September '22

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2022/09
Date:	5 September 2022
Re:	Forex & Collaterals, Bonds, Commodities & Oil, Stock markets, Our Portfolios.

Forex & Collaterals, Bonds

The Indian Rupee is approaching its more-than-50-year low of USDINR 80 last reached in July. The Japanese Yen went past its July low, now at USDJPY 140. The Renminbi also went past its recent May worst, crossing USDCNY 6.91.

We may run into a liquidity situation, arising out of USD shortage. These countries probably will sell USTs and further reduce their foreign currency reserves. India's dropped 12% in less than a year.

Snider, in a recent article on Real Clear Markets, thinks the current drop could be due to central banks' use of derivatives that have expiry dates (May-July .. now, September). He reminds us of Brazil's use of 'contingent liabilities' in 2013. The USDBRL was 2 then; now, it is 5.

The currency moves have little to do with interest rate differential or GDP (India upped its rates as much as the US, and its GDP did well).

In a recession (US, EU, China economic data deteriorating, US labor data starting to weaken), we would like to buy bonds. Besides the seasonal sell-off, which typically starts on 4 August, we have to consider currency weakness. The stronger currencies (dropping less against USD) are few (e.g. SGD, TWD, and AUD). Most other currencies are at their respective lows of 2020, 2009 or year of its own crisis.

Double-bottom, triple-bottom, or more downside. We think more downside, unless one can script a Ukraine surrender.

We also have to consider the higher inflation in the EU.

Commodities and Oil

What is frightening is that commodity prices have started to fall together with weakening PMIs, and weak currencies. We are afraid that narratives may command the next leg down. Remember "synchronized recovery", and "synchronized slowdown"?

Iron ore has dropped 38%, copper 30%, and WTI 26% (from high) since beginning of March. At the other end, natural gas just hit a 14-year high, but that previous high in 2008 was followed by 75% drop into the GFC low. We are aware of a supply situation that is favorable to energy, and the huge free cash flows of oil and gas companies, but we want to err on the side of caution, and reduce exposure. The drastic slowdown in backwardation (backwardation is good for oil price) of the oil futures curve. The latest shows the worst of this slowdown.

Stock markets

The S&P500 & Nasdaq added 17% and 23% respectively, from the mid-June lows to recent highs. Now, these gains are 7% and 9% respectively.

Sensex, which reported good GDP, gained 14.5% since mid-June. Forex loss is 2.5% over the same period.

Ascendas Reit was $2.75 in mid-June. It hit a recent high of $3.02. Last Friday, it was down to $2.82. We have pocketed $0.075 dividend. Net, we gained 5%. Less than Nasdaq, but less volatile. Mapletree Industrial also did +5%.

September was a down month for last 4 years (buying opportunity) and an up month for 2017 ('synchronized recovery').

There are 3-year averages that might be approached in September. We want to see if these break: Nasdaq - 11,305. For S&P500, we look towards its 36-month moving average of 3,759. In this technical regard, we are watching if GS and JPM break $277 and $101 respectively.

Our Portfolios – what 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 several Reits/BTs in August. We sold iReit Global, not waiting for a Darmstadt tenancy to fill after November.

Currently, we hold 11 REITs and BTs, and UOL; and, 43% cash/PMMF. We expect some changes in September.

This portfolio lost 2.9% in August, and lost 2.2% YTD. Reits/BTs sold off in August. STI gained 3.1% YTD. The STI gained from Keppel Corp, Sembcorp, Jardine CC, and the banks in August.

(2) Phillip Asian Opportunities Equity

There was no change in the portfolio in August.

Currently, we have 8 holdings: 32% in Singapore, 17% in China/HK; and, 51% in cash/PMMF. We are looking at net additions in September.

This portfolio lost 0.6% in August, and lost 1.5% YTD. STI gained 3.1% YTD. HSI lost 14.7% YTD, and SCI lost 12% YTD.

(3) Phillip Managed Singapore Equity

We received dividends from AIMS APAC, First Reit, Hongkong Land, HRnet, and Wilmar. We sold iReit Global, not waiting for a Darmstadt tenancy to fill after November. We sold Comfort Delgro as the reopening upside from taxis did not match our expectation.

Currently, we have 16 holdings: 6 are in REITs/BTs, 3 with efficient business models, 4 with family influence, and 1 on possible M&A. We are looking at net additions in September.

This portfolio lost 2.3% in August, and lost 2.5% YTD. Reits/BTs sold off in August. STI gained 2.8% YTD. STI gained 3.1% YTD. The STI gained from Keppel Corp, Sembcorp, Jardine CC, and the banks in August.

This has the best since-inception record of +4.6% (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 City Dev, and Ascendas and Ascott Reits. We sold iReit Global, not waiting for a Darmstadt tenancy to fill after November. We sold Agricultural Bank. There is a small profit or break-even, after accounting for dividends.

Currently, we have 8 holdings: 42% in Singapore, 7% in China/HK; and, 51% in cash/PMMF. We are looking at net additions in September.

This portfolio lost 0.6% in August, and lost 1.5% YTD. STI gained 3.1% YTD. HSI lost 14.7% YTD, and SCI lost 12% YTD.

(5) Phillip Managed Gold & Resources Equity

We received dividends from Base Resources, Maverix, Wilmar, and US Treasuries. We sold energy stocks: Canacol, Journey Energy, Baytex, and Sandridge. We also sold Copper Mountain. We want to reduce exposure to stocks sensitive to recession.

Currently, we have 20 holdings: 20% in Precious Metals, 16% in Industrial Materials; 5% in Soft Commodities, 5% in US Treasuries; 4% in Energy; and, 50% in cash/PMMF. We are looking for entry points to add at more depressed commodity prices. Many of the holdings may be taken over, so we are not reducing despite falling commodity prices.

This portfolio lost 3.7% in August, lost 12.9% YTD. Van Eck Gold Miners/Junior Gold Miners ETFs lost YTD 26% and 29% respectively. The Vanguard and SPDR Energy ETFs are both up YTD about 46%. Both Vanguard and SPDR Materials ETFs are down YTD about 16%.

(6) Phillip Global Funds

We received dividends from AIMS APAC, Ascendas Reit, First Reit, and JPM US Aggregate Bonds. We bought First Reit; and, sold JPM US Aggregate Bonds and Schroeder Singapore Fixed Income to avoid August bond sell-off.

Currently, we have 7 holdings: 15% in Singapore REITs/BTs, 4% in Vietnam/Thailand, 3% in iShares UST

20+; and, 78% in cash/PMMF. We are looking at net additions in September.

This portfolio lost 0.5% in August, and lost 1.5% YTD. Vanguard Total World Stock fund lost 18.5% YTD, and the Vanguard Total World Bond fund lost 11.3% YTD.

(7) Phillip Returns Enhancer (Bond UTs only)

We sold our 2 holdings in August, after suffering a 0.1% loss, as the August bond sell-off started. We are 100% cash/PMMF.

We are looking to add more as the market embraces slowdown and when CPI expectations start to waver.

This portfolio lost 0.1% in August, and lost 1.36% YTD. Vanguard Total World Bond fund lost 3.4% in August, and 11.3% YTD.

(8) Phillip SMART Portfolio – Income

For the later part of August, we left the bond allocations in cash/PMMF, to avoid the August bond sell-off.

Currently, we have 4 equity holdings.

This portfolio lost 0.1% in August, and lost 4.3% YTD. Vanguard Total World ETFs in 40/60 asset allocation lost 3.5% in August, and lost 14.2% YTD.

(9) Phillip SMART Portfolio – Income & Growth

For the later part of August, we left the bond allocations in cash/PMMF, to avoid the August bond sell-off.

Currently, we have 4 equity holdings.

This portfolio gained 0.2% in August, and lost 8.2% YTD. Vanguard Total World ETFs in 60/40 asset allocation lost 3.7% in August, and lost 15.6% YTD.

(10) Phillip SMART Portfolio – Growth

For the later part of August, we left the bond allocations in cash/PMMF, to avoid the August bond sell-off.

Currently, we have 4 equity holdings.

This portfolio gained 0.5% in August, and lost 9.5% YTD. Vanguard Total World ETFs in 70/30 asset allocation lost 3.8% in August, and lost 16.3% YTD.

(11) 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 40-50% cash/PMMF, please do not be alarmed. We are aiming to enter at lower prices than today. For those that want more US exposure, your portfolios tend to be even higher in cash/PMMF. If your portfolio is REIT-heavy, then cash/PMMF is lower (around 30-40%).

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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