Purpose-driven **Investing**
A Weekly Newsletter for the CSCEIF

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2020-11
20-Mar-16

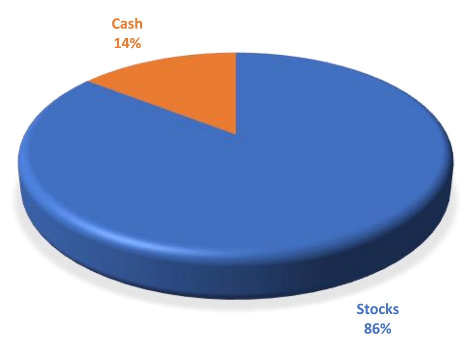
Net Asset Value: **Php301,424,842.41**
Asset category: **Equities**
Horizon: **Long-term**

Portfolio Returns	**20-Mar-13**
YTD	**-25.93%**
Rolling 1 Year	**-27.93%**

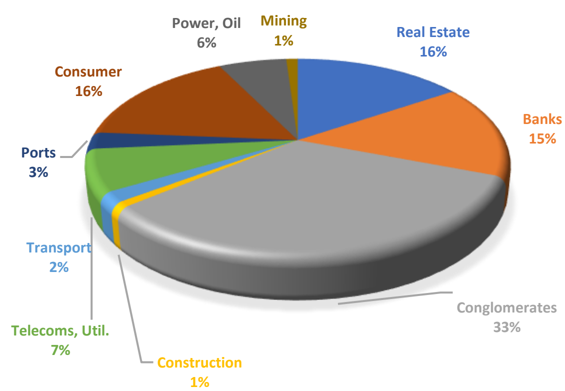
Benchmark Returns	**20-Mar-13**
YTD	**-24.59%**
Rolling 1 Year	**-22.11%**

PSEi Returns	**20-Mar-13**
YTD	**-25.86%**
Rolling 1 Year	**-25.22%**

PORTFOLIO WEIGHTS BY ASSET CLASS



PORTFOLIO WEIGHTS BY SECTOR



	CSCEIF	Benchmark
Mean	-0.07%	-0.03%
Std. Dev.	1.12%	1.08%
Beta	0.78	
Corr. Coeff.	0.75	

A Word on the Market

It was mayhem at the global markets last week as the epicenter of CoVid-19 shifted to Europe, compelling the World Health Organization to finally declare the virus attack as a pandemic. Stock markets around the world, the Philippines included, entered into bear territory where prices dropped by at least 20% from their most recent highs. At the New York Stock Exchange (NYSE), circuit breakers were triggered, temporarily halting trading. When the market index at the NYSE drops by 7% in one session, trading is halted. If after trading resumption, the index drops by another 3%, trading is again halted. When the index drops by another 5%, trading is suspended for the day. While the extent of the economic impact is still difficult to precisely quantify, the global economy is indeed slowing down and while many countries are at the cusp of a recession.

For the Philippines, Metro Manila, the center of economic activity for the country, has been placed on community quarantine, forcing many to work from home and businesses to temporarily shutter. Initially to be hit hard is the transportation industry where all domestic land, air and sea travel in and out of the metropolis is suspended.

A Word on the Portfolio

The effective one-month lockdown of Metro Manila only shows the resolve of the Philippine government in dealing with CoVid-19. However, such lockdown will come at a steep price.

Economic growth will be curtailed, making the target of hitting 6% GDP growth more of wishful thinking. Then again, the sooner CoVid-19 dies out, the better for everyone.

The recovery of the economy will be slow. With investors always being forward looking, the recovery of the stock market will be sooner but nonetheless marked by bouts of mild correction, especially when global sentiment will still be weighed down by the late action of other countries like the UK and US in imposing strict measures for battling with Co-Vid-19.

The ideal portfolio action is still to wait and see. Selling down in the hope of buying back at much lower prices is simply too risky.

2020 Performance Attribution Analysis

	Allocation		Returns		Attribution to			Total
	Portfolio (a)	Benchmark (b)	Portfolio (c)	Benchmark (d)	Allocation (e)	Selection (f)	Interaction (g)	(h)
					(a-b)*(d-benchmark return)	(c-d)*b	(a-b)*(c-d)	
Equities	85.56%	95.00%	-30.66%	-25.99%	2.45%	-4.43%	0.44%	-1.54%
Bonds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	14.44%	5.00%	2.10%	2.10%	0.20%	0.00%	0.00%	0.20%
Total	100.00%	100.00%	-25.93%	-24.59%	2.65%	-4.43%	0.44%	-1.34%

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Definition of Terms

Investment return	That one rate of return that would grow the value of an investment from one of its past prices to its current price level. This return is also known as the compound annual growth rate (CAGR) or effective return.
YTD	Year-to-date return or the return measured by comparing the current price to the price at the beginning of the corresponding calendar year
Rolling 1-year return	The return measured by comparing the current price to the price exactly one calendar year ago.
Rolling 3-year return	The return measured by comparing the current price to the price exactly three calendar years ago.
Rolling 5-year return	The return measured by comparing the current price to the price exactly five calendar years ago.
Performance attribution analysis	Attribution analysis is a method for evaluating the performance of a portfolio or fund manager. The method focuses on three factors: the manager's investment style, their specific stock picks and the market timing of those decisions. It attempts to provide a quantitative analysis of the aspects of a fund manager's investment selections and philosophy that lead to that fund's performance.
Mean return	Average return
Standard deviation	Standard deviation is a statistical measurement in finance that, when applied to the annual rate of return of an investment, sheds light on the historical volatility of that investment. The greater the standard deviation of securities, the greater the variance between each price and the mean, and the greater the risk with that investment.
Beta	The beta calculation is used to help investors understand whether a stock moves in the same direction as the rest of the market, and how volatile or risky it is compared to the market. For beta to provide any insight, the "market" used as a benchmark should be related to the stock. A stock with a historical beta of 1.5 to the PSEi means that historically, when the PSEi would move up by 1%, the stock would move up by 1.5 x 1% or 1.5%. Conversely, when the PSEi would move down by 1%, the stock would move down by 1.5 x 1% of -1.5%. A high beta means a return higher than the benchmark but also at a higher risk.
Correlation coefficient	A number of 0.70 to just under 1.0 or -0.70 to just larger than -1.0 means that the correlation of a stock to the benchmark is significant and that the stock's beta is meaningful. Any other number would mean a weak correlation and a meaningless beta.

Investing Survival Guide Under CoVid-19

Efren Ll. Cruz, RFP®

Question: This CoVid-19 is truly wreaking havoc around the world. My investments are all in the red. I would like to add more to follow the age-old advice of buying when there is blood in the streets. But I do not know when the right time is to do bottom-fishing. Can you give some tips? *Asked at "Ask a Friend, Ask Efren" FREE service at www.personalfinance.ph, SMS and Facebook*

Answer: Here are a few musically-inspired tips for surviving the current investing crisis brought on by CoVid-19 :

1. Here, there, everywhere – If you are invested already, take heart in knowing that in cases of systematic risk or risks that affect markets across the board, no investment is immune. Diversification will have minimal positive impact. But it is precisely because of this systematic risk that the fall in the value of your investment portfolio is largely not your fault. It would have been a different situation if the value of your investment portfolio was falling in an environment with no systematic risk to bring markets down.

2. We can work it out – On the flip side, it would be foolish to think that the sky is falling. History has shown that man has survived market crash after market crash, the end-result of avarice, like the Tulip Bulb Craze (1630s), South Sea Bubble (1711), Florida Real Estate Craze (1926), Great Depression (1929), Crash of 1987, Asian Financial Crisis (1997), Dotcom Bubble (2000-2002), and Global Financial Crisis (2007-2009). In between, there had also been flash crashes wherein markets or stocks would fall steeply within a few minutes and then rebound quickly.

   While it can be argued that the crisis brought on by CoVid-19 is different in that the enemy is not the greed from within investors and traders but a non-discriminating virus from outside, history again shows that man eventually bounces back from major sicknesses like the Plague of Justinian (541-570), Black Plague (1346 to 1350), Fifth Cholera Pandemic (1881-1896), Modern Plague (1894-1903), Sixth Cholera Pandemic (1899-1923), 1918 Flu, Asian Flu (1957-1958), and Hong Kong Flu (1968-1969). In more recent times, data from the International Air Transport Association shows that international arrivals quickly rebounded after SARS and H1N1.
3. Long and winding road – Buying in a market when prices are dropping is like catching a falling knife, you just don't do it. You will need to be patient. Jessie Livermore, the world's greatest trader suggest that you wait not for the pivotal point but the continuation of the pivotal point that is usually supported by large volumes of trade. Technically, China, where CoVid-19 originated, needs to first reboot before the rest of the world does.

4. Fool on the hill – Don't believe in a magical recovery in your portfolio. Buckle down and do your homework. Go back to fundamental analysis to see which industries possess the resilience against the financial onslaught caused by CoVid-19 and the companies within such industries that have the potential to bounce back quickly (i.e. have high betas to the broad market index). Many online business news providers carry enough financial information on companies on which you could conduct your analysis. But focus more on forecasts rather than historical data.

5. Day tripper – When markets move up, no amount of short-term (day-) trading can outperform them. That is why you need to believe that your rebalanced investment portfolio will be best suited not necessarily to outperform the market but to meet your return objectives as tempered by your risk preference.

6. With a little help from my friends – Why not rely on those who have weathered investing crises before. These are professional fund managers who have all the time in the world to manage billions of assets using their portfolio management skills as honed by their long years of experience. You may want to invest new money with fund management houses like pooled funds and investment management accounts.

Follow the foregoing tips to get a ticket to ride the recovery wave.

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