



15th January 2024

Re: 3rd Investor Newsletter – January 2024 (Annual Update on 2023)

I trust this letter finds you in good health and high spirits. As we enter a new year, we are grateful for your continued trust and support in Arkenomics Provident Fund (“Fund” or “Portfolio”). This marks our third correspondence since the inception of the Fund

First Annual General Meeting To Be Held in Q1 2024

We are planning to hold our first Annual General Meeting (“AGM”) in Q1 2024 for the first financial year end of the Fund. The meeting will be held virtually, and details will be shared via email in due course.

During the AGM, we will run through audited statements of the Fund (which will be mailed to you in advance of the meeting), share thoughts on the Portfolio and have a Q&A session. We hope to have each & everyone join and participate in the meeting.

Market Observations for 2nd Half 2023

We are pleased to share with you an overview of our observations, strategies, and performance.

REITs/Property Sector: We observed stress in the global REITs/property sector during June and July. Lower DPU and revaluation losses led to breaches in debt covenants. Given the high debt-to-assets ratios of most REITs, we remain cautious and will avoid sectors with elevated gearing. As of now, we have no exposure to REITs.

Chinese Property Sector Exposure: In August, a major Chinese property developer faced default risk, impacting the entire Chinese Property Sector. Companies in the Fund, exposed to China, have low debt ratios and high recurring income from leasing. The trouble primarily affected highly indebted & overextended developers reliant on property sales.

Interest Rates: Market perceptions of higher interest rates persisted until October, causing a general downturn. However, a shift occurred by December due to moderated inflation, leading to speculation about rate cuts in 2024. Despite the market's oscillations, our view is that interest rates should normalize, staying within a 3-4.5% range in the long-term.

Chinese Gaming Industry: More recently, news of potential regulations in the Chinese gaming industry impacted about 2% of our portfolio. The stock affected derives approximately 20% of its revenue from Chinese gaming. We might build up this position should the market quote us a price to take advantage of.



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Arkenomics Provident Fund's Asset Allocation

We identified attractive Asian opportunities, particularly in Hong Kong and Singapore markets, providing 6-7.5% dividend yields. Our geographic allocation remains Asia-centric, with 84% in listed Asian stock exchanges, 11% in the US, and the remainder in Europe. The current portfolio yield stands close to 5%, and a more defensive approach could increase it to 6%.

Please refer to Appendix 1: Fund Portfolio Sheet for further information on the Portfolio composition.

Arkenomics Provident Fund Performance in 2023 & Since Inception

Arkenomics Provident Fund Class A shares generated a net total return of approx. 9.78% in SGD terms in 2023 and approx. 14.15% in SGD terms for the 15-month period since inception Oct'22 to Dec'23.

Arkenomics Provident Fund Class B shares generated a net total return of approx. 9.43% in SGD terms in 2023 and approx. 13.81% in SGD terms for the 15-month period since inception Oct'22 to Dec'23.

The Fund outperformed the Hong Kong and Singapore markets in which its largely currently concentrated in. However, it lags behind the global benchmark, MSCI ACWI index which has been buoyed by the run up in the US markets. We believe our portfolio is strategically positioned to capture market upside when conditions are favorable.

Outlook

Looking ahead, we maintain confidence in our long-term investment philosophy. We will delve deeper into the portfolio during the upcoming AGM.

Your trust and ongoing support are integral to our success, and we are committed to delivering value to our investors. In closing, we wish you a Happy New Year and anticipate continued growth and success in our partnership. Thank you for being part of the Arkenomics journey.

Sincerely,

Peter Lum Shuncaï
Portfolio Manager
Arkenomics Provident Fund

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