



### 3 REGIONAL BACKDROP

As of 31 March 2022

	Positives	Negatives
<b>United States</b>	<ul style="list-style-type: none"><li>■ Strong corporate and consumer balance sheets</li><li>■ Pent-up demand for services and capex</li></ul>	<ul style="list-style-type: none"><li>■ Significantly elevated inflation</li><li>■ Fed tightening at a rapid pace</li><li>■ Supply chain issues constraining economic activity</li><li>■ Elevated stock valuations</li></ul>
<b>Europe</b>	<ul style="list-style-type: none"><li>■ Fiscal stimulus increasing</li><li>■ Equity valuations attractive relative to the US</li></ul>	<ul style="list-style-type: none"><li>■ Russia-Ukraine conflict likely to continue to exacerbate energy shortages</li><li>■ Industrial production dampened by supply chain challenges and energy shortages</li><li>■ Limited long-term catalysts for earnings growth</li><li>■ US dollar strength likely to remain a headwind</li></ul>
<b>Japan</b>	<ul style="list-style-type: none"><li>■ Local stock markets continue to be attractive due to favorable relative valuation and healthy earning expectations.</li><li>■ Domestic fiscal support and easy monetary policy should prolong the economic recovery.</li><li>■ A weak Japanese Yen may offset the negative impact of oil prices for the exporting sector.</li></ul>	<ul style="list-style-type: none"><li>■ Leading economic indicators continue to be weak due to supply shortages and rising input prices.</li><li>■ The Japanese Yen is reaching levels that may prove a headwind to domestic activity.</li><li>■ Inflationary pressures may be under appreciated due to rising commodity prices, a weak Japanese Yen, communication costs increases and hopeful wage negotiations.</li></ul>
<b>Emerging Markets</b>	<ul style="list-style-type: none"><li>■ Affirmation of China GDP growth targets suggests more supportive policy environment</li><li>■ Equity valuations attractive relative to the US</li></ul>	<ul style="list-style-type: none"><li>■ COVID-19 outbreak in Asia weighing on economic activity</li><li>■ Chinese regulatory actions have impacted investor confidence</li><li>■ Global trade remains impacted by supply chain issues, geopolitical uncertainty and COVID-19 restrictions</li><li>■ Central bank accommodation is fading</li></ul>
<b>China</b>	<ul style="list-style-type: none"><li>■ Policy makers will have to implement larger stimulus measures to hit their set growth target</li><li>■ Depressed sentiment and positioning make Chinese stocks an interesting contrarian, medium term investment amidst appealing valuation.</li><li>■ Issues around the property sector, the foreign listing of stocks, regulatory uncertainties and geopolitical risks have all been identified and will likely be addressed in the near future.</li></ul>	<ul style="list-style-type: none"><li>■ The COVID outbreaks are challenging the Dynamic Clearance policy, severely impacting mobility indicators.</li><li>■ Investors and consumers alike are waiting for more actions and fewer talks to re-ignite local sentiment and risk appetite.</li><li>■ Earnings momentum hasn't yet bottomed given the uncertain environment</li></ul>

### 4 PORTFOLIO POSITIONING

As of 31 March 2022

- While valuations are off recent peaks, we remain underweight equities given a moderating growth and earnings outlook amid an active Fed and lingering inflation concerns. Within fixed income, we remain overweight cash.
- Within equities, we added to real assets-related equities from global equities to provide a hedge should inflationary pressures persist longer than expected given heightened uncertainty.
- Within fixed income, we moderated our underweight to long-term US Treasuries following recent moves higher in rates to provide portfolio ballast in a risk-off scenario.
- We continue to favor shorter-duration and higher-yielding sectors through overweights to short-term TIPS, floating rate loans and high yield bonds supported by our still supportive outlook on fundamentals while keeping a cautious eye on liquidity amid higher volatility.

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<sup>1</sup>For pairwise decisions in style & market capitalization, positioning within boxes represent positioning in the first mentioned asset class relative to the second asset class. The asset classes across the equity and fixed income markets shown are represented in our Multi-Asset portfolios. Certain style & market capitalization asset classes are represented as pairwise decisions as part of our tactical asset allocation framework.



**MULTI-ASSET**



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#### Additional Disclosures

Certain numbers in this report may not equal stated totals due to rounding.

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