MAY 2022 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- Investors were once again greeted with declines across equity and bond markets, with Global equities down 7.97% and Global Aggregate bonds down 5.48%. On the contrary, Alternatives delivered positive returns of 5.79%.
- Naturally, questions of market timing surface in periods of decline (to sell or to invest, now or later). Investors should take heed that intra-year declines often pave the way to positive returns provided they refrain from engaging in market timing activities.
- Our Alternatives positions meaningfully reduced portfolio declines relative to traditional portfolios that comprised only bonds and equities – highlighting the benefits of True Diversification.

Positioning for Economic Growth

- Markets are on the cusp of a major change in leadership, with China being one major contender likely to leapfrog the US in terms of performance. Easy monetary policies and favourable fiscal measures are set to boost the Chinese economy.
- Such transitions are a reminder for the need to be forward-looking and opportunistic, rather than just settling for the status quo. In doing so, investors should expect to be rewarded over time, as with the case of leadership cycles that can span for years.
- Our portfolios are positioned for this transition, slightly overweighting China 'A' equities while remaining invested in US equities where attractive opportunities lie (such as US small-caps).

Stability Amid VUCA

- News headlines on recession and the inversion of the yield curve can conjure up the idea of an impending recession and, consequentially, attempts to exit markets.
- History has shown that investors who attempt to time a recession end up with lower returns than if they remained invested – markets delivered on average double-digit returns in the next 12 months following the yield curve inversion. It is best that investors remain fully invested given the negative trade-off between market timing and returns.
- Our portfolios are structured around a few favourable themes, with the stability theme (comprising of Healthcare and Quality Value equities) being effective diversifiers particularly suitable for current volatility.

Search For Yield

- Investors often attempt to catch the bottom of the market to improve their investment returns. But executing such a feat is near impossible let alone doing it consistently.
- However, it is possible to know when markets are nearing the bottom, and it is investing during such periods that reward investors with returns greater than a buy & hold strategy – accuracy trumps precision. Such is the case with Asian High Yield (AHY) markets today.
- We are positive that AHY remains a good investment at current beaten-down levels, having historically proven to rebound from crises. Such an opportunity have not been seen since the Global Financial Crisis.

Read the full commentary here

The information contained herein: (1) is proprietary to Finexis Asset Management and/or its content providers; (2) may not be copied or reproduced; and (3) is not warranted to be accurate, complete or timely. Neither Finexis Asset Management nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results

Finexis Asset Management