



Purpose-driven Investing

A Weekly Newsletter for CLIMBS Mutual Fund

ISSUE
2021-40
21-Oct-18

Net Asset Value: Php 349,562,674.67

Asset category: 95% Equities; 5% Cash

Horizon: Long-term

Portfolio Returns	21-Oct-15	21-Oct-08
YTD	-6.67%	-7.59%
Rolling 1 Year	12.29%	11.60%
Rolling 3-Year	-4.30%	-5.02%

Benchmark Returns	21-Oct-15	21-Oct-08
YTD	12.10%	7.75%
Rolling 1-Year	34.55%	29.70%
Rolling 3-Year	7.65%	5.93%

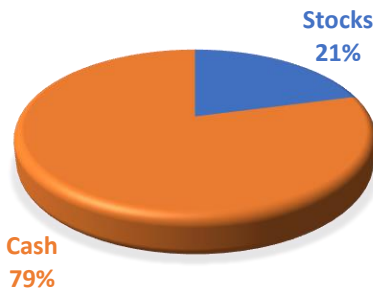
PSEi	21-Oct-15	21-Oct-08
YTD	1.03%	-3.26%
Rolling 1 Year	21.78%	16.85%
Rolling 3-Year	0.98%	-0.81%

A Word on the Market

The government will place Metro Manila under a less restrictive Alert Level 3 from October 16 to 31 as the COVID-19 situation in the capital region continues to improve. The downgrade in the alert level will increase the operational capacity of businesses, allowing business establishments to serve more clients.

Meanwhile, Prices of fossil fuels such as oil and coal are now up by 57.2% and 185.7% for the year-to-date period. Higher prices of oil and coal will lead to higher costs for many businesses, pushing up inflation as companies raise prices to pass on higher costs. This might also force the BSP to raise interest rates assuming that inflation expectations pick up.

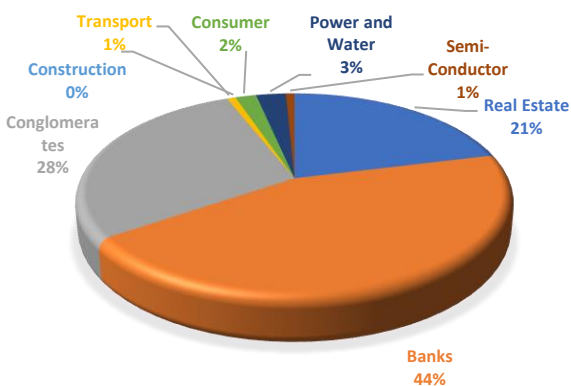
PORTFOLIO WEIGHTS BY ASSET CLASS



A Word on the Portfolio

Last week, the PSE index closed at a nine-month high of 7,213.46 up by 4.44% weak-on-weak as investors cheered the new Alert level 3, which allowed more establishments to reopen and increased indoor capacities beginning 16 Oct 2021.

PORTFOLIO WEIGHTS BY SECTOR



In addition, the index broke above the 7,000 resistance level after a failed attempt earlier this year. Despite the challenges still facing the economy, we believe that the stock market's strong performance is sustainable because 1.) the number of daily new COVID-19 cases in the Philippines and other ASEAN countries have already peaked and are on the way down; 2.) the diminishing likelihood of hard lockdowns in the NCR due to the high vaccination rate in the region and the growing possibility that Molnupiravir will soon be available; 3.) the rotation of foreign funds out of China into ASEAN due to heightened regulatory risks in the former; 4.) a dovish taper by the U.S. Fed, and 5.) the double-digit 2022 earnings growth and attractive valuation of the PSEi index.