NOVEMBER 2022 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- October was a welcome relief as global equities rose by 6.06% while bonds fell slightly by 0.69%.
- Periods of heightened volatility can be unpleasant to sit through, but it is necessary for better returns. Such periods provide opportunities to accumulate units in good investments at attractive prices.
- Market declines/crashes are intimidating, but history has shown that they are good opportunities to invest; markets do recover given time.
- Volatility and risk are two different concepts. Volatility refers to price swings, whereas risk refers to the possibility of permanent losses due to poor investment decisions, such as selling on emotions.

Positioning for Recovery

- Markets are forward-looking, which means current prices are often a reflection of expectations for the future.
- Current market conditions paint a picture of doom and gloom, but history has shown that the strongest recoveries often follow such downbeat periods.
- Investors can do better than average by taking advantage of current market volatility, avoiding chasing performance, and investing in "tennis ball" investments that have strong rebound potential.
- We remain invested and expect our recovery-themed positions (e.g. US Small-Cap and China equities) would perform when markets and economies eventually recover.

Stability Amid VUCA

- Healthcare equities provided the necessary resilience amid uncertainty in the economic environment and volatility in markets.
- Healthcare (including Biotech) has the best valuation across ‘defensive’ sectors, making them a suitable choice to play the portfolio’s stability role.
- Healthcare earnings (including Biotech) came in better than expected. This led to a 2.99% outperformance as compared to the broader market.
- Healthcare (and Biotech) offer earnings and performance resilience at reasonable valuations, which makes them good investments to hold during a slowdown.

Search For Yield

- Asian High Yield (AHY) offers investors the highest return among other major fixed-income segments if one can sit through market volatility.
- The chances of wining in Asian High Yield is unchanged despite declines. Investors today can expect yields of 15% p.a. going forward.
- AHY consists of more than just China and real estate. It includes exposure to other Asian growth engines such as India and Southeast Asia.
- We maintain that AHY exposures are positioned with better risk-to-reward at current levels and are poised to rebound from their declines.

Read the full commentary here

Finexis Asset Management