China, the orange dot shows the vaccination data from 26/08/21 as that is closest to one month before latest data. Guide to the Markets – Asia. Data reflect most recently available as of 30/09/21.

Where to allocate to?



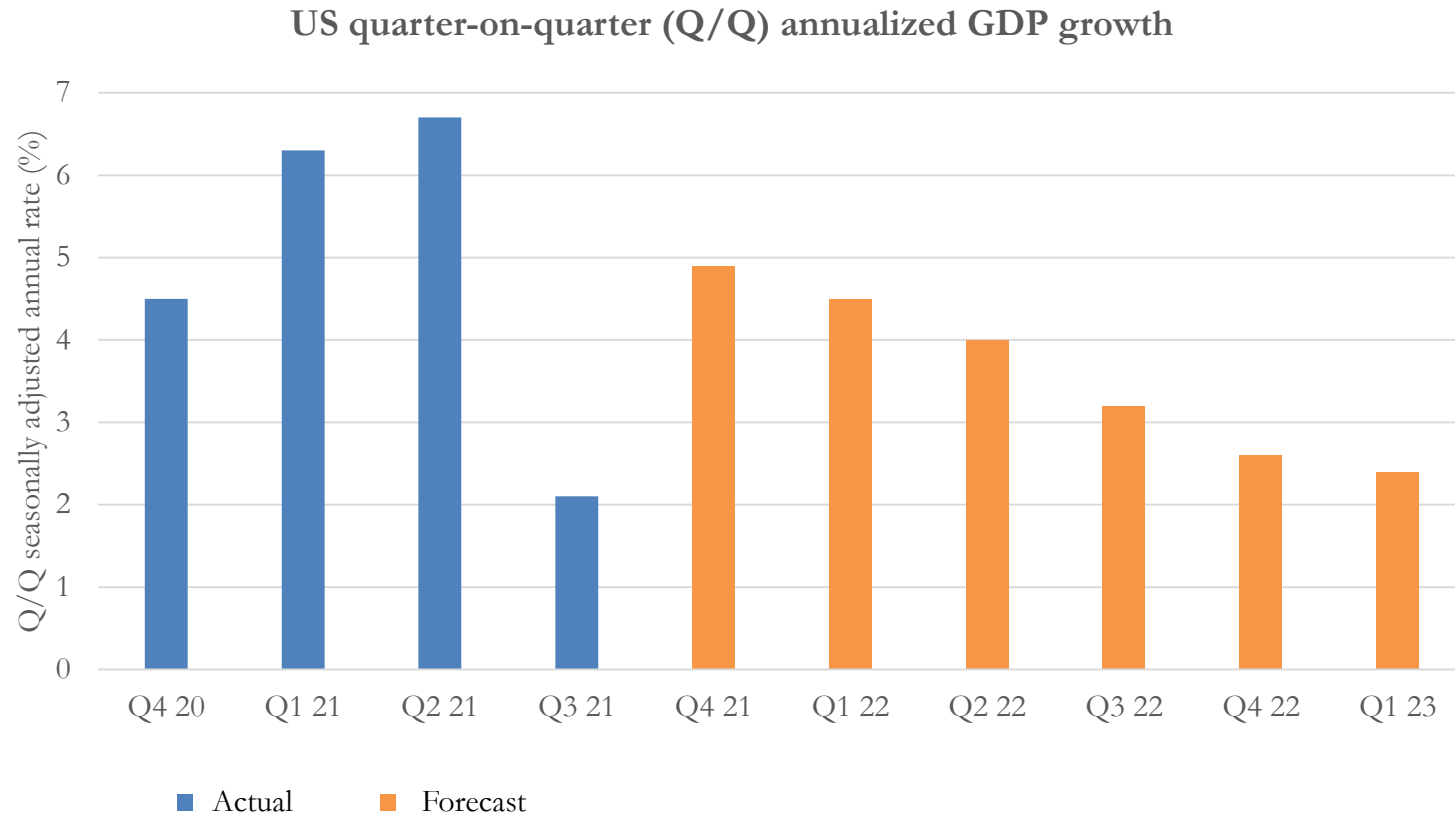
US

- Growth momentum has peaked but likely resilient in 2022 as rising incomes and household balance sheets are still in a good shape.
- Valuations are very stretched by historical and relative standards. A market pull-back is possible if earnings start to disappoint.
- Relatively less attractive to other markets, remain underweight to the US.

Recommended Fund:

Wells Fargo US Large Cap Growth Fund

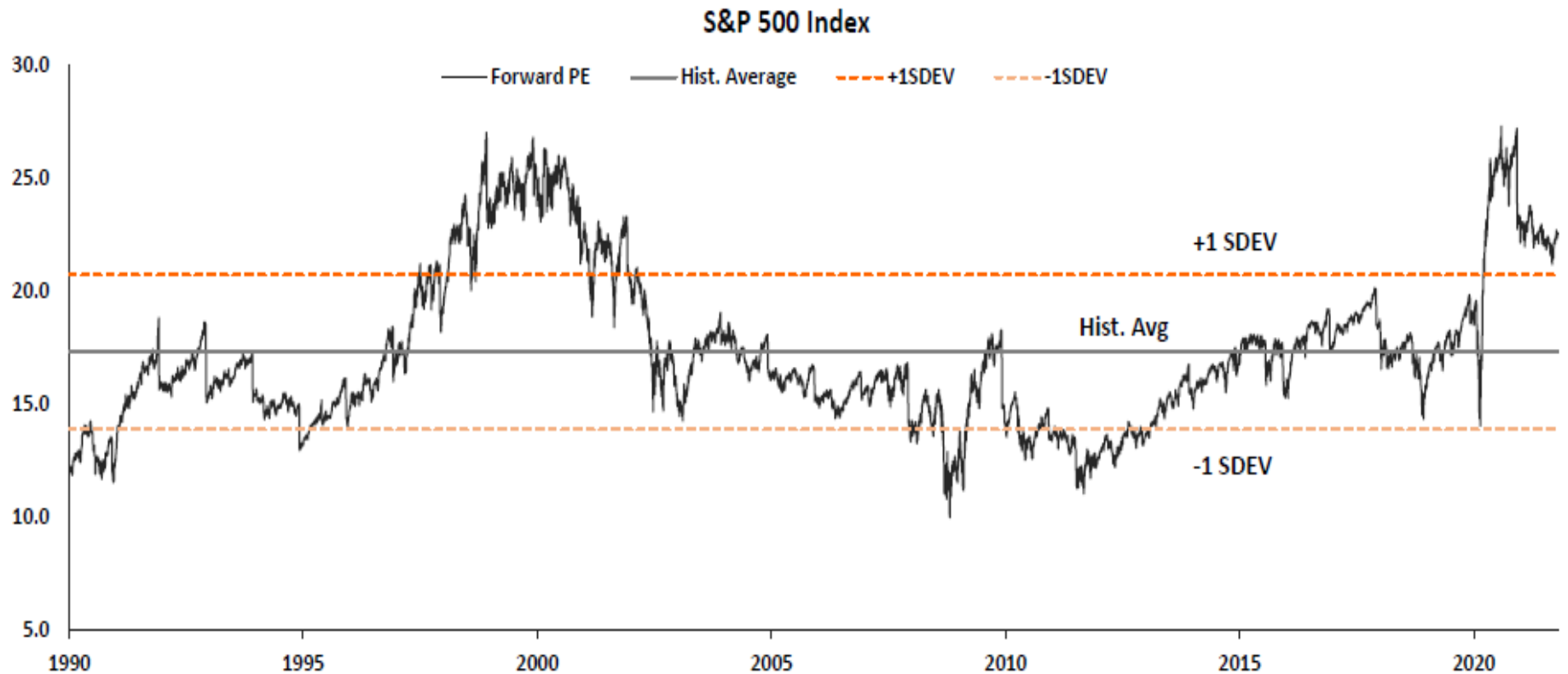
Growth momentum in the US has peaked



Source: Bloomberg Finance L.P., iFAST Compilations;
Data as of 30 Nov 2021

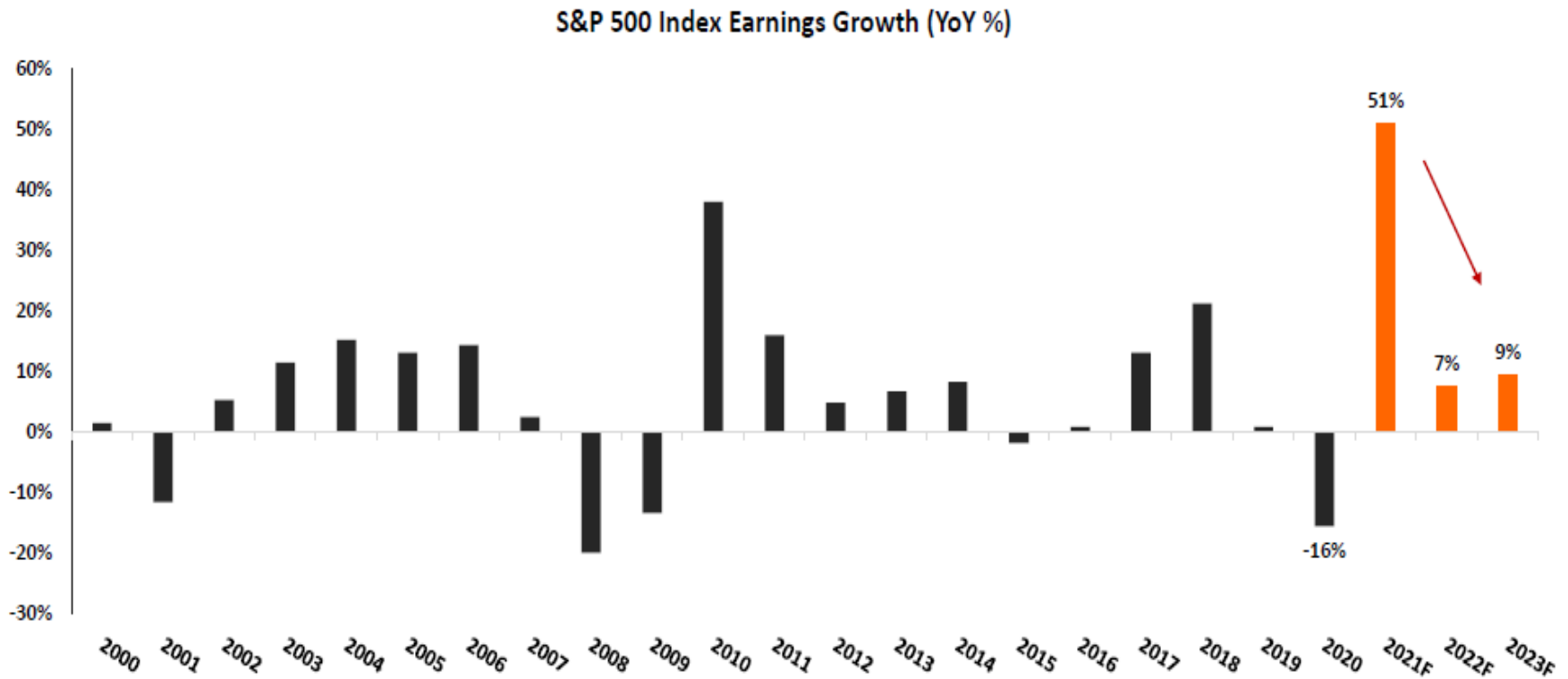
Valuations are very stretched

- Forward PE at 22.5x (30% premium to historical average)
- Above +1 standard deviation



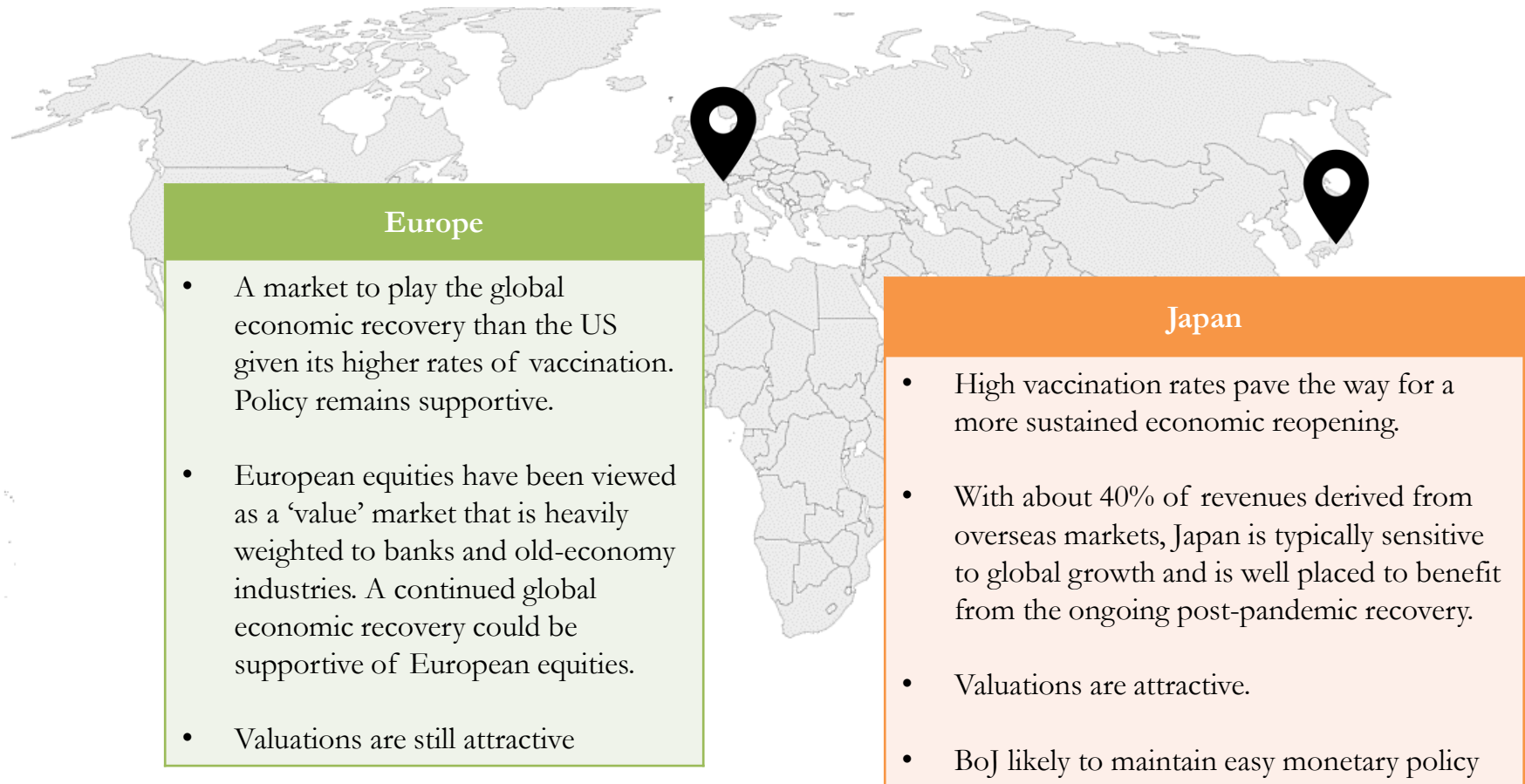
Source: Bloomberg Finance L.P., iFAST estimates; Data as of Nov 2021

Strong earnings growth set to normalise



Source: Bloomberg Finance L.P., iFAST estimates; Data as of Nov 2021

Where to allocate to?



Recommended Funds:

Europe: Allianz Europe Equity Growth Select

Japan: JPMorgan Funds – Japan Equity

Rapidly increasing vaccination rates in Europe and Japan

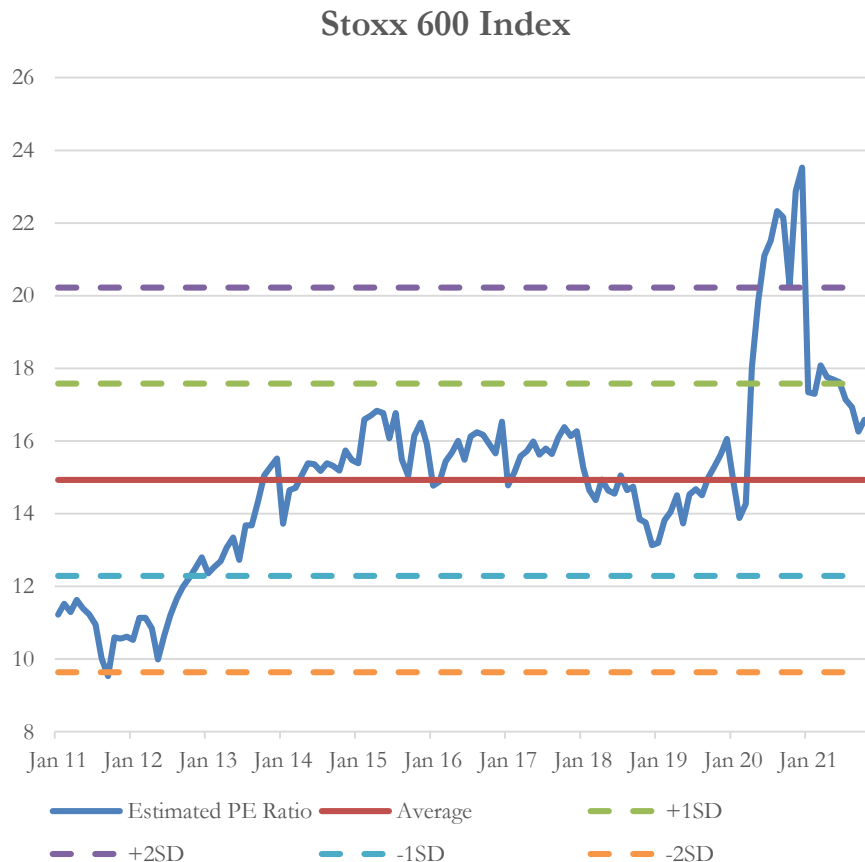
Country/Region	30 Jun 2021	15 Nov 2021
China	15.5%	74%
Italy	31.2%	73%
UK	48.7%	67%
France	31.2%	69%
Germany	37.1%	67%
Japan	14.0%	76%
US	46.3%	58%
Europe	28.0%	56%
Brazil	12.7%	60%
Asia	8.3%	46%

Source: Our World in Data, iFAST Compilations

Data as of 15 Nov 2021

*Share of people fully vaccinated against COVID-19

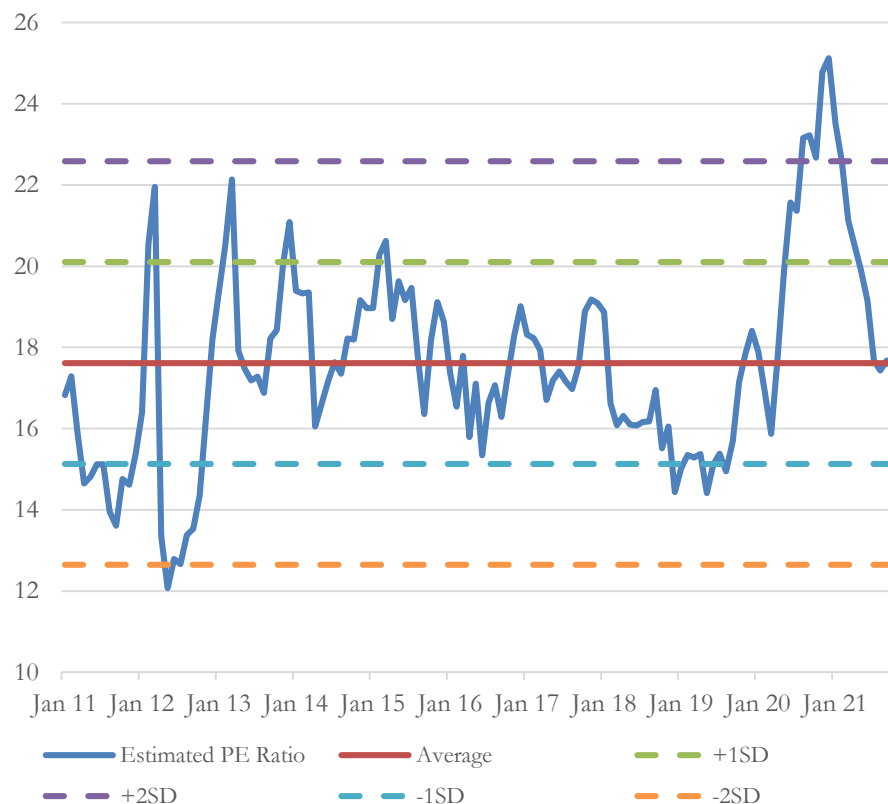
Europe to benefit from a cyclical rebound



Source: Bloomberg, iFAST Compilations
Data as of 30 Oct 2021

Japan, an attractive market to play the global recovery

Nikkei 25 Index

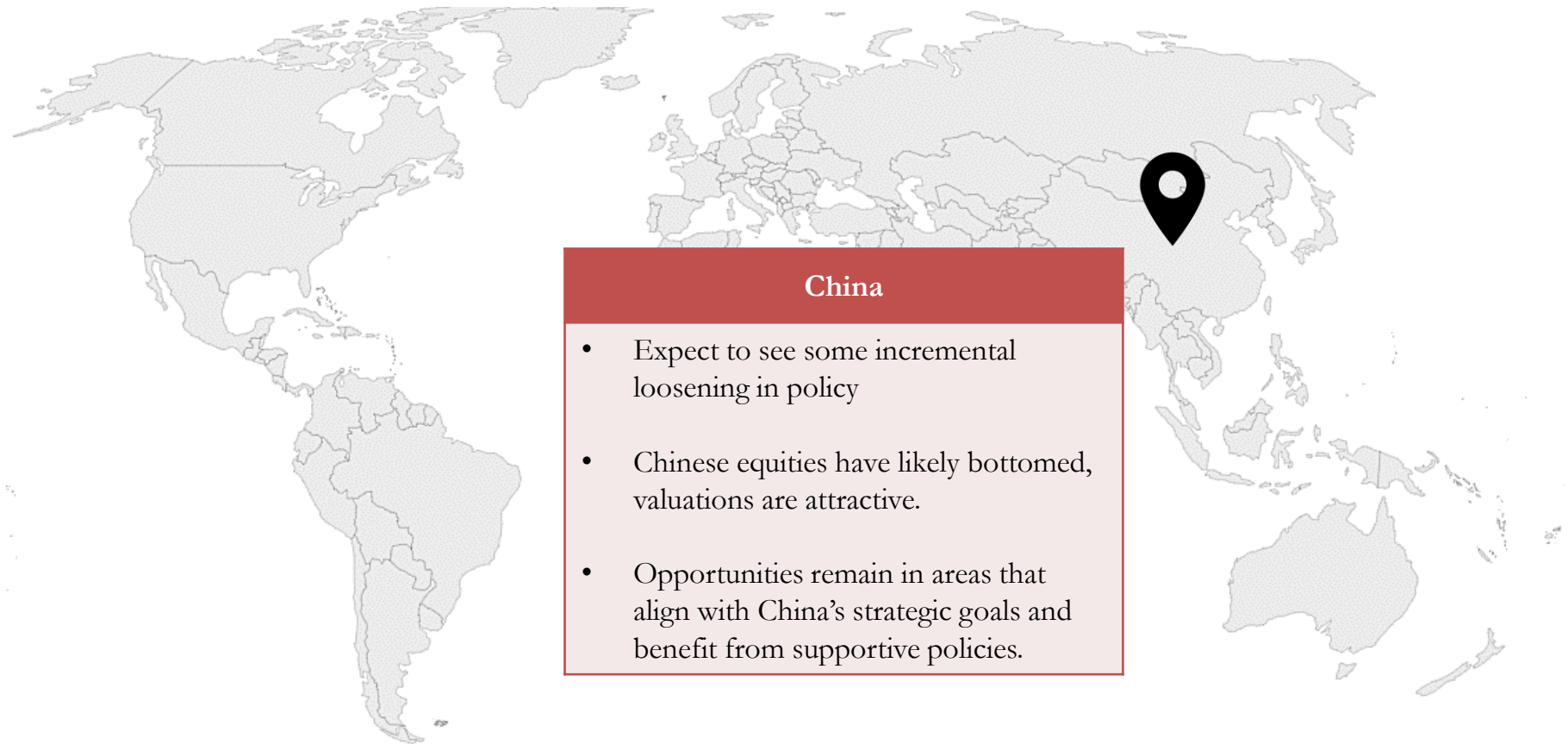


Premium / Discount to S&P 500 Index



Source: Bloomberg, iFAST Compilations
Data as of 30 Oct 2021

Where to allocate to?

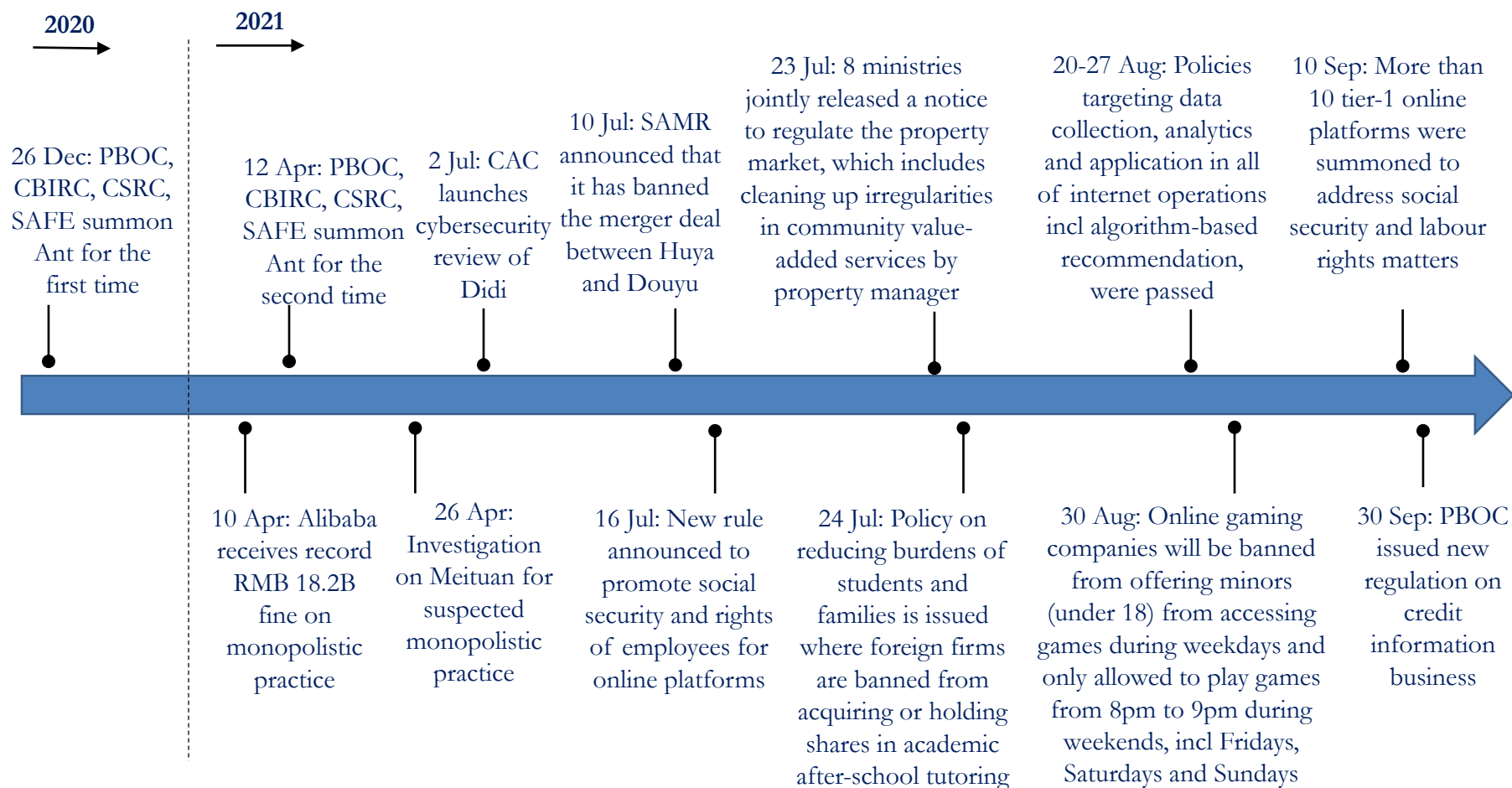


China

- Expect to see some incremental loosening in policy
- Chinese equities have likely bottomed, valuations are attractive.
- Opportunities remain in areas that align with China's strategic goals and benefit from supportive policies.

Recommended Funds:
JPMorgan Funds – China

China's Regulations Timeline

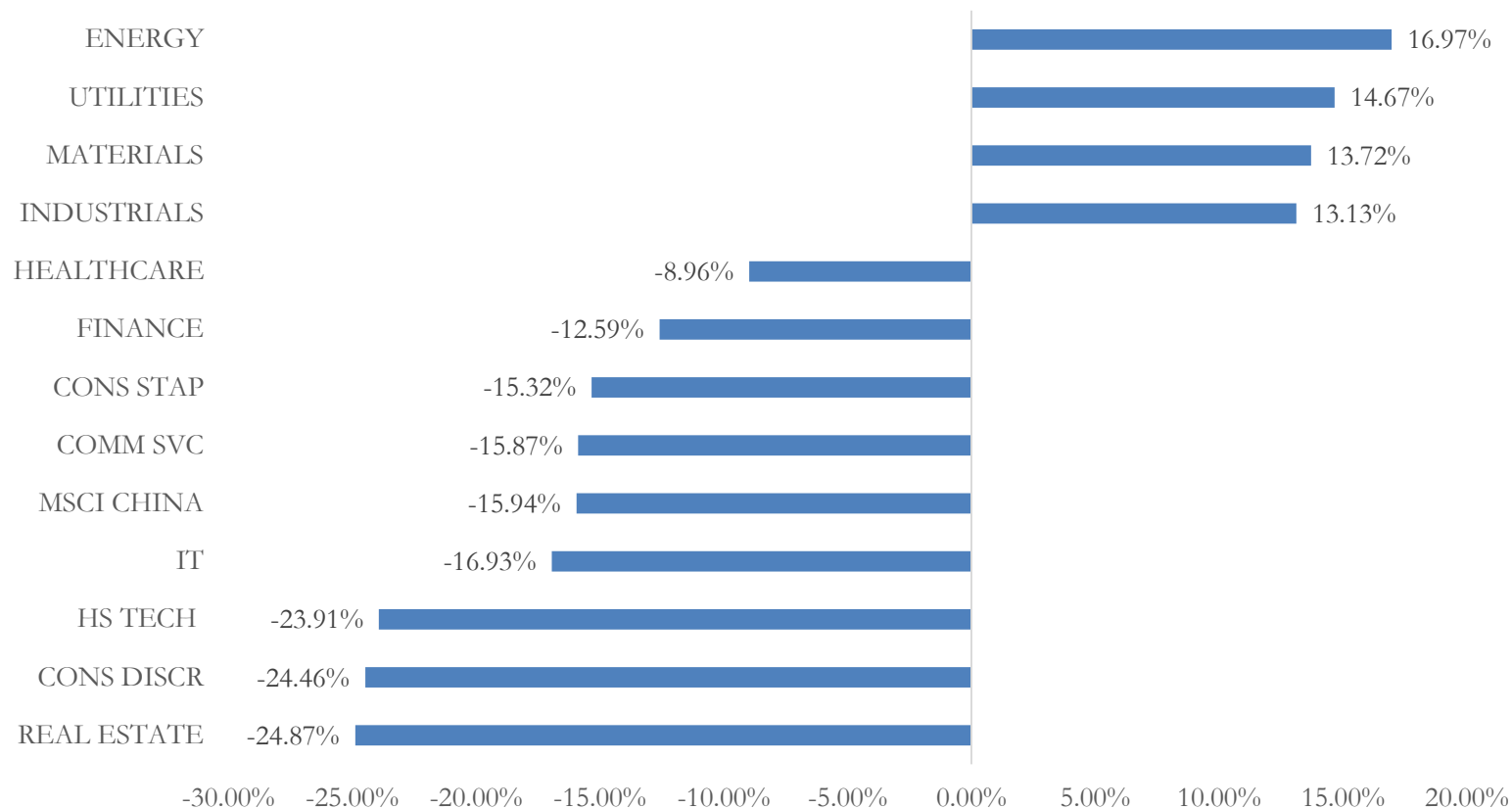


Source: Various news sources, J.P. Morgan Asset Management

PBoC: People's Bank of China; CBIRC: China Banking and Insurance Regulatory Commission; CSRC: China Securities Regulatory Commission; SAFE: State Administration of Foreign Exchange; SAMR: State Administration for Market Regulation oversees all manner of market controls, incl. regulating anti-competition behaviour, intellectual property rights, drug safety supervision and issuance of business licenses etc. CAC: Cyberspace Administration of China is the central internet regulator, censor, oversight and control agency for China. Data as of 30 Sep 2021

China Big Tech giants amongst the worst performers YTD

YTD MSCI China Sector Performance (as of 22 Nov)



Source: Bloomberg Finance L.P., iFAST Compilations; Data as of 22 Nov 2021
Index performance in local currency terms, returns excludes dividends

Earnings growth will be driven by China's New Economy and Financial Stocks

Sector	2021 Est EG	2022 Est EG	2023 Est EG
Consumer Discretionary	9.03%	51.17%	43.34%
Communication Services	8.59%	12.99%	13.33%
Consumer Staples	18.68%	15.45%	14.66%
Energy	279.00%	-0.68%	-1.55%
Financial	5.71%	10.04%	9.93%
Banks	8.96%	7.34%	9.00%
Insurance	-8.38%	20.60%	12.24%
Health Care	84.39%	-0.14%	19.59%
Industrials	72.59%	8.57%	4.33%
Information Technology	39.23%	18.74%	20.16%
Real Estate	11.71%	11.7%	9.83%
Utilities	8.56%	7.99%	2.02%

Earnings growth forecast of HSI

Source: Bloomberg Finance L.P., iFAST Compilations; Data as of Nov 2021

Unique opportunities to monetise China's growth in the A-shares market

- Limited overlaps: only 136 AH companies (companies with both A-share and H-share listings)
- Investors can access companies in industries and sectors that are otherwise unavailable in the non-mainland Chinese stock markets.

Alcoholic Beverage Manufacturers

- Kweichou Moutai (Shanghai)
- Wuliangye Yibin (Shenzhen)
- Luzhou Laojiao (Shenzhen)

Electric Vehicles

- CATL (Shenzhen)
- Guangzhou Tinci Materials (Shenzhen)
- Eve Energy (Shenzhen)

Strategic Metals / Rare Earths

- Zhejiang Huayou Cobalt (Shanghai)
- China Northern Rare Earth (Shanghai)
- Shenghe Resources (Shanghai)

Semiconductor Companies

- Will Semiconductor (Shanghai)
- Naura Technology (Shenzhen)
- Sanan Optoelectronics (Shanghai)

Renewable Energy

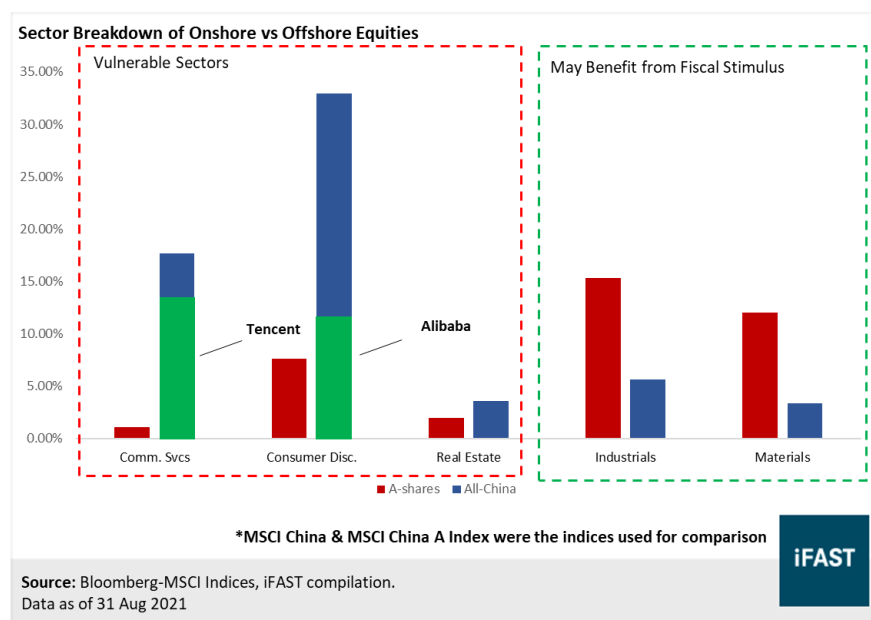
- LONGi Green Energy (Shanghai)
- Sungrow Power Supply (Shenzhen)
- China Yangtze Power (Shanghai)

Artificial Intelligence

- Hangzhou Hikvision (Shenzhen)
- Zhejiang Dahua Technology (Shenzhen)
- iFlytek (Shenzhen)

Regulatory risks are relatively less acute

- The domestic A-shares market is well-positioned for the ‘Common Prosperity’ theme:
 - Lower exposure to sensitive industries
 - Higher exposure to potential government stimulus
- China’s ambitious plan to peak carbon emissions by 2030 and achieve carbon neutrality before 2060 is expected to benefit companies ranging from electric vehicle suppliers to solar energy equipment makers. Similarly, China’s accelerated bid to achieve self-sufficiency is boosting domestic semiconductor manufacturers.
- As such, China’s long-term commitment to supporting the development of these industries has created a fundamental earnings tailwind for the companies operating within them, many of which are listed on the A-share market.



Low correlation with global equity markets

	China A	China H	Global	US	Europe	Japan	Asia ex-Japan	Emerging Markets
China A	1.00							
China H	0.50	1.00						
Global	0.25	0.58	1.00					
US	0.17	0.46	0.95	1.00				
Europe	0.22	0.54	0.94	0.82	1.00			
Japan	0.25	0.51	0.68	0.55	0.61	1.00		
Asia ex-Japan	0.42	0.80	0.77	0.63	0.71	0.65	1.00	
Emerging Markets	0.36	0.75	0.84	0.70	0.80	0.64	0.95	1.00

Source: Bloomberg Finance L.P., iFAST Compilations. From Jan 2001 – Sep 2021.

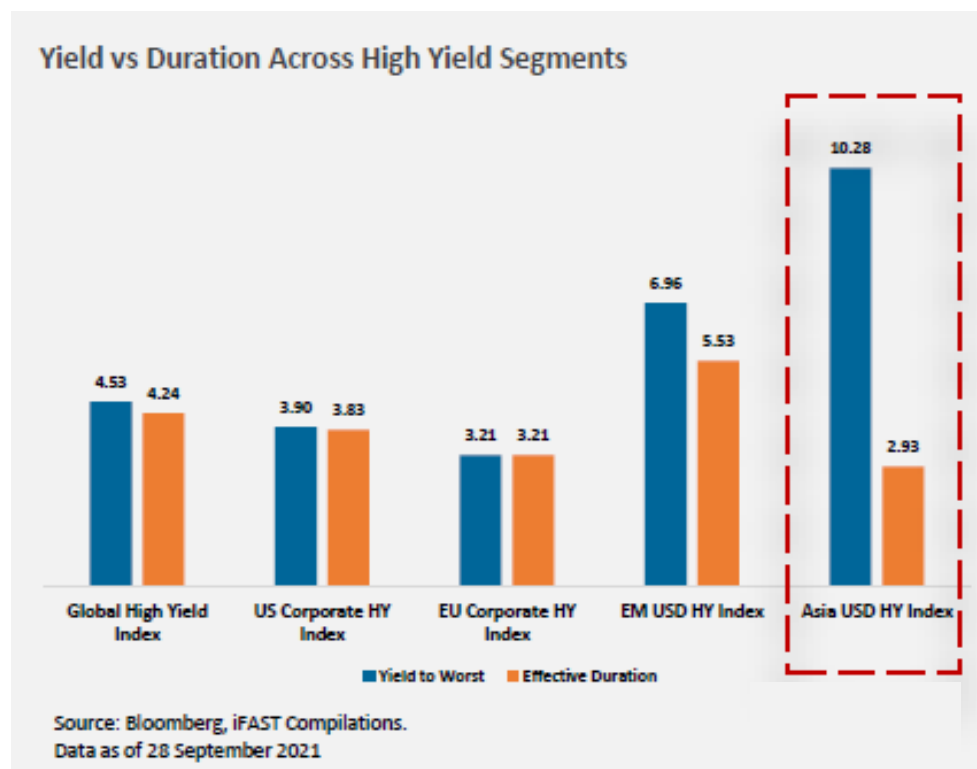
China A = CSI 300 Index; China H = Hang Seng China Enterprises Index; Global = MSCI AC World Index; US = S&P 500 Index; Europe = Stoxx 600 Index; Japan = Nikkei 225 Index; Asia ex-Japan = MSCI Asia ex-Japan Index; Emerging Markets = MSCI Emerging Markets Index.

Fixed income challenged by the rising yield environment but selective segments are attractive

- A significant proportion of the fixed income market offers limited value. With the Fed set to raise interest rates in 2022, fixed income assets could also come under pressure.
- Credit spreads in investment grade bonds are extremely tight, offering limited value. While the spreads of high yield bonds are also narrow, they offer higher absolute yields, and are more attractive. In the high yield space, we prefer Asian high yield bonds.
- Emerging market debt comes with high duration, which makes them very vulnerable to price declines when interest rates eventually increase.

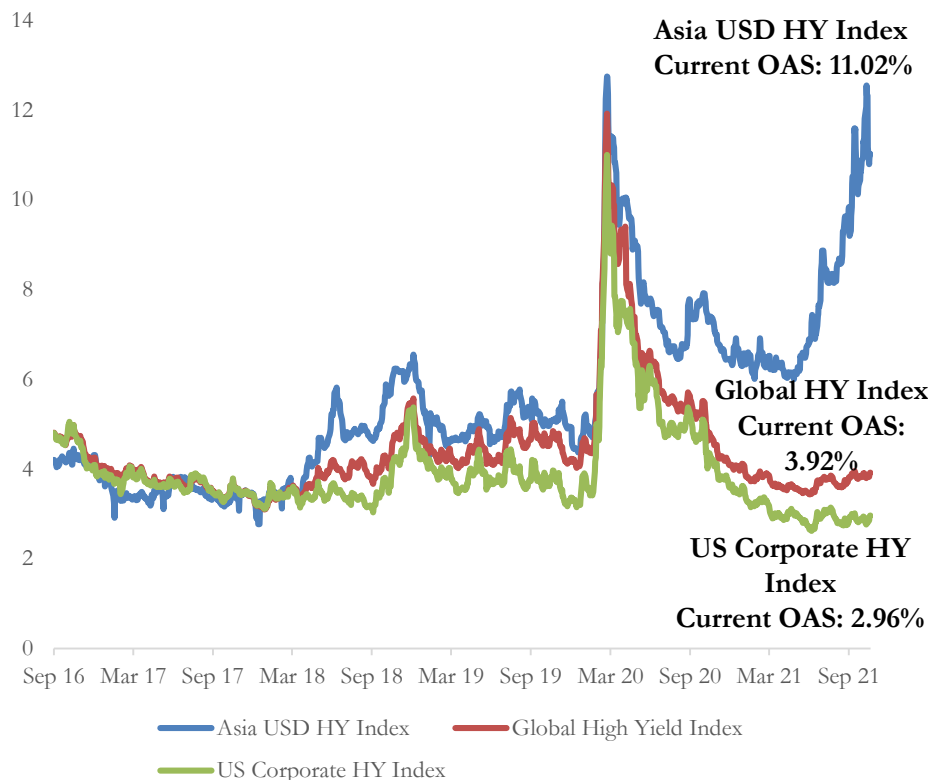
Asian high yield bonds at attractive levels

- Investment thesis on Asian HY bonds remains largely intact:
 - i. Highest yields in the bond market today;
 - ii. Attractive valuations, both historically and relative to peers;
 - iii. Resilient to interest rate changes
- While expected default rates are certainly picking up, the yield offered by the Asian HY segment is picking up as well. Risk-seekers are compensated with larger credit premium.
- Asian HY bonds are offering a YTW of 10.3%. While defaults could rise further, current valuations more than compensate for the risk.



Asian high yield bonds at attractive levels

High Yield Bonds Credit Spreads - Global,
US, Asia (2016-2021)



Bloomberg Barclays Asia USD High
Yield Credit Spread

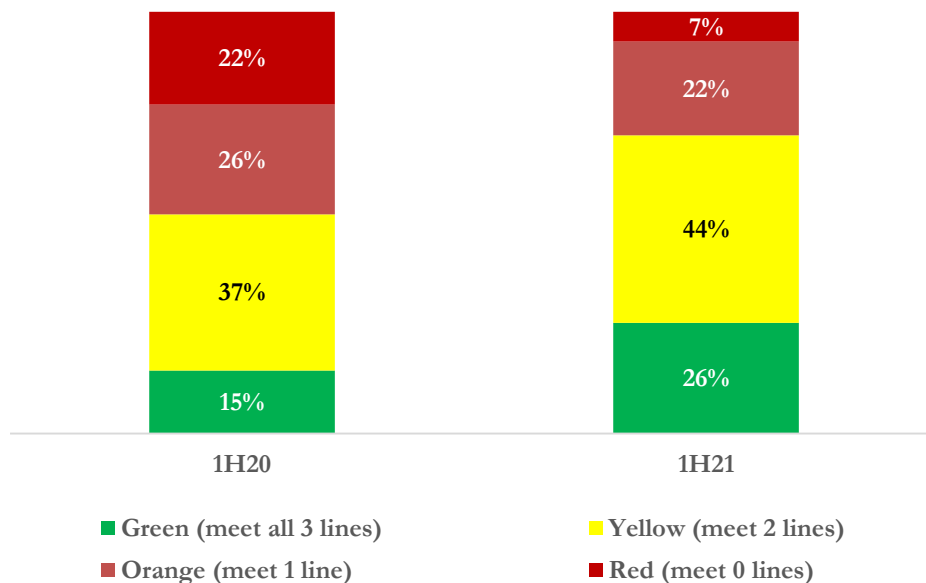


Source: Bloomberg, iFAST Compilations
Data as of 17 Nov 2021

Most Chinese developers have stepped up on deleveraging efforts

- China real estate developers have made great improvements on the three-red-line metrics. Fewer listed Chinese developers are in breach of the three red lines.
- While Evergrande may indeed default, we believe Chinese authorities will take steps to prevent the debt crisis from destabilizing the financial system and the economy.
- While defaults could rise further, current valuations more than compensate for the risk.
- **Recommended Fund:** Eastspring Investments – Asian High Yield Bond ASDM SGD-H

Increasing number of developers complying with all three red lines



Source: Bloomberg Finance L.P., iFAST Compilations

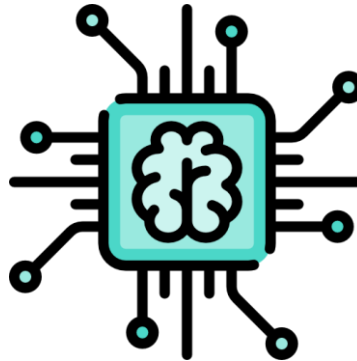
*Based on MSCI China Real Estate Index, excluding IG issuers; Data as of 1H21

Thematic opportunities to look out for in 2022



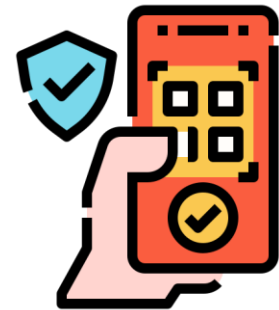
Global Financials

- A continued global economic recovery could be supportive of value and cyclical sectors.
- Global financials appear well-positioned to benefit, especially with interest rates set to rise in 2022.
- **Recommended product:** Blackrock World Financials, iShares Global Financials ETF (NYSE: IYG)



China Semiconductors

- This sector will be a beneficiary of strong policy tailwind.
- In a bid to achieve self-sufficiency, China has implemented several policies/initiatives to support the industry (e.g. tax incentives, national fund, nurturing talent and more).
- **Recommended product:** Global X China Semiconductor ETF (HKEX:3191)



China Technology

- The regulatory overhang will fade off as companies continue to deliver strong earnings.
- Valuations remain more attractive compared to US peers, expect a strong turnaround in 2022
- **Recommended product:** iShares Hang Seng TECH ETF (HKEX:3067)

Summary of key ideas

1. Equities are expected to outperform fixed income in 2022. Fixed income remains relatively unattractive with a significant proportion of the market offering limited value. Investors should stay overweight equities relative to fixed income.
2. Within equities, we are overweight Asia ex Japan and China. We reiterate our conviction in China's technology sector. Despite slowing growth, China still has room for policy easing to help support its economy.
3. Within fixed income, we are overweight the Asian high yield bond segment, which has undergone a significant correction in recent times.

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