February 2023

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2023/02
Date:	7 February 2023
Re:	Stock-picking. Wilfred highlights. PAX Global. BRC Asia. S-Reits. Portfolio management. Portfolio performance.

We will explain why we bought some of the stocks. This letter focuses on the fundamentals involved in our stock-picking. We will leave the interpretation, and outlook of the markets to Wilfred Lim, our head of strategy at Investment Solutions department.

Wilfred highlighted that from history, if there were a positive January, only 3 out of 25 (since 1980) had not resulted in a positive full year performance. He likes the China reopening theme, Korea, and Vietnam.

The cost of our investment is (generally) the market cap + total liabilities + minority interests, offset by current assets. The relative return (dividends, share price growth) would depend on the free cash flow per $ of our cost. While we try to buy cheap (usually available in a down-market, or down-sector), we try to estimate the damage that the market would do to these stocks on the way down, to minimize downside arising from buying too early. A recession offers plentifully.

Our other investments in UTs, ETFs would still be guided by momentum, as we think in a world where policy changes can take place on the beliefs of one man or the power of a political party. Unfortunately, they come from the two biggest economies in the world.

PAX Global

PAX Global's June 2022 market cap + total liabilities + minority interests - current assets = HK$ 2.7B. PATMI = HK$ 1.2B (trailing 12M), HK$1.1B (FY 2021). If PAX can do HK$1B PATMI a year, then so-called "breakeven" is 2.7 years, a relatively low number. You may want to drill deeper on Trade Receivables/Revenue. The latest half-year's 64% is higher than the previous 2 half-year's 54%. However, the over-365 days receivables as a percentage of total receivables has dropped from 6.3% a year ago to 5.6%. Dividend for 1H22 was HK$0.17, as compared to HK$0.12 in 1H21. As we approach "breakeven", dividends are also likely to increase if profit is sustained.

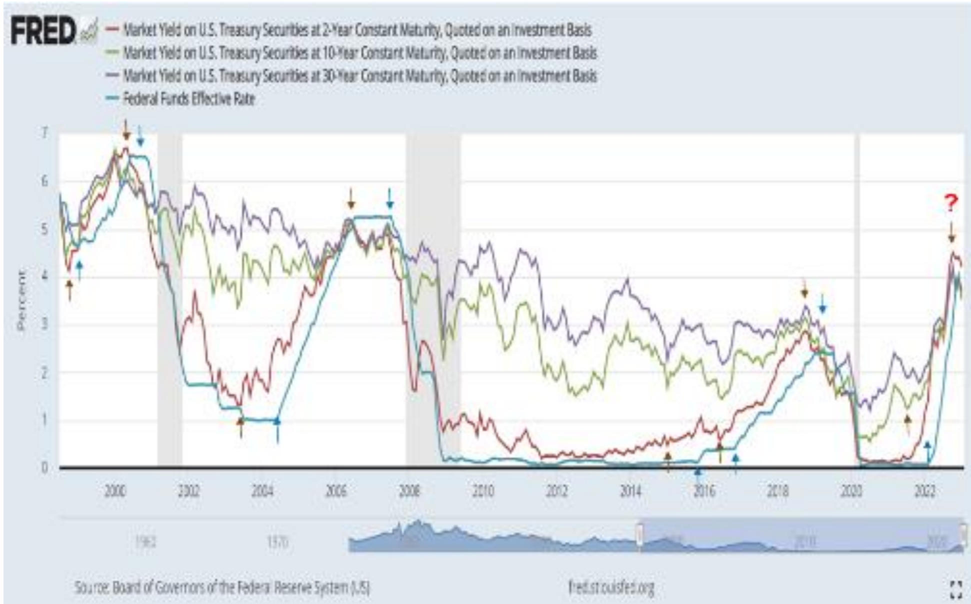
BRC Asia

BRC Asia's September 2022 market cap + total liabilities + minority interests - current assets = S$ 273M. PATMI = S$ 90M. If BRC can do S$90M PATMI a year, then so-called "breakeven" is 3.0 years, a relatively low number. Trade receivables and inventories have grown at a lower percentage than revenue. Dividend totals S$0.18 (almost 10% yield at $1.86 share price), out of the S$0.33 earnings per share.

Other purchases

Our other purchases are not as "cheap" as the above-mentioned, but typically we want to see improving current assets less total liabilities & minority interest. Any shortcomings in earnings growth need to be justified either by a huge drop in share price, and we need to see such shortcomings as temporary.

S-Reits



The chart shows that the Fed always needed to catch up with the market. However, when stocks switch depends also on other factors. As far as S-Reits are concerned, there is a tendency to switch quickly.

Rate hikes hurt S-Reits. The iEdge S-Reit lost 17% over 12 months (to Jan'23) and 23% in 2022. After all, why take 6% yield when the Treasury offers 4%? Add the equity risk premium, one should demand more. Yet, the bigger S-Reits did not reach 7% dividend yield.

In the months of Oct-Dec 2022, S-Reits with US properties declined on perceived lower valuations due to peg rate adjustment e.g. Keppel Pacific Oak share price lost 16%.

The iEdge S-Reit might have bottomed on 21 October 2022. The Singapore Government 10Y bond yield hit a high on 21 October 2022. If 2019 repeats, then S-Reits will be in for a very good year. In 2019, the Singapore Government 10Y bond yield went from 2.09% to 1.73%, while iEdge gained 19%.

However, if 2023 is a recession year, valuation of properties would decline. The L/V (loan/valuation) will be an important factor again (just like Oct-Dec 2022). A safer option is to underweight countries (i.e. non-Singapore) or sectors (i.e. office) that are likely to suffer more in a recession. Because of what companies and workers learned from the Covid-lockdowns, we think office properties will tend to be more vulnerable in an economic slowdown. In the US, more people in red states returned to work than in blue states.

Portfolio management

Until 2023 is no longer a ***Play-by-Ear*** year, we will tend to be interested in a certain country or commodity or sector by way of funds (UTs or ETFs) instead of direct equities. We consider transaction costs, and certainty of transaction as important. However, we will still substantially be in direct equities, guided by strong and improving balance sheet; and, available at a price that result in a low “breakeven” number of years.

We are glad to report that January has been a meaningful hunting season.

Portfolios’ Performance

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

iEdge S-Reit	+ 7.0% (1M)	+ 7.0% (YTD)	-17.5% (12M)
STI	+ 3.5% (1M)	+ 3.5% (YTD)	+ 3.7% (12M)
US 500	+ 6.2% (1M)	+ 6.2% (YTD)	- 8.0% (12M)
Nas100	+ 8.9% (1M)	+ 8.9% (YTD)	-17.6% (12M)
HK50	+10.4% (1M)	+10.4% (YTD)	- 8.2% (12M)
SCI	+ 5.4% (1M)	+ 5.4% (YTD)	- 3.1% (12M)
JP225	+ 4.7% (1M)	+ 4.7% (YTD)	+ 1.2% (12M)
AU200	+ 6.2% (1M)	+ 6.2% (YTD)	+ 7.4% (12M)
KOR35	+ 8.4% (1M)	+ 8.4% (YTD)	-11.8% (12M)
KLCI	- 0.7% (1M)	- 0.7% (YTD)	- 1.8% (12M)
SET50	- 1.2% (1M)	- 1.2% (YTD)	- 0.0% (12M)
VG TW Stock	+ 6.4% (1M)	+ 6.4% (YTD)	-10.5% (12M)
VG TW Bond	+ 2.8% (1M)	+ 2.8% (YTD)	-10.6% (12M)
VE Gold Mnr	+11.7% (1M)	+11.7% (YTD)	+ 5.9% (12M)
VE JGold Mnr	+ 9.3% (1M)	+ 9.3% (YTD)	+ 1.6% (12M)
SPDR Mat’l	+ 9.0% (1M)	+ 9.0% (YTD)	+ 0.2% (12M)
VG Energy	+ 3.0% (1M)	+ 3.0% (YTD)	+37.0% (12M)

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

Radisson	+38%	Tier One	+21%
Prime US Reit	+28%	Entrée Res	+20%
Dagang	+28%	Galway	+18%
BYD	+27%	MagSilver	+18%
FYI Resources	+24%	Keppel Oak	+16%
CGN Mining	+22%	Coeur Mining	+16%
Netease	+22%	Shenzhou Int	+15%
Galway Metals	+22%	Keppel DC	+15%
		JKN	- 18%

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

No dividend was received in January.

We bought BRC Asia. Currently we have 17 holdings, and 12% in MMF.

Portfolio	+ 5.8% (1M)	+ 5.8% (YTD)	- 3.0% (12M)
iEdge S-Reit	+ 7.0% (1M)	+ 7.0% (YTD)	-17.5% (12M)
STI	+ 3.5% (1M)	+ 3.5% (YTD)	+ 3.7% (12M)

(2) Phillip Asian Opportunities Equity

No dividend was received in January.

We bought CLP Holdings, Gree Electric, HSBC, Sony, China Tower, SK Hynix, and Alibaba. Currently, we have 16 holdings: 40% in Singapore, 18% in China/HK, and others in Australia/Japan/Korea; and, 32% in MMF.

Portfolio	+ 1.6% (1M)	+ 1.6% (YTD)	- 3.0% (12M)
STI	+ 3.5% (1M)	+ 3.5% (YTD)	+ 3.7% (12M)
HK50	+10.4% (1M)	+10.4% (YTD)	- 8.2% (12M)
SCI	+ 5.4% (1M)	+ 5.4% (YTD)	- 3.1% (12M)
JP225	+ 4.7% (1M)	+ 4.7% (YTD)	+ 1.2% (12M)

AU200	+ 6.2% (1M)	+ 6.2% (YTD)	+ 7.4% (12M)
KOR35	+ 8.4% (1M)	+ 8.4% (YTD)	-11.8% (12M)

(3) Phillip Managed Singapore Equity

We received dividends from NikkoAM SG IG Bond ETF in January.

We bought BRC Asia. Currently we have 17 holdings, and 10% in MMF.

Portfolio	+ 3.3% (1M)	+ 3.3% (YTD)	- 3.6% (12M)
iEdge S-Reit	+ 7.0% (1M)	+ 7.0% (YTD)	-17.5% (12M)
STI	+ 3.5% (1M)	+ 3.5% (YTD)	+ 3.7% (12M)

This has the best since-inception record of +4.4% (annualized). Inception is April 2002.

(4) Phillip Blue Chip Equity Yield

No dividend was received in December.

We bought CK Hutchison, and China Non-Ferrous Mining in January. Currently we have 10 holdings, and 35% in MMF. 48% is in Singapore.

Portfolio	+ 2.0% (1M)	+ 2.0% (YTD)	- 2.7% (12M)
STI	+ 3.5% (1M)	+ 3.5% (YTD)	+ 3.7% (12M)
HK50	+10.4% (1M)	+10.4% (YTD)	- 8.2% (12M)

(5) Phillip Managed Gold & Resources Equity

We received dividends from Labrador IOR in January.

Currently, we have 18 holdings: 20% in Precious Metals, 18% in Industrial Materials; 2% in US Treasuries; 9% in Energy; and, 51% in MMF.

Portfolio	+ 3.6% (1M)	+ 3.6% (YTD)	- 9.4% (12M)
VE Gold Mnr	+11.7% (1M)	+11.7% (YTD)	+ 5.9% (12M)
VE JGold Mnr	+ 9.3% (1M)	+ 9.3% (YTD)	+ 1.6% (12M)
SPDR Mat'l	+ 9.0% (1M)	+ 9.0% (YTD)	+ 0.2% (12M)
VG Energy	+ 3.0% (1M)	+ 3.0% (YTD)	+37.0% (12M)

(6) Phillip Global Funds

We received dividends from PineBridge APAC IG Bond and JPM Global Corporate Bond in January. We added to Lion Global Thailand, Legg Mason Global Bond, Franklin Gold, and JPM China. We sold JPM Korea, and Pimco Real Return.

Our portfolio has 13 holdings, and 13% in MMF. We have 28% fixed income, 24% in S-Reits, and equites in Gold, Vietnam, China and Thailand make up 35%.

Portfolio	+ 1.6% (1M)	+ 1.6% (YTD)	- 0.0% (12M)
VG TW 70/30	+ 5.3% (1M)	+ 5.3% (YTD)	-10.5% (12M)

(7) Phillip Returns Enhancer (Bond UTs only)

We received dividends from PineBridge APAC IG Bond and JPM Global Corporate Bond in January. We bought Legg Mason Global Bond, Fullerton Asia High Yield, and sold JPM Global High Yield. We added Schroder Singapore Fixed Income.

Our portfolio has 7 holdings, and 1% in MMF. We have 40% in investment grade, 30% in high yield, 15% in 3-7 year duration (steepener), and 13% in Pimco Real Return (TIPS).

Portfolio	+ 1.6% (1M)	+ 1.6% (YTD)	- 0.0% (12M)
VG TW Bond	+ 2.8% (1M)	+ 2.8% (YTD)	-10.6% (12M)

(8) Phillip SMART 1 Portfolio – Income

Portfolio	+ 2.8% (1M)	+ 2.8% (YTD)	- 1.5% (12M)
VG TW 40/60	+ 4.2% (1M)	+ 4.2% (YTD)	-10.6% (12M)

(9) Phillip SMART2 Portfolio – Income & Growth

Portfolio	+ 2.3% (1M)	+ 2.3% (YTD)	- 8.4% (12M)
VG TW 60/40	+ 5.0% (1M)	+ 5.0% (YTD)	-10.5% (12M)

(10) Phillip SMART3 Portfolio – Growth

Portfolio	+ 2.2% (1M)	+ 2.2% (YTD)	- 8.3% (12M)
VG TW 70/30	+ 5.3% (1M)	+ 5.3% (YTD)	-10.5% (12M)

(11) Phillip SMART US Equities Portfolio

We are into our fourth month.

Portfolio	- 2.6% (1M)	- 2.6% (YTD)	- 9.2% (5M)
US 500	+ 6.2% (1M)	+ 6.2% (YTD)	+ 3.1% (5M)

(12) Phillip Hong Kong Focused Equity

Portfolio	+ 6.2% (1M)	+ 6.2% (YTD)	- 1.3% (12M)
HK50	+10.4% (1M)	+10.4% (YTD)	- 8.2% (12M)

(13) Phillip Malaysia Focused Equity

Portfolio	+ 4.4% (1M)	+ 4.4% (YTD)	- 9.8% (12M)
KLCI	- 0.7% (1M)	- 0.7% (YTD)	- 1.8% (12M)

(14) Phillip Thailand Focused Equity

Portfolio	- 0.2% (1M)	- 0.2% (YTD)	- 8.4% (12M)
SET50	- 1.2% (1M)	- 1.2% (YTD)	- 0.0% (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 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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