

Global Equity Strategy Outlook
Talking points for 2021

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ASSET MANAGEMENT LIMITED

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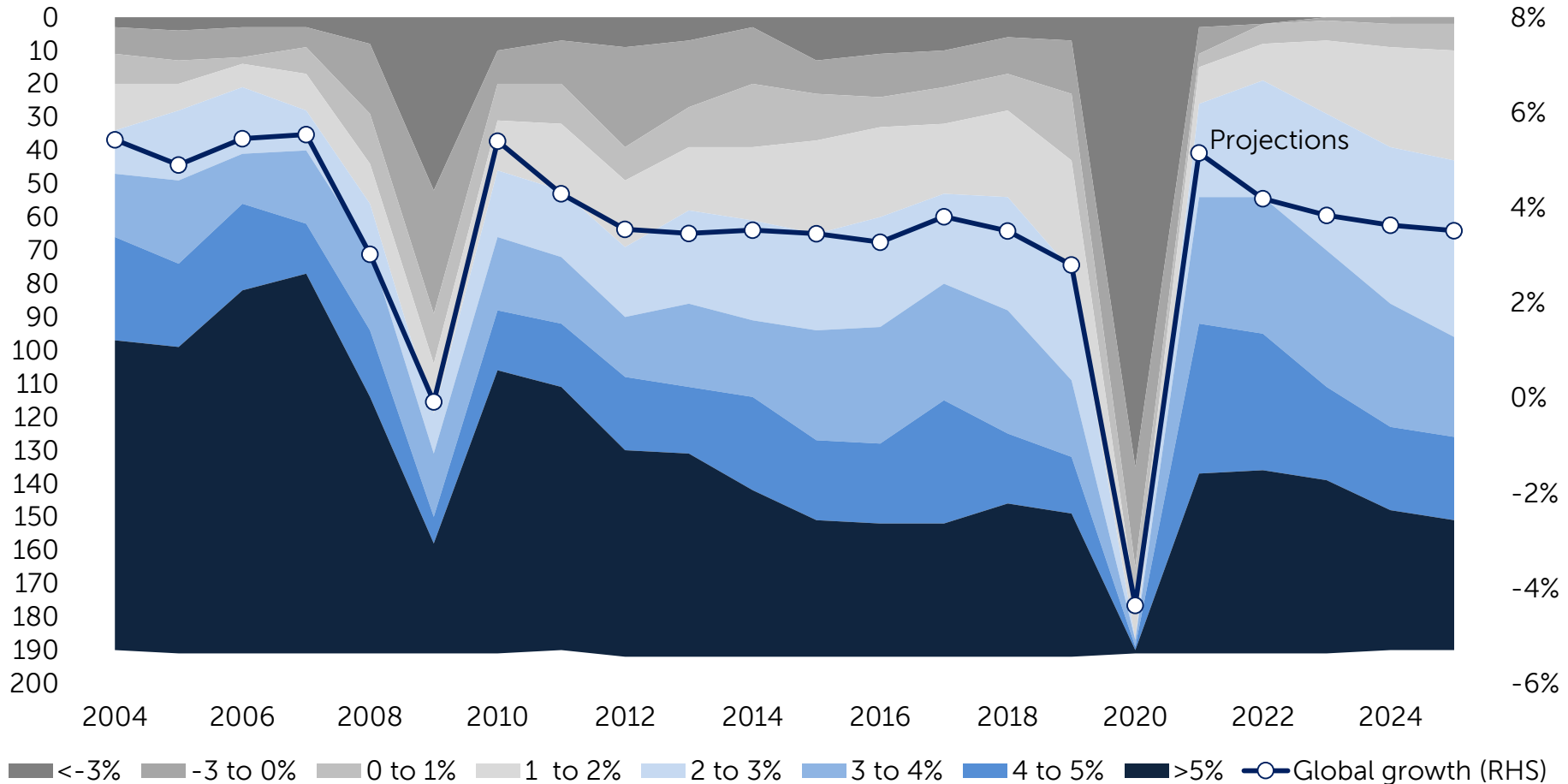
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1. A new economic cycle (1/2)

A strong and broad recovery is on cards for 2021.

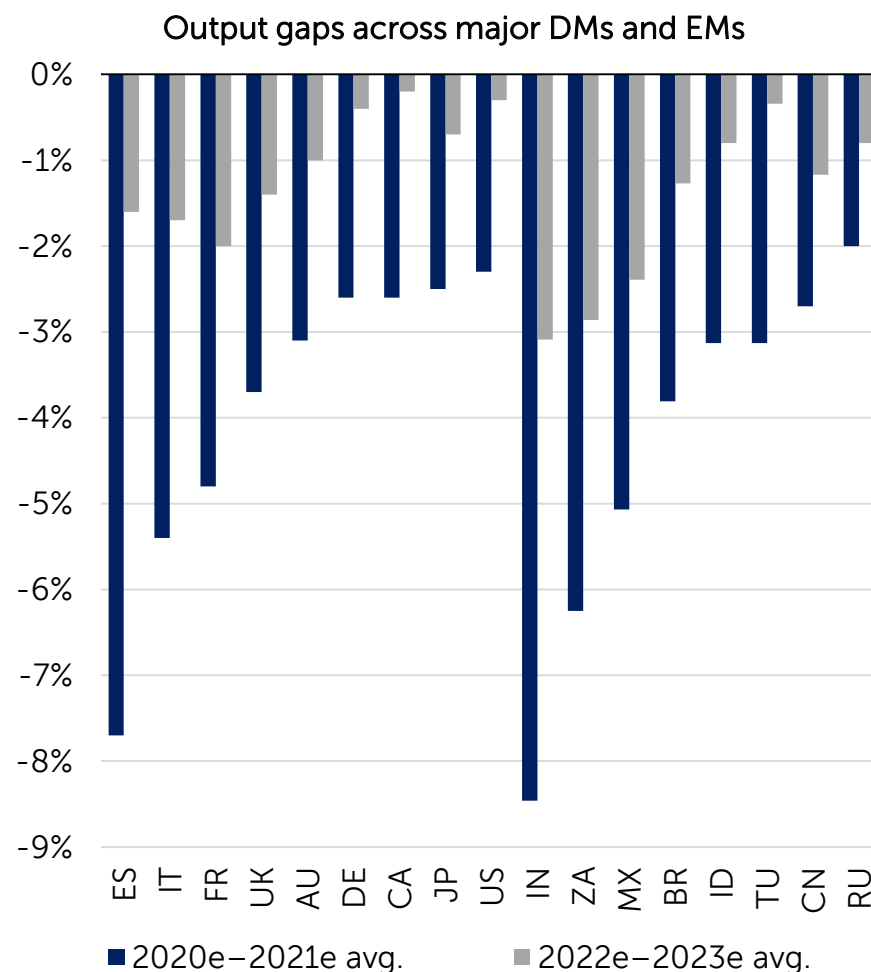
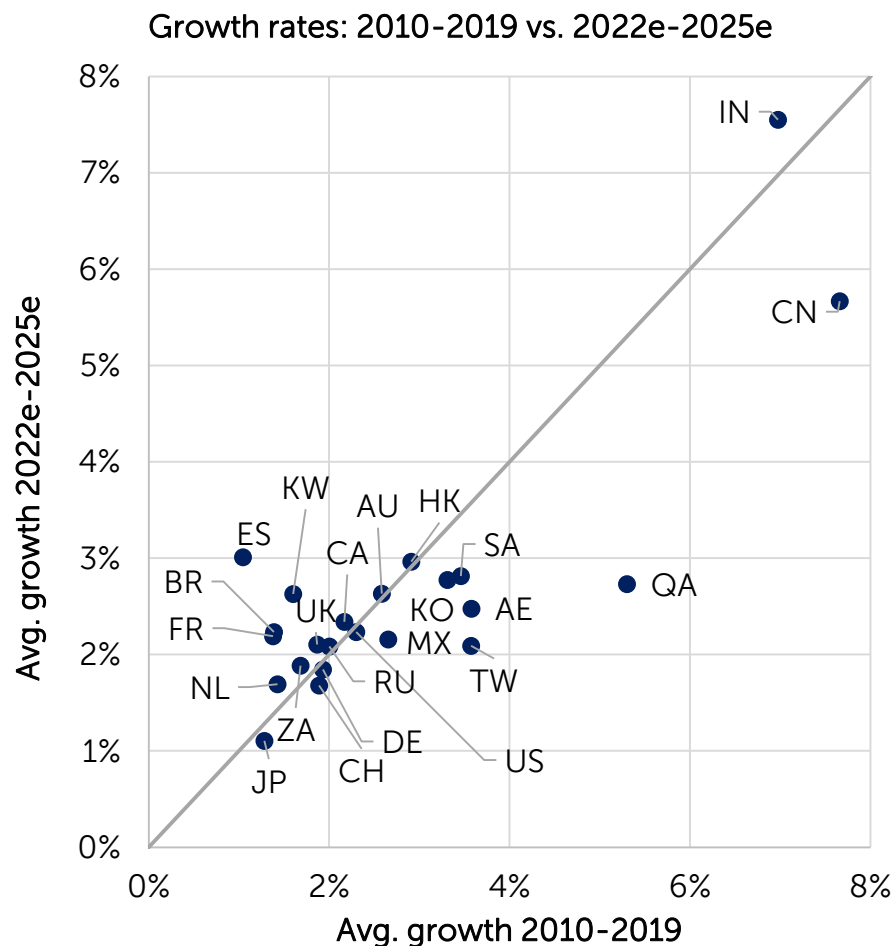
GDP growth rates – distribution (number of countries, inverted LHS) and average (RHS)



Source: International Monetary Fund (the October 2020 World Economic Outlook), and ADCB Asset Management

1. A new economic cycle (2/2)

Slow growth environment to persist, at best.

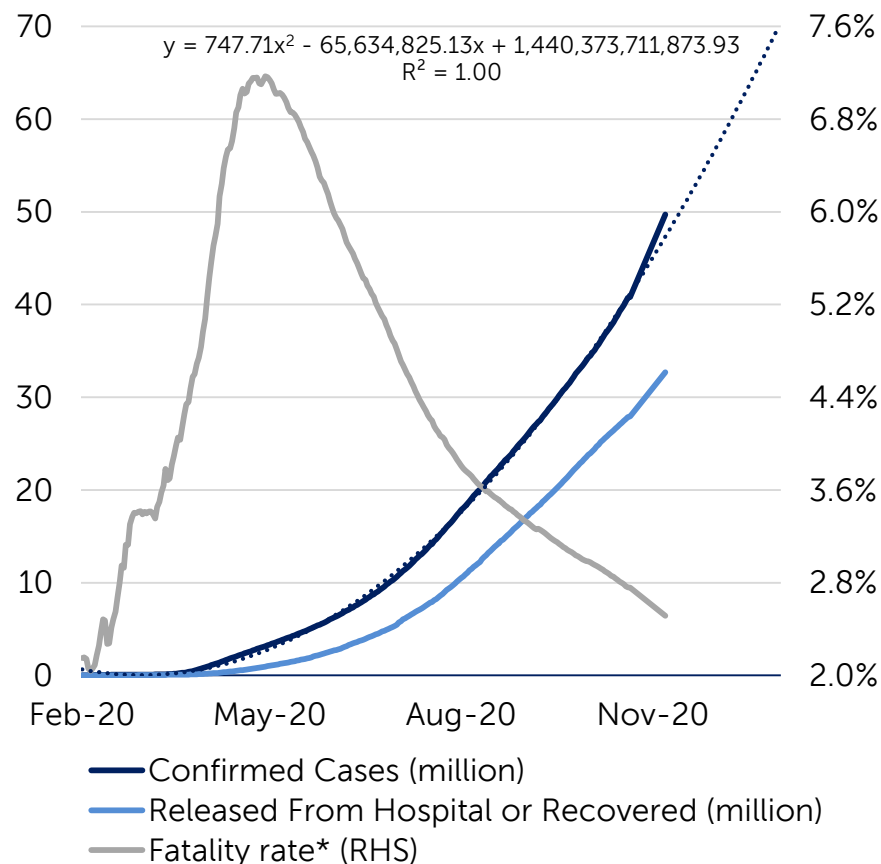


Source: International Monetary Fund (World Economic Outlook Database, October 2020), and ADCB Asset Management

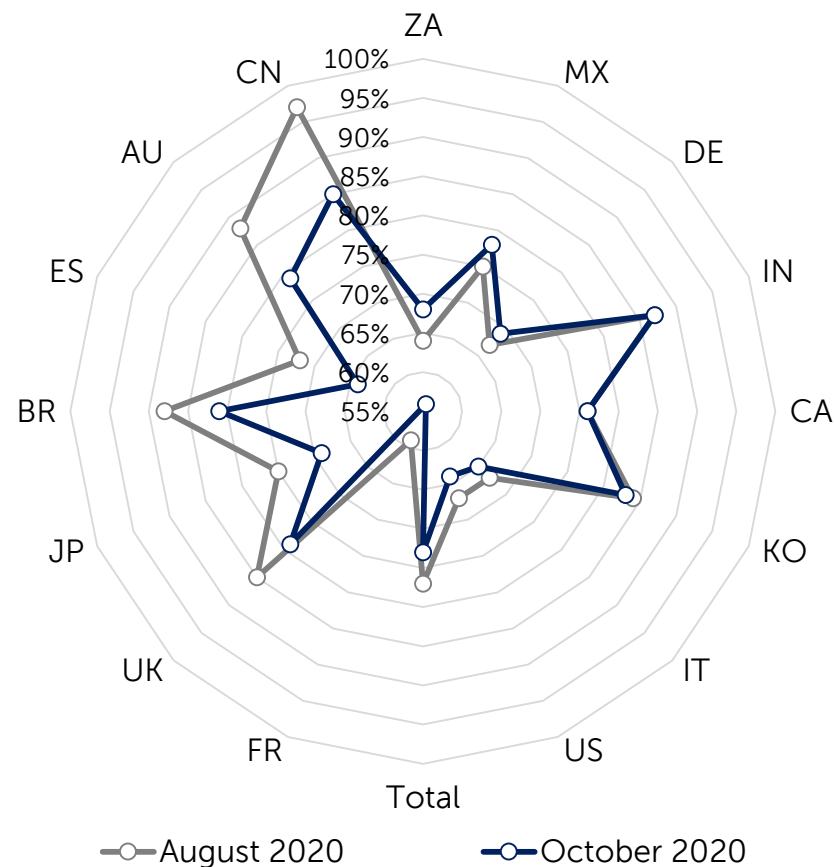
2. Vaccine and distribution (1/2)

A vaccine and confidence in it are the need of the hour.

COVID-19 Global statistics



If a vaccine for COVID-19 were available, I would get it – "Agree" (total)**



Source: Johns Hopkins University, Ipsos, Bloomberg, and ADCB Asset Management | Notes: *defined as cumulative number of confirmed deaths as a share of cumulative number of confirmed cases. **Survey of 18,526 online adults aged 16-74 across 15 countries. Share of surveyed adults who said they "strongly agree" or "somewhat agree".

2. Vaccine and distribution (2/2)

There are many promising vaccine candidates but there are equal number of issues surrounding them.

Candidate*	Mechanism	Sponsor	Trial Phase
Ad5-nCoV	Recombinant vaccine (adenovirus type 5 vector)	CanSino Biologics	3
AZD1222	Replication-deficient viral vector vaccine (adenovirus from chimpanzees)	The University of Oxford; AstraZeneca; IQVIA; Serum Institute of India	3
CoronaVac	Inactivated vaccine (formalin with alum adjuvant)	Sinovac	3
JNJ-78436735	Non-replicating viral vector	Johnson & Johnson	3
mRNA-1273	mRNA-based vaccine	Moderna	3
N/A	Inactivated vaccine	Wuhan Institute of Biological Products; China National Pharmaceutical Group (Sinopharm)	3
NVX-CoV2373	Nanoparticle vaccine	Novavax	3
BCG vaccine	Live-attenuated vaccine	University of Melbourne and Murdoch Children's Research Institute; Radboud University Medical Center; Faustman Lab at Massachusetts General Hospital	2/3
BNT162	mRNA-based vaccine	Pfizer, BioNTech	2/3
Covaxin	Inactivated vaccine	Bharat Biotech; National Institute of Virology	2

- ▶ Numerous vaccine candidates
- ▶ Logistical issues
 - ▷ Manufacturing
 - ▷ Distribution
 - ▷ Cold-chains
 - ▷ 10 billion doses require:
 - ▷ 200k pallet shipments
 - ▷ 15m deliveries
 - ▷ 15k flights (10k Boeing 747)
 - ▷ 25% fault rate
- ▶ Vaccine nationalism
 - ▷ Approval clusters
 - ▷ Moral dilemma
- ▶ Compulsory vaccination

Source: Regulatory Affairs Professionals Society, DHL, IATA, and ADCB Asset Management. | Notes: *data as of 24 October 2020

3. Rebound and recovery (1/1)

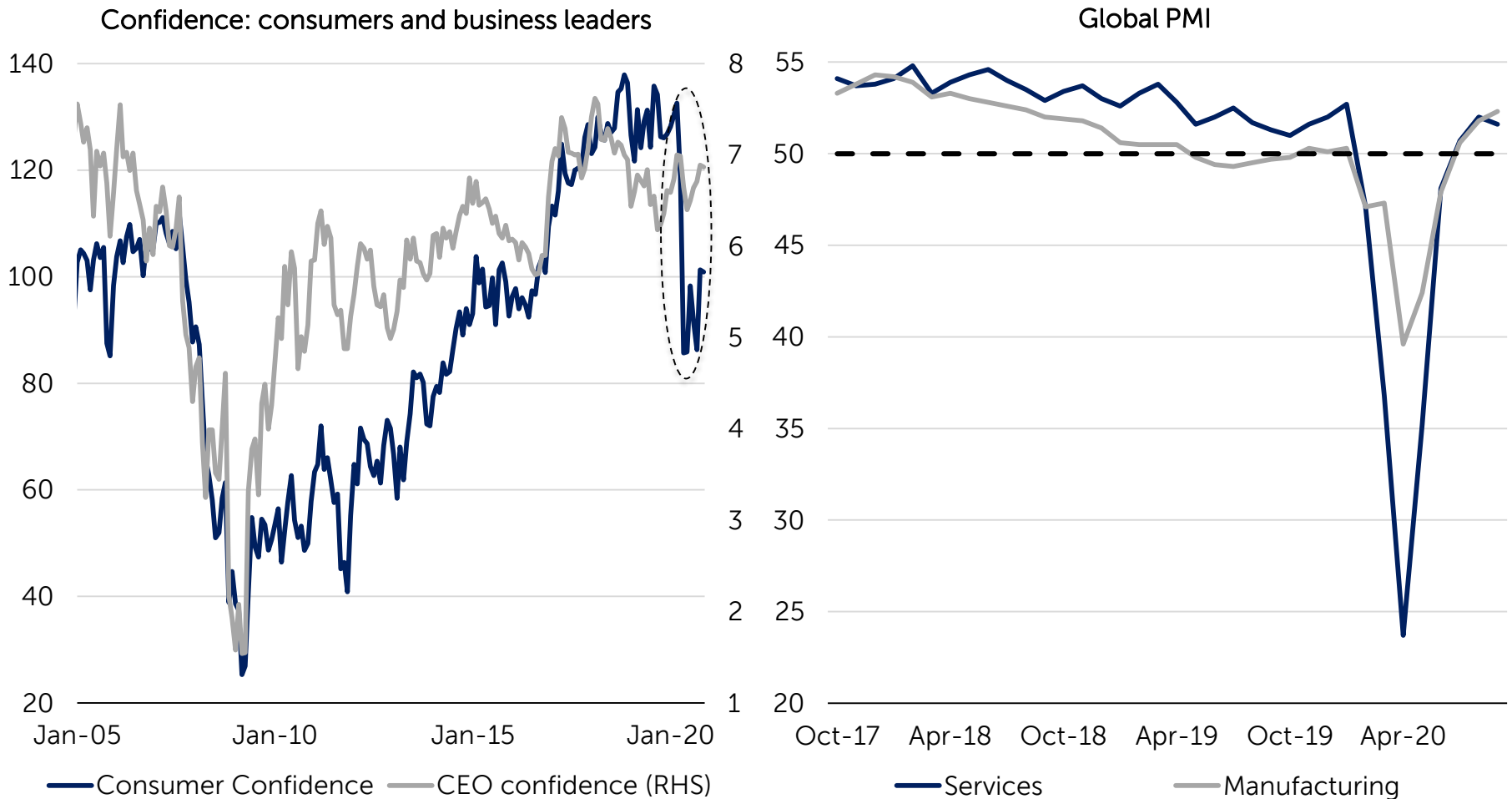
Our 'convalescence' model of an economic sudden stop.

	Shock	Rebound	Recovery
Attitudes	Pessimism	Optimism	Realism
Macro data	Steep falls	Sharp rises (changes matter)	Stabilization (levels matter)
Data surprises	Deep negative	Strong positive	Moderately positive
Policy	Reactive (by perception)	Supportive	Stimulative
Inflation expectations	Fall	Rise	Stabilize
Investor attitudes	Panic	Greed	Sanity
Equity styles	Defensives	Cyclicals	Secular growth

Source: ADCB Asset Management

4. Consumers and businesses (1/1)

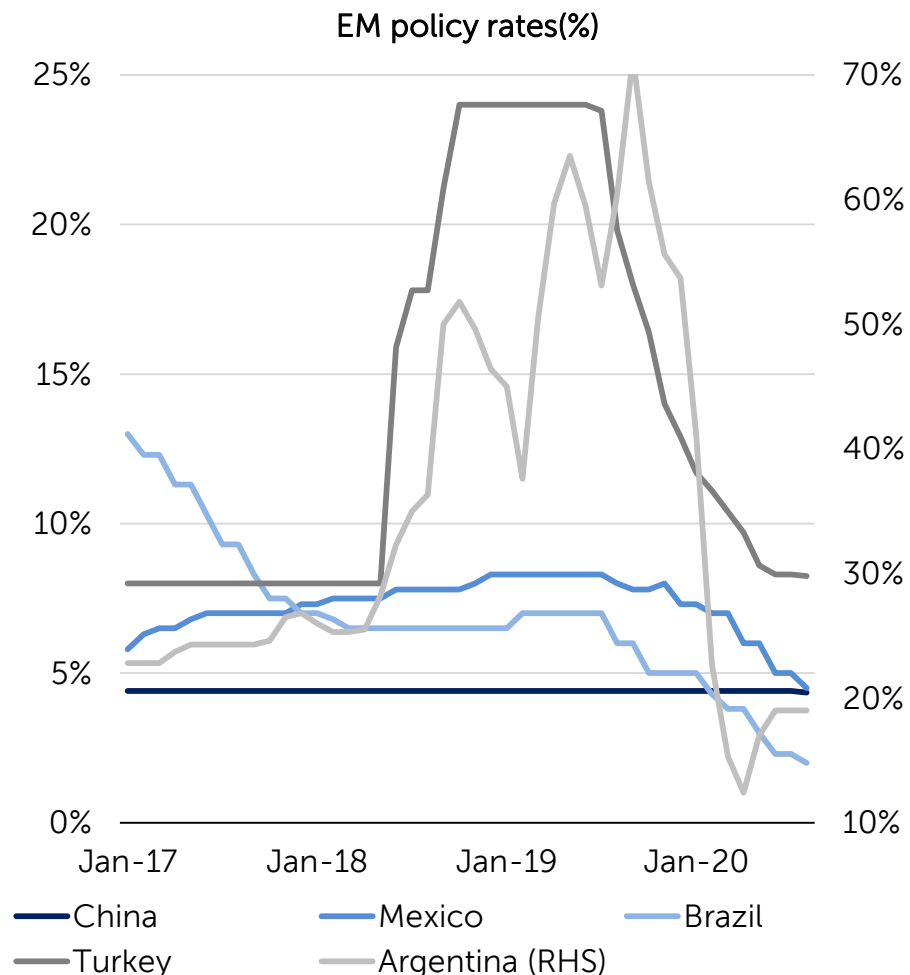
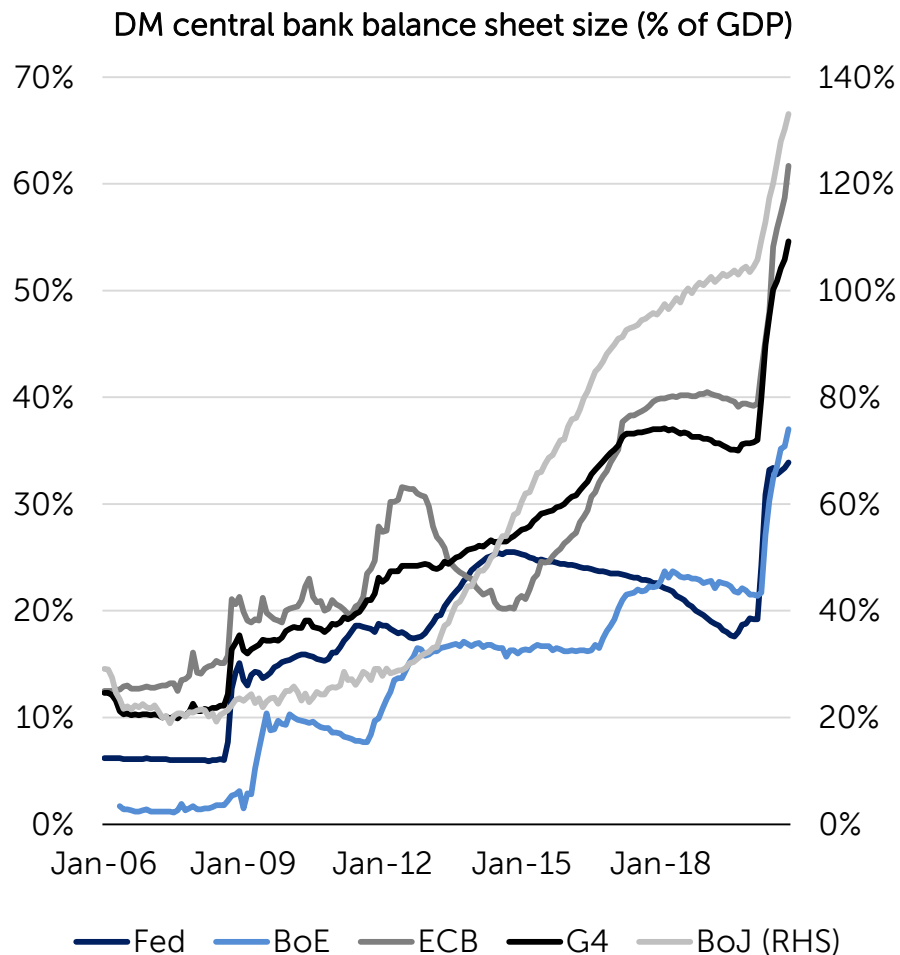
Rebound/recovery to be led by consumers and services.



Source: Conference Board, Chief Executive Magazine, Markit, Bloomberg, and ADCB Asset Management

5. Policy stimulus (1/2)

Monetary policy remains accommodative, supporting easy financial conditions.



Source: Bloomberg, and ADCB Asset Management

5. Policy stimulus (2/2)

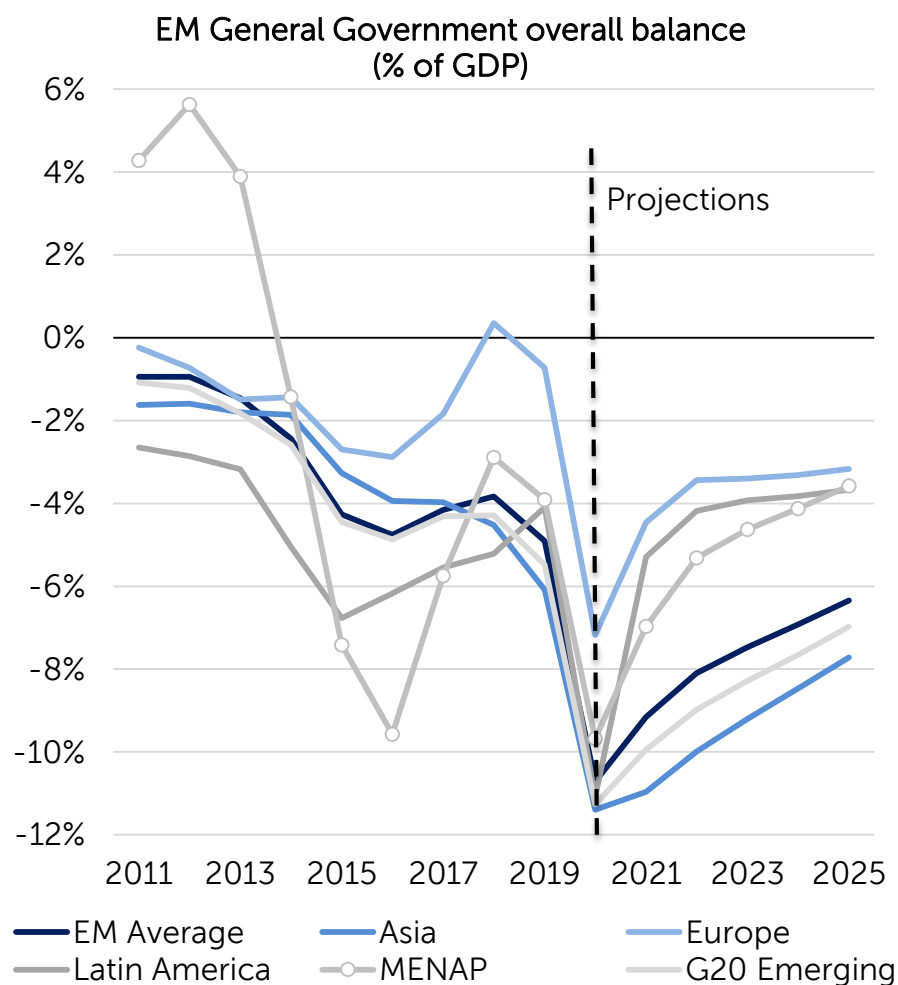
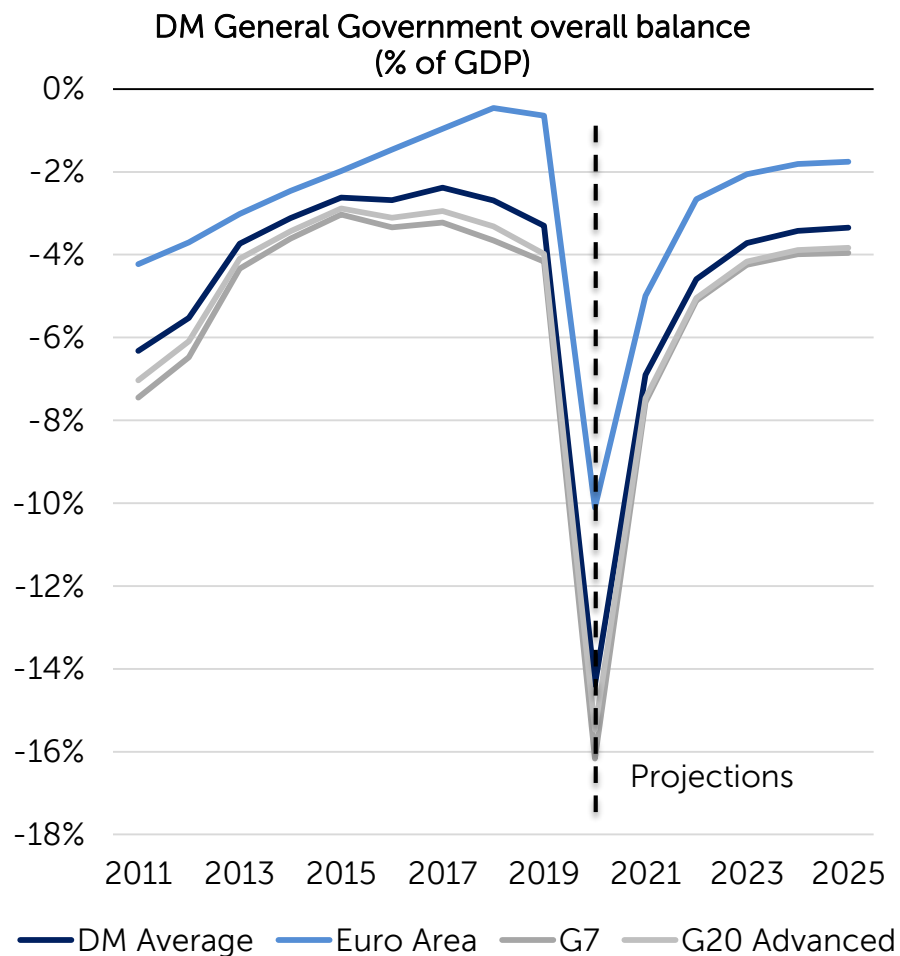
Policy needs to turn more 'stimulative' from 'supportive'. IMF advises on the below.

	Gradual reopening under uncertainty	Pandemic under control
Monetary policy	Maintain accommodation to support the recovery	Maintain accommodation until monetary policy objectives are achieved
Liquidity support	Maintain support but adjust pricing to incentivize a gradual exit	Gradually withdraw
Credit provision	Encourage banks to use capital and liquidity buffers to continue lending	Require banks to gradually rebuild capital and liquidity buffers, develop credible plans to reduce problem assets, and create markets for problem assets
Non-financial private sector	Extend moratoria on debt service only if necessary to prevent widespread insolvencies, support viable firms through restructuring	Recapitalize, restructure, or resolve nonviable firms
Multilateral support	Provide support to emerging and frontier market economies facing financing difficulties	--
Green recovery	--	Encourage more proactive management of climate-related risks and green investments
Digitalization	--	Encourage greater digital investment to enhance financial sector efficiency and inclusion

Source: International Monetary Fund ("Global Financial Stability Report", October 2020), and ADCB Asset Management

6. Twin deficits (1/2)

Significant deterioration and recovery in the general government balances.

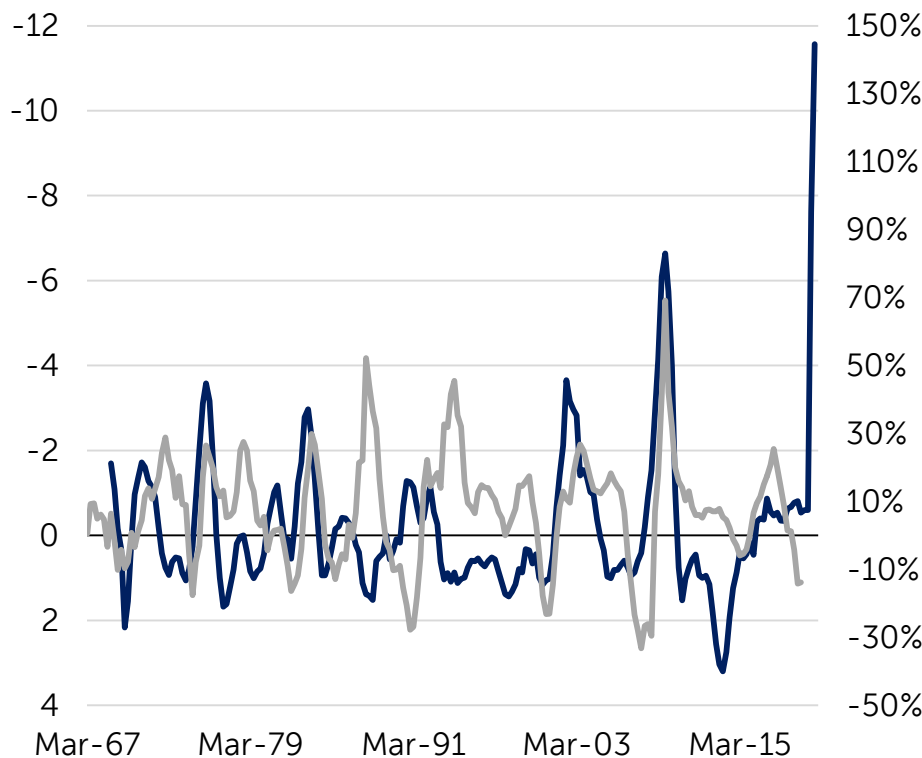


Source: International Monetary Fund, and ADCB Asset Management

6. Twin deficits (2/2)

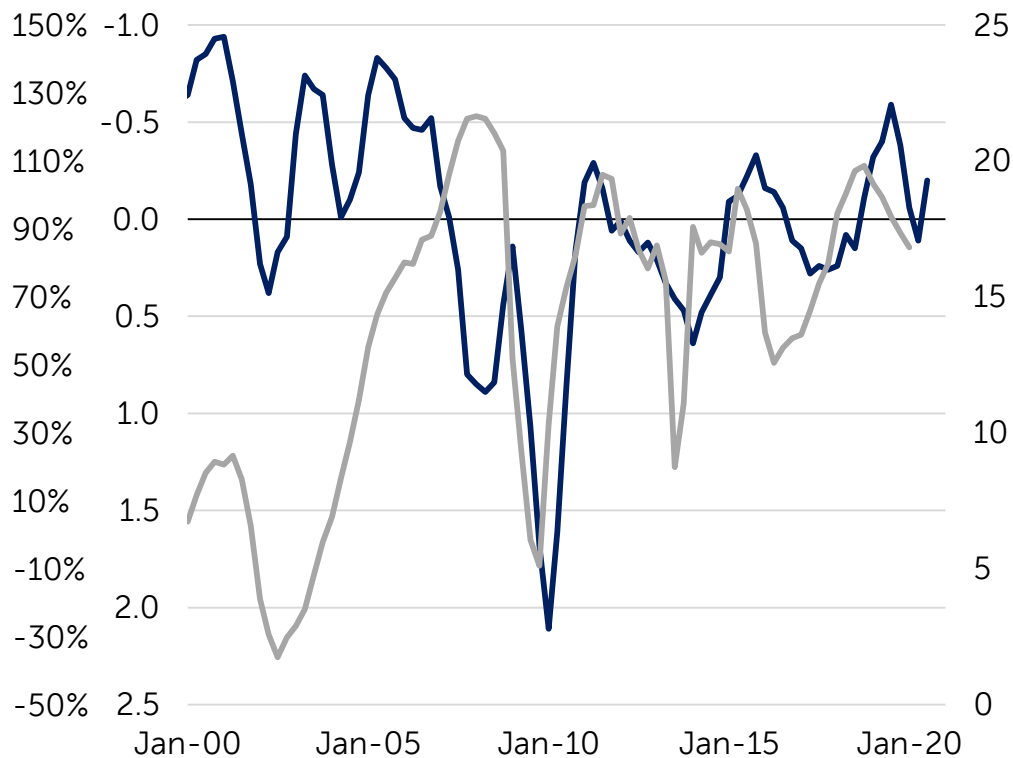
Twin deficits in the US help global corporate earnings.

US budget balance and
US corporate earnings



— US budget balance % of GDP - 4Q change (ppt, inverted)
— S&P 500 realised earnings next four quarters (% , RHS)

US current account balance and
global corporate earnings

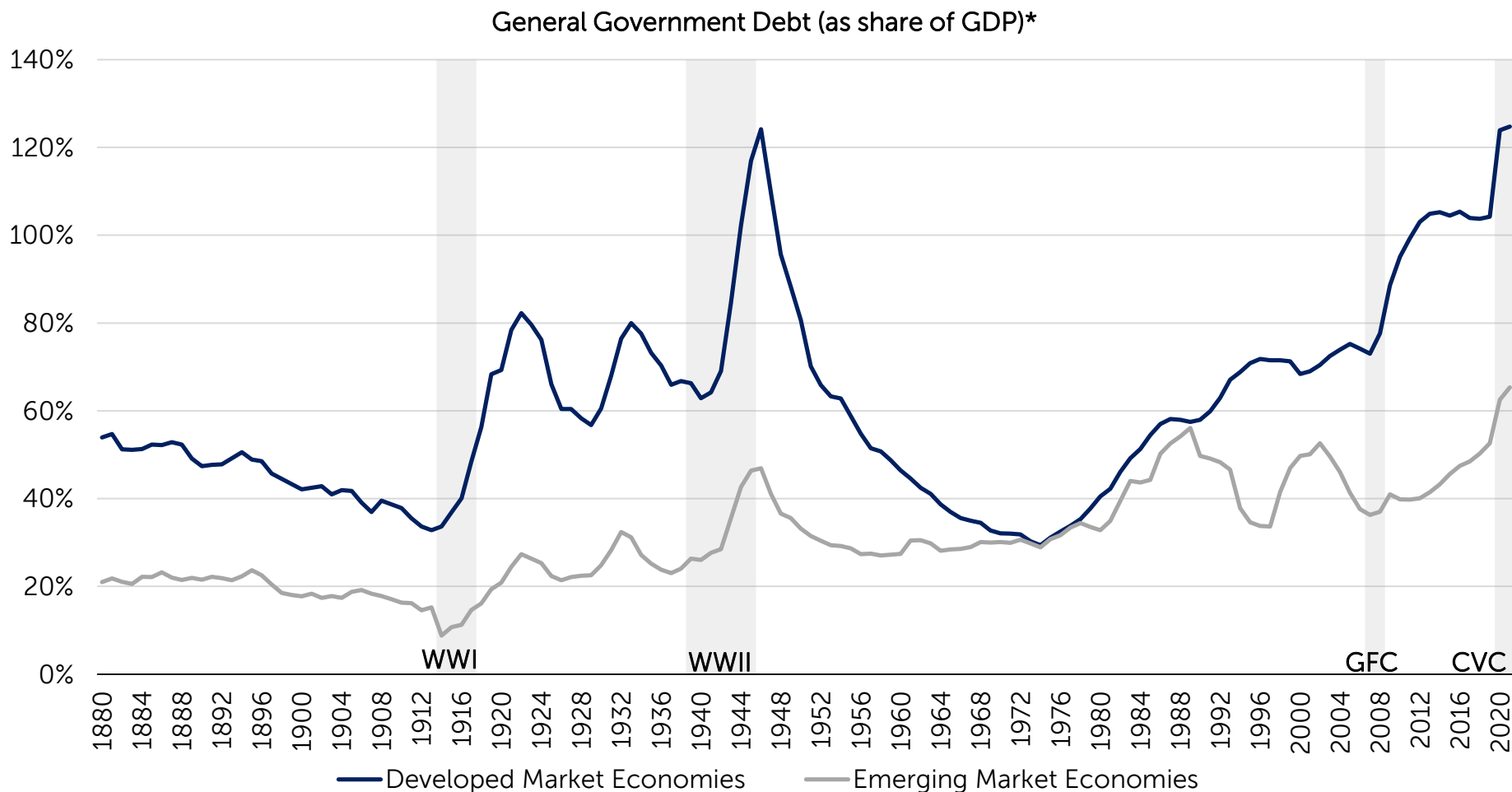


— US CA balance % of GDP - 4Q change (ppt, inverted)
— ACWI ex US realised earnings (RHS)

Source: MSCI, Bloomberg, and ADCB Asset Management

7. Government debt (1/2)

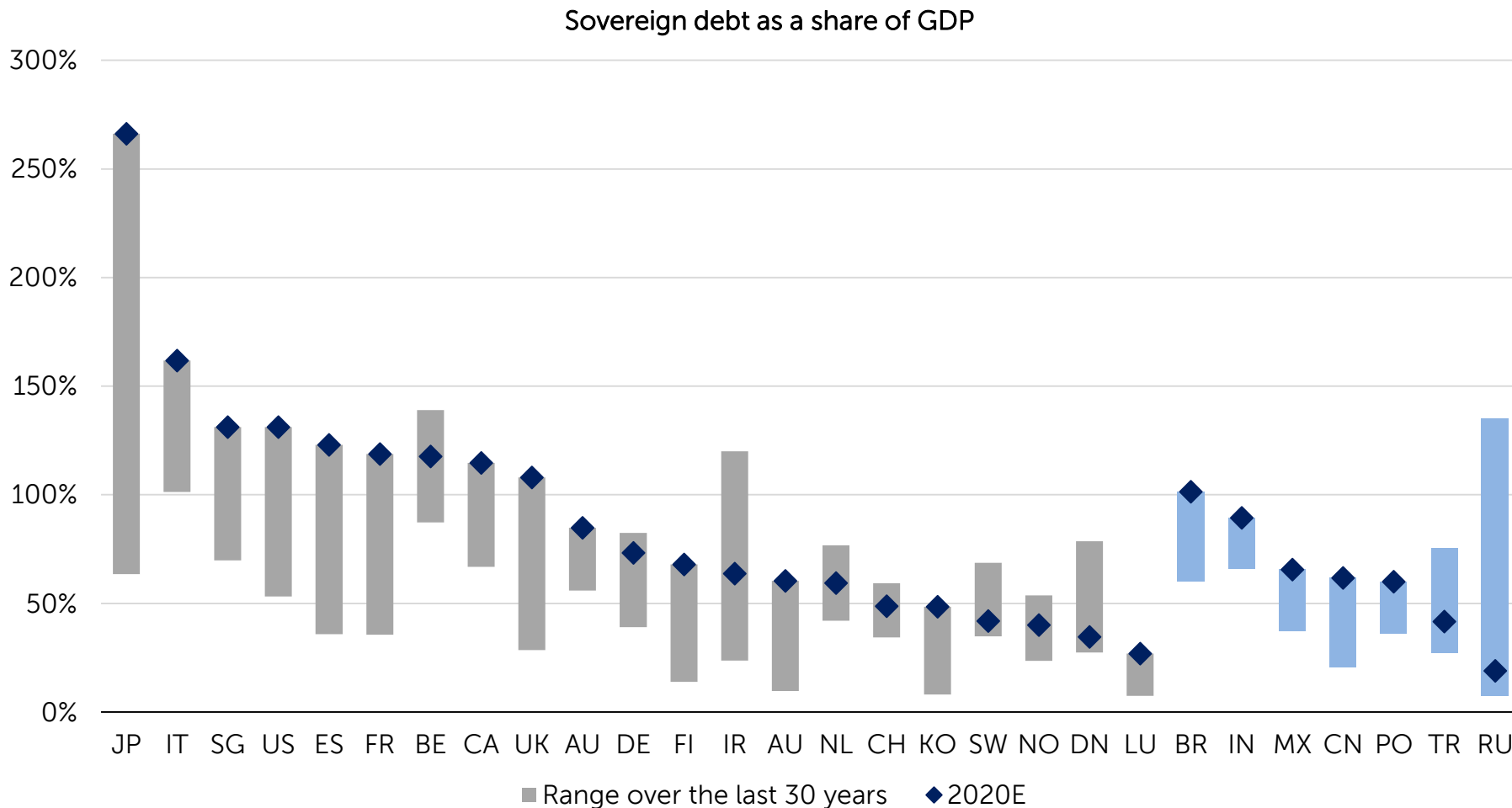
Unprecedented levels of Government leverage limit future growth.



Sources: International Monetary Fund, Maddison Database Project, and ADCB Asset Management. | Note: *The aggregate public-debt-to-GDP series for advanced economies and emerging market economies is based on a constant sample of 25 and 27 countries, respectively, weighted by GDP in purchasing power parity terms.

7. Government debt (2/2)

Sovereign debt has reached historically high levels in most countries. How to think about the debt held by central banks?



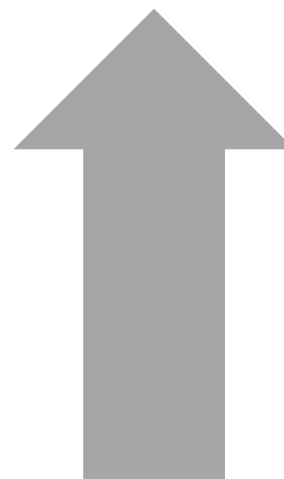
Sources: Bank for International Settlements, International Monetary Fund and International Institute of Finance, and ADCB Asset Management.

8. The inflation debate (1/5)

Consumer confidence expectations lead inflation expectations.



Source: Conference Board, Bloomberg, and ADCB Asset Management



Supply-side shock
De-globalizing world
Govts. motivated by high debt
Fiscal stimulus (war spending)
Income distribution policies



Demand-side shock
De-globalizing for 10 years
Demographics are not supportive
This (war) time is different
Increase in savings
Oil price fall
Technology
Household incomes are 'artificially' high
Phillips curve broken

8. The inflation debate (2/5)

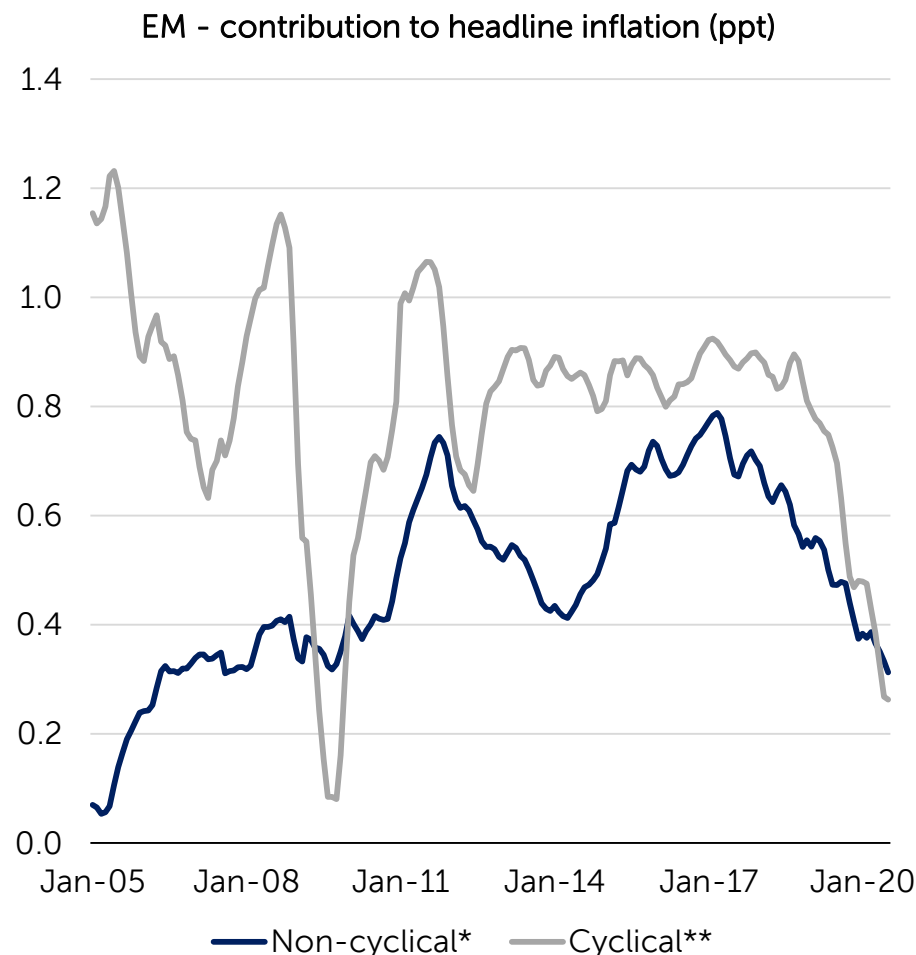
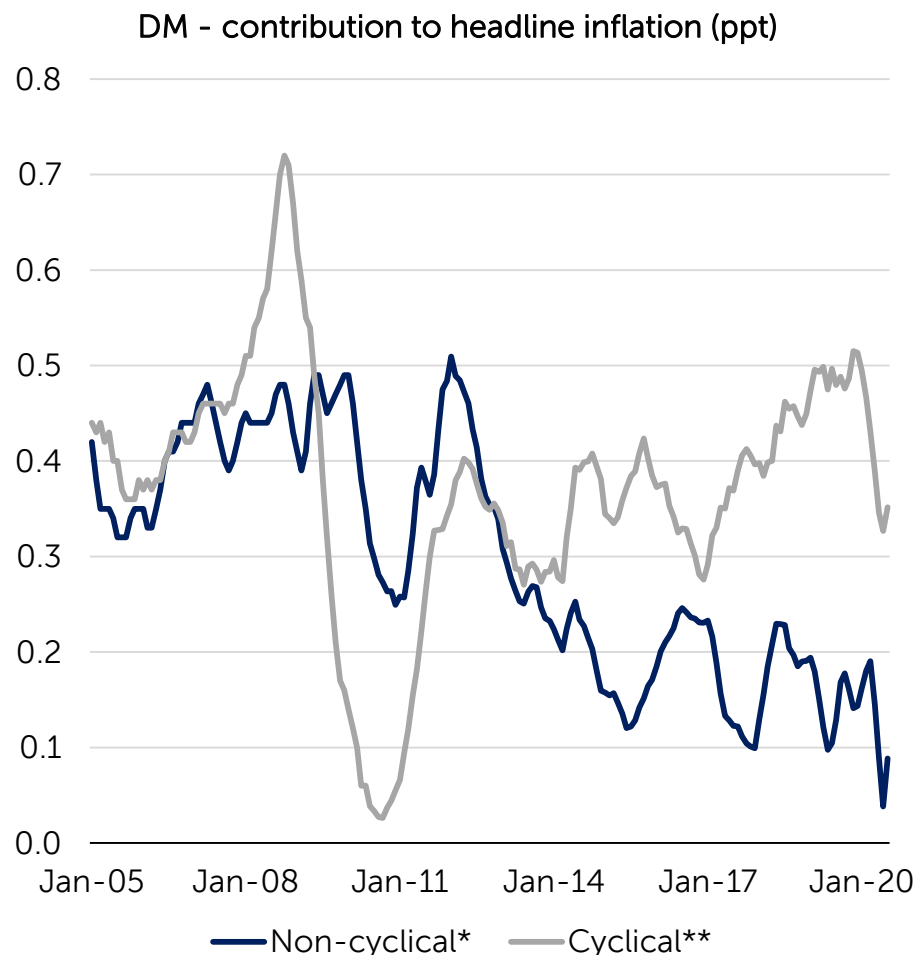
10 questions to ask yourself!

- 1) Which inflation narrative is more dominant - macroeconomic or microeconomic?
- 2) Does the Fed really need to care about inflation in its dual mandate especially with a broken Phillips curve?
- 3) Should Fed continue to pursue inflation and run risk of losing its credibility?
- 4) Is there is a big difference - inflation of 1.5% and 2.0%, in terms of growth impact?
- 5) Are we measuring inflation correctly reflecting the new digital economy?
- 6) Is higher inflation good for consumers with weak outlook?
- 7) What will an average citizen like to take - higher inflation or higher taxes?
- 8) Will the Fed like to use inflation to reduce the value of debt?
- 9) Do lower real yields now really reflect stronger economic growth or stagflation risks?
- 10) Should we consider the asset price inflation as a consolation for Fed's consistent under-shooting of its inflation target?

Source: ADCB Asset Management

8. The inflation debate (3/5)

Decline in inflation is observed in both cyclical and non-cyclical sectors.



Source: International Monetary Fund, Eurostat, OECD, and ADCB Asset Management | Notes: *Non-cyclical components include clothing and footwear, communication, education, health and miscellaneous goods and services. **Cyclical components include furnishing, household equipment and routine household maintenance, housing recreation, hotels etc.

8. The inflation debate (4/5)

Inflation expectations have risen creating a 'negative yield' environment in the US.

US inflation expectations and yields



US inflation: realized and expectations

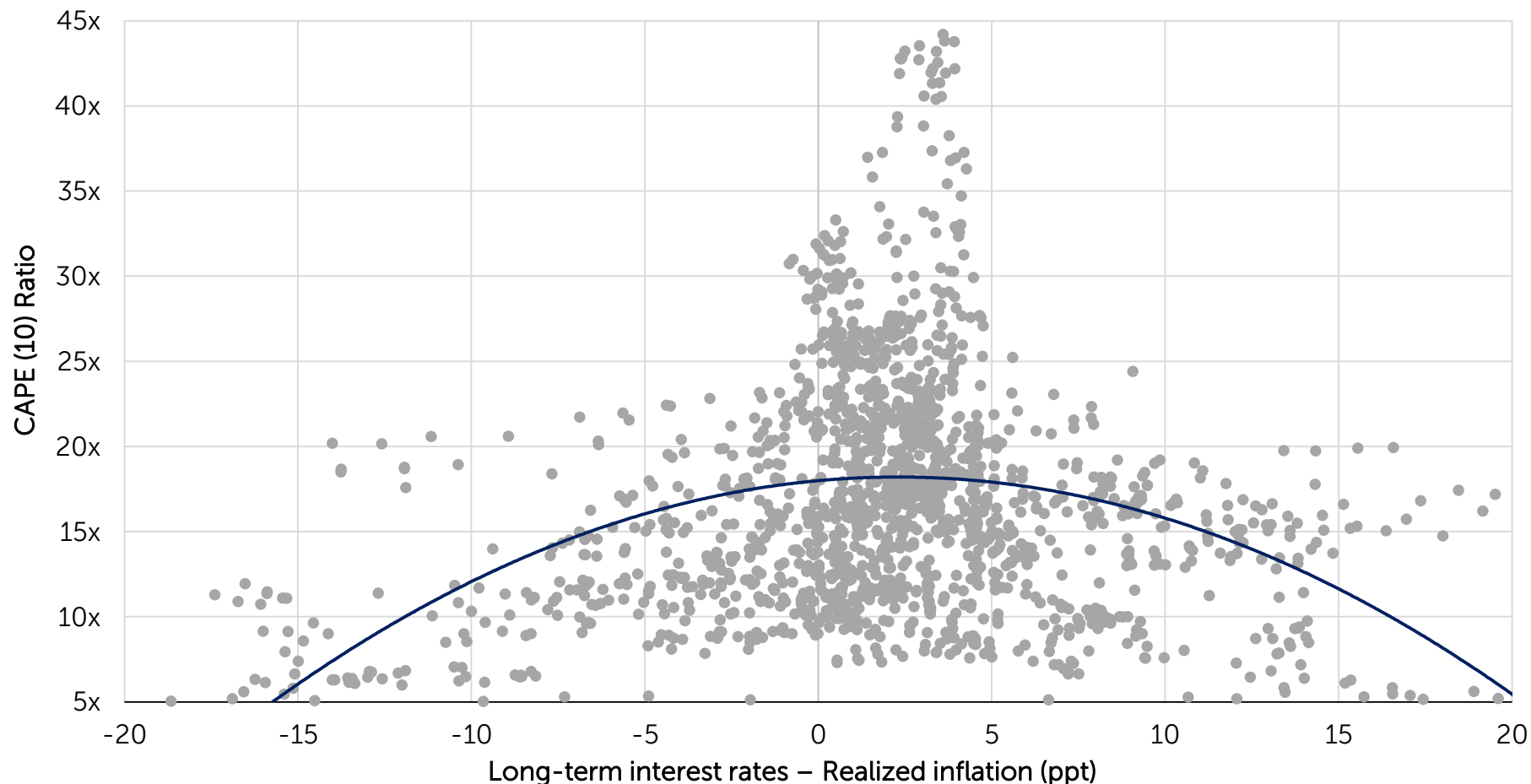


Source: Bloomberg, and ADCB Asset Management

8. The inflation debate (5/5)

We (equity investors) prefer it not too hot, not too cold!

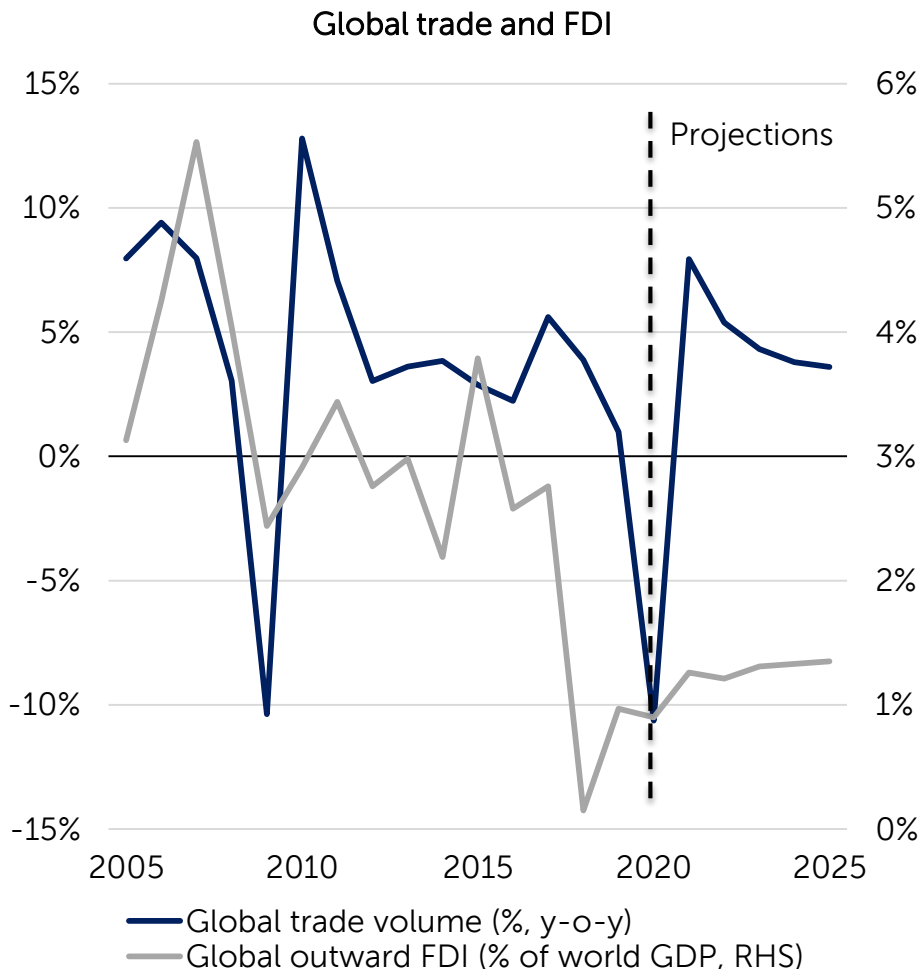
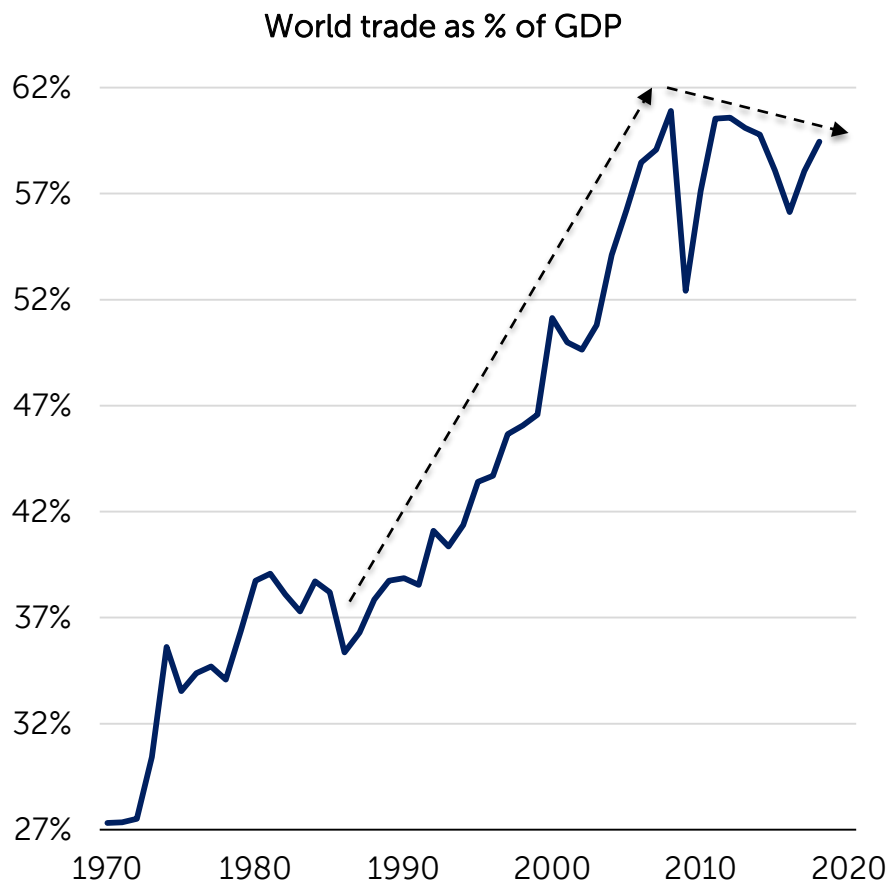
Relation between real rates and CAPE (using monthly data since 1881)



Source: Robert J. Shiller "Stock Market Data Used in "Irrational Exuberance" Princeton University Press, 2000, 2005, 2015, updated", and ADCB Asset Management

9. Accelerated deglobalization (1/4)

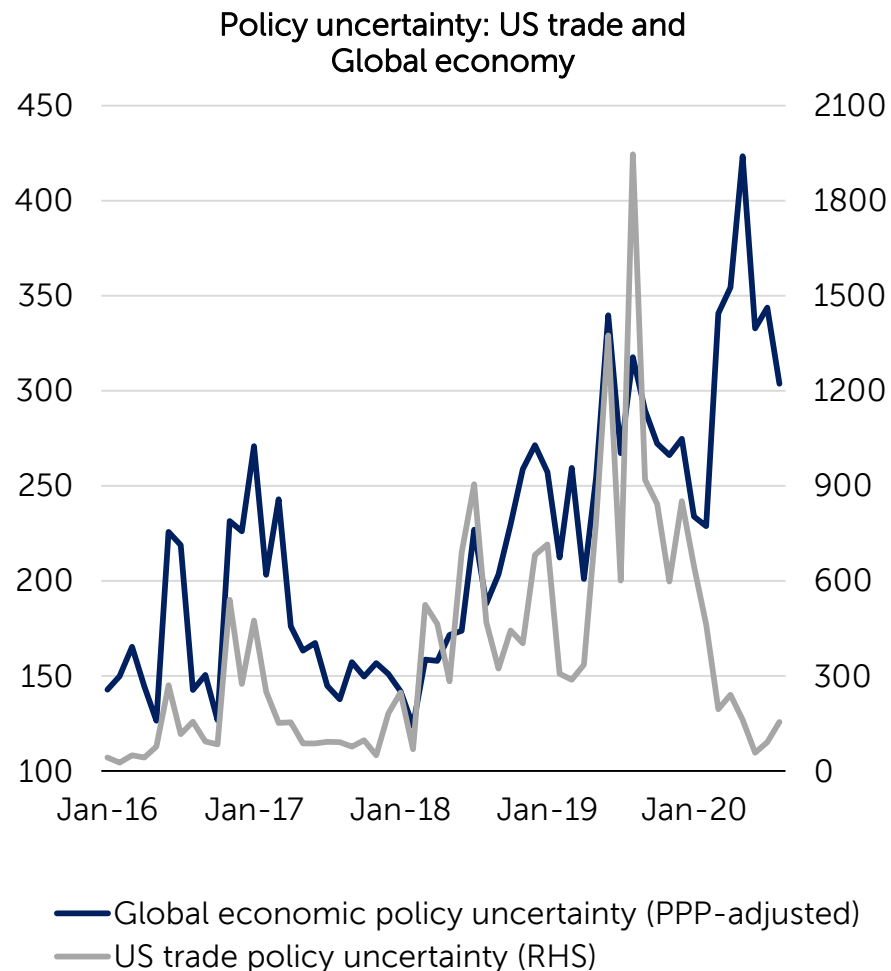
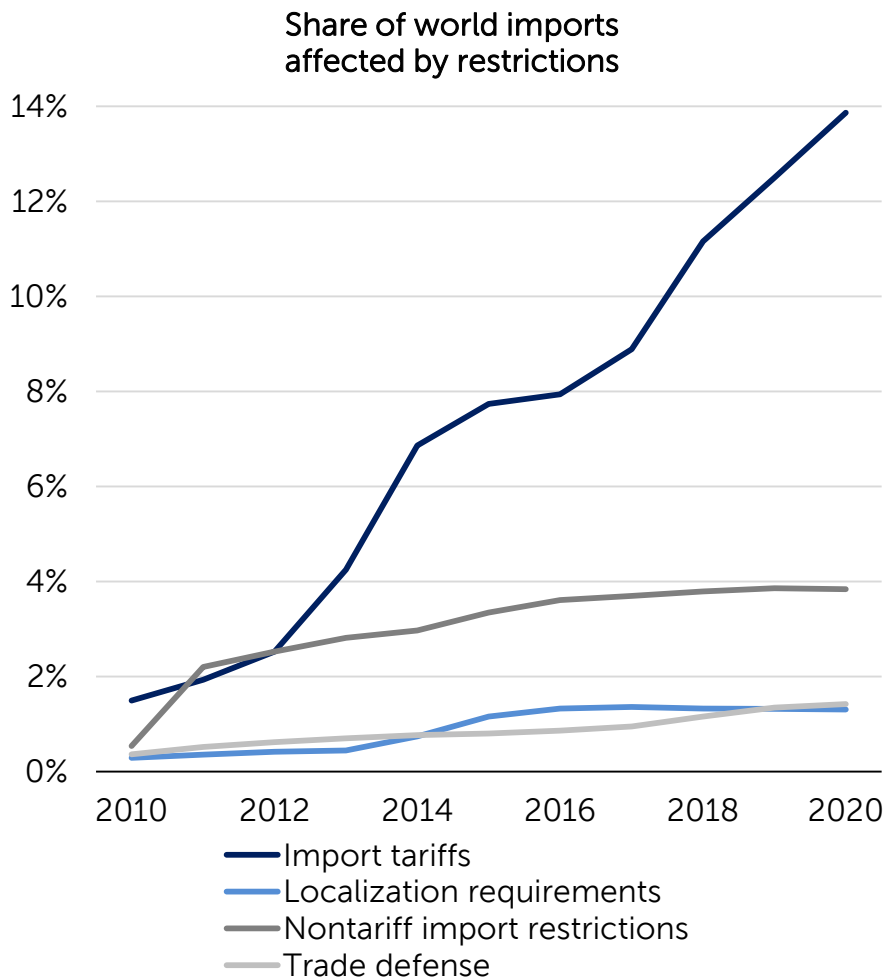
Structural decline in trade-driven growth. Cyclically, trade volumes could bounce next year.



Source: World Bank, International Monetary Fund, and ADCB Asset Management

9. Accelerated deglobalization (2/4)

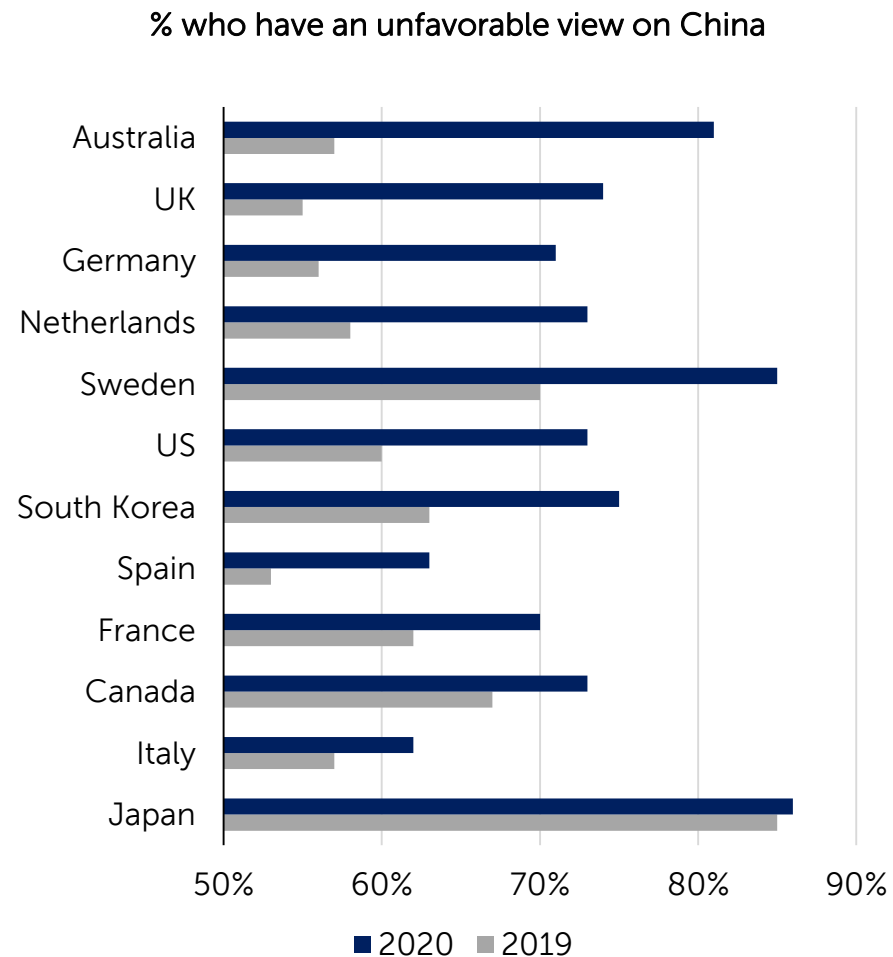
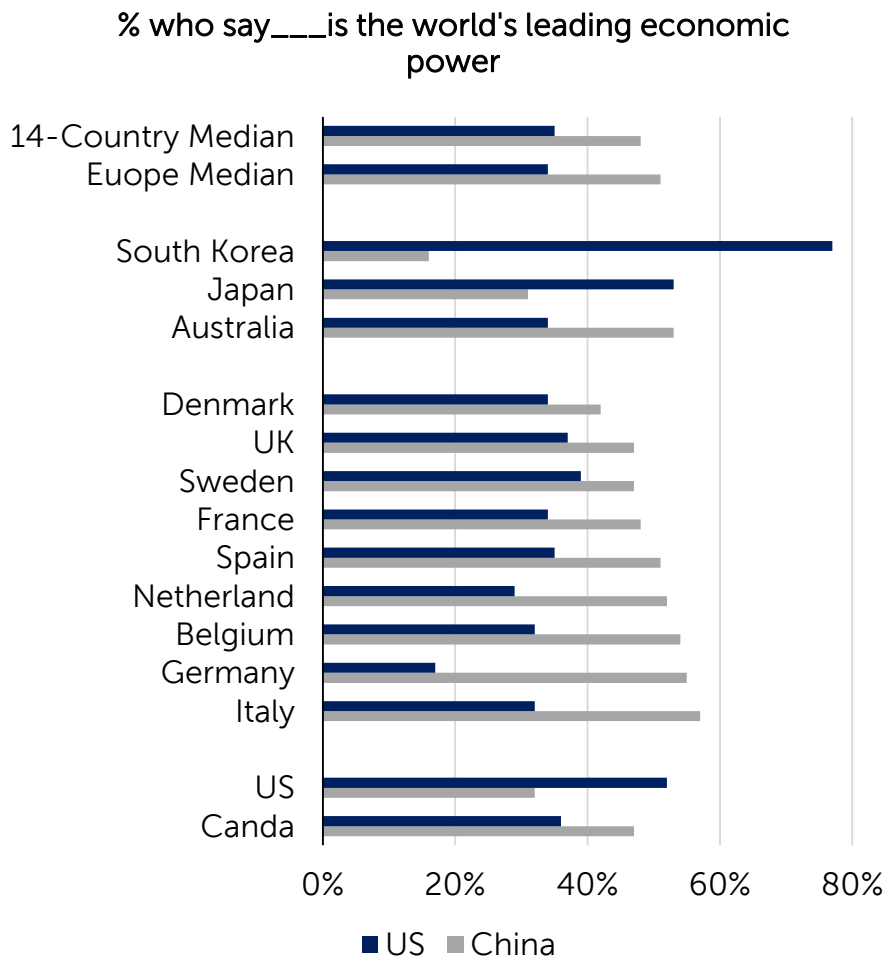
Rising share of world imports affected by restrictions.



Source: Global Trade Alert, Baker, Bloom and Davis, International Monetary Policy, and ADCB Asset Management

9. Accelerated deglobalization (3/4)

Global view of economic leadership is divergent, and unfavorable view on China is at historic highs.



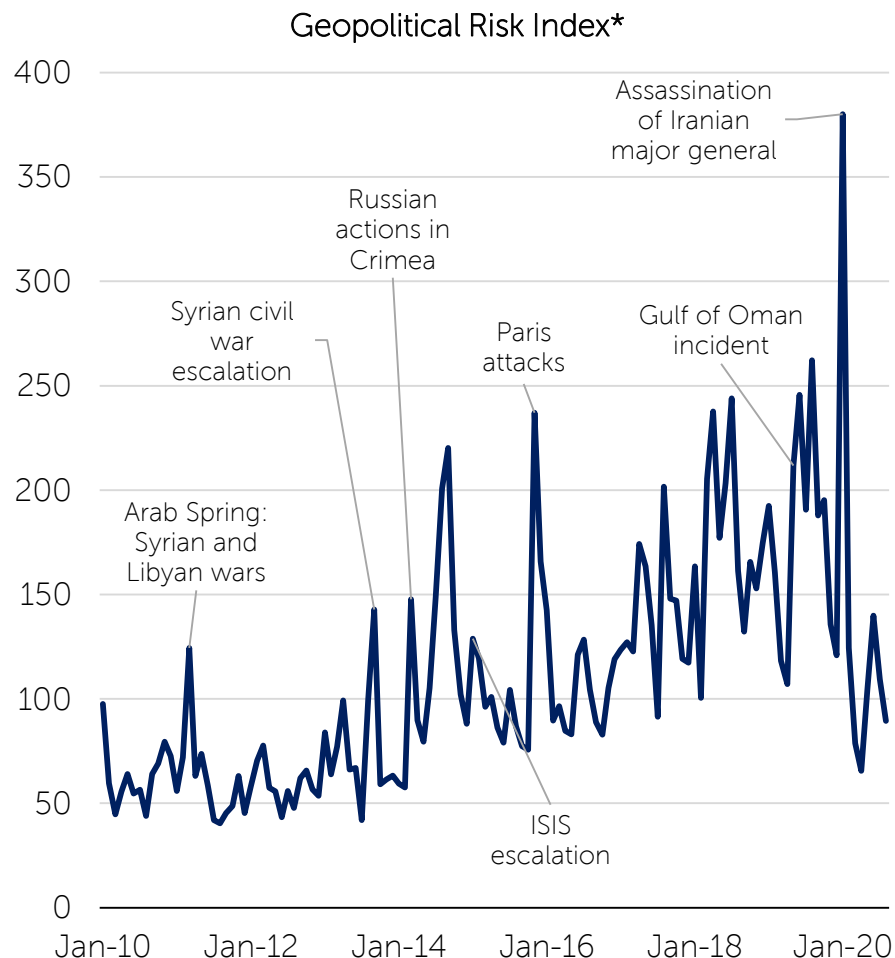
Source: PEW Research Center (Summer 2020 Global Attitudes Survey, Q14 and Q8b), and ADCB Asset Management

9. Accelerated deglobalization (4/4)

Trade unlikely to be the driver of growth. Watch out for any geopolitical risk events.

► Relative winners

- ▷ Economies that are more reliant on domestic demand to those that depend on exports
- ▷ Countries that have self-sufficient economic models over those that are reliant on external support
- ▷ Equity markets whose index composition is more tilted towards domestic consumption than to global consumption/trade
- ▷ Services sector over manufacturing sector
- ▷ Small and mid-cap stocks over large caps
- ▷ Companies with low cross-border revenue-asset mismatch
- ▷ Companies that have high internal growth rates
- ▷ Defense stocks as countries adopt more isolated and nationalist approach
- ▷ Cybersecurity companies

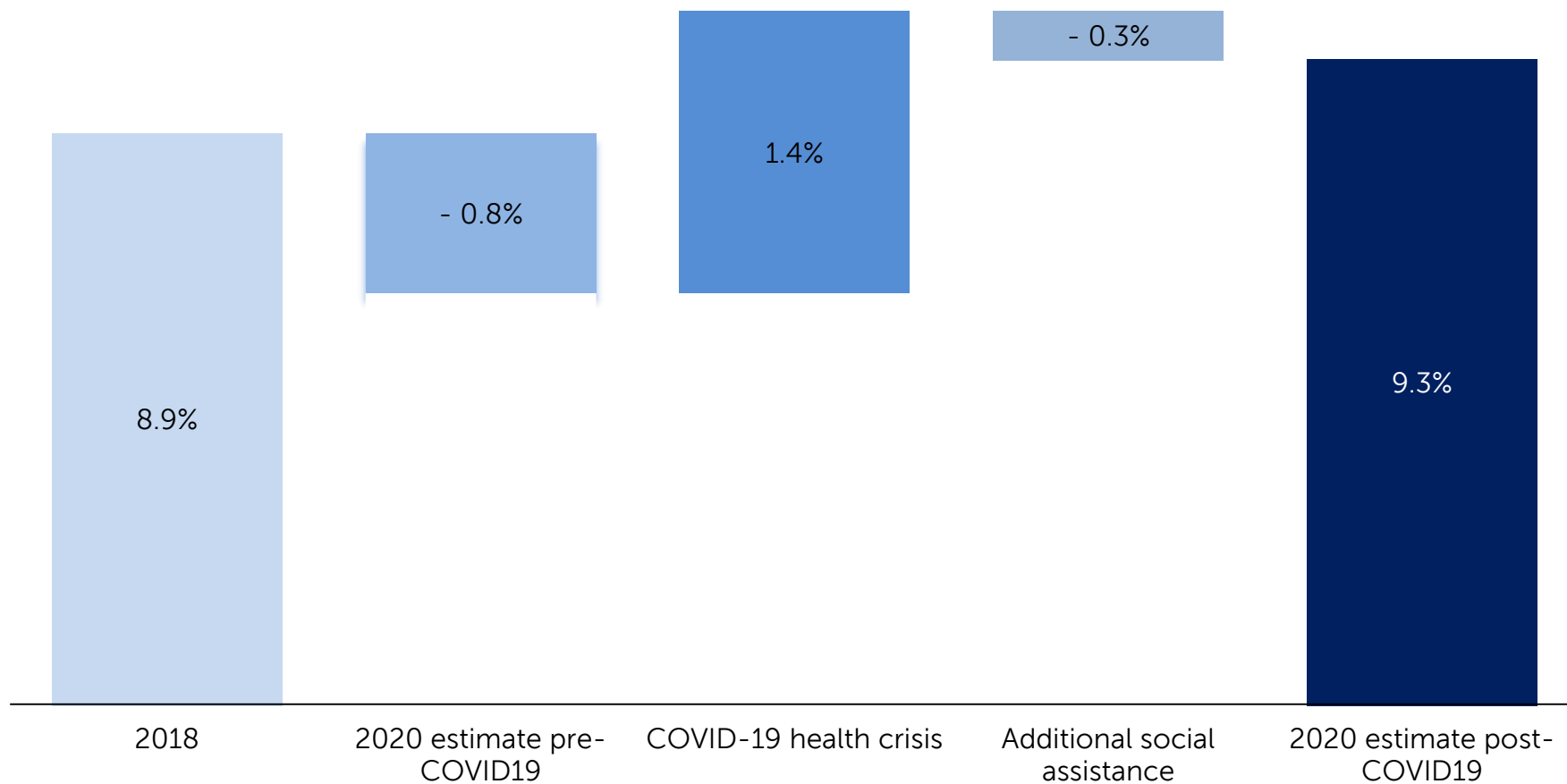


Source: Caldara and Lacoviello (2018), International Monetary Fund, and ADCB Asset Management | Notes: *Index of number of articles related to geopolitical risk in news papers (electronic archives of 11 national and international) as a share of total number of news articles.

10. Societal inequity (1/2)

Global extreme poverty has risen at the margin, despite social assistance.

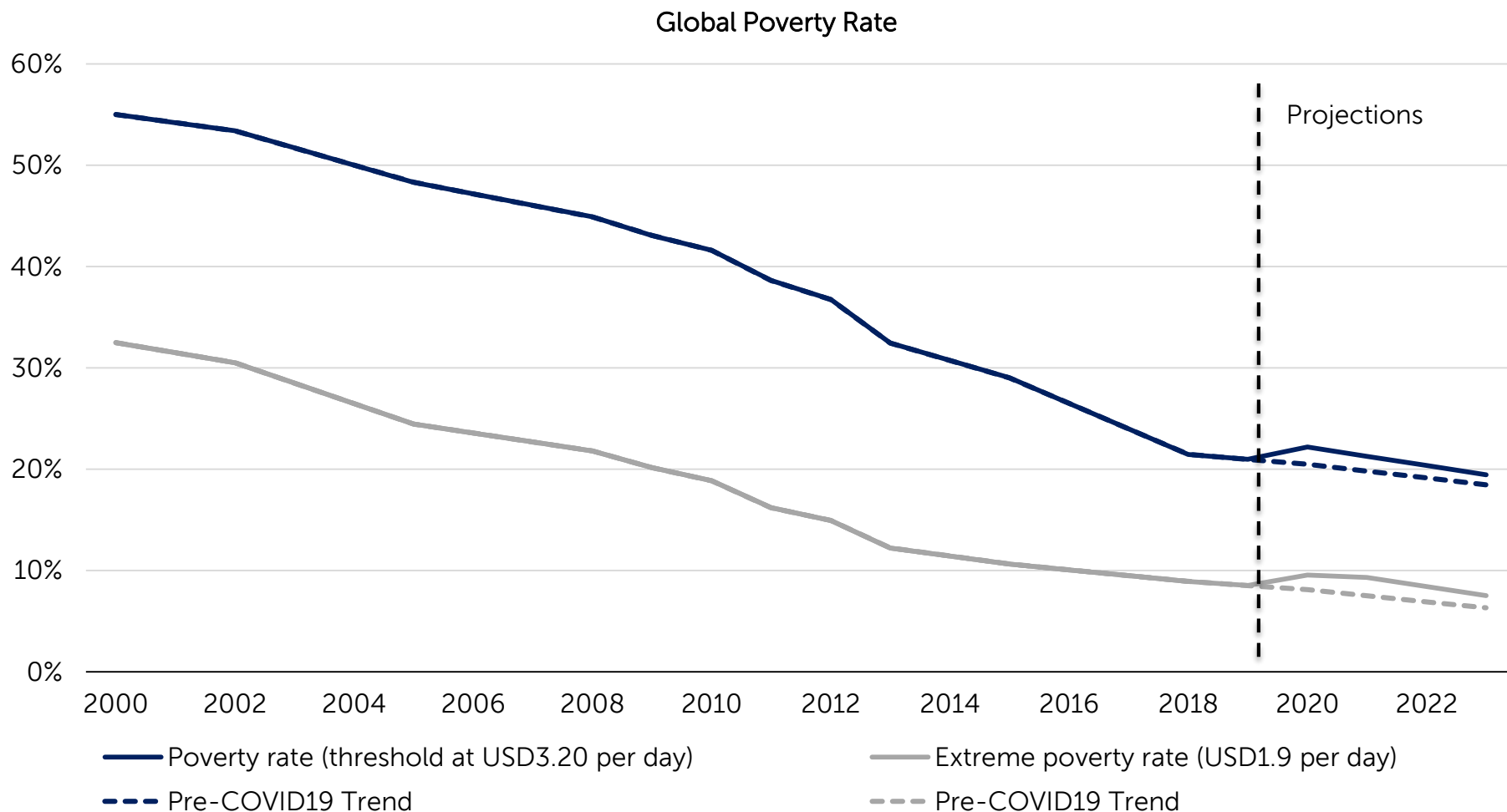
Global extreme poverty rate (% of total population)



Sources: International Monetary Fund, Gentilini and others (2020), World Bank PovcalNet database, and ADCB Asset Management

10. Societal inequity (2/2)

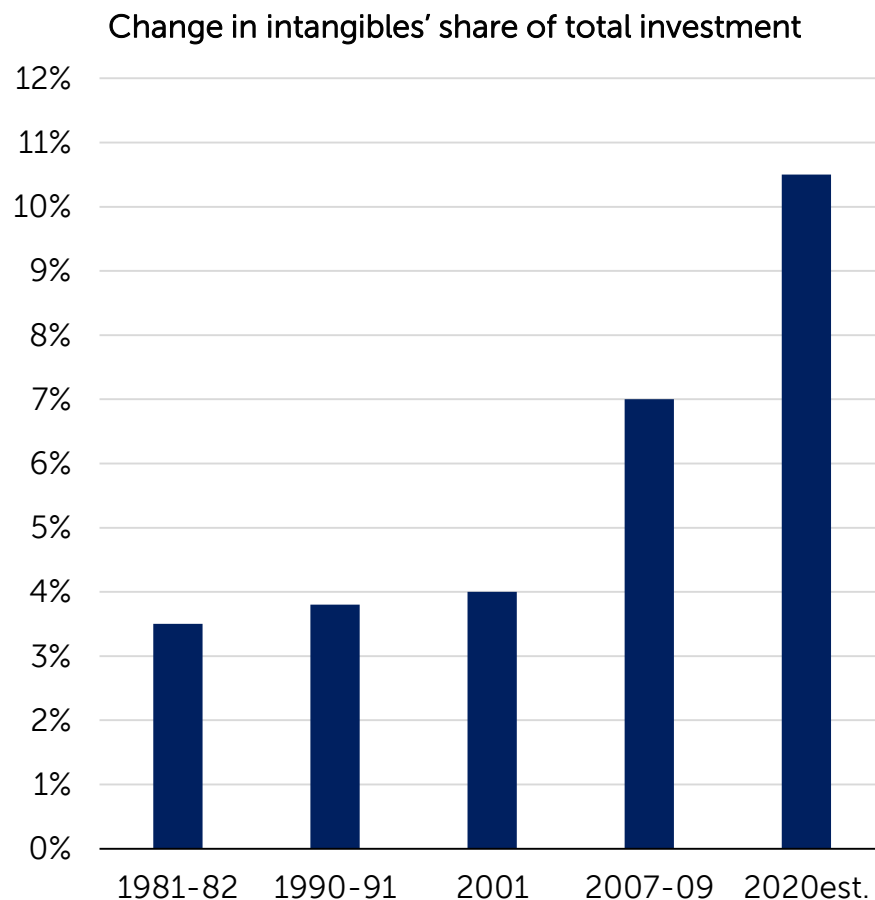
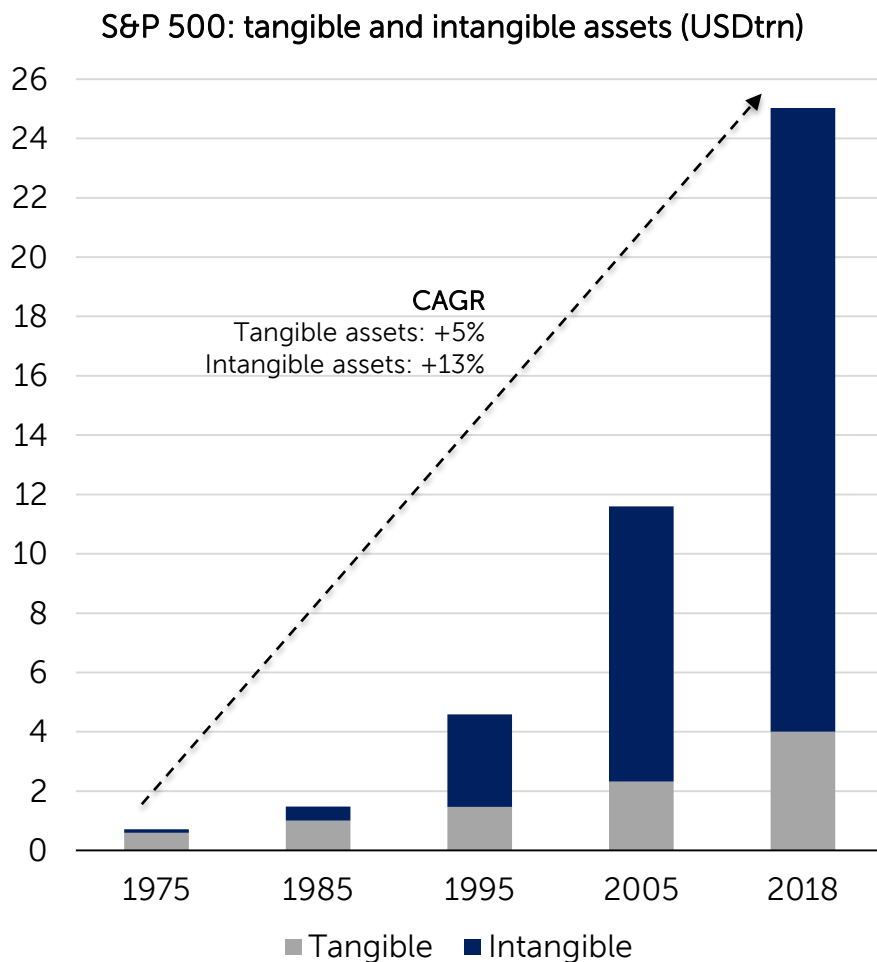
Poverty eradication saw a significant interruption.



Sources: International Monetary Fund, Gentilini and others (2020), World Bank PovcalNet database, and ADCB Asset Management

11. Creative destruction (1/2)

Rapid rise of share of intangibles (in total assets and investments) is the most defining aspect.



Source: Aon ("2019 Intangible Assets Financial Statement Impact Comparison Report", April 2019), Carlyle, Bureau of Economic Analysis, Bloomberg, and ADCB Asset Management

11. Creative destruction (2/2)

R&D and innovation are being rewarded by investors.

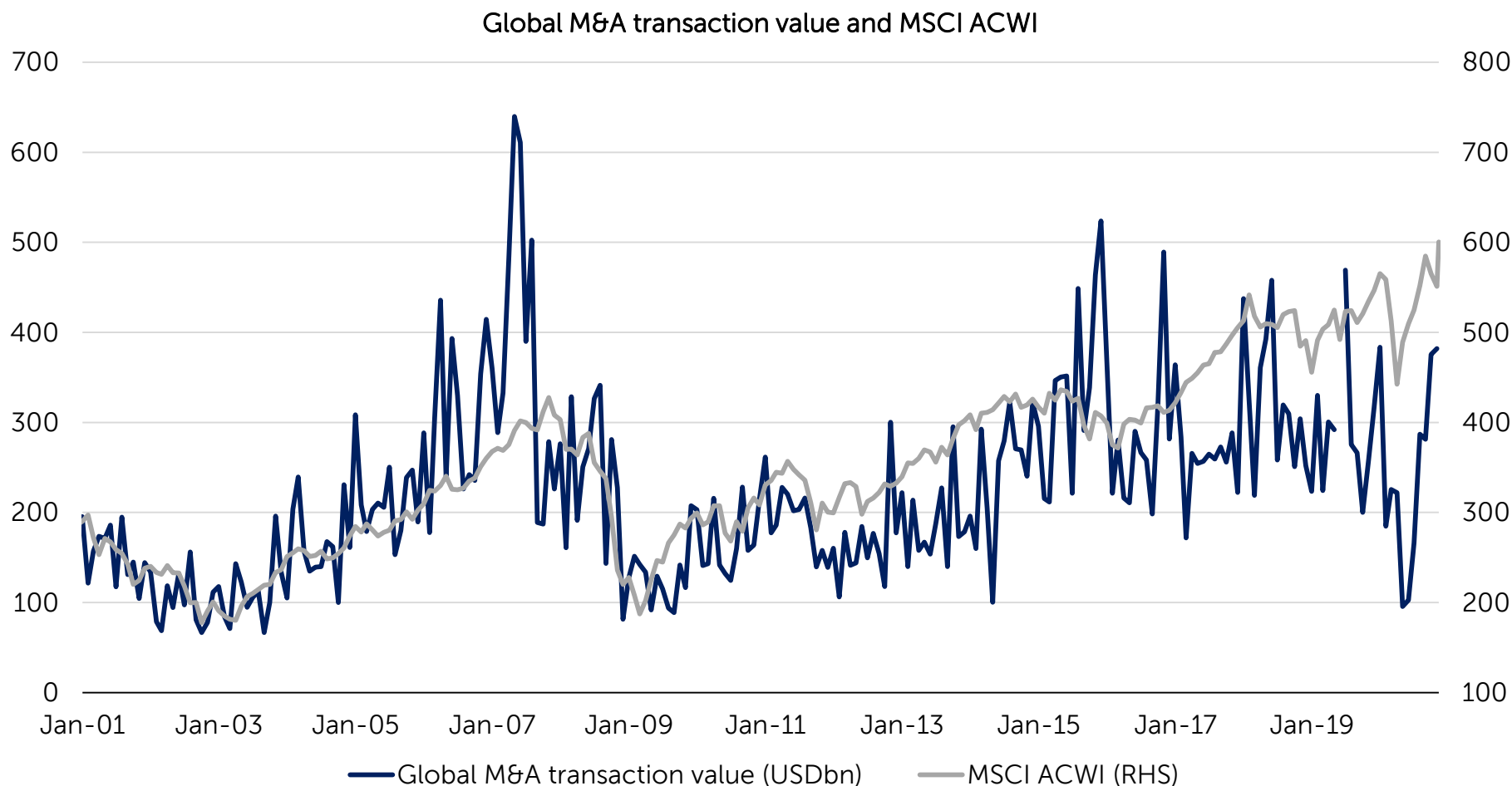
R&D innovation indices: China and US



Source: Shenzhen Stock Exchange, NYSE, Bloomberg, and ADCB Asset Management

12. Corporate restructuring (1/2)

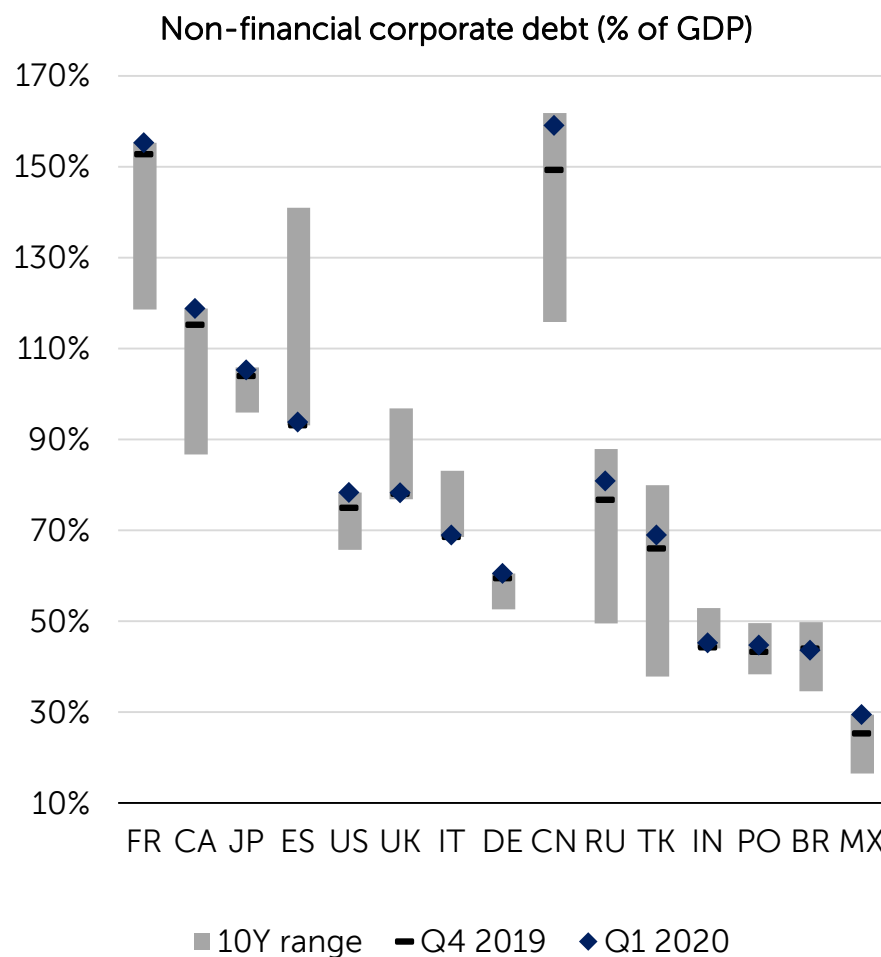
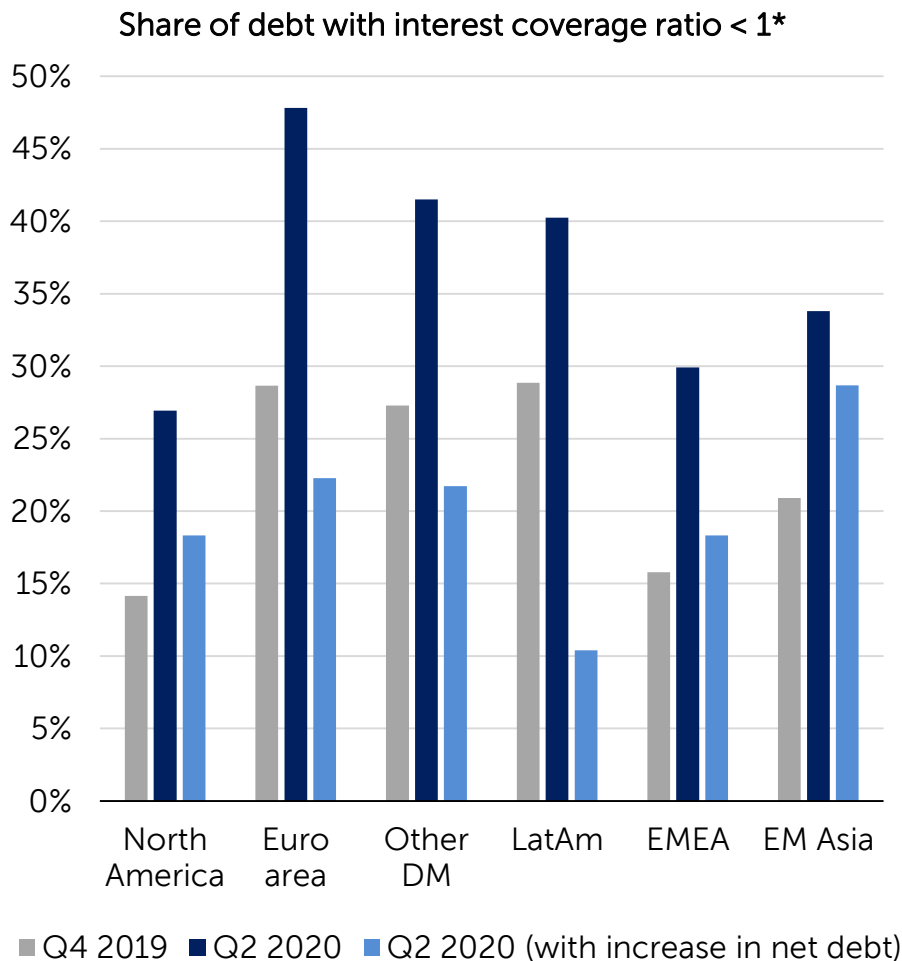
Pick up in M&A activity should support equity prices in 2021.



Source: MSCI, Bloomberg, and ADCB Asset Management

12. Corporate restructuring (2/2)

Corporate debt does not appear to be a major constraint for equity investors.

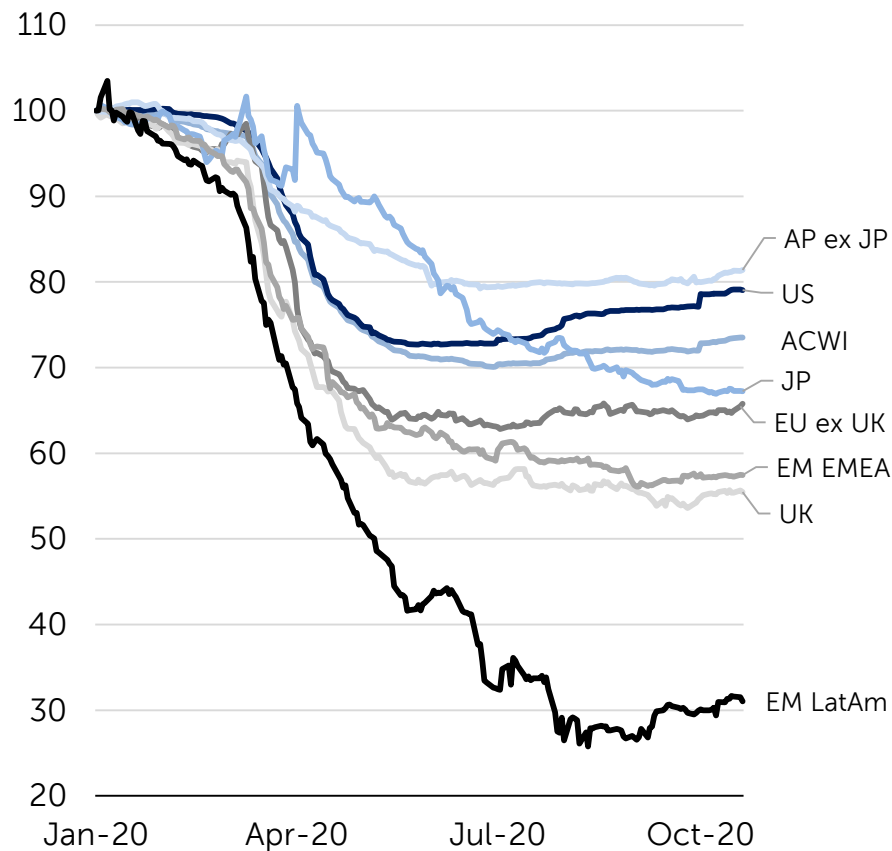


Source: Bank for International Settlements, Bloomberg, and ADCB Asset Management

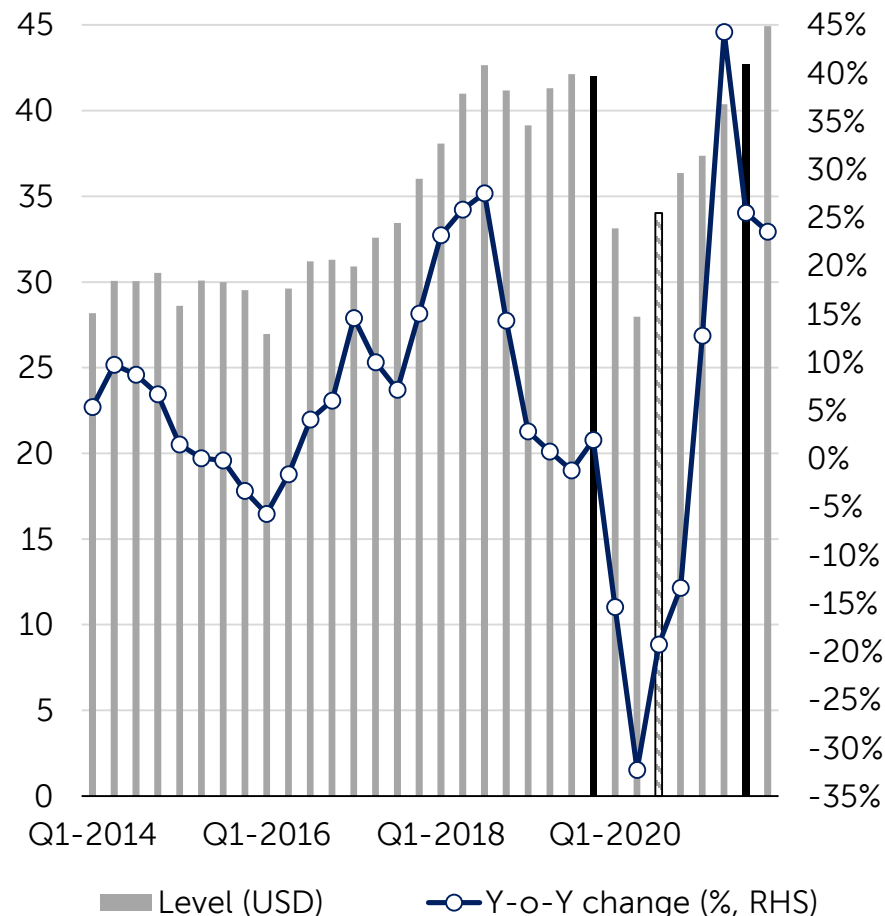
13. Earnings recovery (1/3)

Earnings downgrades are largely behind us.

12M forward EPS of MSCI indices*



S&P 500: Quarterly earnings

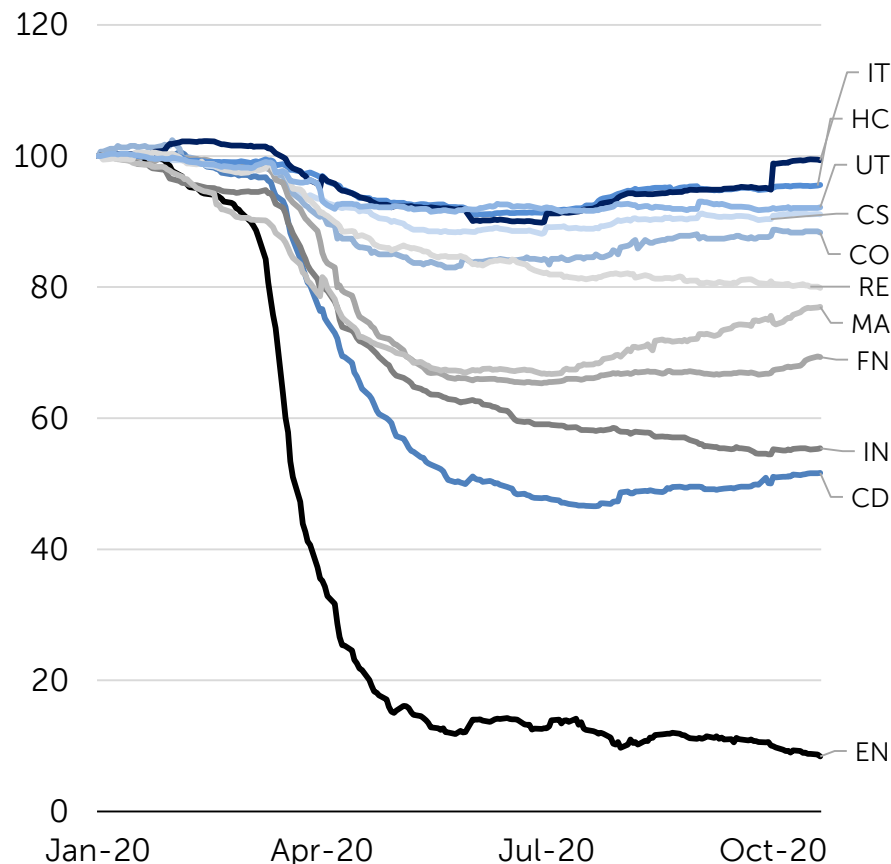


Source: MSCI, S&P, Bloomberg, and ADCB Asset Management | Notes: *in USD terms, indexed to 100 at the start of the year

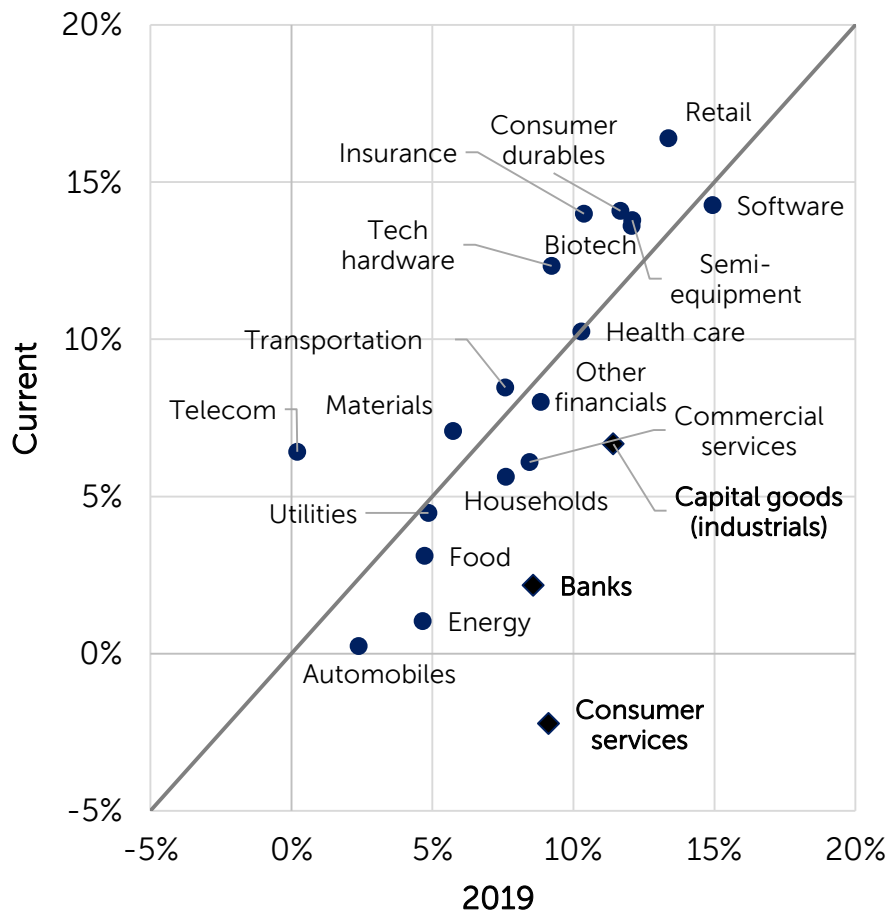
13. Earnings recovery (2/3)

Focus will shift to long-term earnings trends.

12M forward EPS of MSCI ACWI sectors*



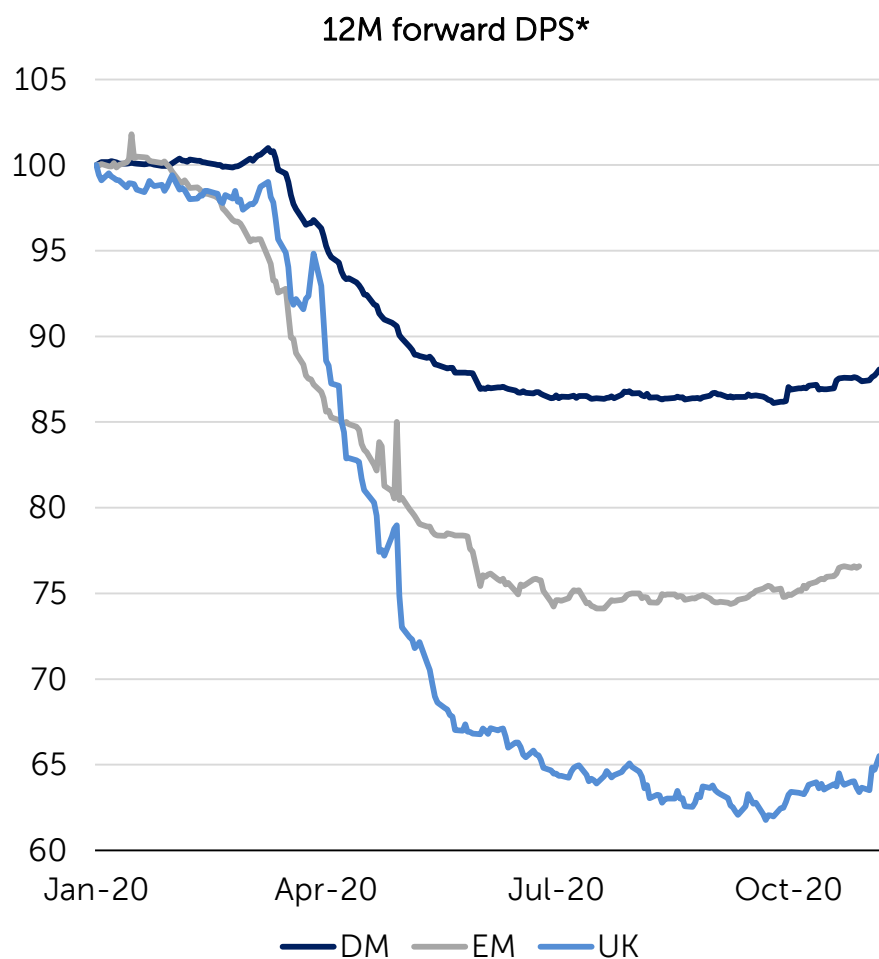
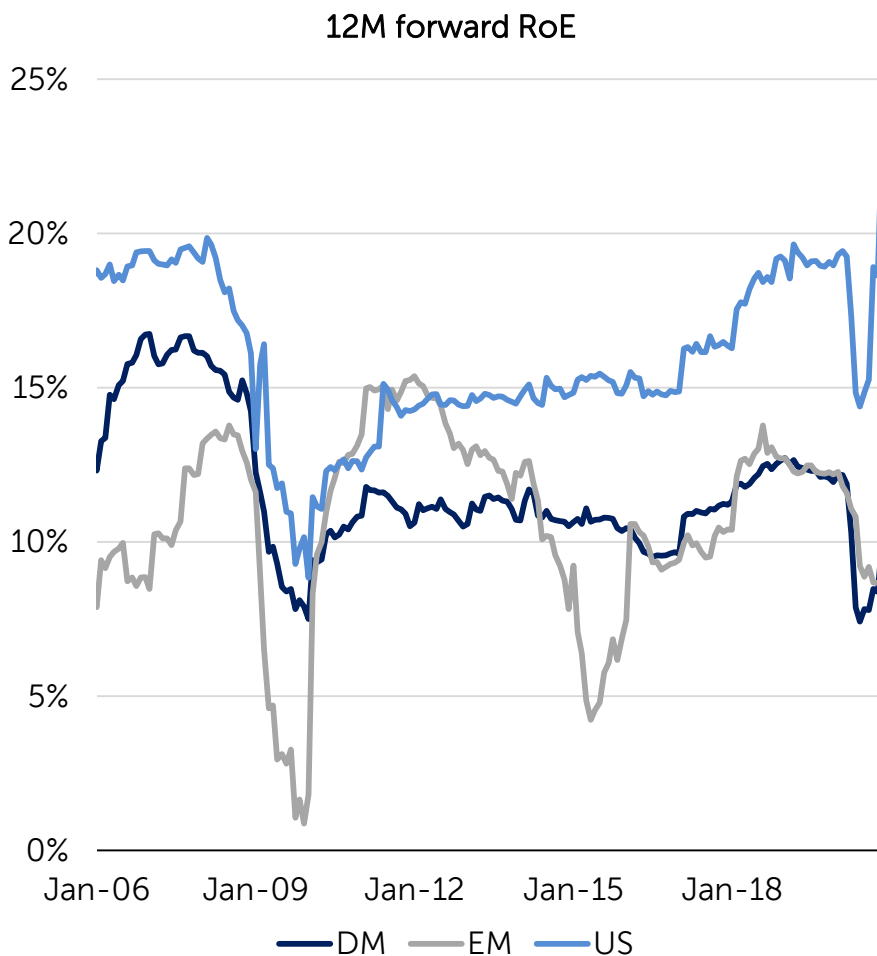
LT EPS growth forecasts: current vs. 2019



Source: MSCI, IMF, Bloomberg, and ADCB Asset Management | Notes: *in USD terms, indexed to 100 at the start of the year; IT: Information Tech, HC: Healthcare, UT: Utilities, CS: Cons. Staples, CO: Comm. Services, RE: Real Estate, MA: Materials, FN: Financials, IN: Industrials, CD: Cons. Discretionary and EN: Energy.

13. Earnings recovery (3/3)

2021 is set to see a strong recovery in profitability and dividend growth.

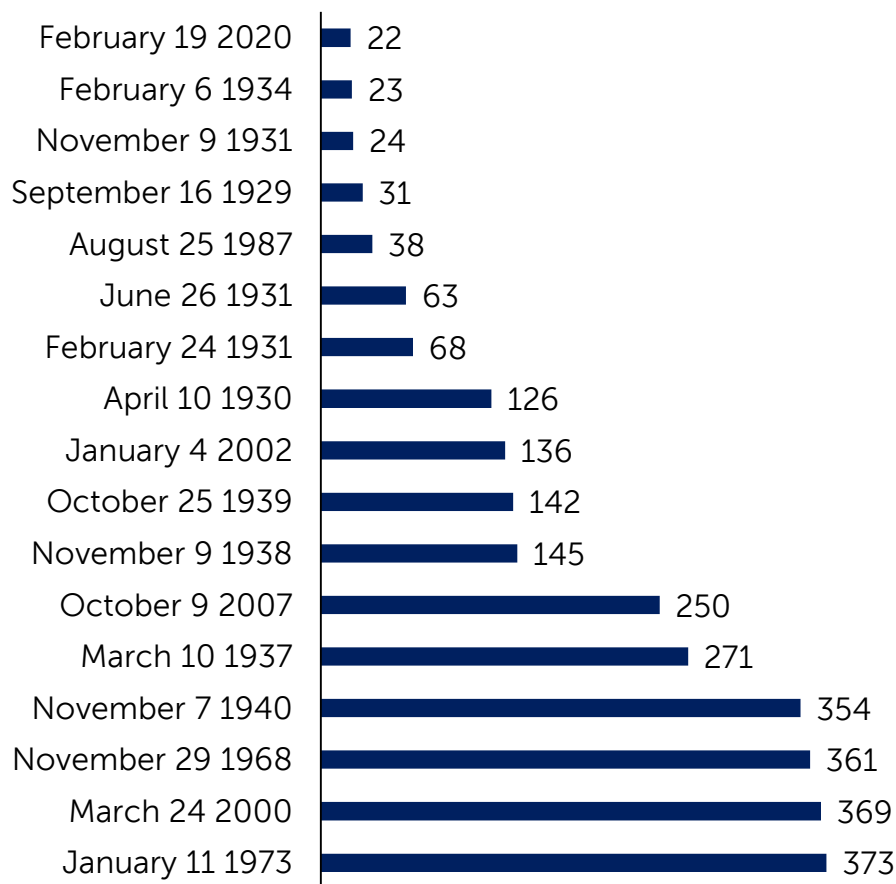


Source: MSCI, Bloomberg, and ADCB Asset Management | Notes: *in USD terms, indexed to 100 at the start of the year.

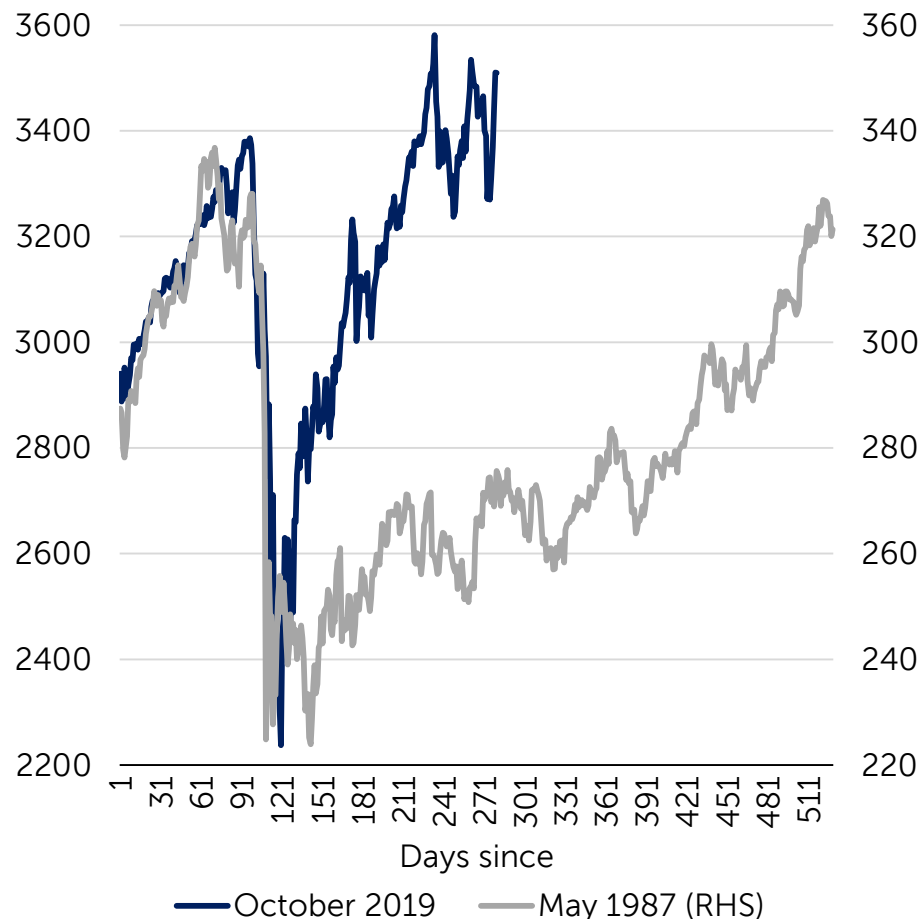
14. The right template (1/1)

Risk velocity has increased dramatically.

Number of days to a 30% drop



S&P 500 index: 1987 and now



Source: S&P, Bank of America Global Research, Bloomberg, and ADCB Asset Management

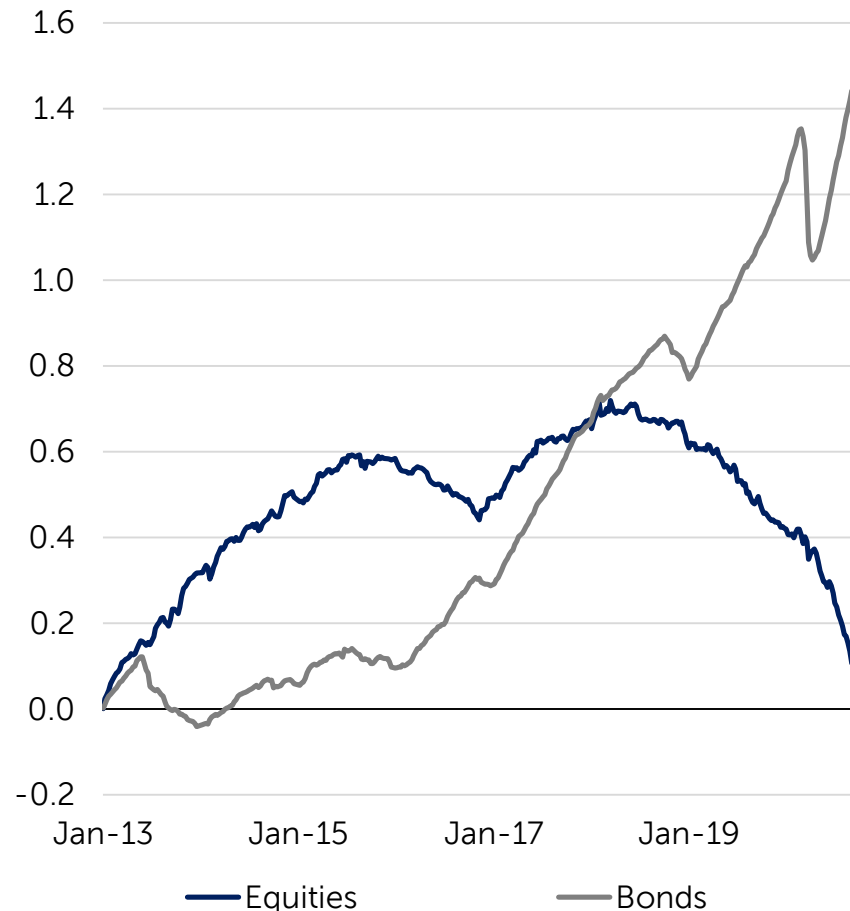
15. There is no alternative (1/2)

Equity sentiment remains bearish and fund flows indicate very light positioning.

Money Market Funds Assets (USDtrn)



Cumulative LT MF and ETF flows (USD trn)

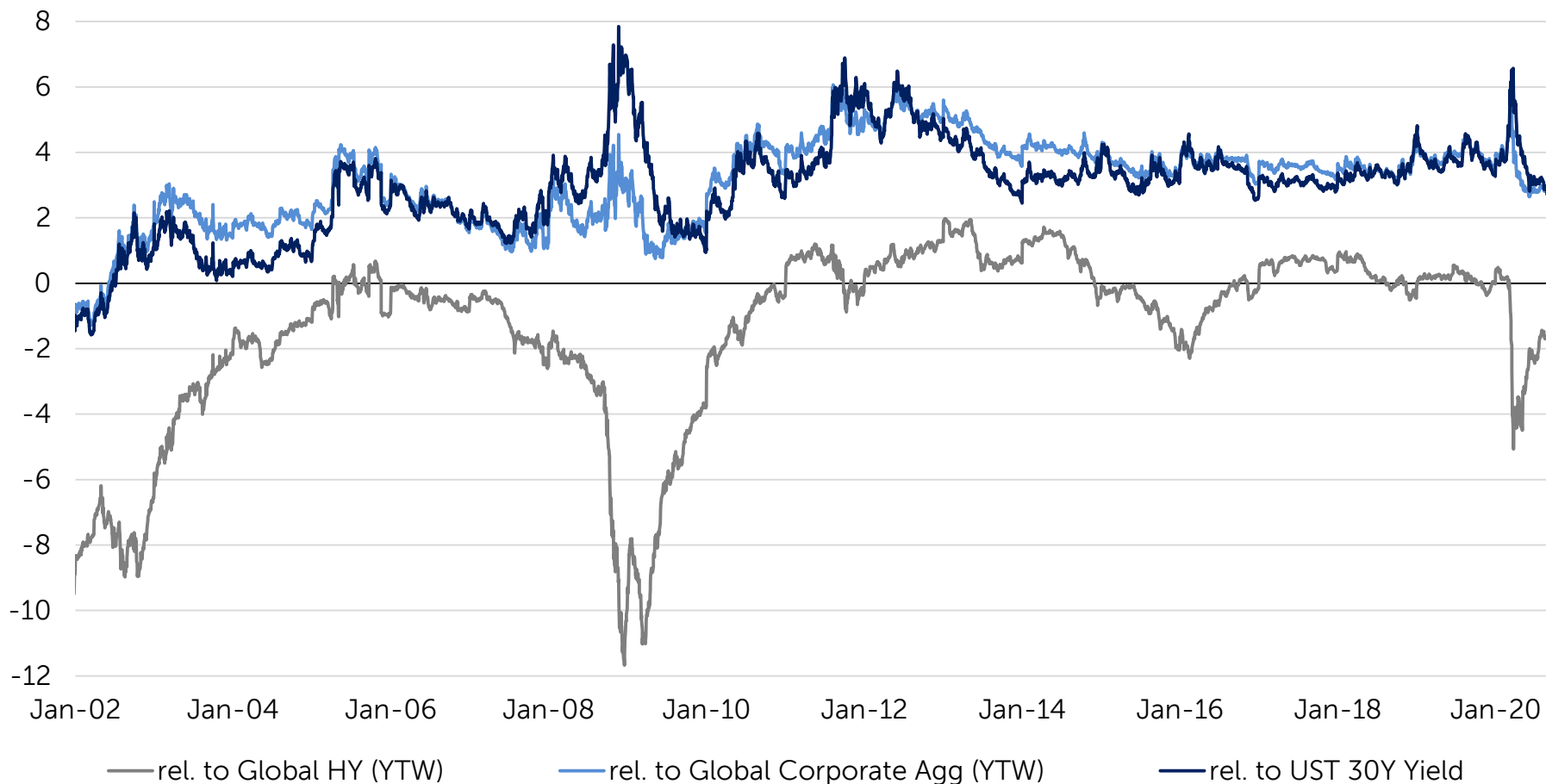


Source: The Investment Company Institute, Bloomberg, and ADCB Asset Management

15. There is no alternative (2/2)

Equity risk premium could fall further.

MSCI ACWI 12M forward earnings yield relative (ppt)

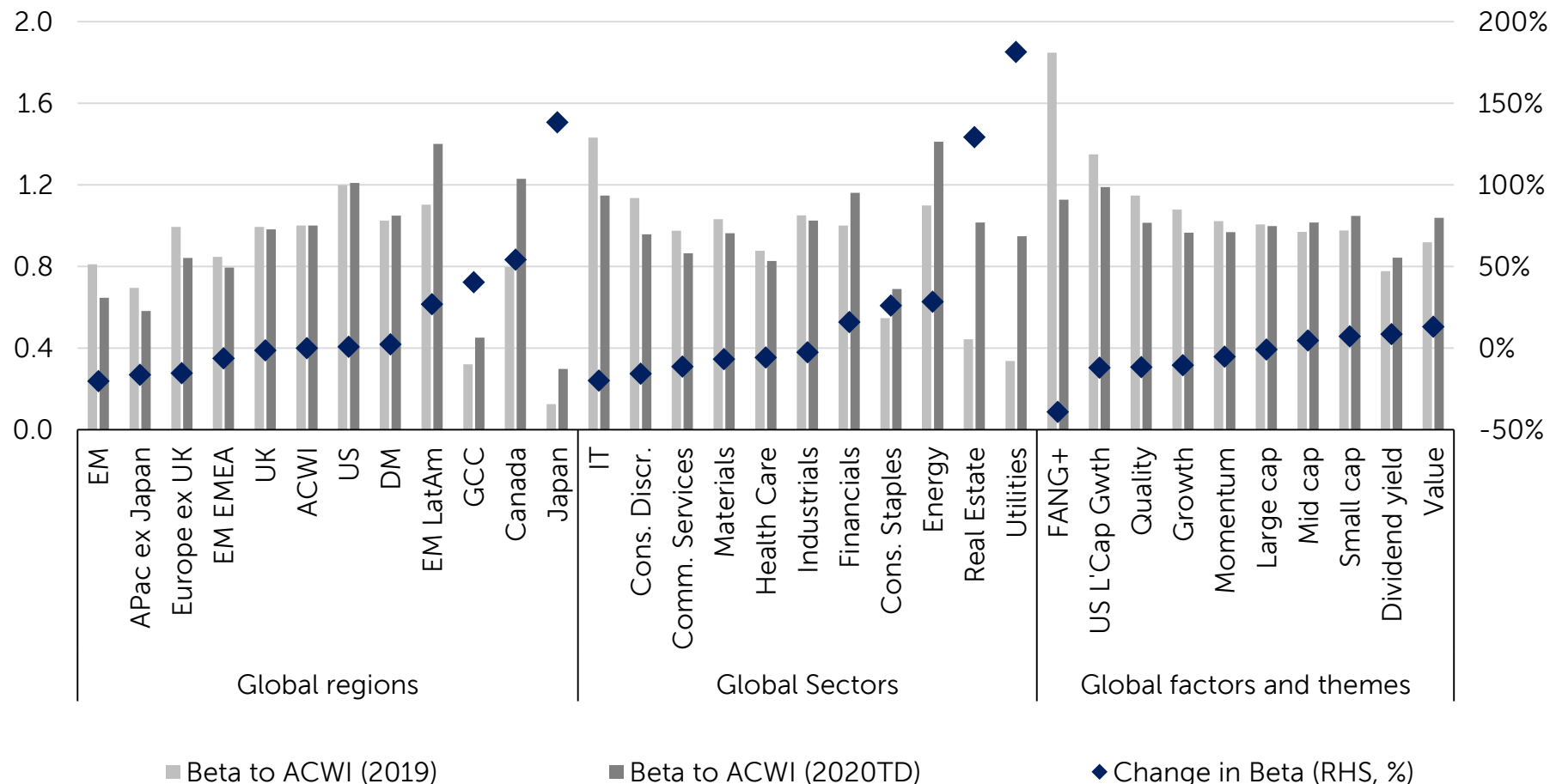


Source: MSCI, Bloomberg, and ADCB Asset Management

16. Beta normalization (1/4)

COVID-19: from a systemic risk to a systematic risk?

Major equity segments - COVID-19 induced beta changes

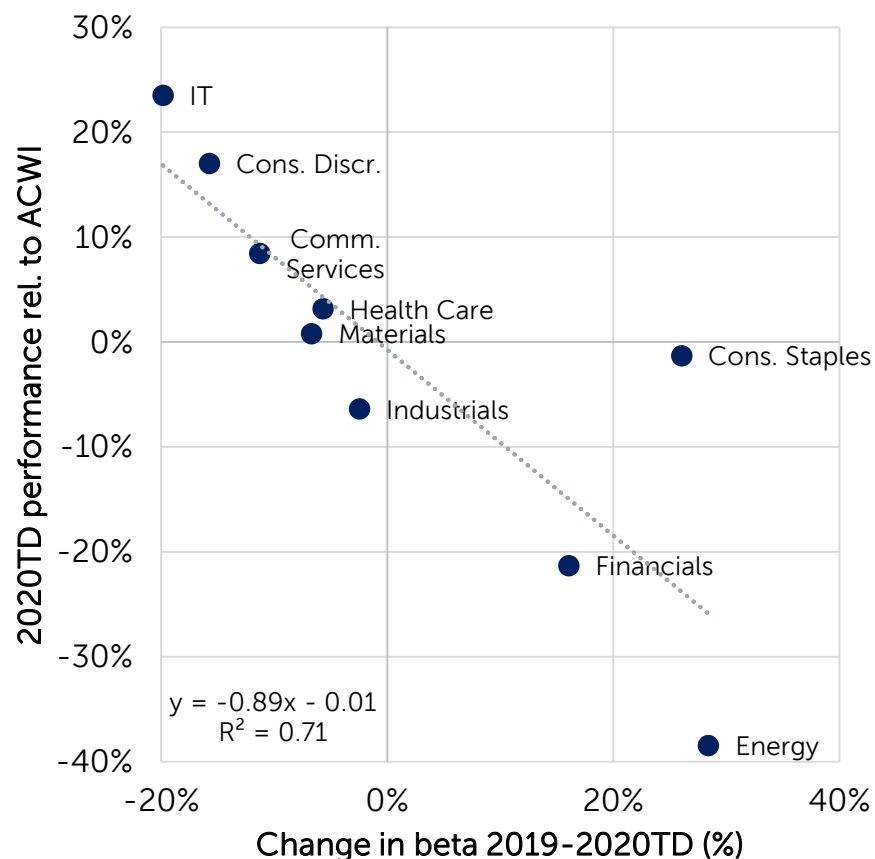


Source: MSCI, NYSE, Bloomberg, and ADCB Asset Management

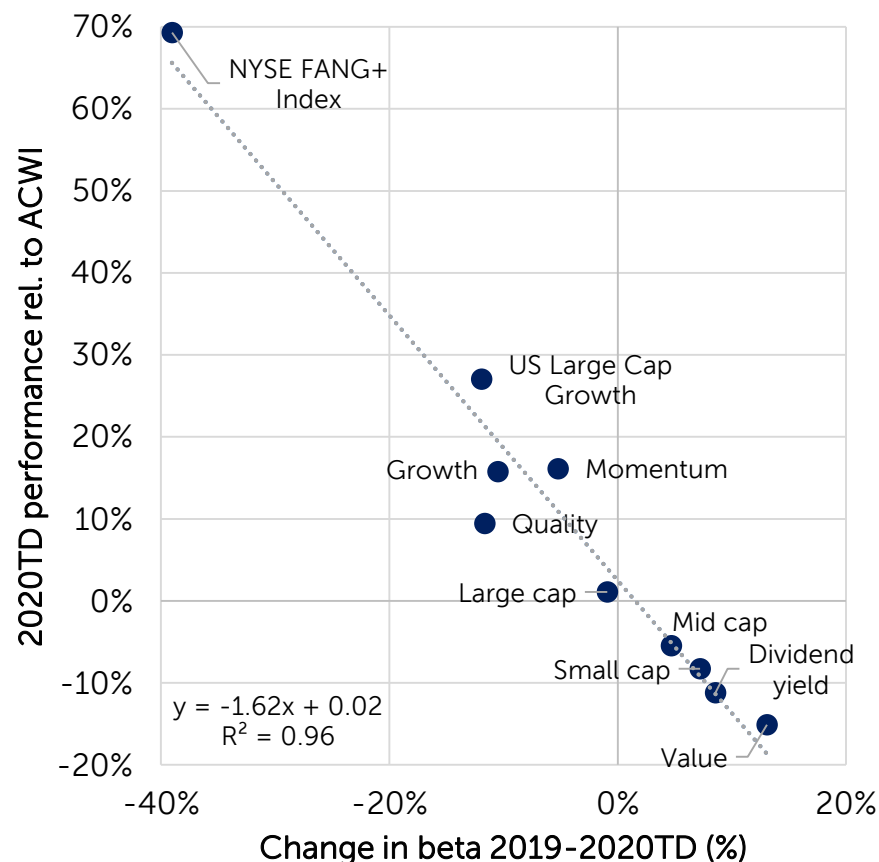
16. Beta normalization (2/4)

COVID-19 induced beta shift explains relative performance of various segments.

Change in beta explains performances of global sectors



Change in beta explains performances of factors too



Source: MSCI, NYSE, Bloomberg, and ADCB Asset Management

16. Beta normalization (3/4)

If COVID-19 has caused a beta shift, a vaccine will likely reverse it!

MSCI ACWI Industry	ACWI (2019)	Beta ACWI (2020TD)	Change in Beta 2019-2020TD	YTD perf. rel. to ACWI
Energy Equipment & Services	1.72	1.84	7%	-50%
Consumer Finance	1.29	1.83	42%	-25%
Aerospace & Defense	1.09	1.43	31%	-30%
Oil Gas & Consumable Fuels	1.07	1.39	31%	-40%
Banks	0.98	1.14	16%	-31%
Airlines	0.94	1.11	18%	-46%
Insurance	0.90	1.08	19%	-19%
Industrial Conglomerates	1.20	1.06	-11%	-15%
Construction & Engineering	0.85	0.92	8%	-20%
Transportation Infrastructure	0.55	0.84	53%	-24%
Tobacco	0.70	0.83	18%	-16%
Hotels Restaurants & Leisure	0.86	1.19	39%	-15%
Thriffs & Mortgage Finance	0.24	0.74	212%	-31%
Indp. Pwr. Producers & Renewable Electricity Producers	0.59	0.74	26%	-18%
Diversified Telecommunication Svcs.	0.50	0.73	45%	-16%
Real Estate Mgmt. & Development	0.60	0.56	-6%	-20%
Gas Utilities	0.36	0.54	48%	-17%

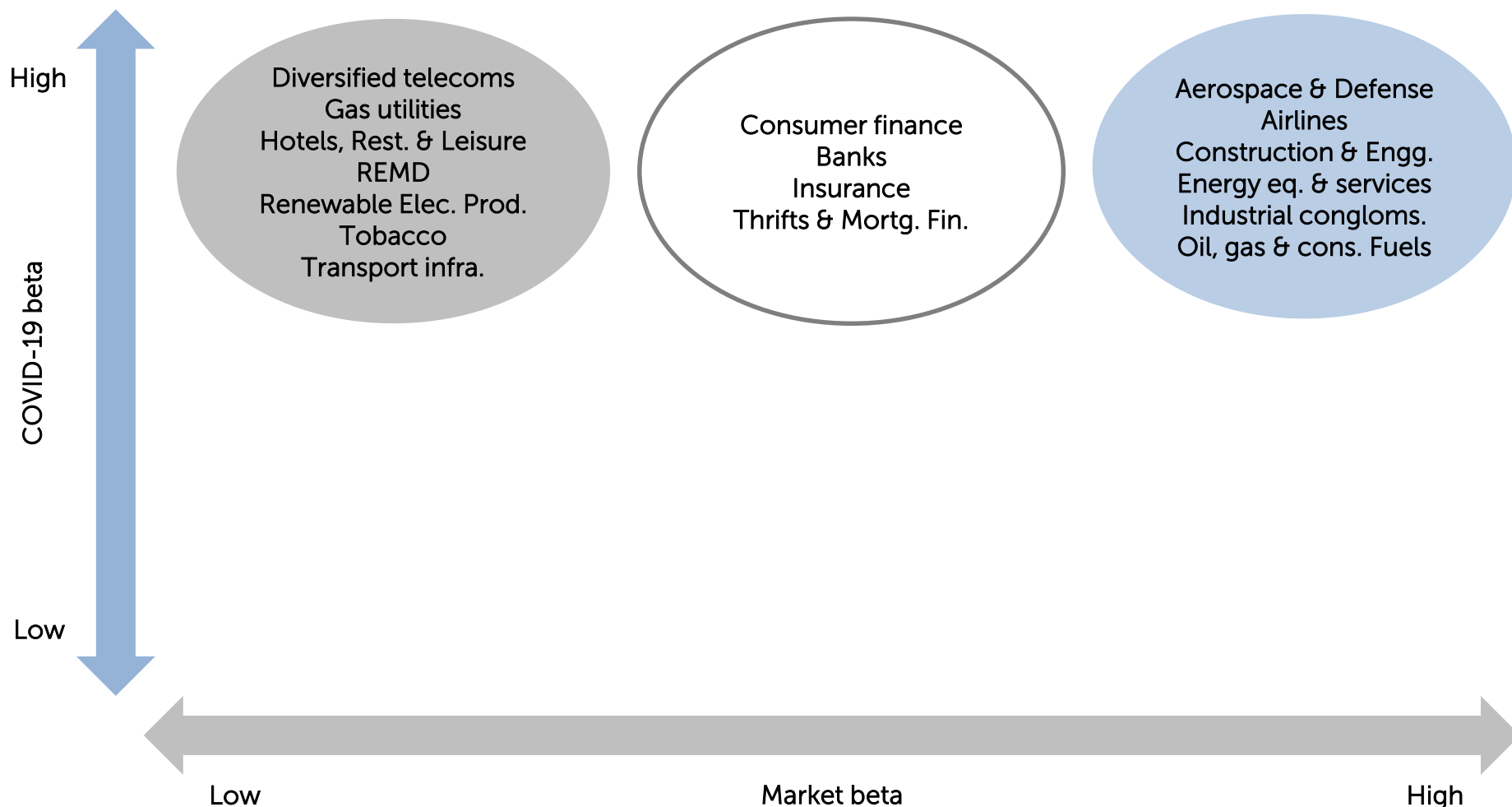
Colour legend

Cyclicals
Financials
Defensives

Source: MSCI, Bloomberg, and ADCB Asset Management

16. Beta normalization (4/4)

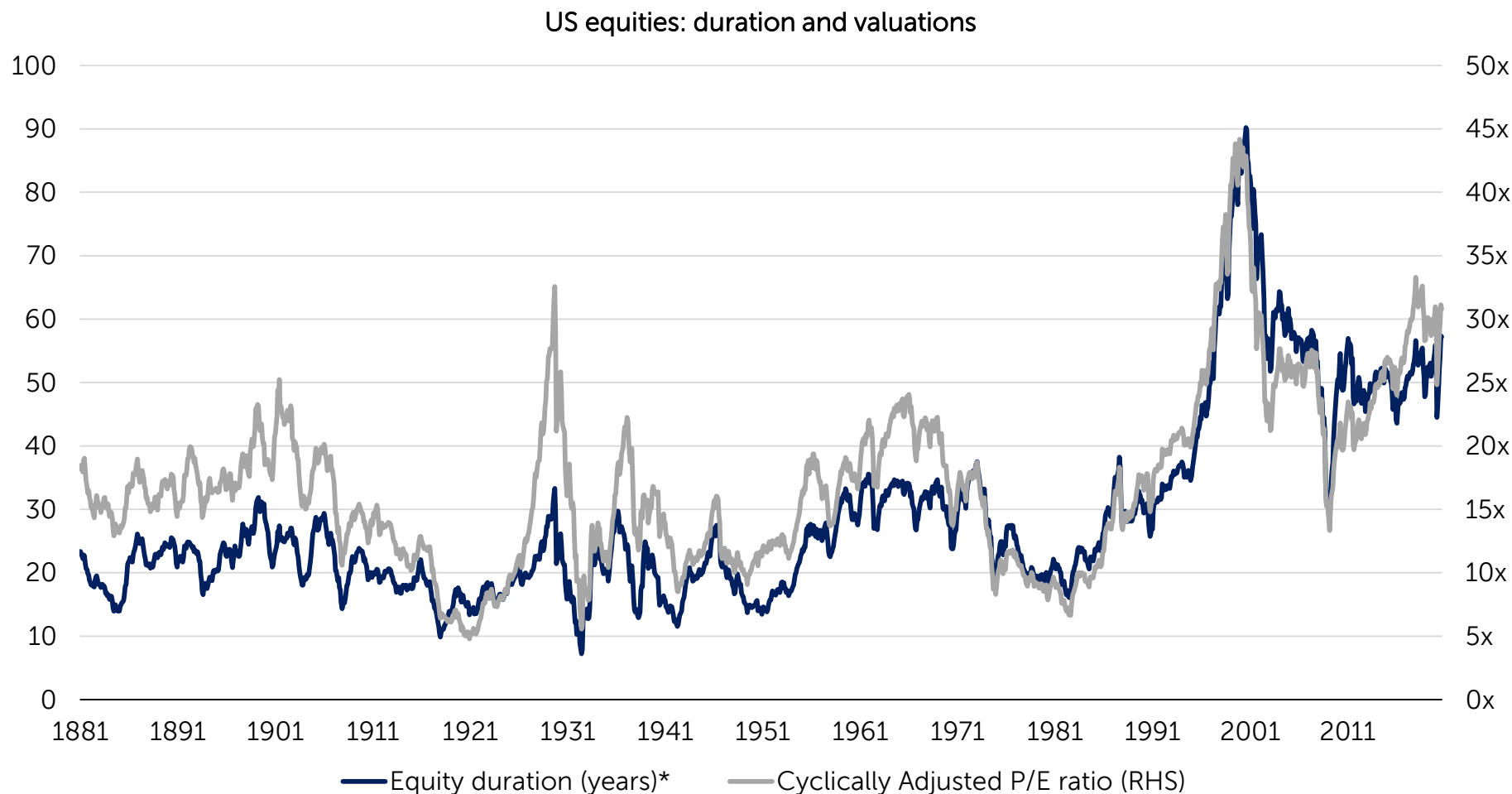
If COVID-19 has caused a beta shift, a vaccine will likely reverse it!



Source: MSCI, GICS, Bloomberg, and ADCB Asset Management

17. Duration risk for equity portfolios (1/2)

Increased 'growth' concentration has pushed up valuations and has also increased the duration.



Source: Robert J. Shiller (Stock Market Data Used in "Irrational Exuberance" Princeton University Press, 2000, 2005, 2015, updated), and ADCB Asset Management | Notes: *Calculated as price/dividend for S&P composite.

17. Duration risk for equity portfolios (2/2)

Cross-asset correlations are elevated once again.

Global Median Cross-Asset Correlation*



► Considerations

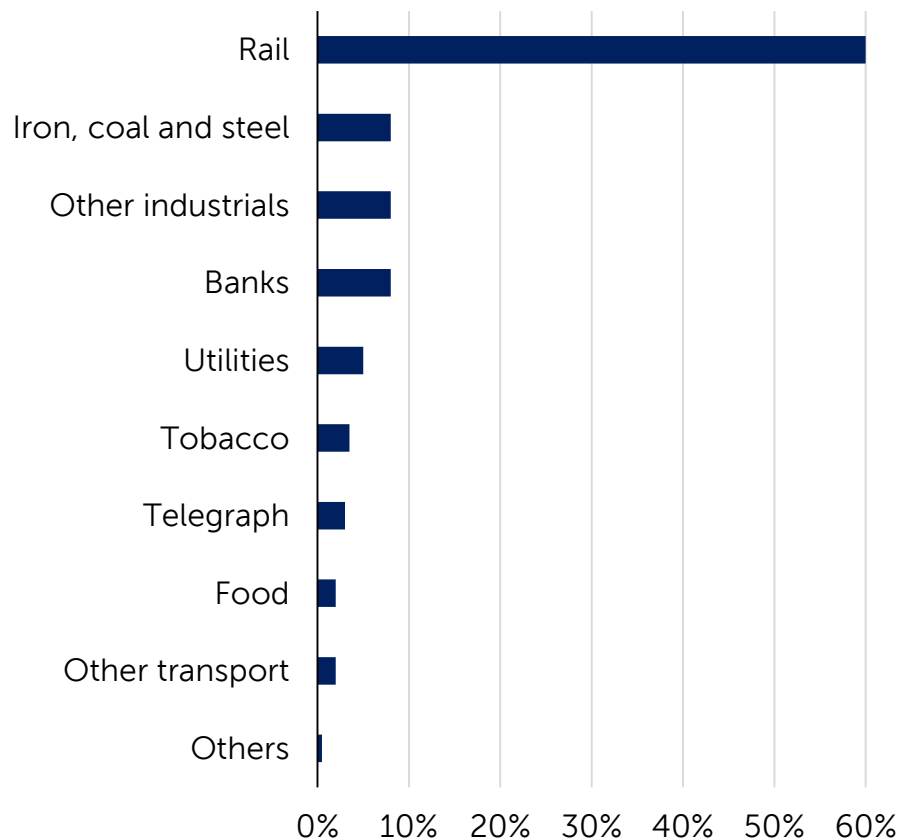
- Consider duration across other assets in the portfolio
- Add marginal 'cyclical tilt' to equity portfolios
- Own dividend plays
- Incremental equity exposure through longer-date call options
- Hedging the interest rate tail risk by selling equity puts

Source: Bloomberg, International Monetary Fund, and ADCB Asset Management | Notes: *Calculated from one year rolling weekly returns of indices: MSCI World, MSCI EM, BBGA IG Credit, BBG HY, S&P Global Leveraged Loan, BBGA Mortgages, JPM EMBI, JPM Corporate EMBI and Bloomberg Commodities.

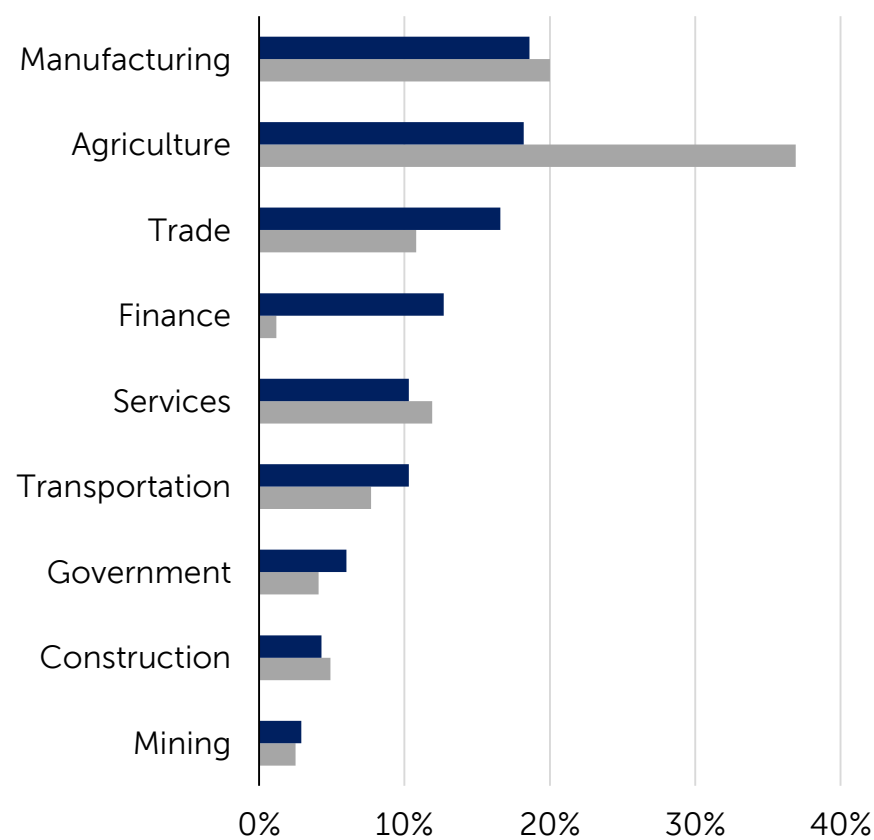
18. Not the dot-com bubble (1/6)

1900 America: Equity market can continue to reward innovations for a very long time.

The equity market composition



The economic composition



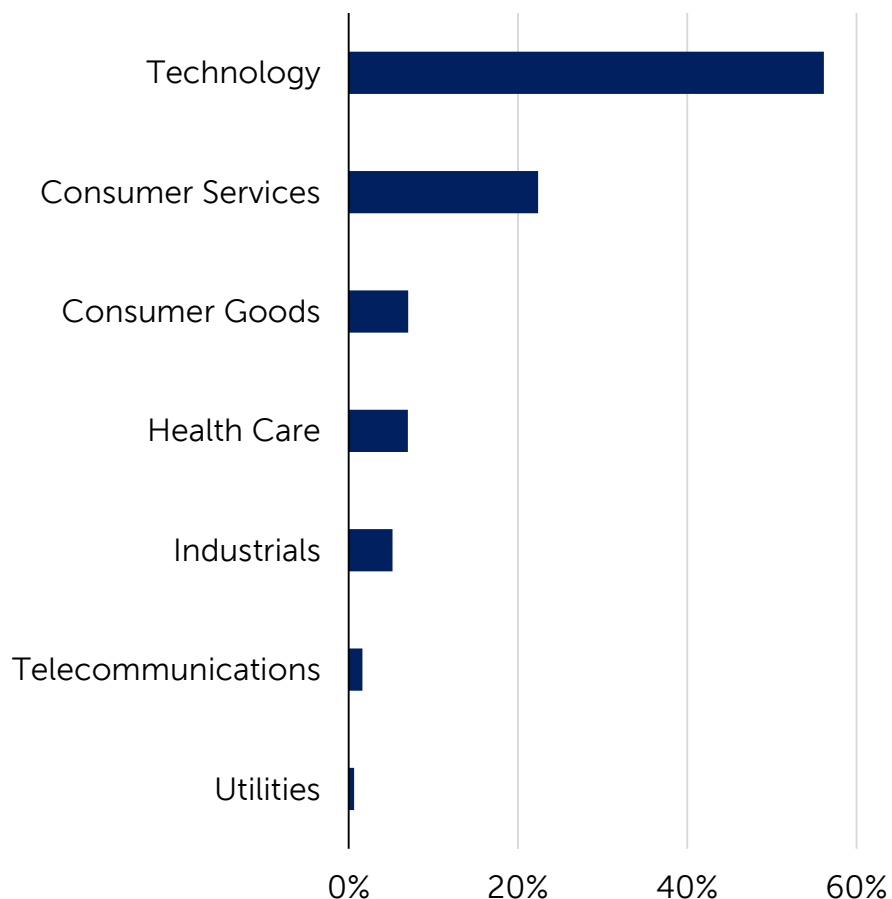
■ National income ■ Employment

Source: The Dimson–Marsh–Staunton (DMS) database, Federal Reserve Bank of St. Louis, Bloomberg, and ADCB Asset Management

18. Not the dot-com bubble (2/6)

At the peak of the dot-com bubble, technology was 75% of Nasdaq.

Current composition of Nasdaq-100

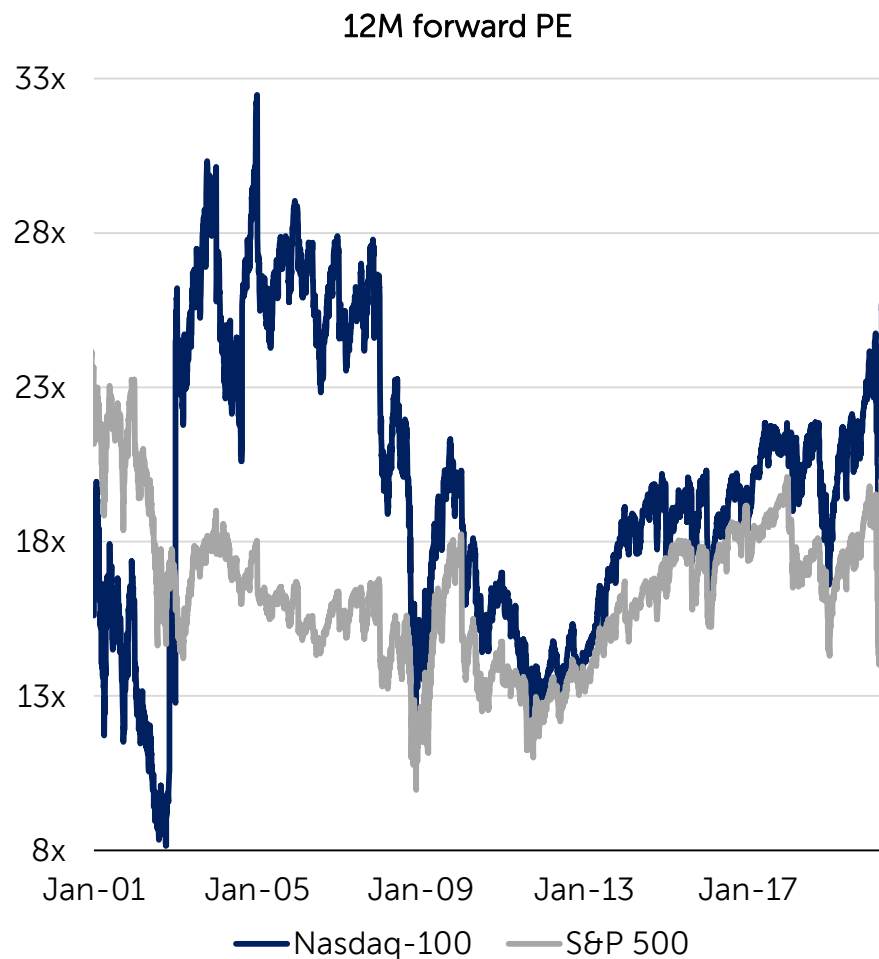
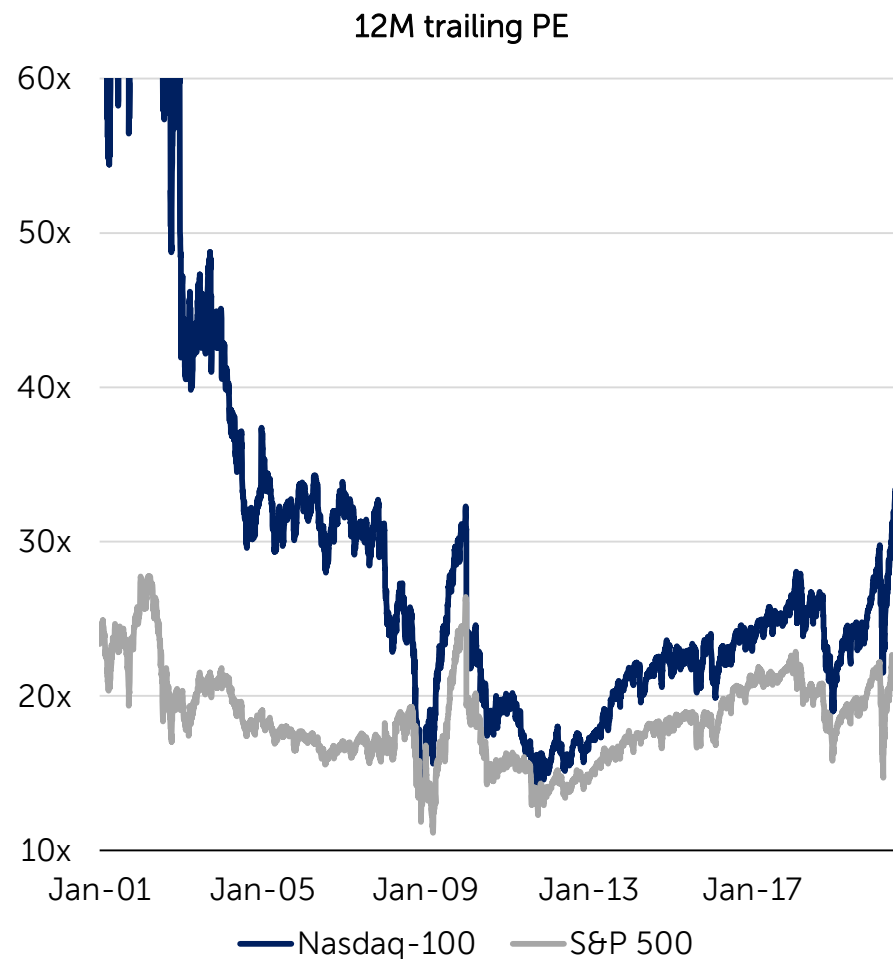


- ▶ Technology in the driver's seat
 - ▷ Apple
 - ▷ Google
 - ▷ Microsoft
- ▶ Beyond pure tech; still pure innovation
 - ▷ Alexion
 - ▷ BioMarin
 - ▷ Regeneron
- ▶ Not your father's retail
 - ▷ Amazon
 - ▷ PayPal
 - ▷ Starbucks
- ▶ The media is the (innovation) message
 - ▷ Comcast
 - ▷ SiriusXM
 - ▷ Viacom

Source: Nasdaq, and ADCB Asset Management

18. Not the dot-com bubble (3/6)

Give the sector its "growth premium" and a bit of the "quality premium" too.



Source: Nasdaq, S&P, Bloomberg, and ADCB Asset Management

18. Not the dot-com bubble (4/6)

Higher profitability and lower leverage.

12M forward return on equity



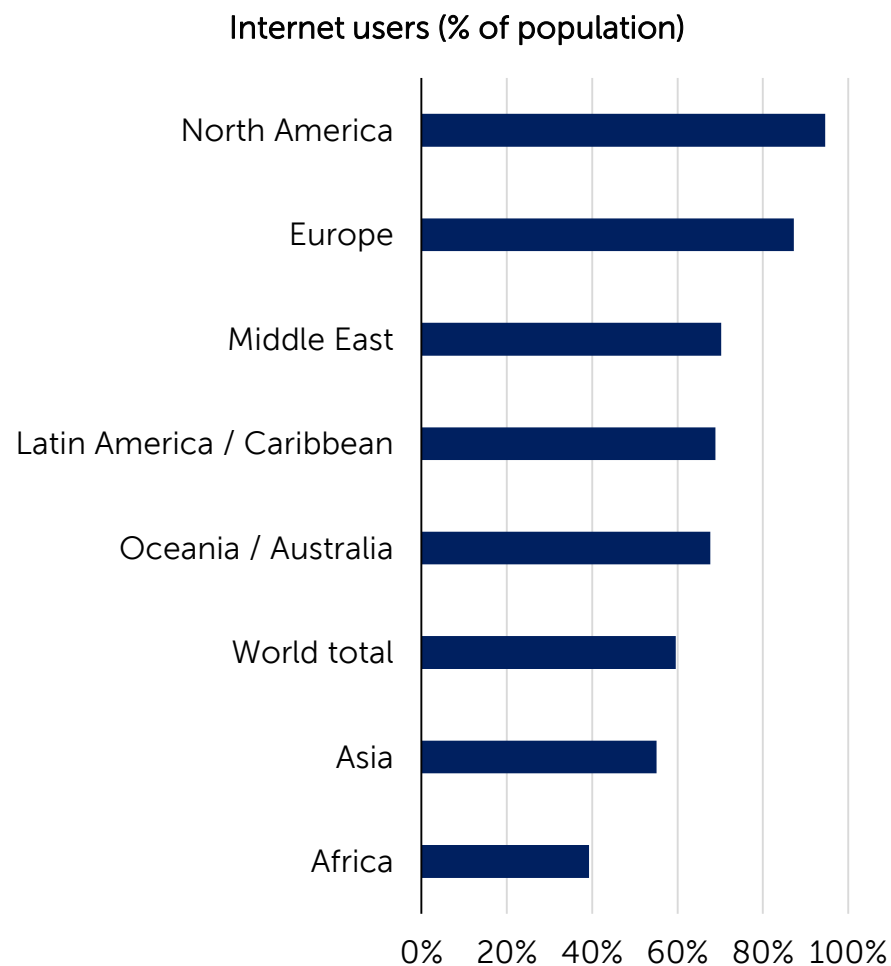
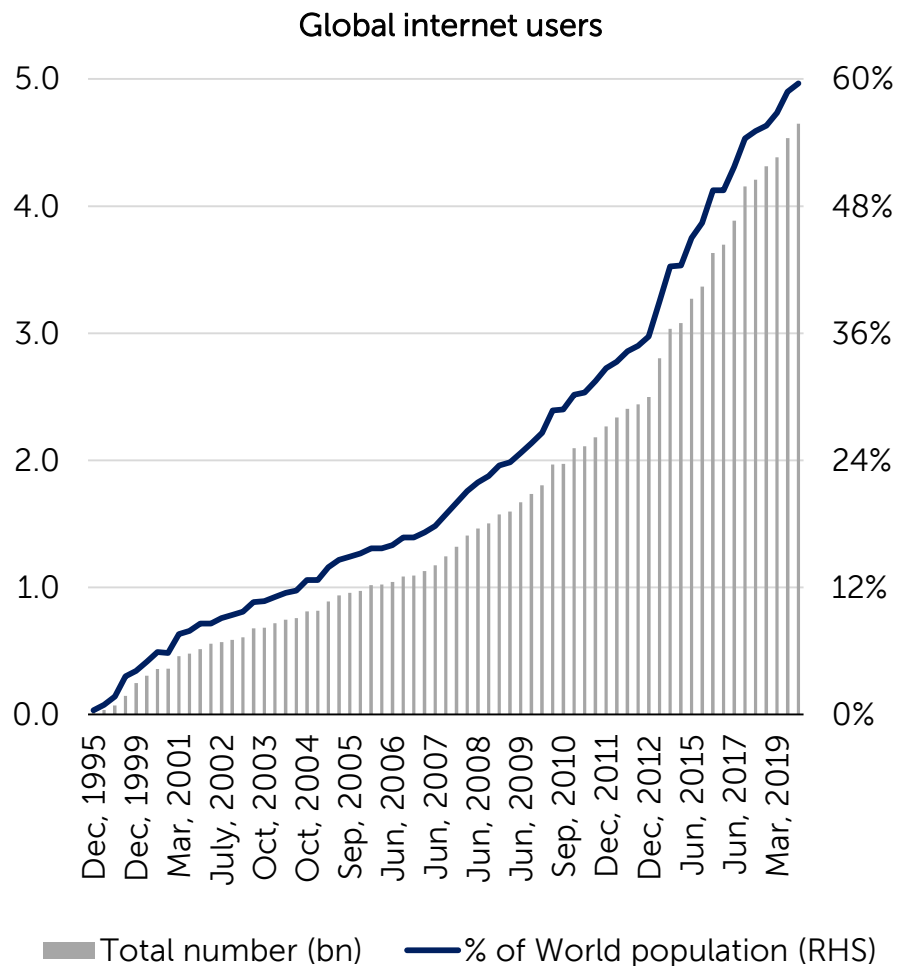
12M trailing net debt / EBITDA



Source: Nasdaq, S&P, Bloomberg, and ADCB Asset Management

18. Not the dot-com bubble (5/6)

Internet use has grown substantially across the world and its use is highest in the developed world.

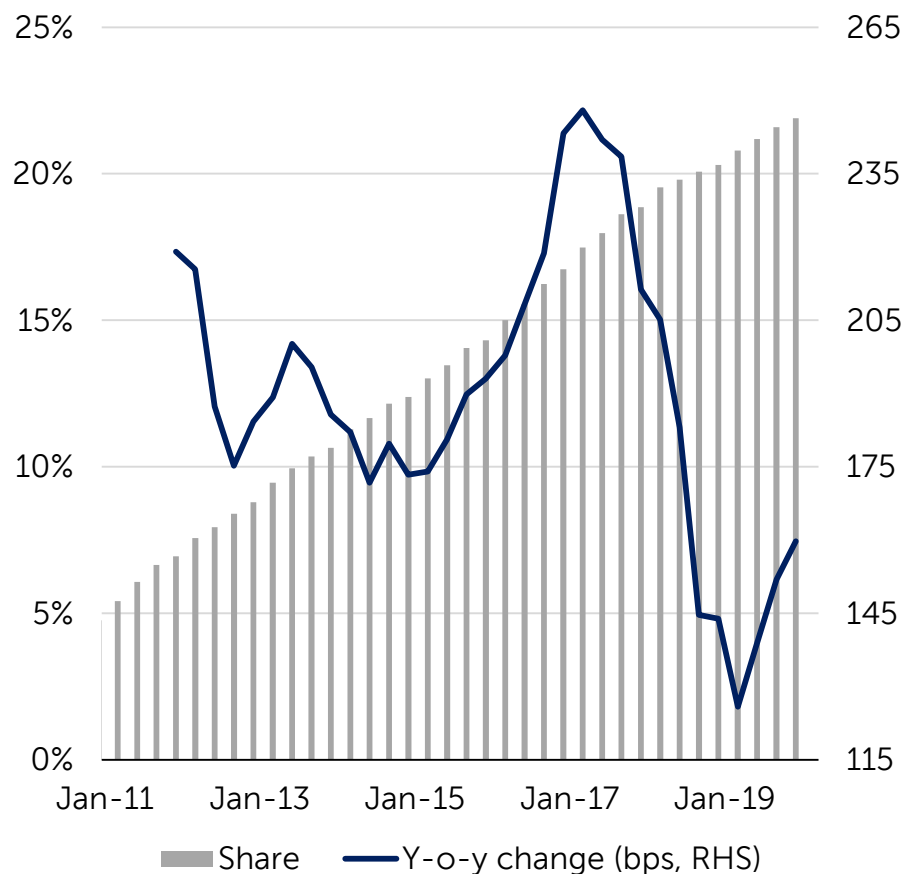


Source: IDC, C.I. Almanac, Nua Ltd., Internet World Stats, and ADCB Asset Management

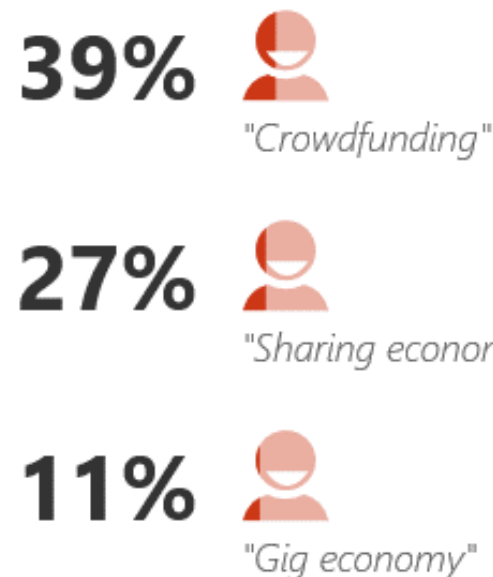
18. Not the dot-com bubble (6/6)

Usage of digital platforms is rising strongly but is still very low!

Share of world population that checks Facebook daily



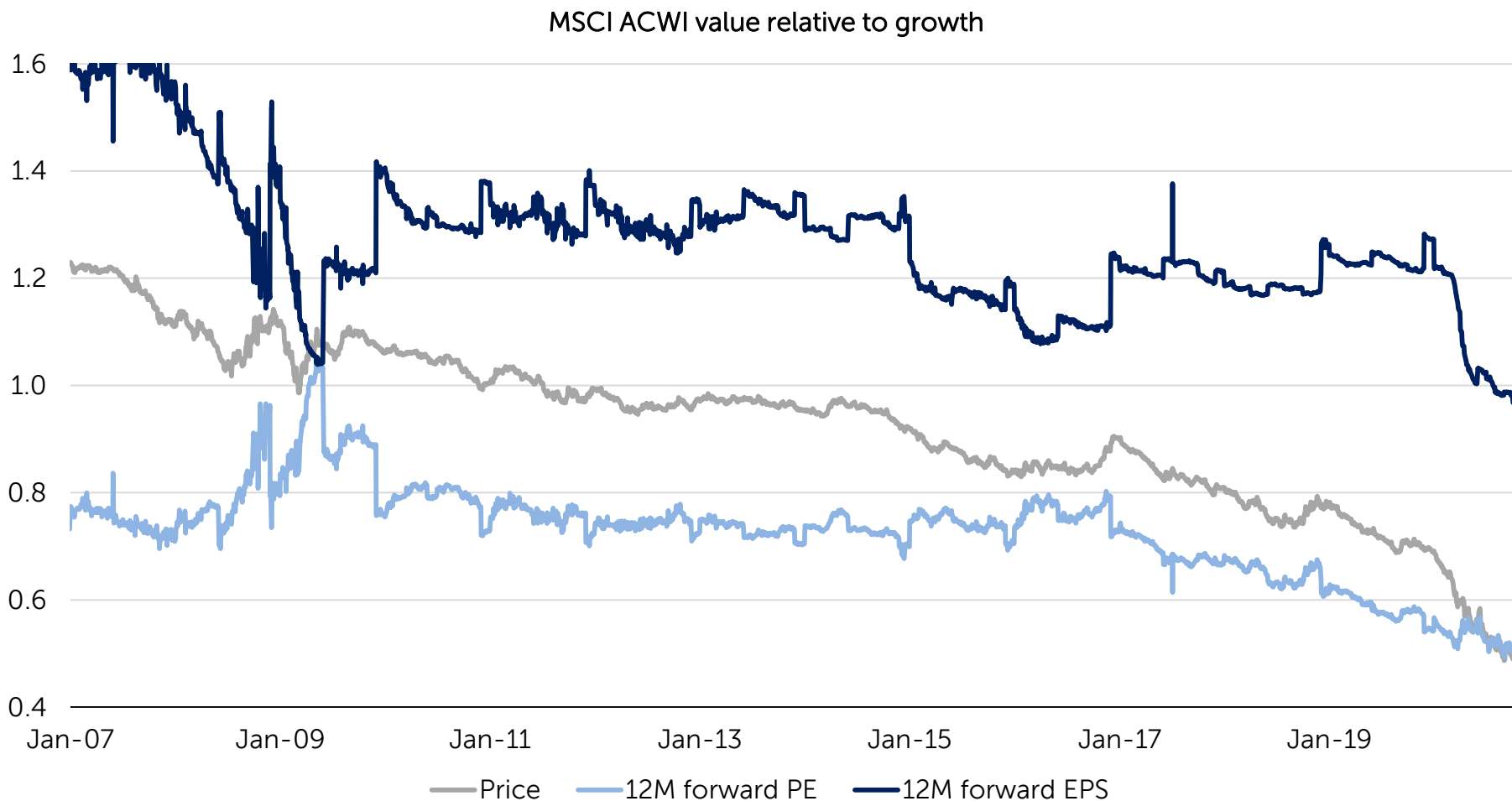
% of adults who have heard of the following terms



Source: Company reports, PEW Research Center, Bloomberg, and ADCB Asset Management

19. Value or growth (1/5)

Value continues to become 'cheap'. Relative performance driven by derating of multiples and not earnings.

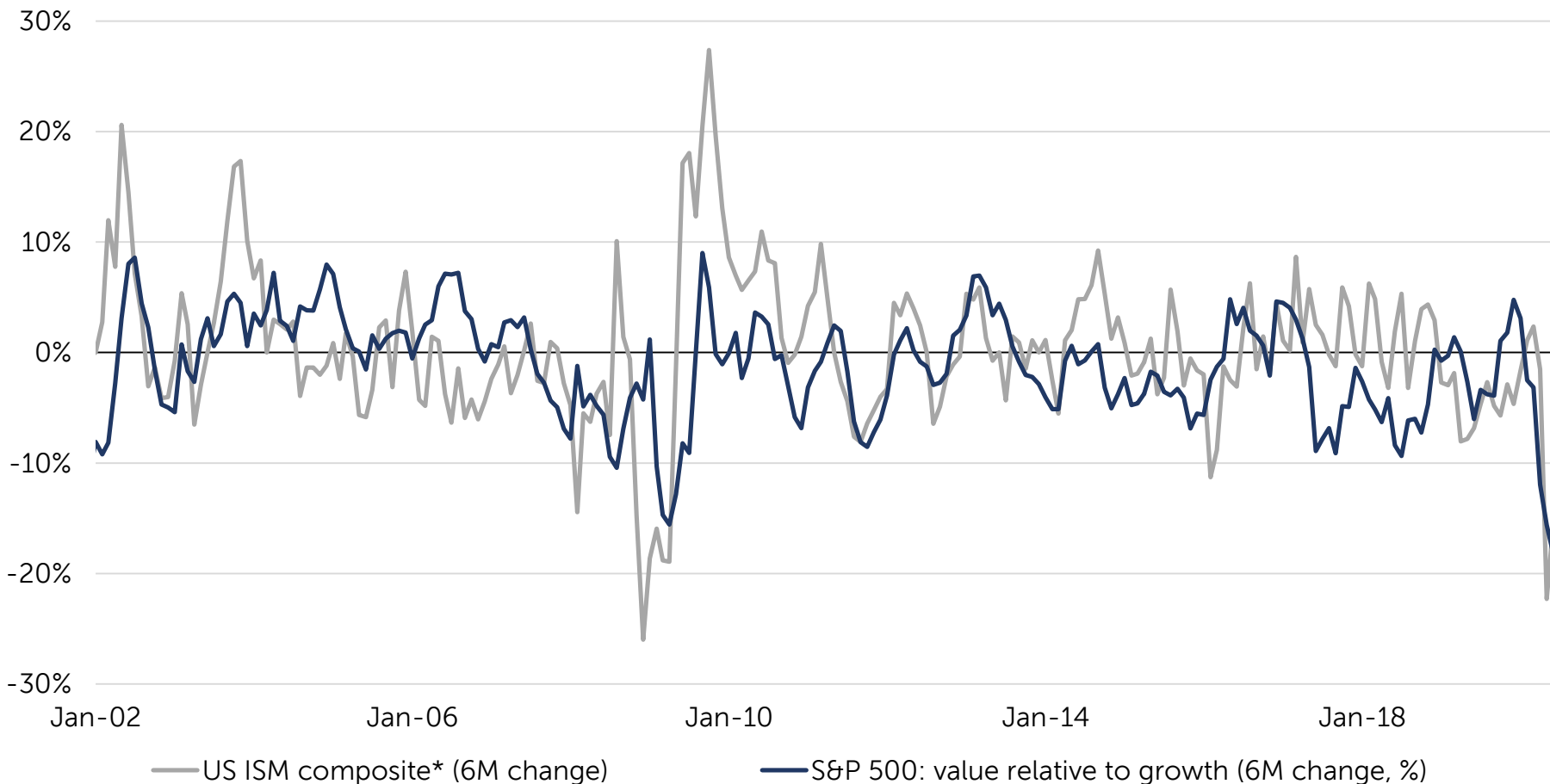


Source: MSCI, Bloomberg, and ADCB Asset Management

19. Value or growth (2/5)

Value stocks outperform when cyclical conditions improve.

US value outperformance and US ISM



Source: S&P, ISM, Citi, Bloomberg, and ADCB Asset Management | Notes: *The Manufacturing & Non-Manufacturing ISM is calculated by Bloomberg by applying the real value added by the manufacturing industry by year to the manufacturing index and giving the remainder percent to the non-manufacturing index. Percent of GDP data is obtained from bea.gov

19. Value or growth (3/5)

Value stocks outperform in an environment of rising bond yields.

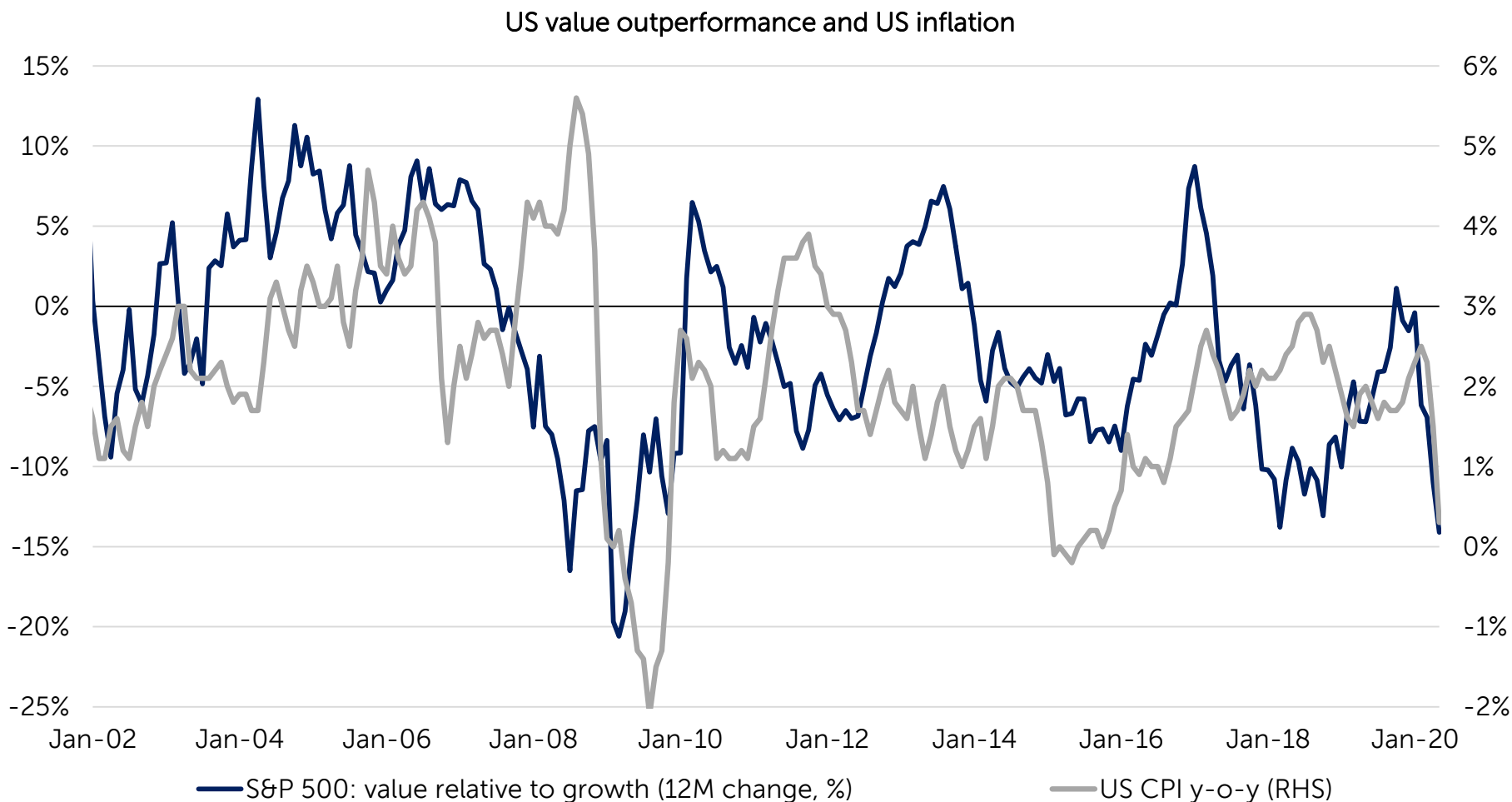
US value outperformance and US 10Y bond yields



Source: S&P, Bloomberg, and ADCB Asset Management

19. Value or growth (4/5)

Value stocks outperform in an inflationary environment.



Source: S&P, Bloomberg, and ADCB Asset Management

19. Value or growth (5/5)

Veterans* adapting to disruption

Walmart

- CEO Doug McMillon referred to Walmart as a “technology company.”
- Partnered with Microsoft for cloud computing and Google for voice-activated shopping.
- Made a number of acquisitions to elevate its e-commerce platform.
- Made investments in in-store automation that will eventually enhance operations efficiency.

bp



- “We are a global energy business with an enormous reach across the world’s energy system. Our industry is changing faster than at any time in our lifetime, driven in part by innovative technological advances.”
- Investing in industrial-grade AI software previously used in deep space exploration missions.
- Deploying seabed robots for underwater environments and working with huge amounts of real-time data.

J.P.Morgan

- Invests USD11bn per year on technology.
- The company also invested in partnerships with high-profile startups, including OnDeck and Roostify to the tune of USD600mn.
- Corporate & Investment Bank division uses machine learning to personalize the digital experience of its research platform.
- Is the first major bank to roll out an AI-powered virtual assistant that will make it easier for corporate clients to move money around the world.

GM

- “As we transform our company for the future, we’ll keep delivering the very best vehicles and services to our customers, and we’ll keep seeing things not as they are, but as they can be.”
- Unveiled the Chevrolet Bolt EV, the industry’s first affordable, long-range electric vehicle.
- Acquired a stake in rideshare provider Lyft.
- CEO Mary Barra announced a new vision: a future with Zero Crashes, Zero Emissions, and Zero Congestion.

Source: Company websites, and Forbes | Notes:*not a complete list; no specific selection criteria applied for four companies mentioned; just to provide context across various sectors.

20. Responsible investing (1/4)

ESG is going mainstream with interest in sustainable/impact investing rising strongly over recent years.

- ▶ Millennials are taking over from the baby boomers.
- ▶ 67% of millennials consider investments as a way to express their social, political and environmental values; while only 36% of the baby boomers felt so.
- ▶ 90% of the millennials want to grow their allocations to responsible investments over the next five years.
- ▶ Accenture estimates that roughly USD30trn of wealth will be transferred from the baby boomers to 90 million millennials over the next few decades.
- ▶ Bank of America estimates that over the next two to three decades, the millennial generation could put between USD15trn and USD20trn into US-domiciled ESG investments, would roughly double the size of the US equity market.

Source: Accenture, Bank of America, Morgan Stanley, US Trusts' Insights, and ADCB Asset Management

20. Responsible investing (2/4)

ESG is responsible investing.

Environmental (conserving the nature)

- Biodiversity
- Climate change
- Deforestation
- Energy efficiency
- Pollution
- Waste management
- Water scarcity

Social (caring about people)

- Community relations
- Customer satisfaction
- Data protection and privacy
- Employee engagement
- Diversity and inclusion
- Human rights
- Labor standards

Governance (running a company)

- Audit committee structure
- Board composition
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes

Source: CFA institute, McKinsey, and ADCB Asset Management

20. Responsible investing (3/4)

Integrating ESG into portfolios is neither art nor science, it is craft.

Investing with a systematic and explicit inclusion of ESG risks and opportunities with the intention to enhance long-term risk-adjusted returns.

- Investing with a systematic and explicit inclusion of ESG risks and opportunities in investment analysis.
- Investing with a systematic and explicit inclusion of ESG factors in portfolio construction.
- Preferring companies with better or improving ESG profiles relative to sector peers.
- Investing based on trends or structural shifts, such as social, industrial and demographic trends.
- Entering into a dialogue with companies on ESG issues and exercising both ownership rights and voice to effect change.

Investing in alignment with an organization or individual's moral values and beliefs

- Preferring companies with better or improving ESG profiles relative to sector peers.
- Avoiding securities on the basis of an organization or individual's values, standards and norms, or other ESG considerations.
- Entering into a dialogue with companies on ESG issues and exercising both ownership rights and voice to effect change.
- A traditional umbrella term that can be used to describe a values-based approach to investing, with an eye towards reducing exposure to negative externalities. Also known as "ethical investing" or "norms-based investing."
- Aligning investments with faith-based values. Faith-based investing often involves avoiding investments in companies whose business activities are viewed as violating the teachings of a given faith. It may also include aims to generate measurable social (or occasionally environmental) impacts.

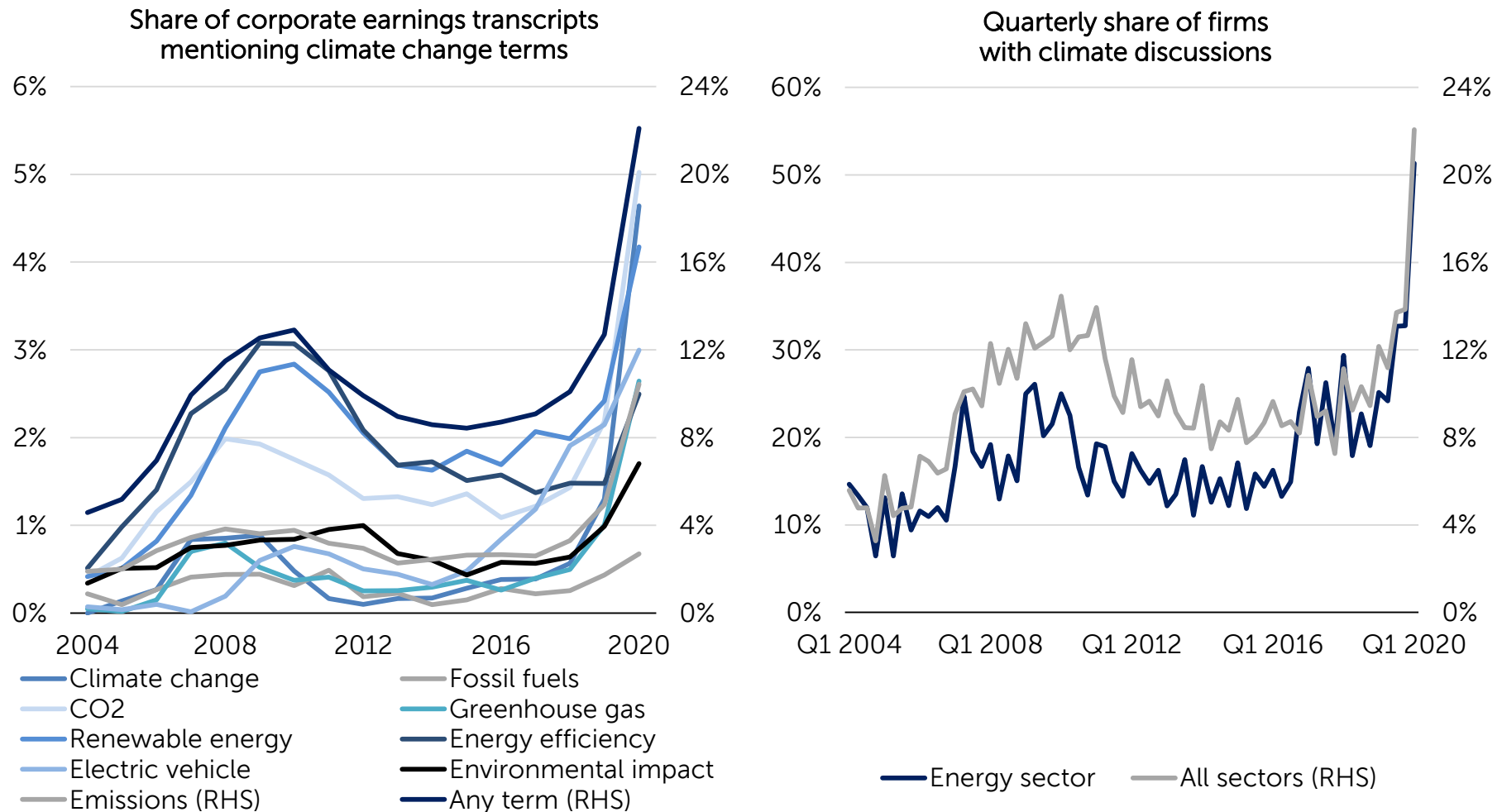
Investing with the intention to support positive social or environmental benefits alongside a financial return

- Investing with the intention to generate measurable positive social or environmental benefits.
- Investing based on trends or structural shifts, such as social, industrial and demographic trends.
- Entering into a dialogue with companies on ESG issues and exercising both ownership rights and voice to effect change.
- Aligning investments with organisational values or to further philanthropic goals. Mission-related investments often aim to generate measurable positive social or environmental impacts. Often interchangeable with "impact investing."

Source: MSCI, and ADCB Asset Management

20. Responsible investing (4/4)

Climate change discussions have increased recently.



Source: FactSet, International Monetary Fund, and ADCB Asset Management

21. Building equity culture (1/2)

For long-term investors equities give superior returns.

Historical risk and return parameters (annual, real, 1900-2019)

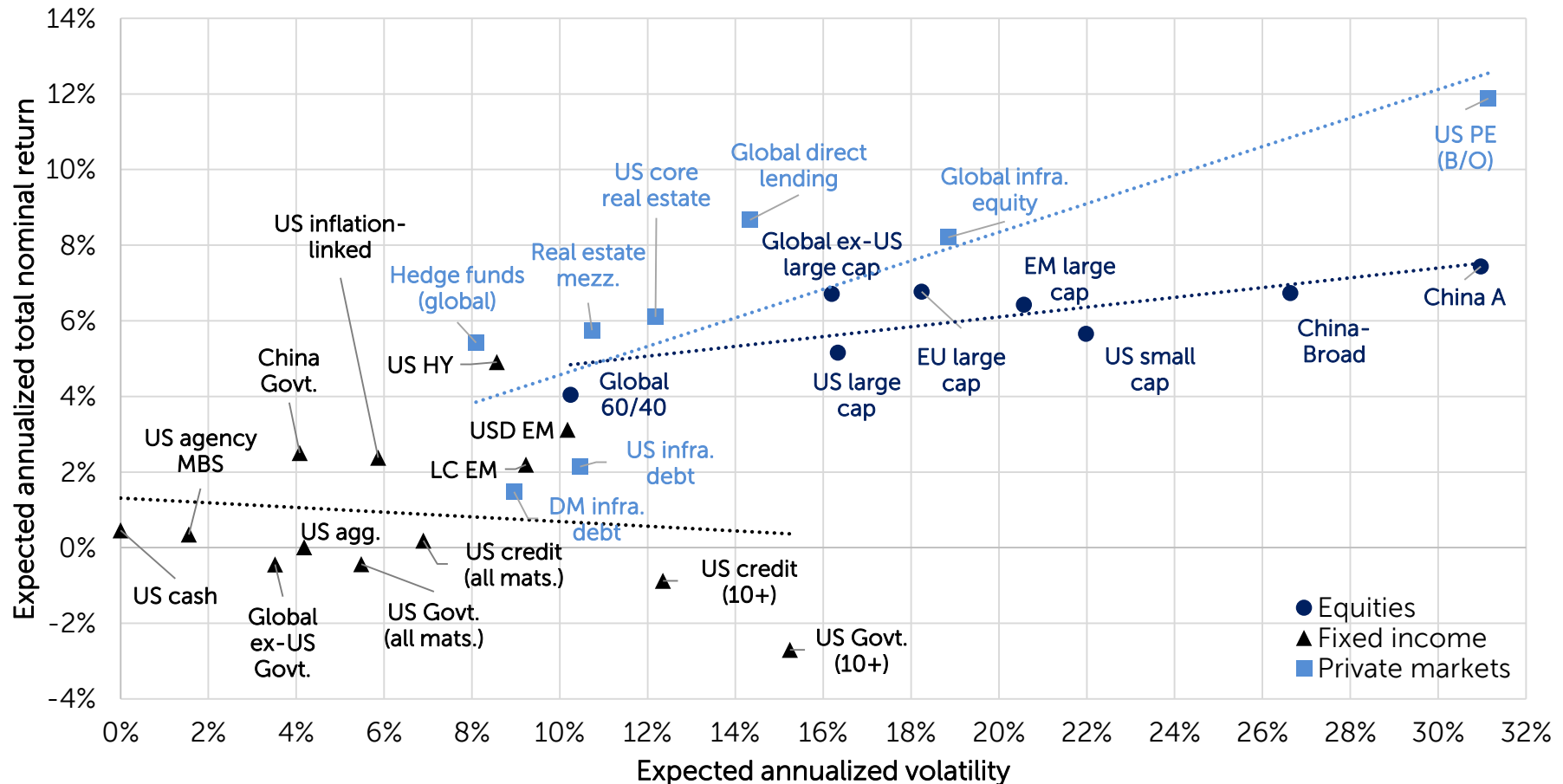
	Global Bonds	Global Equities	US Cash	US Bonds	US Equities
Geometric mean (%)	2.0	5.2	0.8	2.0	6.5
Arithmetic mean (%)	2.5	6.6	1.0	2.5	8.5
Standard deviation (ppt)	10.9	17.4	4.6	10.3	19.9
Return per unit risk	0.23	0.38	0.22	0.24	0.43
Min. Return (%)	-31.6	-41.5	-15.1	-18.1	-38.6
Min. Return year	1919	2008	1946	1917	1931
Max. Return (%)	46.0	67.6	20.0	35.2	55.8
Max. Return year	1933	1933	1921	1982	1933

Source: The Dimson-Marsh-Staunton Global Investment Returns Database

21. Building equity culture (2/2)

A good spread is available within equities.

BlackRock Capital Market Assumptions – 5Y*



Source: BlackRock ([Capital Market Assumptions, August 2020](#)) | Notes: *US dollar return expectations for all asset classes are shown in unhedged terms, with the exception of global ex-US Treasuries and hedge funds

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