Hiking Inflation

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2023/06
Date:	8 June 2023
Re:	Friend buys lunch. From interest income. Debt-to-GDP. Rate hike is inflation? Diversify to higher DY. No change to trades: Yield-steepener, tech, Japan, regional banks, oil. SMART 1 outperforms. Portfolio management. Portfolio performance.

What is getting me worried about the consensus call on weakening economics, and likely pause in rate hikes due to weaker inflation is that a friend has been buying me lunch(es) recently - to laugh at me talking about inverted yield curves and global recession.

He is rich enough to have accumulated much in savings, but the interest income did not permit him to buy friends lunch. Now, he is able to because he is getting almost 5% instead of 0.5% of interest income!

Research largely says that higher debt-to-GDP in emerging economies lead to inflation. However, the data sets might not be large enough to conclude about developed ones.

We see pretty good results from companies. We see strong labour numbers from US. Markets have come up from the October lows. The MOVE index made a top in March. A spike in May (lower than March) caused negatives in many stock markets except a few like US Big Tech, India, Japan.

What if the transitory inflation (from lockdowns, Ukraine war) turns into rate-induced inflation? After all, in Volcker times, US debt-to-GDP was 25%, and is now above 100%. What if interest-income earners had outnumbered borrowers?

In the same vein, the negative impressions on China's re-emergence may fall away if the additional interest income from its holdings of US Treasuries is able to avert its shortage of USDs to drive trade.

We are looking at diversifying some lower-yielding S-Reits in favour of higher-yielding ones, as well as companies that are willing and able to pay that 8%-10% dividends.

We have started buying Japan equities – which we talked about last month. These included some tech, which some clients wanted.

Despite the Chinese tourists appearing, China stocks (especially in Hong Kong) sold off in May. We will be holding on to our Hong Kong stocks, to see if the reverse head-and-shoulder pattern comes to fruition (as Wilfred talked about in his briefing 2 days ago).

The US Treasury 10-year minus 5-year yield spread reverts back to negative. Our yield-steepener trade is slightly negative. We will hold it, still, for now.

Our US regional banks shortlist is still on hold.

Oil futures reverts back to contango - at the front.

US Treasury 10-year started May at 3.574%, and ended at 3.637%. S-Reits fell 3.8% for the month. We did better with our Reit-heavy Singapore Equity Yield portfolio down 2.2%.

We are glad that our robo SMART 1 portfolio – for more conservative clients - outperformed reference 40-60 benchmarks for the 3 periods: 1-month, YTD, and trailing 12-months.

Portfolio management

The eventful 2023, so far, is supported by uneventful price changes. We see positive liquidity outcomes that may feed into the markets (equities and bonds). Being value-conscious, we will still be overweight value stocks. Our bond exposure will be for capital gain instead of income.

Portfolios' Performance

Our reference country/sector performances:

S-Reit	- 3.8% (1M)	- 1.4% (YTD)	-13.1% (12M)
Singapore	- 3.4% (1M)	- 2.8% (YTD)	- 2.3% (12M)
US Big	+ 0.2% (1M)	+ 8.7% (YTD)	+ 1.2% (12M)
US Tech	+ 7.6% (1M)	+30.3% (YTD)	+12.8% (12M)
Hong Kong	- 8.3% (1M)	- 7.8% (YTD)	- 14.9% (12M)
Shanghai	- 0.6% (1M)	+ 3.7% (YTD)	+ 0.6% (12M)
Japan	+ 7.0% (1M)	+18.3% (YTD)	+13.2% (12M)
Australia	- 0.8% (1M)	+ 0.7% (YTD)	- 2.7% (12M)
India	+ 2.5% (1M)	+ 2.9% (YTD)	+12.0% (12M)
Malaysia	- 2.0% (1M)	- 7.2% (YTD)	-10.1% (12M)
Thailand	+ 0.2% (1M)	- 8.0% (YTD)	- 7.7% (12M)
Global Stock	- 1.2% (1M)	+ 7.1% (YTD)	- 1.4% (12M)
Global Bond	- 0.7% (1M)	+ 2.4% (YTD)	- 7.5% (12M)
Gold Miners	- 8.0% (1M)	+ 7.9% (YTD)	- 2.6% (12M)
Materials	- 6.9% (1M)	- 3.4% (YTD)	-12.8% (12M)
Energy	- 9.5% (1M)	-12.7% (YTD)	-12.7% (12M)

Our holdings that gained/suffered more than 15% in March are:

Alto Ingredients	+53%	Am Silver	-18%
Mag Silver	+36%	DNES	-19%
SK Hynix	+21%	Novo Res	-20%
Gree Elec	-16%	Zijin	-20%
Anhui Cement	-16%	Hua Hong	-21%
Baytex	-16%	SK Pres	-22%
Keppel Oak	-17%	Radisson	-30%
Prime US	-17%	Polymetal	-34%
		Irving Res	-35%

(1) Phillip Singapore Equity Yield

Dividends were received from Hongkong Land, Suntec, YZJ Financial, BRC Asia, First Resources.

Currently we have 16 holdings, and 18% in MMF. We bought Keppel Infrastructure, and sold UOL and Netlink.

Portfolio	- 2.2% (1M)	- 0.2% (YTD)	- 11.6% (12M)

S-Reit	- 3.8% (1M)	- 1.4% (YTD)	-13.1% (12M)
Singapore	- 3.4% (1M)	- 2.8% (YTD)	- 2.3% (12M)

(2) Phillip Asian Opportunities Equity

Dividends were received from Hongkong Land, Genting Singapore, UOL, CDL, SK Hynix.

Currently, we have 16 holdings: 38% in Singapore, 17% in China/HK, 10% in Australia/Japan/Korea; and, 36% in MMF.

Portfolio	- 2.1% (1M)	- 0.6% (YTD)	- 4.4% (12M)

Singapore	- 3.4% (1M)	- 2.8% (YTD)	- 2.3% (12M)
Hong Kong	- 8.3% (1M)	- 7.8% (YTD)	- 14.9% (12M)
Shanghai	- 0.6% (1M)	+ 3.7% (YTD)	+ 0.6% (12M)
Japan	+ 7.0% (1M)	+18.3% (YTD)	+13.2% (12M)
Australia	- 0.8% (1M)	+ 0.7% (YTD)	- 2.7% (12M)

(3) Phillip Managed Singapore Equity

Dividends were received from Hongkong Land, HRnet, Straits Trading, BRC Asia, and YZJ Financial.

Currently we have 18 holdings, and 5% in MMF. We sold Medtecs and NikkoAM IG bonds; and, bought ValueMax and Keppel Infrastructure.

Portfolio	- 1.5% (1M)	- 1.2% (YTD)	- 8.5% (12M)

S-Reit	- 3.8% (1M)	- 1.4% (YTD)	-13.1% (12M)
Singapore	- 3.4% (1M)	- 2.8% (YTD)	- 2.3% (12M)

(4) Phillip Blue Chip Equity Yield

Dividends were received from First Resources, YZJ Financial, and Hongkong Land. Currently we have 14 holdings, and 9% in MMF. 28% is not in Singapore. We bought Keppel Infrastructure and Capitaland Invest.

Portfolio	- 3.1% (1M)	- 4.9% (YTD)	- 11.3% (12M)
S-Reit	- 3.8% (1M)	- 1.4% (YTD)	-13.1% (12M)
Singapore	- 3.4% (1M)	- 2.8% (YTD)	- 2.3% (12M)
Hong Kong	- 8.3% (1M)	- 7.8% (YTD)	- 14.9% (12M)

(5) Phillip Managed Gold & Resources Equity

Currently, we have 23 holdings: 28% in Precious Metals, 22% in Industrial Materials; 10% in Energy; 9% in Sugar; and, 31% in MMF. We bought Buriram Sugar and Khon Kaen Sugar.

Portfolio	- 6.6% (1M)	- 5.6% (YTD)	-16.3% (12M)
Gold Miners	- 8.0% (1M)	+ 7.9% (YTD)	- 2.6% (12M)
Materials	- 6.9% (1M)	- 3.4% (YTD)	-12.8% (12M)
Energy	- 9.5% (1M)	-12.7% (YTD)	-12.7% (12M)

(6) Phillip Global Funds

Dividends were received from the PineBridge AP IG.

Our portfolio has 12 holdings, and 21% in MMF. We bought Keppel Infrastructure. We have 17% fixed income, 28% in S-Reits, and equites in Gold, Vietnam, Malaysia and Japan make up 34%.

Portfolio	- 2.0% (1M)	- 1.2% (YTD)	- 3.3% (12M)
Global 70/30	- 1.1% (1M)	+ 5.7% (YTD)	- 3.2% (12M)

(7) Phillip Returns Enhancer (Bond UTs only)

Dividends came from PineBridge APAC IG Bond, and JPM Corporate.

Our portfolio has 5 holdings, and 29% in MMF. We have 56% in investment grade, and 15% in 3-7 year.

Portfolio	- 0.4% (1M)	+ 0.9% (YTD)	+ 0.7% (12M)
Global Bond	- 0.7% (1M)	+ 2.4% (YTD)	- 7.5% (12M)

(8) Phillip SMART 1 Portfolio – Income

Portfolio	+ 2.3% (1M)	+ 4.6% (YTD)	+ 1.9% (12M)
Global 40/60	- 0.9% (1M)	+ 4.3% (YTD)	- 5.1% (12M)

(9) Phillip SMART2 Portfolio – Income & Growth

Portfolio	+ 2.8% (1M)	+ 4.0% (YTD)	- 3.7% (12M)
Global 60/40	- 1.0% (1M)	+ 5.2% (YTD)	- 3.8% (12M)

(10) Phillip SMART3 Portfolio – Growth

Portfolio	+ 3.0% (1M)	+ 3.2% (YTD)	- 3.7% (12M)
Global 70/30	- 1.1% (1M)	+ 5.7% (YTD)	- 3.2% (12M)

(11) Phillip SMART US Equities Portfolio

We are into our ninth month.

Portfolio	- 2.7% (1M)	- 13.7% (YTD)	-29.8% (9M)
US Big	+ 0.2% (1M)	+ 8.7% (YTD)	+ 8.6% (9M)

(12) Phillip Hong Kong Focused Equity

Portfolio	- 7.5% (1M)	- 3.5% (YTD)	- 5.1% (12M)
Hong Kong	- 8.3% (1M)	- 7.8% (YTD)	- 14.9% (12M)

(13) Phillip Malaysia Focused Equity

Portfolio	- 5.5% (1M)	- 9.7% (YTD)	-17.1% (12M)
Malaysia	- 2.0% (1M)	- 7.2% (YTD)	-10.1% (12M)

(14) Phillip Thailand Focused Equity

Portfolio	- 3.1% (1M)	- 15.0% (YTD)	-21.3% (12M)
Thailand	+ 0.2% (1M)	- 8.0% (YTD)	- 7.7% (12M)

Customised Portfolios

Please contact your rep or portfolio managers if you need a review. If you don’t, our BDs may contact you to ask if you will need a quarterly review.

If your portfolio has more than 20% MMF, please do not be alarmed. We are aiming to enter at low prices **now**. Except for newer accounts, most accounts average 15% MMF.

Thank you

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