

# tsp3- balancer



### Highlight of the month

In March, good economic data raised hopes that a soft economic landing was still on the horizon in the US. On the inflation front, figures remained sticky but continued to decelerate. Overall, financial markets - and especially risky assets - ended again on a positive note.

#### Equity

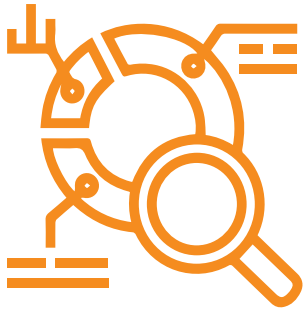
<b>Global</b>	<b>Asia/Thai</b>
<p>Developed markets kept on their positive trend in March, with the MSCI World gaining 3.2%. European markets led the way (Euro Stoxx 50 up 4.4%), followed by the Japanese Topix (+3.7%) and the US (S&amp;P +3.2%). In terms of style, value stocks outperformed growth stocks.</p>	<p>Despite Asia underperformed developed countries, March was another positive month, with the MSCI Asia Ex-Japan gaining 2.2%. In detail, tech and export-oriented markets - Taiwan and South Korea - were the best performers, while China (MSCI China +0.8%) lagged behind. SET Index ended only flat over the month.</p>

#### Bonds

<p>In March, Powell stated that policymakers were “not far” from having the confidence that inflation’s downtrend will be sustained, enabling to begin cutting rates. In Europe, ECB called for patience but left the door opened for a June cut. Overall, rates were marginally down, and Global Aggregate Index was up 0.9%.</p>	<p>In March, Thai rates were almost stable amid fiscal policy uncertainty and its impact on BoT monetary policy direction. In this context, Thai bond market was slightly positive, with a marginal outperformance of credit vs government bonds given their higher carry. Overall, Thai bonds Composite Index was up 0.14%.</p>
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## Expert View



### Outlook overview

On the economic front, the past strength led us to forecast a less pronounced US slowdown, therefore extending the late-cycle environment. Nonetheless, we do not see this as a beginning of a new cycle, and expect a slowdown around the middle of the year, and continued disinflation. In Europe, growth should remain weak, with divergence persisting across countries. In China, despite the government's 5% growth target, we stick to our lower target of 3.9% growth. Looking forward, 4 factors will be crucial to apprehend the direction of the economy and markets.

#### Theme 1

#### US growth and labour market

A moderation in US demand is likely, led by a shift to higher savings, lower consumption and subdued investment. Labour markets should turn weaker on the back of stress in small and mid-size companies which employ a large part of the labour force.

#### Theme 2

#### Monetary policy divergences, with inflation in focus

While the BoJ raised rates after 17 years, the Fed and the ECB are looking to cut rates but would like to be sure on the future direction of inflation. According to us, in the US the continuation of disinflation justifies a 100bp cut by year end, even if growth remains resilient in the short term.

#### Theme 3

#### US elections and geopolitics

With regards to US elections, we enter a more active campaign phase which may lead to a rise in volatility. In the meantime, geopolitics should remain at center scene, with continued offensive from Russia and additional Western support to Ukraine in discussion, and risk of escalation in Middle-East.

#### Theme 4

#### Emerging markets' resilience

We slightly upgraded our growth forecasts in Emerging Markets, mainly due to broad Asia and India, on the back of strong domestic demand and exports. However, we did not change our growth expectations for China, where a moderately expansionary fiscal push will not be sufficient to revive demand.



### How to handle the portfolio

Positive sentiment may continue to support markets, but they remain vulnerable to growth/earnings disappointments. We have a tactical positive stance, favoring areas showing resilient earnings growth, while limiting segments with inflated valuation.

#### Equity

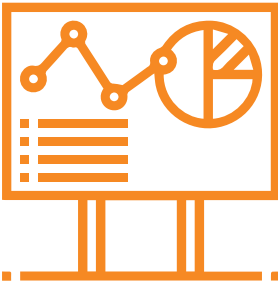
Market sentiment and earnings/growth outlook are better than expected and may support further equities, justifying a constructive positioning. However, doubt over earnings and valuations persists, and country selectivity is key.

Within developed markets, we are constructive on Japan, and remain around neutrality on US where we are vigilant on extreme valuations. We turned towards neutrality in Europe, where valuations are cheaper and already reflect low earnings expectations. Within Asia, in addition to our positive stance on India and ASEAN, we added a country bet on Korea amid improving earnings and better corporate governance. Finally, we remain around neutral in China and Thailand.

#### Bonds

We continue to favor global bonds versus local.

With the Fed and the ECB expected to start to cut rates in few months, valuations are still in favour of global bonds, especially US. Current yield levels suggest an attractive asymmetric profile with appealing upside and limited downside. Nevertheless, a flexible approach is due. Within credit, we favor investment grade ratings. Finally, we keep our exposure on Korea local debt which benefits from its high carry, and should be supported by EM and DM central banks' incoming easing cycle. In Thailand, we continue to favor mid-term aggregate bond funds.



## Performance

↑ 1.59%

tsp3-balancer was up +1.59% mainly thanks to its exposure to developed equities and global bonds. Compared to its benchmark, UW allocation to Thai bonds and fund selection within Asia and developed equities contributed the most. On the opposite, country allocation within Asia and cash holding detracted.

	1 M	3 M	6 M	YTD	1 Y	Since inception (% p.a.)
Portfolio	1.59	1.67	5.69	1.67	1.96	-4.95
Benchmark	1.56	2.38	7.19	2.38	5.13	1.76

Benchmark : Composite Index  
+9% ThaiBMA Government Bond Index NR (1-3 Yrs.), +4.5% TBMA Short-term Government Bond Index, +1.5% ThaiBMA MTM Corporate Bond BBB NR (1-3 Yrs.) +35% BBG Global Aggregate TR Hdg THB, +25% MSCI World NR USD +15% MSCI AC Asia ex Japan NR USD +10% SET Index TR THB (effective 1 feb 2022)

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

1. Schroder ISF Emerging Asia
2. iShares Core MSCI World ETF
3. Neuberger Berman US Large Cap Value

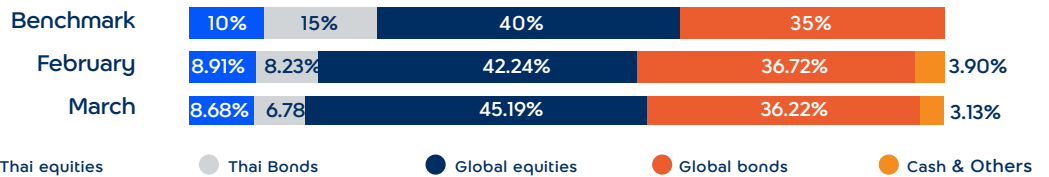
### 3 Worst detractors to relative performance (vs Benchmark)

1. Cash
2. Goldman Sachs India Equity
3. JPM China



## Portfolio strategy

While we are overall positive on equities, it is key to stay disciplined amid market exuberance as doubt over earnings and valuations persists. A moderately positive positioning, associated with a prudent approach on valuation and an increased focus on selective opportunities should allow to enhance portfolio return while mitigating risk.



**Global equities**  
Slightly overweight on developed equities. Positive on Japan, neutral in the US and Europe. Tilt towards quality value and dividend funds.

- iShares Core MSCI World
- FCH JPMorgan US Equity focus
- M&G Global Dividend

**Asian equities**  
Constructive on Asian equities, with country specific bets. Around neutral on China, but positive on India, ASEAN, and South Korea.

- Schroder ISF Emerging Asia
- iShares MSCI Korea UCITS ETF
- Goldman Sachs India Equity Portfolio

**Thai equities**  
Around neutral to conservative bias on Thai equities versus other regions. Core exposure via index funds, stock-picking strategy through active fund.

- TMB SET50
- Tisco Strategic
- Krung Thai SET50

**Global Bonds**  
Constructive on global bonds, especially US. Around neutral on duration overall. On credit, favoring high quality (IG). Constructive on EM local debt.

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

**Thai Bonds**  
UW on Thai bonds, limited upside potential. Around neutral on duration. Mixing government bonds and credit exposure through aggregate bond funds.

- Krungsri Active Fixed Income fund

## Proportion of Assets Invested

<b>Local Equity Fund</b>	<b>8.68%</b>
TMB SET50 FUND	3.78%
TISCO STRATEGIC FUND (CLASS MF)	3.01%
Krung Thai SET50 Fund A	1.89%
<b>Local Fixed Income Fund</b>	<b>6.78%</b>
Krungsri Active Fixed Income Fund-C	6.78%
<b>Foreign Equity Fund</b>	<b>45.19%</b>
iShares Core MSCI World UCITS ETF	13.77%
Schroder International Selection Fund Emerging Asia IZ Accumulation USD	6.31%
FCH JPMorgan US Equity Focus Z USD Acc	3.57%
M&G (Lux) Global Dividend Fund USD CI Acc	3.29%
Goldman Sachs India Equity Portfolio I Acc USD	2.82%
Neuberger Berman US Large Cap Value Fund USD I Accumulating Class	2.76%
JPM China C (acc) - USD	2.59%
iShares MSCI Korea UCITS ETF USD (Acc)	2.59%
Schroder ISF Asian Equity Yield IZ Acc USD	2.11%
Man GLG Japan CoreAlpha Equity Class I USD	1.99%
JPM ASEAN Equity C (acc) - USD	1.83%
Eleva UCITS Fund - Fonds Eleva European Selection I2 EUR	1.56%
<b>Foreign Fixed Income Fund</b>	<b>36.22%</b>
Fidelity Funds - US Dollar Bond Fund Y-Acc-USD	8.38%
iShares Global Govt Bond UCITS ETF USD Hedged (Acc)	8.33%
PIMCO GIS Global Bond Fund Class Institutional Accumulation	8.02%
Wellington Global Bond Fund USD S AccH	3.13%
Amundi Funds - Global Corporate Bond I2 USD (C)	2.91%
PIMCO GIS Income Fund Institutional USD Accumulation	2.85%
JPMorgan Funds - Emerging Markets Local Currency Debt C (acc) - USD	2.60%

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](http://www.eastspring.co.th)