What’s up, China? Up.

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2024/10
Date:	7 October 2024
Re:	China stimulus. No more rate cuts to year end. Rebuilding AOM. AOM holdings in detail. Play safe in Japan. USDSGD. MOVE, to 90 please. Global liquidity at new high. Portfolios’ 1M performance. Portfolios’ YTD performance. YTD, best Customised +13.4%.

If you think Nikkei’s August performance was shattering enough, the China stimulus so far is proving just as overwhelming in the positive sense (unless you are shorting China or Hong Kong stocks). The part of the China stimulus that is driving the stocks is the part about the stocks. While we continue to observe, some of our value stocks have benefitted; the most being Solomon Tech (that we bought for a few customized clients who wanted tech), which +70% in a day!

Market response to the Fed’s 50bps cut has been underwhelming. We are not referring to the +4% performance of S-Reits, but the market response after the rate cut. PFI (Simplify Interest Rate Hedge ETF that goes up if rates rise) gained 13.5% between 18 Sep and Oct 4. Besides what rate cut that had been factored in by the market up to Sep 18, the US SOFR was rising (money market problem). It seems market expected too many rate cuts, and now is scrambling to respond to the jobs data. So, let’s assume no more rate cuts for the remainder of 2024.

On rebuilding AOM: At end August, we had 2 Singapore stocks, and 10% invested. At end September, we had 9 stocks, and 46% invested. Now, we have 15 stocks, 6 of which are in Hong Kong. Please scroll down to Portfolio Performance to see the details of our AOM investments.

For now, we are not biting Japan, apart from a few sells to lock in profits. The next PM is a hawk although recently he spoke dovish-ly. Play safe. But then, it should not stop us from hoping NISA accounts may invest in China. They may see how undervalued China and Hong Kong markets still are, even with the current run-up.

USDSGD moved from 1.36 beginning July to 1.28 end of September. Now, it is 1.30. War? US elections outcome clearer? US rates not falling anymore? Let's see.

The MOVE index spiked to 119 on 4 September, then retreated to 90 on 26 September. It is now 100. We prefer it to be around 90.

Global liquidity hit a record high again on 27 September.

On our 1M performance (in SGD):

The top gainers are Gold & Resources +10%, Hong Kong +9%, Blue Chip Equity Yield +7%. The top losers are SMART US -1%, Thailand -1%. Only 2 losers.

On our YTD performance (in SGD):

The top gainers are Malaysia +43%, **SG Growth +20%**, Gold & Resources +16%. The top losers are AOM -24%, Thailand -12%, and SMART US -9%.

Our top YTD customized account: +13.4%. These are 2 very differentiating accounts. One holds a lot of cash, no W8Ben, buy only if we think it is safe to do so. The other is US and Asia, and fully invested.

Portfolio management

We still see positive liquidity outcomes that may feed into the risk markets. We remain value-conscious in stocks.

Portfolios' Performance

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

S-REITs	4.0%	(1M)	-1.5%	(YTD)	6.4%	(12M)
Singapore	4.1%	(1M)	10.6%	(YTD)	11.4%	(12M)
US Big	0.4%	(1M)	18.1%	(YTD)	28.4%	(12M)
US Tech	0.8%	(1M)	16.6%	(YTD)	30.4%	(12M)
Hong Kong	16.1%	(1M)	21.8%	(YTD)	13.1%	(12M)
Shanghai	16.8%	(1M)	10.6%	(YTD)	5.4%	(12M)
Japan	-1.8%	(1M)	8.7%	(YTD)	16.8%	(12M)
Korea	-3.3%	(1M)	-7.6%	(YTD)	3.9%	(12M)
Taiwan	-0.9%	(1M)	17.6%	(YTD)	30.0%	(12M)
Australia	2.7%	(1M)	7.8%	(YTD)	18.4%	(12M)
Indonesia	-1.3%	(1M)	2.1%	(YTD)	4.2%	(12M)
Malaysia	1.2%	(1M)	20.8%	(YTD)	22.4%	(12M)
Thailand	9.6%	(1M)	4.3%	(YTD)	4.2%	(12M)
Global Stock	0.2%	(1M)	13.7%	(YTD)	22.5%	(12M)
Global Bond	-0.6%	(1M)	-0.7%	(YTD)	0.5%	(12M)
Gold Miners	1.4%	(1M)	25.7%	(YTD)	42.0%	(12M)
Materials	0.6%	(1M)	10.0%	(YTD)	16.8%	(12M)
Energy	-5.6%	(1M)	1.8%	(YTD)	-9.3%	(12M)

(1) Phillip Singapore Equity Yield (in SGD)

Portfolio	2.3%	(1M)	8.6%	(YTD)	12.3%	(12M)
S-REITs	4.0%	(1M)	-1.5%	(YTD)	6.4%	(12M)
Singapore	4.1%	(1M)	10.6%	(YTD)	11.4%	(12M)

We sold SingTel for a 26% gain. CSE lost 13% due to late delivery of its contract to customer; and, we did not add as we deployed cash to other counters with higher expected returns. We added Sasseur, Mewah, Daiwa, Nordic and Jardine C&C.

Dividends were received from Haw Par, HRnet, CSE and Uni-Asia. The yield from dividends alone is expected to be 4% per annum. Even though this is a yield portfolio, we are holding 5 counters that are growing, and 2 S-Reits that have huge growth potential via injection from sponsor.

We are satisfied with the performance vs referenced indexes. We did not add many S-Reits (only added Sasseur and Daiwa) recently, as we think market expectation of Fed rate cuts is over-done. There should not be any more rate cuts for the remainder of 2024.

(2) Phillip Asian Opportunities Equity (in SGD)

Portfolio	1.6%	(1M)	-24.3%	(YTD)	-25.6%	(12M)
Hong Kong	16.1%	(1M)	21.8%	(YTD)	13.1%	(12M)
Singapore	4.1%	(1M)	10.6%	(YTD)	11.4%	(12M)
Indonesia	-1.3%	(1M)	2.1%	(YTD)	4.2%	(12M)
Australia	2.7%	(1M)	7.8%	(YTD)	18.4%	(12M)
Thailand	9.6%	(1M)	4.3%	(YTD)	4.2%	(12M)

As we are rebuilding the portfolio, we shall talk a bit more into our October holdings as well as our position at 29 Sep.

Our first buys in SingTel and NetLink have gained 3-4%. SingTel is, if it could sell all its Barti shares, valued at slightly more than just a song. In NetLink, we speculate the constant upgrading to a smart nation may mean higher revenues. For Singapore, we also added Keppel DC because we believe as the world grapples with the growth of AI, it would acknowledge the value of more efficient water-cooling, and the role advanced interconnects can play – these are good points for rental reversion.

We did not buy the carbon black maker in Thailand, and the Malaysian rubber wood maker due to low volumes traded. Instead, we bought a rubber maker in Thailand. Northeast Rubber's current assets minus total liabilities minus market cap is THB 3.6B. Its trailing PATMI is THB 1.7B. Breakeven is 2.1 years. It does <u>not</u> own the rubber estate.

Yes, we have locked in that high dividend-paying coal company at a good price, as the Australian market did not like its recent acquisition. Probably, this is why we are +16%. Whitehaven produces high-quality thermal coal and sells to Asian premium markets. It bought 2 metallurgical coal mines from BHP-Mitsubishi at 5x earnings vs its own 2.5x earnings – which is why the market dislike. The market might not have factored in the remaining mine life of 17 years at Daunia and 50 years at Blackwater.

We also bought a coal mine in Indonesia – Bukit Asam. It trades at 7.4x trailing earnings. Its CFPP Mine Mouth Sumsel-8, a JV with China Huadian Hongkong Company, commenced commercial operations on October 7, 2023. To increase coal transportation capacity, its train loading station and coal handling facility 6 & 7 was initiated at 2023 end, with a potential of increasing transportation capacity by 20 MT a year from 2025. At its guided 43.11 MT revenue, it should be able to deliver a dividend yield of 10% at our entry level, as selling coal prices improve. Its 2.98BT of reserves should last 72 years at current rate of production. It also has 5.81BT of resources.

In Indonesia, we also staked Lonsum, which does plant breeding, planting, harvesting, processing and the selling of palm products (94%), rubber, oil palm seeds, cocoa and tea. It reported an EBITDA margin of 42% for 1H24. It has IDR3.69T in time deposits on 31 December earning up to 6.0% interest for IDR deposits, and up to 5.1% interest for USD deposits. Today, its market cap is IDR 7.06T, and its time deposits totaled IDR4.4T, earning up to 6.5% interest for IDR deposits, and up to 5.25% interest for USD deposits.

We will talk about the Hong Kong listed companies in our November letter. This is because prices are moving so fast. We may not be holding these, come end of October. To us, this is a lesson in what's priced in, and what's not.

(3) Phillip Managed Singapore Equity (in SGD)

Portfolio	1.9%	(1M)	19.8%	(YTD)	22.8%	(12M)
Singapore	4.1%	(1M)	10.6%	(YTD)	11.4%	(12M)

We sold SingTel for a 26% gain. CSE lost 13% due to late delivery of its contract to customer; and, we did not add as we deployed cash to Valuetronics, AEM and Sunright as we believe these have better expected returns from here.

Dividends were received from HRnet, CSE and Thakral. We only have Keppel Pacific Oak in S-Reits because we think it is undervalued, and a sale of properties near NAV will substantially increase its share price.

Meanwhile we are waiting for the sale proceeds of RE&S takeover to come back.

We are satisfied with the performance vs referenced indexes. We beat indexes substantially over YTD and 12M. In 1M, S-Reits helped these indexes but we think market expectation of Fed rate cuts is over-done. There should not be any more rate cuts for the remainder of 2024.

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

Portfolio	6.7%	(1M)	11.7%	(YTD)	11.8%	(12M)
Hong Kong	16.1%	(1M)	21.8%	(YTD)	13.1%	(12M)
Singapore	4.1%	(1M)	10.6%	(YTD)	11.4%	(12M)
Australia	2.7%	(1M)	7.8%	(YTD)	18.4%	(12M)

We sold SingTel for a 26% gain. We doubled our holdings in China Non-Ferrous.; and, added Ramayana Lestari, Nusa Raya Cipta, Bukit Asam, Daiwa and Whitehaven.

Dividends were received from Haw Par, Dexterra and Pax Global. The yield from dividends alone is expected to be 6% per annum.

We are satisfied with the performance vs referenced indexes. We only added one S-Reit (Daiwa) recently, as we think market expectation of Fed rate cuts is over-done. There should not be any more rate cuts for the remainder of 2024.

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

Portfolio	10.4%	(1M)	16.5%	(YTD)	9.3%	(12M)
Gold Miners	1.4%	(1M)	25.7%	(YTD)	42.0%	(12M)
Materials	0.6%	(1M)	10.0%	(YTD)	16.8%	(12M)
Energy	-5.6%	(1M)	1.8%	(YTD)	-9.3%	(12M)

We bought Whitehaven and Northeast Rubber, and more of China Non-Ferrous.

Dividends were received from Franco and Triple Flag.

We remain very patient with very under-valued Canada-listed commodity stocks. Meanwhile, 1M outperformance was in Radisson (+44%), Entrée Resources (+40%), and several others of up to 15% gains. These are those under-valued Canadian stocks.

(6) Phillip Global Funds (in SGD)

Portfolio	3.1%	(1M)	9.9%	(YTD)	14.9%	(12M)
Global 70/30	-0.1%	(1M)	9.4%	(YTD)	15.9%	(12M)

We looked stupid when re-balancing our holding in FTIF Gold & Precious Metals, losing 8% in the intra-month switch. We added more of SE Asia - Indonesia, Thailand and Vietnam. We also added JPM Technology and JPM Biotech, and a bit of Blackrock World Energy, for a start.

These were few rights, but our biggest exposure in Hong Kong helped. Alone it contributed 2.5% of the whole portfolio gain of 3.1%.

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

Portfolio	0.2%	(1M)	2.8%	(YTD)	5.0%	(12M)
Global Bond	-0.6%	(1M)	-0.7%	(YTD)	0.5%	(12M)

Our 0% exposure in September looks like the correct thing to do, as the referenced index return is negative. However, we realized we had missed a little run-up in our usual EM exposure. We are now 100% invested, mainly in high yield and emerging market local currency.

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

Portfolio	0.6%	(1M)	5.6%	(YTD)	6.2%	(12M)
Global 40/60	-0.3%	(1M)	5.1%	(YTD)	9.3%	(12M)

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

Portfolio	1.1%	(1M)	7.6%	(YTD)	6.8%	(12M)
Global 60/40	-0.1%	(1M)	7.9%	(YTD)	13.7%	(12M)

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

Portfolio	1.3%	(1M)	8.5%	(YTD)	6.2%	(12M)
Global 70/30	-0.1%	(1M)	9.4%	(YTD)	15.9%	(12M)

SMART 123 posted positive returns in September, driven by strong performances in India, US tech, and gold, partially offset by slight underperformance in Taiwan. Fixed income also contributed positively. The Federal Reserve cut its interest rate by 50 basis points in September and projected additional cuts over the next two years. This supported gains in both equities and fixed income. The rate cut led to a weaker US dollar, which boosted gold prices. Additionally, rising geopolitical tensions further increased demand for gold as investors sought safe-haven assets.

We are catching up on the referenced indexes because Asia is outperforming US. This is because we are limited by our overall exposure to the US, in preference to diversification.

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

Portfolio	-1.2%	(1M)	-9.0%	(YTD)	-2.2%	(12M)
US Big	0.4%	(1M)	18.1%	(YTD)	28.4%	(12M)

In September, we had still not bought the other 5 holdings.

Of those bought, we did well in Palantir, but we lost in Trump Media. Of those that we had not bought, we avoided losses.

We are communicating with the AI algos on China companies listed in the US.

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

Portfolio	9.1%	(1M)	15.3%	(YTD)	19.8%	(12M)
Hong Kong	16.1%	(1M)	21.8%	(YTD)	13.1%	(12M)

We started to use the excess cash once the China stimulus was reported. We bought more of China Non-Ferrous and added China Shineway and CGN Mining. Dividends were received from Precision Tsugami, Singamas, Consun Pharma and Crystal International.

Our outperforming the referenced index further narrowed to 7%age points from 18%age points at 12M, as the referenced index react to The Stimulus! If the market does not also buy our portfolio holdings, this advantage will end.

Our addition to JD.com a few months ago proves fruitful as the big loss has narrowed considerably.

(13) Phillip Malaysia Focused Equity (in SGD)

Portfolio	3.4%	(1M)	42.6%	(YTD)	41.4%	(12M)
Malaysia	1.2%	(1M)	20.8%	(YTD)	22.4%	(12M)

We sold the rest of VSTECS, the final third of the lot. In total, this trade yielded +197% gain. We bought APM, SY Group, Lii Hen and Marco; and, added more of Samchem.

Our Malaysia portfolio outperformed in 1M, YTD and 12M. We expect the new additions to start to contribute positively to the portfolio whether by dividends or capital gains.

(14) Phillip Thailand Focused Equity (in SGD)

Portfolio	-1.0%	(1M)	-12.0%	(YTD)	-13.6%	(12M)
Thailand	9.6%	(1M)	4.3%	(YTD)	4.2%	(12M)

We accepted the offer on Lanna Resources. We took loss on Xspring. Dividends were received from Lanna, Supalai, Carabao and Regional Containers. We bought Birla Carbon (the stock we earlier wanted to buy for AOM but had not due to low trading volumes), Thai Mitsuma and Northeast Rubber.

(15) Phillip Global Growth Leaders (in SGD)

Portfolio	1.0%	(1M)	14.2%	(YTD)	24.9%	(12M)
Global Stock	0.2%	(1M)	13.7%	(YTD)	22.5%	(12M)

Our GGL portfolio was +1.0%, in SGD terms, for the month of September. The USD fell another 1.7% vs SGD as the fed cut interest rates by 50bps – USD has weakened ~6% vs SGD over the last 3 months. The top gainer for the month was Meta Platforms Inc (META +9.9%) as it continued to climb over positive advertising data. The biggest laggard was semiconductor equipment manufacturer ASML (-7.8%) as further China restrictions look to impact growth. Our newly added stocks were up: Broadcom (AVGO +6.6%) and Uber (UBER +2.8%).

(16) Customised Portfolios

We highlight 2 top-performing customized portfolios (say, Client A, and Client B) and describe how they differ from others. Both are up 13.4%, YTD.

Client A

The worst month was -1.0% in June. The best month was +4.8% in September. We have not met the client, as the only contact is through the Rep. Client A has not signed W8Ben, so US exposure is minimal via UTs.

At the start of the year: Cash 54%, Singapore 29%, HK 7%, Gold Miners 6%, Japan 2% and UST 2%. Today: Singapore 31%, Cash 28%, HK 22%, Indonesia 10%, Canada 3%, Japan 3%, UST 2%, Thailand 1%.

There was an update at the end of last year. Focus is to continue to buy stocks with good dividends, and to get in only when we believe markets are “safe”.

Client B

The worst month was -1.8% in August. The best month was +3.0% in March. We last met the client in March (before this, July 2023), accompanied by the Rep. Client A has signed W8Ben, so US exposure is OK. Client has become more aggressive, with exposure to gold juniors acceptable at a small percentage.

At the start of the year: US 66%, Singapore 32%, Canada 1%, Cash 1%. Today: US 26%, Cash 24%, Singapore 22%, Canada 11%, Indonesia 8%, HK 5%, Japan 2%, Australia 1%, Thailand 1%. The portfolio is undergoing rebalancing, as part of the cash is needed by client temporarily.

Focus is to continue to buy US stocks, and Asia; and, with good exposure to gold ETF/gold miners.

Others

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. Indonesia is being added to those wanting yield.

Thank you

We are grateful for your trust, and continuing support.