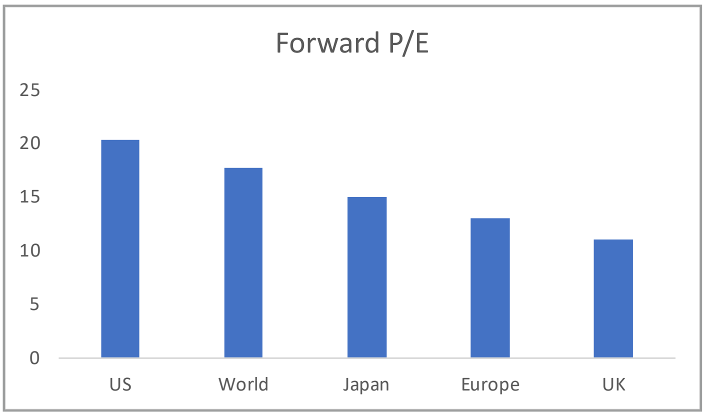
March 2024

UK EQUITIES: LONG NEGLECTED - NOW ATTRACTIVE AND WELL SET FOR RECOVERY ON VALUATION GROUNDS.

How UK Equities have performed in the past

- Since the 2008 Global Financial Crisis (GFC), 'Growth' style has been dominant in global equities, fuelled by loose monetary policy.
- The Tech sector has been the biggest beneficiary of this lopsided allocation of investor funds.
- UK equity markets, home to some of the biggest name in global Energy, Consumer Staples, and cash generative Utilities, were a laggard during this period.
- The underperformance of UK equities became more pronounced since the Brexit referendum in 2016 and the uncertainties it brought about.

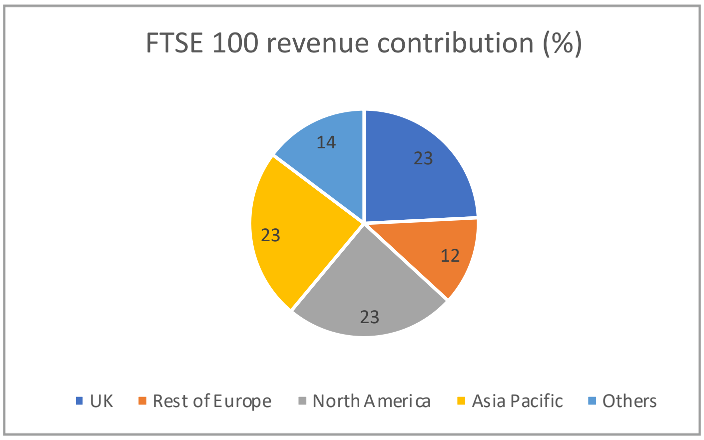


Source: MSCI Factsheets

What has changed now

- With the global economy expected to witness a higher inflation level and a more normalised interest rate cycle than that experienced since the GFC, we believe UK Equities are an attractive source of real income and as such should witness an upturn going ahead.
- While the UK economy is not yet out of the woods, it should be noted that the FTSE All-Share Index is not the same as the UK economy. Just around 25% of the revenues of the FTSE All share index are derived from the UK and thus it is denominated more in US-dollars than in GBP Sterling.

Chart Title: FTSE 100 company derives > 75% of revenue from outside UK



Source: Goldman Sachs Investment Research; Others include LATAM, CEMEA

UK Equity available at Attractive valuations

- UK Equities offer exposure to the Value factor through a very different mix of companies that are, in many cases, cheaply valued relative to their global peers. The FTSE All-Share Index has minimal exposure to Tech, but greater exposure to Consumer Staples, Energy, Basic Materials and Financials.
- UK equities are currently undervalued (FTSE All share index Dividend yield is attractive at 3.9% almost equal to UK Gilt yield of 4.1%) and well below the 20-year average of return adjusted valuation differential vs.US markets.