

PromiseLand



PromiseLand's Quarterly Market Outlook 4Q2021

Wealth Management Department

27 October 2021



Contents

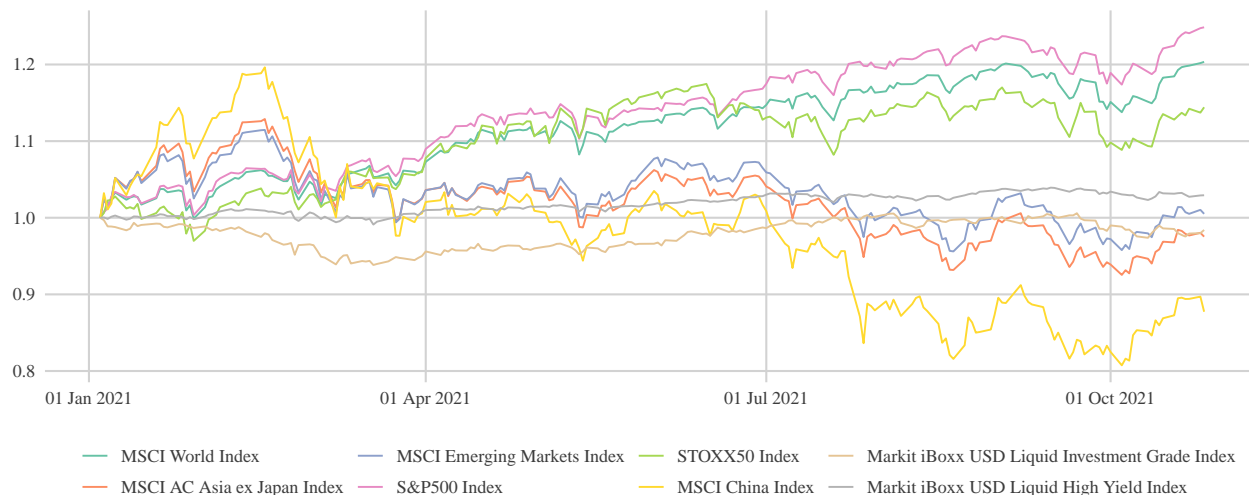
| | | |
|----------|--|-----------|
| 1 | Quarterly Market Review | 3 |
| 2 | Market Outlook | 8 |
| 2.1 | USA | 9 |
| 2.2 | China | 13 |
| 2.3 | Europe | 17 |
| 2.4 | Credit Markets | 19 |
| 3 | Allocation Model | 22 |
| 3.1 | Strategic Asset Allocation (SAA) | 22 |
| 3.2 | Tactical Asset Allocation (TAA) | 23 |
| 3.3 | Past Performances | 24 |
| 4 | Appendix | 25 |
| 4.1 | Fund Selection (Cash) | 25 |
| 4.2 | Fund Selection (CPFOA/SRS) | 26 |



1 Quarterly Market Review

World Market Indices

Source: Bloomberg, author's compilation
Rebased Index (04 Jan 2021 = 1)
Data as of Oct 2021



The winners at the three-quarter mark for year 2021 are the S&P500 Index, MSCI World Index, and STOXX50 Index. Contagion from the Evergrande crisis in China has spooked the China and Asian markets as a whole. Yet again, High-Yield Bonds has provided an excellent form of diversification and returns.

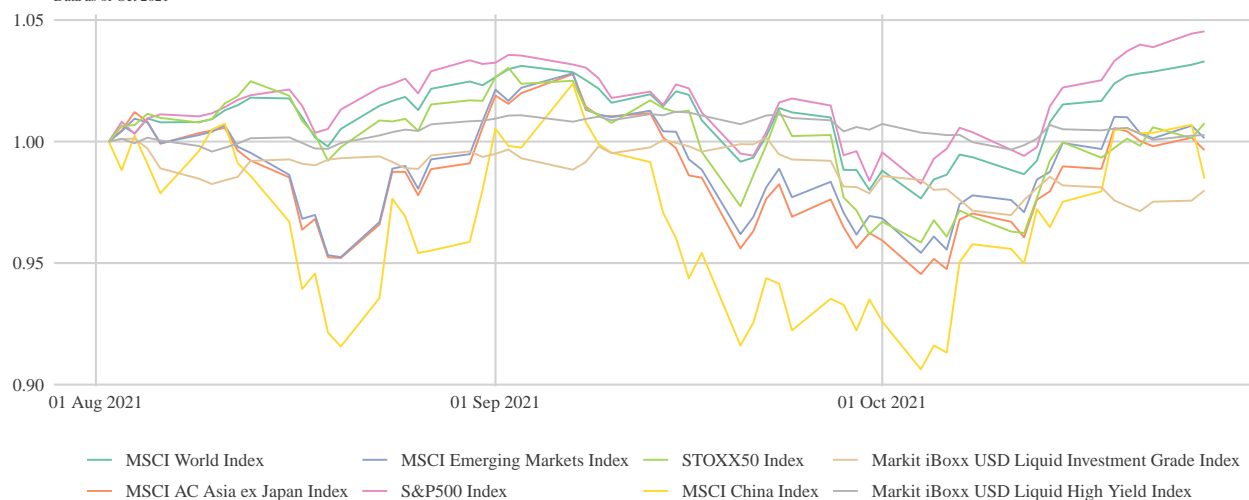
As the COVID threat persists, roads to recovery diverge. Bolstered by surprisingly rapid rebounds in the U.S. and China, the path for global output still looks more like a “V” than anything else. Delve a little deeper, though, and the reality is an unappetizing alphabet soup of different trajectories:

- For the world as a whole, we forecast GDP growth of 6.6% in 2021 and 4.7% in 2022. Global output won't quite be back on its pre-COVID path, but it won't be too far away, either.
- In general, countries with abundant vaccines and ample stimulus are doing better than those without. But that's far from the complete picture. China's property slump, for example, is a threat that vaccines won't combat.
- Stagflation is too strong a word. But supply shocks keeping prices high and output low still leave central banks with no easy options. For now, with elevated uncertainty and little urgency to act, the majors are preserving optionality.



World Market Indices

Source: Bloomberg, author's compilation
Rebased Index (02 Aug 2021 = 1)
Data as of Oct 2021

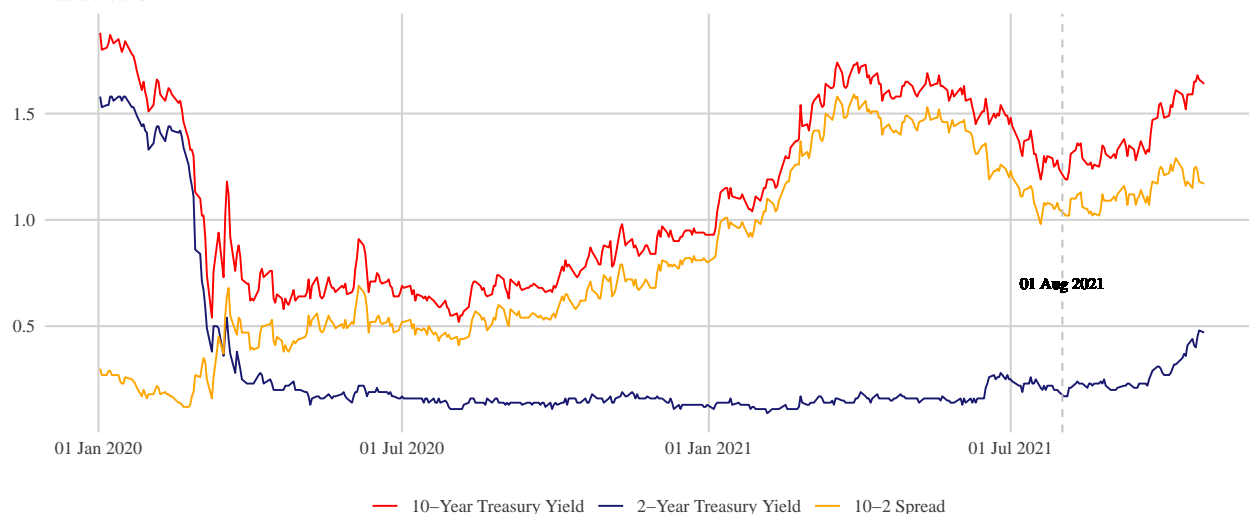


For the past quarter, the S&P500 index has been the best performer, followed by the MSCI World Index, and the STOXX50 Index. China's regulatory crackdown on the technology and education sector brought the MSCI Asia Ex. Japan and ShenZhen CSI300 down heavily. Both eventually managed to end the quarter about on par but the ripple effect was felt in the rest of the market. Inflation fears continue to loom over the market but with a strong technology recovery, S&P500 managed to deliver a stellar quarter with the credit markets lingering from inflation. PromiseLand is proud of our Strategic Allocation choices made last July, whereby we made the call to overweight USA equities, to remain neutral on Europe equities, and to underweight Asia/China equities.



US Treasury Spreads (%)

Source: FRED, author's compilation
Data as of Oct 2021



The 10-2 spread has moderated, with notable increases in both the short end and the long end of interest rates. Rising short term yields could be interpreted as a sign of impending economic recovery and growth.

We continue to remain firm with our view that inflationary pressures in certain parts of the economy are purely transitory in nature and that the US Fed will only adopt a hawkish stance, earliest at the end of 2022.

The pattern of recovery from the COVID crisis continues to defy straight-line forecasts and easy explanations. In general, getting the virus under control with a high vaccination rate should be the elixir for recovery. But it is not that simple. In Europe, for example, despite high vaccination rates activity is some way from the pre-virus level. In China, the zero COVID strategy delivered outperformance in 2020, but in 2021 repeated lockdowns have hit spending, and a property slump and power shortages are set to drag on growth into 2022.

Pull the jagged pieces together, and relative to our last forecast round, the outlook for global growth is slightly weaker this year and slightly stronger next. We forecast growth of 6.6% in 2021 and 4.7% in 2022. By 2023, global growth should be moving back toward trend - which we estimate at about 3.2%.

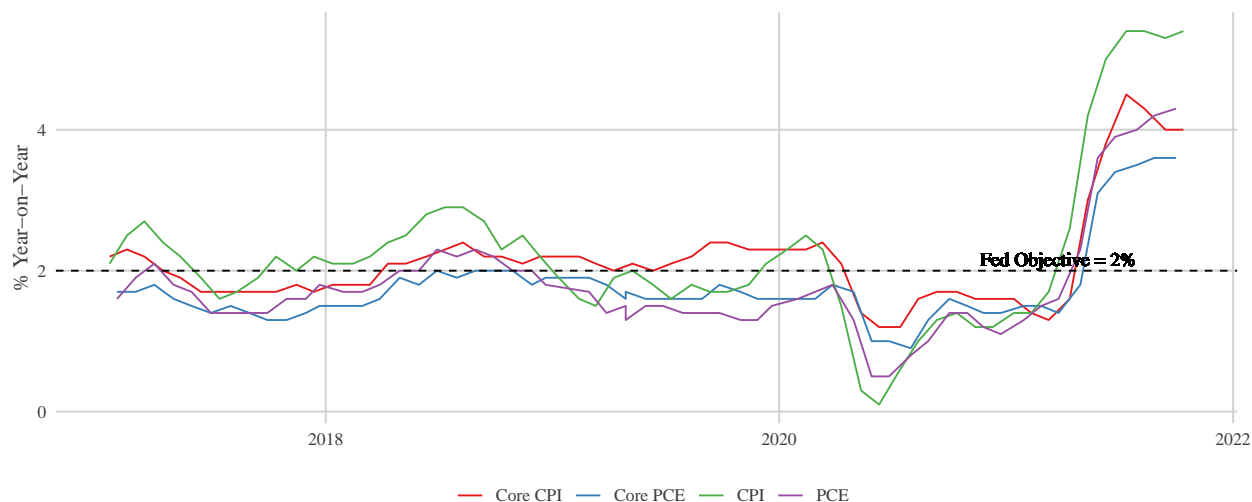
Continued supply disruptions are keeping inflation at elevated levels. Semiconductor shortages, port congestion, and a sharp rise in commodity prices are all conspiring to lift price gains well above forecasts from the start of the year, and substantially above central banks' target level.

The view from monetary policy makers, and many in the market, is that the current drivers of price gains are set to be short lived, and inflation in advanced economies will return close to target in 2022. That's not entirely unreasonable. In general, inflation driven by supply shortages does not stick around for long, and has stuck around even less in recent years than it did in past decades.



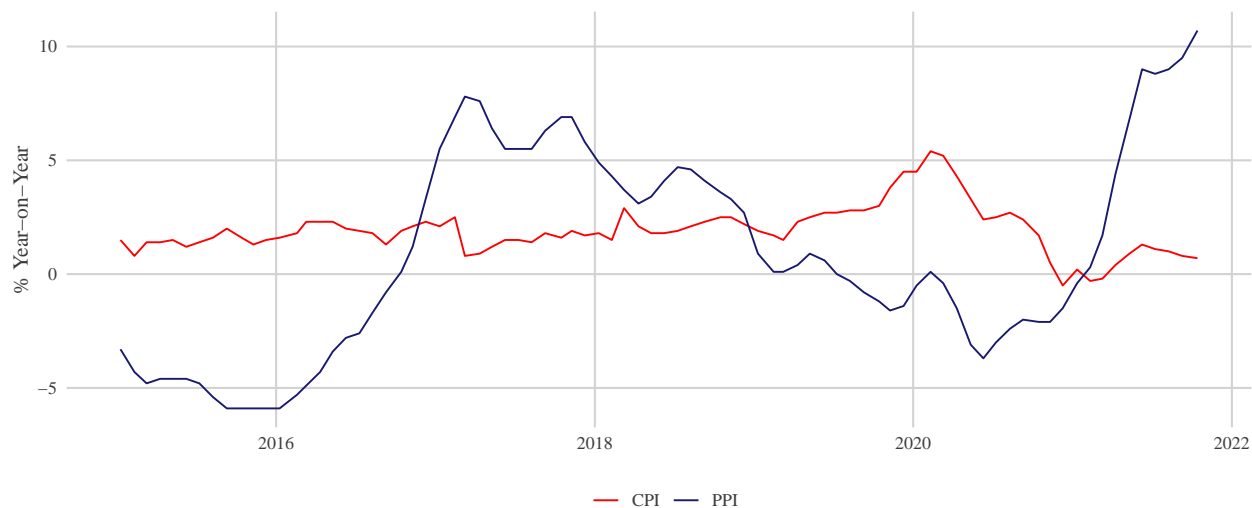
USA CPI and PCE

Source: Bloomberg, author's compilation
Data as of Oct 2021



China CPI and PPI

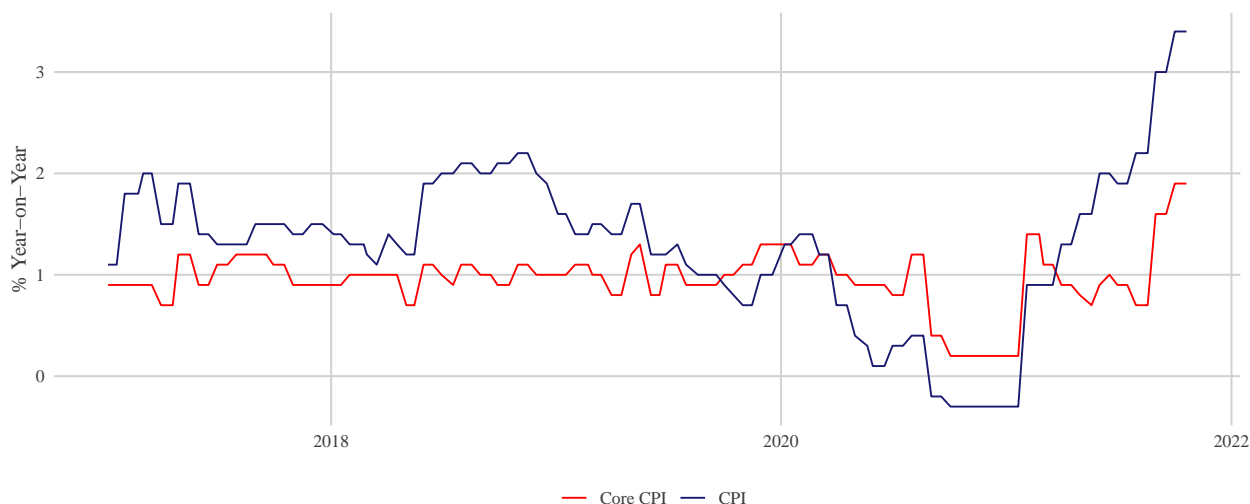
Source: Bloomberg, author's compilation
Data as of Oct 2021





Europe CPI and Core CPI

Source: Bloomberg, author's compilation
Data as of Oct 2021



Even so, we are less sanguine. Low vaccination rates in Asia - just 16% of the population in semiconductor hub Taiwan has two shots - meaning the possibility of continued supply snarl ups. In the US, some gauges of inflation expectations have moved higher. And a recovery getting back on track means higher demand will be adding to price pressure.

The second half of 2021 will mark the peak in inflation in the current cycle. But a magic melting away at the start of 2022 is far from guaranteed. In the US, we expect the CPI to end 2021 at 5.8% on higher energy prices, and to remain elevated at 3.5% in mid-2022. For many emerging markets, gains will run at an even more elevated level.

Stagflation is too strong a word. In the 1970s, U.S. inflation ran into double digits and unemployment was woefully high. In 2021 and 2022, inflation is above target but not stratospherically so and growth is slightly weaker than hoped. Still, even if the magnitude of the shocks is significantly smaller, the direction is the same. For central banks, the combination of higher inflation and weaker growth means no easy answers: tighten policy to control prices and they add a further drag on the recovery; loosen to support growth and they risk inflation spiraling higher.

For now, in advanced economies, central banks are flagging concern about inflation but keeping their options open. Chair Jerome Powell has said the Fed's taper of asset purchases will be done by the middle of 2022. That's at the early end of expectations, and opens the door to a potential liftoff on rates in 2H 2022. The Bank of England has indicated it may move even earlier, with markets now pricing in the possibility of an end-year 2021 hike.

For emerging markets, there's a more mixed picture. In China, with no sign of elevated factory prices hitting consumers and growing concern about the property slump, the People's Bank will likely be forced into an easier stance. We anticipate a cut in the reserve requirement ratio before the end of the year. Elsewhere, especially for emerging markets dependent on capital inflows, higher U.S. rates dragging funds out and still-stumbling recoveries requiring additional stimulus is an unwelcome combination.

Risks to the outlook are not hard to find: - In the immediate future, the U.S. debt ceiling drama will be reenacted in December. None of the underlying flash points between the two parties have been resolved. 2011 provides a recent example of a time when a similar stand off had a material impact on the outlook. - In China, the Evergrande default and contraction in property sales and construction raises the possibility of



a repeat of 2015, when the Shanghai market slump rippled around the world. - In the other direction, it's possible the unsnarling of supply chains, agreement on Biden's 'Build Back Better' agenda, and more fiscal support in other majors could mean a Goldilocks outcome with inflation subsiding and growth strong.

Uncertainty - needless to be said - remains elevated. In their latest meeting, nearly all of FOMC participants rated uncertainty on the outlook as above the average of the past 20 years. Policy makers have responded by preserving the maximum possible optionality. The Fed, for example, still has wiggle room on the taper timing and details that can be used if conditions require. With the range of possible economic and market outcomes wide, investors would be wise to do the same.

Below are the cumulative year-to-date and quarterly performances of the indices.

Table 1: Cumulative Index Returns (%)

| Index | Return |
|--|---------|
| MSCI World Index | 20.347 |
| MSCI AC Asia Ex. Japan Index | -2.467 |
| MSCI Emerging Markets Index | 0.511 |
| S&P500 Index | 24.856 |
| STOXX50 Index | 14.421 |
| MSCI China Index | -12.267 |
| Markit iBoxx USD Liquid Investment Grade Index | -1.594 |
| Markit iBoxx USD Liquid High Yield Index | 2.937 |

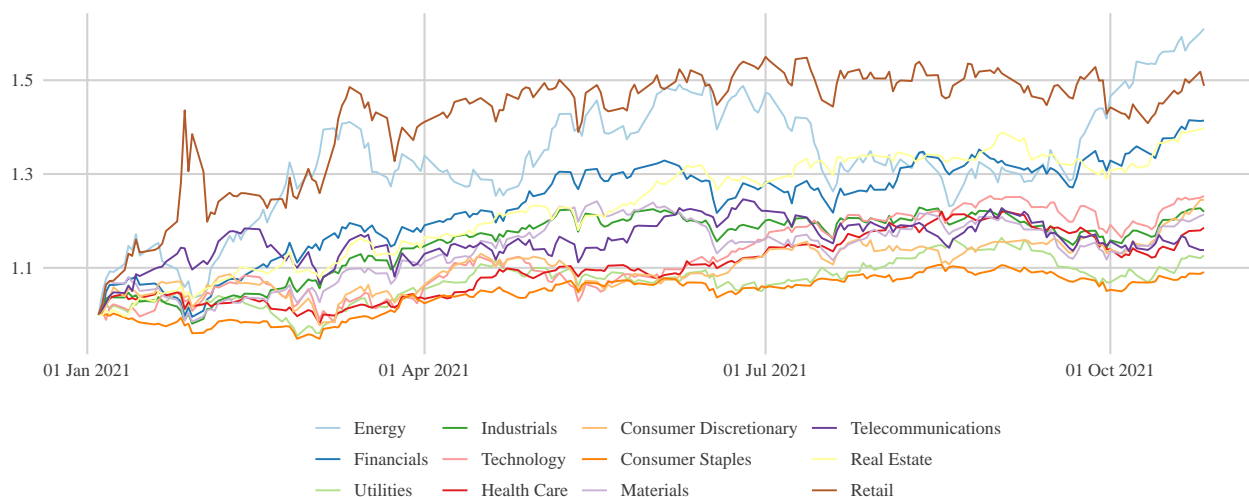
2 Market Outlook



2.1 USA

USA Market Sectors

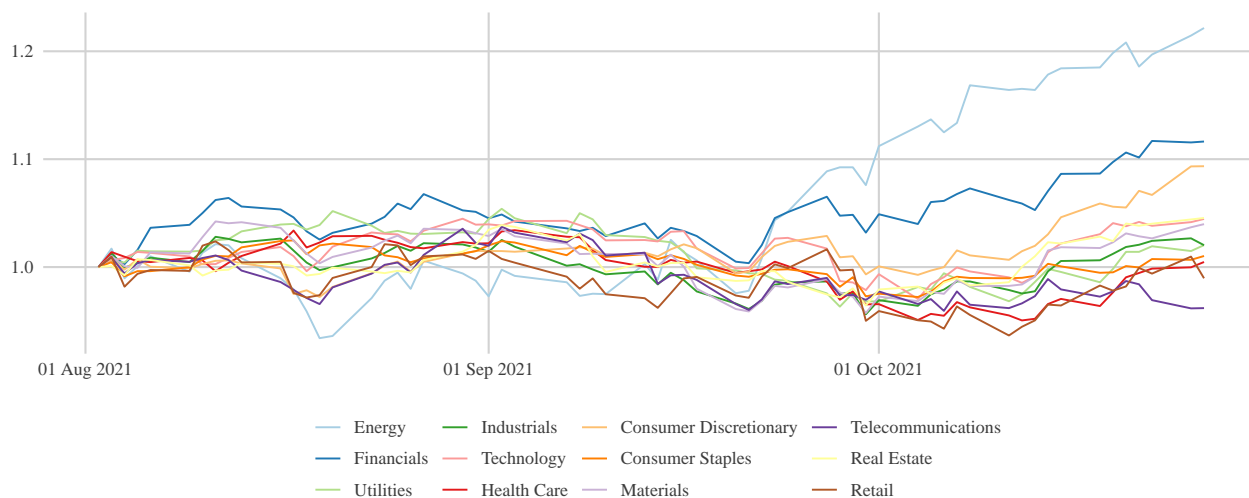
Source: Bloomberg, author's compilation
Rebased Index (04 Jan 2021 = 1)
Data as of Oct 2021



The stop-go US recovery continues to defy straightforward forecasts, with another COVID wave halting robust consumer spending and supply-chain bottlenecks showing no sign of easing.

USA Market Sectors

Source: Bloomberg, author's compilation
Rebased Index (02 Aug 2021 = 1)
Data as of Oct 2021



We believe that underlying private demand - powered by accumulated household savings and inventory rebuilding by firms - remains robust, and will partly offset fading fiscal outlays as the growth driver next year.

- A retreating pandemic and strong household balance sheets should support consumption in 2022.
- Depleted inventories and higher prices also mean strong incentives for firms to build up stock, particularly in the oil and gas industry.
- The fiscal taper as pandemic support fades is not as daunting as it seems, with consumption and in-



vestment set to support growth.

- If some version of President Biden's infrastructure package passes Congress, that would provide additional support - though with the spending spread over several years, it wouldn't be a major driver for 2022.

We have revised up our forecast for the CPI, which is likely to remain above 2% at least through 2023. The Federal Reserve, now more tolerant of higher inflation, will remain accommodative. Tapering will likely have a small macro impact. The majority of FOMC voters in 2022 are inclined to keep rates on hold until 2023, in our view.

Below are the cumulative year-to-date and quarterly performances of the sectors.

Table 2: USA Sector Cumulative Returns (%)

| Sector | Quarterly Return | Year-to-Date Return |
|------------------------|------------------|---------------------|
| Energy | 22.20 | 61.0 |
| Financials | 11.60 | 41.4 |
| Utilities | 2.00 | 12.7 |
| Industrials | 2.00 | 22.0 |
| Technology | 4.50 | 25.3 |
| Health Care | 0.50 | 18.6 |
| Consumer Discretionary | 9.30 | 24.5 |
| Consumer Staples | 1.00 | 9.1 |
| Materials | 4.00 | 21.4 |
| Telecommunications | -3.80 | 13.8 |
| Real Estate | 4.60 | 39.7 |
| Retail | -1.04 | 48.8 |

The following tables exhibit the attribution of risks of each sector into its specific (inherent) risk and its systematic risk (market wide), when compared to the S&P500 market benchmark. It also shows the percentage contribution of specific risk and market risk to the total risk of each sector.

Year-to-date, Systematic Risk accounts for at least three quarters of the Total Risk for Technology. Coupled with one of the lowest absolute levels of Specific Risk, Technology therefore remains quite sensitive to the broader market movements. We advocate for investors to continue to keep in tune with the performance of US markets.

The main risk drivers of Real Estate continue to be Specific Risk. With a low beta, comparable Total Risk to the S&P500, and current economic conditions, it bolsters the for Real Estate as an attractive diversification opportunity.



Table 3: Year-to-date Risk Decomposition of USA Market Sectors (Annualized)

| Sector | Specific Risk | Systematic Risk | Total Risk | Beta | Specific Risk Contribution | Systematic Risk Contribution |
|------------------------|---------------|-----------------|------------|--------|----------------------------|------------------------------|
| S&P500 | 0.0000 | 0.1254 | 0.1254 | 1.0000 | 0.0000 | 1.0000 |
| Energy | 0.2731 | 0.1274 | 0.3014 | 1.0159 | 0.8210 | 0.1787 |
| Financials | 0.1403 | 0.1228 | 0.1864 | 0.9793 | 0.5665 | 0.4340 |
| Utilities | 0.1362 | 0.0612 | 0.1493 | 0.4880 | 0.8322 | 0.1680 |
| Industrial | 0.0985 | 0.1156 | 0.1519 | 0.9219 | 0.4205 | 0.5792 |
| Technology | 0.0872 | 0.1649 | 0.1866 | 1.3150 | 0.2184 | 0.7809 |
| Health Care | 0.0857 | 0.0825 | 0.1190 | 0.6579 | 0.5186 | 0.4806 |
| Consumer Discretionary | 0.0966 | 0.1441 | 0.1735 | 1.1491 | 0.3100 | 0.6898 |
| Consumer Staples | 0.0839 | 0.0644 | 0.1058 | 0.5136 | 0.6289 | 0.3705 |
| Materials | 0.1210 | 0.1246 | 0.1737 | 0.9936 | 0.4853 | 0.5146 |
| Telecommunications | 0.1465 | 0.1333 | 0.1980 | 1.0630 | 0.5475 | 0.4532 |
| Real Estate | 0.1222 | 0.0843 | 0.1485 | 0.6722 | 0.6772 | 0.3223 |
| Retail | 0.3367 | 0.0778 | 0.3456 | 0.6204 | 0.9492 | 0.0507 |

Table 4: Three Year Risk Decomposition of USA Market Sectors

| Sector | Specific Risk | Systematic Risk | Total Risk | Beta | Specific Risk Contribution | Systematic Risk Contribution |
|------------------------|---------------|-----------------|------------|--------|----------------------------|------------------------------|
| S&P500 | 0.0000 | 0.2256 | 0.2256 | 1.0000 | 0.0000 | 1.0000 |
| Energy | 0.2823 | 0.2969 | 0.4097 | 1.3160 | 0.4748 | 0.5252 |
| Financials | 0.1454 | 0.2631 | 0.3007 | 1.1662 | 0.2338 | 0.7656 |
| Utilities | 0.1743 | 0.1777 | 0.2489 | 0.7877 | 0.4904 | 0.5097 |
| Industrial | 0.1131 | 0.2419 | 0.2670 | 1.0723 | 0.1794 | 0.8208 |
| Technology | 0.0970 | 0.2686 | 0.2856 | 1.1906 | 0.1154 | 0.8845 |
| Health Care | 0.0985 | 0.1857 | 0.2102 | 0.8231 | 0.2196 | 0.7805 |
| Consumer Discretionary | 0.0862 | 0.2259 | 0.2418 | 1.0013 | 0.1271 | 0.8728 |
| Consumer Staples | 0.1042 | 0.1545 | 0.1863 | 0.6848 | 0.3128 | 0.6878 |
| Materials | 0.1242 | 0.2328 | 0.2639 | 1.0319 | 0.2215 | 0.7782 |
| Telecommunications | 0.1308 | 0.2167 | 0.2531 | 0.9605 | 0.2671 | 0.7330 |
| Real Estate | 0.1834 | 0.2263 | 0.2913 | 1.0031 | 0.3964 | 0.6035 |
| Retail | 0.2306 | 0.2297 | 0.3255 | 1.0182 | 0.5019 | 0.4980 |

Year-to-date annualized and three-year risk adjusted returns are shown in the table below. Year-to-date, the market index, Real Estate, and Health Care are the best performers when adjusted for risk.



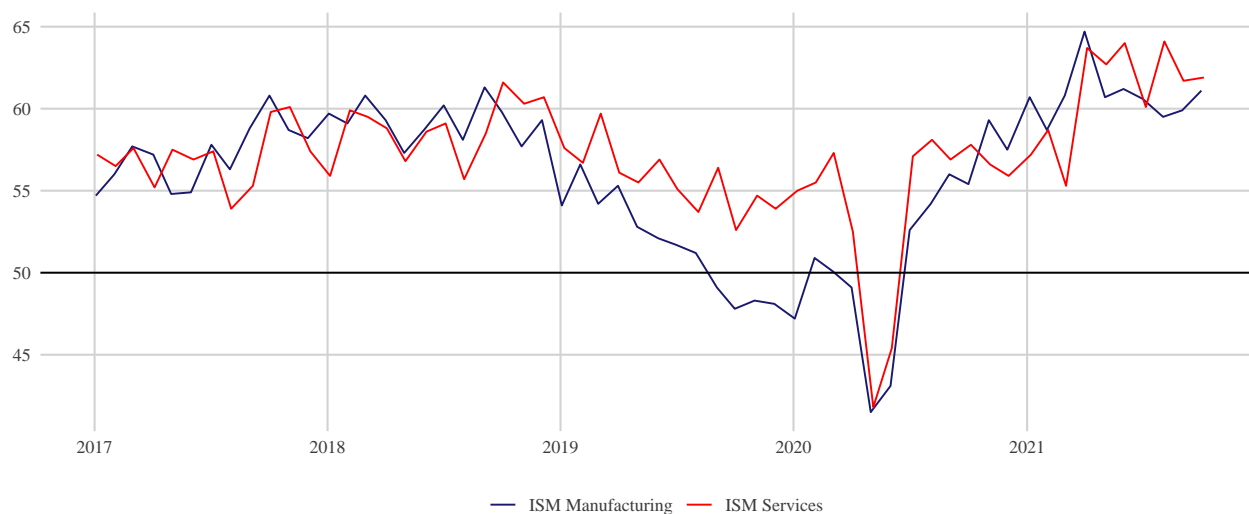
Table 5: USA Market Sectors Performance Measures (Annualized)

| Sector | Year-to-date | | Three Year | |
|------------------------|--------------|---------|------------|---------|
| | Sharpe | Treynor | Sharpe | Treynor |
| S&P500 | 2.162 | 68.33 | 0.718 | 40.83 |
| Energy | 2.229 | 167.02 | -0.200 | -15.66 |
| Financials | 2.502 | 120.29 | 0.376 | 24.45 |
| Utilities | 0.781 | 60.30 | 0.204 | 16.29 |
| Industrial | 1.516 | 63.00 | 0.401 | 25.16 |
| Technology | 1.419 | 50.77 | 0.932 | 56.33 |
| Health Care | 1.627 | 74.26 | 0.551 | 35.49 |
| Consumer Discretionary | 1.484 | 56.49 | 0.796 | 48.43 |
| Consumer Staples | 0.750 | 39.01 | 0.425 | 29.16 |
| Materials | 1.260 | 55.60 | 0.557 | 35.86 |
| Telecommunications | 0.612 | 28.78 | 0.280 | 18.57 |
| Real Estate | 3.058 | 170.55 | 0.154 | 11.28 |
| Retail | 1.435 | 201.96 | 0.574 | 46.21 |

Latest US ISM Manufacturing and Services figures remain strong, which tend to signal significant manufacturer and consumer optimism.

USA ISM PMI

Source: Bloomberg, author's compilation
Data as of Oct 2021

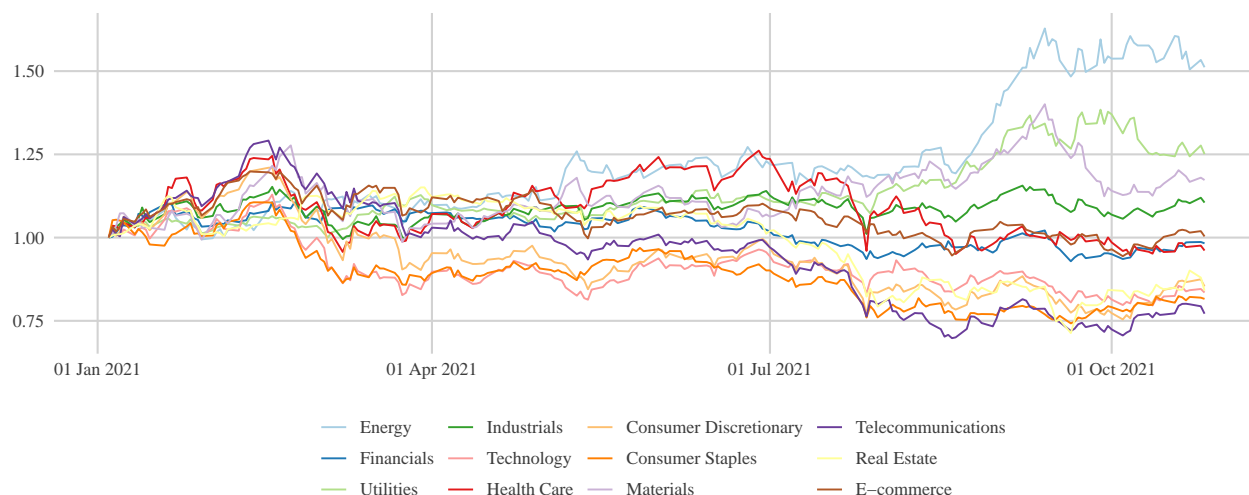




2.2 China

China Market Sectors

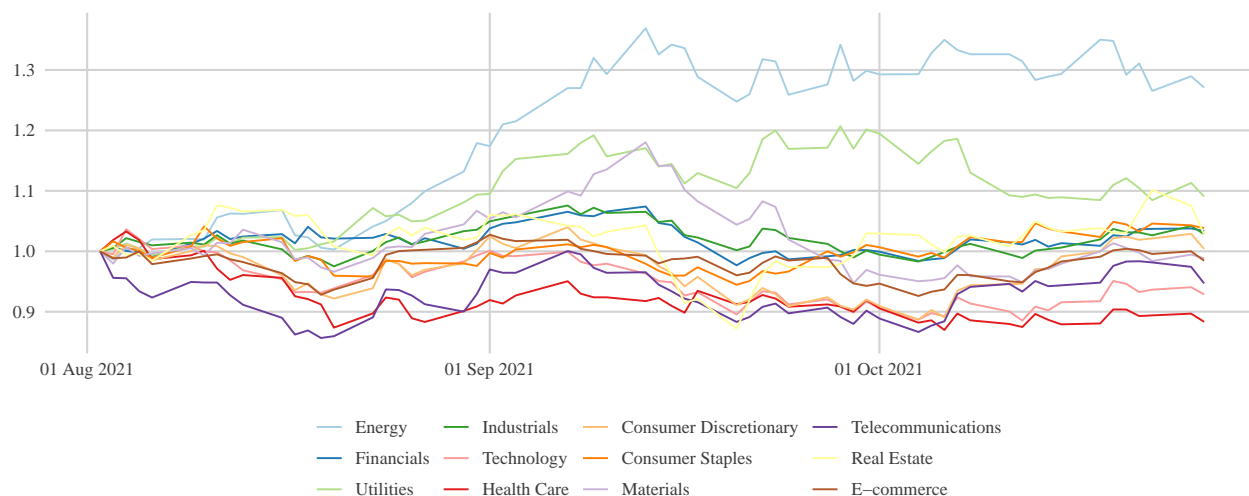
Source: Bloomberg, author's compilation
Rebased Index (04 Jan 2021 = 1)
Data as of Oct 2021



The 'common prosperity' agenda will have profound implications for the Chinese economy that go beyond social welfare. The ultimate impact will hinge on the degree it reduces a demographic crunch by raising the birth rate. We have looked at two scenarios - a successful and an unsuccessful outcome. The difference is a significant divergence in long-term growth.

China Market Sectors

Source: Bloomberg, author's compilation
Rebased Index (02 Aug 2021 = 1)
Data as of Oct 2021



- Reducing inequality in incomes and access to opportunity would have many positive effects on the economy. The biggest would probably be an increase in child births.
- A successful common prosperity initiative that raises the birth rate would partly offset a drag on growth in the short term from structural shifts and increase growth in the longer term.
- In this scenario, potential growth is 0.2 percentage point below our baseline in 2021-2030, but 0.6 ppt higher in 2041-2050, at 4.8% and 3.2%, respectively.



- In the downside scenario - with a failure to increase the birth rate and weaker private-sector confidence - potential growth is 0.3 ppt below the baseline in the next decade, and 0.2 ppt lower in 2041-2050, at 4.7% and 2.4%, respectively.

Below are the cumulative year-to-date and quarterly performances of the sectors.

Table 6: China Sector Cumulative Returns (%)

| Sector | Quarterly Return | Year-to-Date Return |
|------------------------|------------------|---------------------|
| Energy | 27.10 | 51.20 |
| Financials | 3.40 | -1.72 |
| Utilities | 9.10 | 25.10 |
| Industrials | 2.80 | 10.50 |
| Technology | -7.12 | -16.50 |
| Health Care | -11.67 | -3.88 |
| Consumer Discretionary | 0.40 | -14.65 |
| Consumer Staples | 3.80 | -18.41 |
| Materials | -1.16 | 17.30 |
| Telecommunications | -5.31 | -22.86 |
| Real Estate | 2.80 | -15.94 |
| E-commerce | -1.56 | 0.40 |

Table 7: Year-to-date Risk Decomposition of China Market Sectors (Annualized)

| Sector | Specific Risk | Systematic Risk | Total Risk | Beta | Specific Risk Contribution | Systematic Risk Contribution |
|------------------------|---------------|-----------------|------------|--------|----------------------------|------------------------------|
| CSI300 | 0.0000 | 0.2323 | 0.2323 | 1.0000 | 0.0000 | 1.0000 |
| Energy | 0.3102 | 0.0689 | 0.3177 | 0.2966 | 0.9533 | 0.0470 |
| Financials | 0.1404 | 0.1231 | 0.1867 | 0.5299 | 0.5655 | 0.4347 |
| Utilities | 0.2167 | 0.0651 | 0.2262 | 0.2802 | 0.9178 | 0.0828 |
| Industrial | 0.1476 | 0.1751 | 0.2290 | 0.7538 | 0.4154 | 0.5847 |
| Technology | 0.1963 | 0.2385 | 0.3089 | 1.0267 | 0.4038 | 0.5961 |
| Health Care | 0.2386 | 0.2599 | 0.3528 | 1.1188 | 0.4574 | 0.5427 |
| Consumer Discretionary | 0.2333 | 0.2669 | 0.3545 | 1.1489 | 0.4331 | 0.5668 |
| Consumer Staples | 0.1656 | 0.2269 | 0.2809 | 0.9768 | 0.3475 | 0.6525 |
| Materials | 0.2638 | 0.1877 | 0.3237 | 0.8080 | 0.6641 | 0.3362 |
| Telecommunications | 0.2265 | 0.2232 | 0.3180 | 0.9608 | 0.5073 | 0.4926 |
| Real Estate | 0.2786 | 0.1241 | 0.3050 | 0.5342 | 0.8344 | 0.1656 |
| E-commerce | 0.1963 | 0.1385 | 0.2403 | 0.5962 | 0.6673 | 0.3322 |



Table 8: Two Year Risk Decomposition of China Market Sectors (Annualized)

| Sector | Specific Risk | Systematic Risk | Total Risk | Beta | Specific Risk Contribution | Systematic Risk Contribution |
|------------------------|---------------|-----------------|------------|--------|----------------------------|------------------------------|
| CSI300 | 0.0000 | 0.2730 | 0.2730 | 1.0000 | 0.0000 | 1.0000 |
| Energy | 0.2856 | 0.1724 | 0.3336 | 0.6315 | 0.7329 | 0.2671 |
| Financials | 0.1608 | 0.2159 | 0.2692 | 0.7908 | 0.3568 | 0.6432 |
| Utilities | 0.1872 | 0.1197 | 0.2222 | 0.4385 | 0.7098 | 0.2902 |
| Industrial | 0.1606 | 0.2040 | 0.2596 | 0.7473 | 0.3827 | 0.6175 |
| Technology | 0.2178 | 0.3039 | 0.3738 | 1.1132 | 0.3395 | 0.6610 |
| Health Care | 0.2259 | 0.2413 | 0.3306 | 0.8839 | 0.4669 | 0.5327 |
| Consumer Discretionary | 0.2217 | 0.2595 | 0.3413 | 0.9505 | 0.4219 | 0.5781 |
| Consumer Staples | 0.1646 | 0.2404 | 0.2913 | 0.8806 | 0.3193 | 0.6811 |
| Materials | 0.2330 | 0.2045 | 0.3100 | 0.7491 | 0.5649 | 0.4352 |
| Telecommunications | 0.2104 | 0.2046 | 0.2935 | 0.7495 | 0.5139 | 0.4860 |
| Real Estate | 0.2563 | 0.2011 | 0.3258 | 0.7366 | 0.6189 | 0.3810 |
| E-commerce | 0.2245 | 0.1865 | 0.2919 | 0.6832 | 0.5915 | 0.4082 |

Table 9: China Market Sectors Performance Measures (Annualized)

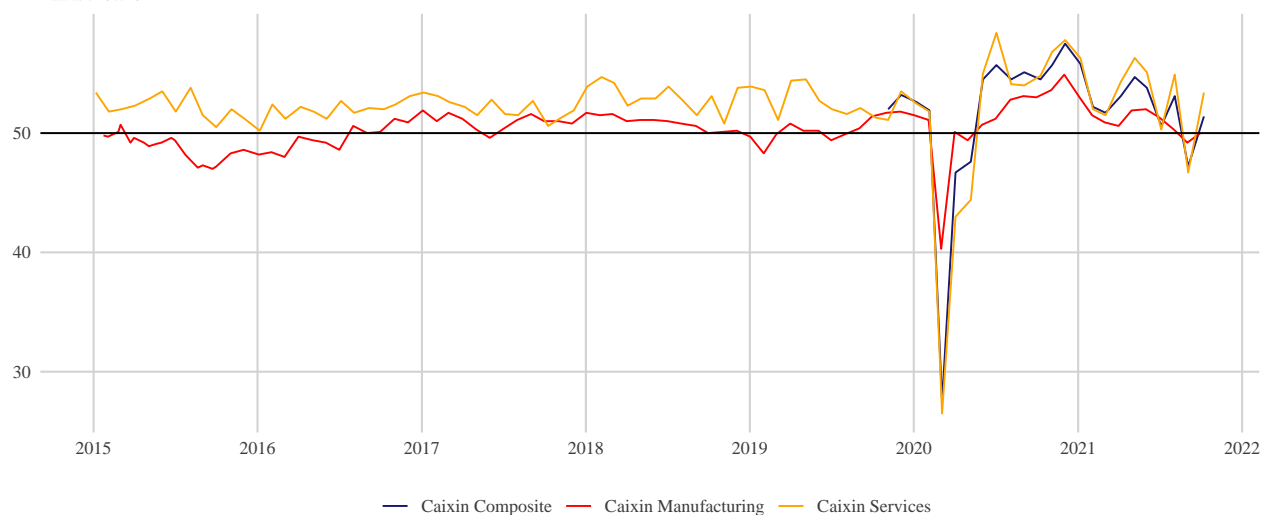
| Sector | Year-to-date | | Two Year | |
|------------------------|--------------|---------|----------|---------|
| | Sharpe | Treynor | Sharpe | Treynor |
| CSI300 | -0.383 | -22.39 | 0.427 | 29.40 |
| Energy | 1.697 | 459.06 | 0.115 | 15.30 |
| Financials | -0.330 | -29.35 | -0.243 | -20.82 |
| Utilities | 1.109 | 226.16 | 0.324 | 41.46 |
| Industrial | 0.324 | 24.87 | 0.348 | 30.48 |
| Technology | -0.825 | -62.62 | 0.451 | 38.16 |
| Health Care | -0.360 | -28.63 | 0.376 | 35.42 |
| Consumer Discretionary | -0.694 | -54.00 | 0.634 | 57.43 |
| Consumer Staples | -0.960 | -69.66 | 0.392 | 32.70 |
| Materials | 0.388 | 39.25 | 0.901 | 94.01 |
| Telecommunications | -1.025 | -85.55 | -0.295 | -29.12 |
| Real Estate | -0.811 | -117.00 | -0.536 | -59.74 |
| E-commerce | -0.201 | -20.45 | 0.819 | 88.28 |

There is general optimism for China across the board, with Caixin Composite PMI, Caixin Manufacturing PMI, and Caixin Services PMI still remaining above 50, which generally indicate an expansion in business activities.



China Caixin PMI

Source: Bloomberg, author's compilation
Data as of Oct 2021

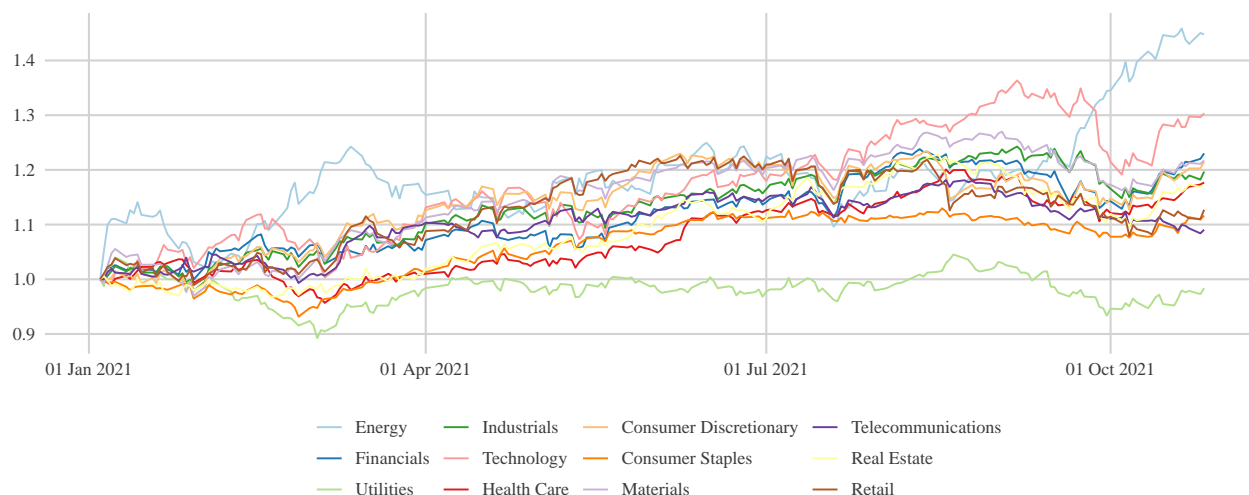




2.3 Europe

Europe Market Sectors

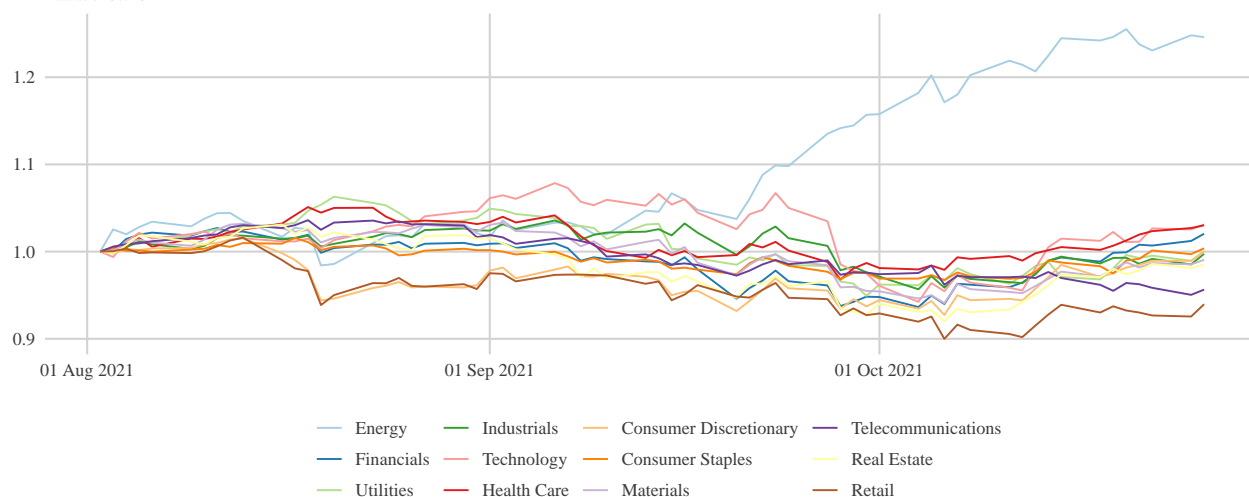
Source: Bloomberg, author's compilation
Rebased Index (04 Jan 2021 = 1)
Data as of Oct 2021



The euro area probably recovered at a robust pace in the third quarter. But growth is likely to slow in the final quarter of the year as soaring inflation curbs consumer spending and severe disruption to supplies hits factories, especially in Germany.

Europe Market Sectors

Source: Bloomberg, author's compilation
Rebased Index (02 Aug 2021 = 1)
Data as of Oct 2021



We have trimmed our 3Q growth forecast to 1.8% from 2.0% and project a further slowdown in 4Q. Consensus expectations remain stronger, at 2.1%. Progress on vaccinations across Europe allowed a broad-based reopening of consumer services in 3Q. Hospitality in France and Germany and travel in the region was severely constrained by strict containment measures through most of the previous quarter. We expect a sharp rebound in hospitality and recreation services to have lifted euro-area GDP by as much as 1.5% in the quarter.



In contrast, activity is likely to have remained more subdued across other parts of the economy. Output in industry and construction likely remained broadly flat in 3Q after expanding in 2Q with supply constraints disrupting factories and building sites, especially in Germany.

We expect expansion to slow to 1.1% in 4Q as these constraints persist and the recovery in consumer services wanes. Still, the deployment of EU recovery funds will help support activity across the region and should keep growth relatively buoyant through the next few quarters. This should help bring the region's GDP back to its pre-pandemic level by year end.

Below are the cumulative year-to-date and quarterly performances of the Sectors.

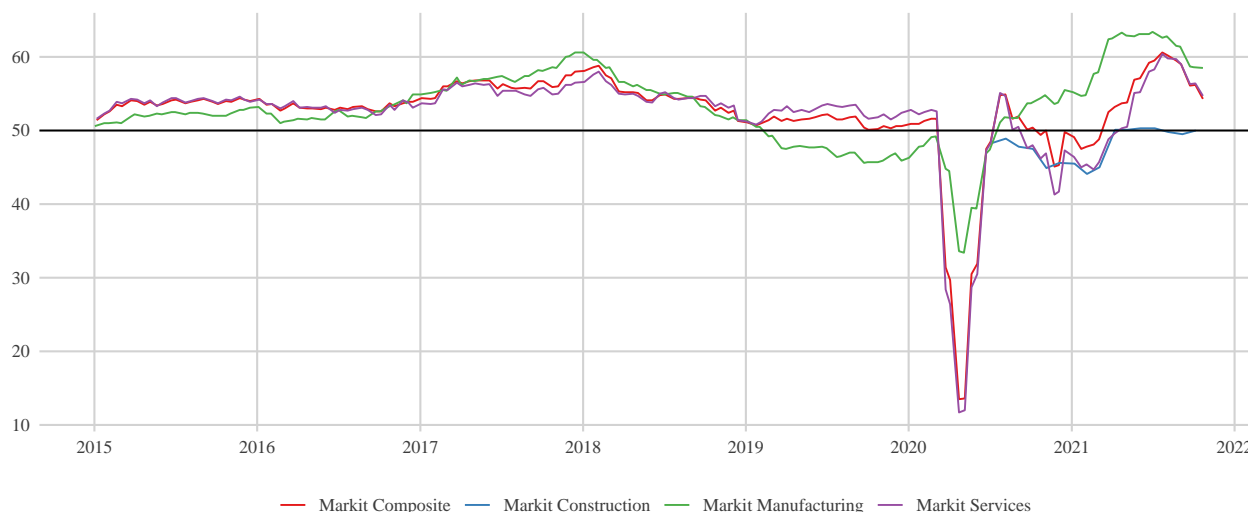
Table 10: Europe Sector Cumulative Returns (%)

| Sector | Quarterly Return | Year-to-Date Return |
|------------------------|------------------|---------------------|
| Energy | 24.60 | 44.80 |
| Financials | 2.10 | 23.00 |
| Utilities | 0.00 | -1.62 |
| Industrials | -0.25 | 19.70 |
| Technology | 3.10 | 30.40 |
| Health Care | 3.00 | 17.70 |
| Consumer Discretionary | -0.03 | 21.50 |
| Consumer Staples | 0.40 | 11.60 |
| Materials | -0.94 | 21.70 |
| Telecommunications | -4.36 | 9.10 |
| Real Estate | -1.51 | 17.30 |
| Retail | -6.03 | 12.70 |

PMI surveys indicate that there is generally still growth in the manufacturing and services sectors, albeit at a slower pace.

Europe Markit PMI

Source: Bloomberg, author's compilation
Data as of Oct 2021

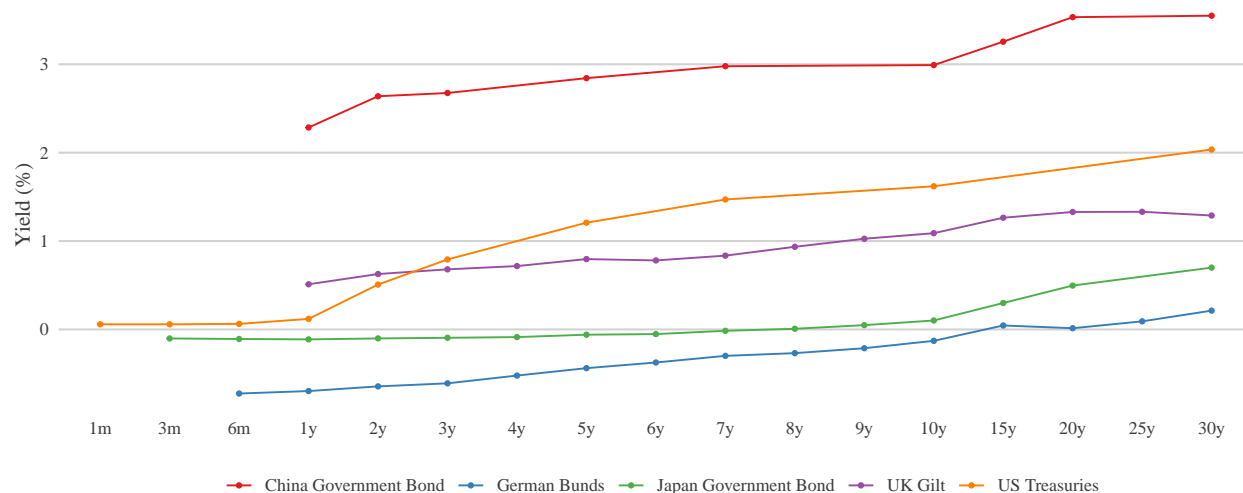




2.4 Credit Markets

Government Yield Curves

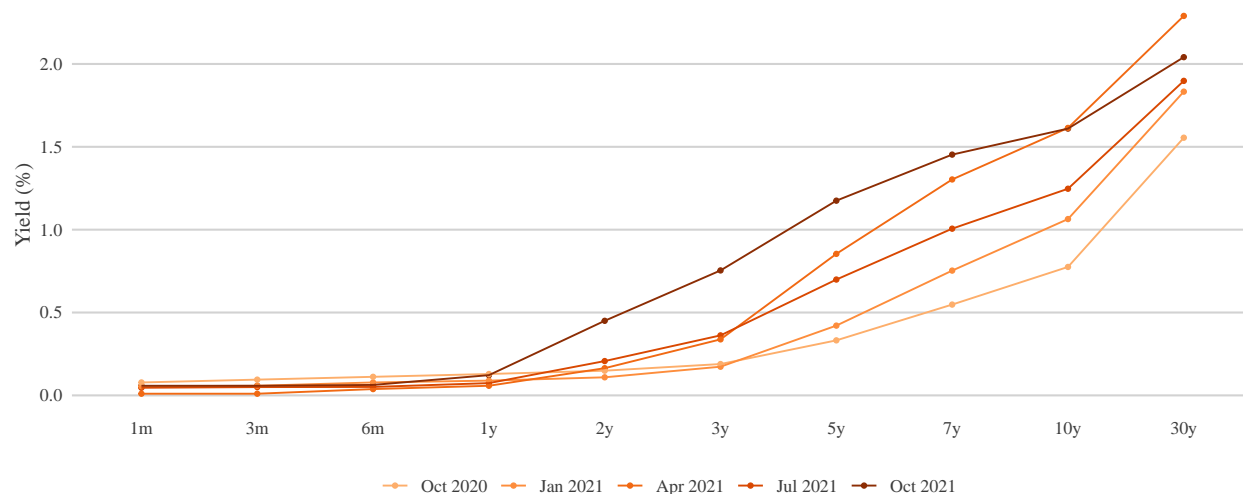
Source: MarketWatch, author's compilation
Data as of Oct 2021



Generally, global government bond yields are continue to be persistently low.

US Treasury Yield Curve

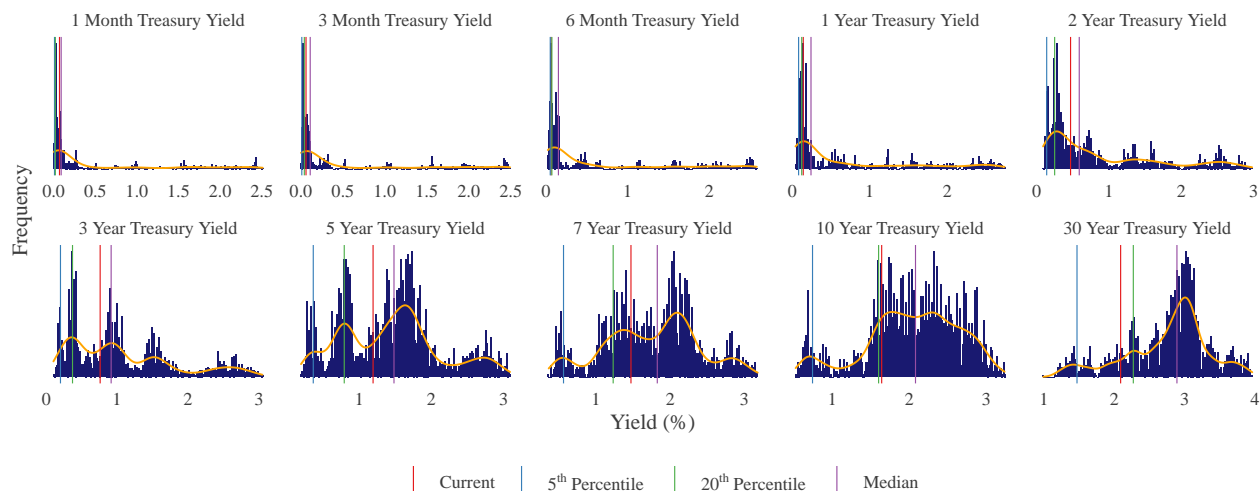
Source: MarketWatch, author's compilation
Data as of Oct 2021





Distribution of US Treasury Yields

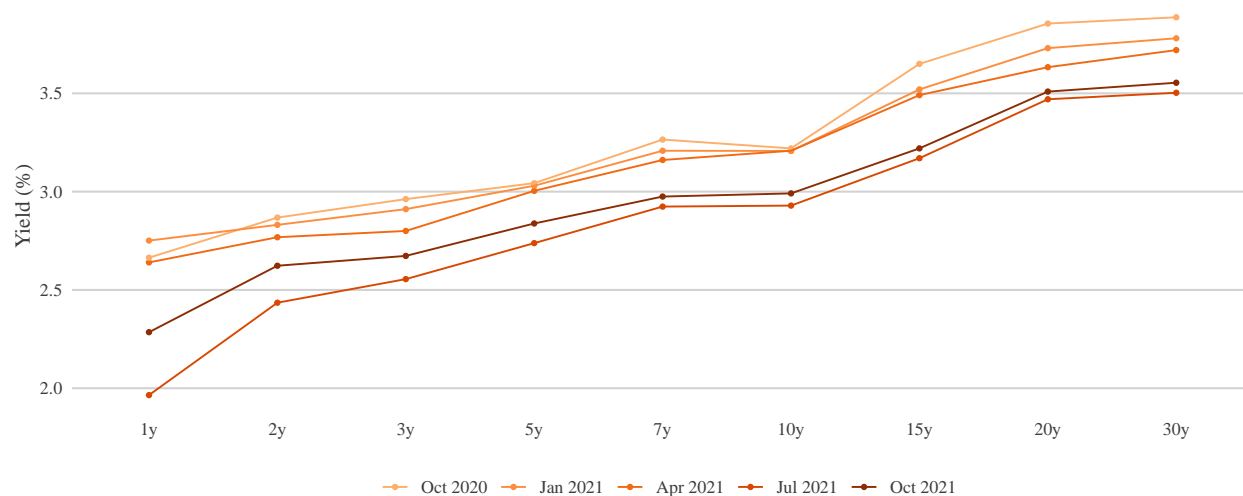
10 Year History
Source: FRED, author's compilation
Data as of Oct 2021



The yield curve has clearly shifted upwards with the mid-range yield moving up higher than the extremes. This is a case of negative butterflies and a good strategy to yield benefit is by employing a barbell. In the case of a negative butterfly, longing short and long term credits while shorting mid-term credit will generate additional returns.

China Government Bond Yield Curve

Source: MarketWatch, author's compilation
Data as of Oct 2021



Yields for China across the board, while still elevated has declined, largely due to negative shocks stemming from the Evergrande crisis.



PromiseLand advocates that investors be mindful of the following three 'I's when investing.

Inertia – Clients must overcome inertia and take actual steps to start an investment portfolio or to enhance an existing investment portfolio. Clients can seek the help of Financial Adviser Representatives from PromiseLand to kick-start their journey, or to enhance their investment portfolios.

Inefficiency – Clients must beware of inefficiency lurking within their investment portfolio. If the addition of an investment instrument is unable to reduce the investment risk of the portfolio or to increase the mean return of the portfolio, then that particular investment instrument is inefficient. If a particular investment idea/portfolio is unable to justify the investment risks associated with it or if it is unable to derive higher returns than its opportunity cost, that investment idea/portfolio is inefficient. Clients can speak with Financial Adviser Representatives from PromiseLand to find out how PromiseLand's Portfolio Allocation Model (PPAM) can be an efficient and effective investment tool for them.

Incongruity – Clients must ensure their investment portfolios remain congruent to their risk profiles and aligned with the existing economic climate to reap maximum rewards. Clients can seek the help of Financial Adviser Representatives from PromiseLand to give them unbiased and professional advice with regards to Investment or Insurance Planning to ensure congruency.

Please contact your friendly PromiseLand Financial Adviser Representative to find out more about the PPAM. If you do not already have a dedicated PromiseLand Financial Adviser Representative serving your financial needs, please contact PromiseLand at +65 6505 4100 or email us at enquiries@promiseland.com.sg and we will arrange for a PromiseLand Financial Adviser Representative to attend to your unique investment needs.



3 Allocation Model

3.1 Strategic Asset Allocation (SAA)

There are ten existing SAA models, with five each for Cash and CPF-OA/SRS to suit different risk appetite of our clients.

Table 11: Strategic Asset Allocation for Cash (%)

| Region | Conservative | Moderately Conservative | Balanced | Moderately Aggressive | Aggressive |
|--------------------|--------------|-------------------------|----------|-----------------------|------------|
| USA | 20 | 26 | 32 | 38 | 43 |
| Europe | 7 | 9 | 10 | 12 | 14 |
| Asia Ex. Japan | 8 | 10 | 13 | 15 | 18 |
| High Quality Bonds | 36 | 28 | 20 | 13 | 8 |
| High Yield Bond | 24 | 22 | 20 | 17 | 12 |
| Yield Enhancer | 5 | 5 | 5 | 5 | 5 |

Table 12: Strategic Asset Allocation for CPFOA/SRS (%)

| Region | Conservative | Moderately Conservative | Balanced | Moderately Aggressive | Aggressive |
|--------------------|--------------|-------------------------|----------|-----------------------|------------|
| USA | 20 | 26 | 32 | 38 | 43 |
| Europe | 7 | 9 | 10 | 12 | 14 |
| Asia Ex. Japan | 8 | 10 | 13 | 15 | 18 |
| High Quality Bonds | 36 | 28 | 20 | 13 | 8 |
| High Yield Bond | 24 | 22 | 20 | 17 | 12 |
| Yield Enhancer | 5 | 5 | 5 | 5 | 5 |

A Yield Enhancer Fund is a fund that seeks to take advantage of short-term pricing inefficiencies in the market in order to generate a higher expected return.

In the event that the selected fund is **not available** on a certain platform, PromiseLand reserves the right to replace the Fund with any other similar fund.



3.2 Tactical Asset Allocation (TAA)

Table 13: Asset Class Views

| | Short Term | Long Term |
|--------------|-------------|-------------|
| Equities | Overweight | Overweight |
| Fixed Income | Underweight | Underweight |
| Cash | Underweight | Underweight |

Table 14: Equity Views

| | Short Term | Long Term |
|---------------|------------|------------|
| USA | Neutral | Neutral |
| China | Overweight | Overweight |
| Europe | Neutral | Neutral |
| Asia Ex.Japan | Overweight | Overweight |

Table 15: Fixed Income Views

| | Short Term | Long Term |
|------------------------------------|-------------|-------------|
| Developed Markets Government Bonds | Underweight | Underweight |
| Developed Markets Corporate Bonds | Neutral | Neutral |
| Emerging Markets Government Bonds | Overweight | Overweight |
| Investment Grade | Underweight | Underweight |
| High Yield | Overweight | Overweight |

Table 16: Sector Views

| | Short Term | Long Term |
|------------------------|-------------|-------------|
| Energy | Neutral | Neutral |
| Financials | Overweight | Overweight |
| Utilities | Overweight | Overweight |
| Industrials | Overweight | Overweight |
| Technology | Overweight | Overweight |
| Health Care | Neutral | Neutral |
| Consumer Discretionary | Underweight | Underweight |
| Consumer Staples | Underweight | Underweight |
| Materials | Overweight | Overweight |
| Telecommunications | Neutral | Neutral |
| Real Estate | Neutral | Neutral |
| Retail | Neutral | Neutral |



3.3 Past Performances

The tables below show the past performances (in SGD) of the model portfolios, for the various risk levels and fund sources.

Table 17: Past Performances for Cash (%)

| Risk Level | 3 Months | 6 Months | Year to Date | 1 Year | Since Inception (pa) |
|-------------------------|----------|----------|--------------|--------|----------------------|
| Conservative | -1.10 | 2.47 | 5.10 | 12.54 | 9.79 |
| Moderately Conservative | -0.39 | 3.90 | 6.97 | 15.80 | 11.02 |
| Moderately Aggressive | 0.86 | 5.82 | 10.51 | 22.25 | 13.72 |
| Aggressive | 1.80 | 7.40 | 12.82 | 26.18 | 15.10 |

Table 18: Past Performances for CPFOA (%)

| Risk Level | 3 Months | 6 Months | Year to Date | 1 Year | Since Inception (pa) |
|-------------------------|----------|----------|--------------|--------|----------------------|
| Conservative | 0.33 | 2.89 | 4.94 | 8.97 | 6.50 |
| Moderately Conservative | 0.59 | 3.31 | 5.39 | 10.15 | 7.31 |
| Moderately Aggressive | 1.19 | 4.33 | 8.30 | 14.63 | 8.96 |
| Aggressive | 1.35 | 4.60 | 9.54 | 16.71 | 10.50 |

Table 19: Past Performances for SRS (%)

| Risk Level | 3 Months | 6 Months | Year to Date | 1 Year | Since Inception (pa) |
|-------------------------|----------|----------|--------------|--------|----------------------|
| Conservative | 0.45 | 3.00 | 5.08 | 8.95 | 6.04 |
| Moderately Conservative | 0.63 | 3.35 | 6.79 | 11.45 | 7.05 |
| Moderately Aggressive | 1.25 | 4.39 | 8.36 | 14.70 | 8.38 |
| Aggressive | 1.41 | 4.69 | 9.63 | 16.81 | 9.30 |



4 Appendix

4.1 Fund Selection (Cash)

Table 20: Percentage Allocations for Cash (%)

| Region | Fund Name | ISIN |
|----------------------|--|--------------|
| USA | Franklin Technology A Acc USD | LU0109392836 |
| Europe | Threadneedle - (Lux) Pan European ESG Equities ASH SGD | LU0640478417 |
| Asia Ex. Japan* | UOB - United China A-Shares Innovation A Acc SGD | SGXZ49509284 |
| High Quality Bonds** | HSBC Global Short Duration Bond AC USD | LU1163226092 |
| High Yield Bonds | Allianz US Short Duration High Income Bond AM NAV USD | LU1322973634 |
| Yield Enhancer*** | Mirova Global Sustainable Equity Fund H-R-NPF/A SGD | LU1712237335 |

Table 21: Percentage Allocations for Cash (%)

| Region | Conservative | Moderately Conservative | Balanced | Moderately Aggressive | Aggressive |
|--------------------|--------------|-------------------------|----------|-----------------------|------------|
| USA | 20 | 26 | 32 | 38 | 43 |
| Europe | 7 | 9 | 10 | 12 | 14 |
| Asia Ex. Japan | 10 | 12 | 15 | 17 | 20 |
| High Quality Bonds | 35 | 27 | 19 | 12 | 7 |
| High Yield Bonds | 23 | 21 | 19 | 16 | 11 |
| Yield Enhancer | 5 | 5 | 5 | 5 | 5 |

* Please note that for Navigator Clients, the fund will be [Allianz China A Shares AT USD](#).

** Please note that for Navigator Clients, the fund will be [Pimco GIS Global Bond E Acc USD](#).

*** Please note that for FAME Clients, the fund will be [Fidelity Funds - Sustainable Asia Equity Fund A-DIST-SGD](#).

More information regarding the funds can be found at the following links.

USA: [Franklin Technology A Acc USD](#)

Europe: [Threadneedle - \(Lux\) Pan European ESG Equities ASH SGD](#)

Asia Ex. Japan: [UOB - United China A-Shares Innovation A Acc SGD](#)

High Quality Bonds: [HSBC Global Short Duration Bond AC USD](#)

High Yield Bonds: [Allianz US Short Duration High Income Bond AM NAV USD](#)

Yield Enhancer: [Mirova Global Sustainable Equity Fund H-R-NPF/A SGD](#)



4.2 Fund Selection (CPFOA/SRS)

Table 22: Percentage Allocations for CPFOA/SRS (%)

| Region | Fund Name | ISIN |
|-----------------|--|--------------|
| USA | Franklin - U.S. Opportunities AS Acc SGD | LU1267930730 |
| Europe | Eastspring Pan European | SG9999002786 |
| Asia Ex. Japan | FSSA Dividend Advantage A Q SGD Dist | SG9999002083 |
| Bonds | Manulife Asia Pacific Investment Grade Bond A | SG9999011134 |
| Yield Enhancer* | Schroder ISF Global Sustainable Growth F Acc SGD | LU2158556196 |

Table 23: Percentage Allocations for CPFOA/SRS (%)

| Region | Conservative | Moderately Conservative | Balanced | Moderately Aggressive | Aggressive |
|----------------|--------------|-------------------------|----------|-----------------------|------------|
| USA | 20 | 26 | 32 | 38 | 43 |
| Europe | 7 | 9 | 10 | 12 | 14 |
| Asia Ex. Japan | 10 | 12 | 15 | 17 | 20 |
| Bonds | 58 | 48 | 38 | 28 | 18 |
| Yield Enhancer | 5 | 5 | 5 | 5 | 5 |

* Please note that for SRS funds, the fund will be [Fidelity Funds - Sustainable Asia Equity Fund A-DIST-SGD](#).

More information regarding the funds can be found at the following links.

USA: [Franklin - U.S. Opportunities AS Acc SGD](#)

Europe: [Eastspring Pan European](#)

Asia Ex. Japan: [FSSA Dividend Advantage A Q SGD Dist](#)

Bonds: [Manulife Asia Pacific Investment Grade Bond A](#)

Yield Enhancer: [Schroder ISF Global Sustainable Growth F Acc SGD](#)