This strategy change is a relative shift across several equity market exposures in response to the change in relative valuation opportunities. More specifically, we increased Sweden equity, France equity, and U.S. value equity exposure, while at the same time, decreased global energy sector and Brazil equity. In all instances, this change moves strategy closer to equity market and/or relative equity sector signals.

29 March 2022: Increasing Japanese yen (JPY) and decreasing Chinese yuan (CNY)

This strategy change is in line with valuation signals. JPY has depreciated significantly in 2022, particularly in March as it has faced various non-valuation headwinds. The most significant of these concerns expectations of monetary policy in Japan compared to most of the developed and emerging world (though not compared to Asia). Inflation has risen substantially in many countries such that they have raised interest rates already and/or are expected to continue to do so, while the Bank of Japan has signaled that tightening is not imminent in Japan (where inflation remains below the central bank's target). While this explains JPY weakness against most currencies, it is less of a headwind versus CNY since inflation in China is similarly low and the central bank remains easy. In addition, Japan is an energy importer and accordingly faces an adverse growth influence from higher energy prices that have recently been exacerbated by Russia's was against Ukraine. Again, this is also the situation for China. We anticipate that the headwinds for JPY are now reflected in its price, and do not in any case justify JPY weakening against CNY. A negative impact on CNY may yet arise from China's stringent "zero Covid" policy under which the authorities have implemented rapid and sweeping lockdowns across the country in response to Covid outbreaks. This policy, which shows no sign of ending, is unique to China and is likely to be a drag on China's economic growth. China may therefore be willing to tolerate, or even assist, CNY depreciation to offset this.

Glossary - Terms

Beta: A quantitative measure of the volatility of the portfolio relative to the overall market, represented by a comparable benchmark. A beta greater than 1 is more volatile than the overall market, while a beta less than 1 is less volatile, and could be expected to rise and fall more slowly than the market.

Risk (Standard Deviation): A measure of the portfolio's risk. A higher standard deviation represents a greater dispersion of returns, and thus a greater amount of risk. The annualized standard deviation is calculated using monthly returns.

Sharpe Ratio: A risk-adjusted measure calculated using standard deviation and excess return (Portfolio return – Risk Free Rate) to determine reward per unit of risk. The higher the Sharpe ratio, the better the portfolio's historic risk-adjusted performance.