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Market Summary – H1, 2024

Q1, 2024

- Equities continued to demonstrate strong performance during the first quarter of 2024. Despite the Federal Reserve's change in stance on rate cuts, equity markets focused on the AI narrative and a generally stable economy. This particularly benefited US large growth stocks, while returns for small cap, value, and non-US stocks were more subdued but still positive. Throughout the quarter, volatility remained low as equities delivered positive returns across the board.
- Yields experienced a significant rise as markets adjusted to a slower pace of rate cuts than anticipated at the end of 2023. Credit spreads declined during this risk-on quarter.
- US economic growth remained strong over the first quarter, while developed countries outside the US experienced weaker growth. China's economy continued to face challenges but exited a multi-month deflation spell in Q1.
- Higher than expected inflation figures caused the Federal Reserve to pivot back towards more cautionary rhetoric and postpone rate cuts to future meetings. In the international arena, the Swiss Central Bank became the first major developed market central bank to cut rates. Japan on the other hand exited yield curve control as inflationary pressures were mounting, albeit from very low levels.
- The first quarter was marked by various geopolitical events, including ongoing conflicts in the Middle East and Eastern Europe, as well as a major terrorist attack in Russia. Oil prices experienced an increase during Q1, primarily driven by shifting assessments of demand and supply outlooks.

Q2, 2024

- Global equity markets had a solid second quarter although dispersion within equities was large. Expectations for rate cuts were pushed out. However, markets were upbeat amid improving inflation readings, the AI narrative, strong corporate profit growth and a generally solid economy, which benefited US large growth stocks the most. Returns for small cap and value were negative. International equities suffered partly due to heightened political uncertainty in Europe, while emerging markets performed strongly.
- Yields were up slightly during the quarter as markets expected the US Federal Reserve to hold off with rate cuts until later this year given inflation uncertainty remains elevated. Rising yields have kept fixed income attractively valued compared to recent history.
- US economic growth continued to remain strong in Q2. Growth was weaker in developed countries outside the US as well as China, which still seems to be touching bottom. Overall, this paints a picture of a resilient global economy and aligns with our expectations of a moderate slowdown in global growth in 2024 and 2025 while avoiding a hard landing.
- US inflation was below expectations in the second quarter of 2024. Headline inflation was 3% year-over-year through June. Inflation is expected to decline further as remaining inflationary components such as shelter roll over. Labor markets have shown signs of softening from tight levels as seen by the unemployment rate increasing slightly, which may help inflation fall back to target.
- Geopolitical events abounded this quarter, including ongoing conflicts in the Middle East and Eastern Europe, as well as numerous elections including in India, Mexico, France and the UK. This increased political uncertainty, in some cases, led to brief drawdowns in local equity markets, as was the case in India and France.

Looking forward over the rest of 2024

Inflation

- US headline inflation eased by more than expected, while inflation in other developed markets continues to trend downward. We expect inflation in the US to continue normalizing driven by declining housing costs and slower wage growth.
- In the eurozone, year-on-year inflation picked up marginally through Q2 2024. However, overall the pathway for inflation to return to the central bank target remains but will require close monitoring by the European Central Bank.
- In China, year-on-year inflation increased marginally in May driven by higher food prices. Inflation in emerging markets is generally declining, with inflation in many economies within their target range.

Central Banks

- The US Federal Reserve has noted that further inflation progress would be needed before they could cut interest rates.
- The European central bank cut rates for the first time since 2019 and the Swiss national bank cut rates for the second time in a surprise move, while the Bank of England held rates steady but is also expected to start cutting rates later this year. Japan on the other hand exited yield curve control as inflationary pressures mounted, albeit from very low levels.
- The People’s Bank of China left their policy unchanged. However, they announced a re-lending facility to support local state-owned enterprises (SOEs) purchase finished but unsold homes, from developers in cities with high inventory to convert to public housing.

Economic Growth

- US economic activity data is moderating as the latest growth data has come short of expectations with signs that the US labour market is cooling. Despite this slowing, we don’t see any signs that a recession is on the horizon.
- In contrast to the US, economic activity in the eurozone is picking up, albeit from depressed levels. Retail sales are improving, and business surveys are also suggesting growth is broadening out.
- Activity data in China continues to paint a mixed picture but ultimately does show incremental improvement. Geopolitical and tariff risks remain headwinds to China outlook.

Interim Performance Update – to 30 June 2024*

DEWS

The DEWS Plan is intended as a **medium to long term savings vehicle.** The summary of performance data shown below is for informational purposes only. We are required to show past performance in complete 12 month periods, for your information other periods are also provided.

Please note: an individual's performance may differ materially from the performance shown below and will depend on the date when their contributions were invested.

Past performance does not predict future returns.

DEWS Investment Option	Inception Date	Cumulative Performance								Annualized Performance (for periods longer than 1 year)				Calendar year Performance		
		Since launch to 30 June 2024	4 years to 30 June 2024	3 years to 30 June 2024	2 years to 30 June 2024	1 year to 30 June 2024	Year to Date (31 December 2023 to 30 June 2024)	3 months (31 March 2024 to 30 June 2024)	1 month (31 May 2024 to 30 June 2024)	Since launch to 30 June 2024 (p.a.)	4 years to 30 June 2024 (p.a.)	3 years to 30 June 2024 (p.a.)	2 years to 30 June 2024 (p.a.)	2021 Calendar Year	2022 Calendar Year	2023 Calendar Year
Low Growth[1]	23-Mar-20	4.3%	4.6%	5.8%	7.0%	4.3%	2.0%	1.0%	0.4%	1.0%	1.1%	1.9%	3.4%	-1.1%	0.3%	4.0%
Low / Moderate Growth (Default)[2]	26-Mar-20	24.0%	14.3%	1.8%	12.3%	6.7%	3.0%	0.6%	0.6%	5.2%	3.4%	0.6%	6.0%	5.2%	-9.9%	8.3%
Moderate Growth	26-Mar-20	41.0%	25.8%	4.5%	16.6%	8.9%	4.6%	0.9%	0.7%	8.4%	5.9%	1.5%	8.0%	9.4%	-11.3%	10.3%
Moderate / High Growth	26-Mar-20	42.6%	27.6%	3.2%	16.8%	8.3%	3.4%	0.8%	1.5%	8.7%	6.3%	1.1%	8.1%	11.1%	-11.8%	10.2%
High Growth	23-Mar-20	73.6%	34.3%	3.9%	18.5%	8.9%	3.4%	0.1%	0.7%	13.8%	7.7%	1.3%	8.9%	13.8%	-12.6%	11.9%
Global Defensive Bond	02-Mar-22	6.4%	-	-	9.1%	6.1%	2.0%	0.9%	0.6%	2.7%	-	-	4.5%	-	-	6.4%
Passive Global Equity	02-Mar-22	20.8%	-	-	40.0%	19.1%	11.3%	2.5%	2.1%	8.4%	-	-	18.3%	-	-	23.6%
Islamic Money Market[1]	02-Apr-20	5.1%	5.0%	5.3%	5.9%	3.8%	1.9%	0.9%	0.3%	1.2%	1.2%	1.7%	2.9%	-0.6%	0.2%	3.4%
Global Sukuk	19-Apr-21	-4.9%	-	-4.4%	3.3%	2.3%	-0.6%	0.2%	0.7%	-1.6%	-	-1.5%	1.6%	-	-7.7%	4.7%
Islamic Global Equity	08-Apr-21	36.8%	-	30.2%	53.7%	27.5%	19.1%	7.7%	5.6%	10.2%	-	9.2%	24.0%	-	-25.9%	32.5%

Source: FE as at 30 June 2024 in USD http://webfund6.financialexpress.net/clients/zil/Pricetable.aspx?&scheme=230&Range=IPP&Currency=USD

* *Performance figures above are shown net of fees (i.e. after the deduction of fees and expenses). The DEWS Plan's fixed fee of 1.23% p.a. (for the Trustee, administration and investment advice provided to the DEWS Plan) plus the investment management costs and expenses are already factored into the unit prices used to calculate these figures.*

1. *The low interest rate environment in the past has meant that returns for the Low Growth and Islamic Money Market options have been negative over some periods after the fixed DEWS fees of 1.23% p.a. have been deducted. This fixed fee is for the Trustee, administration and investment advice provided to the DEWS Plan.*
2. *The Low / Moderate Growth investment option is the default investment option for the Plan and is where your money will be invested unless you make an active decision to switch to one of the other available investment options.*

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Risk Factors

Investors should be aware of the risks of the investment options and the underlying funds currently used within each investment option including, but not limited to, the risks described in the "SPECIAL CONSIDERATIONS AND RISK FACTORS" section of the fund supplements/prospectus (see links provided below).

Investment in the underlying funds is suitable only for persons who are in a position to take such a risk. There can be no assurance that the underlying funds will achieve their investment objectives.

For all information on "SPECIAL CONSIDERATIONS AND RISK FACTORS", please click on the list below for the respective fund supplements/prospectus for:

- Mercer Global Investments Europe Limited (MGIE) Funds
- Emirates Islamic Money Market Fund
- Franklin Global Sukuk Fund
- HSBC Global Islamic Equity Fund

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