



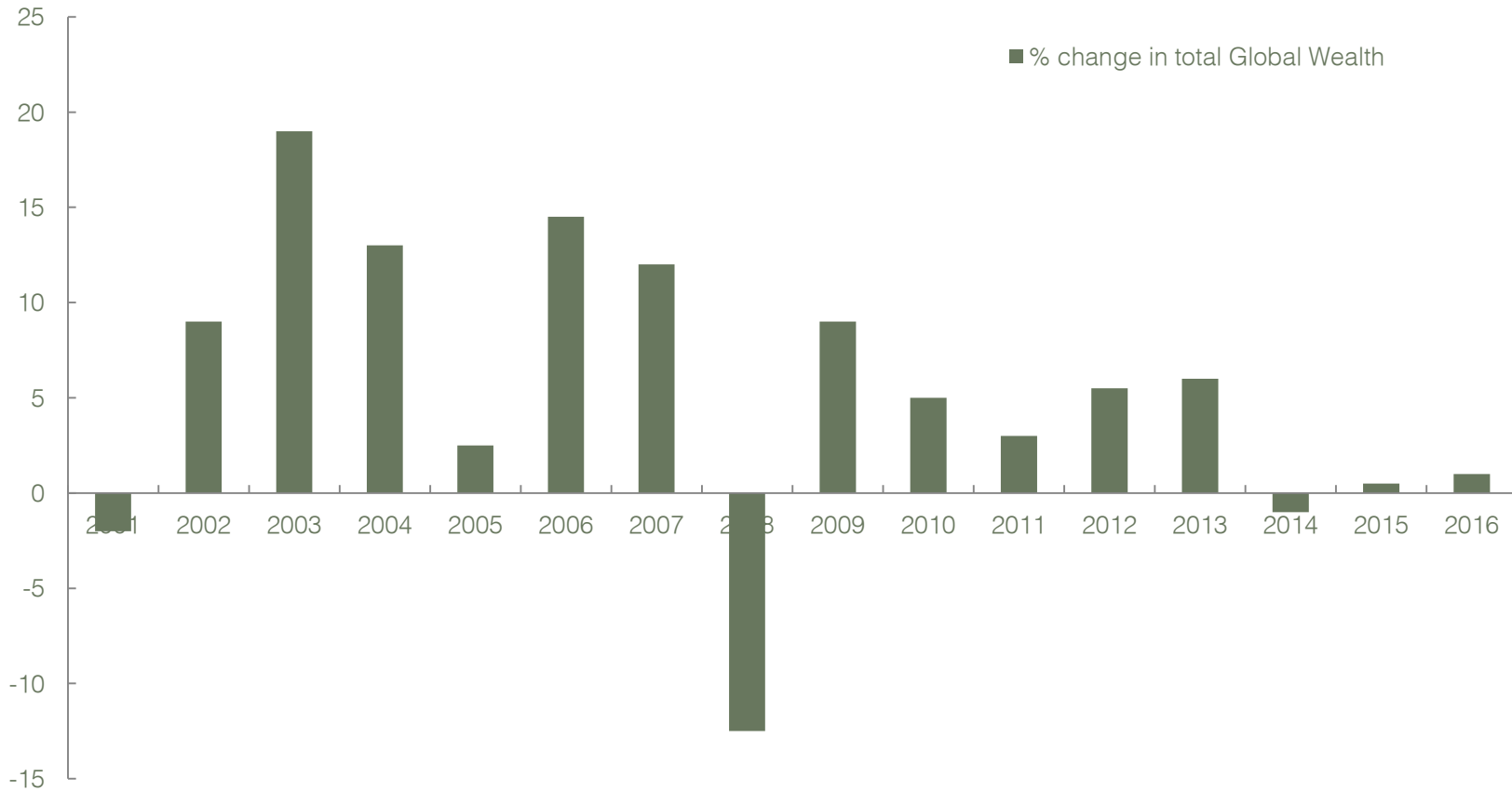
Global Macro Overview: A Market Update



Economic Backdrop

Global Wealth is still increasing, though at a slower pace more recently

Annual Percentage Change in Total Global Wealth (2000 – 2017)

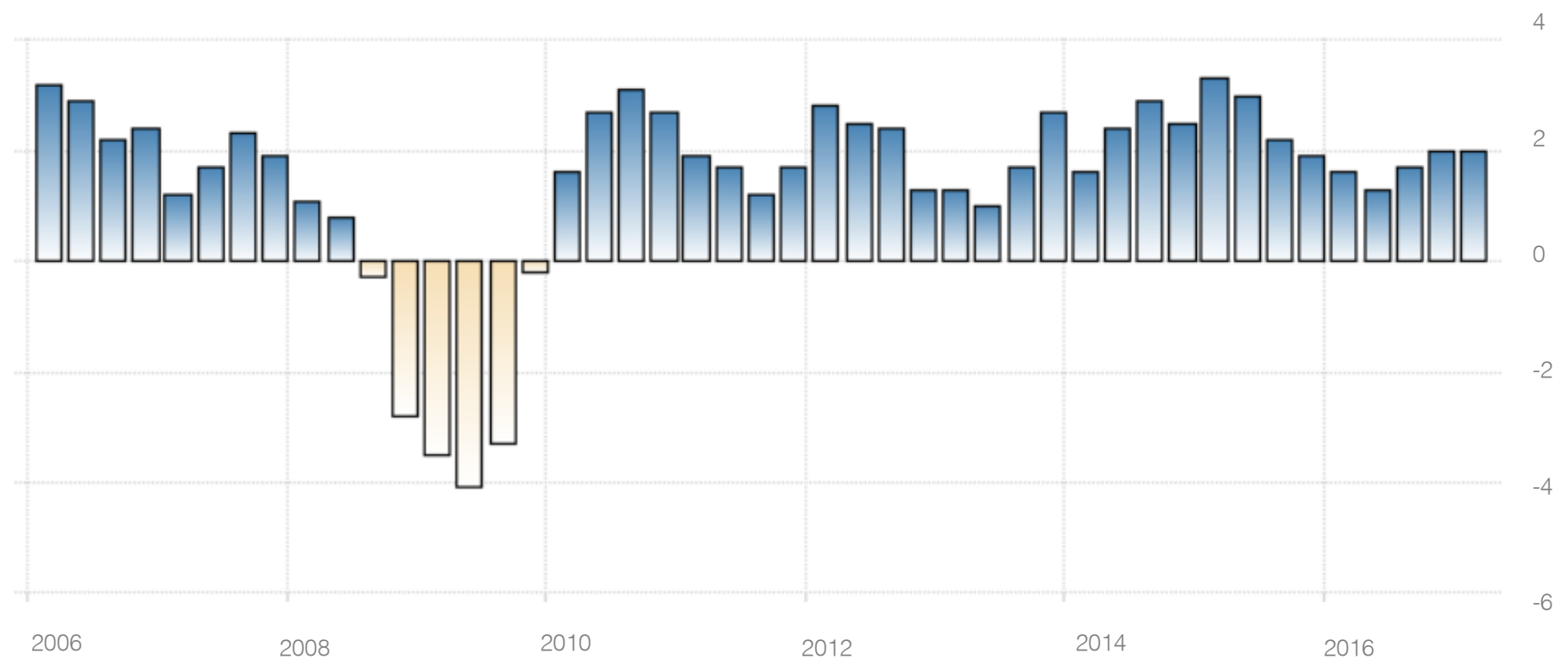


Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016



The US economy is growing, albeit slowly

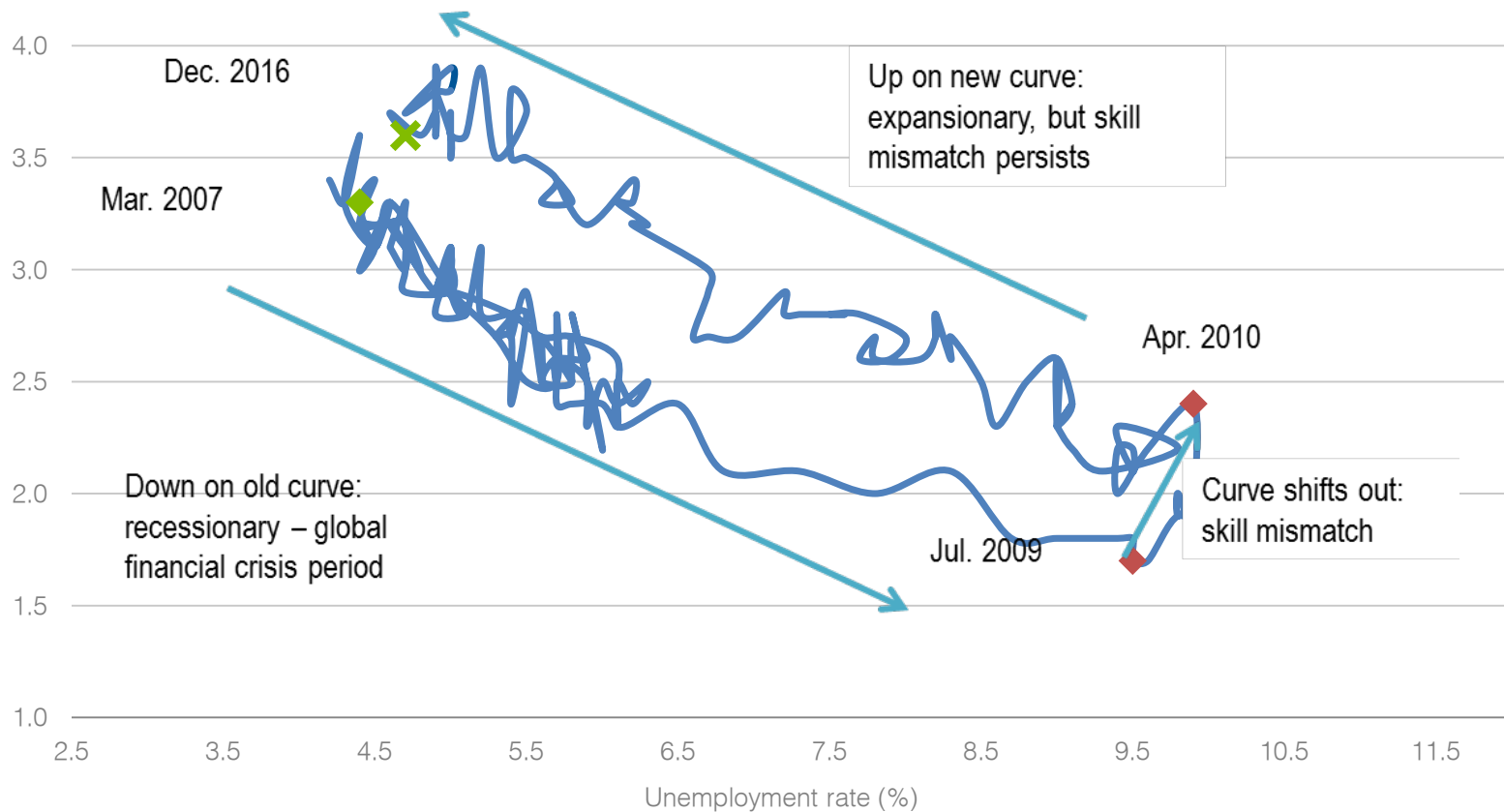
US GDP Growth Rate (Q1 2006 – Q1 2017)



Source: Trading Economics | U.S. Bureau of Economic Analysis

The economy is looking strong at the employment level

Job Vacancy vs. Unemployment Rate – US Beveridge Curve



Source: Bureau of Labor Statistics, Current Population Survey and Job Openings and Labor Turnover Survey. The Beveridge Curve is a graphical representation of the relationship between unemployment and the job vacancy rate (the number of unfilled jobs expressed as a proportion of the labor force).

Customers are fairly optimistic with regards the outlook for the US economy

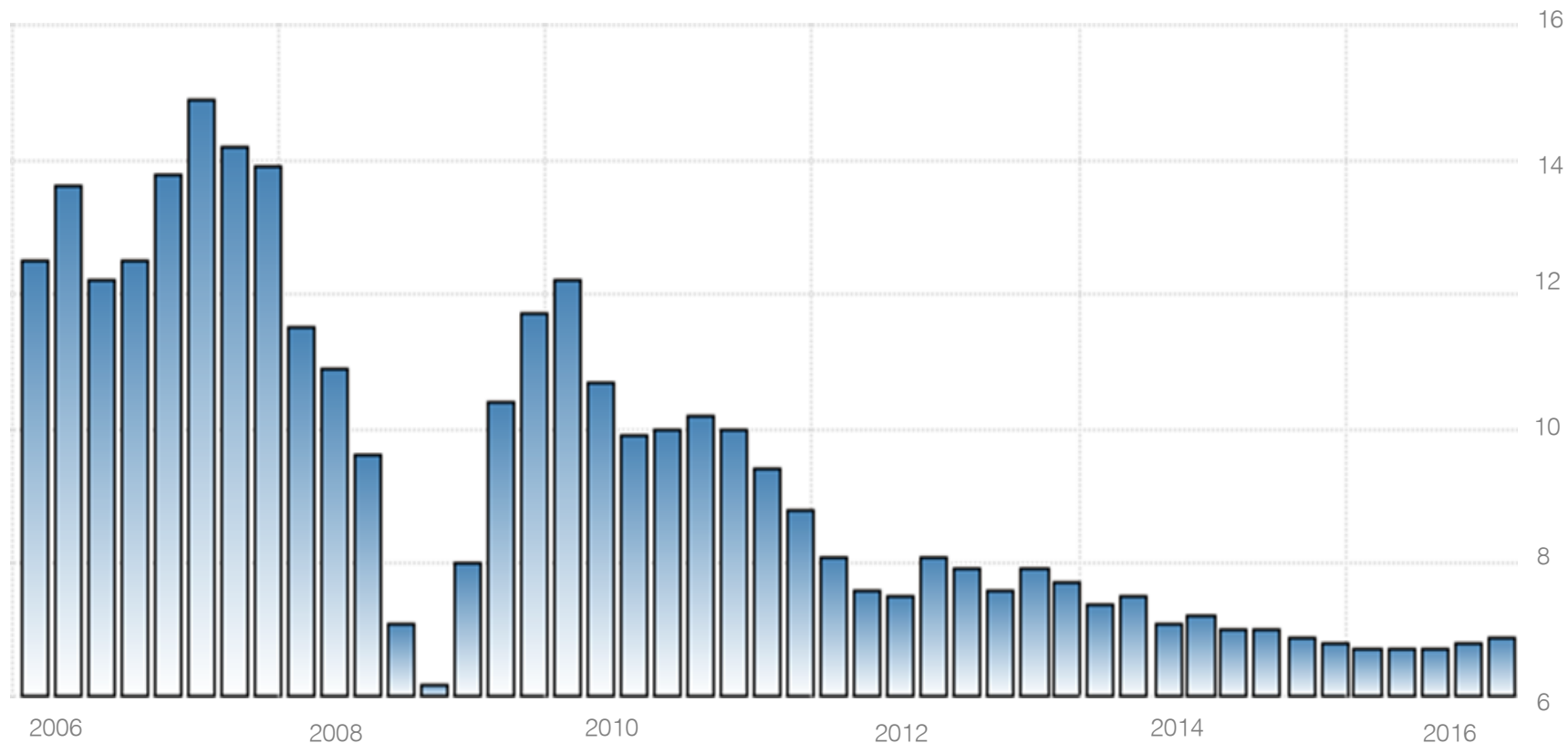
University of Michigan: Consumer Sentiment (Jan 1995 - March 2017)



Source: University of Michigan, University of Michigan: Consumer Sentiment© [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UMCSENT>

The Chinese are still growing three times as fast as the US, although off lofty peaks

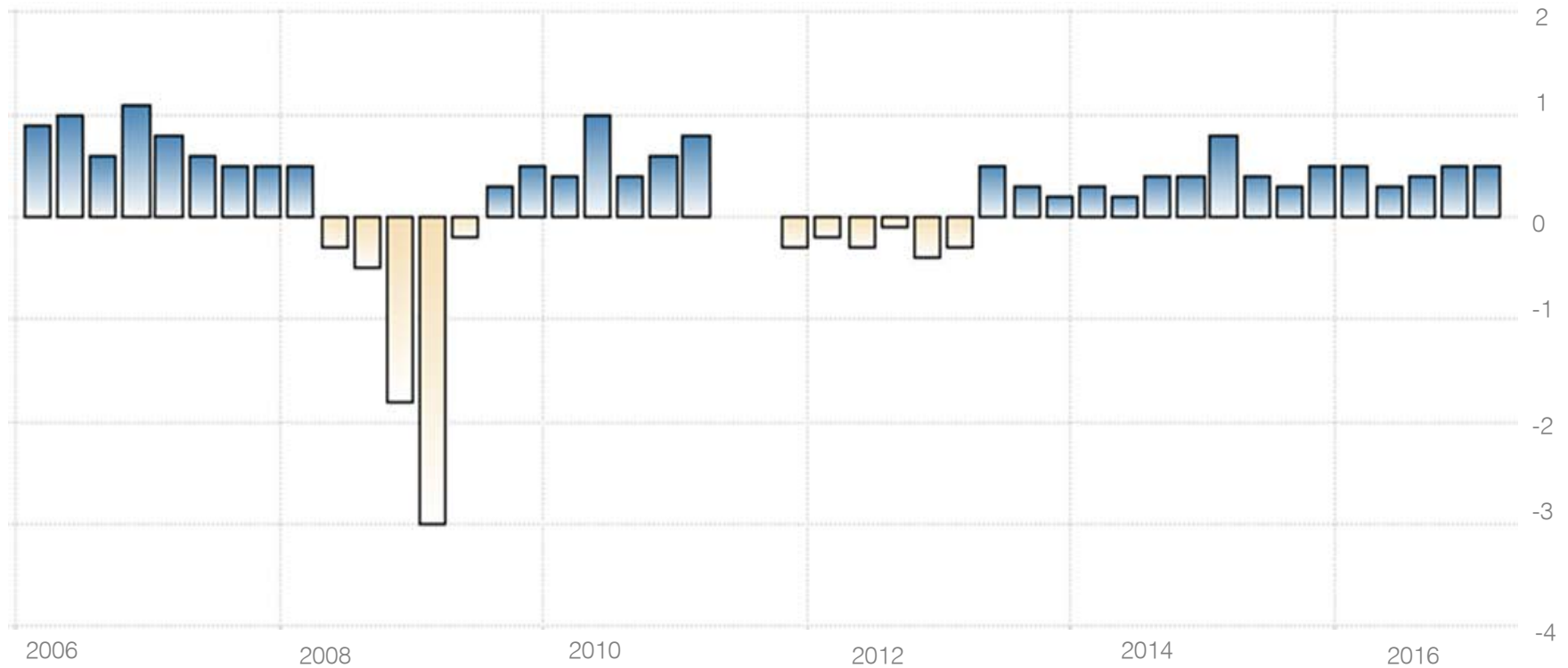
China GDP Growth Rate (Q1 2006 - Q1 2017)



Source: Trading Economics | National Bureau Of Statistics of China

But economic growth is still very muted for the Europeans

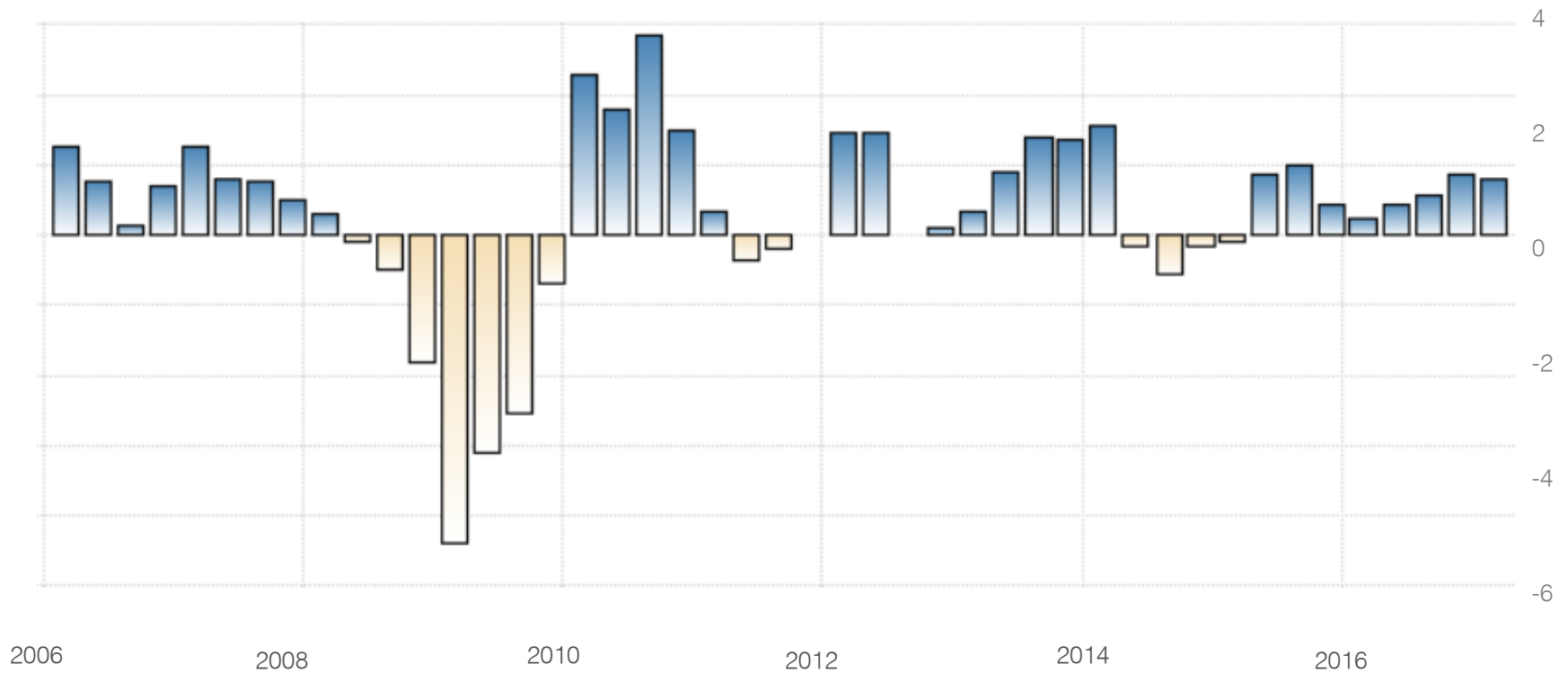
EU GDP Growth Rate (Q1 2006 to Q1 2017)



Source: Trading Economics | Eurostat

And Japan continues to struggle

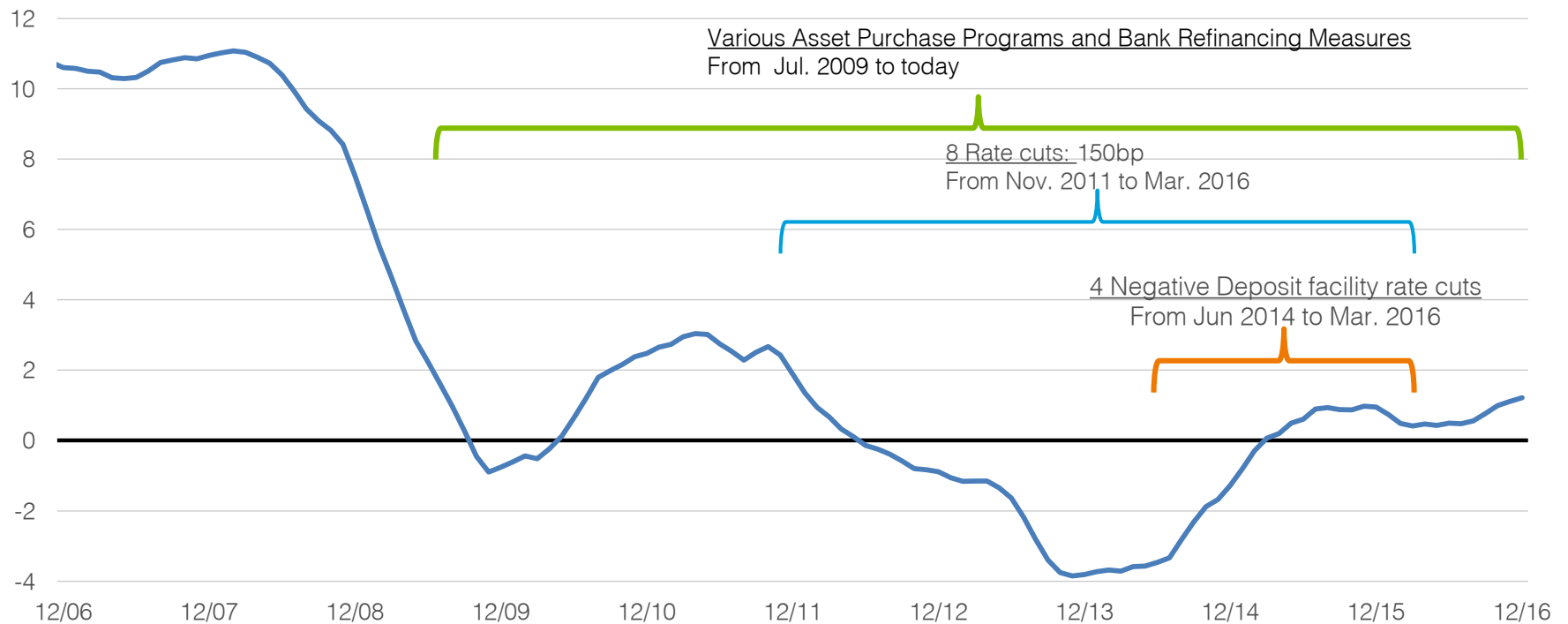
Japan GDP Growth Rate (Q1 2006 to Q1 2017)



Source: Trading Economics | Cabinet Office, Japan

ECB Actions attempt to stimulate Euro Area Credit Lending

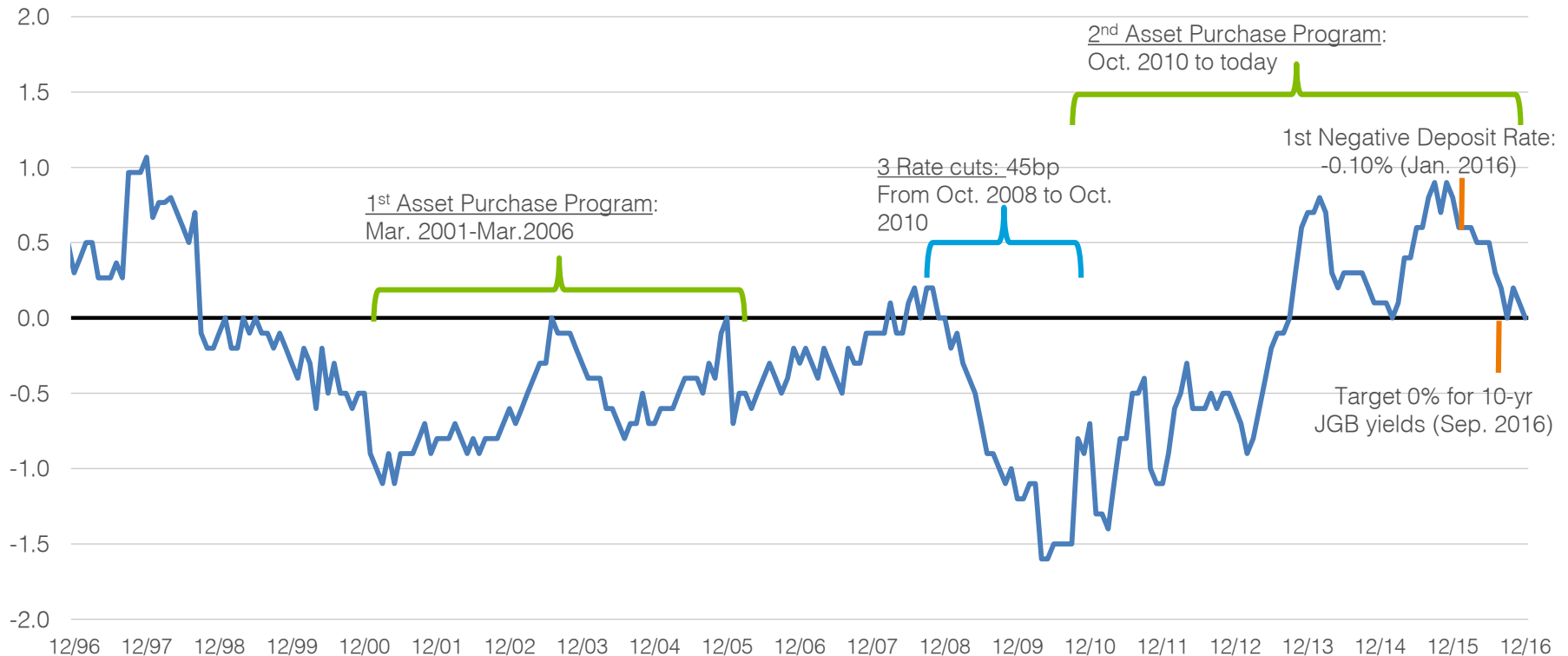
Euro Area—Annual Growth Rate of Loans to Private Sector
(31 December 2006–31 December 2016)



Sources: European Central Bank, Aggregated balance sheet of euro area monetary financial institutions, excluding the Eurosystem. Annual Growth rate of loans to Private Sector.

Bank of Japan is trying everything but literal helicopter money to escape deflationary environment

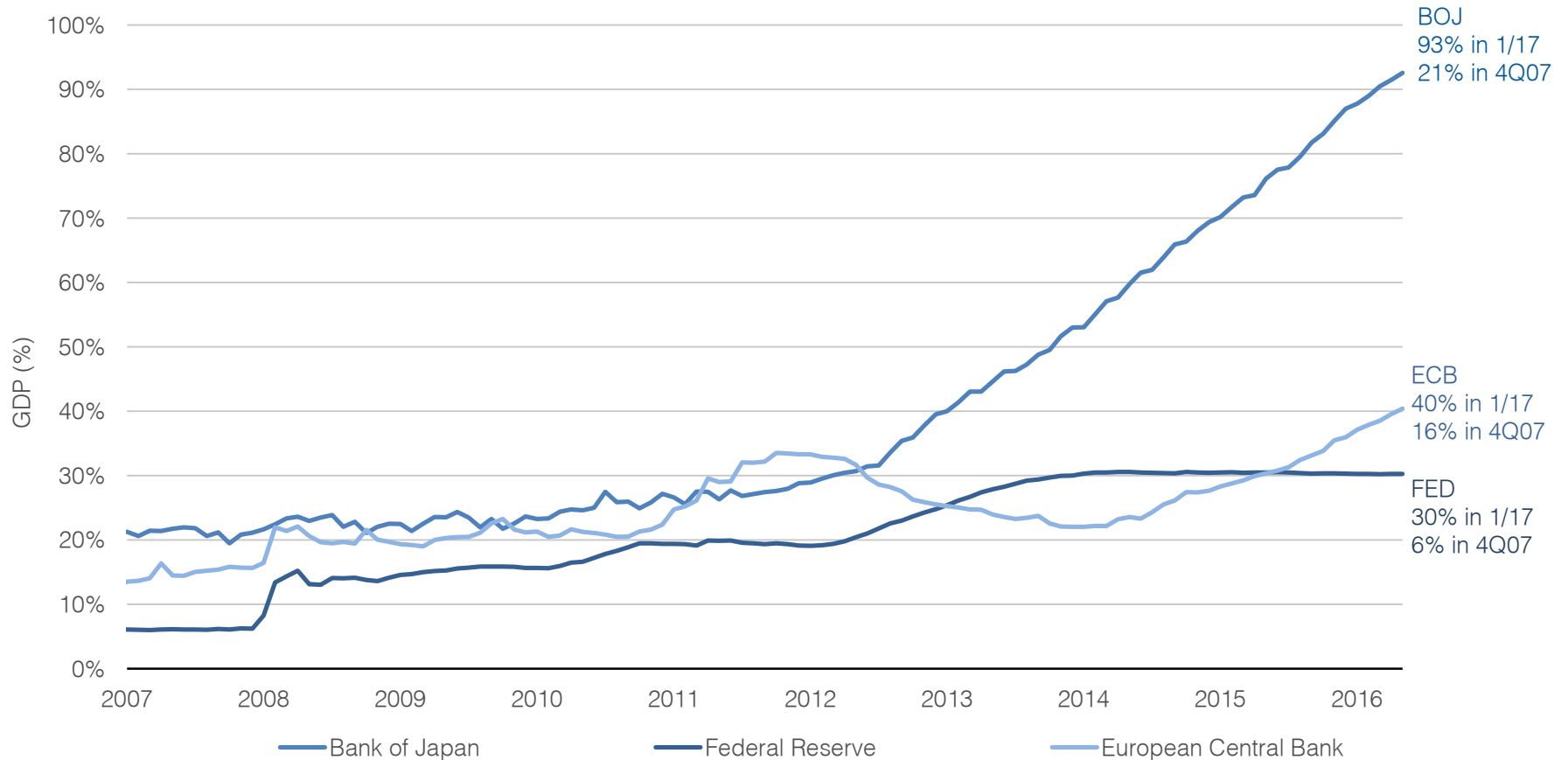
Japan Core CPI (Less Food and Energy)
(31 December 1996–31 December 2016)



Source: U.S. Bureau of Labor Statistics; Eurostat; Statistics Bureau, Ministry of Internal Affairs & Communication, Japan; Bloomberg. Japan figures adjusted for 2% consumption tax hike on 2/3 of Core CPI (April 1997–March 1998) and 3% consumption tax on 2/3 of Core CPI (April 2014–March 2015).

Monetary stimulus still going through the roof in Europe and Japan

Central Bank Assets, 30 September 2007–31 January 2017



Source: Federal Reserve, European Central Bank, and Bank of Japan. As a percent of 2008 GDP.

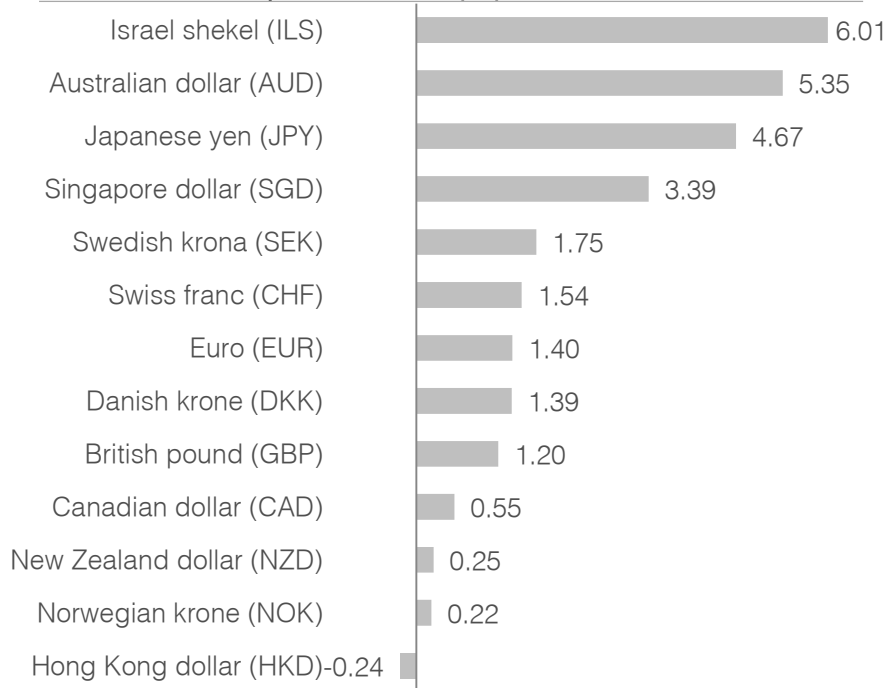
Fixed Income and Currency Update

Select Currency Performance vs. US Dollar

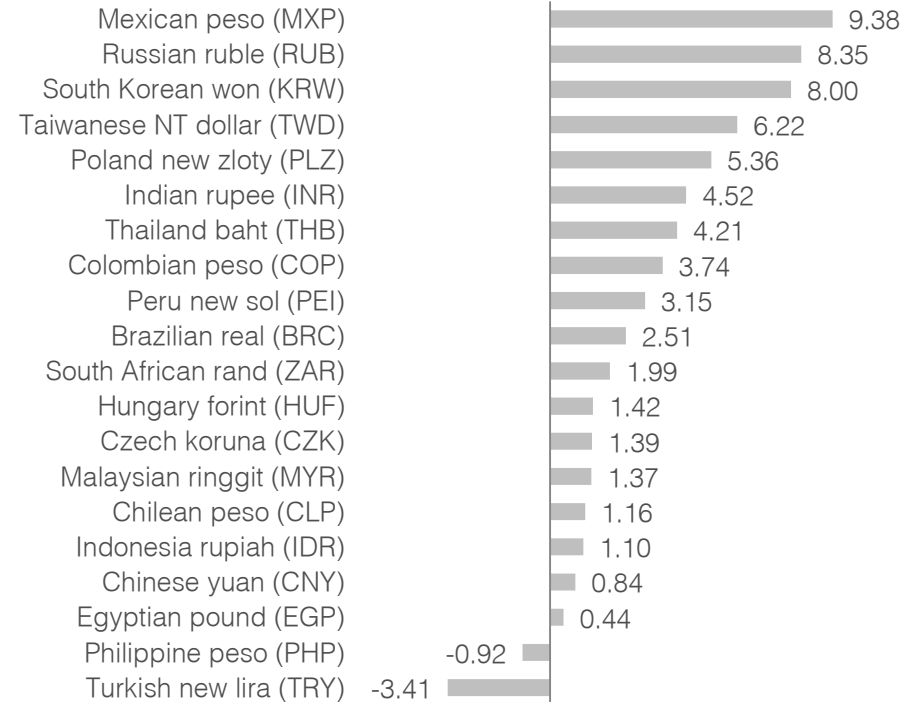
First Quarter 2017

Most non-US developed markets currencies appreciated against the US dollar during the quarter, with the Israeli shekel and the Australian dollar experiencing the greatest appreciation. In emerging markets, the Mexican peso appreciated nearly 10%, while the Turkish lira depreciated almost 4%.

Ranked Developed Markets (%)



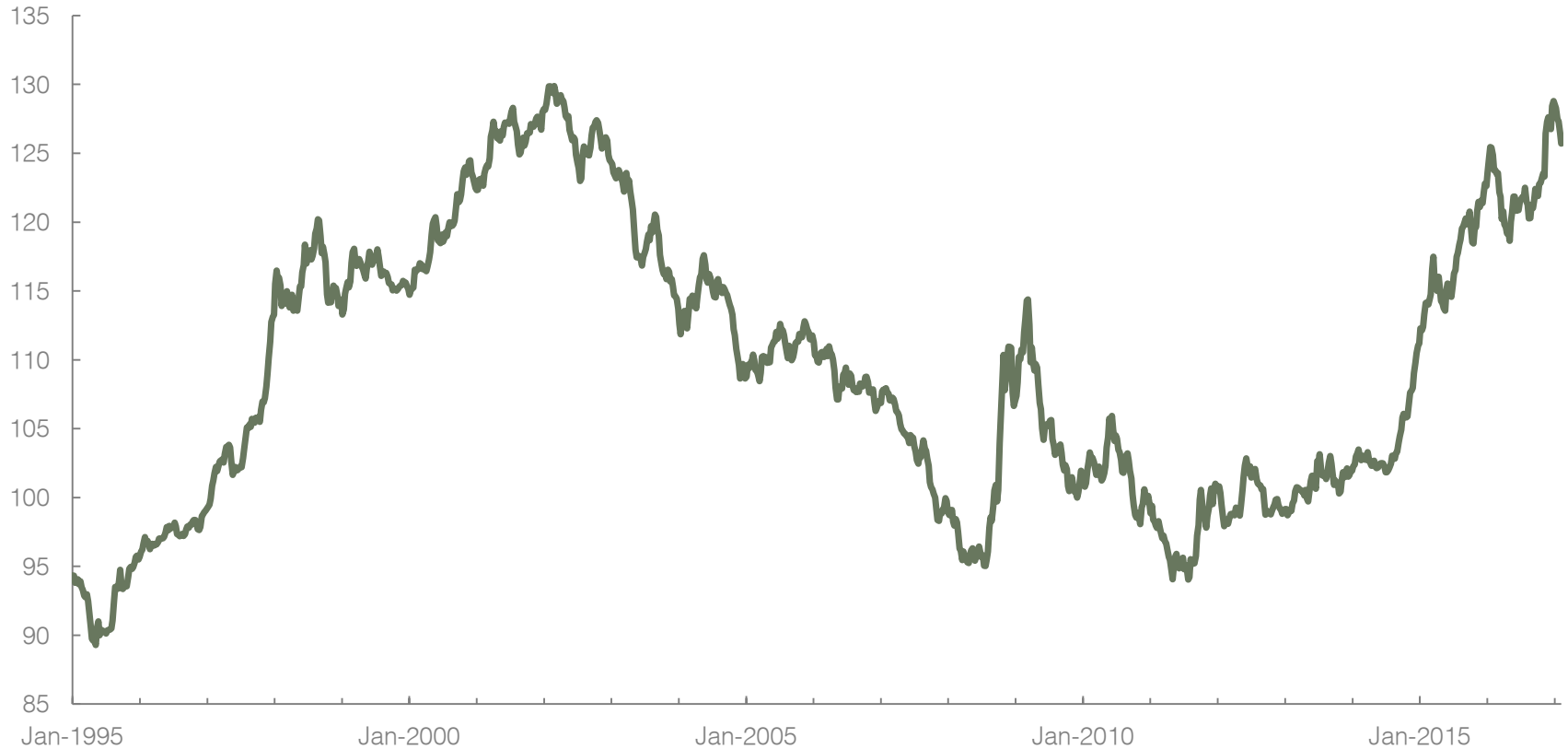
Ranked Emerging Markets (%)



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

The USD has rallied significantly over the last 8 years...

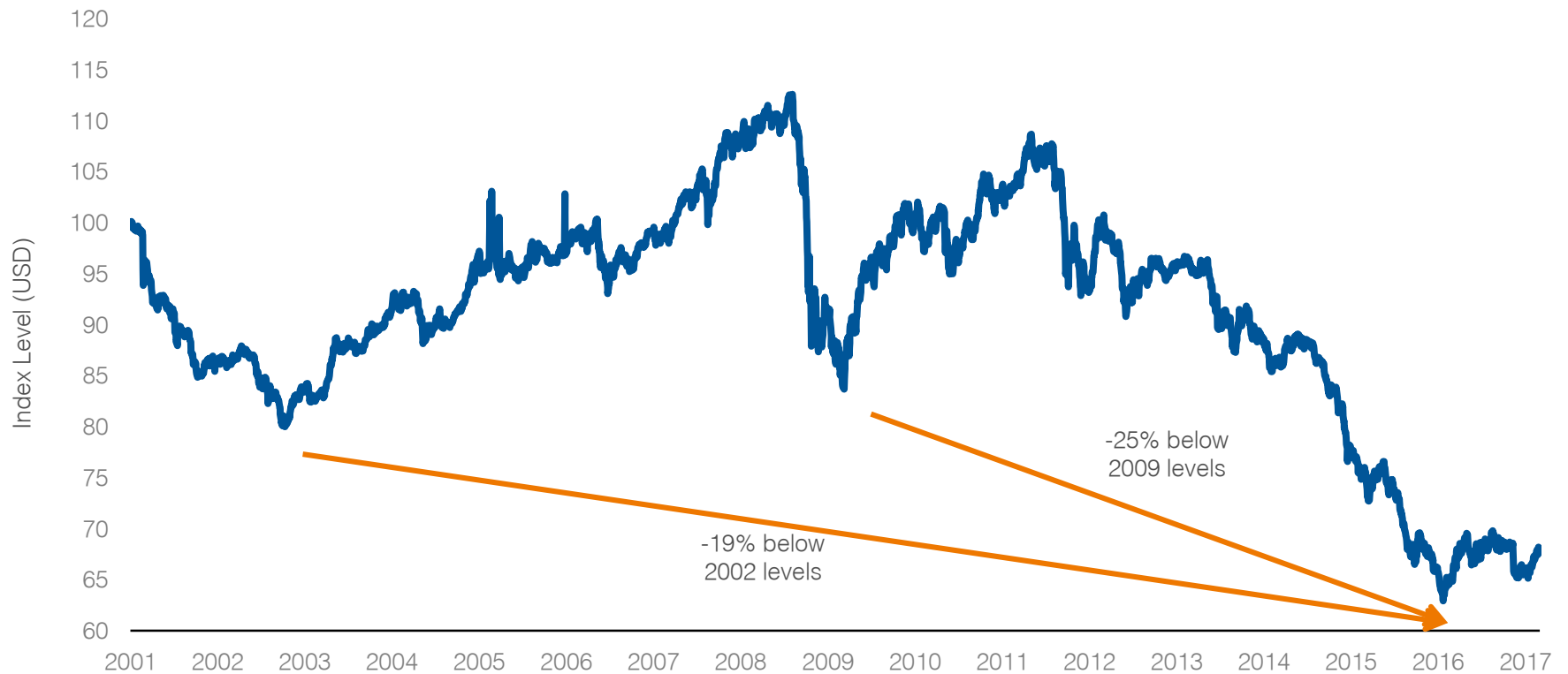
Trade Weighted U.S. Dollar Index (Jan 1995 – April 2017)



Source: Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad [TWEXB], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/TWEXB>

Emerging Market currencies are trading below previous crisis levels

J.P. Morgan Emerging Markets Currency Index (Jan 2001 - Feb 2017)

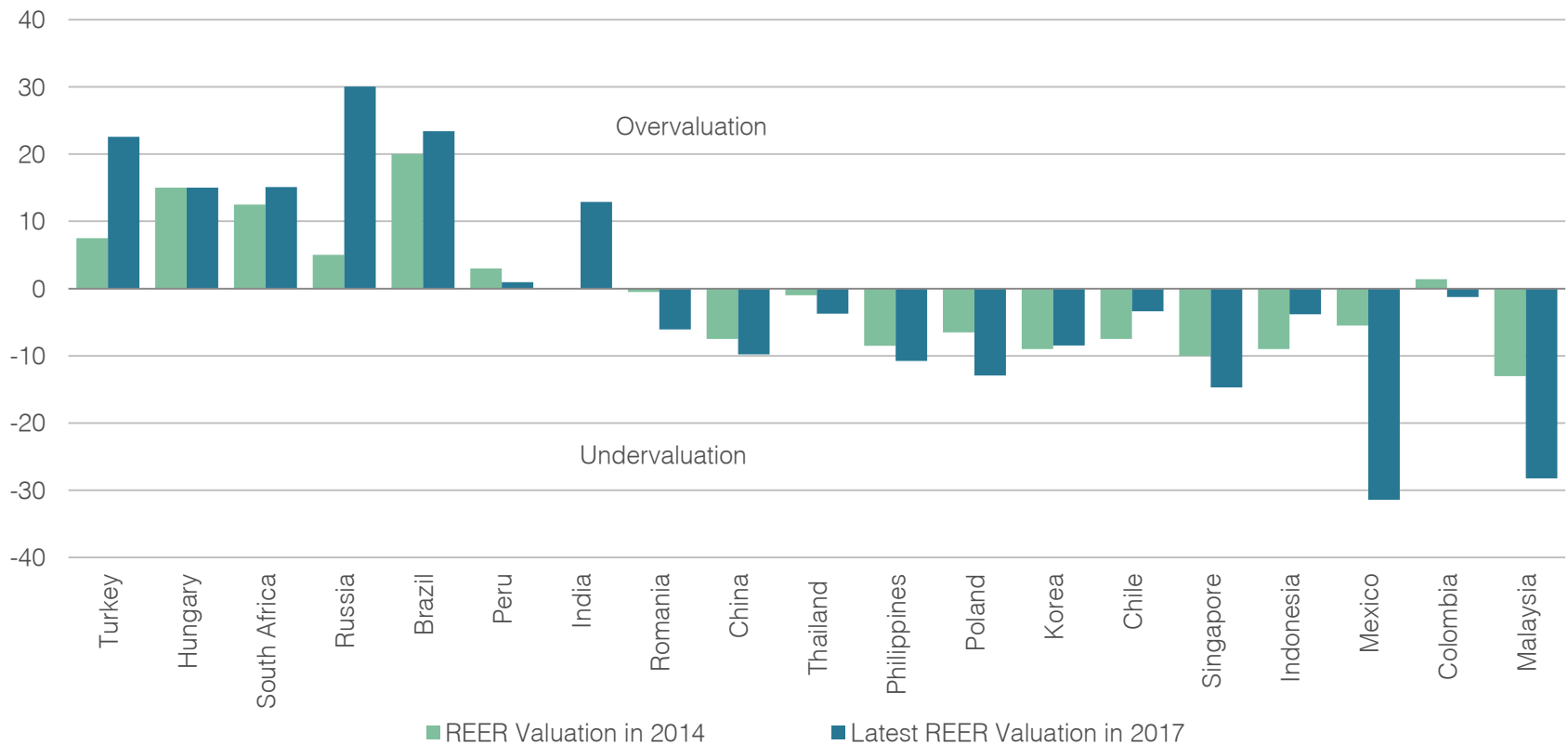


For Past performance is not an indicator or a guarantee of future performance. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Source: J.P. Morgan Chase & Co.

But great dispersion exists in respect to valuations

Emerging Markets: Real Effective Exchange Rate (REER) Valuation Change between 2014 and January 2017



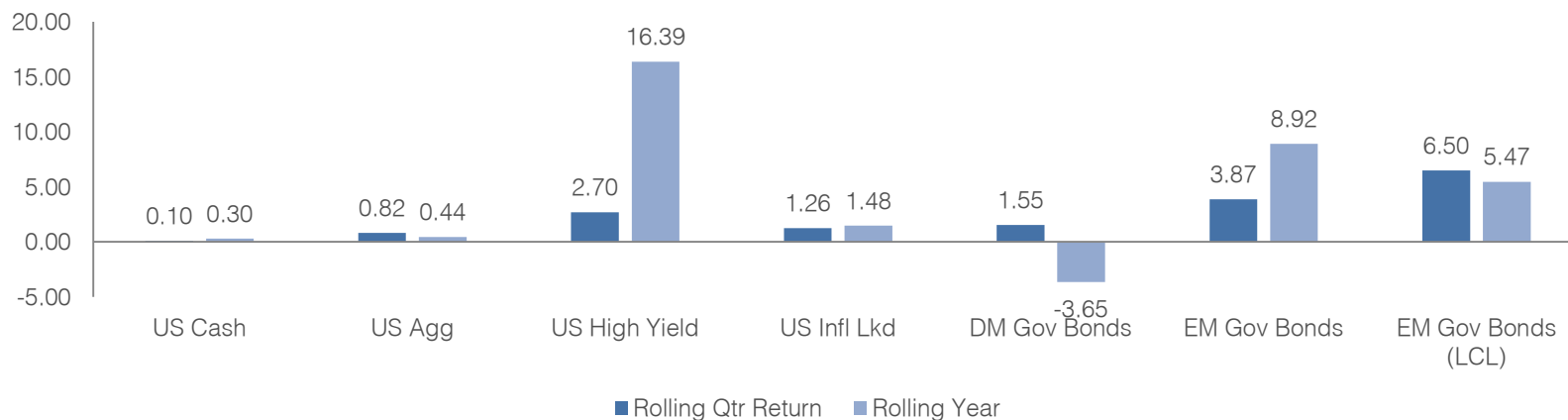
1. REER Valuation 2014 data supplied by International Monetary Fund (IMF). Source: The 2015 External Sector Report—Individual Economy Assessments prepared by IMF staff and completed on 26 June 2015 and published on 27 July 2015.

2. REER Valuation 2017 data supplied by Bloomberg. Source: Bank for International Settlements.

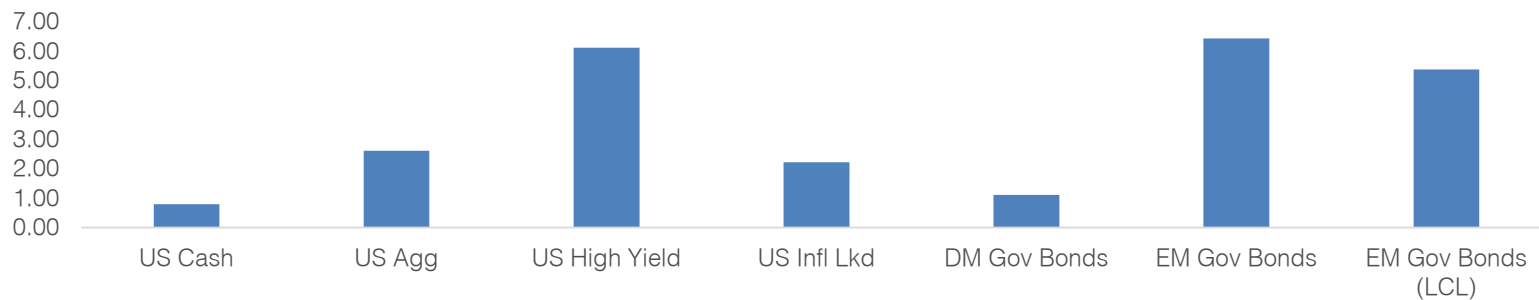
2016 Ended with a Thud for Most Bonds

US leveraged credit was the exception (US Dollar)

Fixed Income Market Summary (As of March 2017)



Current Yields (%) (As of April 2017)



Source: Morningstar for rolling Qtr return and rolling year turns. Current Yields - Barclays Bloomberg, J.P. Morgan Securities, Citi Group directly. Notes: Asset class represented by Bloomberg Barclays US Treasury Bill 1-3 Month index (US Cash), Bloomberg Barclays US Aggregate Bonds Index (US Agg), Bloomberg Barclays US Corporate High Yield Bond Index (US High Yield), Bloomberg Barclays US Treasury Inflation Protected Securities index (US Infl Lkd), Citi World Government Bond Index (DM Gov Bonds), JP Morgan EM Bond Global Diversified Index (EM Gov Bonds), JP Morgan Government Bond Index Emerging Markets (EM Gov Bonds LCL)

The US Bond Market has experienced heavy prices losses in the final quarter of 2016, after a very long bull run

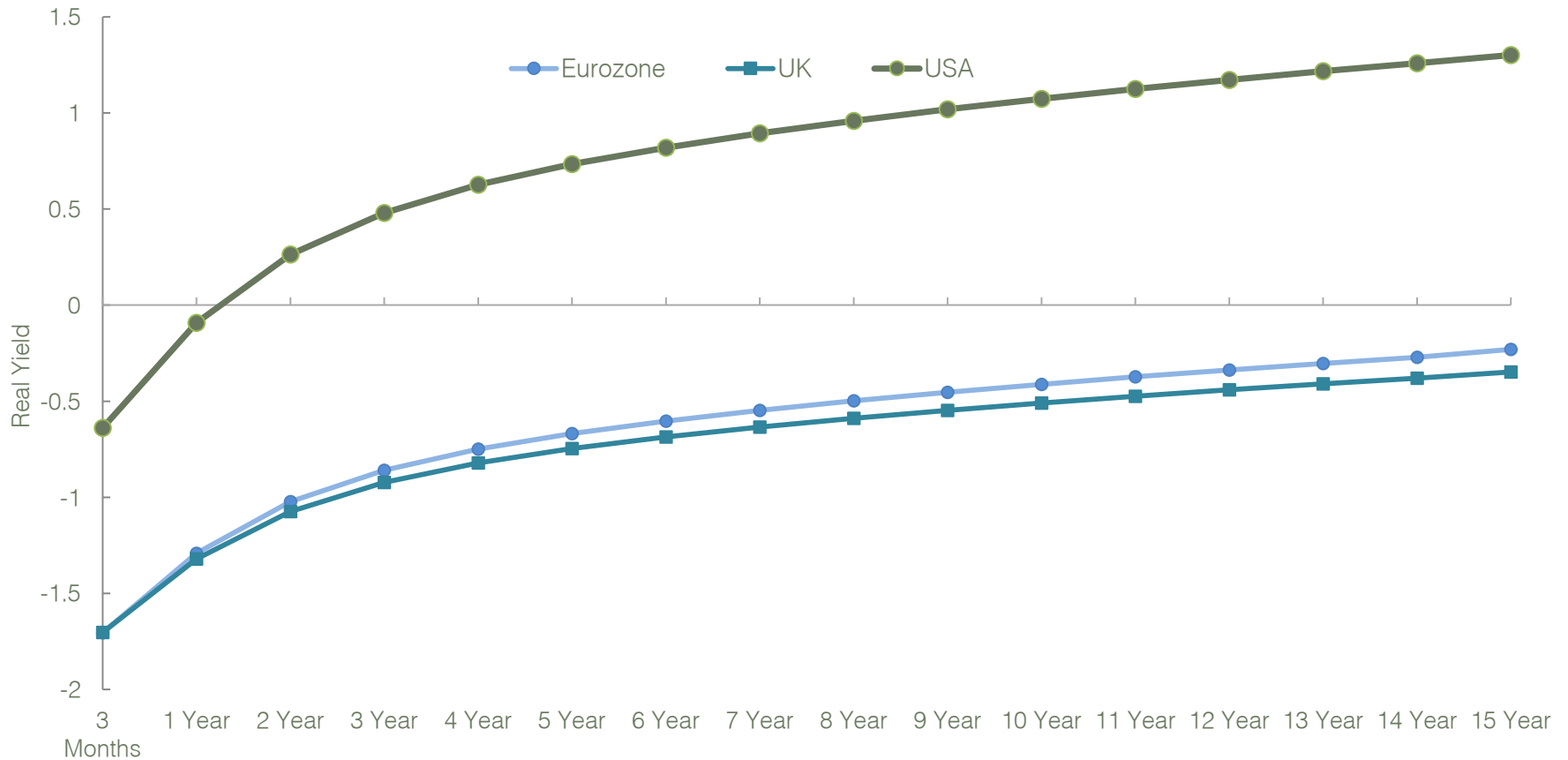
10-Year Treasury Constant Maturity Rate (Jan 1987 – April 2017)



Source: Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DGS10>

UK and Europe bond investors are expecting negative real yields for 15 years

Current real yield curves of USA, UK & Eurozone (As at March 2017)

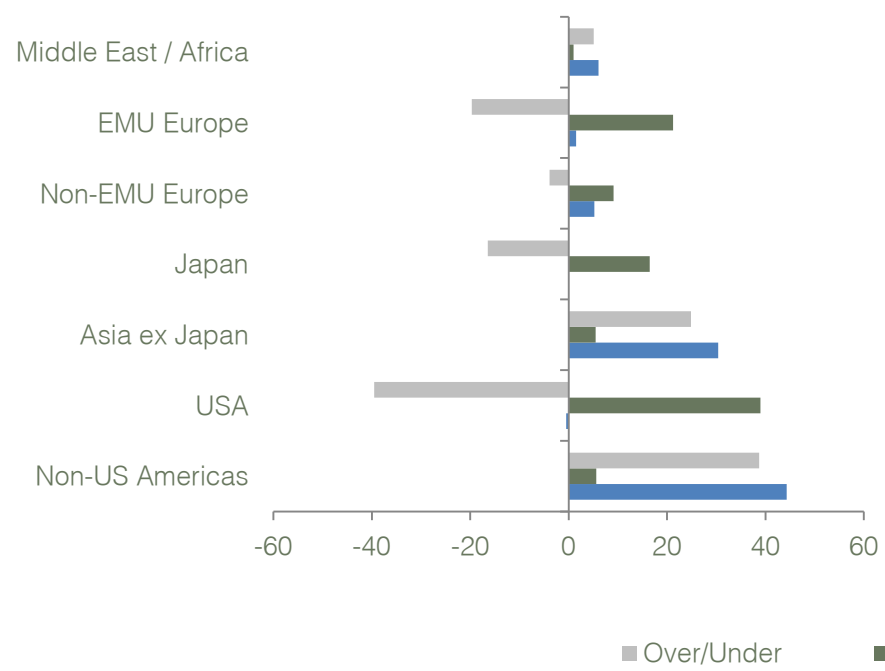


Source: These expected returns are calculated by Research Affiliates LLC using data provided by Bloomberg. Real yield curves are estimated based on average historical 3 year inflation by country. Yield tenors not empirically available are interpolated from adjacent tenors.

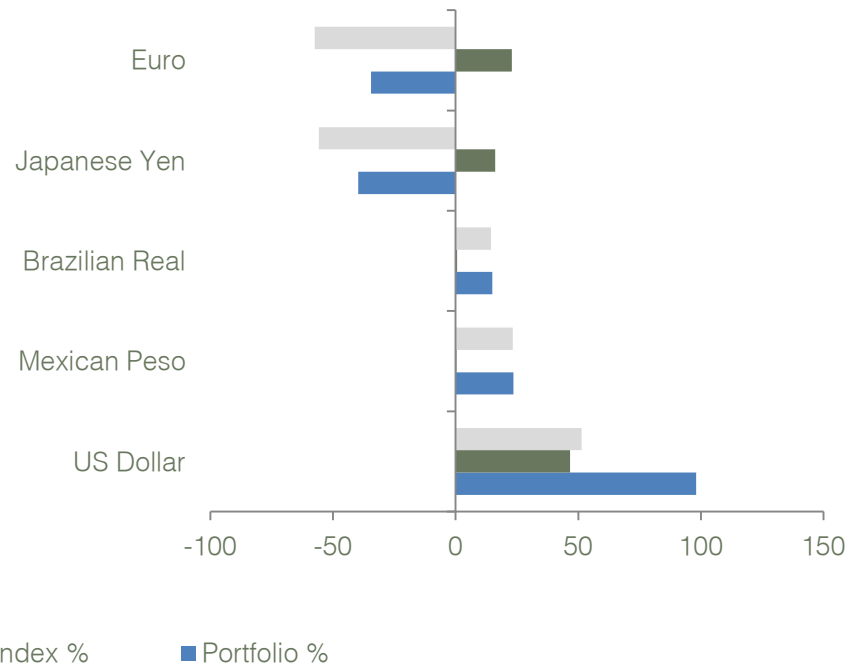


Templeton Global Total Return Fund vs. Bloomberg Barclays Multiverse Index (As of March 2017)

Geographical Allocation



Currency Allocation (Top 5 Relative Weights)



Source: Templeton Global Total Return Fund - A (Mdis) USD.

Figures reflect certain derivatives held in the portfolio (or their underlying reference assets). Information is historical and may not reflect current or future portfolio characteristics.

Equity and Commodity Update

Commodities

First Quarter 2017 Index Returns

The Bloomberg Commodity Index Total Return declined 2.33% during the first quarter of 2017.

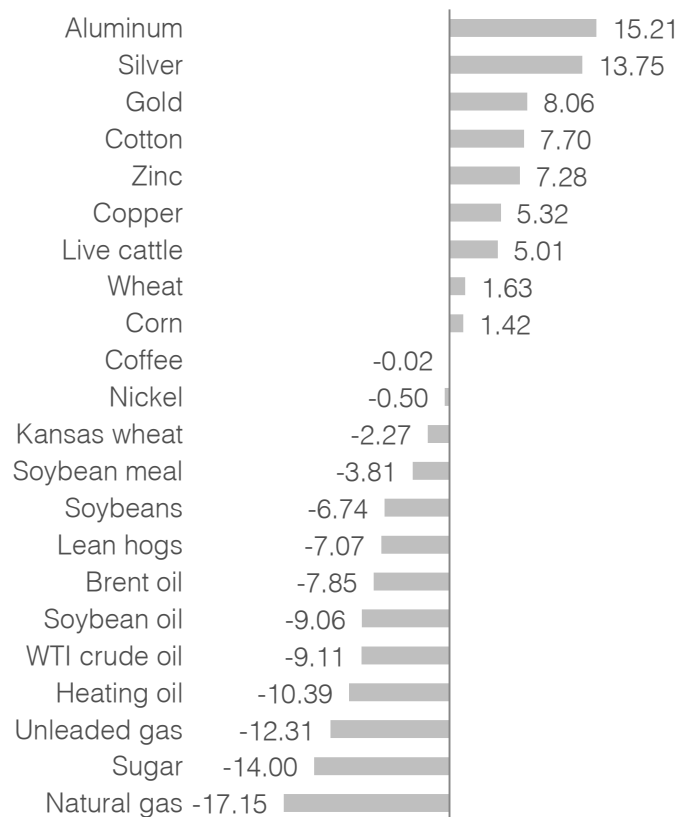
The industrial and precious metals complexes were the top performers. Aluminum gained 15.21%, silver rose 13.75%, and gold climbed 8.06%.

Energy was the worst-performing complex. Natural gas declined 17.15%, while unleaded gas fell 12.31%. Heating oil declined 10.39%, and WTI crude oil fell 9.11%.

Asset Class	Period Returns (%)			
	1 Year	3 Years*	5 Years*	10 Years*
Commodities	8.71	-13.91	-9.54	-6.22

* Annualized

Ranked Returns for Individual Commodities (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.

The oil market is settling down after rollercoaster prices moves over the last 10 years...

Spot Crude Oil Price: West Texas Intermediate (WTI) (Jan 2007 – March 2017)



Source: Federal Reserve Bank of St. Louis, Spot Crude Oil Price: West Texas Intermediate (WTI) [WTISPLC], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WTISPLC>

US Stocks

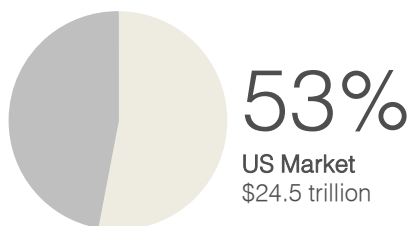
First Quarter 2017 Index Returns

The broad US equity market recorded positive absolute performance for the quarter.

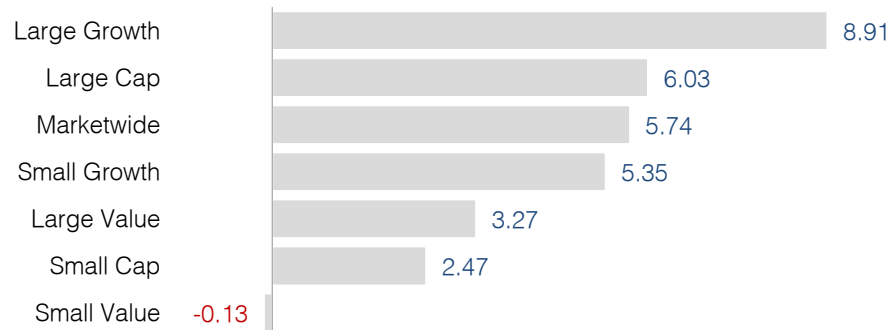
Value underperformed growth indices across all size ranges.

Small caps underperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	18.07	9.76	13.18	7.54
Large Cap	17.43	9.99	13.26	7.58
Large Cap Value	19.22	8.67	13.13	5.93
Large Cap Growth	15.76	11.27	13.32	9.13
Small Cap	26.22	7.22	12.35	7.12
Small Cap Value	29.37	7.62	12.54	6.09
Small Cap Growth	23.03	6.72	12.10	8.05

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved.

International Developed Stocks

First Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed the US equity market but underperformed emerging markets indices during the quarter.

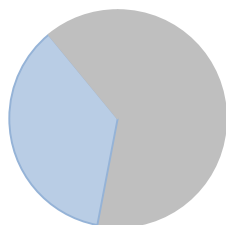
Small caps outperformed large caps in non-US developed markets.

The value effect was negative across all size ranges in non-US developed markets.

World Market Capitalization—International Developed

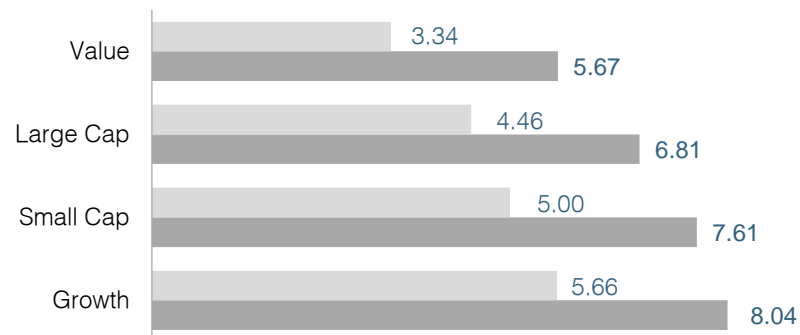
36%

International
Developed
Market
\$16.7 trillion



Ranked Returns (%)

■ Local currency ■ US currency



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.93	0.35	5.38	1.13
Small Cap	11.58	2.70	7.78	2.72
Value	16.46	-0.67	5.19	0.31
Growth	7.47	1.27	5.48	1.87

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2017, all rights reserved.

Emerging Markets Stocks

First Quarter 2017 Index Returns

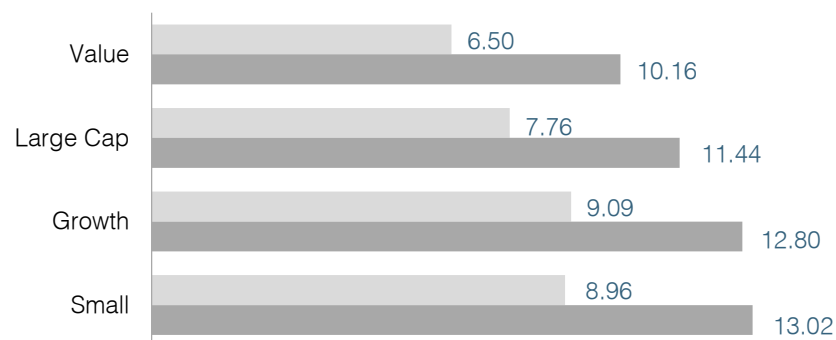
In US dollar terms, developed markets outperformed the US equity market but underperformed emerging markets indices during the quarter.

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Ranked Returns (%)

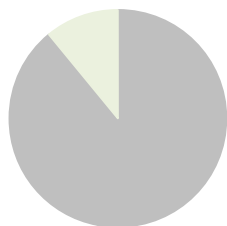
■ Local currency ■ US currency



World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$5.1 trillion



Period Returns (%)

* Annualized

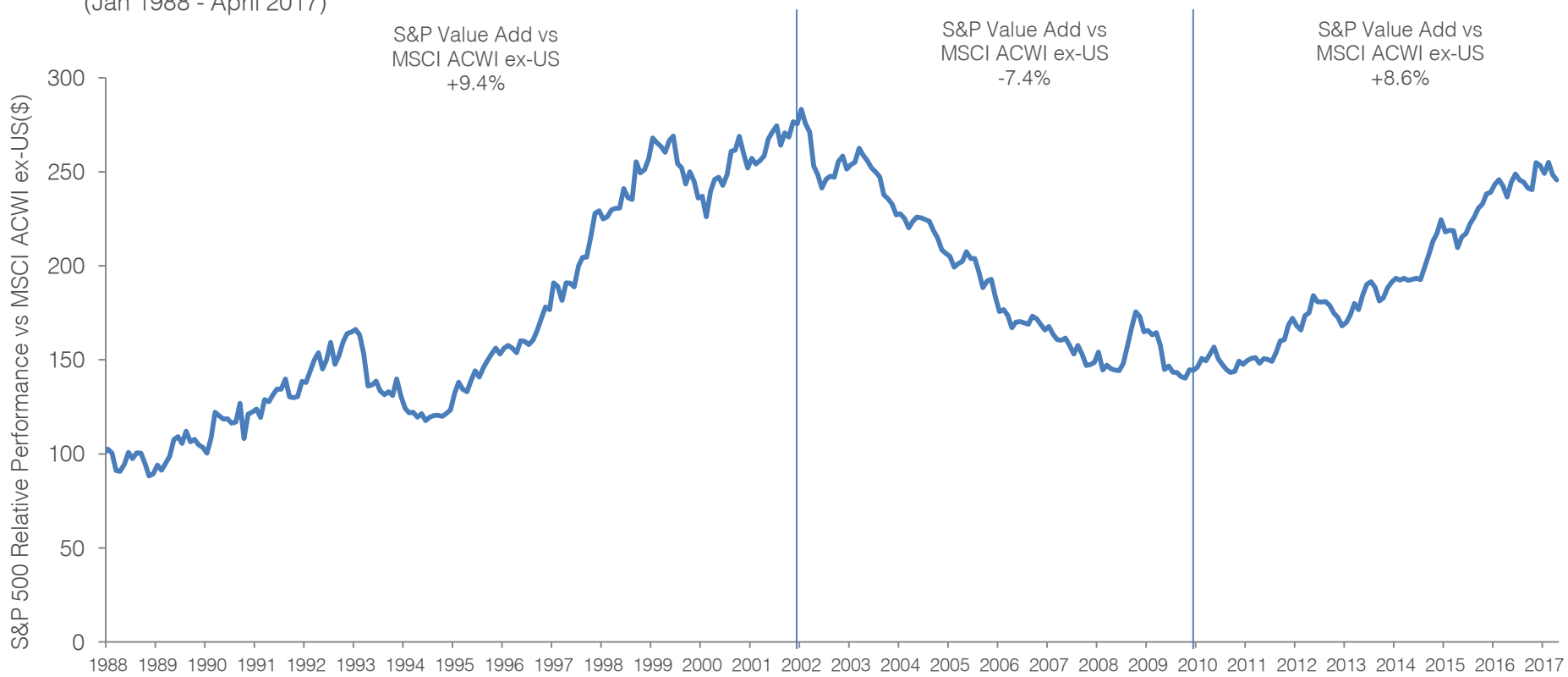
Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	17.21	1.18	0.81	2.72
Small Cap	14.49	1.66	2.87	3.92
Value	17.43	-0.10	-1.01	2.67
Growth	17.08	2.37	2.54	2.69

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US Equities have outperformed equities in the rest of the world significantly over recent years...

(Jan 1988 - April 2017)



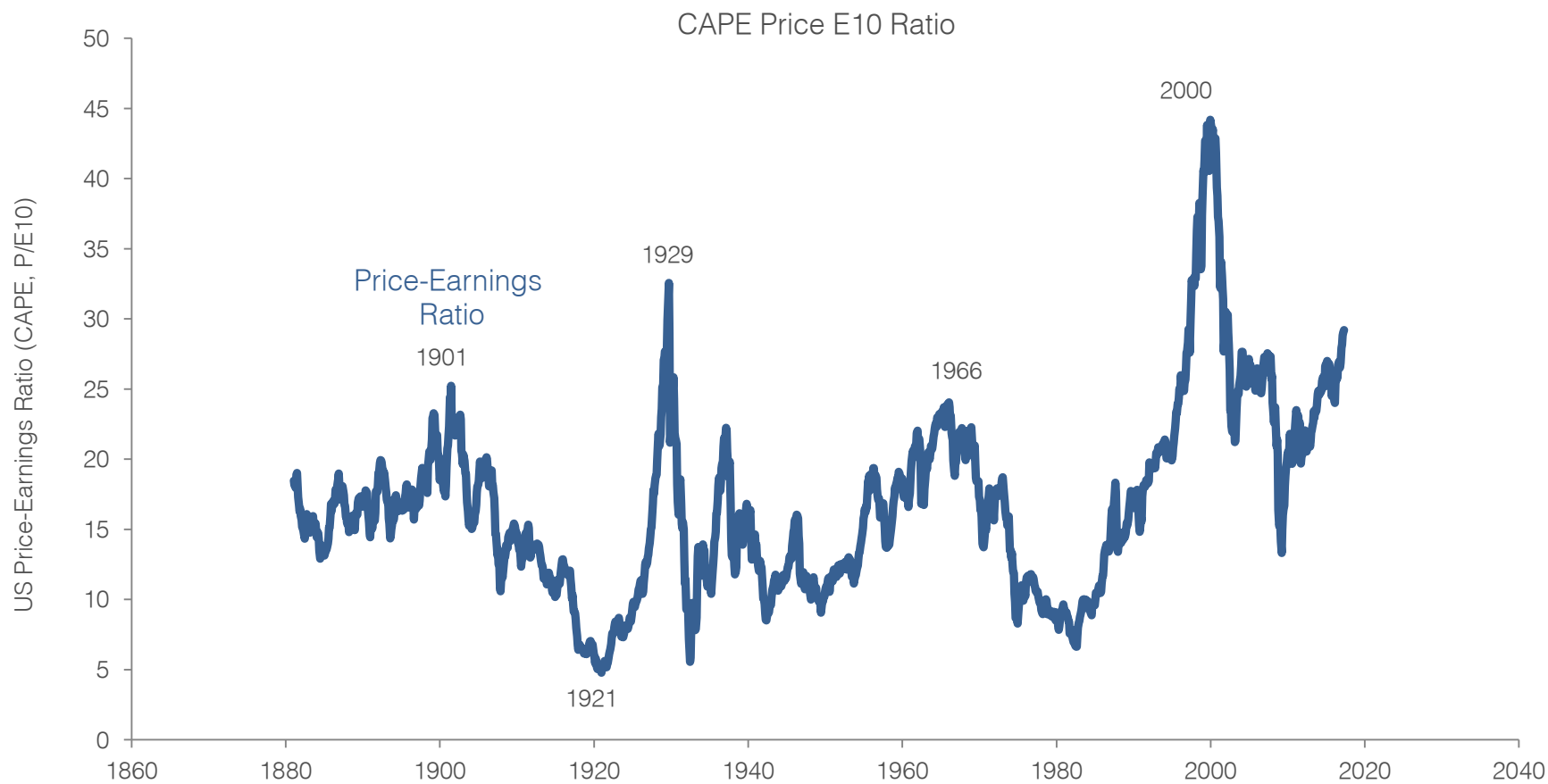
Jan 1988 – Dec 2001	Ann Rtn (%)
S&P 500	14.4
MSCI ACWI ex0US (N)	5.0

Jan 2002 – Dec 2009	Ann Rtn (%)
S&P 500	1.6
MSCI ACWI ex0US (N)	9.0

Jan 2010 - Present	Ann Rtn (%)
S&P 500	13.3
MSCI ACWI ex0US (N)	4.6

Source: Morningstar. Using S&P 500 Index vs MSCI ACWI ex USA Index. AR – Annualised Returns.

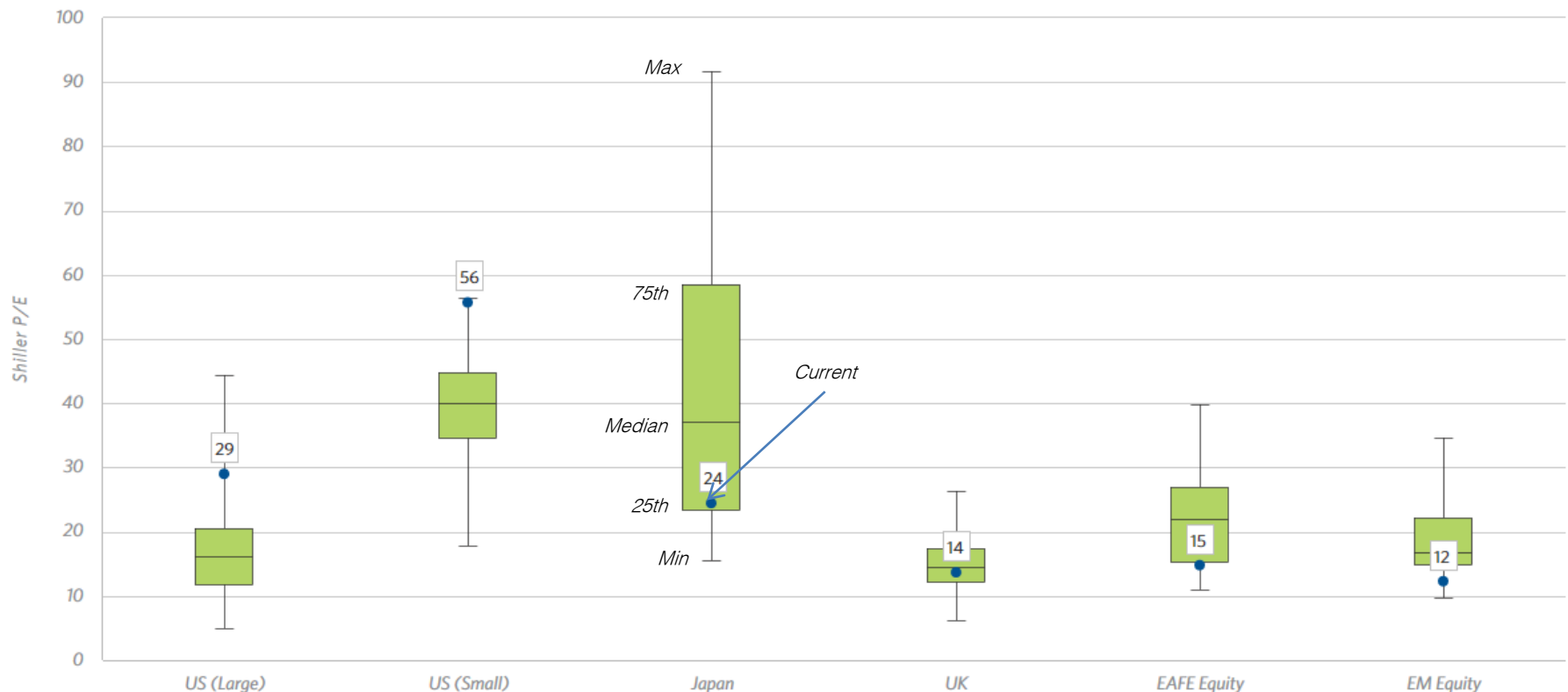
.. but they are expensive now versus its own history



Source: Yale University

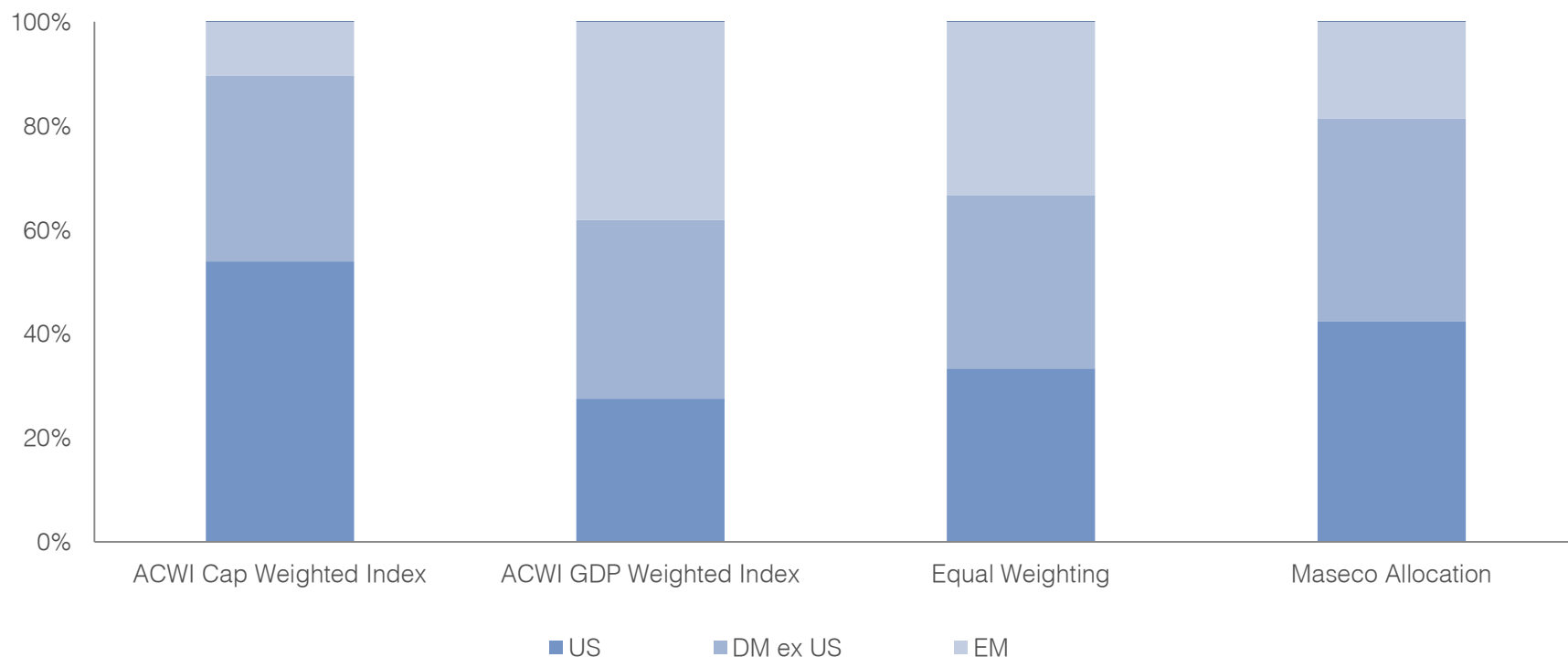
... and the US, particularly small cap, also looks expensive versus other markets, while emerging markets remain cheap despite strong returns in 2016

Shiller P/E of selected markets (April 2017)



Source: These expected returns are calculated by Research Affiliates LLC using data provided by MSCI Inc. and Bloomberg. The number shown on per region indicates the current P/E Schiller as per the date disclosed. The graph also indicates the Max Schiller P/E, the 75th percentile Schiller P/E, the Median Schiller P/E, the 25th percentile Schiller P/E, and the Minimum Schiller P/E per region, as illustrated for Japan's region.

MASECO regional allocations underweights overvalued regions, also resulting in more diversification



Source: Regional Allocations data from MSCI (ACWI Cap Weighted & ACWI GDP weighted), Equal Weighting is representative of an equal exposure across all regions, Maseco allocation shows current regional exposure in core models

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