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MARKET REVIEW

US equities snapped a streak of five consecutive monthly gains amid heightened volatility and presidential-election uncertainty. A selloff in some mega-cap technology companies at the end of October drove the major indices sharply lower, and a batch of strong economic data (job growth, consumer spending, consumer confidence) prompted financial markets to recalibrate for a potentially slower pace of interest-rate cuts by the Federal Reserve. US GDP expanded at a brisk 2.8% annualized pace in the third quarter, modestly below expectations of 3.1%. Growth was driven primarily by robust consumer spending, as well as government outlays that pushed the budget deficit up to US\$1.8 trillion in 2024, the highest-ever level outside of the pandemic relief periods of 2021 and 2022. The core Personal Consumption Price Index accelerated 0.3% in September (2.7% annually), following a 0.2% increase in August, causing concern that inflation would continue to rise. According to FactSet, of the 70% of companies in the S&P 500 Index that had reported third-quarter earnings, the blended year-over-year earnings growth for the index was 5.1%, better than the 4.3% estimate on September 30. The forward 12-month price-to-earnings ratio for the index was 21.3, above the 10-year average of 18.1. In October, the manufacturing sector contracted for the seventh straight month. In contrast, the services sector expanded at the fastest pace since February 2023, as solid consumer spending lifted the ISM Services Index to 54.9 in September.

The S&P 500 Net Total Return returned -0.9% over the month. Within the index, eight out of 11 sectors declined for the month. Health care and materials were the bottom performing sectors, while financials and communication services were the top performing sectors for the period.

FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index over the period, however delivered negative returns.
- Strong selection in information technology, communication services and real estate was partially offset by selection in health care and financials.
- Within information technology and communication services, our top relative contributors were overweights to NVIDIA and T-Mobile, respectively. Within health care and consumer staples, our top relative detractors were out of benchmark allocations to ICON and Haleon, respectively.
- Shares of NVIDIA rose over the period amid higher investor confidence in the demand for the company's next generation Blackwell chip. CEO Jensen Huang said in an interview during the month that demand for the chip is "insane", easing recent concerns about engineering delays. Foxconn CEO Young Liu also made positive comments saying the demand for their servers based on the Blackwell chip was above expectations. Shares of ICON fell over the period after reporting third quarter results that missed expectations in earnings and revenue. Management also reduced their full-year 2024 revenue and EPS guidance due to factors such as budget cuts from two major customers and lower vaccine-related activity.

FUND POSITIONING AND OUTLOOK

Equity market volatility increased in 3Q24 as investors navigate a complex landscape marked by policy actions, geopolitical tension, and mixed earnings reports. Recession fears led to a sharp decline across global markets in early August, followed by a significant rally in September that saw many indices register new record highs.

In the U.S., the Federal Reserve delivered its first cut in 4.5 years with forecasts signaling a path toward 3% by 2026. History has shown equity markets can realize vastly different trajectories whether a recession follows interest rate reductions. Inflation and employment remain the key variables the Fed monitors, with the latter likely to take priority in dictating future policy action. On employment, we see a continued normalization in job openings as companies remain in cost-cutting mode to offset slowing top-line growth. On prices, we remain vigilant on the possibility of reflation in the medium term especially with shelter inflation. The upcoming US election adds to the uncertainty, with potential policy impacts on tariffs, immigration, taxes and regulation influencing inflation and growth dynamics.

In Europe, positive earnings momentum has slowed with less upbeat economic indicators and more cautious forward guidance from corporates. The risks to earnings now appear to the downside, and our GIAs are closely assessing the implications as companies that can deliver relative earnings strength could be disproportionate winners in this environment. The European consumer remains a bright spot, with continued recovery in consumer confidence supported by real wage growth.

In Japan, economic momentum continues with a strong recovery in the services space coupled with ongoing corporate reforms. However, the rebound in the Yen risks hurting Japanese exporters. Meanwhile, the recent stimulus package announced by the Chinese government signals an effort to rekindle the domestic economy, which could improve business outlook for local companies and global companies with material exposure to China.

Our GIAs remain focused on identifying investment opportunities across industries and markets and vigilant in assessing potential risks.

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

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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. **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. **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. **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.

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