FH PERSONAL STOCK WATCH

August 2022

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Important Disclaimers

- *In particular, please note that:*
  - *This personal watchlist is designed for **my own personal portfolio, and my risk appetite**. Please do take a look at my personal portfolio to understand how I am positioned portfolio wide.*
  - *Simply because that a stock is on this watchlist, **does not mean that I may necessarily open a position in the stock**. I will take other factors into consideration (eg. global macro, price movements over the next few weeks etc) before making the final buy decision.*
  - *This is based on prices as at the date of this presentation (on the cover slide).*
  - ***Price targets set out here are <u>based on my own risk appetite</u>. Just because it hits my price target does not necessarily mean that I will open a position.***
  - ***Position sizing matters. Many of the stocks on this list have real risk of capital loss. Please take a look at my personal portfolio to understand the hedges I have in play and how I position size.***
  - ***These are all long term holding positions for me (3 to 5 years or more). However, if they do get overvalued in the short term, I may choose to sell them.***

How I see the next 12 – 18 months playing out

At a high level, this is how I see things playing out:

1. *Feds will hike interest rates aggressively to combat inflation (**We are here**)*
2. *Tightening monetary policy will trigger a US recession in 2022/2023*
3. *This recession will build its own momentum that will not slow until monetary policy is eased*
4. *To counter the recession, the Feds will need to cut interest rates by a lot (typical recession requires 5% of cuts or the equivalent amount of QE)*
5. *However the ability of the Fed to cut will depend on (a) how bad the recession is, vs (b) how bad inflation is. Feds will ease if pain from recession is higher than pain from inflation.*
6. *At some point, the recession will be so bad, and inflation will start to come down, that the Feds will ease.*
7. *And because of how much pain is required to really bring inflation down, eventually the Feds will accept a middle ground of higher inflation than they expected, and slower growth than they expected.*

Update on 2022 Macro

- Timing wise, the key to me will be the Fed actions, and when the Feds start to pivot into a more dovish stance
- Some clues to watch out for when this might happen:
  - *Treasury (or credit) markets break*
  - *Inflation goes away*
  - *S&P500 melts down 30% (or more)*
- For now though, nominal growth is still very strong, and the economy may prove more robust than markets are pricing in. Recession risk may be mispriced.

PERSONAL WATCHLIST (BUY LIST)

Stocks that I may consider buying within the next 4 – 6 weeks

Explanation

- These are stocks that I may buy within the next 4 – 6 weeks
- Do note that this is unique to my portfolio and risk appetite
- Just because a stock is not on this list doesn't necessarily mean it's bad, it could just be that:
  - *The price is not right for me*
  - *I already have enough exposure such that I don't need to add at this point in time*
- For the full list of stocks that I am monitoring, you can check out the respective Singapore, US and China stock watches.

SINGAPORE REITS

Netlink Trust Current Price: 0.935

What I like about the stock

- Very stable underlying yield (5% at current prices) due to operation in a tightly regulated environment
- Near monopoly in Fibre in Singapore

Potential Risks

- As interest rates go up in 2022, this stock could sell off
- If capex costs go up (or maintenance goes up), it will affect yield
- No growth as prices are controlled, and most of Singapore is already on fibre (economic growth only)

What price would I be a buyer?

- I would be quite cautious going forward due to rate hikes in 2022. There is the potential for capital loss short term.
- However, this stock has been remarkably stable so far, and short of a liquidity event (like March 2020), we may not see a meaningful sell-off. If we do get one though, I will likely buy back in (closed my position last year).
- I would be looking for 6% yields, which works out to about $0.85

Mapletree Pan Asia Commercial Trust (MPACT) Current Price: 1.94

What I like about the stock

- Best in class assets in Singapore – Vivocity and MBC
- Longer term, the entire greater southern waterfront area looks to be a new area of development under the URA Masterplan – this benefits both of MCT's crown jewels

Potential Risks

- Rising interest rates are a negative for REITs generally
- Hong Kong exposure (via MNACT's acquisition) looks to be very weak in the near term

What price would I be a buyer?

- My personal fair value for MCT is $1.8+. Of course, the lower the better

CapitaLand Integrated Commercial Trust Current Price: 2.1

What I like about the stock

- Very high quality portfolio of retail/office real estate in Singapore
- Longer term, I think inflation is may stay around for a while, and high quality real estate is a good hedge.

Potential Risks

- Rising interest rates are a negative for REITs generally
- Big acquisition of Mercatus's portfolio could require a big equity fundraise in a weak fundraising climate (and be dilutive for existing unitholders)

What price would I be a buyer?

- Below $2 is interesting for me (as reference, CICT did a private placement recently and placed at $1.96)

Lendlease REIT Current Price: 0.84

What I like about the stock

- Strong retail portfolio in Somerset 313 and Jem. Italian asset should remain stable.
- Strong sponsor pipeline that includes Parkway and Paya Lebar Quarter

Potential Risks

- They did a big EFR at 0.72 which is dilutive for existing unitholders
- Sponsor is still relatively unproven in the Singapore scene (as a sponsor)
- Rising interest rates are a big headwind
- REIT will likely need to do equity fundraising to grow further

What price would I be a buyer?

- I recently opened a position in the mid 70s range, which works out to about 5.8% yield and 1.0x book value. That's probably fair value to me, but if it goes lower I will average in

Keppel REIT Current Price: 1.1

What I like about the stock

- Decent Grade A office space in Singapore CBD, which look to be recovering post COVID.
- Longer term, I think inflation may stay, and high quality real estate is a good hedge.

Potential Risks

- Rising interest rates are a negative for REITs generally

What price would I be a buyer?

- 6% yields would be very interesting, which works out to just below $1

Ascendas REIT / Mapletree Industrial / Mapletree Logistics – Current Price: 2.98/2.7/1.79

What I like about the stock

- Good underlying asset quality – diversification in asset classes for investors heavy on retail (like me)
- Good diversification as Industrial is more immune to COVID

Potential Risks

- Rising interest rates are a negative for REITs generally, but especially so for industrial which have been more aggressive with acquisitions
- Rising inflation and interest rates could trigger a global economic slowdown

What price would I be a buyer?

- Current prices are already attractive for long term holdings, but the lower the better. A 5% - 10% drop from here would be very attractive for me (6%+ yield would be ideal – works out to about $2.5 for Ascendas REIT, and $2.2 for Mapletree Industrial).
- Rising rates in the short term should prove quite a formidable headwind for REITs

Daiwa House Logistics Trust - Current Price: 0.71

What I like about the stock

- See full review here
- I like the Japanese Logistics exposure

Potential Risks

- Short term rising interest rates could spark a broader sell-off for REITs
- Japanese Sponsor is a relative unknown in the Singapore market, so it will take some time to build up a track record
- Falling Yen results in significant FX risk

What price would I be a buyer?

- At 0.55 it would be a 7% yield even assuming Yen at 150 against the USD. That would be attractive levels in my view.
- If it doesn’t get there, I will need to look closely at the macro before buying. The Yen could be a falling knife in the short to mid term.

Keppel DC REIT - Current Price: 2.01

What I like about the stock

- Decent Data Centre assets
- Sponsor is acceptable

Potential Risks

- Data Centres are suffering due to (1) rising electricity prices and (2) unwind of the COVID trades
- Short term rising interest rates could spark a broader sell-off for REITs

What price would I be a buyer?

- Would be looking for 5%+ yields before I enter, which is about $1.7-1.8

Digital Core REIT - Current Price: 0.85

What I like about the stock

- Decent Data Centre assets
- Backed by one of the largest US DC REITs as Sponsor

Potential Risks

- Potential conflict of interest from the Sponsor
- Data Centres are suffering due to falling earnings growth for tech and rising competition
- Short term rising interest rates could spark a broader sell-off for REITs

What price would I be a buyer?

- At 7% yields maybe I just buy a position, which would work out to the low 60s
- If it doesn’t get there, I need to track the macro before I buy

SINGAPORE STOCKS

DBS / UOB – Current Price: 32/26

What I like about the stock

- Good way to get exposure to the broad Singapore economy
- Short term rising interest rates will be good for banks
- Nominal growth is still very strong, which gives us a bit of runway ahead of a recession
- Attractive yields at 4.5%

Potential Risks

- High likelihood of a global recession in 2023

What price would I be a buyer?

- I think current prices may be fairly priced given the macro outlook

US REAL ECONOMY STOCKS

Citibank – Current Price: 52

What I like about the stock

- Prices are down almost 40% from highs, which is interesting because the Russia exposure shouldn't hit Citi so hard
- Short term economy is still quite robust, and interest rates are going up

Potential Risks

- Citi has fairly large operations in Russia, and the exact exposure is still unclear – question is whether the current price has already discounted that loss
- High likelihood of 2023 recession

What price would I be a buyer?

- Current prices are attractive after the huge selloff recently. But the broader macro outlook looks quite unfavourable for banks with possibility of a recession

JP Morgan – Current Price: 118

What I like about the stock

- Prices are down almost 35% from highs
- Short term economy is still quite robust, and interest rates are going up

Potential Risks

- High likelihood of 2023 recession

What price would I be a buyer?

- Current prices look fair. But a 2023 recession may result in more mid term downside.

Disney – Current Price: 120

What I like about the stock

- Very strong IP in Disney and Marvel

Potential Risks

- High inflation and economic slowdown could cut consumer spending on entertainment
- Streaming business Disney Plus will bleed cash for many years, and the market has soured on streaming businesses (see Netflix)

What price would I be a buyer?

- COVID lows were 79, which would be a very key support level.

AMD – Current Price 95

What I like about the stock

- New line of processors and GPUs have very decent performance vs Intel and Nvidia.
- Secular growth in demand for high performance silicon chips
- Growing adoption of AMD processors in the server market

Potential Risks

- Transition away from x86 architecture to ARM (eg. Apple's M1 chip)
- Price cuts from Intel or Nvidia
- Technological improvements by Intel or Nvidia
- Short term, supply is constrained by TSMC's production capacity

What price would I be a buyer?

- Current prices are fair. But rising rates and a slowing economy are a potent headwind in the short term.

Intel – Current Price 35

What I like about the stock

- New CEO is making a lot of right moves in terms of technology and fabrication

Potential Risks

- Technology wise, Intel still seems to be a step behind AMD, and are keeping up only on pricing and production capacity. Longer term, they must regain the performance lead to outperform
- Intel is losing market share in the lucrative server business to AMD
- Mid term (2 to 3 years out), if China manages to produce their own chips, or the the world transitions away from x86 architecture, that would be a complete gamechanger

What price would I be a buyer?

- Current prices are fair. But rising rates and a slowing economy are a potent headwind in the short term.

COMMODITIES

Royal Dutch Shell, Exxon, Conoco Phillips (or any other oil major) – 52/94/105

What I like about the stock

- Oil price is controlled by OPEC (which is a cartel) – long term, their interests are to manipulate prices up.
- The EV / Renewables transition will take 5 – 10 years to play out fully
- Good hedge against any rise in energy prices in a more inflationary environment
- Lack of investment into new oil supply will keep supply limited in the mid term

Potential Risks

- A global economic slowdown / recession will cut a lot of demand for oil
- We are likely past peak oil, and future growth will come from renewables. As the world gradually shifts towards electric vehicles, oil is not a stock to be holding long term.

What price would I be a buyer?

- The short term sell-off has taken out a lot of the air from this space. This could open up opportunities to add to positions.
- However, there is a high likelihood of a 2023 recession which will hit demand for oil.

Gold– GLD (Physical Gold ETF) or GDX (Gold Miners for a more leveraged play)

What I like about the stock

- With the move by the US to ban Russia from USD Foreign Reserves, in the mid term countries like China will need to start thinking seriously of non-USD reserves. The possible beneficiaries are commodities, gold and Bitcoin.

Potential Risks

- Rising real rates in the short term are bad for Gold

What price would I be a buyer?

- I would want to let rising rates continue to play out first before adding in a big way. If I am right, gold is a 5 – 10 year play, so there is no hurry to add.

US TECH

Netflix – Current Price: 241

What I like about the stock

- Strong position in the video streaming place
- Established process of creating high quality original content
- Potential to build into a platform play – selling other parties' content for a fee

Potential Risks

- Lots of upcoming competition from Disney Plus, HBO Max
- Content creation is expensive and can flop

What price would I be a buyer?

- Current prices are attractive after the huge selloff recently. But rising interest rates will create a lot of headwinds for growth stocks in 2022, so I would look to spread purchases throughout the year.
- After the big decline and with unfavourable macro, prices are unlikely to recover so soon

SEA – Current Price 67

What I like about the stock

- Massive growth in the underlying businesses (e-gaming, e-commerce, fintech) in SEA and Latam (Brazil business is doing v well)
- Huge potential if they can execute on their fintech ventures in the region (esp Indo)

Potential Risks

- Rising interest rates will be a headwind throughout 2022.
- If they cannot execute, the stock will be in trouble. Tencent selling their stake, India banning free fire, slowing gaming business, there are a lot of headwinds in the short term
- The slowdown in the gaming business is playing out very quickly, so they will need to find a way to replace the gaming earnings quickly.

What price would I be a buyer?

- Rising interest rates will create a lot of headwinds for growth stocks in 2022. Very, very tough to call a bottom for growth stocks like this. They may trade sideways for a while.

Cloudflare – Current Price 68

What I like about the stock

- Rides the secular tailwinds of cloud computing and cybersecurity – the future will be powered by the cloud, and Cloudflare wants to be the backbone of the new internet
- Potential to grow into a platform play. There is a great deep dive here if you want to understand more about Cloudflare.

Potential Risks

- Difficulty to monetise – They're not at the monetization stage yet, but they will need to at some point. Remains to be seen if users will pay for the service.
- Competition – Competition from both cloud and cybersecurity players could erode market share and margins. There is real execution risk here.
- Failure to innovate in technology. The market leading position is built on technological lead.

What price would I be a buyer?

- Current prices are fair. But rising rates and a slowing economy are a potent headwind in the short term.

Digital Ocean – Current Price 43

What I like about the stock

- Exposure to cloud sector
- Citron has a good report describing Digital Ocean as the "Shopify" of Cloud – worth a read: https://citronresearch.com/wp-content/uploads/2021/08/DigitalOcean-The-Shopify-of-Cloud-Computing.pdf

Potential Risks

- Rising interest rates are a headwind in 2022
- Company has a lot of competition from the likes of AWS, Google Cloud, Azure
- Product may be a commodity in some ways – consumers will switch to the lowest cost provider

What price would I be a buyer?

- Current prices are fair. But rising rates and a slowing economy are a potent headwind in the short term.
- Ultimately it will come down to whether the management team can execute

Crowdstrike Current Price 190

What I like about the stock

- Leading player in the cloud based cybersecurity area – the future will be cloud based
- Very strong 70% revenue growths

Potential Risks

- Valuations look very stretched at current prices, and prices in a lot of growth. Rising interest rates will be tricky.

What price would I be a buyer?

- Rising rates make it very tough to call a bottom in 2022 for such stocks.
- For those who want to build a long term position, it will be wise to average in and track macro developments on monetary policy closely.

Confluent – Current Price 28

What I like about the stock

- All leading players in data infrastructure – the future will be cloud and data based, and data is the new oil. Companies like these are well placed to capitalize on the need to analyse and manage data
- Very strong revenue growth

Potential Risks

- Valuations have come down a lot and are almost back at IPO prices, but do still price in a lot of growth. Rising interest rates will be a big headwind.
- Potential competition from new players

What price would I be a buyer?

- Rising interest rates will create a lot of headwinds for growth stocks in 2022. Very, very tough to call a bottom for growth stocks like this. They may trade sideways for a while.

CHINA

CapitaLand China Trust Current Price: 1.13

What I like about the stock

- Own high quality retail malls and industrial assets in China – that offer exposure to China's real estate market longer term
- Attractive yields of about 7.5% at current price

Potential Risks

- China's real estate crisis continues to play out. PBOC made some early moves to ease monetary policy, but it is unlikely to be enough for now (more easing will have to come).
- They recently did a big placement at 1.16, which is dilutive for existing unitholders
- Rising interest rates are a negative for REITs generally
- Geopolitical risk premium – tensions with US going forward may lead to potential sanctions against China (e.g. if China moves on Taiwan)

What price would I be a buyer?

- Current prices are fair, but the real estate slowdown will take time to play out. The deleveraging will not happen overnight.
- The months heading up into the Nov Party Congress will be key to watch.

Tencent (0700) - Current Price: 315

What I like about the stock

- Longer term – strong monopoly position in China due to Wechat ecosystem, and many investments in other China tech players (one of the best tech portfolios around).

Potential Risks

- Regulatory risk from CCP – crackdown has paused for now, but we are unlikely to go back to the pre-COVID days of freewheeling tech
- Rise of Chinese competitors such as Pinduoduo, Bytedance etc
- Slowing China economic growth
- Geopolitical risk premium – tensions with US going forward may lead to potential sanctions against China (e.g. if China moves on Taiwan)

What price would I be a buyer?

- Current prices are acceptable for long term holdings
- There is an argument to be made that China stocks have bottomed or are close to bottoming. The months ahead will be key.

ICBC/CCB (or any China bank) – Current Price 4.0, 4.9

What I like about the stock

- Broad exposure to the China economy.
- Valuations are not demanding, and yields at this price are very strong (~8.5%)

Potential Risks

- Slowdown of the China economy from Evergrande and China slowdown – bulk of loans in China is real estate related. Recent bank runs and homeowners not paying mortgages is bad for the sector.
  - *However, at some point a PBOC backstop is likely, the question is how much more pain until we get there*
- Book value is a big question mark for China banks – lots of political objectives and policy loans with little hope of ever being paid back
- COVID zero is another big risk – but CCP will look to ease monetary policy this year
- Geopolitical Risk Premium – US / China cold war in the decades ahead

What price would I be a buyer?

- China banks have very strong dividends at about 8.5% at current prices (10% withholding tax)
- However, with all the events playing out, this does look like a falling knife and makes it very tough to call a bottom.

Ping An Current Price: 43

What I like about the stock

- Broad exposure to the China economy. Especially insurance which will grow as the middle class grows
- Valuations are not demanding at this price, for the largest insurer in China. You're getting a 5% yield (10% withholding tax)

Potential Risks

- Policy risk – Will CCP decide that insurers need to take the hit for the economic slowdown?
- Potential spillover from China Evergrande impacting the real estate sector
- Competition from other players, especially via technology platforms (e.g. Alipay, WeChat pay)
- Slowing China economic growth
- Geopolitical risk premium – tensions with US going forward may lead to potential sanctions against China (e.g. if China moves on Taiwan)

What price would I be a buyer?

- Current prices are not demanding. The key would be policy risk, and China's slowdown
- That said, there is an argument to be made that China stocks have bottomed or are bottoming. The months ahead will be key.

China ETFs

- Refer to https://financialhorse.com/china-tech-stocks-plunge-55-buy-the-dip-not-working-best-china-etfs-to-buy-for-singapore-investors-2021/
- To Summarise:

- **For broad exposure to China**:
  - iShares MSCI China ETF (MCHI or 2801) or
  - iShares China Large-Cap ETF (FXI)
- **For pure China tech exposure**
  - KraneShares CSI China Internet ETF (KWEB) or
  - Hang Seng Tech (3067)

CRYPTO

High Level Views on Crypto

- For Crypto, I like the long term prospects of this asset class. I think it has the potential to be transformative just like the internet.
- Unfortunately, there's a lot of speculation, and a lot of over-hype in this space.
- I think the entire Crypto space will need to go through something similar to the Dot Com crash, before it can rebuild and focus on the long term.
- For longer term investors, 2022/2023 could open up great opportunities to build long term positions.
- Crypto is still a wild west, so expect very high volatility, a very real possibility of capital loss, and a lot of scams.
- Portfolio sizing is important, so crypto should not form a big percentage of your portfolio unless you know what you're doing.
  - *For typical retail investors I would say 1-5% of your portfolio, depending on your risk appetite.*

Coins I am monitoring

- Blue Chips:
  - *Bitcoin*
  - *Ethereum*
  - *Note: 20k BTC and 1k ETH are key support levels. Given that we have just broken them, the short term outlook for crypto looks quite poor*
- Alt L1s:
  - *Solana*
  - *AVAX*
- Alt Coins:
  - *UNI*
  - *CRV*
  - *ENS*
  - *SUSHI*
  - *LOOKS*
  - *GMX*

PERSONAL WATCHLIST (SELL LIST)

Stocks that I may consider selling within the next 4 – 6 weeks

Explanation

- These are stocks that I may sell within the next 4 – 6 weeks
- Do note that this is unique to my portfolio and risk appetite
- Just because a stock is on this list doesn't necessarily mean it's bad, it could just be that:
  - *I want to lock in profits*
  - *I may want to deploy the cash elsewhere*
- For the full list of stocks that I am monitoring, you can check out the respective Singapore, US and China stock watches.

US

CHINA

SINGAPORE

CapitaLand Investment Current Price: 3.79

What I like about the stock

- Owns a lot of high quality real estate, cheap on a sum of the parts analysis (see analysis here)
- Very strong fund management business that they are looking to grow

Potential Risks

- Short term, office and hospitality are still weak
- 40% of the portfolio is China based – Evergrande and slowing real estate in China may affect real estate valuations

What price would I be a seller?

- Current prices are fair (4% dividend), but CapitaLand has a lot of exposure to China, which may be weak in the short term. Personally, I took profit to rotate the funds into REITs instead.