

HIGHLIGHTS

Market Review

- ▶ May saw broad declines across major markets; with global equities and bonds down by 1.01% and 1.95%, respectively.
- ▶ The US debt ceiling debate garnered significant attention last month. However, contrary to the sensationalized media coverage, it had only a minor impact on bond markets – a 1% decline (a small impact relative to the 15% decline in 2022 as a result of rising interest rates from low levels. This is what we call a ‘Big Reset’).
- ▶ By assessing fundamental and valuations, investors can position for large and highly probable events that can lead to improved investment outcomes over time.

Stability Amid VUCA

- ▶ Market and economic conditions are expected to remain challenging in the coming months due to higher interest rates and tightening financial conditions.
- ▶ The non-event nature of the recent US debt ceiling deadline caution against overreacting to sensationalized news and market uncertainties.
- ▶ Long-term equity investors should focus on disciplined investing, as missing just a few of the best market days can significantly reduce overall returns.
- ▶ Amid market uncertainty, our stability positions in Healthcare equities and Government bonds play a crucial role in preserving portfolio resilience.

Positioning for Recovery

- ▶ The market's recovery has been uneven, with tech stocks gaining ahead of other segments. Consequently, markets with high tech allocations did better i.e. S&P 500. Today, their high valuations make them less attractive for future returns not to mention being prone to sharp reversals.
- ▶ Relying on past performance to predict future returns can lead to irrational decisions that affect investors' long-term outcomes. Opportunities for better return often lie in areas that are overlooked by markets e.g. China 'A'.
- ▶ Our focus remains on markets like US small-caps, Emerging Markets, and China 'A' equities that offer better potential future returns and greater predictability for our investors. Patience is key.

Search For Yield

- ▶ Markets experienced a significant shift in 2022, one which saw the end of the era of near-zero interest rates and indiscriminate buying.
- ▶ This Big Reset transformed the investment landscape, creating good opportunities for investors to lock in higher levels of income today. High-yield bonds are offering attractive return potential going forward.
- ▶ Our preference for the high-yield sector, particularly Asian High Yield, remains unchanged due to their current higher return potential and consistent ability to recover strongly following drawdowns.

Read the full commentary [here](#)