Fairly valued Dollar.
Recession?

To:	Our Valued Investors
From:	CIO
Letter:	Managed Account, M02/2025/04
Date:	9 April 2025
Re:	Volatility in 1Q. Tantrum now. Stephen Miran. Tariffs. Without currency offset. Fairly valued Dollar. Recession? Avoid USD in fixed income. Improving global liquidity. GDPNow negative. Passive investing. Value over Growth.

Volatility in markets did last throughout 1Q. Then, markets threw up the current tantrum as Mr. Trump almost mirrored the tariff numbers suggested by Stephen Miran in his November 2024 essay, ***A User's Guide to Restructuring the Global Trading System***. Volatility continues into 2Q.

Here's the link:
https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf

One should read this carefully instead of listening to the numerous commentaries, most of which tell you that tariffs would not work. Not because tariffs will work. But Mr.Trump has waited for 20 years to do this. So, let's find out how to hedge our bets when events continue to mirror what is stated in the Guide.

The essay mentioned that tariffs of 2018-19 did not work because other countries used currency to offset the effectiveness.

The US want a “fairly valued” Dollar.

An example was given: “Three-year UST debt yields 4.1%, implying the devaluation would eat more than all expected interest, i.e. the note holder loses money over the life of the security.” We will want to avoid situations whereby a 15% devaluation would immediately affect the valuation of the stock. Look at the asset side of companies’ balance sheets. Avoid those that are lopsidedly heavy in USD assets to earn the interest income to boost the bottom line.

“A one-time adjustment in the currency without second-round effects should be looked through by the Fed as a price-level rather than inflation-rate shift.”

As drastic as 60% tariffs?

“However, if the Fed believed it to persistently shift the rate of inflation rather than just the price level, under standard Taylor rule specifications, it would hike overnight rates by roughly 100-150 basis points.”

They want low rates. Will Powell make way?

We are not going to follow the logic that if it had not been tried before, it would not work. We assume it will work. We will avoid situations as if these numbers are being implemented.

They still want to be Big Brother. Maybe this will make Mr. Trump negotiate. Will they risk a recession? Reagan did, and won.

Back to March, if it still matters. We have onshoring trades since November but they still lost.

We only factored in a slowdown when the Atlanta Fed printed negative GDPNow numbers since end February for 1Q25. It was minus 3.7% but it is now minus 2.8%. We were swayed by the improving global liquidity numbers that have risen for 13 consecutive weeks. At the back of our minds is still the lingering MMT thought of returning inflation that kept us under-allocated in fixed income until early March.

Forex seems now to be in our favour. The fixed income entries were mainly in EUR and EM currencies. We noticed the US economy was getting worse faster than others. The fiscal measures of China, and the turn-around at how the EU looks at debt helped us see USD weaker. We ignore money printing because almost every lender can print USD.

The certainty in financial markets is passive investing by pension funds. When the US labour force-versus-retirement is a net positive, both equities and bonds will rise as a rule. 2022 is an excellent example of how rebalancing worked as an exception. Hiking interest rates made lower bond valuation, and equities were sold to get back to 60-40. TDF has adopted selling the top performers to buy the underperformers. So this phenomenon may make value stocks viable, as compared to their dismal performance.

As a result of our thinking, we are now in Value instead of Growth in DM. We still use Hong Kong and Singapore to get the dividend yields.

Portfolios' Performance

Reference country/sector performances (in SGD terms):

S-REITs	4.9%	(1M)	1.2%	(YTD)	-2.4%	(12M)	-6.3%	(24M)	-9.2%	(36M)
Singapore	2.0%	(1M)	4.9%	(YTD)	23.2%	(12M)	10.4%	(24M)	5.2%	(36M)
US Big	-6.4%	(1M)	-6.3%	(YTD)	6.5%	(12M)	17.7%	(24M)	6.5%	(36M)
US Tech	-8.3%	(1M)	-10.0%	(YTD)	4.9%	(12M)	21.8%	(24M)	8.2%	(36M)
Hong Kong	0.1%	(1M)	13.4%	(YTD)	36.6%	(12M)	8.2%	(24M)	1.4%	(36M)
Shanghai	0.2%	(1M)	-1.6%	(YTD)	8.8%	(12M)	-3.4%	(24M)	-12.4%	(36M)
Japan	-4.4%	(1M)	-6.3%	(YTD)	-11.3%	(12M)	2.0%	(24M)	-11.0%	(36M)
Korea	-3.4%	(1M)	2.1%	(YTD)	-18.7%	(12M)	-10.5%	(24M)	-21.8%	(36M)
Taiwan	-10.5%	(1M)	-12.7%	(YTD)	-2.0%	(12M)	7.0%	(24M)	-9.1%	(36M)
Australia	-4.0%	(1M)	-4.6%	(YTD)	-5.2%	(12M)	-1.2%	(24M)	-15.8%	(36M)
Indonesia	3.3%	(1M)	-13.3%	(YTD)	-14.5%	(12M)	-11.0%	(24M)	-16.9%	(36M)
Malaysia	-3.8%	(1M)	-8.5%	(YTD)	4.4%	(12M)	3.5%	(24M)	-7.7%	(36M)
Thailand	-3.6%	(1M)	-16.7%	(YTD)	-9.4%	(12M)	-13.7%	(24M)	-14.8%	(36M)
Global Stock	-4.5%	(1M)	-3.0%	(YTD)	4.7%	(12M)	13.1%	(24M)	3.7%	(36M)
Global Bond	-1.5%	(1M)	-0.8%	(YTD)	0.6%	(12M)	0.8%	(24M)	-3.3%	(36M)
Gold Miners	15.1%	(1M)	33.9%	(YTD)	43.0%	(12M)	20.1%	(24M)	5.3%	(36M)
Materials	-3.8%	(1M)	0.5%	(YTD)	-7.7%	(12M)	4.1%	(24M)	-1.7%	(36M)
Energy	1.8%	(1M)	5.2%	(YTD)	-2.6%	(12M)	7.4%	(24M)	5.7%	(36M)

(1) Phillip Singapore Equity Yield (in SGD)

Portfolio	3.5%	(1M)	4.2%	(YTD)	14.1%	(12M)	4.7%	(24M)	-0.9%	(36M)
S-REITs	4.9%	(1M)	1.2%	(YTD)	-2.4%	(12M)	-6.3%	(24M)	-9.2%	(36M)
Singapore	2.0%	(1M)	4.9%	(YTD)	23.2%	(12M)	10.4%	(24M)	5.2%	(36M)
50-50	3.4%	(1M)	3.0%	(YTD)	10.4%	(12M)	2.0%	(24M)	-2.0%	(36M)

If one compares performance to referenced indexes of 50% Singapore and 50% S-Reits, we are better over the above periods up to 3 years.

Dividends were received from Sasseur and Karin. We bought First Res and Bumitama, add more of Sabana and Sasseur, and sold SIAE, CAO, YZJ Ship. The purchases are in the 7-10% dividend yield grouping.

Food Empire contributed most to performance. There was no substantial loss-maker.

(2) Phillip Asian Opportunities Equity (in SGD)

Portfolio	3.1%	(1M)	-1.0%	(YTD)	-31.0%	(12M)	-18.5%	(24M)	-13.8%	(36M)
Hong Kong	0.1%	(1M)	13.4%	(YTD)	36.6%	(12M)	8.2%	(24M)	1.4%	(36M)
Japan	-4.4%	(1M)	-6.3%	(YTD)	-11.3%	(12M)	2.0%	(24M)	-11.0%	(36M)
Korea	-3.4%	(1M)	2.1%	(YTD)	-18.7%	(12M)	-10.5%	(24M)	-21.8%	(36M)
Singapore	2.0%	(1M)	4.9%	(YTD)	23.2%	(12M)	10.4%	(24M)	5.2%	(36M)
Thailand	-3.6%	(1M)	-16.7%	(YTD)	-9.4%	(12M)	-13.7%	(24M)	-14.8%	(36M)
Malaysia	-3.8%	(1M)	-8.5%	(YTD)	4.4%	(12M)	3.5%	(24M)	-7.7%	(36M)

The Asia portfolio delivered a return of 3.13% in March 2025 (beat all referenced indexes), supported by strong performance from key holdings in the consumer, automotive technology, and media sectors.

The top three securities contributing to the portfolio's positive performance were:

Daphne +35.08%, driven by a robust recovery in consumer retail and successful operational restructuring initiatives, boosting investor confidence; outlook remains positive, supported by continued consumer spending growth and further operational efficiencies expected in the medium term.

Launch Tech-H +28.89%, benefited significantly from increased demand for automotive technology and diagnostic products, coupled with favorable industry trends and product innovation; moving forward, the outlook is promising, driven by ongoing technological advancements and sustained market expansion.

Sinomedia Holdings +15.66%, enhanced profitability through improved advertising revenue streams and recovery in media spending within the Chinese market; future performance appears stable, with continued growth anticipated from rising digital advertising expenditure and strategic partnerships.

The bottom three securities detracting from performance were:

Ming Yuan Cloud -13.04%, hindered by slowdown in property sector technology investments and regulatory uncertainties in the Chinese market. The short-term outlook remains cautious, but there could be potential recovery opportunities if regulatory clarity improves and investment activity stabilizes.

Ping An Health &T -11.39%, underperformed due to competitive pressures and possibly weaker-than-expected financial results in the digital health industry; although immediate pressures may persist, the long-term outlook is potentially constructive, driven by structural growth in digital healthcare services.

Exedy Corp -7.68%, impacted by challenges in the automotive parts sector, including supply chain disruptions and margin pressures; the short-term outlook is mixed, contingent upon improvements in global supply chains and margin recovery strategies.

We highlight effective stock selection in growth sectors, which offset weakness in select technology and healthcare names. The portfolio is well-positioned to capitalize on recovery and growth opportunities in the coming months, underpinned by thematic exposure and targeted diversification.

(3) Phillip Managed Singapore Equity (in SGD)

Portfolio	1.8%	(1M)	0.2%	(YTD)	19.4%	(12M)	8.4%	(24M)	2.0%	(36M)
Singapore	2.0%	(1M)	4.9%	(YTD)	23.2%	(12M)	10.4%	(24M)	5.2%	(36M)

As growth takes a backseat, we underperformed the referenced index over the above periods up to 3 years. Not wanting to lag farther, we added more UOB early March. Then as bond rates started falling sharply from 26 March, we sold all holdings in UOB (here and across all portfolios) at $38.10.

Dividends were received from Karin and Grand Banks.

Other transactions: Added more Banyan and initiated Sinostar with its rights priced to fail. Took losses in YZJ Ship and AEM.

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

Portfolio	3.7%	(1M)	-2.0%	(YTD)	2.3%	(12M)	3.0%	(24M)	-1.3%	(36M)
Hong Kong	0.1%	(1M)	13.4%	(YTD)	36.6%	(12M)	8.2%	(24M)	1.4%	(36M)
Singapore	2.0%	(1M)	4.9%	(YTD)	23.2%	(12M)	10.4%	(24M)	5.2%	(36M)
Indonesia	3.3%	(1M)	-13.3%	(YTD)	-14.5%	(12M)	-11.0%	(24M)	-16.9%	(36M)
Australia	-4.0%	(1M)	-4.6%	(YTD)	-5.2%	(12M)	-1.2%	(24M)	-15.8%	(36M)

Blue Chip Equity Yield beat all referenced indexes in March.

We have been holding back purchases to find out if HK companies would cut their dividends as share prices improve. We added only Chaoju Eye but we did not sell any other HK stock as proposed dividends did not disappoint. So, we added Sasseur and Sabana from the 9-10% dividend yield group. We sold YZJ Ship and Whitehaven Coal.

Dividends were received from Deterra, Whitehaven and Sasseur.

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

Portfolio	3.4%	(1M)	3.7%	(YTD)	10.2%	(12M)	3.3%	(24M)	-4.5%	(36M)
Gold Miners	15.1%	(1M)	33.9%	(YTD)	43.0%	(12M)	20.1%	(24M)	5.3%	(36M)
Materials	-3.8%	(1M)	0.5%	(YTD)	-7.7%	(12M)	4.1%	(24M)	-1.7%	(36M)
Energy	1.8%	(1M)	5.2%	(YTD)	-2.6%	(12M)	7.4%	(24M)	5.7%	(36M)

We are behind referenced indexes due to still-poor performance of gold explorers and Canadian oil producers.

We bought Shandong Gold and sold Whitehaven Coal.

Dividends were received from Whitehaven, Khon Kaen Sugar and Triple Flag.

(6) Phillip Global Funds (in SGD)

Portfolio	-0.1%	(1M)	2.4%	(YTD)	7.0%	(12M)	6.8%	(24M)	2.1%	(36M)
Global 70/30	-3.6%	(1M)	-2.4%	(YTD)	3.5%	(12M)	9.4%	(24M)	0.9%	(36M)

Our portfolio outperformed the referenced indexes in all the above periods except 24M. The recent outperformance is that we got more Asia than US. The 36M was because we lost substantially less in fixed income by being in MMF in 2022.

We rebalanced in late March.

In Asia equities, we sold Singapore and Korea due to coming elections and falling rates. We keep HK, Thailand and added more of China. We made a new entry in Vietnam.

In Europe equities, we got into EU dividend, and value. We also added EU/Middle east/Africa.

In US equities, we are keeping DOCT (healthcare breakthroughs) and small-caps, and replacing tech with value.

In commodity equities, we increased gold miners and initiated world energy.

In fixed income, we avoided USD except for 1.3% in global HY. We overweight Pinebridge Pacific IG due to its high coverage of Japan (for a short-squeeze). Others are in EU and EM local currency debt.

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

Portfolio	0.0%	(1M)	-0.1%	(YTD)	0.6%	(12M)	2.7%	(24M)	1.6%	(36M)
Global Bond	-1.5%	(1M)	-0.8%	(YTD)	0.6%	(12M)	0.8%	(24M)	-3.3%	(36M)

We outperformed the referenced index in all the above periods except 12M (draw). The recent outperformance is helped by EM and Asia local currency debt and time sitting in MMF. The 36M was because we lost substantially less in fixed income by being in MMF during 2022.

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

Portfolio	-0.9%	(1M)	-1.3%	(YTD)	4.1%	(12M)	4.4%	(24M)	0.4%	(36M)
Global 40/60	-2.7%	(1M)	-1.7%	(YTD)	2.2%	(12M)	5.7%	(24M)	-0.5%	(36M)

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

Portfolio	-0.8%	(1M)	-1.9%	(YTD)	5.3%	(12M)	4.8%	(24M)	-2.1%	(36M)
Global 60/40	-3.3%	(1M)	-2.1%	(YTD)	3.1%	(12M)	8.2%	(24M)	0.9%	(36M)

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

Portfolio	-0.8%	(1M)	-2.2%	(YTD)	5.9%	(12M)	4.6%	(24M)	-2.6%	(36M)
Global 70/30	-3.6%	(1M)	-2.4%	(YTD)	3.5%	(12M)	9.4%	(24M)	1.6%	(36M)

We are now outperforming the referenced indexes in 1M, YTD and 12M after switching from 6-day to 2-month rebalancing.

SMART 123 posted negative results in March, primarily due to weak equity performance in Taiwan, US, and the US tech sectors. Markets remained under pressure from the escalating trade tariffs imposed by President Trump, which heightened fears of rising inflation and slowing economic growth. Concerns that higher input costs could lead to increased consumer prices and shrinking corporate profits triggered a broad-based equity sell-off. In contrast, gold delivered positive returns, supported by its safe-haven appeal amid mounting economic uncertainty. Fixed income also underperformed, though to a lesser extent than equities. As recession worries grew, investors rotated out of high-yield bonds in favour of higher-quality credit.

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

-6.2%	(1M)	-9.5%	(YTD)	-14.5%	(12M)	2.7%	(24M)	N/A	(36M)
-6.4%	(1M)	-6.3%	(YTD)	6.5%	(12M)	17.7%	(24M)	N/A	(36M)

We still lost 6.2% despite holding more than 60% cash.

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

Portfolio	5.8%	(1M)	3.0%	(YTD)	26.8%	(12M)	16.9%	(24M)	11.6%	(36M)
Hong Kong	0.1%	(1M)	13.4%	(YTD)	36.6%	(12M)	8.2%	(24M)	1.4%	(36M)

The Hong Kong portfolio is now the best performing portfolio in Phillip Managed Accounts over 1M, YTD, 12m, 24m and 36M.

It is now a good time to terminate this portfolio, while at the top.

One can still make good money in a market even if foreign investors shun it for long periods of time. The boards of the listed companies understand what investors want: positive return. When share prices are not performing, these companies paid excellent dividends to shareholders to make good. When share prices are rising, they cut back some dividends.

The month of March saw heavy result-reporting. We made many changes. No dividends were received because companies usually pay in June.

We sold China Gold and Xin Xin Mining. We took off some of Fufeng. We bought Hua Medicine, Jacobio, Chaoju Eye, Chia Tai, Zai Lab, Horizon Robotics and Shandong Gold.

On April 1 (not April Fools' joke), we had a double (+117%) in Weilong, and took profit.

(13) Phillip Malaysia Focused Equity (in SGD)

Portfolio	-2.8%	(1M)	-13.3%	(YTD)	2.4%	(12M)	4.5%	(24M)	-2.7%	(36M)
Malaysia	-3.8%	(1M)	-8.5%	(YTD)	4.4%	(12M)	3.5%	(24M)	-7.7%	(36M)

We took losses on YTL and Liihen.

No dividends were received.

Portfolio losses were spread out over all the counters.

(14) Phillip Thailand Focused Equity (in SGD)

Portfolio	-2.2%	(1M)	-8.9%	(YTD)	-9.4%	(12M)	-14.1%	(24M)	-15.4%	(36M)
Thailand	-3.6%	(1M)	-16.7%	(YTD)	-9.4%	(12M)	-13.7%	(24M)	-14.8%	(36M)

Recent periods see a relative outperformance over the referenced index. 12M was equal. 24M and 36M were slightly worse.

We sold Buriram Sugar. No dividend was received.

Phillip Global Growth Leaders (in SGD)

Portfolio	-7.2%	(1M)	-4.4%	(YTD)	7.7%	(12M)	16.3%	(24M)	N/A	(36M)
Global Stock	-4.5%	(1M)	-3.0%	(YTD)	4.7%	(12M)	13.1%	(24M)	N/A	(36M)

Global financial markets ended a turbulent quarter marked by heightened volatility, driven largely by escalating trade tensions stemming from President Trump's tariff announcements. Investor sentiment wavered amid a backdrop of policy uncertainty and abrupt shifts in geopolitical stance. In March, GGL (-7.19%) underperformed the S&P 500 (-5.75%), but outperformed the Nasdaq Composite (-8.21%), owing to allocation in tech and consumer discretionary names. Despite the market's challenges, GGL (-4.40%) remained robust in Q1 relative to the major indices despite a broader market decline, outperforming both the S&P 500 (-4.59%) and Nasdaq (-10.42%), limiting movement to the downside.

Top Performers:
Philip Morris +2.22%, stood out in a weak market as investors rotated into defensive names. The stock benefited from its non-cyclical business model, stable cash flows, and high-dividend yield. Additionally, optimism around the growth of its smoke-free product category (particularly IQOS) in international markets supported sentiment.
Charter Communications +1.36%, posted modest gains. Aside from stabilizing subscriber trends and cost-cutting efforts, investors expect that the US-focused communications company will have minimal exposure to the ongoing trade war, making it a relative safe haven amid broader market volatility.
McDonalds +1.31%, performed well as markets rotated into defensive stocks. Continued innovation in digital ordering and loyalty programs helped maintain traffic and margins, despite global macro pressures.

Top Detractors:
LVMH -17.73%, declined by nearly 13% since Trump's inauguration, amid concerns over impending US tariffs that might affect LVMH's operations, given that US revenues accounted for a quarter of sales in 2024. This was exacerbated with a rotation away from cyclical stocks.
Broadcom -16.05%, saw a selloff in March, due to Trump's planned 25% tariffs on automobiles, which increased concerns about supply chain disruptions since the company has exposure to the automotive and industrial markets. Broader weakness in the tech sector due to concerns around data center spending and regulatory scrutiny weighed on sentiment.
KKR & Co -14.74%, as investor sentiment turned cautious towards private equity amid broader market volatility and macroeconomic uncertainty, coupled with sticky inflation and the Fed's decision to "wait and see" in rate cutting – directly affecting cost of financing for acquisitions.

Heightened market volatility is expected to persist in the months ahead, driven by US economic uncertainty and the threat of a global trade war. As such, we will look to capitalize on opportunities in other markets while maintaining a defensive stance in our allocation going forward. As the markets react to Trump's policies, we remain vigilant in monitoring macroeconomic developments and will look to adjust our strategic positioning accordingly.

(15) Customised Portfolios

March improved over February but generally a mixed bag of positive and negative performances.

Apart from USD denominated accounts and those with transferred-in shares making up a substantial part of the portfolios, the better performers are those seeking yield – scoring between +0.9% and +3.1%. The growth portfolios with a global bias scored between +0.6% and -3.3%. The growth portfolios with a US-bias scored between -6.0% and -6.6%. Global growth with bitcoin exposure scored -3.4%.

Thank you

We are grateful for your trust, and continuing support.