

December '22

To: Our Valued Investors

From: CIO

Letter: Managed Account,
M02/2022/12

Date: 6 December 2022

Re: The Knowns.
The Unknowns.
Recession. Global?
Nearer to March.
More fixed income.
2023 – Play by ear.
Portfolio movements.

From the Knowns to the Unknowns

Recession got more confirmations in November – even the German yield curves are talking.

Depending on how one interprets US labour numbers, one can be negative about the 100k jobs lost in manufacturing, and other losses in business services and IT.

PMIs are unimpressive – for US or China. China cuts RRR. Downtrend in China exports to US and EU continues. Ditto China's retail sales.

We were unduly worried about contagion from the UK pension troubles. Now, we can worry about contagion from FTX.

Property lenders in China got some breathing space (the literal sense). If the weak USD is the cause, then forget about giving credit to the Chinese government. And, if this is part of the Common Prosperity agenda, then the property-is-70%-of-Chinese-wealth argument falls away.

US GDP was revised better. Consumption was not.

US gasoline demand dropped. Oil curve shows contango.

The question is when the markets will start to price in a recession that is global.

We still have a weakening USD. Will the market use 103 as support for Dollar Index?

The UST yield spread [5-year/10-year] (which correlates nicely with the Hang Seng Index more recently) has improved from MINUS 0.26 to MINUS 0.16. The high MINUSes between mid-September and end-October coincided with the 2022 low for the Hang Seng.

Remembering that liquidity crises typically are at their worst in March or September, and as we get one month closer, fixed income should start to get a bigger share of our allocation on recession and on a less hawkish Fed (still, depending on which Fed officer you are reading from).

UST 10-year has come down from 4.2% to 3.5%, and the 2-year from 4.7% to 4.3%. If things start to get back to normal, then the 2-year seems more tempting.

The 60-80% Cash/MMF holdings in October have now been reduced to between 30-40%.

Fixed income (excluding MMF) is above 20%, for portfolios that are **not** equity-only. This will increase in December. Reits dominate the equity portion of most portfolios. Other equities are likely M&A candidates or depressed situations.

If I were to do an outlook for 2023 now, I would say: "See how. Play by ear." Much depends on what politicians do. Only recession seems locked in.

Portfolios' Performance

Our reference indexes', and ETFs' performances in 2022:

iEdge S-Reit index	+ 5.0% (Nov)	-15.4% (YTD)
Straits Times index	+ 6.4% (Nov)	+ 5.3% (YTD)
US 500 index	+ 5.4% (Nov)	-14.4% (YTD)
Nas100 index	+ 5.5% (Nov)	-26.3% (YTD)
Hang Seng index	+26.6% (Nov)	-20.5% (YTD)
Shanghai index	+13.5% (Nov)	-20.4% (YTD)
VG Total World Stock	+ 8.3% (Nov)	-15.4% (YTD)
VG Total World Bond	+ 3.1% (Nov)	-16.6% (YTD)
VanEck Gold Miners	+20.2% (Nov)	- 9.3% (YTD)
VanEck Junior Gold Miners	+21.1% (Nov)	-14.8% (YTD)
SPDR Materials	+11.7% (Nov)	- 8.7% (YTD)
VG Energy	+ 1.3% (Nov)	+64.4% (YTD)

Our holdings that gained/suffered more than 10% in November are:

JD.com	+51%	Irving Res	-13%
HK Exchange	+46%	Base Res	-14%
China Feihe	+40%	Medtecs	-20%
UMS	+37%	Dagang	-26%
Maverix Metals	+36%	Novo Res	-34%
Kodiak Copper	+30%		
Entrée Resources	+24%		
Labrador IOR	+20%		
Straits Trading	+17%		
Osisko Gd Royalties	+15%		
Link Reit	+13%		
BYD Electronic	+11%		

Our Portfolios – how we did

Your portfolio may not have the same numbers indicated, due to holding round lots. All performance numbers are net of all fees and transaction costs.

(1) Phillip Singapore Equity Yield

We received dividends from FLCT, Netlink and Suntec Reit in November.

Currently we have 11 holdings ~ 57%, and 43% in MMF.

Singapore Equity Yield	+0.7% (Nov)	-9.4% (YTD)
Straits Times index	+6.4% (Nov)	+5.3% (YTD)
iEdge S-Reit index	+5.0% (Nov)	-15.4% (YTD)

We bought FLCT, YZJF, Keppel Reit, and added more of Hongkong Land and Prime US Reit.

(2) Phillip Asian Opportunities Equity

We received dividend from FLCT in November.

Currently, we have 6 holdings: 40% in Singapore, and 60% in MMF.

Asian Opportunities	+1.7% (Nov)	-3.7% (YTD)
Straits Times index	+ 6.4% (Nov)	+ 5.3% (YTD)
Hang Seng index	+26.6% (Nov)	-20.5% (YTD)
Shanghai index	+13.5% (Nov)	-20.4% (YTD)

We bought FLCT.

(3) Phillip Managed Singapore Equity

We received dividends from AIMS APAC, FLCT, First Reit, Karin Tech and PEC.

Currently, we have 15 holdings ~ 74%, and 26% in MMF.

Singapore Growth	-0.0% (Nov)	-9.2% (YTD)
Straits Times index	+6.4% (Nov)	+5.3% (YTD)
iEdge S-Reit index	+5.0% (Nov)	-15.4% (YTD)

We bought FLCT, YZJF, Keppel Oak, Keppel Reit, Civmec, added more of Hongkong Land and AIMS APAC.

This has the best since-inception record of +4.2% (annualized). Inception is April 2002. STI, over the same period, returned just under 3% (annualized).

(4) Phillip Blue Chip Equity Yield

We received dividends from FLCT in November.

Currently, we have 8 holdings: 46% in Singapore, 2% in China/HK; and, 52% in MMF.

Blue Chip Equity Yield	+1.5% (Nov)	-5.3% (YTD)
Straits Times index	+ 6.4% (Nov)	+ 5.3% (YTD)
Hang Seng index	+26.6% (Nov)	-20.5% (YTD)
Shanghai index	+13.5% (Nov)	-20.4% (YTD)

In November, we bought FLCT, YZJF, Keppel Reit. We added more of Hongkong Land.

(5) Phillip Managed Gold & Resources Equity

We received dividends from PEC in November.

Currently, we have 18 holdings: 20% in Precious Metals, 16% in Industrial Materials; 4% in US Treasuries; 4% in Energy; and, 56% in MMF.

Gold & Resources	+2.4% (Nov)	-13.7% (YTD)
VanEck Gold Miners	+20.2% (Nov)	- 9.3% (YTD)
VanEck Junior Gold Miners	+21.1% (Nov)	-14.8% (YTD)
SPDR Materials	+11.7% (Nov)	- 8.7% (YTD)
VG Energy	+ 1.3% (Nov)	+64.4% (YTD)

There was no change to the portfolio in November.

(6) Phillip Global Funds

We received dividends from FLCT, First Reit and AIMS APAC in November.

We have 14 holdings. We are 26% in fixed income UTs, 23% in S-Reits, 16% in Vietnam/Thailand/Korea UTs, 7% in a gold mining UT, and 28% in MMF.

Global Funds	+0.8% (Nov)	-2.8% (YTD)
VG Total World 70/30	+6.7% (Nov)	-15.8% (YTD)

We bought fixed income UTs - Threadneedle Emerging Market Debt, Pinebridge AsiaPac IG, JPM Global Corporate Bonds, Pimco Global Real Return; equity UTs - Lion Global Vietnam & Thailand, and JPM Korea; Franklin Gold Miners; FLCT, Keppel Reit, and Keppel Oak.

(7) Phillip Returns Enhancer (Bond UTs only)

Our 6 holdings were all added in November. We still have 36% in MMF. These are Threadneedle Emerging Market Debt, Pinebridge AsiaPac IG, JPM Global Corporate Bonds, Pimco Global Real Return, JPM Global High Yield, and Schroder Singapore Fixed Income.

Returns Enhancer	+0.1% (Nov)	-0.9% (YTD)
VG Total World Bond	+ 3.1% (Nov)	-16.6% (YTD)

(8) Phillip SMART Portfolio – Income

SMART 1	+2.8% (Nov)	-2.3% (YTD)
VG Total World 40/60	+2.2% (Nov)	-16.1% (YTD)

(9) Phillip SMART Portfolio – Income & Growth

SMART 2	+3.4% (Nov)	-9.1% (YTD)
VG Total World 60/40	+6.2% (Nov)	-15.9% (YTD)

(10) Phillip SMART Portfolio – Growth

SMART 3	+4.7% (Nov)	-8.8% (YTD)
VG Total World 70/30	+6.7% (Nov)	-15.8% (YTD)

(11) Phillip SMART US Equities Portfolio

We are into our third month.

SMART US	-4.2% (Nov)	-8.3% (YTD)
US 500 index	+5.4% (Nov)	-14.4% (YTD)

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. We are aiming to enter at low prices very soon.

Thank you

We are grateful for your trust, and continuing support. In these markets, we are also grateful for your patience in not rushing us to be fully invested. Our portfolios appear well-positioned, based on risks mentioned above.

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