

# Global equity update

## Monthly commentary

April 2016

### Market overview

- Global equities rose in March, reversing course for the first time this year as the oil-price stabilised.
- The US Federal Reserve lowered expectations for the number of interest rate rises in 2016 – from four down to two. This has resulted in a continued weakening of the US dollar year-to-date.
- Meanwhile, the European Central Bank introduced a bolder-than-expected package of fresh stimulus measures, which included adding to its bond-buying scheme and easing pressure on banks via cheaper short-term loans.

### Outlook

We remain mindful of slowing global growth and uncertainty over policy-making, particularly in the US where dollar strength weighs on corporate profitability. The risk of an acceleration in China's slowdown, or of a poor policy response to prevent it, also seems key. Despite such an unstable environment, our portfolio continues to reflect the strategy of diversification as we look for businesses that boast relatively unique attributes. Our main focus remains quality; however, valuation also plays a role and we are mindful that patience is often required to avoid the risk of over-paying.

### Model portfolio news

In March, we introduced Kasikornbank, a leading Thai commercial lender that benefits from a robust branch network and a market-leading position among small- and medium-sized enterprises. Against this, we sold Nordea as we feel the business has limited potential for growth, and are cautious over exposure to the Nordic property market. We also exited Vale, following a sustained rally in Brazilian assets this year, supported by speculation amid renewed momentum for a change in government, as well as a sharp improvement in iron-ore prices. Notwithstanding this, imbalances between supply and demand continue to weigh on the market. We added to Amdocs, Check Point Software, M&T Bank, Japan Tobacco, Novartis, Perrigo and Roche, and trimmed Banco Bradesco and Potash Corporation.

*Note: Any changes refer to those of our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.*

## Corporate news

**Hong Kong: Swire Pacific** increased its dividend, despite mixed results. Its airline division, Cathay Pacific, did well on the back of lower fuel costs, while Swire Properties' profits edged higher on the back of improvements in its China portfolio, which offset slower growth in Hong Kong.

**UK: Royal Dutch Shell** is unwinding its 18-year Motiva joint-venture with Saudi Aramco. Shell will take control of two Louisiana refineries, and receive a cash payment for the flagship Texan refinery retained by its partner.

**South Africa: MTN Group** downgraded its dividend forecast to a minimum pay-out of seven rand per share next year, from 5-15% dividend growth previously.

**US: Oracle's** third-quarter results were mixed. While some of its cloud service revenues grew dramatically, license and hardware sales were disappointing.

**US: Johnson & Johnson** paid US\$502 million in damages after a court ruled that artificial hips, which it stopped selling in 2013, were defective. The company believes it has grounds for an appeal, and that the punitive portion of the damages can be reduced from US\$360 million to US\$10 million.

We hold the companies highlighted above.

## Indices performance table

Region/country	Index/fund	US dollars			Local currency		
		MOM	3M	YTD	MOM	3M	YTD
<b>Developed markets</b>							
US	Dow Jones	7.22%	2.20%	2.20%	7.22%	2.20%	2.20%
US	S&P 500	6.98%	-2.39%	-2.39%	6.98%	-2.39%	-2.39%
UK	FTSE Allshare	5.49%	-2.64%	-2.64%	1.96%	-0.34%	-0.34%
Europe	FTSE Europe	6.64%	-2.03%	-2.03%	2.25%	-4.43%	-4.43%
France	France - CAC 40	5.61%	-0.62%	-0.62%	0.92%	-5.12%	-5.12%
Germany	Germany - DAX	9.83%	-3.24%	-3.24%	4.95%	-7.24%	-7.24%
Italy	Italy - FTSE MIB Index	7.81%	-11.68%	-11.68%	2.82%	-15.40%	-15.40%
World	MSCI AC World	7.48%	0.38%	0.38%	5.63%	-1.37%	-1.37%
<b>Asia Pacific</b>							
Asia Pacific	MSCI AC Asia Pacific	8.77%	-1.60%	-1.60%	6.12%	-5.79%	-5.79%
Asia Pacific ex Japan	MSCI AC Asia Pacific Ex Japan	11.57%	1.92%	1.92%	7.29%	-0.56%	-0.56%
Asia ex Japan	MSCI AC Asia Ex Japan	11.24%	1.80%	1.80%	8.03%	0.20%	0.20%
China	MSCI China	11.90%	-4.80%	-4.80%	11.65%	-4.73%	-4.73%
China	MSCI China A	14.00%	-15.70%	-15.70%	12.62%	-16.04%	-16.04%
Japan	MSCI Japan	4.89%	-6.38%	-6.38%	4.44%	-12.52%	-12.52%
Singapore	MSCI Singapore	11.66%	5.06%	5.06%	6.98%	-0.19%	-0.19%
<b>Global Emerging Markets</b>							
Global Emerging Markets	MSCI Emerging Markets	13.26%	5.75%	5.75%	8.35%	2.78%	2.78%

Source: Bloomberg, 30 March 2016

**Global Equity Team**  
**Aberdeen Asset Management**

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