



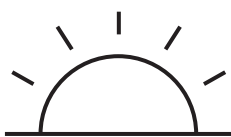
Diversification Remains Important As Tariff Concerns Resurface

The US has engaged in negotiations and signed agreements with multiple countries, enabling global stock markets to regain upward momentum since mid-year. However, tariff-related concerns appear to have receded from memory. The underlying threats have never been fully dissipated. In mid-September, the Trump administration announced new tariffs on medical devices, pharmaceuticals, and household goods—rates yet to be finalized but encompassing nations already party to signed agreements. Furthermore, in October, citing China’s expanded export controls on rare earths and related technologies, the administration imposed an additional 100% tariff on Chinese electronic products and consumer goods. Markets are now apprehensive about a potential resurgence of the trade war, which could lead to a more cautious investment climate.

As of September, global stock markets have delivered robust year-to-date performance, yielding solid returns for investors. Yet, beneath this veneer of prosperity lie hidden risks: stock market price-to-earnings ratios have climbed to 1-2 standard deviations above their five-year average, signaling elevated valuations. Compounded by adverse political and economic developments in the United States, market volatility is anticipated to increase, potentially impacting investment returns. Consequently, investors should prepare for abrupt fluctuations by adopting defensive strategies. Recommendations include appropriate allocations to investment-grade bonds and consideration of low-volatility global equity approaches. Through diversified portfolios, investors can effectively balance risk and reward, thereby safeguarding the long-term stability of retirement funds.

Source: Bloomberg

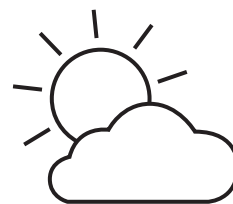
12-Month Outlook



Positive



ESG (Low Carbon)



Neutral



Global Equity



Global Bond



Asian Equity



Cash



Hong Kong Equity



Global Equity

No Change

- Global equities are reaching record highs as investors switch from bonds into equities. Consensus earnings downgrade moderated, trade deals settled with major trade partners. We believe that Artificial Intelligence development should continue to drive tech-related sectors. AI capital expenditure is solid and we continue to see earnings upward revision
- Going forward, how the global economy being impacted by tariffs would be in the spotlight, we expect the market is sensitive to the related news and would be volatile
- Valuation of global equity is much higher than the level of the announcement of reciprocal tariffs. Given that the economy is much more resilient than the earlier expectation, we are cautious to sudden market fluctuation triggered by trade negotiations and geopolitical events



Global Bond

No Change

- Bonds provide attractive carry, recession concerns have been eased as the economic data is still strong amid trade tensions. Hard economic data remains strong, and long-end of the yield curve is steepening
- Valuation of credits had increased, following the equities. Inflation coming higher than expected will pose a pressure to the valuation
- We kept a cautious view on global bonds and remained quite selective, favoring investment-grade credit and believing the asset class helps strengthening risk management for portfolios



Neutral



Cash

No Change

- Cash is a residual (or balance) of our stance in terms of equities and fixed income. We are slightly cautious to equities (neutral) and selectively positive to bonds (positive), cash as a balance was upgraded to neutral
- With expectation of market jitters continuing in the near term, cash remains as a defensive asset to decrease portfolio beta



Hong Kong Equity

No Change

- Chinese CSPs recorded capex despite chip constraints, while government commitment to accelerating AI adoption across economic and social sectors creates substantial opportunities
- Mixed Marco data, industrial profit improved significantly which could be early signs of results from anti-involution campaign, however retail sales remained soft, FAI also weak. Sustained southbound inflows from mainland investors targeting high-dividend yield equities. This trend provides support to the market
- We are closely monitoring the progress of trade negotiations between the US, China, and other nations, as well as the severity of economic impacts from these tariffs



Asian Equity

No Change

- Trump's tariff is an obvious downside risk for export-driven economies like ASIAN countries
- India relatively insulated from global trade tensions, showing early signs of economic recovery as we see improved GST revenue growth, increased government capital expenditure and growing demand for supply chain shifts
- Korea, earnings revision and revision breadth continue to improve. Foreign inflow holding up well and continue to increase. We continue to like the corporate government improvement story especially valuation remains attractive relative to AxJ.
- Taiwan especially Taiwan's technology sector due to accelerating AI infrastructure spending and growing capital expenditure in the AI space. However, earnings revisions continues to improve but breadth remained negative



Positive



ESG (Low Carbon)

No Change

- Governments reached a consensus at the meeting and pledged to significantly increase investment in clean energy and a low-carbon economy. According to the International Energy Agency (IEA), the total global investment in energy transformation in the future is expected to be calculated in tens of trillions dollars, which will greatly promote the development of industries such as renewable energy, energy storage technology and electric vehicles
- Investors are increasingly prioritizing Environmental, Social, and Governance (ESG) factors. Companies that emphasize ESG and carbon emission considerations tend to exhibit more resilient financial performance
- With increasing volatility in the investment environment, low-carbon strategies provide higher downside protection and relatively better returns compared to traditional stock strategies

Disclaimer:

All information contained in this document shall only be used as general reference and general investment knowledge for sharing purposes, which may contain "forward-looking" information, including forecasts, estimates of yields or returns and involve risks and uncertainties. All information contained in this document is not intended to provide any forms of guarantee or investment advice, and does not constitute a solicitation of an offer or offer, and shall not be regarded as the basis for any contract, to sell or to purchase any investment products. Information is provided base on sources believed to be reliable, Sun Life Asset Management (HK) Limited, its associated companies and their directors and employees (collectively "Sun Life") gives no express or implied warranty, guarantee or represent its accuracy, effectiveness, completeness of the same.

Investment involves risk, and past performance figures shown are not indicative of future performance. Value of investment may go up or down, and may become valueless. An investor may not get back the amount originally invested. The information contained in this document has not been reviewed in the light of objectives, financial circumstances or needs of an individual investor. Sun Life is not responsible for any loss or damage caused by reliance on any information or advice made in this document, nor is responsible for the accuracy or completeness of any information or advice.

This document has not been reviewed by the Securities and Futures Commission in Hong Kong or any regulatory authorities.

This document is owned by Sun Life Asset Management (HK) Limited. Modification or change is not allowed without the Sun Life Asset Management (HK) Limited's prior consent.

Issued by Sun Life Asset Management (HK) Limited



Check out the
online version