What Copilot said.

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2025/01
Date:	9 January 2025
Re:	2025 Outlook, asking Copilot. Value. China. Energy. Infrastructure. AI. MMT. Consensus. Contrarian. Housing, Retirement. Maids. Tax cuts. Johor. Forex. High inflation/rates for longer. Our bonds strategy. Indexes. Take profit, buy the bashed. Portfolios' performances. Our equities strategy.

This is the time of the year to do an Outlook 2025. It seems meaningless because what we want to do for 2025 should be 80-95% already done in our portfolios. So, I asked Microsoft Copilot.

It said that US and Japan stocks are likely to be most attractive; and fixed income should benefit from lower inflation and rate cuts. But it did warn about changing landscapes to stay nimble and tactical. When asked about consensus themes, it mentioned value stocks, energy sector, Chinese stocks, infrastructure investments and AI. When asked for risks in equities, it said sector concentration, trade wars, inflation, and sovereign debt levels. We have got enough value and Chinese stocks. We have a particular interest in water infrastructure. We are going to exit the network part of AI that we got in around August.

When asked about themes that consensus might have missed, it said healthcare tech, green energy sustainability. We are already invested in the former, with the December performance still a mixed bag. When it offered to answer other themes/sectors, I asked if US housing could prove a risk. It said "yes" but included mitigation factors (i.e. being defensive). It suggested rental, affordable housing, senior housing, and multi-family. It would even tell you which companies. Since it mentioned senior housing, I asked for related retirement products, and Copilot threw up six. Good enough to ponder over next week.

Just random thinking if we could do something positive for domestic maids (CNA has been airing episodes of children visiting domestic maids who used to care for them, and the sad stories...), with low-fee safe “retirement” products. We should.

When asked about US tax cuts, it mentioned a few proposals but warned that Democrats in Congress would oppose. On other countries, Malaysia and Switzerland were two of the 4 countries mentioned. Yes, Malaysia may prove to be a risk for Singapore in terms of competitiveness, especially if it happens in Johor. We will have to closely follow the development of the Johor-Singapore SEZ. Switzerland moves may affect our finance industry.

In December, USD was strong. SGD lost to USD, HKD, RMB, MYR, THB, TWD; but gained on JPY, AUD, KRW. A weak JPY will soften RMB (competitors). It looks like a US-JP conspiracy with BOJ not hiking - despite Japan CPI >2% for 32 months (25 months >2.5%) - after ending negative rates in March 2024, and moving to 25bps in July 2024. Copilot seems to have a good understanding of MMT but does not want to blame the Fed’s high interest rates as the main cause of inflation.

Nevertheless, Copilot is impressive. Thank you.

The MOVE index remained lowest (monthly basis) in December over a 3-month period. It looks like the US debt ceiling is not in the minds of bond players. Debt refinancing comes later in the year. Meanwhile US bond yields rose. If MMT is right, US inflation and interest rates will remain higher for longer. But uncertainty prevails in how DOGE, Bessent and geopolitics may influence rate and forex policies. Many unknowns. Using today’s UST-10Y’s 4.6% and the likely steepening yield curve, then UST-2Y should move towards 3.6% and UST-30Y 5.0%. Our MMS portfolio, which holds only bond UTs, will not be able to have positive convexity and duration like the $RFIX, so we stay with shorter duration and high yield.

Indexes that did well (4% and more) in December included Hong Kong, Taiwan and Malaysia. Negative ones (-6% and more) are Gold Miners, Materials, Energy, Australia and Korea.

12M, US Tech, US Big, Taiwan and Hong Kong did >20%. Malaysia, Singapore and Global did >15%. Korea did minus

20%, and S-Reits minus 12%. Although we think markets can go higher (estimate global liquidity to peak 2H25), we shall harvest some profits and consider the bashed.

Our top 1M portfolio performance (in SGD) is Hong Kong +4.8%. Singapore Equity Yield is the worst at -1.1%.

Our top 12M portfolio performance (in SGD):
Malaysia +38%, Hong Kong +26%, GGL +25%, Singapore Growth +21% are the notable winners. The >10% winners are Gold & Resources, Smart 3 and Smart 2. At the other end, AOM -29%. Thailand is the other loser at -7%. The rest are positive.

Customised accounts' 12M portfolio performance (in SGD): Top +27.4%, Average +8.4%. Those with higher US exposure performed better.

Going forward, we shall harvest some profits especially from the AI networks that we started buying Sep 24. These would include the likes of Credo Tech. It turned out quite ideal in terms of timing. Things usually take more time to bear fruit. Our Indonesia counters, which we bought around that same time are still losing money. Like us buying the networks instead of the chipmakers, we can remain in the water play (water to cool data) as we exit the networks.

Still in the US, we will take the above sale proceeds and buy some more biotech as a RFK Jr regime should benefit the small biotechs vs the big pharmas.

Out of the Congress hearings, we believe smaller payment providers should benefit from any washout of the dominant players.

Outside the US, we see the Korean political situation presenting a buying opportunity. In Singapore, we find valuations of index components stretched. That's why we are now mostly in small caps. We sense a little movement in AEM. Hong Kong continues to be a place to find dividends in the likes of Pak Fa Yeow and Golden Throat Lozenges. We may not be as successful in Malaysia as last year as we find stocks are not cheap anymore, although some may give us a cheap-enough entry point, such as YTL.

In terms of rebalancing risk, we note the US baby boomers' retirement is at a high. Things may not work out as bad as 2022 (selling stocks to buy bonds back to 60-40), but we are aware. So, hedges will be added along the way.

Portfolio management

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

Portfolios' Performance

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

S-REITs	-1.4%	(1M)	-11.8%	(YTD)	-11.8%	(12M)	-6.0%	(24M)
Singapore	1.3%	(1M)	16.9%	(YTD)	16.9%	(12M)	7.9%	(24M)
US Big	-0.6%	(1M)	26.6%	(YTD)	26.6%	(12M)	24.7%	(24M)
US Tech	2.3%	(1M)	28.2%	(YTD)	28.2%	(12M)	39.6%	(24M)
Hong Kong	5.4%	(1M)	21.7%	(YTD)	21.7%	(12M)	1.9%	(24M)
Shanghai	2.0%	(1M)	13.3%	(YTD)	13.3%	(12M)	2.3%	(24M)
Japan	1.5%	(1M)	12.0%	(YTD)	12.0%	(12M)	15.8%	(24M)
Korea	-6.0%	(1M)	-19.6%	(YTD)	-19.6%	(12M)	-3.0%	(24M)
Taiwan	4.4%	(1M)	24.7%	(YTD)	24.7%	(12M)	25.2%	(24M)
Australia	-6.5%	(1M)	1.5%	(YTD)	1.5%	(12M)	3.8%	(24M)
Indonesia	-0.7%	(1M)	-4.1%	(YTD)	-4.1%	(12M)	0.6%	(24M)
Malaysia	4.0%	(1M)	18.8%	(YTD)	18.8%	(12M)	4.7%	(24M)
Thailand	0.0%	(1M)	1.4%	(YTD)	1.4%	(12M)	-7.0%	(24M)
Global Stock	-1.7%	(1M)	17.5%	(YTD)	17.5%	(12M)	17.7%	(24M)
Global Bond	-0.7%	(1M)	1.9%	(YTD)	1.9%	(12M)	1.8%	(24M)
Gold Miners	-8.0%	(1M)	12.7%	(YTD)	12.7%	(12M)	9.7%	(24M)
Materials	-9.3%	(1M)	1.7%	(YTD)	1.7%	(12M)	5.0%	(24M)
Energy	-7.7%	(1M)	6.8%	(YTD)	6.8%	(12M)	1.0%	(24M)

(1) Phillip Singapore Equity Yield (in SGD)

Portfolio	-1.1%	(1M)	6.8%	(YTD)	6.8%	(12M)	3.7%	(24M)
S-REITs	-1.4%	(1M)	-11.8%	(YTD)	-11.8%	(12M)	-6.0%	(24M)
Singapore	1.3%	(1M)	16.9%	(YTD)	16.9%	(12M)	7.9%	(24M)

Dividends were received from Valuetronics in December. Dividends contributed 4.1% for the year.

The performance is in line with referenced indexes 12M, 24M but lags 1M.

Before inflation returns (MMT thinks so) later in the year, we are likely to sell our S-Reits if the expected returns are not enough to catch up on Singapore index (ex-Reits) 24M and 36M performances.

(2) Phillip Asian Opportunities Equity (in SGD)

Portfolio	-0.5%	(1M)	-28.6%	(YTD)	-28.6%	(12M)	-17.6%	(24M)
Hong Kong	5.4%	(1M)	21.7%	(YTD)	21.7%	(12M)	1.9%	(24M)
Singapore	1.3%	(1M)	16.9%	(YTD)	16.9%	(12M)	7.9%	(24M)
Korea	-6.0%	(1M)	-19.6%	(YTD)	-19.6%	(12M)	-3.0%	(24M)
Indonesia	-0.7%	(1M)	-4.1%	(YTD)	-4.1%	(12M)	0.6%	(24M)
Thailand	0.0%	(1M)	1.4%	(YTD)	1.4%	(12M)	-7.0%	(24M)

We ended Dec 2024 with a slight negative composite TWR of -0.48%. The PM has started a rule-based portfolio management system that selects only the top decile stocks in terms of value, momentum and quality that is weighted according to the relative market capitalization of the various investable countries in Asia. We are now more than 80% deployed with this strategy and the results were encouraging, showing a positive return up until the final few days of December when the markets gave back some of the December holiday gains, and we ended up slightly negative. We expect the portfolio to be fully deployed by January 2025.

The current portfolio showed encouraging results with Launch Tech-H (2488.HK) already up 25% in less than a month. Also as India is inaccessible to foreign investors thru the Indian stock market, we took position into 2 ETFs to gain the upside of the booming Indian market.

(3) Phillip Managed Singapore Equity (in SGD)

Portfolio	0.3%	(1M)	20.9%	(YTD)	20.9%	(12M)	8.3%	(24M)
Singapore	1.3%	(1M)	16.9%	(YTD)	16.9%	(12M)	7.9%	(24M)

Dividends were received from Valuetronics. A performance fee was charged.

We are glad to announce we got our double in Grand Banks. It took some time to hold before seeing the price move from our cost of 32c to 40c (first 24%). Then, the next move from 40c to 67c (next 67%) happened in 4 months.

RE&S (which was privatised), Ley Choon, BRC Asia, YZJ Ship and Civmec contributed substantially to the portfolio's good performance during the 12M.

We beat the index over 12M, 24M but lags 1M. We are working on the 36M performance as it is barely positive.

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

Portfolio	2.0%	(1M)	8.1%	(YTD)	8.1%	(12M)	2.9%	(24M)
Hong Kong	5.4%	(1M)	21.7%	(YTD)	21.7%	(12M)	1.9%	(24M)
Singapore	1.3%	(1M)	16.9%	(YTD)	16.9%	(12M)	7.9%	(24M)
Indonesia	-0.7%	(1M)	-4.1%	(YTD)	-4.1%	(12M)	0.6%	(24M)
Australia	-6.5%	(1M)	1.5%	(YTD)	1.5%	(12M)	3.8%	(24M)

There was a falloff in performance when USD strengthened.

Dividends contributed 4.5% for the year. We sold OOI, CNOOC and a fraction of Pax Global. We bought Kangji Medical and Golden Throat.

We have about 13% cash to deploy in January. We are working on the 36M performance as it is only slightly positive.

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

Portfolio	1.8%	(1M)	12.4%	(YTD)	12.4%	(12M)	2.3%	(24M)
Gold Miners	-8.0%	(1M)	12.7%	(YTD)	12.7%	(12M)	9.7%	(24M)
Materials	-9.3%	(1M)	1.7%	(YTD)	1.7%	(12M)	5.0%	(24M)
Energy	-7.7%	(1M)	6.8%	(YTD)	6.8%	(12M)	1.0%	(24M)

We sold Franco, Buriram, Baytex and Journey. Dividends were received from Franco and Triple Flag.

We remain very patient with most of our under-valued Canada-listed commodity stocks.

Refreshingly, we beat all referenced indexes at 1M and beat most at 12M. We are working at the 24M performance.

(6) Phillip Global Funds (in SGD)

Portfolio	-0.2%	(1M)	9.5%	(YTD)	9.5%	(12M)	5.7%	(24M)
Global 70/30	-1.4%	(1M)	12.8%	(YTD)	12.8%	(12M)	12.9%	(24M)

We reduced across-the-board South-East Asian exposures and sold Energy. We started with some Biotech Breakthrough, Global Tech, Clean Water and Digital Payments. The 15% cash will be deployed into these sector-ETFs and Korea.

We underperformed referenced indexes, due to our Asian weightage. We believe our new additions will help performance from here.

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

Portfolio	-0.1%	(1M)	2.4%	(YTD)	2.4%	(12M)	2.9%	(24M)
Global Bond	-0.7%	(1M)	1.9%	(YTD)	1.9%	(12M)	1.8%	(24M)

We outperformed the indexes 1M due to UST yield rising.

12M, we outperformed due to exposure to high yield and short duration, offset by a stronger USD.

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

Portfolio	1.2%	(1M)	7.7%	(YTD)	7.7%	(12M)	5.5%	(24M)
Global 40/60	-1.1%	(1M)	8.1%	(YTD)	8.1%	(12M)	8.2%	(24M)

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

Portfolio	1.3%	(1M)	10.1%	(YTD)	10.1%	(12M)	6.0%	(24M)
Global 60/40	-1.3%	(1M)	11.2%	(YTD)	11.2%	(12M)	11.4%	(24M)

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

Portfolio	1.3%	(1M)	11.3%	(YTD)	11.3%	(12M)	5.7%	(24M)
Global 70/30	-1.4%	(1M)	12.8%	(YTD)	12.8%	(12M)	12.9%	(24M)

SMART 123 delivered positive results in December, supported by a mixed performance across equities and fixed income. In equities, Singapore outperformed, bolstered by supportive government policies, while Taiwan benefited from ongoing growth in its tech sector. Conversely, US equities and US Tech underperformed due to year-end tax-loss selling and profit-taking. In fixed income, US high-yield bonds faced challenges from rising Treasury yields, prompting investors to pivot toward safer government bonds offering higher yields. Meanwhile, Asian high-yield bonds delivered positive performance, and Global high-yield bonds remained flat overall.

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

Portfolio	0.6%	(1M)	5.4%	(YTD)	5.4%	(12M)	3.8%	(24M)
US Big	-0.6%	(1M)	26.6%	(YTD)	26.6%	(12M)	24.7%	(24M)

We are 42-45% invested. We believe the current strategy of splitting our entries should be beneficial to performance, given the enormous volatility of the current batch of stocks selected.

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

Portfolio	4.8%	(1M)	26.3%	(YTD)	26.3%	(12M)	17.1%	(24M)
Hong Kong	5.4%	(1M)	21.7%	(YTD)	21.7%	(12M)	1.9%	(24M)

We sold JD.com and bought Weilong, Kangji and Xinpoint.

We outperformed the referenced index by 15%age points at 24M and 4%age points at 12M. Sciclone (privatized), China Non-Ferrous, CGN Mining, Consun Pharma, Crystal Intl, Precision Tsugami helped with the gains. Dividends for the year came up to 6.7%. This proves HK is a dividend market.

(13) Phillip Malaysia Focused Equity (in SGD)

Portfolio	2.2%	(1M)	38.2%	(YTD)	38.2%	(12M)	10.1%	(24M)
Malaysia	4.0%	(1M)	18.8%	(YTD)	18.8%	(12M)	4.7%	(24M)

Dividends were received from Ta Ann, Shin Yang and Magni-Tech. We bought YTL, which gained 34% since.

Malaysia portfolio materially outperformed indexes in 12M and 24M. Vstecs was the big outperformer. ADP, Poh Kong, Magni and YTL also contributed substantially.

(14) Phillip Thailand Focused Equity (in SGD)

Portfolio	-0.9%	(1M)	-6.8%	(YTD)	-6.8%	(12M)	-14.6%	(24M)
Thailand	0.0%	(1M)	1.4%	(YTD)	1.4%	(12M)	-7.0%	(24M)

Dividends were received from Thai Nakarin Hospital and Regional Containers.

We are still underperforming referenced indexes in all time frames.

(15) Phillip Global Growth Leaders (in SGD)

Portfolio	0.4%	(1M)	24.9%	(YTD)	24.9%	(12M)	25.4%	(24M)
Global Stock	-1.7%	(1M)	17.5%	(YTD)	17.5%	(12M)	17.7%	(24M)

The GGL portfolio demonstrated resilience in December, gaining 0.41% - delivering a robust performance in the month where both the S&P500 and Nasdaq indices saw declines of -2.74% and -5.32% respectively. Fueled by optimism in the AI space and a convincing win for Donald Trump's re-election as

US president, the US stock markets concluded the strong year on a weak note. The portfolio's underperformers included Uber -17%, Charter Communications -13%, Starbucks -10% and T-Mobile -10%. However, the underperforming holdings were supported by the portfolio's outperformers, with gains in the holdings of Broadcom +40%, Lululemon +14%, LVMH +5% and Amazon +4%. Notably, Broadcom's outstanding performance and surpassing of analyst estimates saw it becoming the latest addition to the trillion dollar company club. While the other constituents displayed a mixed bag of performances, the rule-based portfolio showed resilience despite the broader market's bearish sentiment at year end. Markets saw the famous annual Santa Rally skip the stock markets for the second year in a row, and negativity in the market was largely due to Fed Chair Jerome Powell's unexpected hawkish tone, expressing concern over sticky inflation and his projections of lesser rate cuts in 2025. Nevertheless, we remain cautiously optimistic on the GGL portfolio and its constituents as we believe the sectors are well-positioned to benefit from Trump's second presidential term.

(16) Customised Portfolios

Our better performing customized portfolios over 12M have exposure in US.

Customised accounts' 12M portfolio performance (in SGD): Top +27.4%, Average +8.4%. Those with higher US exposure performed better.

The better-performed stocks that we are holding:

Credo Tech (US)	+155%
Grand Banks (SG)	+109%
SemTech (US)	+73%
SPDR Gold (US)	+70%
3 BTC ETFs (US)	+65%
Radisson Mine (CA)	+65%
Inui Glb Log (JP)	+56%
Entrée Res (CA)	+54%

<u>Best in other countries</u>

W'haven Coal (AU)	-5%
Airbus (FR)	-1%
Crystal Intl (HK)	+41%
Astra Graphia (Indo)	-4%
YTL (MY)	+34%
Regional Cont (TH)	+4%
L&G Health (UK)	+6%

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.