2021 Annual Outlook

New Economic Cycle, New Opportunities

Asia Pacific Wealth Management – January 2021

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Market Performance

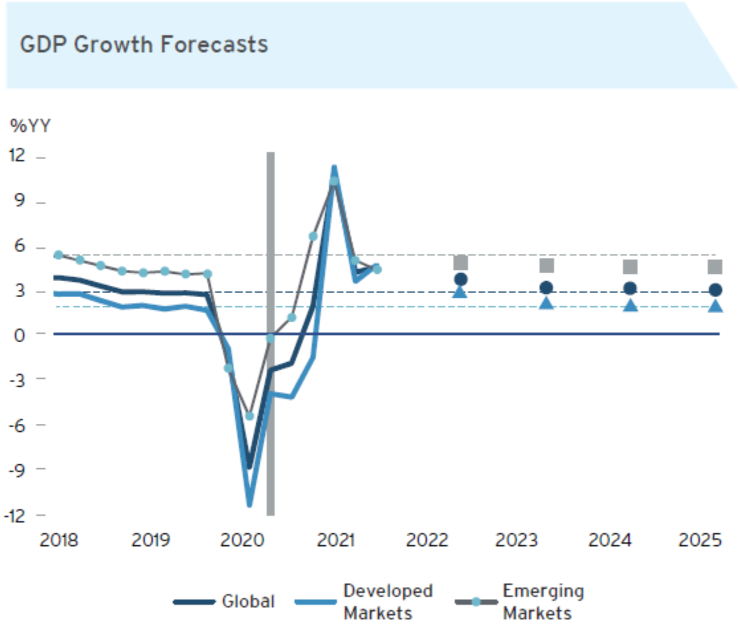
Market Performance

Market Index	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Global Equities	12.7%	4.2%	0.7%	8.7%	28.4%	-20.9%	19.6%	8.1%	14.1%	16.5%
US	13.6%	4.3%	1.7%	9.1%	31.5%	-19.6%	20.5%	8.9%	12.1%	18.4%
Europe	13.3%	3.4%	2.7%	6.2%	27.7%	-22.5%	13.9%	0.7%	10.9%	-1.4%
Asia	11.4%	-0.6%	-4.4%	11.6%	18.2%	-18.4%	16.7%	10.8%	18.5%	25.2%
Japan	6.8%	0.5%	3.0%	8.9%	20.7%	-19.3%	18.0%	4.8%	18.5%	18.2%
China H	12.4%	-2.1%	-5.0%	9.5%	14.5%	-14.1%	3.7%	-1.9%	14.3%	0.0%
China A	28.7%	-0.1%	0.8%	7.4%	39.2%	-10.0%	14.2%	11.2%	13.7%	29.9%
Emerging Markets	9.9%	0.7%	-4.2%	11.7%	18.6%	-23.6%	18.1%	9.7%	19.6%	18.5%
Global IG Bonds	2.3%	3.2%	0.8%	0.3%	6.8%	0.3%	3.3%	2.7%	2.9%	9.5%
Global HY Bonds	7.4%	2.2%	1.0%	2.8%	14.1%	-13.1%	9.5%	4.9%	6.4%	6.3%
EM Sovereigns	6.1%	4.4%	1.3%	2.2%	14.9%	-13.0%	12.0%	2.3%	5.8%	5.4%
Gold	0.8%	9.1%	4.5%	3.0%	18.3%	3.9%	12.9%	5.9%	0.7%	25.1%
Oil (Brent)	27.1%	-2.7%	-8.7%	8.6%	22.7%	-65.5%	81.0%	-0.5%	26.5%	-21.5%
Dollar Index	1.2%	-1.2%	3.4%	-3.0%	0.2%	2.8%	-1.7%	-3.6%	-4.2%	-6.7%

Source: Bloomberg. As of 31 December 2020.

Returns for Europe and Japan are in local currency.

The New Economic Cycle



- Citi analysts' forecasts:

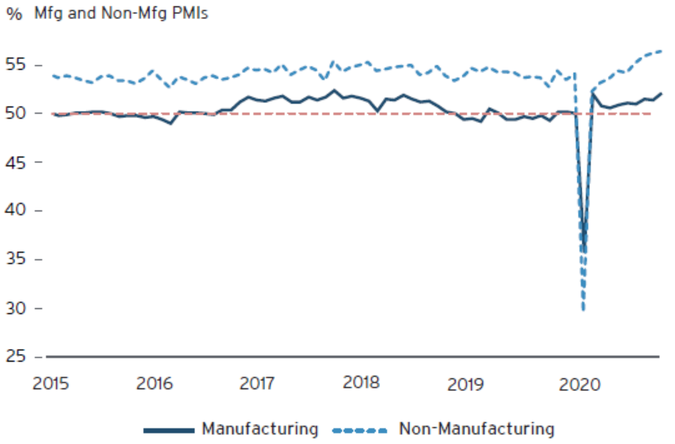
Global	2020F	2021F
GDP Growth	-3.7%	5.0%
Inflation	1.9%	2.2%

- Citi analysts expect that the new economic cycle that has already started could strengthen.
- Developed Market (DM) economies may grow 4.1% in 2021 while Emerging Market (EM) economies could rebound 6.2%.

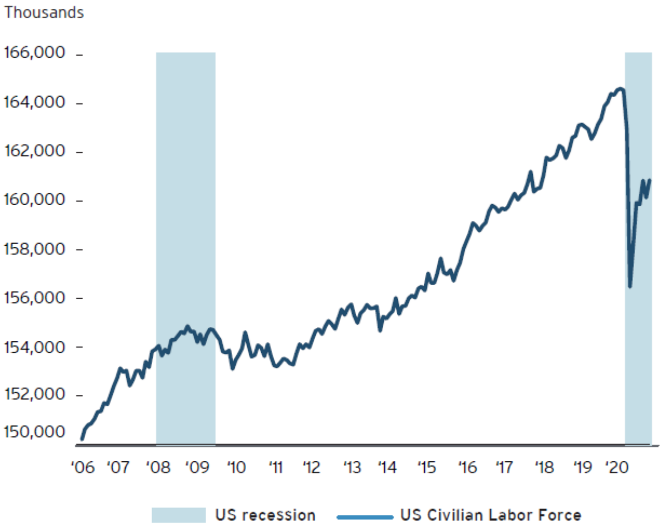
Source: Citi Research. As of 7 December 2020.
Note: At market exchange rates. Dashed lines are respective long-term averages (2000-2019).

What Can Be Gained in a Post COVID-19 Economy?

China's Rebound in Manufacturing and Non-Manufacturing Purchasing Managers' Indices



US Labor Force

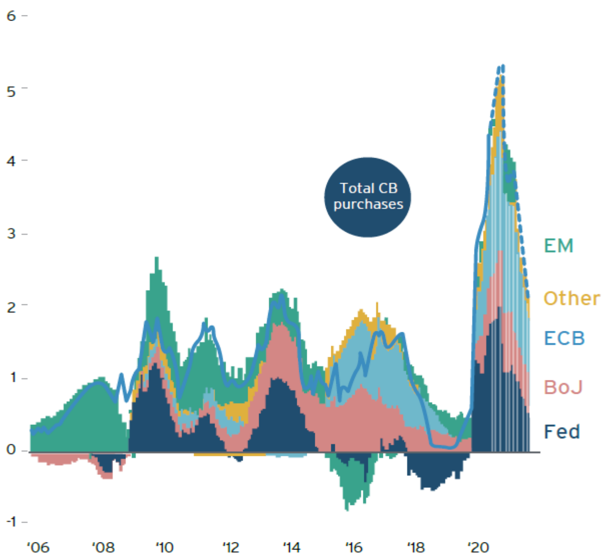


Source: Citi Research. As of 30 November 2020.

Source: Citi Private Bank. As of 19 November 2020.

Central Banks and Stimulus

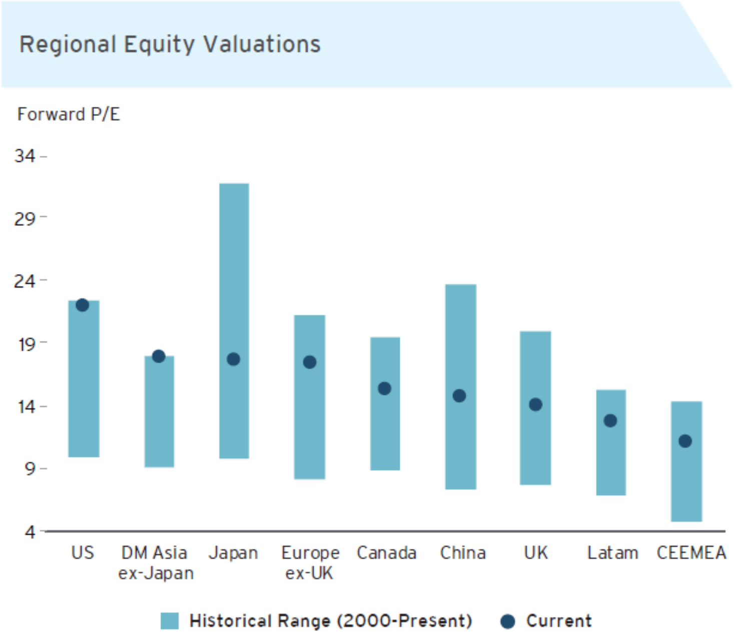
Global Central Bank Net Securities Purchases ($tn), Rolling 12 months



Source: Citi Research. As of 1 December 2020.

- Central bank support has been a crucial offset to the pandemic-induced economic challenges as well as financial markets.
- Many central banks quickly provided highly accommodative monetary policy.
- Global fiscal measures amount to around US$12 trn, close to 12% of GDP, but remains necessary to promote a post-pandemic recovery.

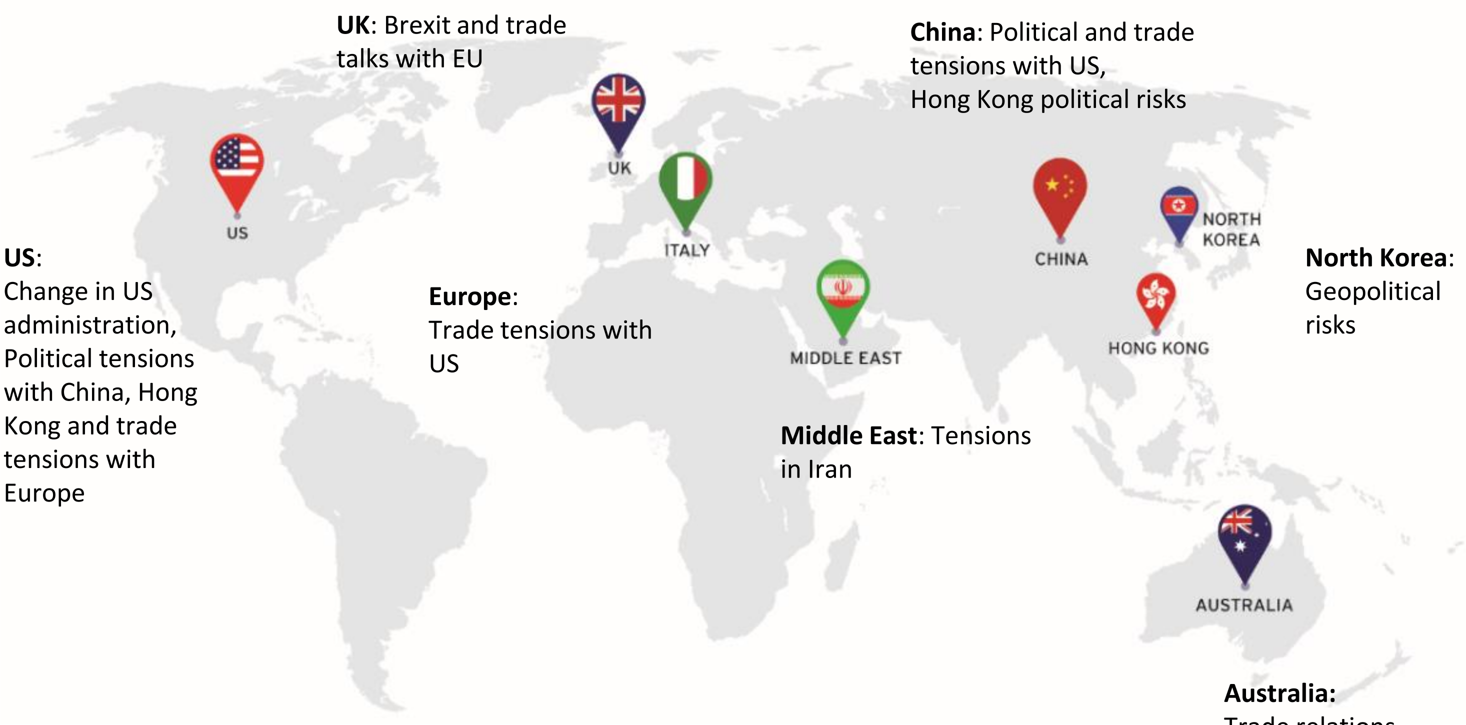
Regional Markets Could Catch up to US and China



Source: Citi Private Bank. As of 19 November 2020.

- US and China are the largest equity markets to have seen strong gains on tech-sector leadership in 2020.
- With a recovery from the pandemic, other regional markets are expected to catch up. EM equities could also benefit from depressed US interest rates and expected USD declines.
- Europe and South-East Asia could be major beneficiaries of a return to trade normalcy and their markets lag relative to China’s.

Political Tensions



UK: Brexit and trade talks with EU

China: Political and trade tensions with US,
Hong Kong political risks

US:
Change in US administration, Political tensions with China, Hong Kong and trade tensions with Europe

Europe:
Trade tensions with US

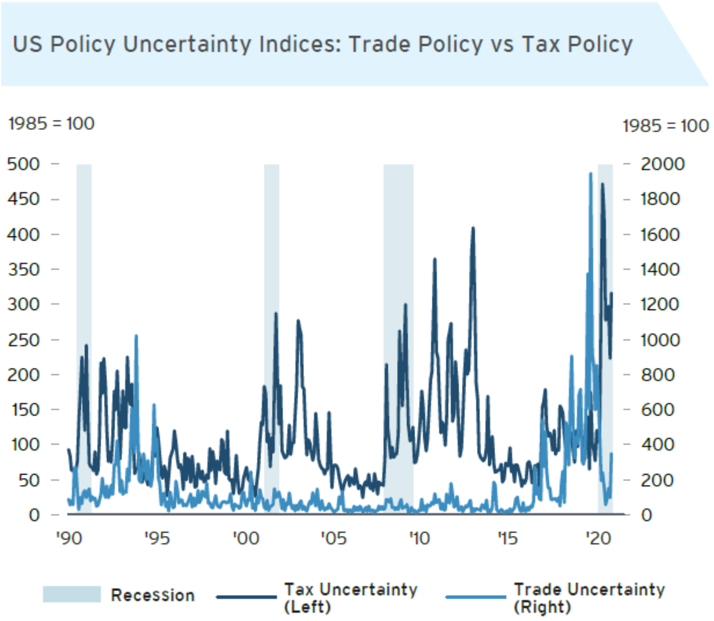
North Korea:
Geopolitical risks

Middle East: Tensions in Iran

Australia:
Trade relations with China

Source: Citi Research and Citi Private Bank.

Trade Policy Fears Could Abate

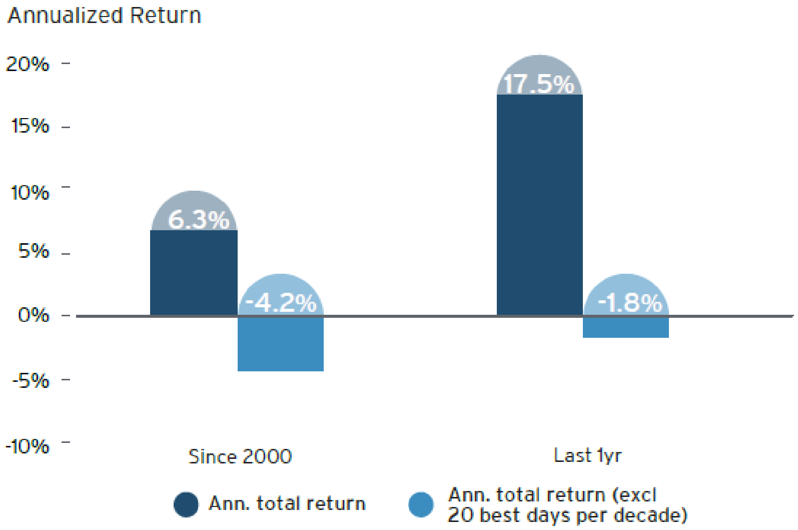


Source: Citi Private Bank. As of 19 November 2020.

- Under a Biden-administration, US foreign policy is likely to enter a more predictable phase without escalating tariff threats.
- However, domestic tax policy uncertainty may stay somewhat elevated.

Navigate Potential Volatilities and Avoid Market Timing

S&P 500 Total Return, Return Missing 20 Best Days Per Decade, Return Missing Best 2 Days of Past Year



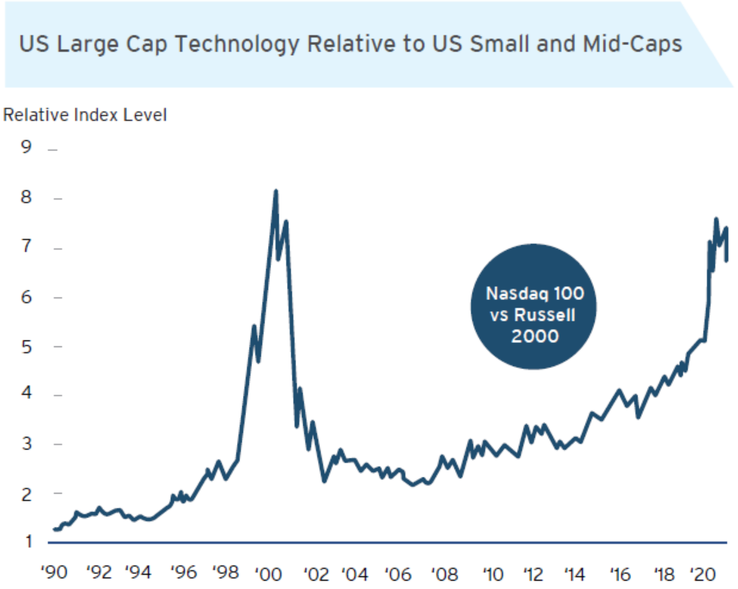
Source: Citi Private Bank. As of 25 October 2020.

- Markets could remain volatile as optimism for 2021 could be tempered by realities such as the winter impact of COVID-19.
- Avoid timing the market – entry points are less important that being exposed to markets, especially at the beginning of a New Economic Cycle.

Investment Themes

Themes	Strategies
1. Renew Your Portfolio in the New Economic Cycle	• Short-term recovery plays: Global Small and Mid-Caps, Cyclicals • Long-term “Unstoppable Trends”: Rise of Asia, Increasing Longevity, Digital Disruption • New Unstoppable Theme: New Energy
2. Recycle: The Power of Investing with Purpose	• ESG and Climate Change
3. Rebalance to Drive Yields	• US High Yield and Emerging Market Debt • Dividend Yielding Equities • Real Estate Investment Trusts (REITs)
4. Position for Extended USD Weakness, Stronger RMB and Ultra-Low Yields Amidst a Positive Risk Backdrop	• Yield differentials may favor EUR, GBP, Gold • RMB proxies such as EUR, SGD, and Commodity FX (AUD, NZD) may benefit from China’s recovery

1. Renew Your Portfolio for the New Economic Cycle: Short-term Recovery – Global Small & Mid-Caps

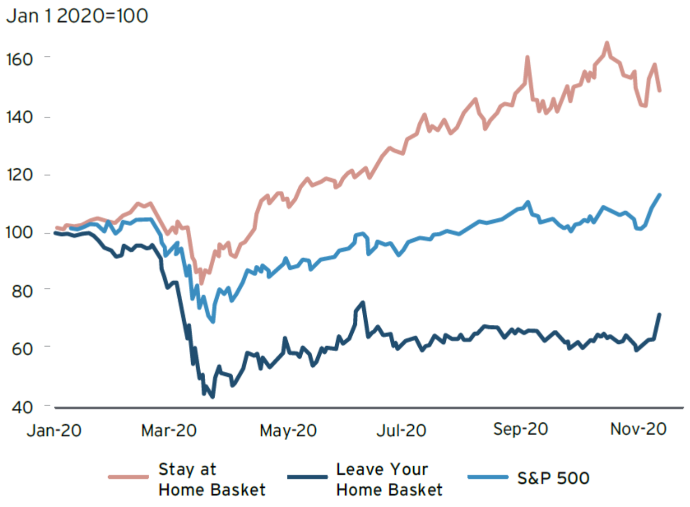


Source: Citi Private Bank. As of 20 November 2020.

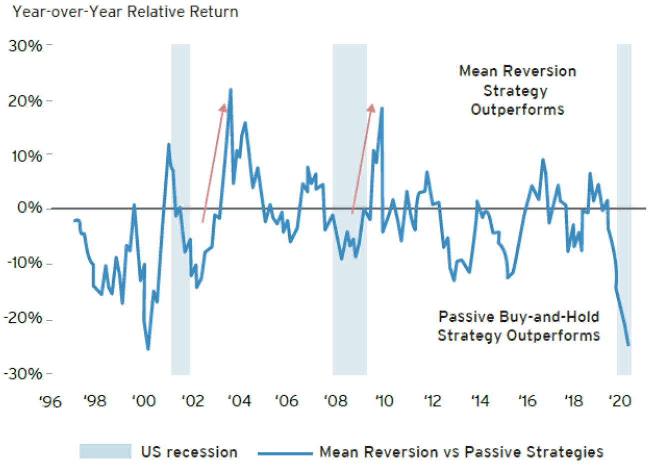
- The strongest outperformance of small and medium-sized companies typically occurs early in an economic recovery cycle.
- Around the globe, small- and mid-size companies are still generally undervalued.
- US small-cap sector has underperformed relative to the US large cap tech sector, but the gap is expected to close.

1. Renew Your Portfolio for the New Economic Cycle: Short-term Recovery – Cyclicals

US 'Stay at Home' vs 'Leave Your Home' Baskets and S&P 500

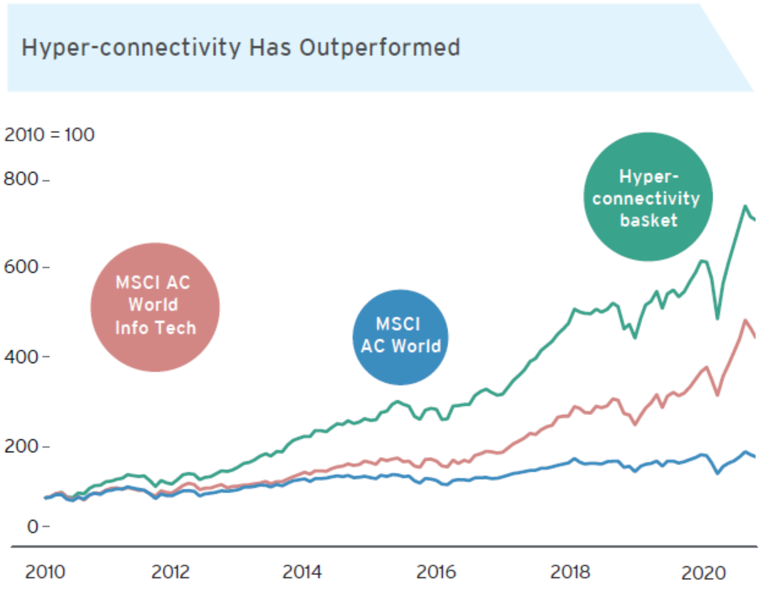


Mean Reversion Strategies Have Worked Around Cycle Transitions ("Buying Equities that Underperformed in the Prior Year")



Source: Citi Private Bank. As of 20 November 2020. Note: 'Stay at Home" basket includes names identified to benefit from COVID-19 related disruptions and a shift to working from home. 'Leave your Home' basket includes Citi Research buy and neutral related US names in the following sub-industries: Banks, Industrial Conglomerate, Machinery, Oil Gas & Consumable Fuel, Textiles Apparel & Luxury Goods, Energy Equipment & Services, Hotels Restaurants & Leisure, Building Products, Retail REITs, Construction & Engineering, Leisure Products, Airlines, Multiline Retail.

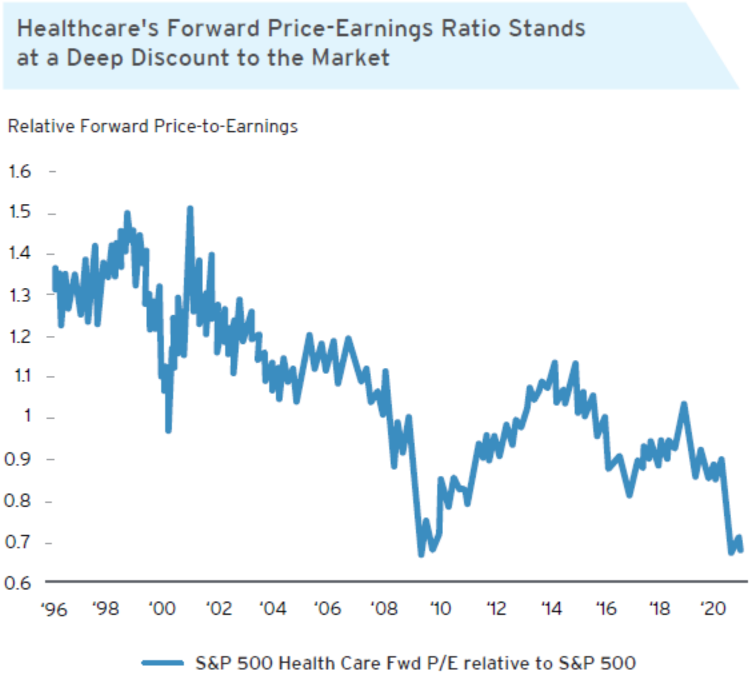
1. Renew Your Portfolio for the New Economic Cycle: Long-Term – Digital Disruption



Source: Citi Private Bank. As of December 2020. Note: Hyper-connectivity basket leverages Citi Research Theme Machine and includes companies with high exposure to the following categories: mobile network transition, data storage, cloud computing, internet of things, e-commerce, artificial intelligence, fintech, cyber security, wearable tech, smart mobile devices demand, virtual reality, automation/robotics.

- Even though the pandemic is likely to see its end in 2021, a fundamental collapse is not expected in the technology sector.
- With the full-scale rollout of 5G wireless data networks in 2021, Citi analysts think the age of hyper-connectivity is upon us.
- Other sectors like cyber security, fintech, artificial intelligence, data storage and Internet of Things (IOT) are also preferred.

1. Renew Your Portfolio for the New Economic Cycle: Long-Term – Increasing Longevity

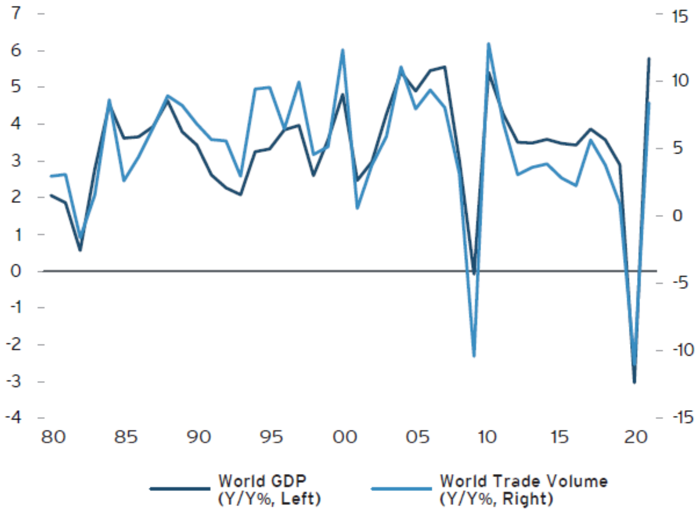


Source: Citi Private Bank. As of December 2020.

- Meeting healthcare needs of more elderly people may be a more pressing priority worldwide.
- As the population ages in the developed world, the spending habits of this cohort evolves, to the benefit of some companies, including healthcare.
- The healthcare sector is trading at more than a 20% discount to the broad US markets.

1. Renew Your Portfolio for the New Economic Cycle: Long-Term – Rise of Asia

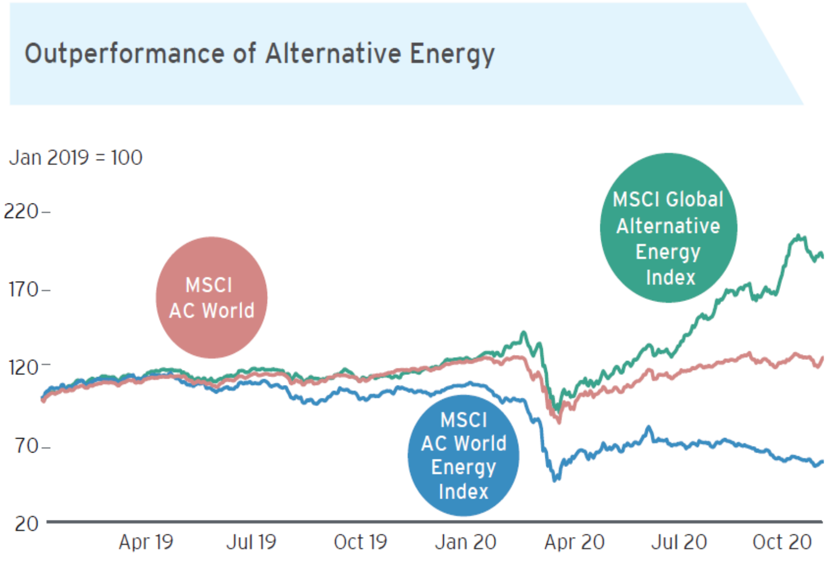
World GDP Growth and Global Trade Volumes: International Monetary Fund (IMF) Estimates of 2020 and 2021



Source: Citi Private Bank. As of 19 November 2020.

- Asia is set to account for the vast majority of growth of the world's middle class by 2030 (around 1.5 bln people in total). It may likely add a hundred cities with a population above 1 mln.
- Asia is also home to the world's largest free trade area set up in November 2020 - the Regional Comprehensive Economic Partnership (RCEP).

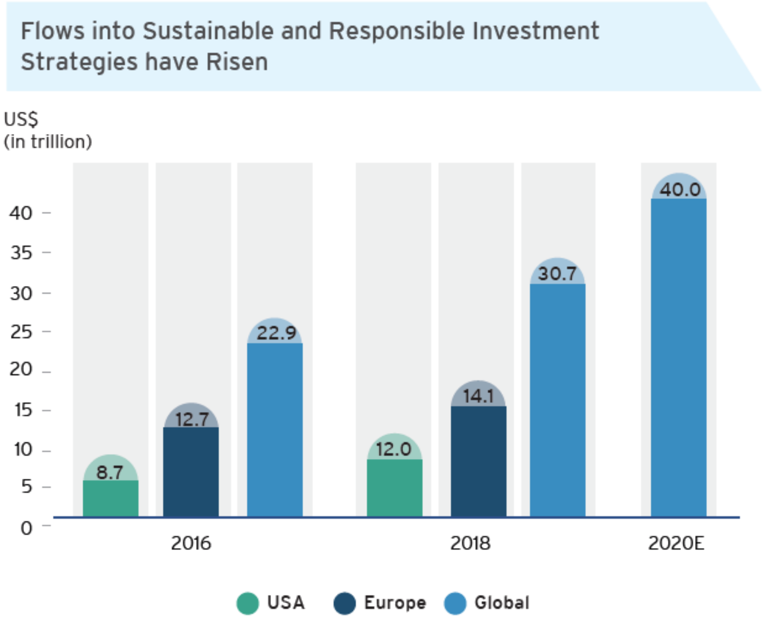
1. Renew Your Portfolio for the New Economic Cycle: Long-Term – New Energy



Source: Citi Private Bank. As of December 2020.

- In 2020, clean energy has become the cheapest new source of electricity in most of the world.
- The main winners from the transition to renewable energy sources are likely to be energy consumers, both households and companies.
- MSCI Global Alternative Energy Index has outperformed global equities in 2020 year-to-date.

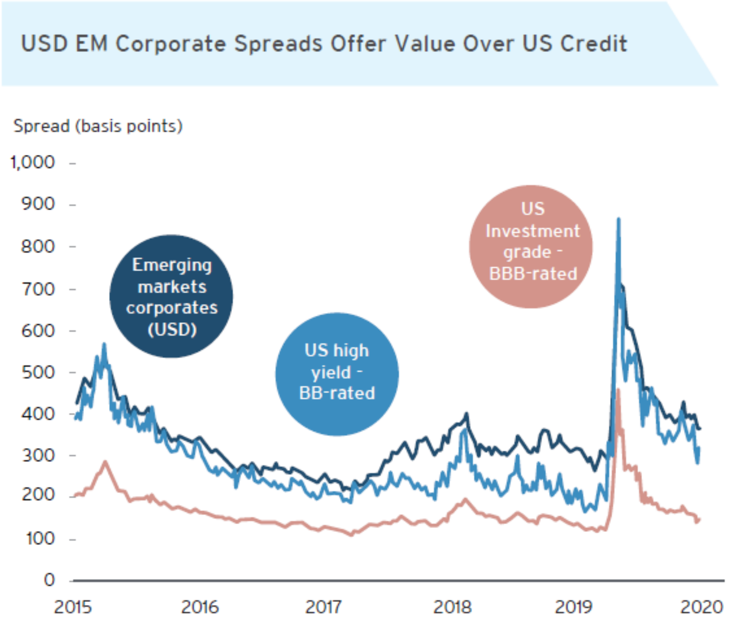
2. Recycle: The Power of Investing with Purpose



Source: Citi Research. As of 19 November 2020.

- Environmental, Social and Governance (ESG) investment opportunities and capital flows to sustainable investing investment strategies, funds, bonds have sharply risen in 2020.
- Climate change presents immediate and material systemic risks to the financial, environmental and societal health of the economy.

3. Rebalance to Drive Yields: US High Yield (HY) and Emerging Market (EM) Debt

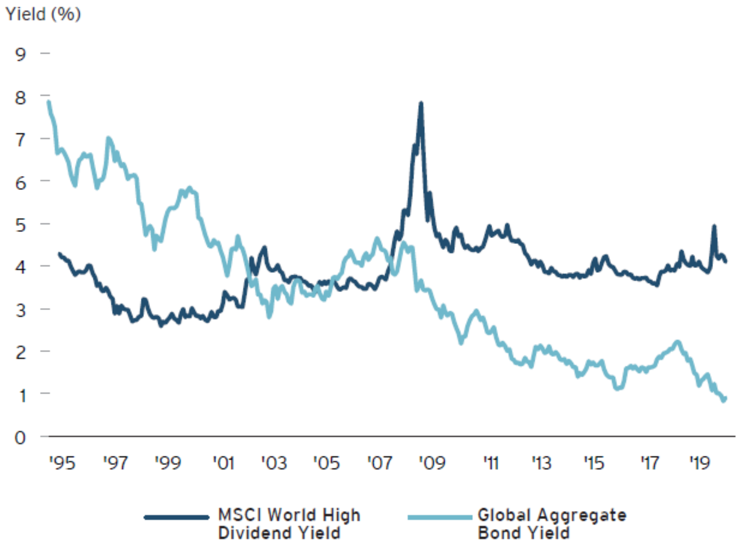


Source: Citi Private Bank. As of 20 November 2020.

- With structurally low interest rates, many fixed income investments could see diminished returns.
- Selective US HY bonds and EM Debt offer relative value. They could also be supported by recovery from the COVID-19 shock.
- Within HY, Citi analysts favor the “Fallen Angels”, or Investment Grade issuers that have been downgraded into HY.

3. Rebalance to Drive Yields: Dividend Yielding Equities

Global Bond Yield vs MSCI World Equity High Dividend Yield



Source: Citi Private Bank. As of 19 November 2020.

- The global aggregate bond yield has fallen to just over 1%.
- Equities are now the higher income generating asset with a dividend yield twice the global aggregate bond yield.
- Citi analysts prefer companies that have strong earnings prospects and a history of maintaining dividend payments.

3. Rebalance to Drive Yields: Real Estate Investment Trusts (REITs)

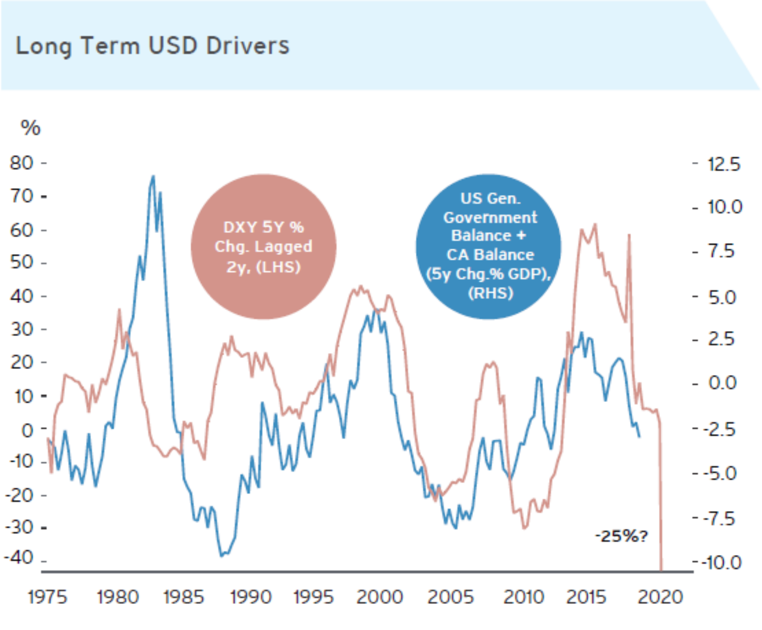
Performance of Equity REITs

Sub-Industry	Weight	Fwd Div. Yield	YTD Return	Return Since Jul. 1
Specialized REITs	25%	3.2%	18%	13%
Residential REITs	18%	3.1%	(7%)	12%
Industry REITs	14%	2.4%	18%	14%
Retail REITs	12%	5.1%	(24%)	14%
Health Care REITs	12%	4.6%	(9%)	22%
Office REITs	10%	3.8%	(17%)	8%
Diversified REITs	5%	4.4%	(12%)	19%
Hotel & Resorts REITs	4%	0.8%	(30%)	41%
S&P US REIT Index		**3.5%**	**-7.4%**	**13.3%**

Source: Citi Private Bank. As of 19 November 2020.

- REITs can offer diversified exposure to income-oriented assets.
- As the economy's landlord, the real estate sector is likely to continue to recovery alongside the global economy, while maintaining above-market dividends along the way.

4. Position for Extended USD Weakness, Strong RMB and Ultra-Low Yields Amidst a Positive Risk Backdrop



Source: Citi Research. As of 12 November 2020.

- Improving COVID-19 news and fading US election risk suggest a more positive risk backdrop for risk assets and FX in 2021.
- Adding to the bearish USD outlook is the Federal Reserve's ultra-dovish stance.
- China's growth recovery could contribute to the recovery in risk assets and FX via a stronger CNY.

Key Takeaways

Renew your Portfolio in the New Economic Cycle

Recycle: The Power of Investing with Purpose

Rebalance to Drive Yields

Position for Extended USD Weakness, a Stronger RMB and Ultra-Low Yields amidst a Positive Risk Backdrop