




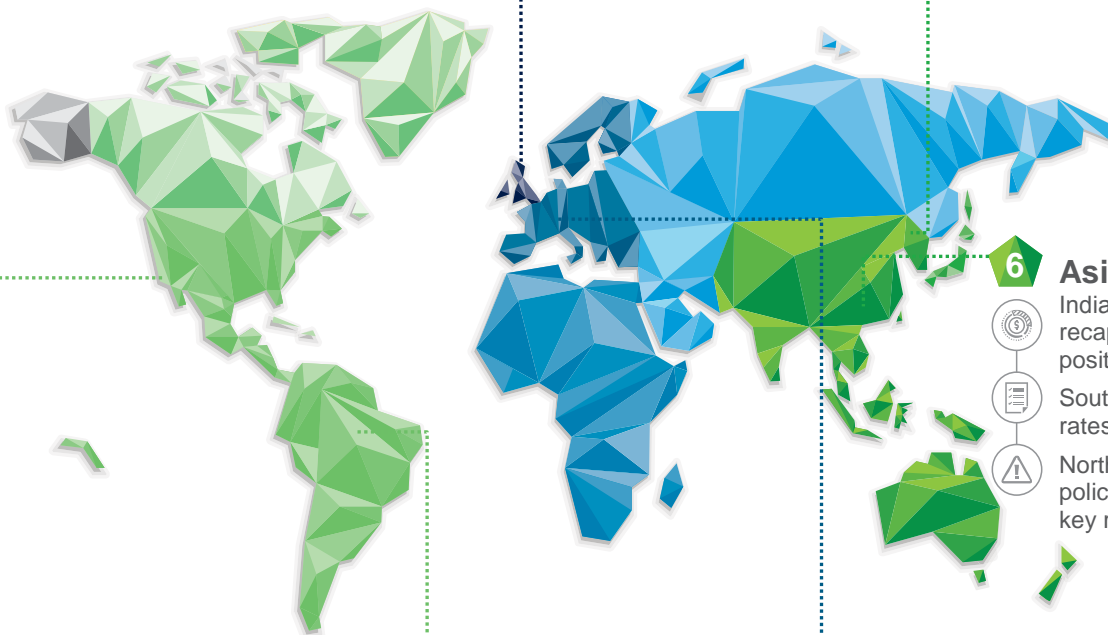
Outlook 2018 in 2 minutes

TURNING UP THE HEAT




-  Economy
-  Policy
-  Risks

- 2 UK**
-  Outlook clouded by rising inflation and slowing consumption
 -  BOE policy dependent on Brexit talks
 -  EU market access, post-Brexit, key to outlook

- 4 China**
-  Rebalancing towards domestic consumption continues as lending slows
 -  President Xi's grip over party ensures policy continuity
 -  US trade protectionism, corporate leverage key risks



- 1 US**
-  Tax cuts likely to support growth
 -  A new Fed chair is unlikely to change policy direction of gradually rising rates
 -  Inflation surprise, leading to a faster pace of hikes, is a risk

- 3 Other EM**
-  Recovery aided by modest commodity price gains, weak USD
 -  Rate cuts likely to slow as inflation bottoms
 -  Commodity prices, political uncertainty, US protectionism key risks

- 5 Euro area**
-  Growth expectations upgraded further
 -  ECB takes a cautious approach to withdrawing stimulus
 -  Politics in Spain, Italy are among key risks

- 6 Asia ex-Japan**
-  India's bank recapitalisation plan positive for growth
 -  South Korea to hike rates gradually
 -  North Korea, US trade policy, USD rebound key risks



WHAT THIS
MEANS FOR YOU?



Multi-Asset Strategies

Multi-asset balanced strategy remains preferred for total return-focused investors
Multi-asset income strategy to deliver positive return, short of major inflation surprises



Equities

Asia ex-Japan a preferred market amid rise in corporate margins
Euro area remains a preferred market amid double-digit earnings growth



Bonds

We prefer Emerging Markets within bonds
EM USD government bonds and Asian USD corporate bonds to outperform global bonds



FX

USD may decline modestly as EUR gains
EM currencies to strengthen further on wider EM-DM growth differential, weaker USD



Commodities

Oil prices likely to trade within USD55-65 per barrel range
Gold likely to rise modestly, trading in USD1250-1350 per ounce range



Alternative Strategies

We prefer a diversified alternatives allocation, with a tilt towards Equity-Hedge strategies

OUR HOUSE VIEWS ACROSS ASSET CLASSES



Cross-Asset view

- **Equities:** Positive amid strong earnings growth
- **Bonds:** Supported by subdued inflation
- **Alternatives:** Diversification and asset class substitution benefits
- **Commodities:** Modest rise amid global growth
- **Cash**

Equities

- **Asia-ex Japan:** Earnings outlook improving
- **Euro area:** Double-digit earnings growth
- **Japan:** Earnings indicators improving
- **US:** Renewed hope of tax reforms
- **Non-Asia EM:** Moderate earnings growth
- **UK:** Brexit uncertainties

Bonds

- **Emerging Market Government (USD)**
- **Asian USD Corporate**
- **Emerging Market Local Currency**
- **Developed Market High Yield Corporate**
- **Developed Market Investment Grade Corporate**
- **Developed Market Government**

Currencies

- **EUR:** Increasing risk of early ECB stimulus withdrawal
- **EM:** Supported by weaker USD, moderate commodity price gains
- **GBP:** Political and policy uncertainty
- **AUD:** RBA to maintain policy for now
- **USD:** Rate differentials to narrow
- **JPY:** BoJ policy likely to remain accommodative

Commodities

- **Oil:** OPEC output cuts likely offset by US output gains
- **Gold:** Range-bound as US rate rises likely in-line with inflation
- **Metals:** China demand remains supportive

Alternative Strategies

- **Multi-Asset Strategies:** Balanced allocation preferred for total returns, but income strategies to deliver positive returns
- **Equity Hedge** strategies to outperform other alternative strategies

- Overweight
- Neutral
- Underweight

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