

GLOBAL EQUITIES GAZETTE- APRIL 2021

NOMURA
ASSET MANAGEMENT



The Goldilocks Territory

Market Outlook

Markets continued their strong run with the MSCI All-Country World Index up 9% year to date. With both the US Federal Reserve and European Central Bank reassuring that they will 'look the other way' at the first shoots of inflation, so first rate rises are not forecast until the end of 2022. Markets are well and truly back into Goldilocks territory. Notwithstanding an inflationary shock, possibly from a geopolitical crisis, there could well be clear skies ahead for asset prices until things really start heating up, and we are a long way from that today.

Fortunately, the riskiest part of the cycle for Quality-Core investments, primarily the first stage of economic rebound, appears to be passing if the strategy's relative performance is any indication. We are now in the fortunate position to be able to execute the same strategy of maintaining an agnostic stance to growth versus value – where we believe the biggest factor risks in the market now lie. Sector allocations hit fund performance over the second consecutive month as Financials and Materials, where the strategy is underrepresented, performed strongly. This was more than offset by stock selection for which Alphabet was the largest contributor. A seemingly consensual advertising recovery play, the company did not disappoint with the behemoth reporting a 34% rise in first quarter sales. The weakest contributor over the month was A.O. Smith, the American water heater company as the stock had rallied 24% heading into the new quarter.

Commentary on the Nomura Global High Conviction Fund

The strategy switched Humana, the US health insurer that focusses on the elderly, with Cigna, its competitor. Cigna is a very well managed business that has been out of favour ever since the acquisition of Express Scripts, the leading pharmacy benefits manager. We expect Cigna to re-rate as drug prices stabilise and confidence grows in the integration of the merger.

Disclaimer

This marketing material was prepared by Nomura Asset Management Malaysia Sdn Bhd (Registration No. 200601028939 (748695-A) ("NAMM") for information purposes only and is not intended as an offer, solicitation or recommendation with respect to the purchase or sale of any particular investment. The Nomura Global High Conviction Fund ("Fund") is a wholesale fund offered to Sophisticated Investors based on the definition as set out in the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework. This marketing material has not been reviewed by the Securities Commission Malaysia ("SC").

Before investing in the Fund, investors are advised to read and understand the contents of the Nomura Global High Conviction Fund's Information Memorandum ("IM") dated 13 December 2016 and Product Highlights Sheet ("PHS") which highlights the key features and risks of the Fund. Both the IM and PHS have been lodged with the SC but it should not be taken to indicate that SC recommends the Fund. SC takes no responsibility for the contents of the IM, the PHS and this marketing material; makes no representations as to their accuracy or completeness; and expressly disclaims all liability arising from, or in reliance upon the whole or any part of their contents. Copies of the IM and PHS can be obtained from our office and application for units can only be made on receipt of an application form referred to and accompanying a copy of the IM. Among others, investors should be aware: i) of the risks and costs involved in investing in the Fund; ii) that the price of units (in the Fund) and distributions payable (if any) may go down as well as up; and iii) that past performance of the Fund and target fund (if any) should not be taken as an indication of its future performance. Investors should make their own risk assessment and seek professional advice, where necessary.

Whilst the contents of this marketing material are believed to be correct and not misleading, no representation is made to that effect. Unless otherwise stated, all statements, figures, graphs and other information included in this marketing material are as of the date of this material and are subject to change without notice. To the extent permitted by law, NAMM does not accept liability for any statement, opinion, information or matter (express or implied) arising out of, contained in or derived from, or any omission from this marketing material, whether negligent or otherwise. The contents of this marketing material are not intended in any way to indicate or guarantee future investment results. This marketing material may not be copied, re-distributed or reproduced in whole or in part without the prior written approval of NAMM.