

Featured Fund

LionGlobal All Seasons Fund

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The LionGlobal All Seasons Funds (Standard and Growth) were launched in 2018 to aim to help investors tide through all seasons of market volatility.

In view of the changing investment climate, we would like to highlight the tactical asset allocation adjustment that we will be making to the **LionGlobal All Seasons Fund (Standard)** and **LionGlobal All Seasons Fund (Growth)** while maintaining diversification across asset classes and regions.

The structural disinflationary forces that were prevalent in recent decades have been shifting in an inflationary direction. These underlying trends emerged even before Covid-19 hit, but were accelerated by pandemic-related disruptions. We are witnessing a reversal of globalisation, where companies that have historically relied on the low operational costs in China, are looking to reshore and diversify their supply chains amidst growing geopolitical tensions and disruptions caused by COVID. This is further supported by China's weakening demographic trends, rising wages and environmental costs of decarbonisation, which suggest that it may not be able to maintain its manufacturing competitiveness in the long run. A lower population growth and a shrinking workforce in developed markets, along with tighter curbs on immigration have also led to a mismatch of skill sets and in turn led to a demand for higher wages. Globally, the rising wealth inequality has morphed into populist and progressive policies that seek to raise the minimum wages for the lower income workers. In addition to the commodity price shock driven by the protracted Russia-Ukraine war, the sanctions placed on Russian exports is likely to last for a long time if we take the example of Iran, which has been under US sanctions for more than 40 years. Therefore, companies globally are likely to be faced with a rising cost structure and the longer-term inflation outlook is skewed to the upside.

Historically, commodities are good diversifiers to hedge in an inflationary environment. Global supplies of oil and metals are likely to remain tight, exacerbated by the war in Ukraine and sanctions against Russia. On the other hand, demand remains resilient on the back of the post-pandemic economic reopening and ongoing recovery in Chinese demand. As a result, prices are likely to remain higher for longer, and thus the fund will seek to add exposure to commodities to combat the stubbornly high global inflation.

Following the growth-focused equity market dominance over the past decade, we are also seeing a revival in value. There are numerous crosscurrents facing markets today including elevated inflation, tightening monetary policy and growing downside growth concerns. These conditions have pushed equity markets into increasingly defensive plays, with sectors such as energy, materials and healthcare outperforming their growth counterparts since the start of the year. As markets brace for stagflation or a potential recession, this rotation is expected to continue, with value holding onto its lead. Furthermore, the valuation gap between growth and value remains historically stretched, in favor of the latter. In particular, defensive value stocks with stable earnings and cash flows, and high dividend yields are poised for sustained outperformance against the backdrop of rising rates and persistently high inflation. Therefore, the **LionGlobal All Seasons Fund (Standard)** and **LionGlobal All Seasons Fund (Growth)** may rebalance part of its exposure towards value to capitalise on the value spread.

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