



KNOCK, KNOCK. A DECADE OF POSSIBILITIES.

Foreword

Happy new year! This is the time of the year when social media is abuzz with why “2022 was a year to forget” for a multitude of reasons ranging from health to personal relationships. Investors are also keen to forget 2022. For some, their portfolios were dented as both equities and bonds declined. Others saw fortunes evaporate as the reversal of years of QE brought about the unravelling of investment fads.

I recall in a prior conversation “Bitcoin? We knew about it 400 years ago. They were called tulips.” Hence, fads are not a modern problem; over the centuries investors have been lured by get-rich-quick schemes time and again. However, the pace at which information and market noise travels today certainly compounds the problem.

In this commentary, instead of just pontificating about “this year’s outlook” and adding to the gaggle of market commentators, we have included some lessons which I have internalized from experiencing different events over the years. They may not sound as exciting as “10 best places to invest in 2023!”, but they have a much longer shelf life, helping one to manage themselves in order to navigate markets for the next decade, which as we explain later, will be quite different from the last. Hopefully, these will provide some shortcuts so that you do not have to learn everything on your own time and capital.

Alvin Goh

Chief Investment Officer

HIGHLIGHTS

Market Review

- ▶ December saw equities and bonds reverse course. Global equities and bonds were down by 3.91% and 1.18%, respectively.
- ▶ Alternative investments, such as our trend-following strategy, bucked the downtrend, outperforming equities and bonds significantly in 2022.
- ▶ As economies normalize from the post-covid boom, a slowdown is likely. Investors should be prepared for further volatility by maintaining a balanced portfolio with both offensive and defensive positions.

- ▶ Investing is like managing a football team. Both require strategy and the use of right players (investments) to achieve success. When done well it can significantly increase the odds of investment success!

Stability Amid VUCA

- ▶ Predictions about the future are often unreliable as they rarely come true. Instead, it is more practical to prepare for a range of potential scenarios than trying to predict which one will happen. One way is to properly diversify.
- ▶ Diversification helps mitigate risk and avoid large declines which can be hard to recover from - a 50% decline requires a 100% gain to recoup losses!

- ▶ Rather than try to predict what will happen in 2023 we diversify across defensive Healthcare and Biotech to protect against downside risk as they tend to be more resilient during periods of decline. This way, we avoid giving false comfort and ensure that our investors are well protected.

Positioning for Recovery

- ▶ 2022's market decline has brought equity valuations down and below their 10-year average, offering higher potential future returns for investors today - valuations are now more in line with fundamentals.
- ▶ It also serves as a reminder for investors to avoid market euphoria (such as the cryptocurrency mania) and focus on investment fundamentals that drive long-term returns rather than short-term price movements that can reverse at a moment's notice.

- ▶ We continue to hold recovery-themed positions in Europe, US Small-caps, and China equities as attractive valuation sets them up for stronger returns in the subsequent market recovery.

Search For Yield

- ▶ Higher-yielding markets (such as Asian High-Yield) tend to provide higher returns over time. However, they require investors to be patient and comfortable with higher price volatility or risk being thrown off course once an investment declines.
- ▶ Investors who bought into AHY at the beginning of last quarter would have earned double-digit returns of 17.29% at the end of December. This is much higher than the returns promised on fixed deposits.

- ▶ Our high conviction in AHY paid off with yet another gain of 6.76% gain for the month. Many investors are quick to grab opportunities to invest but struggle to hold them long enough to realize their potential.

Read the full commentary [here](#)