

# Home-grown tastes better.

**To:** Our Valued Investors

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**From:** CIO

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**Letter:** Managed Account, M02/2024/06

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**Date:** 7 June 2024

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**Re:** Glad we did not go away in May.  
Dollar index good for EMs.  
MOVE index substantially lower.  
Is there a 76-year interest rate cycle?  
Reits can get more creative.  
Unwinding of MXNJPY trades.  
Photo-finish in May performance:  
*Malaysia, Hong Kong, SMART US*  
*all up >8%. SG Growth up >7%.*  
12-Months, 5 portfolios up >10%:  
*Hong Kong +37%, SMART US +31%,*  
*Malaysia +28%, GGL +23%,*  
*Blue-Chip Yield +15%.*  
Best Customised +4.4%.

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**W**e are constantly learning. US tax payments had its effect on markets in April this year. Those who stayed away in May missed some gains.

The Dollar index slid from 106 to 104. Wishfully, this is not the only reason for gains in our region.

The MOVE index was generally about 10 points lower in May, vs April.

We are concerned about interest rates as far as they affect businesses, for we trade stocks (of companies) and bonds (of companies). After all, interest rates rose from 1945 to 1981 (37 years), then fell from 1982 to 2021 (40 years). Those who are very concerned about interest rate hikes should be very concerned if there is a 77-year interest rate cycle (1945-2021).

For S-Reit investors, who suffered greatly since 2022, we look ahead with hope. Not because interest rates are going anywhere, but because there are other reasons for Reits to

rise. If there were much uncertainty about a Reit's management, and there is a chance of the Reit selling off most of its properties, then there is a chance of getting NAV. Perhaps, P/B is now more important.

Reits can also be more creative in defining rental. If there is a building of bitcoin miners, and they pay rental based on bitcoin prices, and the latter rise substantially, that building's revenue will make interest payments look relatively small.

An early June event: unwinding of MXNJPY trades that resulted in it falling 5% in a short while. We want to watch this space to see if it ends, and if it may end the weakness of JPY.

On our performance:

For May, there was a photo-finish, with Malaysia +8.8562% edging out SMART US +8.5876% and Hong Kong +8.5714%. A near-4<sup>th</sup> was Singapore Growth +7.4927%. Others like Blue Chip Equity Yield +4.5%, Singapore Equity Yield +3.9%, and GGL +3.72% have meaningful gains. There were 2 negatives in AOM and Reits.

On trailing 12-month basis, Hong Kong +37%, SMART US +31%, Malaysia +28%, GGL +23%, Blue-Chip Yield +15%. Others with meaningful gains were Global Funds +10% and Singapore Growth +8%. Thailand and AOM are still negative.

Best for May among the customized accounts was one with high Singapore exposure, gaining 4.4%.

### **Portfolio management**

We still see positive liquidity outcomes that may feed into the risk markets. We remain value-conscious in stocks. Our bond exposure will be minimal, and will be for capital gain instead of income.

## Portfolios' Performance

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

S-Reits	- 0.4% (1M)	-12.3% (YTD)	-10.8% (12M)
Singapore	+ 1.3% (1M)	+ 3.0% (YTD)	+ 5.6% (12M)
US Big	+ 3.8% (1M)	+13.0% (YTD)	+26.2% (12M)
US Tech	+ 5.2% (1M)	+12.5% (YTD)	+30.0% (12M)
Hong Kong	+ 0.8% (1M)	+ 8.3% (YTD)	- 0.8% (12M)
China	- 1.5% (1M)	+ 4.2% (YTD)	- 5.6% (12M)
Japan	- 0.6% (1M)	+ 6.1% (YTD)	+11.6% (12M)
Australia	+ 2.2% (1M)	+ 1.5% (YTD)	+10.8% (12M)
India	- 1.0% (1M)	+ 5.7% (YTD)	+20.5% (12M)
Malaysia	+ 2.0% (1M)	+ 9.7% (YTD)	+12.8% (12M)
Thailand	- 1.7% (1M)	-10.7% (YTD)	-18.4% (12M)
Global Stock	+ 3.6% (1M)	+10.7% (YTD)	+20.7% (12M)
Global Bond	- 0.3% (1M)	+ 0.1% (YTD)	- 1.5% (12M)
Gold Miners	+ 5.5% (1M)	+16.2% (YTD)	+14.2% (12M)
Materials	+ 2.2% (1M)	+ 9.3% (YTD)	+22.0% (12M)
Energy	- 0.9% (1M)	+13.7% (YTD)	+23.3% (12M)

### (1) Phillip Singapore Equity Yield (in SGD)

Portfolio	+ 3.9% (1M)	+ 1.2% (YTD)	+ 2.2% (12M)
S-Reits	- 0.4% (1M)	-12.3% (YTD)	-10.8% (12M)
Singapore	+ 1.3% (1M)	+ 3.0% (YTD)	+ 5.6% (12M)

Much received dividend contributed to the monthly positive performance. We sold DBS (profit) and sold First Reit (loss) to buy into YZJ Ship and China Aviation Oil. We added to Food Empire as the market focused on its weaker margin due to higher bean cost while ignoring its growth in India. YZJ Ship surged 31% from entry cost.

### (2) Phillip Asian Opportunities Equity (in SGD)

Portfolio	- 1.5% (1M)	- 5.3% (YTD)	- 9.4% (12M)
Japan	- 0.6% (1M)	+ 6.1% (YTD)	+11.6% (12M)
Hong Kong	+ 0.8% (1M)	+ 8.3% (YTD)	- 0.8% (12M)
China	- 1.5% (1M)	+ 4.2% (YTD)	- 5.6% (12M)

While our main market – Japan – underwent correction in April/May, we switched out of ETFs and into stocks. We focus on companies which exports would benefit from the weaker JPY. We believe these companies will perform in 2H2024.

### **(3) Phillip Managed Singapore Equity (in SGD)**

Portfolio + 7.5% (1M) + 10.2% (YTD) + 8.2% (12M)

Singapore + 1.3% (1M) + 3.0% (YTD) + 5.6% (12M)

Our confidence in non-index stocks was rewarded. RE&S got a take-out offer at 35% over our cost. Luxury boat-maker Grand Banks added 14% value. Ley Choon added 17% value. Like the Singapore Equity Yield portfolio, we suffered in Food Empire, but benefitted in YZJ Ship; and exited DBS with profit. Much dividend was received.

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

Portfolio + 4.5% (1M) +12.1% (YTD) +15.4% (12M)

Hong Kong + 0.8% (1M) + 8.3% (YTD) - 0.8% (12M)

Singapore + 1.3% (1M) + 3.0% (YTD) + 5.6% (12M)

Australia + 2.2% (1M) + 1.5% (YTD) +10.8% (12M)

As China Non-Ferrous reached +85%, we took half off the table. We bought CNOOC, China Bluechem, Yancoal Australia and Labrador Iron Ore Royalty. YZJ Ship continues its good performance. We will take half of it off the table when it reaches +100%. Since inception in 2014, we have a new record: the first run of seven consecutive positive months.

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

Portfolio + 1.9% (1M) +11.8% (YTD) +10.4% (12M)

Gold Miners + 5.5% (1M) +16.2% (YTD) +14.2% (12M)

Materials + 2.2% (1M) + 9.3% (YTD) +22.0% (12M)

Energy - 0.9% (1M) +13.7% (YTD) +23.3% (12M)

As China Non-Ferrous reached +85%, we took half off the table. We still underperformed as we are not weighted in US-listed commodity stocks. The Canada-listed ones get more under-valued by the month, despite the surge in silver price.

### **(6) Phillip Global Funds (in SGD)**

Portfolio + 0.8% (1M) + 6.3% (YTD) + 9.8% (12M)

Global 70/30 + 2.4% (1M) + 7.5% (YTD) +14.1%(12M)

We underperformed as we are out of the US. Our biggest gainer is Gold Miners of 4.3%age points. We added back Malaysia and bought more of Hong Kong and Singapore. We added back US on the last day of May, from the proceeds from the reduction in Japan.

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

Portfolio + 0.4% (1M) + 1.7% (YTD) + 4.3% (12M)

Global Bond - 0.3% (1M) + 0.1% (YTD) - 1.5% (12M)

We added more High Yields and cut loss on Convertibles. We are ahead 1M, YTD and 12M, as we are almost fully invested, and MOVE was mostly lower in May as compared to April.

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

Portfolio + 1.6% (1M) + 3.1% (YTD) + 1.9% (12M)

Global 40/60 + 1.2% (1M) + 4.3% (YTD) + 7.4% (12M)

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

Portfolio + 1.8% (1M) + 3.5% (YTD) + 1.5% (12M)

Global 60/40 + 2.0% (1M) + 6.4% (YTD) +11.8% (12M)

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

Portfolio + 1.6% (1M) + 3.6% (YTD) + 0.6% (12M)

Global 70/30 + 2.4% (1M) + 7.5% (YTD) +14.1%(12M)

SMART123 experienced positive returns in May, primarily driven by strong performance in the US markets. However, our portfolio faced losses in the Indian market due mainly to political uncertainty. Correlation links it to an unwinding of MXNJPY trades. The April inflation data showed signs of cooling, benefiting both equities and fixed income. Notably, all three of our high-yield fixed income funds achieved positive returns for the month. The global bond benchmark returned negative.

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

Portfolio + 8.6% (1M) +10.9% (YTD) +31.3% (12M)

US Big + 3.8% (1M) +13.0% (YTD) +26.2% (12M)

Performance was greatly enhanced by Carvana. Pinterest and Gap also contributed positively. Draftkings lost ground. Rebalancing was completed in May.

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

Portfolio + 8.6% (1M) +22.0% (YTD) +37.2% (12M)

Hong Kong + 0.8% (1M) + 8.3% (YTD) - 0.8% (12M)

Our outperforming the referenced now stretches from 25%age points to 37%age points at 12M. Despite Hong Kong waking up, our portfolio continues to gain more. Gains were well spread across the portfolio. We took half of China Non-Ferrous off the table. We got tired of Hua Hong and exited with a loss. We bought Singamas Containers.

**(13) Phillip Malaysia Focused Equity (in SGD)**

Portfolio + 8.9% (1M) +31.9% (YTD) +28.1% (12M)

Malaysia + 2.0% (1M) + 9.7% (YTD) +12.8% (12M)

We took 2/3 of VSTECS off the table as it has gained almost 200% from our cost. Poh Kong (goldsmith) gained >10% in May, as did Yenher (animal health & nutrition). We are responding to calls from account holders/ reps for Malaysia by doing a seminar at Raffles Place Investor Centre on 27 June, as part of the subject of stock-picking.

**(14) Phillip Thailand Focused Equity (in SGD)**

Portfolio + 0.7% (1M) - 7.7% (YTD) -15.0% (12M)

Thailand - 1.7% (1M) -10.7% (YTD) -18.4% (12M)

In contrast, we are suffering in Thailand. Sugar prices are not helping, although we are better than the referenced index. This is due to our holding Regional Containers gaining 44% in May.

### **(15) Phillip Global Growth Leaders (in SGD)**

Portfolio + 3.7% (1M) +11.2% (YTD) +23.2% (12M)

Global Stock + 3.6% (1M) +10.7% (YTD) +20.7% (12M)

We are still ahead of the benchmark in these 3 timeframes. The biggest gainers for the month were Nvidia Corp. (NVDA +26.9%), Nextera Energy Inc. (NEE +19.5%), and Netflix Inc (NFLX +16.5%). Nvidia surged after issuing outsized growth in AI GPU demand. Lululemon Athletica Inc (LULU -13.5%) was the biggest laggard after issuing softer FY24e revenue guidance. We concluded our 2Q24 rebalancing exercise and removed Tesla Inc. (TSLA) and Apple Inc. (AAPL), while adding positions to 7 stocks.

### **(16) Customised Portfolios**

Because of customer-bias and our expertise bias, our heavier S E Asia exposure is bearing fruit. Top performer is a +4.4% monthly performance because this customer prefers Singapore stocks, over the popular markets.

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.

Because most clients want yield, our exposure tend to be in Singapore, Hong Kong, and Japan.

### **Thank you**

We are grateful for your trust, and continuing support.