INVESTMENT INSIGHT JAN 2024

Investment Services Department

Altruist Financial Group Limited
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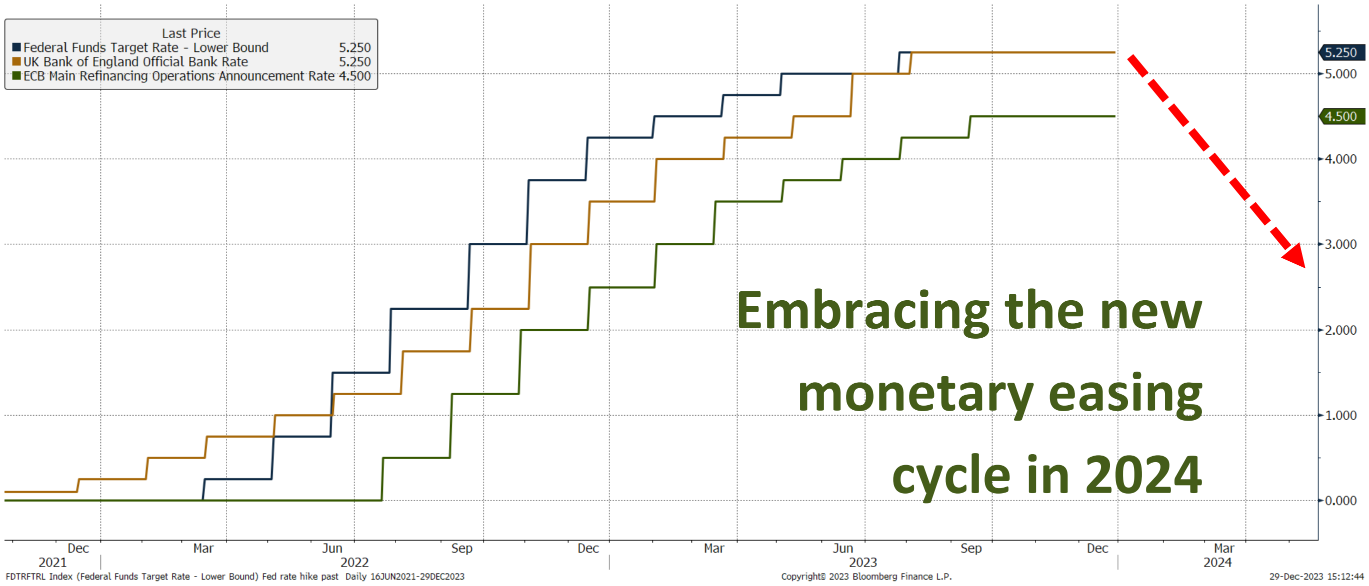


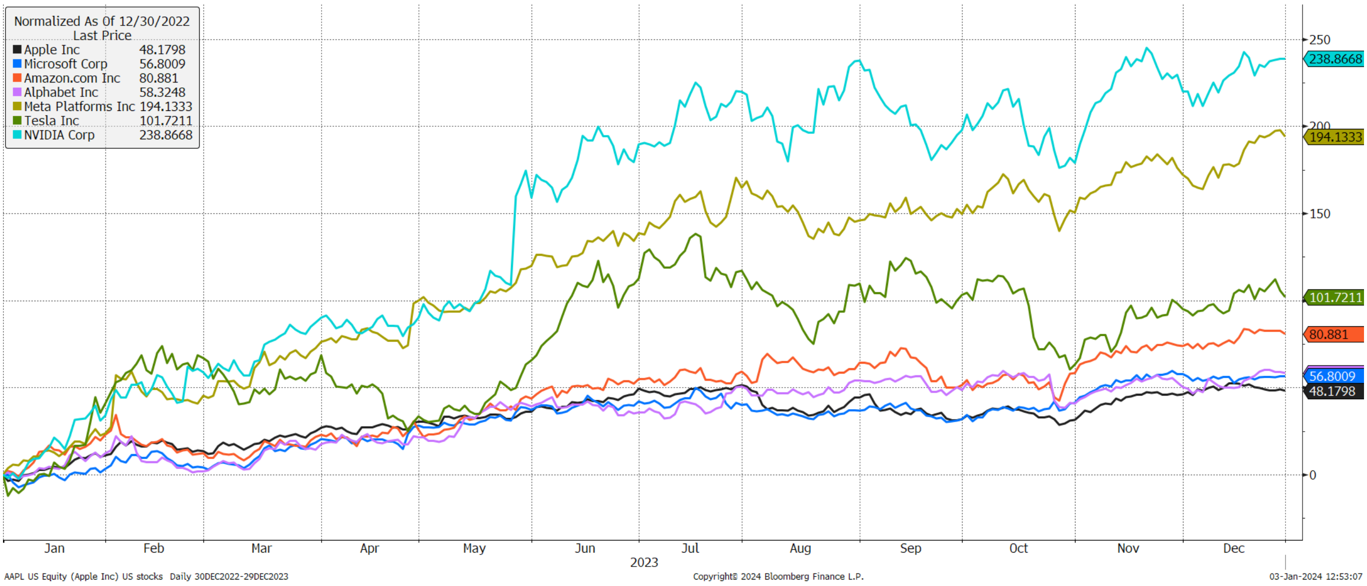
A BRIEF REVIEW OF THE INVESTMENT MARKETS IN 2023

In 2022, almost all asset classes posted negative returns. However, most of them rebounded in 2023 and achieved remarkable gains. Despite the uneven economic recovery in China, the heightening China-U.S. tensions, ongoing Russian-Ukrainian and Israeli-Palestinian wars, investors appeared to be indifferent and more excited about the expectation of the end of interest rate hike cycle and their risk appetite was increasing.

EQUITIES

If we describe 2023 as "The Year of U.S. Mega-cap Tech Stocks", it is believed that there would be little objection. Cheered by the high growth expectation of artificial intelligence ("AI") and a substantial stock price correction in 2022, those prominent U.S. technology or new economy companies, like Nvidia, Meta Platform Inc, Tesla Inc, Microsoft have experienced significant increases in value. These companies played a leading role in propelling Nasdaq Composite Index to become the best performing major global equity index in 2023, with a gain of more than 40%. Besides, the Dow Jones Industrial Average Index has hit record high while the S&P 500 Index was only 26.73 points (or 0.56%) away from the historical high by the end of 2023.

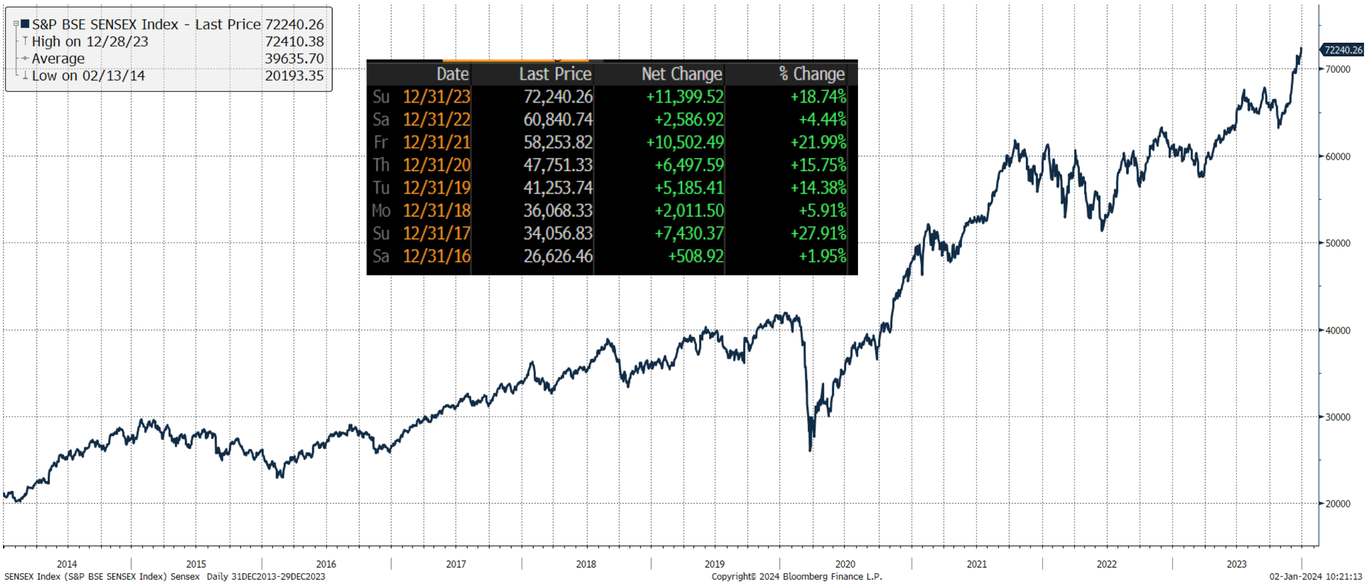
<u>EXHIBIT 1: Top U.S. mega-cap tech stocks value have risen significantly in 2023</u>



Source: Bloomberg (as at 31/12/2023)

Apart from Hong Kong and China, Asian equities generally performed well in 2023 even though there was a sharp swing in sentiment during the year due to the shift of interest rate movement expectation. Driven by the rising momentum of U.S. technology stocks, the South Korea and Taiwan stock markets delivered 19.60% and 31.34% return respectively. The Japanese Nikkei 225 Index reached its highest level since 1990 because of the depreciated Japanese Yen and long-awaited reflation. Benefited from the "friend-shoring" trade policy of the U.S. Government, the reshaping global supply chains and foreign capital inflow, the Indian Sensex Index hit record high again in 2023, marking its 8th consecutive year of gains.

EXHIBIT 2: The Indian Sensex Index gained 8 years in a row

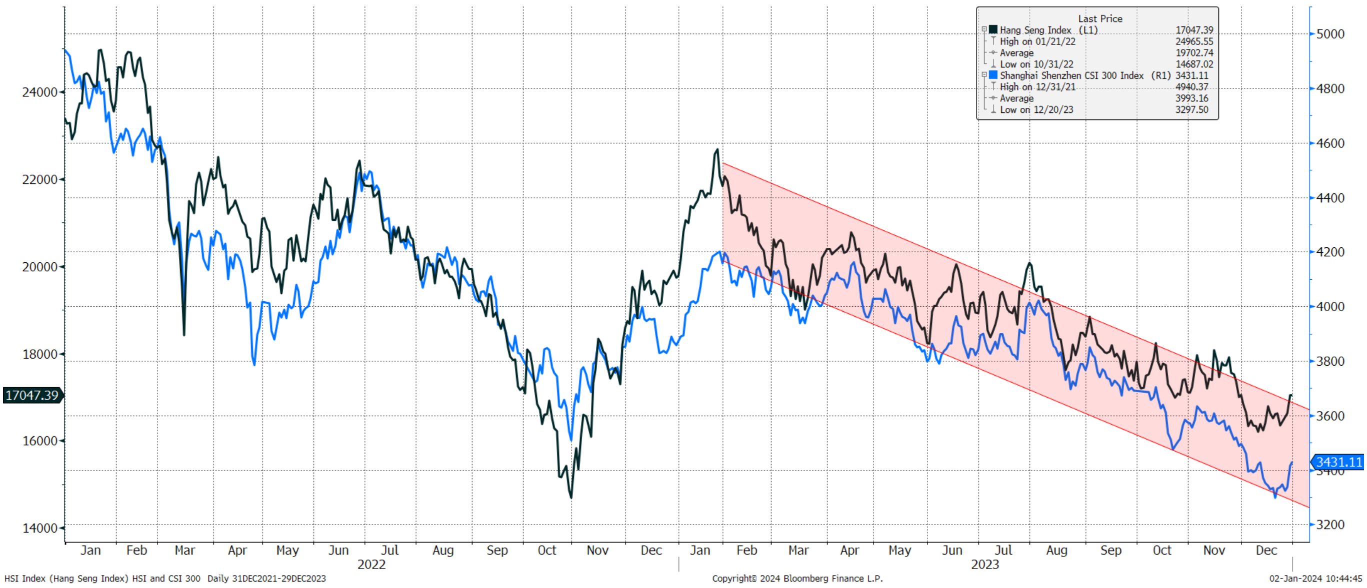


	Date	Last Price	Net Change	% Change
Su	12/31/23	72,240.26	+11,399.52	+18.74%
Sa	12/31/22	60,840.74	+2,586.92	+4.44%
Fr	12/31/21	58,253.82	+10,502.49	+21.99%
Th	12/31/20	47,751.33	+6,497.59	+15.75%
Tu	12/31/19	41,253.74	+5,185.41	+14.38%
Mo	12/31/18	36,068.33	+2,011.50	+5.91%
Su	12/31/17	34,056.83	+7,430.37	+27.91%
Sa	12/31/16	26,626.46	+508.92	+1.95%

Source: Bloomberg (as at 31/12/2023)

In the beginning of 2023, many investors have looked for a better investment sentiment of the Hong Kong and China market after the post-pandemic economy reopening. Unfortunately, both the Hang Seng and CSI 300 index coincidentally peaked at the end of January 2023 and turned to downward trend. Remarkably, the Hang Seng Index has dropped 4 years in a row which was its first time since its inception in 1964. The weakness of China and Hong Kong stock markets can be explained by both internal and external factors. After the pandemic, the economic recovery of China was uneven, and the huge debt burden of Chinese real estate developers continued to simmer and weakened investors' confidence. Besides, the heightening China-U.S. relationship also affected the investment sentiment.

EXHIBIT 3: Hang Seng and CSI 300 index turned to the downward trend since the end of January 2023



Source: Bloomberg (as at 31/12/2023)

TABLE 1: Global Stock Markets Performance (% In local currency)

Indexes	2023 Q4	2023	2022
S&P 500	11.68	26.26	-18.13
Nasdaq Composite	13.84	44.70	-32.51
STOXX Europe 600	6.78	16.64	-9.88
DAX	8.87	20.31	-12.35
CAC 40	5.93	20.10	-6.71
Nikkei 225	5.16	30.90	-7.35
Hong Kong Hang Seng	-3.90	-10.46	-12.56
Hang Seng China Enterprises	-6.03	-10.74	-15.63
Shanghai Stock Exchange Composite	-4.22	-1.04	-12.81
Shanghai Shenzhen CSI 300	-6.81	-9.14	-19.83
Singapore Straits Times	1.37	4.74	8.36
Korea KOSPI	7.75	19.60	-23.21
Taiwan TWSE	9.82	31.34	-18.83
India SENSEX	9.96	20.33	5.77
Indonesia JCI	5.11	10.50	6.97
Thailand SET	-3.44	-12.65	3.51
Russia RTS	9.40	18.77	-32.02
Brazil IBOV	15.12	22.28	4.69
S&P Pan Arab Composite	6.28	10.14	-5.89
MSCI World	11.53	24.44	-17.71

Source: Bloomberg (as at 31/12/2023)

FIXED INCOMES

The bond markets showed signs of recovery in 2023 even though they experienced certain correction in the third quarter of the year. Since the current interest rate remained at a high level, the short-term U.S. treasury bills posted consistent return and outperformed longer-term U.S. treasury bonds for most of the year. Such trend only reversed until December as market expectations shifted towards end of interest rate hike cycle, leading to a rally in medium-to-long term treasury bonds.

Among different types of fixed income products, high yield bond performed the best in 2023 and the Bloomberg Global High Yield Total Return Index gained over 14%. The outperformance of high yield bond sector can be attributed to its higher coupon rate and lower default rate which was supported by a better than expected global economy.

EXHIBIT 4: High yield bond outperformed while short-term U.S. treasury bill provided stable return in 2023

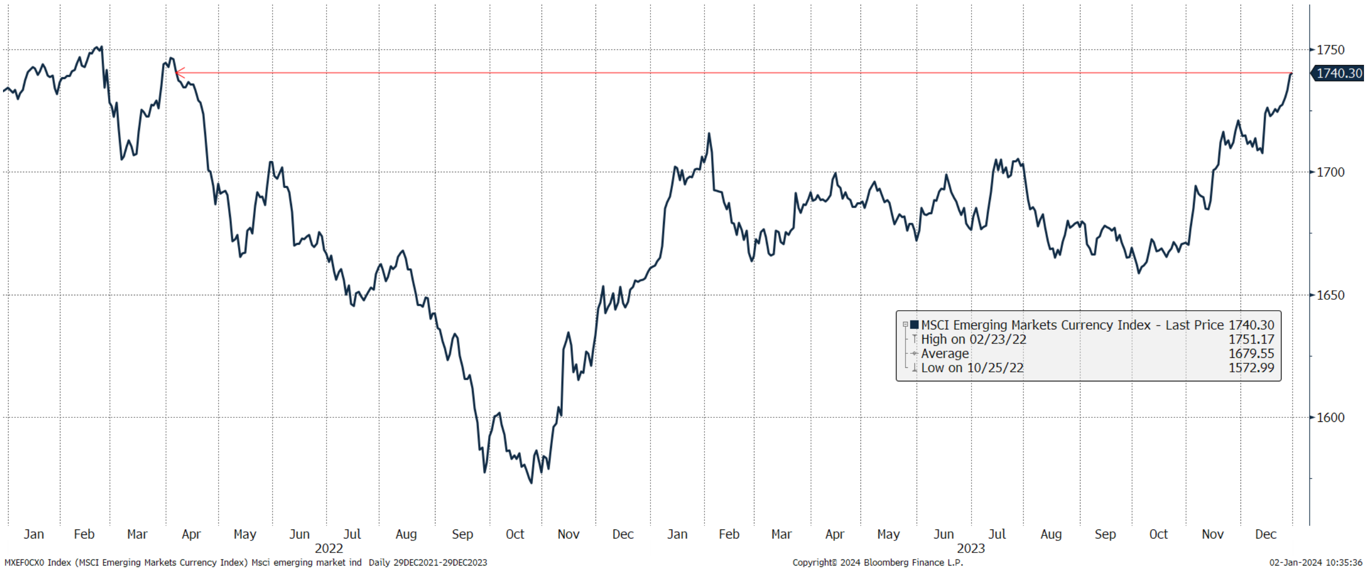
Source: Bloomberg (as at 31/12/2023)

CURRENCIES

In 2023, the U.S. Dollar Index experienced a negative performance, primarily driven by optimism surrounding potential rate cuts by the Federal Reserve (“Fed”) in 2024. The emerging market currencies benefited from the weakening U.S. Dollar, the MSCI Emerging Market Currency Index surged to a 20-month high and posted the best annual return since 2017. Besides, the Euro and British Pound also gained 3.12% and 5.36% respectively against the U.S. Dollar in 2023 as the market expects the European Central

Bank ("ECB") and Bank of England ("EOB") will not have rate cut as early as the Fed. The Japanese Yen also rebounded sharply, over 6%, against the U.S. Dollar after it touched 25-year low in mid-November 2023.

EXHIBIT 5: The MSCI Emerging Market Currency Index surged to a 20-month high



Source: Bloomberg (as at 31/12/2023)

TABLE 3: Major Currencies Performance (% In terms of USD)

Currency	% Change in 2023 Q4	% Change in 2023
Euro	4.41	3.12
British Pound	4.36	5.36
Japanese Yen	5.91	-7.03
Hong Kong Dollar	0.24	-0.13
Chinese Renminbi (CNY)	2.79	-2.84
Australian Dollar	5.86	-0.01
New Zealand Dollar	5.35	-0.49
Singapore Dollar	3.48	1.45
South Korean Won	4.76	-1.75
Taiwanese Dollar	5.10	0.03
Indian Rupee	-0.20	-0.57
Indonesian Rupiah	0.38	0.62
Thai Baht	6.65	1.36
Russian Ruble	9.03	-17.08
Brazilian Real	3.64	8.71

Source: Bloomberg (as at 31/12/2023)

COMMODITIES

The crude oil price was volatile in 2023 and it dropped about 7% in 2023. While the OPEC+ countries have been cutting production in order to maintain price stability, the oil production in North America was soaring. The U.S. is now producing more than 13 million barrels per day (bpd) of crude oil which is more than any other countries ever. In addition, according to the recent study from "S&P Global Commodity Insights", the amount of U.S. oil export (crude oil, refined products and natural gas liquids) is near the total production of Saudi Arabia or Russia. If we look back in 2008, the oil production in the U.S. was at 62-year low with zero exports. The change is amazing and extraordinary.

EXHIBIT 6: Crude Oil price was full of volatility in 2023

Source: Bloomberg (as at 31/12/2023)

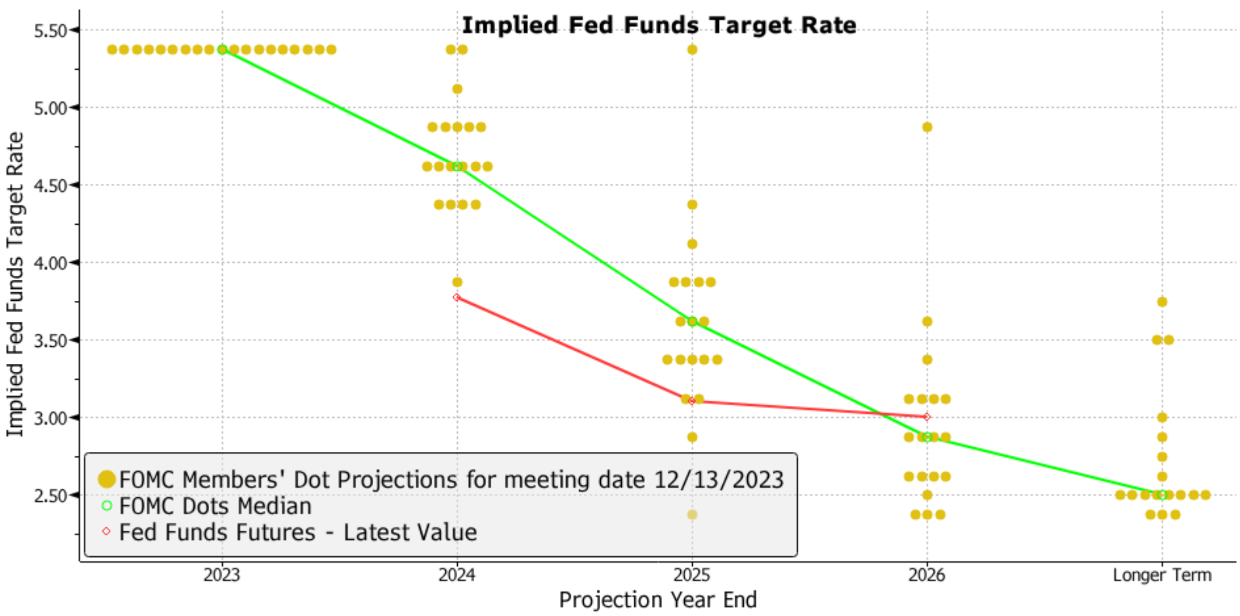
Driven by the expectation of the end of interest rate hike cycle, weakening U.S. Dollar and heightening geopolitical tensions, gold emerged as one of the best performing commodities in 2023. The Gold Spot price has climbed to a historical high of 2077.49 per Troy Ounce on 27 Dec 2023 and gained 13% over the year.

WHAT TO WATCH IN 2024?

1) U.S. interest rate

The Fed has raised interest rate 11 times since March 2022 resulting in a cumulative increase of 5.25% and the inflation pressure has eased gradually. The Fed has also paused to increase interest rate in the past 3 meetings. According to the latest projection from Federal Open Market Committee ("FOMC") members, the Fed will lower the rate by 0.75% in 2024 while the Fed fund futures even implies a more aggressive cut.

EXHIBIT 7: The FOMC members' projection and the expectation implied by Fed Fund Futures

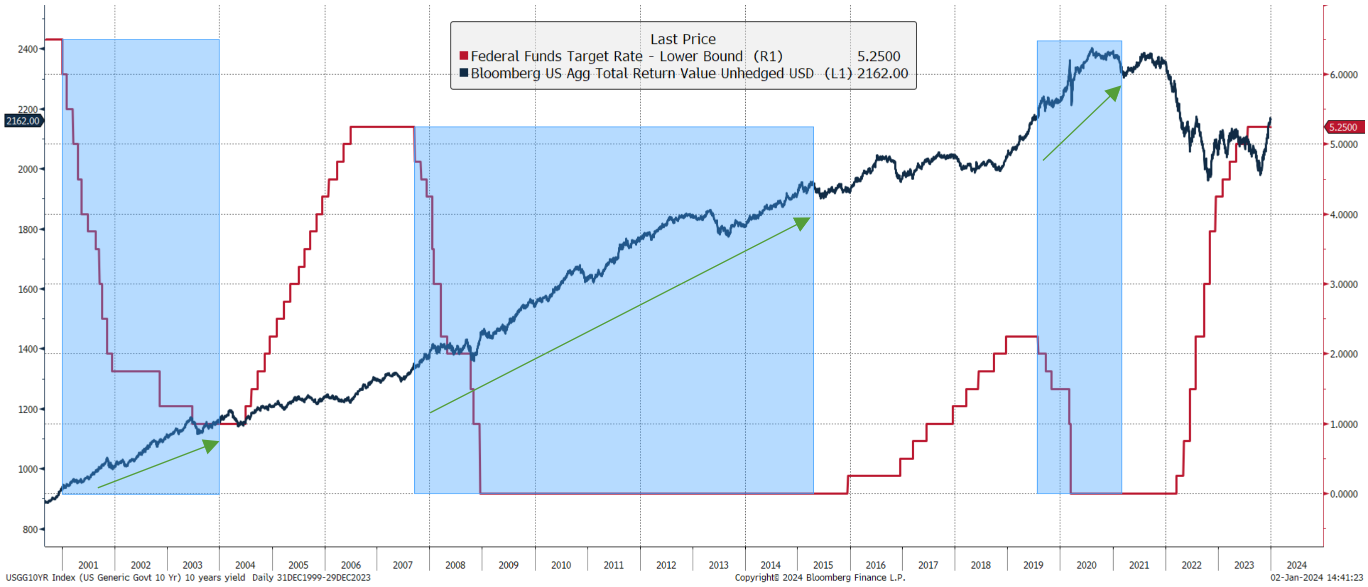


Source: Bloomberg (as at 31/12/2023)

Although most of the risky assets rallied in the last quarter due to the speculation of Fed rate cut in 2024, it is believed that both stock and bond markets may still have good upside potential when the markets enter the period of monetary easing. Over the past 40 years, we have witnessed 6 different U.S. interest rate hike cycles, it is found that both S&P 500 and Bloomberg U.S. Aggregate Bond Index have achieved remarkable returns in the following 1 to 3 years when the interest rate is peaked.

However, the timing and magnitude of the anticipated rate cut by the Fed remain uncertain. If the pace of Fed's monetary easing is not as expected, it may bring shocks to the investment markets. Besides, following the recent market rally, the stock markets may be overbought in the near term, and the valuation looks relatively expensive. In order to have a better risk control, fixed income investment can be overweighed right now since bond price and interest rate are inversely related, when interest rate is peaked and move downward, it will always support a stronger bond price.

EXHIBIT 8: Fixed income always performs well during monetary easing cycle

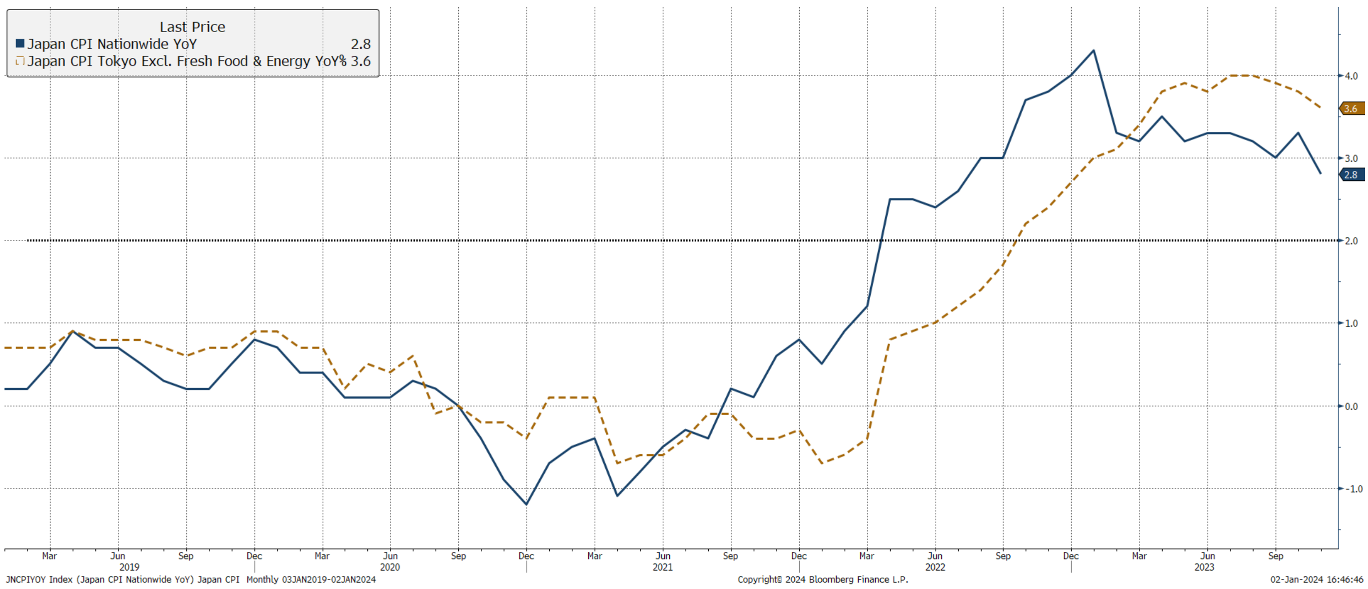


Source: Bloomberg (as at 31/12/2023)

2) Bank of Japan ("BOJ")'s monetary policy

In order to boost the Japanese economy, the BOJ has maintained its ultra-loose monetary policy for more than a decade. In 2023, Japan's consumer price consistently exceeded its 2% target, leading many economists to anticipate a change in the BOJ's negative rate policy very soon and it will contradict with the policy stance of other global major central banks. The policy divergence may stimulate the Japanese Yen to appreciate and the unwinding of "carry trade" may bring turbulence to the global financial markets.

EXHIBIT 9: The Japanese inflation has consistently exceeded its 2% target in 2023

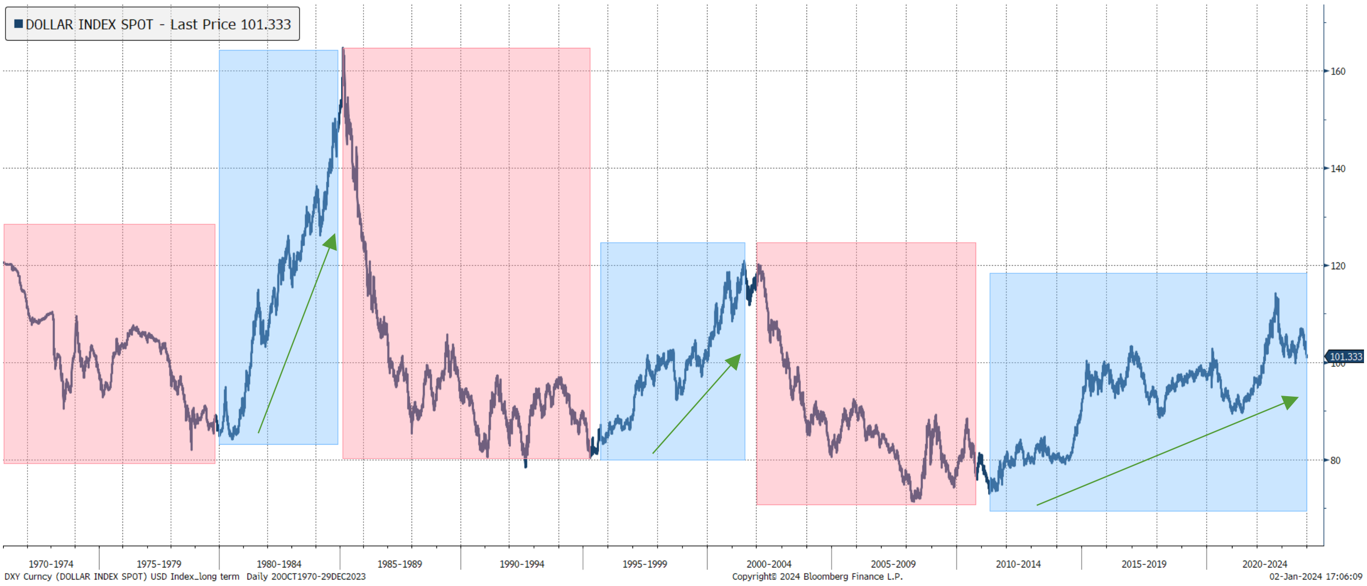


Source: Bloomberg (as at 31/12/2023)

3) The movement of U.S. Dollar

The greenback has remained strong for more than a decade. As the U.S. Fed would likely have a dovish turn while the counterparts, like the ECB and BOE may still continue to adhere to their hawkish stance shortly. Such monetary policy divergence may weaken the U.S. dollar. A weaker U.S. dollar may benefit U.S. exports by increasing its competitiveness, which is the good news to U.S. stocks. Approximately, a quarter of S&P 500 companies generate more than 50% of revenues from outside the U.S. In addition, a weaker U.S. dollar may benefit emerging markets as it will encourage foreign capital inflow and also reduce the borrowing cost of their U.S. dollar denominated debts.

EXHIBIT 10: The strong U.S. Dollar has maintained for more than a decade



Source: Bloomberg (as at 31/12/2023)

4) Elections around the world

2024 is a historic election year, with more than 2 billion voters across 50 countries participating in different elections. Among all, the president elections in Taiwan (13th January), Russia (15th to 17th March) and the U.S. (5th November) and the general election in India (between April and May) would be influential to the whole world in the coming years and the political uncertainties will also increase financial market volatility. However, according to the historical data, the U.S. stocks tend to perform well during president election year. Since 1928, there have been 24 U.S. president election years, and the S&P 500 Index only recorded negative return in 1932, 1940, 2000 and 2008 respectively.

EXHIBIT 11: Performance of S&P 500 Index during in U.S. president election year

Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)
2024	?	2004	10.88	1984	6.27	1964	16.43	1944	19.54
2020	18.39	2000	-9.10	1980	32.50	1960	0.45	1940	-9.55
2016	11.95	1996	22.93	1976	23.93	1956	6.49	1936	33.74
2012	15.99	1992	7.62	1972	19.00	1952	18.16	1932	-14.78
2008	-37.00	1988	16.61	1968	11.04	1948	5.37	1928	37.88

Source: Altruist Investment Services Department and Bloomberg (as at 31/12/2023)

CONCLUSION

The Chinese economy is undergoing a transition stage, the China-U.S. relationship is expected to remain turbulent and the Russian-Ukrainian and Israeli-Palestinian wars will likely continue. The investment markets in 2024 will thus be full of volatility.

With the dovish turn of the U.S. Fed and the expectation of rate cuts, it is believed that fixed income investment can provide a more foreseeable return. Besides, market volatility may also create investment opportunities at the same time. Investors may consider increasing equity exposure after each market correction since risky assets tend to have a compelling outlook under monetary easing cycle. Investment opportunities can be found in several unstoppable trends which includes AI and technology, sustainable energy and healthcare innovation sectors.