MARCH 2023 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- Markets retraced in February but remained encouraging as global equities and bonds are up by 4.16% and about flat at -0.15% year-to-date.
- Relying solely on past performance to gauge future investment success tends to be a poor strategy. Those who did so would have missed out on strong gains over the past few months.
- Amid higher interest rates (and inflation) attractive opportunities lie outside of cash and deposits. Any portfolio, even the conservative one, will have done better than fixed deposits, which returned 0.48% in the first two months of the year*.

*Source: Bloomberg from 31/12/2022 to 28/2/2023. Global equity: MSCI ACWI Index, US High Yield: Bloomberg Global Aggregate Index, fixed deposits: Singapore DBS Bank 6 Month Fixed Deposit

Positioning for Recovery

- News coverage on China's regulatory landscape and covid-zero policies led many investors to avoid or exit China equities last year. However, those who didn't succumb to the panic and remained invested when others capitulated were rewarded with strong gains.
- Performance and stories (e.g. headline news) alone are not sufficient to determine whether an investment is good; it is more reliable to rely on fundamental, valuation, and technical (FVT) factors.
- Our recovery-themed positions, which include investments in China and US small-cap equities, have performed well in recent months. This highlights the importance of identifying investments with a good risk-to-reward.

Stability Amid VUCA

- Investors remain concerned about the risk of the Fed's overtightening and its potential to trigger a market crisis.
- It's important to remember that periods of unusually high inflation do not last and will eventually normalize given time, as shown to be the case in the past.
- While it's natural to be cautious about interest rate hikes, investors should not extrapolate such conditions into the future, as they are rarely accurate.
- Expect continued volatility as economies adjust to tighter financial conditions. Rather than fruitlessly trying to predict what will happen going forward, we prepare by positioning our portfolios in more resilient investments such as Healthcare equities..

Search For Yield

- Many investors have turned to fixed deposits now that interest rates have risen higher alongside inflation.
- To beat inflation and earn higher returns, investors need to look beyond the safety of fixed deposits. Hence the need to search for yield.
- An investment in Asian High Yield has been particularly attractive as they offer returns higher than inflation. The catch is that such returns demand patience and tolerance for larger price swings.
- Our Asian High Yield position has benefitted from the recent strong rally. We remain confident of its potential to perform as it enters a phase of recovery.

Read the full commentary here

Finexis Asset Management