Mercer

Market Summary – H1, 2024

Q1, 2024

- Equities continued to demonstrate strong performance during the first quarter of 2024. Despite the Federal Reserve’s change in stance on rate cuts, equity markets focused on the AI narrative and a generally stable economy. This particularly benefited US large growth stocks, while returns for small cap, value, and non-US stocks were more subdued but still positive. Throughout the quarter, volatility remained low as equities delivered positive returns across the board.

- Yields experienced a significant rise as markets adjusted to a slower pace of rate cuts than anticipated at the end of 2023. Credit spreads declined during this risk-on quarter.

- US economic growth remained strong over the first quarter, while developed countries outside the US experienced weaker growth. China’s economy continued to face challenges but exited a multi-month deflation spell in Q1. Overall, this pointed to a resilient global economy and aligned with our expectations of a moderate slowdown in global growth in 2024 and 2025 while avoiding a hard landing.

- Higher than expected inflation figures caused the Federal Reserve to pivot back towards more cautionary rhetoric and postpone rate cuts to future meetings. In the international arena, the Swiss Central Bank became the first major developed market central bank to cut rates. Japan on the other hand exited yield curve control as inflationary pressures were mounting, albeit from very low levels.

- The first quarter was marked by various geopolitical events, including ongoing conflicts in the Middle East and Eastern Europe, as well as a major terrorist attack in Russia. Oil prices experienced an increase during Q1, primarily driven by shifting assessments of demand and supply outlooks.

April & May 2024

- In **April**, global equities and fixed income experienced negative returns while emerging markets outperformed both US and international developed equities. This was driven by positive data from China. Both value and growth stocks showed similar performance. The market drivers included a slowdown in US GDP growth and higher-than-expected inflation, leading to lowered expectations for rate cuts. Despite disappointing macro data, underlying economic fundamentals, particularly consumer spending, remained solid.

- Inflation remained a concern, with US inflation exceeding expectations for the third consecutive month. The Federal Reserve’s pivot to a more hawkish stance was the main driver of negative market performance. Tensions in the Middle East had a limited market impact, and the US dollar strengthened against major currencies. Commodities, including gold, outperformed equities and fixed income.

- In **May**, global equities and fixed income rebounded. US equities outperformed international and emerging market equities while growth stocks performed significantly better than value stocks. Investor sentiment improved following the risk-off sentiment in April, as inflation eased in developed markets.

- The US economy started to show signs of slowing down but remained robust overall, raising hopes for softer growth without triggering a recession. Yields fell in the US, increasing expectations of potential rate cuts later in the year. Forward-looking indicators in developed markets remained in expansionary territory. Within emerging markets, China unveiled measures to stimulate growth in the struggling property sector.

- The Federal Reserve kept interest rates unchanged, and inflation trends varied across different regions. Trade tensions between the US and China increased, but the overall market impact from geopolitical events was limited. The US dollar weakened against major currencies, and commodities underperformed equities. Gold reached new record highs.

Looking forward over the rest of 2024

Inflation

- In the US, headline inflation surprised to the downside in May, following a string of upside surprises. We expect inflation in the US to continue normalizing driven by declining housing costs and slower wage growth.
- In the eurozone, headline inflation rose in May. Overall, the pathway for inflation to return to the central bank target remains but will require close monitoring by the European Central Bank.
- In China, inflation increased to 0.3% (year-on-year) in May as a result of higher energy prices and stable core inflation.

Central Banks

- Monetary policy was left unchanged by most developed market central banks in May.
- The US Federal Reserve has noted that further inflation progress would be needed before they could cut interest rates.
- The European Central Bank cut interest rates in early June with further cuts likely later in the year.
- The People's Bank of China left their policy unchanged. However, they announced a re-lending facility to support local state-owned enterprises (SOEs) purchase finished but unsold homes, from developers in cities with high inventory to convert to public housing.

Economic Growth

- US economic activity data in May continues to point towards the US economy beginning to slow. Despite this slowing, we don't see any signs that a recession is on the horizon.
- In contrast to the US, economic activity in the Eurozone is picking up, albeit from depressed levels. Retail sales were robust and business surveys are also suggesting growth is broadening out.
- Activity data in China continues to paint a mixed picture but ultimately does show incremental improvement.

Mercer

Interim Performance Update – to 31 May 2024*

The DEWS Plan is intended as a **medium to long term savings vehicle.** The summary of performance data shown below is for informational purposes only. We are required to show past performance in complete 12 month periods, for your information other periods are also provided.

Please note: an individual's performance may differ materially from the performance shown below and will depend on the date when their contributions were invested.

Past performance does not predict future returns.

DEWS Investment Option	Inception Date	Cumulative Performance								Annualized Performance (for periods longer than 1 year)				Calendar year Performance		
		Since launch to 31 May 2024	4 years to 31 May 2024	3 years to 31 May 2024	2 years to 31 May 2024	1 year to 31 May 2024	Year to Date (31 December 2023 to 31 May 2024)	3 months (29 February 2024 to 31 May 2024)	1 month (30 April 2024 to 31 May 2024)	Since launch to 31 May 2024 (p.a.)	4 years to 31 May 2024 (p.a.)	3 years to 31 May 2024 (p.a.)	2 years to 31 May 2024 (p.a.)	2021 Calendar Year	2022 Calendar Year	2023 Calendar Year
Low Growth[1]	23-Mar-20	3.9%	4.1%	5.3%	6.5%	4.2%	1.6%	1.0%	0.2%	0.9%	1.0%	1.7%	3.2%	-1.1%	0.3%	4.0%
Low / Moderate Growth (Default)[2]	26-Mar-20	23.3%	14.9%	1.9%	7.4%	7.9%	2.4%	1.9%	1.4%	5.1%	3.5%	0.6%	3.6%	5.2%	-9.9%	8.3%
Moderate Growth	26-Mar-20	39.9%	26.7%	4.7%	9.7%	10.6%	3.8%	2.6%	1.8%	8.4%	6.1%	1.5%	4.7%	9.4%	-11.3%	10.3%
Moderate / High Growth	26-Mar-20	40.5%	27.6%	2.8%	8.5%	9.8%	1.9%	1.7%	2.0%	8.5%	6.3%	0.9%	4.1%	11.1%	-11.8%	10.2%
High Growth	23-Mar-20	72.4%	35.7%	4.7%	10.6%	11.7%	2.7%	1.8%	2.3%	13.9%	7.9%	1.5%	5.2%	13.8%	-12.6%	11.9%
Global Defensive Bond	02-Mar-22	5.8%	-	-	7.1%	5.6%	1.4%	1.0%	0.7%	2.5%	-	-	3.5%	-	-	6.4%
Passive Global Equity	02-Mar-22	18.3%	-	-	25.1%	23.5%	8.9%	3.3%	4.5%	7.7%	-	-	11.8%	-	-	23.6%
Islamic Money Market[1]	02-Apr-20	4.8%	4.7%	4.9%	5.6%	3.8%	1.6%	1.0%	0.3%	1.1%	1.2%	1.6%	2.7%	-0.6%	0.2%	3.4%
Global Sukuk	19-Apr-21	-5.6%	-	-5.1%	1.0%	1.2%	-1.4%	0.0%	1.0%	-1.8%	-	-1.7%	0.5%	-	-7.7%	4.7%
Islamic Global Equity	08-Apr-21	29.6%	-	28.0%	34.2%	27.3%	12.8%	4.3%	5.4%	8.6%	-	8.6%	15.8%	-	-25.9%	32.5%

Source: FE as at 31 May 2024 in USD http://webfund6.financialexpress.net/clients/zil/Pricetable.aspx?&scheme=230&Range=IPP&Currency=USD

* *Performance figures above are shown net of fees (i.e. after the deduction of fees and expenses). The DEWS Plan's fixed fee of 1.23% p.a. (for the Trustee, administration and investment advice provided to the DEWS Plan) plus the investment management costs and expenses are already factored into the unit prices used to calculate these figures.*

1. *The low interest rate environment in the past has meant that returns for the Low Growth and Islamic Money Market options have been negative over some periods after the fixed DEWS fees of 1.23% p.a. have been deducted. This fixed fee is for the Trustee, administration and investment advice provided to the DEWS Plan.*
2. *The Low / Moderate Growth investment option is the default investment option for the Plan and is where your money will be invested unless you make an active decision to switch to one of the other available investment options.*

Risk Factors

Investors should be aware of the risks of the investment options and the underlying funds currently used within each investment option including, but not limited to, the risks described in the "SPECIAL CONSIDERATIONS AND RISK FACTORS" section of the fund supplements/prospectus (see links provided below).

Investment in the underlying funds is suitable only for persons who are in a position to take such a risk. There can be no assurance that the underlying funds will achieve their investment objectives.

For all information on "SPECIAL CONSIDERATIONS AND RISK FACTORS", please click on the list below for the respective fund supplements/prospectus for:

- Mercer Global Investments Europe Limited (MGIE) Funds
- Emirates Islamic Money Market Fund
- Franklin Global Sukuk Fund
- HSBC Global Islamic Equity Fund

Important notices

This material is distributed by Mercer Financial Services Middle East Limited ("MFSMEL") at the request of and under the supervision of Equiom Fiduciary Services (Middle East) Limited, the Master Trustee of the DEWS Plan. MFSMEL is regulated by the Dubai Financial Services Authority (DFSA) and acts as investment advisor to Equiom with respect to the DEWS Plan.

None of the current investment options available in the DEWS Plan are subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has not approved any associated factsheets or any other associated documents nor taken any steps to verify the information set out in any factsheet and has no responsibility for it. Members should conduct their own due diligence on the investment options. If you do not understand the contents of this document or require advice, you should consult an authorized personal financial adviser.

This report contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's written permission. Mercer retains all copyright and other intellectual property rights in the methodologies, methods of analysis, ideas, concepts, know-how, models, tools, techniques, skills, knowledge and experience underlying this report.

The findings, ratings and/or opinions expressed in this report are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. The value of investments may fall as well as rise and the amount returned may be less than the amount invested. Income from investments may also fluctuate in value. Where charges are deducted from capital, the capital may be eroded or future growth constrained. Changes in investment strategy are likely to incur transaction costs. The value of investments in a foreign currency will vary as a result of changes in currency exchange rates. Past performance does not guarantee future results.

The information contained herein may not adequately take into account the recipient's particular investment objectives, financial situations, or needs. Prospective investors should consult their legal, tax and financial advisers as to the consequences of an investment. All investments experience gain or loss. An investor may lose all or a substantial part of its investment in any private investment vehicle. There can be no assurance that the investment objectives of any fund managed by Mercer will be achieved.

This report should be considered in its entirety since individual sections, if read in isolation, may be misconstrued.

This does not contain investment advice or constitute individualized investment advice relating to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances. While the information is believed to be reliable, Mercer has not sought to verify it. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies the information of which may be contained herein. Such an offer may be made only by delivery of separate confidential offering documents to accredited investors, professional investors or other qualified institutional investors pursuant to the applicable private placement provisions in each jurisdiction. The contents and information contained herein have not been endorsed nor is it intended that they will be endorsed by any regulatory authorities.

For the conflict of interest statement of Mercer Investments, of which MFSMEL is a part, contact your Mercer representative or see www.mercer.com/conflictsofinterest

Registered with DIFC, License No. 0939 and Regulated by the DFSA

Mercer