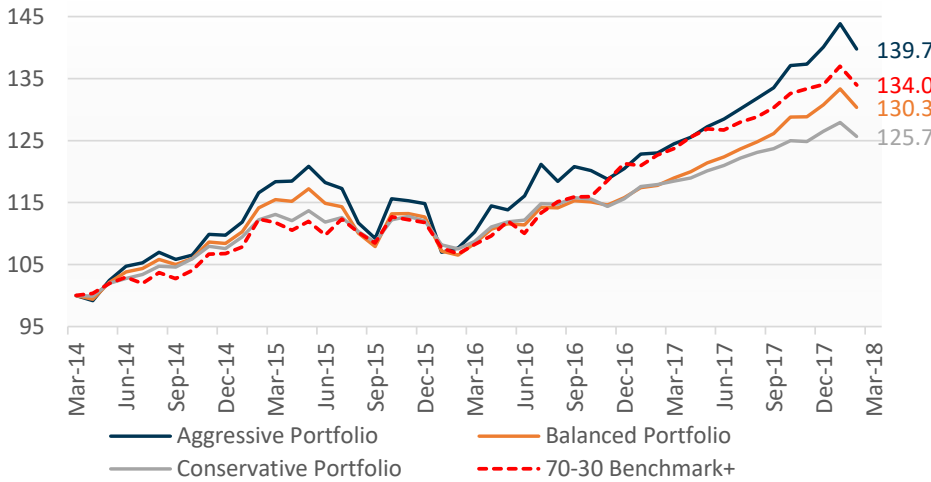


Unit Trust Model Portfolio



PERFORMANCE ANALYTICS FOR FEBRUARY 2018

PERFORMANCE CHART (Index=100 as at end of March 2014)



+70-30 Benchmark is 70% MSCI AC World Index, 30% Bloomberg Barclays Global Aggregate

Performance (%)	1 mth	3 mth	YTD	1 yr	3 yr (A)	Since Inception
Aggressive	-2.9	1.7	-0.2	13.6	6.2	39.7
Balanced	-2.3	1.2	-0.3	10.7	4.5	30.3
Conservative	-1.7	0.7	-0.6	6.6	3.9	25.7
70-30 Benchmark+	-2.2	0.5	0.0	9.2	6.0	34.0

16 March 2018

Inception Date:	March 2014
Investment Instrument:	Unit Trust
Base Currency:	SGD
Recommended initial Investment:	SGD 30,000
Recommended Investment Horizon:	5 to 7 years
Fees:	Underlying fund management fee & sale charges or WRAP fee

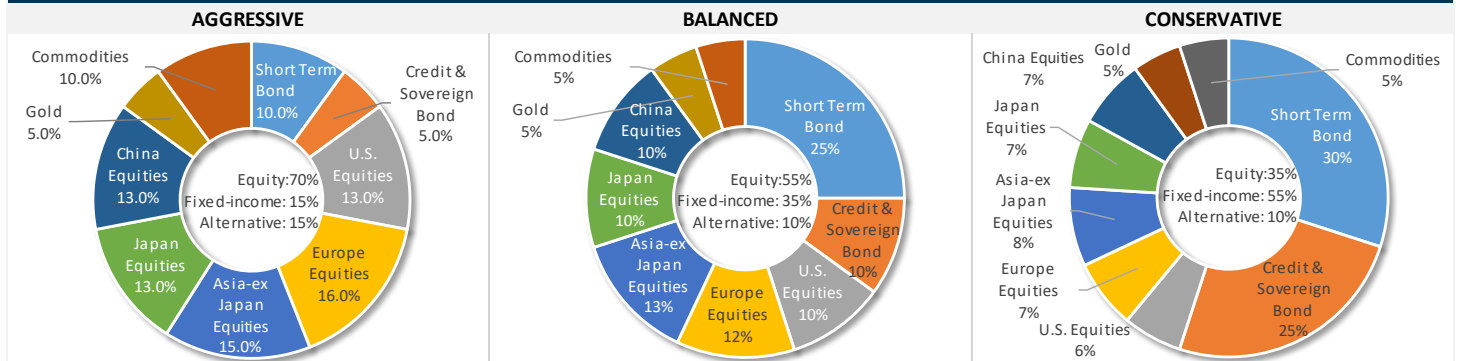
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RISK MATRICES (Since Inception)

Sharpe Ratio*	Volatility	Max Drawdown
0.59	10.8	-11.5%
0.55	8.2	-9.1%
0.49	7.1	-5.4%
0.52	10.2	-5.3%

* Risk-free at 2.5%

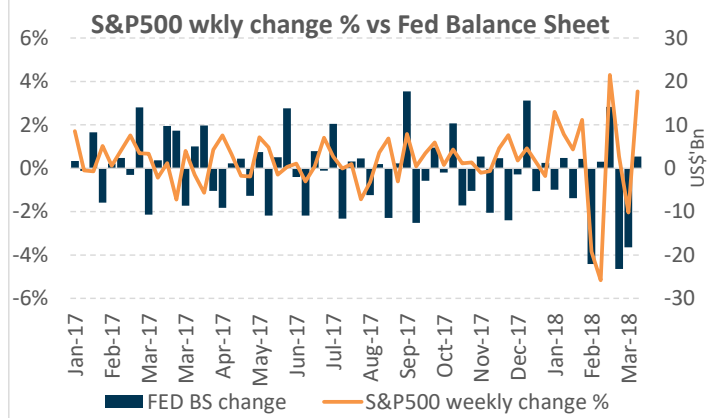
TARGETED ALLOCATION



Asset Class	Selected Funds	1-month Performance (%)
Short Term Bond	UOB United SGD	-0.1
Credit & Sovereign Bond	Natixis Loomis Sayles Multi Sector Income	-1.5
U.S. Equities	Fidelity America	-2.4
Europe Equities	Templeton European	-3.8
Japan Equities	Lion Global Japan Growth (hedged)	-3.8
Asia ex Japan Equities	First State Dividend Advantage	-2.5
China Equities	First State Regional China	-2.5
Gold	UOB - United Gold & General SGD	-6.0
Commodities	JPMorgan - Global Natural Resources SGD	-4.4

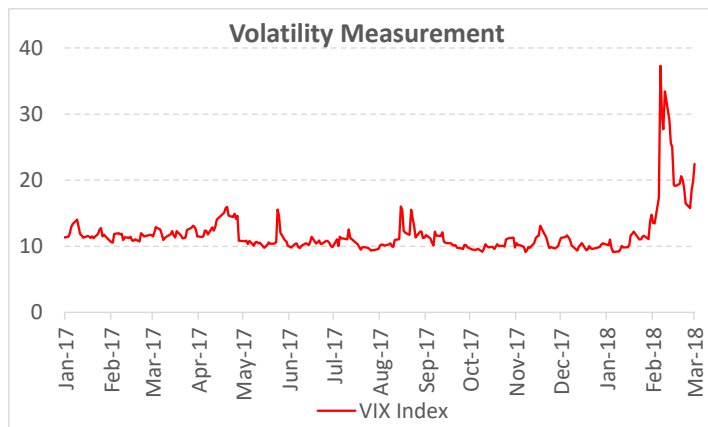
It is all about central bank liquidity

If anyone has been monitoring the change in Federal Reserve balance sheet, then it should not come as a surprise when S&P500 corrected more than 10% from peak to trough. Last week of January recorded the largest one week decline in the Fed balance sheet in more than 5 years. US\$22bn of liquidity was withdrawn from the economic as Fed implemented their monetary normalisation programme.



Source: Bloomberg, US Treasury, PSR

The correction led to an implosion of volatility, with the VIX index spiking to an intra-day high of 50.3 on 6th February. The move wiped out a large part of the short volatility trade. Going forward, we believe the artificial suppression of volatility is over and volatility should normalised to its long-term average range of 15-20 points.



Source: Bloomberg, PSR

Adding to the market jitters was U.S 10-year Treasuries yield looking to break above the key 3 percent level. The crucial level is along a 37-year technical downtrend line when bond investors have been experiencing a bull market. February saw the 10-year UST yield reaching a 4-year high of 2.94% before receding down. If the yield does break above the 3 percent level, we expect a surge in volatility to ensue.

Weighing in on a potential Trade War

President Trump grabbed most of the headlines in February with his plan for a 25% tariff on steel and a 10% tariff on aluminium. That plan was subsequently signed into legislation in early March, sparking risk of a trade war as US trading partners conjure up retaliation tariffs of their own.

EU has reacted with an announcement on plans to target \$3.5bn of U.S. imports with 25% tariff. Trade tension escalated when President Trump reacted with a threat to hit car exports from the European Union with a retaliatory tax.

China has also voiced their opposition to the tariff and warned that it would have an impact on global trades.

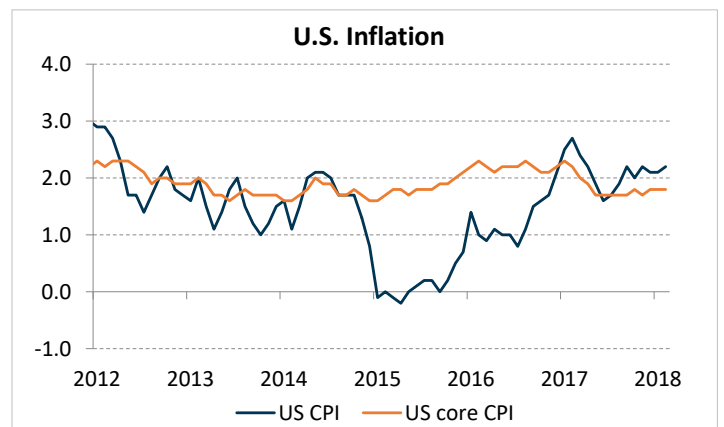
Canada and Mexico were temporarily exempted from the tariffs, but Trump is likely to use the tariff as leverage to renegotiate the North America Free Trade Agree (NAFTA).

However, an all-out trade war can still be avoided as Trump backtracked from his “no exceptions” stance. This will allow U.S. allies to negotiate their own exemption from the tariffs.

This might be the start of what Protectionism looks with the largest economy under the stewardship of a protectionist president. Thus far, we believe market is under-pricing the risk of a trade war, as the market did not react much on the tariff news. Investors might be looking for retaliation actions form U.S. trade partners before weighing in the repercussion of a full-blown trade war.

Trade tariffs have a direct impact on the price of services and goods. If a trade war were to materialise, it would have an inflationary effect, pushing U.S. inflation higher than what the Fed is expecting. When that happens, Fed might have to tighten monetary policies faster than they intend to. Essentially doing four rate hikes this year as compared to the initial projection of three.

The fear is always for the Fed to push up short-term interest rate too fast thus putting a strain on interest repayment for overleveraged borrower whom is accustomed to the low-interest rate environment. This will lead to a rise in default rate and haul further economic growth.



Source: Bloomberg, PSR

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