Purpose-driven Investing

A Weekly Newsletter for the CSCEIF

ISSUE
2020-12
20-Mar-23

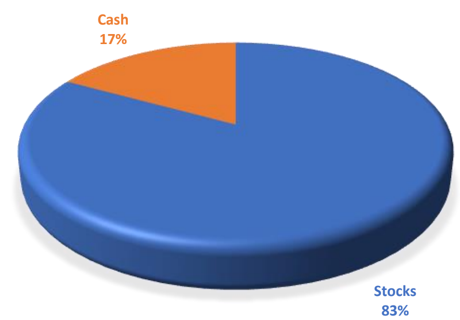
Net Asset Value: **Php254,363,213.66**
Asset category: **Equities**
Horizon: **Long-term**

Portfolio Returns	20-Mar-20
YTD	-37.52%
Rolling 1 Year	-40.00%

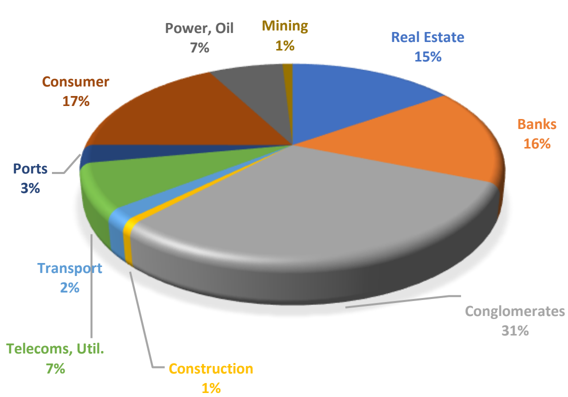
Benchmark Returns	20-Mar-20
YTD	-36.10%
Rolling 1-Year	-34.93%
Rolling 2-Year	-24.02%

PSEi Returns	20-Mar-20
YTD	-38.85%
Rolling 1 Year	-39.07%
Rolling 2-Year	-17.07%

PORTFOLIO WEIGHTS BY ASSET CLASS



PORTFOLIO WEIGHTS BY SECTOR



	CSCEIF	Benchmark
Mean	-0.10%	-0.06%
Std. Dev.	1.26%	1.23%
Beta	0.82	
Corr. Coeff.	0.81	

A Word on the Market

The local equities market rebounded by 3.4% last Friday, tracking the rise across regional markets, as investors picked up heavily sold securities in the previous day. Meanwhile, the BSP slashed policy interest rates by 50 basis points from 3.75% to 3.25% to shield the economy against the impact of the COVID-19 outbreak, joining central banks around the world. Week-on-week, however, the PSEi was still down by a massive 17.5% in spite of the trading stoppage for two days.

By the end of the week, the PSE reduced the amount that the PSEi would be allowed to drop (limit down) within a day's trading session to 30% from 40% The limit up of 50% remains.

The BSP downgraded its 2020 and 2021 headline inflation forecasts to 2.2% and 2.4% from 3.0% and 2.9%, respectively, on the back of a sharp decline in global crude oil prices, and the adverse effects of the COVID-19 on global and domestic economic activity. The BSP is expecting the country's GDP growth for 2020 to slow to around 5%.

A Word on the Portfolio

While the end is not in sight yet, there is a glimmer of hope in the news that China has been having zero new CoVid-19 confirmed cases even as Europe, in particular Italy has become the new epicenter of the SARS coronavirus.

Economic growth downgrades are already being floated. The ADB has roughly the same forecast as that of the BSP while Rep. Salceda is looking at 3% GDP growth. Now, while that is bad from a one point of view, at least forecasters are now getting a better handle on the negative impact of the virus. In addition, the US is finally acting, albeit late, in shielding their citizens and economy from further assault from the SARS coronavirus.

The current recommendation is still to stand down and wait for a continuation of the much-awaited pivotal point.

2020 Performance Attribution Analysis

	Allocation		Returns		Attribution to			Total
	Portfolio (a)	Benchmark (b)	Portfolio (c)	Benchmark (d)	Allocation (e) (a-b)*(d-benchmark return)	Selection (f) (c-d)*b	Interaction (g) (a-b)*(c-d)	(h)
Equities	83.01%	95.00%	-45.62%	-38.11%	4.57%	-7.14%	0.90%	-1.67%
Bonds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	16.99%	5.00%	2.10%	2.10%	0.25%	0.00%	0.00%	0.25%
Total	100.00%	100.00%	-37.52%	-36.10%	4.82%	-7.14%	0.90%	-1.41%

CLIMBS Investment Management and Advisory Corporation
CLIMBS Building, Tiano corner Pacana Streets, Cagayan de Oro City, Misamis Oriental
info@cimac.ph

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.

Is it Time to Buy Stocks?

Efren Ll. Cruz, RFP®

Question: I read your recent article on the investing survival guide under CoVid-19. My questions are, how can I buy at the bottom and which stock should I buy to best take advantage of the recovery of the stock market. Asked at "Ask a Friend, Ask Efren" FREE service at www.personalfinance.ph, SMS, Viber, LinkedIn, WhatsApp and Facebook

Answer: I will ask you the same thing. When will you know when stock prices have bottomed out? Put another way, how do you know that your middle finger is the longest among your fingers in one hand? You know by comparing the middle finger's length to the other fingers close to it.

In a similar way, you will know when a stock's price has bottomed out when you compare that price to those that immediately precede and succeed it. That means it will be impossible to buy at the bottom because you will only know one of the bases for comparison (i.e. the immediately succeeding price) "after the fact".

Jesse Livermore, the world's greatest stock trader says that you should not buy when falling stock prices start to reverse direction, which is called the pivotal point. You should buy when stock prices continue to rise after the pivotal point and are supported by increased volumes. You need not be the first out of the proverbial gate.

Now, when the market recovers, and it most definitely will, you can ride the recovery by "buying" the index as NO portfolio can outperform the index in a recovery or bull run. Outperformance is measured against a benchmark like the PSEi. But if you are just after absolute returns, measure yourself against that return level.

You buy the index by creating a portfolio with stock exposure weights equal to those of index component stocks.

If you believe that you are a great stock picker, buy more of the index component stocks that have a prospective beta to the PSEi higher than 1. If a stock's beta is 1.5x, when the PSEi moves up by 1%, the stock will move up by 1% x 1.5 or 1.5%. Conversely, if the stock moves down by 1%, that stock will drop in price by 1% x 1.5 or 1.5%. High return equates to high risk. And to check if you are truly a good stock picker, you can track your performance through performance attribution analysis.

Now if you are starting to fall asleep by reading this piece, wake up to know that direct investing is indeed complicated as you will need to be all S.E.T.

"S" stands for sizeable funds. You will need to manage huge amounts for those stockbrokers with excellent research to service you; and you will need more than one of them to cover all grounds. "E" means you will need not only expertise to understand the excellent research but also to understand the psychology of investors. And "T" stands for the ability to manage your investment portfolio full time, especially during these times when volatility is the new normal.

Now if you lack even in just one of the S, E or T and you want the easy way to invest, do indirect investing just by leaving your money with the professionals. This can be done buying either an index mutual fund or index unit investment trust fund (UITF). And if you want life insurance to come with your investments, especially when you know you still need life insurance but want to shell out more for investing, get a single pay variable unit-linked insurance policy. These products are called pooled funds and are meant for the retail market.

If you have at least Php5 million in cash to invest, open a full discretion investment management account (IMA) where the Trust Department will structure a portfolio just for you.

Here's to a successful recovery/bull run investing for you.