

PHOENICIAN INTERNATIONAL LIMITED

Investment Outlook 2024



Phoenician
富理基



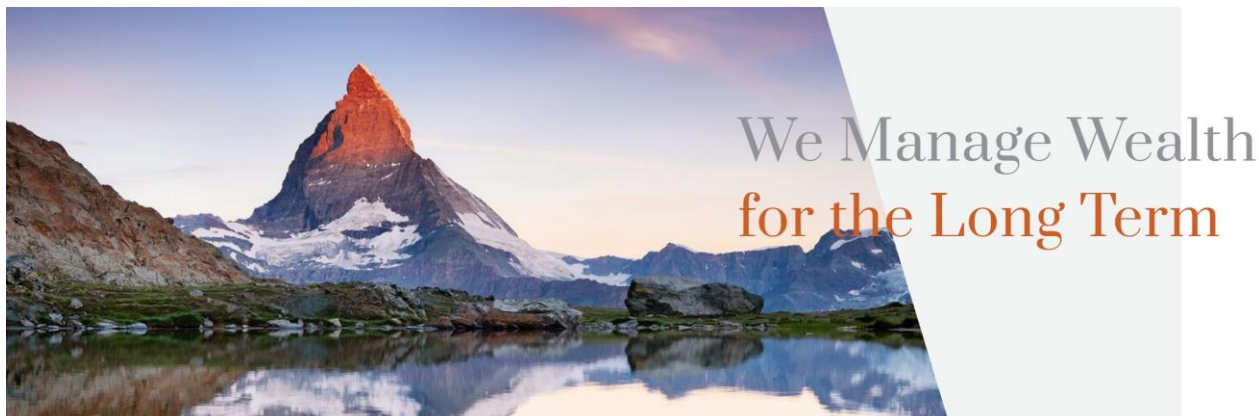
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COMPANY PROFILE

Trusted | Innovative | International



WHO WE ARE

The Group

Phoenician International Limited (“Phoenician”) is a publicly listed investment firm headquartered in Hong Kong, dedicated to providing wealth management, investment management and investment banking services to a select group of private, institutional, and corporate clients.

Our Strategy

Phoenician help innovators, entrepreneurs, industry leaders achieve their financial goals by serving as a bridge between China and the West, while connecting leading foreign institutional investors with markets in Asia.

Our Business

From managing wealth for successful individuals and institutions to helping businesses fulfil their ambition, Phoenician’s comprehensive suite of solutions empowers our clients to make the most of global opportunities.

Trusted by the Most Demanding Clients

We manage wealth for highly sophisticated, multi-jurisdiction private clients and family offices with global investment interests

We offer a comprehensive suite of bespoke portfolio management solutions combined with high-touch, personalized approach to client needs across products and jurisdictions.

Our discretionary and non-discretionary investment solutions are combined with state-of-the-art market connectivity across 50 markets and over 30 currencies.

As most of our clients are successful entrepreneurs, we also provide best-in-class corporate advisory services to facilitate monetization of their business interests.



Independent Minds Delivering Performance Through “Dual World” Innovative Solutions

We offer our clients a constant stream of high-performance investable ideas actionable across the East/West divide, specifically tailored to their financial circumstances

As an independent investment firm, Phoenician has the ability to work with leading platforms and service providers worldwide in order to offer clients best-in-class advisory services and trading capabilities across asset classes, with major benefits on portfolio diversification.

Our key focus is to address the ever-increasing demand for multi-national cross-border investment flows between China/ASEAN financial markets and the rest of the world.

We leverage on our global network of clients and relationships coupled with our decade long presence in the Greater China region to offer clients global access to exclusive investment opportunities across multiple jurisdictions.



International Footprint Delivering Local Insights

Across our Regional Offices, we have
Built a Network of Reputable Local
Professionals who Speak the Language,
Know the Culture and Have First-Hand
Knowledge of Clients' Needs

As a result of our relationship-based approach to private and institutional clients, Phoenician has the ability to scout co-investment opportunities in promising early-stage ventures, especially within the Greater China region, that are generally not available for investment by the general public;

As a result of its deep connection with local communities both globally and within Greater China, over time we have hired and developed outstanding talent to enhance our client service and expand our private, institutional and corporate client network;

Phoenician management team is constantly involved in local communities' activities, with substantial benefits in terms of employee loyalty and client trust.



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RETURNS IN Q4 2023

2023 asset class performance has been overall very positive across asset classes, on the back of a uniquely disappointing full-year 2022 performance, when both US Equity and US Bonds registered a substantial, coordinated drawdown which has put to test even the most consolidated defensive strategies.

The only exception were Global commodities indexed which retreated marginally, on the back of a strong 2022 performance. However, within the commodity space, Gold performed very strongly throughout 2023 and stand above US\$2,000/ounce in 4Q2023.

This implies all asset classes performed relatively well, which reinforces a positive correlation trend which we have been observing over the past 12 months. This phenomenon is highly problematic for traditional wealth management strategies that rely on historically low correlation between US Equity and US Bonds.

The underlying economic drivers delivered a few important signals during Q4 2023:

- US job creation estimates for October and November were revised downward by a combined 75,000, although the unemployment rate remained at a low 3.7% and December 2023 marked the 36th consecutive month of job creation for the US, signaling slower demand.
- US inflation was more persistent and stubborn than the market expected and no rate cut in 2023. Despite wide expectation that the Federal Reserve tempered its war on inflation, US still raised rates at four of its eight meetings in 2023 and the long waited rate cut did not happen in the last quarter of 2023. The central bank's target range for interest rates still remains at 5.25%-5.50%, the highest level since 2006.
- The US congress debt ceiling breaching crisis and the continued growth of federal budget deficit further challenges the US economy's ability to cope with any meaningful maneuver for progressive improvement.

In this context, each upward movement on the economy real growth forecast for the economy were immediately followed by raising expectations in terms of inflation and monetary rates, resulting in substantial negative impact on US Bonds.

Outside the US, China Government Bonds and China Corporate Bonds performed well, in a context of declining inflation and low monetary rates.

Despite the global economic turbulence, the Asia Pacific markets collectively had an outstanding year of growth. MSCI AC Asia index spiked by 11.47% in 2023.

In 2021 and 2022, while nearly all major central banks aggressively hiked interest rates in the midst of inflation pressure, China and Japan held on low interest rates. Nominal GDP in Japan grew by 5.4% in Q2 2023 and a further 6.2% in Q3 2023, while China recorded a double digit growth in nominal GDP in 2023.

On the other hand, another growth engine comes from India, recording a 12% increase in its nominal GDP. Indian corporate earnings and stock returns have grown in line with nominal GDP.

PERFORMANCE BY ASSET CLASS

	4Q 2023 % Return	1Y % Return
US Equity (Vanguard Total Stock Market ETF)	11.68%	24.08%
US Treasury Bonds (iShares 20+ Year T-Bonds)	11.49%	-0.68%
US IG Debt (MSCI USD Investment Grade Corp Bond Index)	8.05%	8.33%
US HY Debt (MSCI USD High Yield Corporate Bond Index)	5.60%	11.02%

	4Q 2023 % Return	1Y % Return
China Equity (MSCI China A Index USD)	-3.10%	-11.65%
China Treasury Bonds (FTSE Chinese Gov Bond Index) ¹	1.39%	4.36%
China IG Debt (FTSE Chinese USD Broad Inv Grade Index) ¹	4.32%	2.22%
China HY Debt (FTSE Chinese USD Broad High Yield Index) ¹	4.32%	-3.82%

	4Q 2023 % Return	1Y % Return
EU Equity (MSCI European Union Index USD)	6.11%	12.73%
EU Treasury Bonds (S&P Eurozone Gov Bond Index USD)	6.56%	6.85%
EU IG Debt (MSCI EUR Inv Grade Corporate Bond Index) ²	10.11%	12.02%
EU HY Debt (MSCI EUR High Yield Corporate Bond Index) ²	5.71%	10.52%

	4Q 2023 % Return	1Y % Return
Global Equity (MSCI ACWI Index USD)	10.18%	19.90%
Gold (SPDR Gold Trust ETF USD)	11.50%	12.69%
Broad Commodities (S&P GSCI USD Index)	-6.04%	-10.25%

1. Expressed in Hedged USD

2. Expressed in EUR

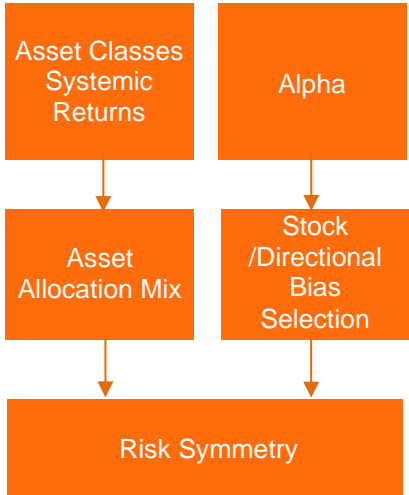
PHOENICIAN PORTFOLIO PERFORMANCE

Our Approach to Portfolio Design

We approach portfolio design with risk/return efficiency as our main concern, both for asset class allocation and in the pursuit of alpha.

We have developed a proprietary methodology underpinning both our asset mix allocation and our stock/financial instrument selection, which rest on the principle of *risk symmetry*.

Phoenician Risk Symmetry Framework

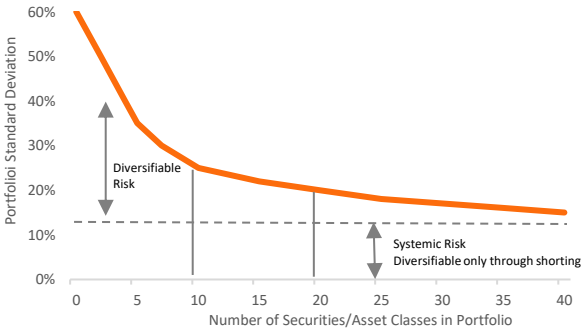


Risk symmetry enables us to take full advantage of diversification (both asset class diversification and financial instruments diversification) to build risk balanced portfolios that maximize return for a given level of risk.

Including uncorrelated asset classes in an allocation mix or uncorrelated financial

instruments in an actively managed portfolio is highly beneficial in terms of risk management.

Portfolio Standard Deviation vs Number of Securities/Asset Classes

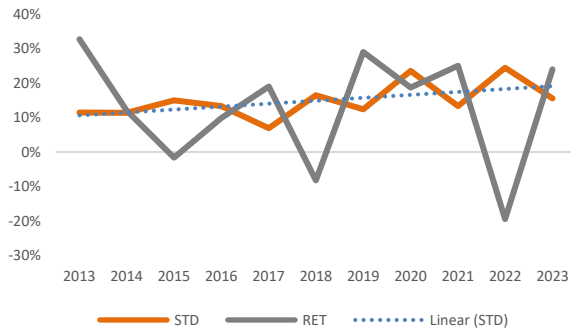


As an example, for asset classes with correlation below 0.5, having 6 asset classes in the allocation mix can reduce the risk measured as standard deviation of the portfolio by more than 50%.

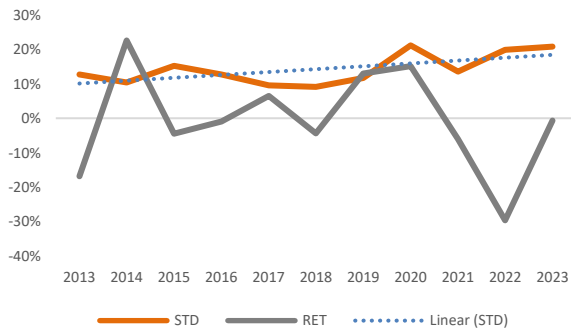
This in turn reduces dramatically the probability for the portfolio to lose money in a given year, with obvious benefits for the investors.

The reason why the most efficient portfolios have to be built around a thorough understanding of risk, rather than around asset class return predictions, is that risk is certainly more predictable than returns within the various asset classes, as displayed below by the performance of benchmarks for US Equity and US Bonds over the past 10 years, with standard deviation for both asset classes behaving in a much more predictable and consistent manner than the actual returns of the same asset classes over the same period of time.

Vanguard US Equity (Ret vs Std)



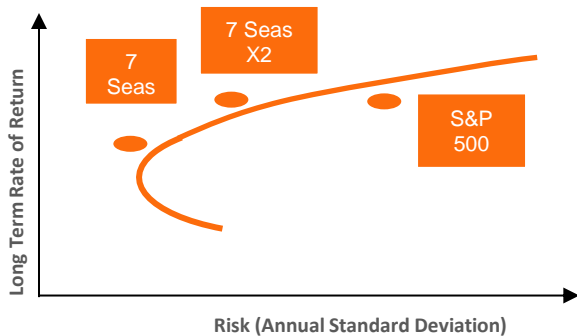
iShares 20+ Years US Bonds



The pursuit of a risk-balanced portfolio inevitably delivers highly efficient low-risk low-return portfolio, which might not be suitable for investors with a high-risk tolerance.

However, with the judicious use of leverage, risk efficient portfolio can be enhanced and transformed into risk efficient medium-risk medium-return portfolio on the efficient frontier line, and clearly superior to single asset classes or 60/40 equity/debt portfolio in terms of risk adjusted returns.

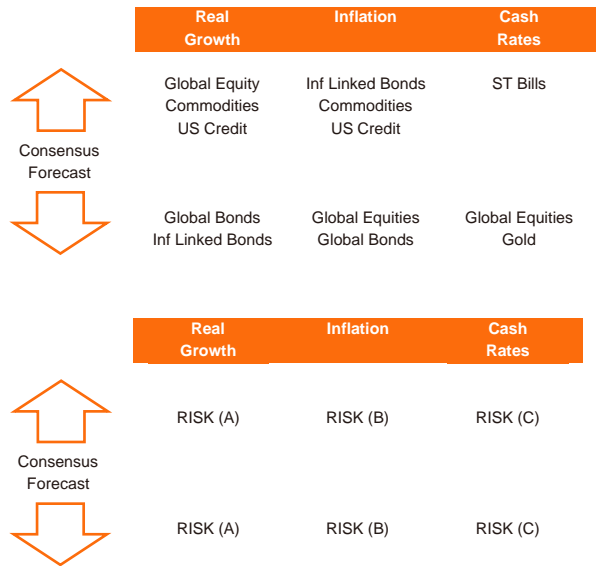
Portfolio Risk Return Profile Comparison



Beside looking for uncorrelated assets/financial instruments, asset and instrument weighting is the most critical decision.

At Phoenician we have mapped over time asset classes with consensus expectation shifts that mostly determine price movements on those same assets.

Risk Symmetry Framework



A good portfolio weighting should enable a decent offsetting between each asset class price movement, whenever a shift in market expectations related to real growth, inflation or cash rates determines market movements.

To achieve this, the risk symmetry approach prescribes that the level of risk in the various quadrants should be symmetrical.

Our approach differs from earlier methodologies based on “risk parity” because it does not prescribe the same level of risk in each quadrant, but simply prescribe the risk allocated to the quadrants above the consensus line should mirror the risk allocated to the quadrants below the consensus line.

In addition, shifts in expectation on cash rates (i.e. expectations on monetary policy decisions) are considered in their own merit as market moving events, separate from shifts in inflation expectations.

Phoenician Portfolio Performance

Leveraging on our extensive research on market moving shifts in expectations and their impact across asset classes, and applying the *risk symmetry* methodology described earlier, Phoenician has designed its flagship *Phoenician 7 Seas USD Portfolio*, which intends to provide USD denominated low-risk medium-return performance and is intended to perform in risk efficient manner under all type of market conditions, with the potential to enhance returns through leverage. For clients with base currencies different from USD, we tailor make 7 Seas Portfolios in their own base currencies.

Phoenician 7 Seas is risk-efficient, multi asset class, balanced portfolio developed by leveraging on our proprietary risk symmetry approach.

2023 has been the perfect testing ground for the 7 Seas Portfolio, and the portfolio mix has performed very well relative to other defensive portfolios under very challenging conditions. In 2023, Phoenician 7 Seas has achieved a strong performance with an annualized return of 10.9% and a standard deviation of 8.5%.

Due to its multi-asset, balanced structure, we have identified the Global Financial Asset Portfolio (GFAP) as the most relevant benchmark to Phoenician 7 Seas Portfolio. This benchmark portfolio is built using financial instruments available and investable globally with each individual asset class represented by a broad-based index. It intends to capture the performance of the “aggregate global household” at the end of a given financial period and with weights derived from the total amount of financial instruments outstanding in each asset class.

Phoenician 7 Seas vs GFAP, Jan 2024

Asset Class	Weights of Phoenician 7 Seas	Weights of GFAP
Global Equity	35.00%	33.94%
Non-US Gov Bond	10.00%	26.82%
IG Global Corp Credit	0.00%	11.80%
ST US Gov Debt	0.00%	1.80%
Mid-LT US Gov Debt	35.00%	14.47%
HY Global Corp Bond	0.00%	3.92%
Commodity	5.00%	4.52%
Gold	15.00%	2.47%
Total	100.00%	100.00%

In terms of risk return profile over the past 10 years, Phoenician 7 Seas stands out as highly risk-efficient when compared to the GFAP due to lower volatility compared to GFAP. In 2023, Phoenician 7 Seas has returned a M² adjusted return of 12.69%, which represent a 1.28% excess return when compared to GFAP's return in the same period.

Phoenician 7 Seas Asset Allocation & Return

Asset Class	Weights	Return
Vanguard Total Stock Market ETF	35.00%	33.94%
iShares 20+ Year Treasury Bond ETF	10.00%	26.82%
iShares 3-7 Year Treasury Bond ETF	0.00%	11.80%
SPDR Gold Shares (GLD)	0.00%	1.80%
iShares S&P GSCI Commodity-Indexed Trust	35.00%	14.47%
iShares MSCI All Country Asia ex Japan ETF	0.00%	3.92%
SPDR Bloomberg Emerging Markets Local Bond UCITS ETF	5.00%	4.52%
Total	100.00%	10.91%*

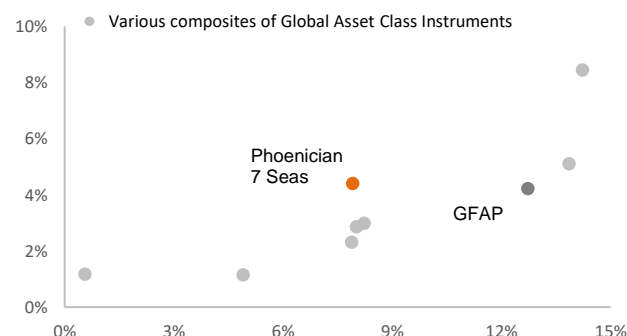
Note: The M² adjusted return of the portfolio is 12.69%.

Most of the outperformance can be attributed to gold, which is overallocated in the Phoenician 7 Seas portfolio and performed very strongly in 2023.

Phoenician 7 Seas Attribution of Return Compare to GFAP

Asset Class	Allocation	Selection	Interaction	Total
Global Equity	0.24%	0.27%	0.01%	0.52%
Non-US Gov Bond	-0.86%	1.77%	-1.11%	-0.20%
IG Global Corp Credit	-1.04%	0.00%	0.00%	-1.04%
ST US Gov Debt	-0.09%	0.00%	0.00%	-0.09%
Mid-LT US Gov Debt	0.85%	-0.04%	-0.06%	0.75%
HY Global Corp Bond	-0.48%	0.00%	0.00%	-0.48%
Commodity	-0.03%	-0.06%	-0.01%	-0.09%
Gold	1.60%	0.05%	0.27%	1.91%
Total	0.19%	1.99%	-0.89%	1.28%

Risk Return Analysis of Phoenician 7 Seas vs GFAP, 2014-2023



On the long term, returns and standard deviation table for Phoenician 7 Seas show a superior risk-return profile when compared to less diversified asset allocation strategies such as 60 US Equity / 40 US Debt.

Phoenician 7 Seas vs 60/40 US Equity US Debt, Dec 2023

	Phoenician 7 Seas USD		60/40 US Equity US Debt	
	Return	Standard Deviation	Return	Standard Deviation
1 Y	10.91%	8.50%	11.41%	10.05%
3 Y	-0.71%	10.05%	-0.51%	13.23%
5 Y	6.23%	9.67%	4.66%	15.34%
10 Y	4.39%	7.92%	4.21%	12.73%

Note: Portfolios back tested prior to 2015. 60/40 Portfolio includes US market equity and long-term US Debt (+20 years)

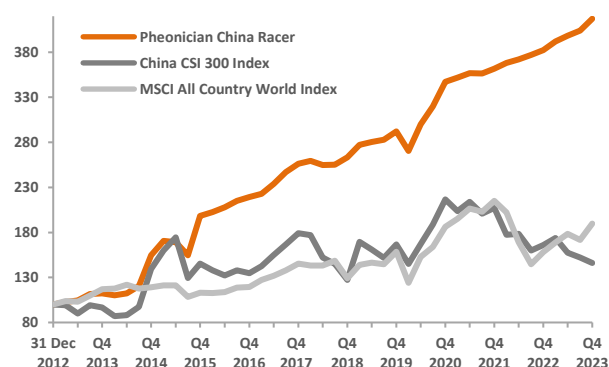
Our strategy to make short term adjustment to our client asset allocation model with heavier weight on broader commodity and gold also paid off significantly in 2023.

When it comes to the pursuit of alpha, Phoenician is running two actively managed strategies, Phoenician China Priority USD Strategy and Phoenician Managed Futures USD Strategy, and both performed extremely well in 2023.

Phoenician Actively Managed Strategies Performance, 31 Dec 2023

	China Priority USD Strategy	Managed Futures Strategy
	Returns	Returns
1 Y	9.14%	7.60%
3 Y	9.28%	6.08%
5 Y	10.32%	7.36%
10 Y	13.86%	7.41%

Phoenician China Priority Strategy Performance Over Time



The Phoenician China Priority Strategy employs a long/short approach, with the goal of capturing above-market capital growth from investing in prudently selected publicly-listed Chinese companies. In order to enhance performance as well as for hedging purposes, this portfolio also invests in futures and other hedging instruments, which differentiates this portfolio from most China focused equity portfolios.

To achieve our investment goals, we identify companies, which are undervalued and demonstrate significant growth potential or very likely benefit enormously from the structural changes in their own operations or within the industries they participate by establishing long positions in those high-quality companies. Conversely, the China Priority Strategy can also make profit by selling short overvalued companies whose market positions are deteriorating.

Phoenician China Priority Performance Over Peers/Benchmark

	Net Returns in US\$	China Priority	CSI 300 Index	Peer Group*	Percentile
Since 01/01/2013	13.86%	3.88%	0.37%	100	
5 years	10.32%	4.24%	-0.99%	100	
3 years	9.28%	-13.59%	-18.47%	100	
2023	9.14%	-12.14%	-17.87%	100	
2022	5.67%	-30.79%	-27.61%	35	
2021	4.25%	-4.43%	-10.55%	89	
2020	19.18%	36.99%	38.83%	17	
2019	10.80%	38.96%	28.80%	6	
2018	2.80%	-28.83%	-24.48%	100	
2017	16.90%	32.99%	42.27%	1	
2016	10.60%	-7.38%	-3.26%	98	
2015	28.20%	1.15%	-9.28%	93	
2014	37.80%	52.27%	13.14%	82	
2013	12.20%	-2.65%	-0.23%	93	
Q1 2023	2.54%	4.54%	0.35%	80	
Q2 2023	1.61%	-9.24%	-10.21%	100	
Q3 2023	1.42%	-3.55%	-4.60%	100	
Q4 2023	3.28%	-4.00%	-4.45%	100	

Note: *Peer Group is Bloomberg open-end equity funds with focus on China, with country of domicile in Hong Kong. Around 100 funds were used for the comparison analysis.

The China portfolio is also designed to capitalize on market volatility, so we also invest in futures and other hedging instruments to potentially profit from both rising and falling markets as well as reducing risk.

On the other hand, the Phoenician Managed Futures Strategy utilizes a long/short approach with the goal of achieving consistent, above-market returns from investing in a combination of commodity, currency and financial futures.

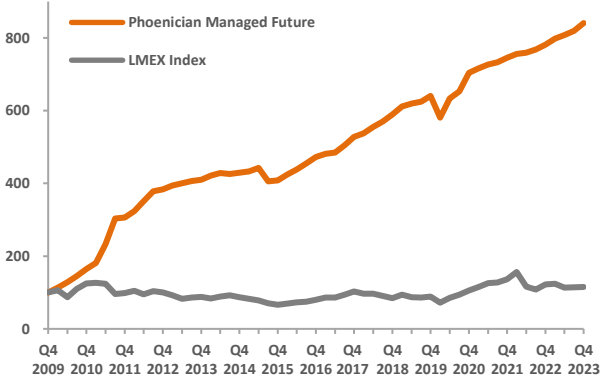
Designed to capitalize on market volatility and inefficiencies, managed futures are an important and major alternative asset class that not only provides the necessary hedge but also potentially makes profit in both rising and falling markets. Increased diversity is also achieved through international exposure that is facilitated by trading access to global markets 24 hours a day.

Phoenician Managed Future Performance Over Peers/Benchmark

Net Returns in US\$	Managed Futures	LME Commodity Index	Peer Group*	Percentile
Since 01/01/2010	16.43%	0.72%	-4.78%	100
5 years	7.36%	6.08%	1.85%	50
3 years	6.08%	3.28%	-0.47%	80
2023	7.60%	-5.28%	1.49%	63
2022	4.89%	-10.37%	-6.56%	96
2021	5.77%	28.78%	-5.04%	75
2020	9.96%	19.42%	23.87%	29
2019	8.66%	5.05%	18.38%	15
2018	11.65%	-18.20%	-9.29%	91
2017	11.72%	28.56%	10.57%	61
2016	15.87%	20.91%	7.91%	78
2015	-4.93%	-24.01%	-15.92%	94
2014	4.55%	-0.84%	-11.54%	91
2013	7.09%	-12.06%	-22.29%	87
2012	25.03%	1.05%	6.31%	100
2011	86.55%	-20.69%	-1.18%	100
2010	64.27%	24.62%	25.61%	80
Q1 2023	2.1%	1.7%	1.1%	46
Q2 2023	1.3%	-8.8%	-5.5%	91
Q3 2023	1.41%	0.97%	1.26%	73
Q4 2023	2.59%	1.22%	3.75%	33

Note: *Peer Group is global commodity ETFs. Around 170 funds were used for the comparison analysis

Phoenician Managed Future Performance Over Time



WHAT'S NEXT

We look at consensus estimate in order to detail where our prediction is out of line with market expectations so that we can then determine which asset classes will be impacted if market expectation on a given indicator would shift in the manner we have predicted.

	2023	2024	2025
USA			
Real GDP (YoY%)	2.4	1.3	1.7
CPI %	4.1	2.6	2.3
Unemployment %	3.6	4.2	4.3
Budget %	-6.5	-6.0	-6.1
Curr. Acc. %	-3.1	-3.1	-3.0
Bank Rate %	5.5	4.3	3.25
USD Index	103.06	101.62	110.27
China			
Real GDP (YoY%)	5.2	4.6	4.5
CPI %	0.2	1.0	1.7
Unemployment %	5.2	5.3	5.2
Budget %	-5.0	-5.3	-5.1
Curr. Acc. %	1.7	1.4	1.1
Bank Rate %	3.45	3.25	3.25
USD/CNY	7.10	6.97	6.80
EU			
Real GDP (YoY%)	0.5	0.9	1.7
CPI %	6.2	2.7	2.2
Unemployment %	6.9	6.7	6.6
Budget %	-3.2	-2.9	-2.5
Curr. Acc. %	2.6	2.8	2.8
Bank Rate %	4.67	3.64	3.07
EUR/USD	1.10	1.16	1.20

Note: In bold indicators where our forecast are not in line with consensus expectations

DE-DOLLARISATION TRENDS

We continue our observation of a major de-dollarization move which will significantly weaken Western currencies over the mid to long term and accelerate inflationary pressures in the Western world.

We expect a weaker dollar than consensus forecast over the next 24 months, primarily due to deteriorated fundamentals and challenging economic outlook worldwide, which in turn will lead to higher CPIs and lower GDP growth in the US, EU and UK economies. Availability and rising influences of suitable alternative currencies has also played an important role.

- Geopolitical tension and regional conflicts are prolonged, casting increased uncertainties.
- The turbulence seen in the western banking industry has shattered investors' confidence in the system with profound consequence.
- Sanctions imposed by western countries against Russia on a comprehensive basis, including trade bans, confiscation/freezing of assets and limiting access to SWIFT payment system has induced other nations to develop new payment means and alternative settlement currencies to minimise potential threat to their national interests.

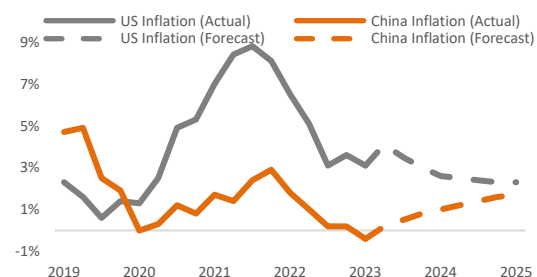
In a bid to reduce the reliance on the dollar and saving international transaction costs, an increasing number of countries, including Saudi Arabia, Iran, and Brazil have reached separate agreements with China to use yuan and their own currencies in bilateral trade, while other countries such as Russia, China and Indonesia are developing each of their own payment systems, further contributing to the de-dollarization trend.

INFLATION REMAINS IN FOCUS

Inflation is expected to slow down by most economists and analysts and will likely to settle in 2024 amid wide expectation that Fed rate cut could be expected mid-year.

However, we believe it may come much later. Fragmented supply chain is likely to still play a role in 2024 and drive up the inflation. Hefty government spending will also keep rates higher and global attempts to control rising labour cost and bring it back to pre-covid levels is not easy. Prolonged geopolitical tension and regional conflicts coupled with a weakened USD forecast will also drive inflation on a high level.

US & China Inflation Trend and Forecast



During the COVID pandemic, China and US ride the same inflation trend, however, China managed to maintain its headline inflation at a relatively healthier level. As excessive inflation hurts economy and the moderate degree of inflation in China could be beneficial to its economy but also attractive to foreign investments.

CHINA RECOVERY

There are no doubts that global economy is slowing. It is a consensus that lowering global GDP growth rate forecast to sub 3% level is anticipated. More significantly, US GDP growth rate forecast is cut to just 1%, not only significantly lower than that of last 24 months of COVID recovery. However, we don't believe global economy is collapsing either. China, which is expected to grow slower too, will still grow at a new normal of above 5%.

Moreover, with China's recent announcement of its 5.2% GDP growth in 2023, the economic outlook of China might just not be as serious as many thoughts, and in fact, it can be anticipated that with the new measures by China to promote economic development and reignite of growth engine. The true potential of China is evolving in the tough environment of 2024.

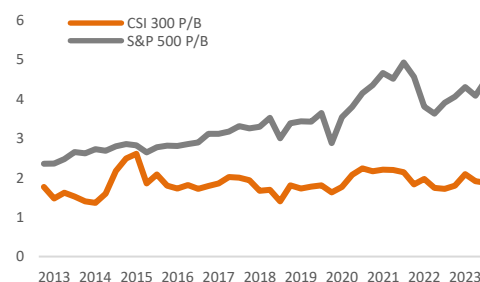
Despite speculation on China's economy's failure to secure a sustained recovery, China's actual growth in 2023 may just prove that these speculations and many economists and analysts view are overly bearish.

US EQUITY PREMIUM NOT SUSTAINABLE

US Equity has traded over time at a high premium to Emerging Market Equity and in particular to Chinese Equity, despite recent opening up of Chinese Equity to offshore investors, in the form of the various Hong Kong Connect systems.

At times of economic recession, we believe P/E ratio are not reflecting true valuation multiples, as earnings forecasts tend to be overstated. Therefore, we prefer to look at P/B ratio, which measure the market capitalization of the index against the last reported net asset value of the underlying equity components. Net asset value are not subject to earnings expectations, although they don't capture fully the company future cash flow outlook.

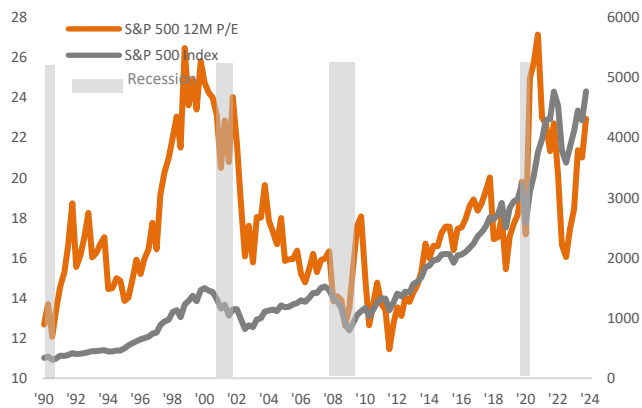
China CSI 300 PB ratio vs S&P 500 PB ratio



We observe that US Equity Premium has reached a substantial level in 2023, with a ratio of 4.5x for S&P 500, against a ratio of 1.9x for CSI 300.

Historically, the reason for the high equity premium has been justified with lower inflation and lower US bond yield, making the US Equity cash flows less risky than other equity markets, and leading to USD appreciation against emerging market currencies. This is no longer relevant and applicable as bank rates and Gov Bond Yield are now consistently lower in China than in the US and US equity premium over emerging market equity, especially China, are no longer sustainable from either a risk or growth perspective.

U.S. PE multiples vs S&P 500



In particular, the US market has been in a substantially uninterrupted bull run since 2008. As bull runs to start require low P/E, the S&P 500 is trading at 22X P/E ratio, well above-average valuations on a price-to-earnings basis, the 12-month forward P/E ratio of US large cap at 19X and that for US tech at 24X, both significantly above its respective interquartile range for the past 25 years. We believe 2024 cannot be seen as the start of a new bull run with these high valuations, but it must be seen in the context of the ongoing correction started in 2022, which is likely still going to play out in the next 12-24 months.

Therefore, US Equity may no longer be offering supreme return over China Equity in the long run and the reversal could happen as early as 2024.

MULTIPLE SHINING STARS IN THE ASIA PACIFIC

We believe that the Asia Pacific market as a whole will continue its strong performance in 2023 and grow beyond the current level in the next 12-24 months.

India's growth potential reflects an expanding middle class, digitization and, especially, favorable demographics. India's labor supply will likely increase steadily until the 2030s, and because labor supply is strongly linked to output, this gives it a long runway to deliver sustained high rates of economic growth. Data over the past two decades indicate show that India's economic growth and equity market returns follow closely.

Southeast Asia is likely to witness further growth led by strong economic performance of major regional economies such as Indonesia, Vietnam, Thailand and Malaysia. Indonesia recorded an almost 10% nominal GDP growth in 2023 and its equity market is set to follow the momentum after an 8% growth in the last 12 months. Vietnam is projected to achieve a 6-6.5% growth in GDP in 2024 as it aims to revive its Southeast Asian manufacturing hub status.

Therefore, we expect US and EU equity to reverse its current trajectory and underperform significantly in 2024, while US Bonds bottom out amid anticipated rate cut. We view Asia Pacific Equity as the only bright spot in 2024.

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