

# tsp2-nurturer



### Highlight of the month

February saw equities delivering another positive month favored by continued strength in the US economy and positive earnings reports, particularly among some US tech names. On the opposite, stickier inflation led investors to delay the timing of Fed rate, and global bonds lost ground.

#### Equity

**Global**  
Developed markets continued their rebound in February, with the MSCI World gaining 4.3%. Performances were quite homogeneous across the board: S&P, Euro Stoxx 50 and Topix were up respectively 5.3%, 5.1% and 4.9%. In terms of style, growth stocks outperformed value on the back of tech momentum and AI excitement.

**Asia/Thai**  
After a difficult start of 2024, Asian equities rebounded significantly, gaining 5.6% for the MSCI Asia ex-Japan. Among the top performers, heavy-weighted Chinese equities were up 8.4% helped by government latest stimulus measures and PBoC loan prime rate cut.

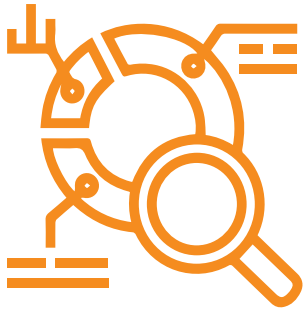
#### Bonds

Markets have been reassessing their expectations of policy rate cuts on the back of central bank communication and inflation data, which led interest rates to rise. 10-year US ended up +34bps at 4.25% while German yields were up 23bps at 2.4%. In this context, Global Aggregate Index lost 0.7%.

Thai rates were oriented downwards on the back of disappointing growth and negative inflation, putting additional pressure on BOT to cut rate. Against this backdrop, Thai bond market displayed positive performance, with credit marginally outperforming government bonds. Overall, Thai bonds Composite Index gained 0.33%.



## Expert View



### Outlook overview

With the second half of 2023 remaining resilient and above potential, the US economy has started the year on a stronger footing, but we still see weakness as the year progresses. In Europe, weaker global growth and less supportive fiscal policy will ensure growth remains lacklustre for the next few quarters. While global GDP growth is decelerating in 2024, growth premium remains in favour of EM. In China, where factory activity shrank for the 5th month in a row, we maintain below-consensus growth forecast of 3.9% in 2024. Looking forward, we see 3 key macro takeaways.

#### Theme 1

##### a soft and fragmented outlook

We see a delayed but pronounced US slowdown due to lower domestic demand owing to labour market weakness, and limited/no fiscal push and strains on corporates. European growth should remain flattish and uneven (Germany facing structural challenges versus Spain showing more resilience). In the meantime, EM GDP was mildly revised up.

#### Theme 3

##### (Geo)political hotspots

On the geopolitical front, the Israel-Hamas war and support for Ukraine remain in the spotlight. In Asia, it is key to monitor potential Chinese rhetoric regarding Taiwan following January elections. More broadly, Trump recent comments against China and NATO calls into question the relationship between the largest global powers.

#### Theme 2

##### Inflation slowdown and monetary policies

We continue to expect US inflation to decelerate thanks to moderating services inflation, although so far it has remained sticky. Beginning around the end of H1, the Fed, ECB and BoE are likely to start cutting rates – total rate cuts of 100 bps for the Fed this year and 125 bps for ECB and the BoE.



### How to handle the portfolio

The economic cycle is proving better than previous expectations, but given current high valuations we avoid getting too exuberant and look for opportunities globally. Flexibility and active management are key.

#### Equity

US disinflation/growth mix and rate cut expectations offer support to global equities, making us tactically neutral on the asset class overall. However, tight valuations and too optimistic earnings are preventing us adopting a more favorable view.

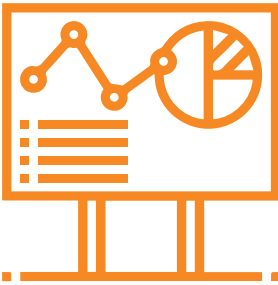
Within developed markets, we are close to neutrality on US but remain vigilant on extreme valuations. Apart from the US, we have a constructive view on Japan with an interesting domestic story (corporate reform, push for higher wage should support inflation). In Asia, we stay positive on India and ASEAN, but remain around neutral on China. Finally, our diversification on broad emerging equities is maintained.

#### Bonds

We favor global bonds versus local.

We maintain a positive stance on global/US bonds duration given interesting valuations, uncertainty on future activity and expectations of interest rate cuts. Given rates level, government bonds display an attractive asymmetric profile with appealing upside and limited downside. Nevertheless, we aim to keep a flexible approach. On credit, we are constructive on high quality ratings. Finally, we maintain our EM debt diversification given the disinflationary trend in EM and DM central banks' incoming easing cycle.

In Thailand, we prefer mid-term aggregate bonds amid slow recovery and negative inflation.



## Performance

↑ 0.39%

tsp2-nurturer was up +0.39% thanks to its exposure to equities, especially Asia ex Japan and developed. Compared to its benchmark, fund selection within Asian Equities and allocation to US Bonds detracted the most. On the opposite, allocation and fund selection within US equities, and UW Thai Bonds contributed.

	1 M	3 M	6 M	YTD	1 Y	Since inception (% p.a.)
Portfolio	0.39	2.09	2.05	-0.21	1.30	-6.57
Benchmark	0.71	2.48	2.80	0.40	4.03	-1.92

Benchmark : Composite Index

+21% ThaiBMA Government Bond Index NR (1-3 Yrs.), +10.5% TBMA Short-term Government Bond Index, +3.5% ThaiBMA MTM Corporate Bond BBB NR (1-3 Yrs.) +45% BBG Global Aggregate TR Hdg THB, +10% MSCI World NR USD +10% MSCI AC Asia ex Japan NR USD (effective 1 feb 2022)

### 3 Best contributors to relative performance (vs Benchmark)

1. FCH JPMorgan US Eq Foc
2. Pimco GIS Global Bond
3. PIMCO GIS Income

### 3 Worst detractors to relative performance (vs Benchmark)

1. Fidelity US Dollar Bond
2. iShares Core MSCI World ETF
3. Schroder ISF Emerging Asia



## Portfolio strategy

With regards to portfolio strategy, we maintain a dynamic assessment that takes into account near-term nuances and balances long-term convictions. In the current environment, keeping a balanced positioning and at the same time playing geographical divergences should allow to enhance return while mitigating risk.

Benchmark	35%	20%	45%	
January	28.06%	20.15%	47.78%	4.01%
February	27.54%	21.03%	47.63%	3.80%

● Thai Bonds    ● Global equities    ● Global bonds    ● Cash & Others



#### Global Equities

Staying balanced on developed equities, with a preference for Japan. Beta via through ETFs, allocation to active funds on specific themes/countries.

- iShares Core MSCI World
- FCH JPMorgan US Equity Focus
- ManGLG Core Alpha Japan



#### Asian Equities

Around neutral/positive stance on Asian/EM equities. Close to neutral on China, OW India, ASEAN, and global EM diversification.

- Schroder ISF Emerging Asia
- Schroder ISF Asian Equity Yield
- Schroder ISF Global EM Opportunities



#### Global bonds

Marginal positive bias on duration, with a preference for US bonds. Constructive on quality credit (IG). Positive on EM local debt.

- iShares Global Government Bond
- Pimco Global Bond
- Fidelity Fund US Dollar Bond



#### Thai Bonds

Limited upside potential on local versus global bonds. Around neutral on duration. Preference for aggregate funds vs Money Market Funds.

- Krungsri Active Fixed Income fund
- K Fixed Income
- Krung Thai Short-Term Fixed Income Plus

## Proportion of Assets Invested

Local Fixed Income Fund	27.54%
Krungsri Active Fixed Income Fund-C	10.31%
K Fixed Income Fund	7.83%
Krung Thai Short Term Fixed Income Plus Fund I	4.38%
THANACHART CASH MANAGEMENT MUTUAL FUND	2.90%
Krung Thai 1Y-3Y Fixed Income Fund	2.12%
Foreign Equity Fund	21.03%
iShares Core MSCI World UCITS ETF	6.78%
Schroder International Selection Fund Emerging Asia IZ Accumulation USD	6.64%
Schroder ISF Asian Equity Yield IZ Acc USD	2.29%
FCH JPMorgan US Equity Focus Z USD Acc	2.26%
Schroder International Selection Fund Global EM Opportunities IZ Accumulation USD	1.62%
Man GLG Japan CoreAlpha Equity Class I USD	1.44%
Foreign Fixed Income Fund	47.63%
iShares Global Govt Bond UCITS ETF USD Hedged (Acc)	10.51%
PIMCO GIS Global Bond Fund Class Institutional Accumulation	10.44%
Fidelity Funds - US Dollar Bond Fund Y-Acc-USD	9.83%
Wellington Global Bond Fund USD S AccH	5.89%
PIMCO GIS Income Fund Institutional USD Accumulation	4.09%
Amundi Funds - Global Corporate Bond I2 USD (C)	3.82%
JPMorgan Funds - Emerging Markets Local Currency Debt C (acc) - USD	3.05%

Historical fund performance is expressed in Thai Baht. The performance data shown are calculated from the net yields of newly acquired financial instruments and does not include costs incurred. The performance data covers the full 12-month period of the respective calendar year. The product does not include a performance guarantee or financial return guarantee. Furthermore, past performance is not a guarantee nor a reference for expectations of current or future performance and returns. It does not guarantee that the investor can expect the results shown. Fund performance figures do not yet include brokerage fees and expenses related to the issuance or redemptions of fund units or management fees of the ttb Smart Portfolio.

**Disclaimer:** This fund is not fully hedged against foreign exchange risk, therefore investors may incur a loss or gain from exchange rates / or may have an ending balance that is lower than the original principal invested. Past performance is not a guarantee for future performance. Investment in a fund is not the same as a cash deposit since funds contain risks; the investor may have an ending balance that is higher or lower than the original principal invested or may not receive redemption payment settlement according to the stated schedule or may be unable to successfully redeem units as ordered. Before making an investment decision, the investor should review the fund prospectus carefully. Familiarize oneself with the product's characteristics, terms regarding financial returns and risks before investing / This document should be reviewed in conjunction with the Fund Factsheet.

To obtain further information or the fund prospectus, please contact any branch of TMBThanachart Bank or Eastspring Asset Management Thailand Tel. 1725 www.eastspring.co.th