

Bond disruption

To: Our Valued Investors

From: CIO

Letter: Managed Account, M02/2023/10

Date: 5 October 2023

Re: S-Reits' opportunity.
MOVE moved, in wrong direction.
Fixed income UT port saved by PMMF.
HK portfolio +8% in September!
HK also helped in Gold & Resources.
Blue Chip Equity Yield is positive.
Losses in Singapore.
Food Empire shines in Singapore.
Losses in Asia.
Japan is more investor-friendly.
SMART 123 outperform.
Not SMART US or Global Growth Leaders.
Portfolio management.
Portfolio performance.

In late September, we heard promotion of certain S-Reits. We see this as an opportunity for portfolios that need to trim S-Reits. Also, for Reit-focused portfolios, this may allow us to trade (sell, and buy back at a lower price) in a challenging period of higher-for-longer rate environment.

After ending August at a recent low of 103, and then even lower at 97 in September, MOVE surged to 142 in early October that coincided with TLT hitting 85 (the previous lower level was in 2006). MOVE is much lower than the 183 high in March, but worrying in terms of measuring liquidity.

We paused our buying until this recedes.

Our only holding (13% of portfolio) in our Returns Enhancer portfolio (investing only in Fixed Income UTs) – Neuberger short-term HY - lost 0.7% in September, and another 0.9% October-to-date. There is about no place to hide except in PMMF (87% of portfolio), which helped the portfolio gain 0.2% in September despite the rough final week.

Our Hong Kong portfolio starred the month's performances. It added 8% in a month, helping the YTD to +4.4% versus the Hang Seng's -9%. Monthly gains of CGN Mining +68% and China Nonferrous +20% were the contributors.

The minor star performer is our Gold & Resources portfolio, which gained 3.7% in September. There were monthly benchmark losses in Gold -6.9%, Materials -4.1%, and gain in Energy 2.8%. Major contributors to our outperformance are the same stocks as in our Hong Kong portfolio (see last para).

There was a small gain in our Blue Chip Equity Yield portfolio, despite losses in dividend-yielding reference indexes like the S-Reits.

Losses were felt in Singapore, with our Growth portfolio shedding 1.4% and our Equity Yield portfolio losing 0.4%. This compares to monthly losses of STI's -0.5%, and S-Reits' -3.5%.

After reading the factory visit report from Paul Chew (Phillip Securities Research's head), we initiated our position in Food Empire 9 days later after market volumes started to build up. Today, we are +9%.

Our Asian Opportunities portfolio dropped 1.9%, in line with indexes' underperformance: HSI -2.1%, Australia -2.5% and, Singapore -0.5%/-3.5%. Footing this bill were Frasers LCT -11%, and Li Ning -10%.

Most of our Japanese stocks (recently bought) lost more than the main index in SGD terms in September. Our positions in the 2 forex-hedged Japan UTs also performed better except for Fujikura Rubber and Miyaji Engineering. And, that one that gained 77% (reported in last letter) is still up 60%. After huge (5/6 weeks) foreign outflows, we see a slim positive in first October week.

Miyaji Engineering recently did a stock-split, which is one of the many corporate actions Japan companies are doing to be more investor-friendly. Have you tried looking at investor relations websites on Japan list-cos recently? Most have an English version.

All our SMART 123 portfolios outperformed the reference ETFs in September. We lost between 1.6% and 1.8% while the reference ETFs lost between 2.1% and 2.8%. Our SMART US Equities lost 3.8%, in line with reference losses of 3.8% and 4.0%.

Global Growth Leaders lost 5.3%.

Our underperforming Thailand and Malaysia portfolios are due to their make-up of non-index stocks. These will usually catch up and outperform at a later part of the recovering cycle.

Portfolio management

We still see positive liquidity outcomes that may feed into the risk markets, although the hiccups started to foam into the markets, especially in bonds driven by the fast move in term premia. We remain value-conscious in stocks. And, our bond exposure will be for capital gain instead of income.

Portfolios' Performance

Our reference country/sector performances (in SGD terms):

S-Reits	- 3.5% (1M)	- 7.2% (YTD)	- 9.1% (12M)
Singapore	- 0.5% (1M)	- 1.0% (YTD)	+ 2.8% (12M)
US Big	- 3.8% (1M)	+13.7% (YTD)	+14.8% (12M)
US Tech	- 4.0% (1M)	+36.5% (YTD)	+29.3% (12M)
Hong Kong	- 2.1% (1M)	- 9.0% (YTD)	+ 4.4% (12M)
Shanghai	+ 0.7% (1M)	+ 1.7% (YTD)	+ 3.8% (12M)
Japan	- 1.4% (1M)	+23.0% (YTD)	+ 23.7% (12M)
Australia	- 2.5% (1M)	+ 1.1% (YTD)	+ 9.8% (12M)
India	+ 3.0% (1M)	+ 9.5% (YTD)	+15.8% (12M)
Malaysia	- 1.7% (1M)	- 3.8% (YTD)	+ 3.1% (12M)
Thailand	- 5.1% (1M)	-10.9% (YTD)	- 6.4% (12M)
Global Stock	- 3.5% (1M)	+10.1% (YTD)	+13.3% (12M)
Global Bond	- 1.2% (1M)	+ 0.9% (YTD)	- 5.8% (12M)
Gold Miners	- 6.9% (1M)	- 4.1% (YTD)	+ 6.8% (12M)
Materials	- 4.1% (1M)	+ 3.1% (YTD)	+10.7% (12M)
Energy	+ 2.8% (1M)	+ 6.5% (YTD)	+20.0% (12M)

(1) Phillip Singapore Equity Yield (in SGD)

Dividends were received from several companies.

Currently we have 20 holdings, and 12% in MMF. We bought Karin, Food Empire, Uni-Asia and sold Hongkong Land. We added to DBS and CSE Global.

Portfolio	- 0.4% (1M)	- 2.6% (YTD)	- 6.9% (12M)
S-Reits	- 3.5% (1M)	- 7.2% (YTD)	- 9.1% (12M)
Singapore	- 0.5% (1M)	- 1.0% (YTD)	+ 2.8% (12M)

(2) Phillip Asian Opportunities Equity (in SGD)

Dividends were received from several companies.

Currently, we have 19 holdings: 33% in Singapore, 38% in China/HK, 10% in Australia/Japan/Korea; and, 20% in MMF.

Portfolio	- 1.9% (1M)	- 3.4% (YTD)	- 2.3% (12M)
Singapore	- 0.5% (1M)	- 1.0% (YTD)	+ 2.8% (12M)
Hong Kong	- 2.1% (1M)	- 9.0% (YTD)	+ 4.4% (12M)
Shanghai	+ 0.7% (1M)	+ 1.7% (YTD)	+ 3.8% (12M)
Japan	- 1.4% (1M)	+23.0% (YTD)	+ 23.7% (12M)
Australia	- 2.5% (1M)	+ 1.1% (YTD)	+ 9.8% (12M)

(3) Phillip Managed Singapore Equity (in SGD)

Dividends were received from several companies.

Currently we have 19 holdings, and 8% in MMF. We bought Food Empire, and sold First Reit. We added to DBS.

Portfolio	- 1.4% (1M)	- 5.3% (YTD)	- 4.7% (12M)
Singapore	- 0.5% (1M)	- 1.0% (YTD)	+ 2.8% (12M)

(4) Phillip Blue Chip Equity Yield (in SGD)

Dividends were received from several companies.

Currently we have 14 holdings, and 2% in MMF. 30% is not in Singapore. We bought the OOIL, Haw Par, Deterra and sold Hutchison. We added to DBS and UOB.

Portfolio	+ 0.2% (1M)	- 2.2% (YTD)	- 1.8% (12M)
S-Reits	- 3.5% (1M)	- 7.2% (YTD)	- 9.1% (12M)
Singapore	- 0.5% (1M)	- 1.0% (YTD)	+ 2.8% (12M)
Hong Kong	- 2.1% (1M)	- 9.0% (YTD)	+ 4.4% (12M)

(5) Phillip Managed Gold & Resources Equity (in SGD)

Dividends were received from Base Resources and Triple Flag.

Currently, we have 23 holdings: 23% in Precious Metals, 22% in Industrial Materials; 21% in Energy; 7% in Sugar; and, 27% in MMF.

Gold and sugar stocks underperformed, but energy did very well.

Portfolio	+ 3.7% (1M)	- 0.6% (YTD)	+ 5.0% (12M)
Gold Miners	- 6.9% (1M)	- 4.1% (YTD)	+ 6.8% (12M)
Materials	- 4.1% (1M)	+ 3.1% (YTD)	+10.7% (12M)
Energy	+ 2.8% (1M)	+ 6.5% (YTD)	+20.0% (12M)

(6) Phillip Global Funds (in SGD)

Our portfolio has 2 Reits, 7 funds, and 49% in MMF. We suffered in Gold and KIT, and gained in Energy and Japan Hedged.

We lagged the reference indexes (YTD, 12M) on our US absence. We will rejoin US soon.

Portfolio	- 1.4% (1M)	- 2.4% (YTD)	- 3.3% (12M)
Global 70/30	- 2.8% (1M)	+ 7.4% (YTD)	+ 7.6% (12M)

(7) Phillip Returns Enhancer - Bond UTs (in SGD)

Our portfolio has only Neuberger Short Duration HY, and 87% in MMF.

We beat the reference indexes because we are less invested.

Portfolio	+ 0.2% (1M)	+ 1.3% (YTD)	+ 0.4% (12M)
Global Bond	- 1.2% (1M)	+ 0.9% (YTD)	- 5.8% (12M)

(8) Phillip SMART 1 Portfolio – Income (in SGD)

Portfolio - 1.8% (1M) + 2.4% (YTD) + 6.3% (12M)

Global 40/60 - 2.1% (1M) + 4.6% (YTD) + 1.9% (12M)

(9) Phillip SMART2 Portfolio – Income & Growth (in S\$)

Portfolio - 1.6% (1M) + 2.7% (YTD) + 5.2% (12M)

Global 60/40 - 2.6% (1M) + 6.4% (YTD) + 5.7% (12M)

(10) Phillip SMART3 Portfolio – Growth (in SGD)

Portfolio - 1.8% (1M) + 2.4% (YTD) + 7.6% (12M)

Global 70/30 - 2.8% (1M) + 7.4% (YTD) + 7.6% (12M)

(11) Phillip SMART US Equities Portfolio (in SGD)

Portfolio - 3.8% (1M) - 4.9% (YTD) -12.5% (12M)

US Big - 3.8% (1M) +13.7% (YTD) +14.8% (12M)

(12) Phillip Hong Kong Focused Equity (in SGD)

Portfolio + 8.0% (1M) + 4.4% (YTD) + 2.5% (12M)

Hong Kong - 2.1% (1M) - 9.0% (YTD) + 4.4% (12M)

(13) Phillip Malaysia Focused Equity (in SGD)

Portfolio - 1.5% (1M) - 4.9% (YTD) -10.3% (12M)

Malaysia - 1.7% (1M) - 3.8% (YTD) + 3.1% (12M)

(14) Phillip Thailand Focused Equity (in SGD)

Portfolio - 9.1% (1M) -25.8% (YTD) -22.3% (12M)

Thailand - 5.1% (1M) -10.9% (YTD) - 6.4% (12M)

(15) Phillip Global Growth Leaders (in SGD)

Portfolio - 5.3% (1M) +15.2% (YTD) +24.4% (12M)

Global Stock - 3.5% (1M) +10.1% (YTD) +13.3% (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 15% MMF, please do not be alarmed. The re-balancing is taking more time due to bond volatility in May, July, August and September. We will soon be fully invested.

Thank you

We are grateful for your trust, and continuing support.