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## MARKET REVIEW

Global equities rose in September. Stocks fell sharply at the beginning of the month after declines in some mega-cap technology stocks and signs of a cooling US economy rippled across the globe and stoked concerns about the state of the global economy. However, stocks rebounded following a sizable 50 basis points interest-rate cut by the US Federal Reserve and a more forceful Chinese stimulus that bolstered market sentiment. Lower energy prices helped to ease inflationary pressures, and resilient labor markets in the US, Europe, and Japan reinforced the view that the global economy could achieve a soft landing. However, some key economic indicators were mixed across many developed nations, with services PMIs remaining in expansionary territory, while manufacturing PMIs continued to show sustained weakness. In China, markets were encouraged by more substantial policy support from the People's Bank of China, which aimed to revitalize the country's economic recovery. Politics garnered greater attention amid a close US presidential race and leadership changes in other countries; Shigeru Ishiba was elected as Japan's prime minister, Michael Barnier became France's prime minister, and Claudia Sheinbaum was sworn in as Mexico's first female president. Geopolitical risks intensified, with escalating conflict in the Middle East threatening to ignite a broader regional war after Israeli forces killed Hezbollah leader Hassan Nasrallah in Beirut.

The MSCI All Country World Index Net returned 2.3% for the period. Within the index, nine out of 11 sectors rose over the month. Consumer discretionary and materials were the top performing sectors, while energy and health care were the bottom performing sectors over the period.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly underperformed the index for the period, however delivered overall positive returns.
- Security selection was the primary driver of relative underperformance. Weak selection in consumer discretionary, communication services and health care was modestly offset by selection in information technology and financials. Sector allocation, a result of our bottom-up stock selection process, contributed to returns. Allocation effect was driven by our overweight to consumer discretionary and lack of exposure to energy, but partially offset by our overweight to health care and lack of exposure to materials.
- At the issuer level, our top two relative contributors were an overweight to ANTA Sports Products and an out of benchmark allocation to Unity Software, while our top two relative detractors were overweights to Daiichi Sankyo and Eli Lilly.
- Shares of ANTA Sports Products rose during the period after the sportswear maker reported better-than-expected 1H net income. The company benefited from robust demand in the Chinese sportswear market, successful brand positioning, and strategic acquisitions and partnerships. Additionally, the company also plans to buy back HK\$10 billion of shares over the next 18 months. Shares of Daiichi Sankyo declined during the period due to mixed results from a late-stage trial of non-small cell lung cancer drug datopotamab deruxtecan that is being developed in partnership with AstraZeneca. While the treatment showed improvement over chemotherapy, the data did not meet expectations.

## FUND POSITIONING AND OUTLOOK

We invest with a long-term view, focusing on companies that are driving or benefiting from innovation and/or exposed to strong secular or structural trends. Megatrends we continue to favor include Artificial Intelligence and machine learning, digital transformation, migration to cloud, sustainability, direct-to-consumer models, and health care innovation. Our sector positioning is driven by bottom-up, stock-by-stock decisions. The Fund remains overweight in consumer discretionary and healthcare as an indication of where we currently see attractive structural growth opportunities.

At the end of the period, our largest overweights were consumer discretionary and health care. We were most underweight to financials and had no exposure to consumer staples. From a regional perspective, our largest overweight was North America and we were most underweight to Europe and Emerging Markets.

## RISKS

**CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **LIQUIDITY (MKT):** The Fund may invest in securities that are less liquid and may be more difficult to buy or sell in a timely fashion and/or at fair value. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S Acc share class and are net of fees and expenses. Other share class performance may differ. | Index used in the calculation of attribution data: MSCI All Country World. | Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains. | If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations. | The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

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