

# Still re-balancing

**To:** Our Valued Investors

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**From:** CIO

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**Letter:** Managed Account,  
M02/2023/07

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**Date:** 7 July 2023

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**Re:** Economic theories.  
Savers vs borrowers.  
Rate-fueled inflation.  
Accept only higher yields.  
1 August date.  
Ugly, but benchmarks are  
coming back to us.  
YZJ Ship outperforms.  
Portfolio management.  
Portfolio performance.

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**E**conomic schools of thought might have misread recent developments. Could parental support in the US have allowed their young to postpone their entry into employment (tight labour), or helped pay student loans (less need to tap on other credit lines) or down-payment of homes (resurgence of demand)? Have the savers taken over the US economy versus the borrowers? If the Fed hikes further, based on outdated economic assumptions, but actually fuels the next stage of inflation, then beating the Fed (thinking the Fed would pivot) may be the wrong investment strategy, even though the Fed is wrong (trying to tame inflation with rate hikes).

We have been re-balancing to lean towards a no-pivot outcome. That is, we will accept only higher yields. But, there seems to be some buying of yield securities (promoters on “bargain-hunting” S-Reits are appearing). So, while waiting for a better exit price, the re-balancing process is taking a much longer time. We are still waiting for confirmation that companies’ pressure on employees returning to the workplace is effective. This will determine our position on US office Reits (25-30% yield or bail-out).

Meanwhile, MOVE is still below the March high or the May spike. We have increased weightage in short-duration and/or high yield (based on increasing liquidity) before we see if the seasonal sell-off would happen from 1 August.

We have paused the buying of Japan equities due mainly to weak JPY. We are still waiting for the 30+% of Chinese renewing their passports. We still may see the inverse head-and-shoulders pattern on the HSI play out. The yield-steepener is not a good trade so far (will review this). Oil futures' contango is not improving.

We got beat in many categories on the 1-month performance in June, but the recent reversals of most of these trades are making us look better. We have one good run in YZJ Shipping in Blue Chip Equity Yield portfolio (20% in a month). At the same time, we noticed there has been support for some Singapore stocks that continue to do well despite reaching fair value. We see it in Keppel, SIA, and Sembcorp. So, let them ride.

We are likely to be in US to ride the passive flow. However, if the contrarian method adopted by target-date funds (TDFs) get more prominent, then Value may outperform Growth in 2H23. The under-performing tech stocks of 2H22 outperformed in 1H23 might have given us a hint of this relatively new phenomenon.

### **Portfolio management**

We see positive liquidity outcomes (China lagging) that may feed into the markets (equities and bonds). Being value-conscious, we will still be overweight value stocks. This may play out well if the contrarian method in TDFs take more prominence. Our bond exposure will be for capital gain instead of income.

## Portfolios' Performance

Our reference country/sector performances (in S\$):

S-Reits	+ 0.1% (1M)	- 1.3% (YTD)	-11.9% (12M)
Singapore	+ 1.5% (1M)	- 1.4% (YTD)	+ 3.4% (12M)
US Big	+ 6.5% (1M)	+16.9% (YTD)	+11.7% (12M)
US Tech	+ 6.5% (1M)	+40.0% (YTD)	+27.5% (12M)
Hong Kong	+ 3.7% (1M)	- 3.9% (YTD)	- 15.4% (12M)
Shanghai	- 2.0% (1M)	- 0.5% (YTD)	- 14.2% (12M)
Japan	+ 3.8% (1M)	+16.5% (YTD)	+16.3% (12M)
Australia	+ 4.1% (1M)	+ 0.9% (YTD)	+ 3.5% (12M)
India	+ 4.2% (1M)	+ 8.2% (YTD)	+14.5% (12M)
Malaysia	- 1.1% (1M)	-12.0% (YTD)	- 12.2% (12M)
Thailand	- 2.3% (1M)	- 9.5% (YTD)	- 6.2% (12M)
Global Stock	+ 5.2% (1M)	+13.5% (YTD)	+10.7% (12M)
Global Bond	+ 5.2% (1M)	+ 2.9% (YTD)	- 5.0% (12M)
Gold Miners	- 2.5% (1M)	+ 6.0% (YTD)	+ 7.1% (12M)
Materials	+10.5% (1M)	+ 7.6% (YTD)	+ 9.7% (12M)
Energy	+ 7.6% (1M)	- 4.4% (YTD)	+15.3% (12M)

### (1) Phillip Singapore Equity Yield (in S\$)

Dividends were received from 6 Reits.

Currently we have 13 holdings, and 36% in MMF. We sold Cap AREIT, Suntec, and FLCT.

Portfolio - 0.9% (1M) - 1.1% (YTD) - 10.8% (12M)

S-Reits	+ 0.1% (1M)	- 1.3% (YTD)	-11.9% (12M)
Singapore	+ 1.5% (1M)	- 1.4% (YTD)	+ 3.4% (12M)

### (2) Phillip Asian Opportunities Equity (in S\$)

Dividends were received from 5 companies.

Currently, we have 17 holdings: 37% in Singapore, 21% in China/HK, 11% in Australia/Japan/Korea; and, 31% in MMF. We bought Wuxi Biologics.

Portfolio - 0.6% (1M) - 1.2% (YTD) - 3.3% (12M)

Singapore	+ 1.5% (1M)	- 1.4% (YTD)	+ 3.4% (12M)
Hong Kong	+ 3.7% (1M)	- 3.9% (YTD)	- 15.4% (12M)
Shanghai	- 2.0% (1M)	- 0.5% (YTD)	- 14.2% (12M)
Japan	+ 3.8% (1M)	+16.5% (YTD)	+16.3% (12M)
Australia	+ 4.1% (1M)	+ 0.9% (YTD)	+ 3.5% (12M)

### **(3) Phillip Managed Singapore Equity (in S\$)**

Dividends were received from 3 companies.

Currently we have 16 holdings, and 16% in MMF. We sold Keppel Reit and FLCT and, added IX Biopharma.

Portfolio	- 0.6% (1M)	- 1.8% (YTD)	- 7.9% (12M)
S-Reits	+ 0.1% (1M)	- 1.3% (YTD)	-11.9% (12M)
Singapore	+ 1.5% (1M)	- 1.4% (YTD)	+ 3.4% (12M)

### **(4) Phillip Blue Chip Equity Yield (in S\$)**

Dividends were received from 4 companies.

Currently we have 11 holdings, and 28% in MMF. 22% is not in Singapore. We sold FLCT, Cap AREIT, and Anhui Cement.

We have a good 20% run with YZJ Shipping in June.

Portfolio	+ 1.3% (1M)	- 3.7% (YTD)	- 9.0% (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 (in S\$)**

Currently, we have 23 holdings: 27% in Precious Metals, 23% in Industrial Materials; 10% in Energy; 8% in Sugar; and, 32% in MMF.

Portfolio	- 1.6% (1M)	- 7.2% (YTD)	- 8.1% (12M)
Gold Miners	- 2.5% (1M)	+ 6.0% (YTD)	+ 7.1% (12M)
Materials	+10.5% (1M)	+ 7.6% (YTD)	+ 9.7% (12M)
Energy	+ 7.6% (1M)	- 4.4% (YTD)	+15.3% (12M)

**(6) Phillip Global Funds (in S\$)**

Dividends were received from a bond fund, and Reits..

Our portfolio has 13 holdings, and 6% in MMF. We sold FLCT, Cap AREIT, Aberdeen Malaysia fund; and, FT Global, and PineBridge Asia IG (part) bond funds. We bought bond funds of Maybank Asia Income, JPM EM Local Currency, Blackrock USD HY, Pinebridge Asia HY.

Portfolio + 1.0% (1M) - 0.2% (YTD) - 2.3% (12M)

Global 70/30 + 5.2% (1M) +10.3% (YTD) + 6.0% (12M)

**(7) Phillip Returns Enhancer - Bond UTs (in S\$)**

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

Our portfolio has 6 holdings, and 20% in MMF. We have 20% in investment grade, and 60% in HY. We sold JPM Corporate.

Portfolio + 0.2% (1M) + 1.1% (YTD) + 0.9% (12M)

Global Bond + 5.2% (1M) + 2.9% (YTD) - 5.0% (12M)

**(8) Phillip SMART 1 Portfolio – Income**

Portfolio + 0.1% (1M) + 4.7% (YTD) + 5.7% (12M)

Global 40/60 + 5.2% (1M) + 7.1% (YTD) + 1.3% (12M)

**(9) Phillip SMART2 Portfolio – Income & Growth**

Portfolio + 0.3% (1M) + 4.3% (YTD) + 2.1% (12M)

Global 60/40 +5.2% (1M) + 9.3% (YTD) +4.4% (12M)

**(10) Phillip SMART3 Portfolio – Growth (in S\$)**

Portfolio	+ 0.5% (1M)	+ 3.7% (YTD)	+ 3.6% (12M)
Global 70/30	+ 5.2% (1M)	+10.3% (YTD)	+ 6.0% (12M)

**(11) Phillip SMART US Equities Portfolio (in S\$)**

We are into our tenth month.

Portfolio	+ 5.8% (1M)	- 8.7% (YTD)	-25.7% (10M)
US Big	+ 6.5% (1M)	+16.9% (YTD)	+11.7% (12M)

**(12) Phillip Hong Kong Focused Equity (in S\$)**

Portfolio	+ 1.1% (1M)	- 2.5% (YTD)	- 4.8% (12M)
Hong Kong	+ 3.7% (1M)	- 3.9% (YTD)	- 15.4% (12M)

**(13) Phillip Malaysia Focused Equity (in S\$)**

Portfolio	- 0.8% (1M)	- 10.4% (YTD)	-15.7% (12M)
Malaysia	- 1.1% (1M)	- 12.0% (YTD)	- 12.2% (12M)

**(14) Phillip Thailand Focused Equity (in S\$)**

Portfolio	- 5.2% (1M)	- 19.4% (YTD)	- 20.9% (12M)
Thailand	- 2.3% (1M)	- 9.5% (YTD)	- 6.2% (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 30% MMF, please do not be alarmed. The re-balancing is taking some time, as S-Reits started to recover lately.

**Thank you**

We are grateful for your trust, and continuing support

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