# PMX Monthly review

## December 2022 Global Review

### Markets

Best performing | Worst performing

**Asset Class Index Returns**

| | 1 month | YTD | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|
| Global Equity | -3.9% | -18.4% | -18.4% | 4.0% | 5.2% | 8.1% | 8.0% |
| Developed Equity | -4.2% | -18.1% | -18.1% | 4.9% | 6.1% | 8.5% | 8.9% |
| EM Equity | -1.4% | -20.1% | -20.1% | -2.7% | -1.4% | 5.2% | 1.4% |
| Global Bonds | 0.5% | -16.2% | -16.2% | -4.5% | -1.7% | 0.1% | -0.4% |
| Global Property | -2.8% | -25.8% | -25.8% | -3.9% | 1.0% | 2.8% | 4.5% |
| Listed Infrastructure | -2.2% | -4.9% | -4.9% | 1.6% | 4.7% | 7.4% | 7.0% |

**Developed Equity Regional Index Returns**

| | 1 month | YTD | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|
| US Equity | -5.9% | -19.5% | -19.5% | 6.9% | 8.5% | 10.6% | 11.3% |
| Europe ex UK Equity | 0.1% | -18.0% | -18.0% | 1.7% | 2.2% | 5.0% | 5.2% |
| UK Equity | -0.4% | -10.9% | -10.9% | -0.9% | 0.5% | 3.2% | 3.4% |
| Japan Equity | 0.3% | -16.6% | -16.6% | -1.0% | 0.2% | 3.6% | 5.6% |
| Pac ex Japan Equity | 0.4% | -5.9% | -5.9% | 1.6% | 2.2% | 6.1% | 3.8% |

**EM Equity Regional Index Returns**

| | 1 month | YTD | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|
| EM Equity | -1.4% | -20.1% | -20.1% | -2.7% | -1.4% | 5.2% | 1.4% |
| EM Asia Equity | -0.8% | -21.1% | -21.1% | -1.3% | -0.6% | 5.7% | 3.6% |
| EM Europe Equity | 6.0% | -71.2% | -71.2% | -34.0% | -19.7% | -9.3% | -11.7% |
| EM Lat Am Equity | -4.0% | 8.9% | 8.9% | -4.8% | -1.1% | 6.3% | -2.1% |

**Equity Style Index Returns**

| | 1 month | YTD | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|
| ACWI Growth | -5.6% | -28.6% | -28.6% | 3.8% | 6.4% | 9.0% | 9.2% |
| ACWI Momentum | -2.5% | -19.2% | -19.2% | 4.9% | 7.0% | 10.0% | 10.3% |
| ACWI Quality | -4.6% | -23.7% | -23.7% | 5.2% | 7.8% | 10.2% | 10.3% |
| ACWI Small Cap | -3.1% | -18.7% | -18.7% | 3.2% | 3.2% | 7.1% | 7.7% |
| ACWI Value | -2.4% | -7.5% | -7.5% | 3.3% | 3.5% | 6.7% | 6.4% |

**Global Bonds Index Returns**

| | 1 month | YTD | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|
| Global Gov Bonds | 0.7% | -17.5% | -17.5% | -5.5% | -2.4% | -0.5% | -1.2% |
| Global Corp Bonds | 0.2% | -16.7% | -16.7% | -3.7% | -0.8% | 1.3% | 0.9% |
| Global HY Bonds | 0.7% | -12.7% | -12.7% | -1.9% | 0.4% | 3.7% | 3.0% |
| EM Bonds | 2.2% | -11.7% | -11.7% | -6.1% | -2.5% | 1.6% | -2.0% |

**Indices representing asset classes**

| | |
|---|---|
| Global Equity | MSCI ACWI |
| Developed Equity | MSCI World |
| EM Equity | MSCI Emerging Markets |
| Global Gov Bonds | Bloomberg Barclays Global Treasury |
| Global Corp Bonds | Bloomberg Barclays Global Corporates |
| Global HY Bonds | Bloomberg Barclays Global High Yield |
| EM Bonds | JPM GBI EM Global Diversified Composite |
| Global Bonds | Bloomberg Barclays Global Aggregate |

| | |
|---|---|
| Global Property | FTSE EPRA Nareit Developed Rental |
| Listed Infrastructure | FTSE Global Core Infrastructure 50/50 |
| US Equity | MSCI North America |
| Europe ex UK Equity | MSCI Europe ex UK |
| UK Equity | FTSE All Share |
| Japan Equity | MSCI Japan |
| Pac ex Japan Equity | MSCI Pacific ex Japan |
| EM Equity | MSCI Emerging Markets |

| | |
|---|---|
| EM Asia Equity | MSCI Emerging Markets Asia |
| EM Europe Equity | MSCI Emerging Markets Europe |
| EM Lat Am Equity | MSCI Emerging Markets Latin America |
| ACWI Growth | MSCI ACWI Growth |
| ACWI Momentum | MSCI ACWI Momentum |
| ACWI Quality | MSCI ACWI Quality |
| ACWI Small Cap | MSCI ACWI Small Cap |
| ACWI Value | MSCI ACWI Value |

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## PMX Profile Performance*

| | 22-Nov | 1 Year | 3 Year | Since Inception |
|---|---|---|---|---|
| PMX Profile 3 | -0.3% | -17.4% | -1.1% | 2.6% |
| Quartile Rank | 2 | 3 | 2 | 2 |
| IE Offshore Balanced | -0.2% | -17.7% | -2.1% | 1.3% |
| Relative | -0.1% | 0.3% | 1.0% | 1.3% |

| | | | | |
|---|---|---|---|---|
| PMX Profile 6 | -1.0% | -18.3% | 1.1% | 4.3% |
| Quartile Rank | 2 | 3 | 2 | 2 |
| IE Offshore Aggressive | -0.9% | -18.0% | -0.4% | 2.8% |
| Relative | -0.1% | -0.3% | 1.4% | 1.5% |

| | | | | |
|---|---|---|---|---|
| PMX Profile 7 | -1.3% | -18.6% | 1.7% | 5.0% |
| Quartile Rank | 2 | 2 | 3 | 3 |
| IE Offshore Intl Equity | -2.1% | -19.5% | 2.1% | 5.6% |
| Relative | 0.9% | 0.9% | -0.3% | -0.5% |

## Global Drivers

| Topic | Importance | Drivers |
|---|---|---|
| BoJ Modifies its Policy | High | The Bank of Japan (BoJ) surprised markets in December by raising their cap on the ten-year government bond yield from 0.25% to 0.5%. Although this was expected to happen at some stage it was not expected to happen in 2022. The yen surged on the news and set off speculation as to what comes next for Japan. Despite the aggressive movement in the bond and currency markets the yen remains at its weakest level in two decades. |
| Fed Hike | High | The Fed raised rates by 0.5% ending a months-long string of 0.75 percentage point increases and lifted the target range of the federal funds rate to between 4.25%and 4.5%. Although this was a slowing of rate rises, subsequently released minutes of the Fed suggested that policymakers are prepared to keep interest rates higher for longer to cool inflation. |
| US Economy | High | Composite PMI, a more forward-looking indicator, continued to fall, dipping to 45 in December, and it has now spent half a year below 50 (i.e., in contractionary territory) with falls in both manufacturing and services sectors. This, as well as deteriorating housing market conditions, demonstrate the effects of the rate hiking cycle on the economy. According to a Federal Reserve survey of professional forecasters, if a recession does materilise, it would be the most widely expected recession since 1968 (when the survey began). |
| Europe continues to tighten | High | Both the UK and the EU followed the US in raising rates by 0.5% in December. The UK Bank rate is now at 3.5% and the EU is at 2%. Inflation in Europe is higher than other developed market regions with the UK inflation rate easing to 10.7% and the EU at 10.1%. |
| China reopening | High | China gave further strong indications of loosening their zero COVID policy, announcing ten new policies including home quarantine for mild cases. This caused Chinese markets to rally somewhat, relative to the markets of other emerging market countries. However, as COVID rages through the country, fears regarding its effects in the first half of 2023 have increased. |

## Manager Engagements

| Manager | Detail |
|---|---|
| S&P | Index Products |
| T Rowe Price | US Large Cap Value |
| Insight Summit | The New Abnormal |
| Man GLG | Fixed Income Outlook |
| Oyster Catcher | Catchup |

| Manager | Detail |
|---|---|
| Wellington | EM Debt Outlook |
| JP Morgan | Fixed Income Overview |
| Octopus Investments | UK Future Generations Fund |
| PIMCO | Catchup |

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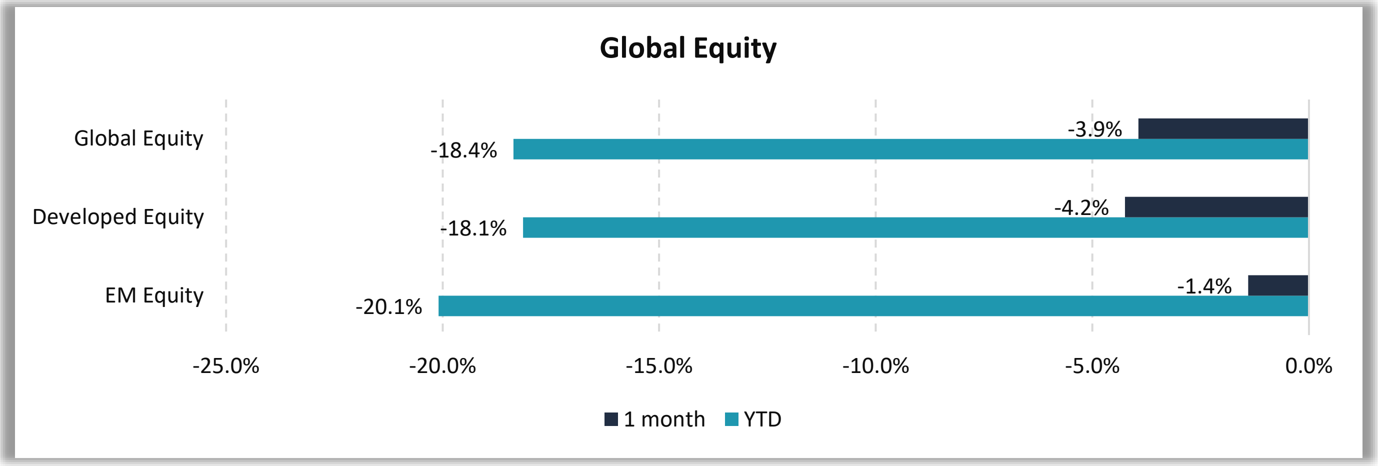
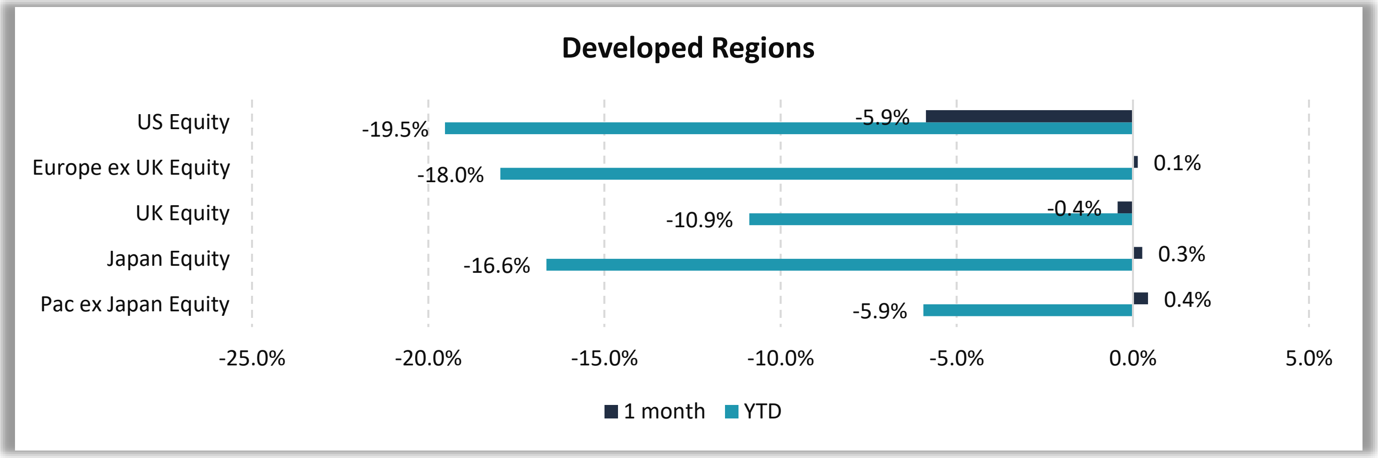
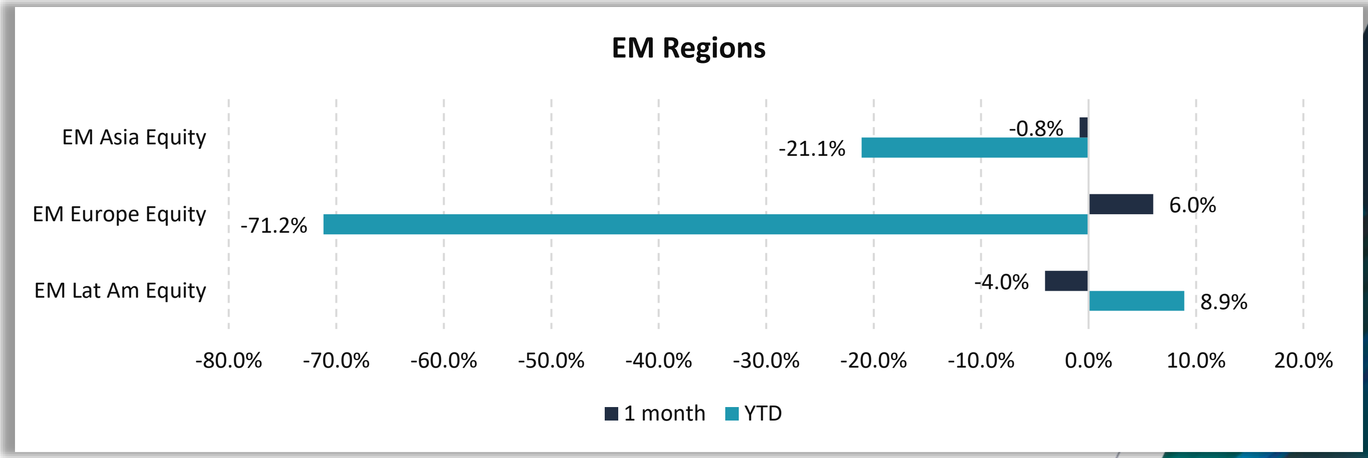
## Global Equity Markets

Emerging market equities comfortably outperformed developed equities although both fell in USD terms. US equity was by far the worst performing region for the month with other regions benefitting from a generally weaker dollar. Japanese equity performance was substantially aided by a strengthening Yen as the BoJ raised its cap on the ten-year yield in the month. Other Asian equity markets had a strong month with Pacific ex-Japan the top performing developed market region. Within emerging markets, EM Europe comfortably outperformed clawing back from what has been a torrid year. Latin America equities performed worst for the month.



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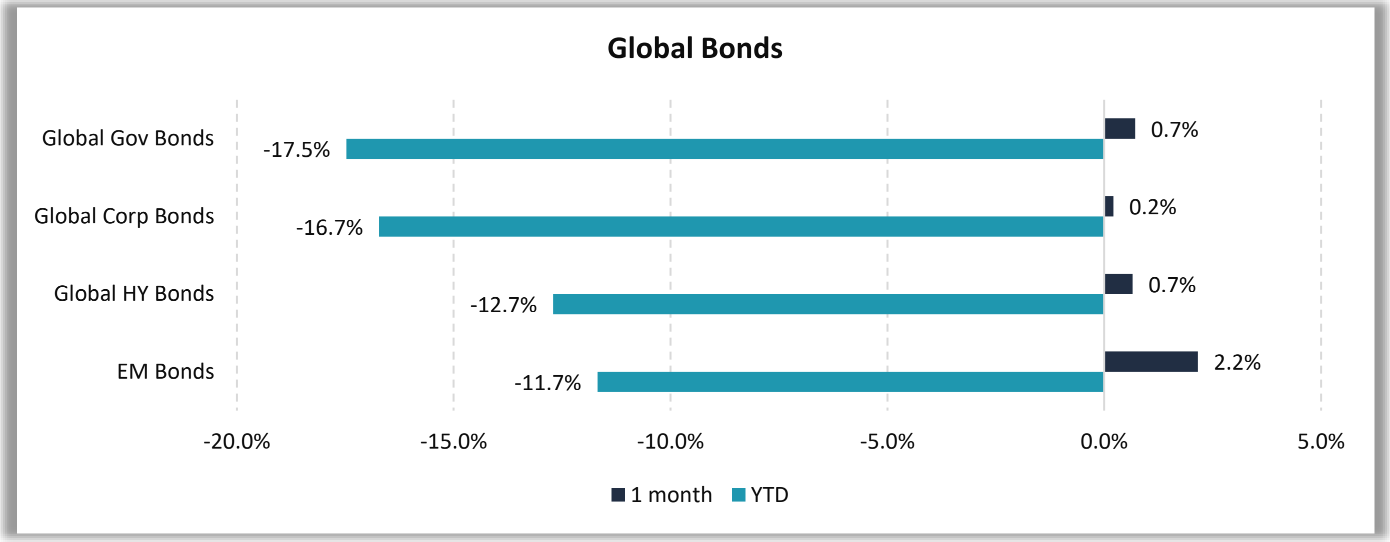
## Global Bond Markets

Fixed income performance was positive for the month. Government bond yields rose on the back of US Federal Reserve indications of higher for longer rates, whilst credit spreads (the additional yield to an investor for investing in riskier debt) fell. As a result, government bond prices fell but non-US issues were aided by a weaker dollar resulting in positive performance. High yield bonds performed better than investment grade credit whilst emerging market bonds performed best as both were aided by tighter credit spreads and positive sentiment around China reopening.




## Real Assets

Real assets struggled too, down around 2-3% given global growth concerns as well as large portions of the property and infrastructure index located in the US.