Truffle Portfolio
3Q 2023 Investor Letter

Dear Long Term Investors,

I hope this letter finds you well and that you've been enjoying the continued success of our investment strategies.

Year to date, the Truffle Portfolio has achieved 20.07% on average vs SP500 14.36% as of writing (11 Jul 2023). You will be able to see your individual portfolio returns at the online portal - https://wm.phillip.com.sg/

As always, I appreciate your trust and confidence in our investment portfolio. I would like to congratulate those who added more funds during the Q1 new funds window. You will find more information for new accounts and new funds top up.

In this investor letter, I will provide you with an overview of the current market conditions, discuss the impact of interest rates on the stock market, delve into the much-debated bull market recovery in 2023, highlight the performance of our portfolio, and outline our cautious yet optimistic approach moving forward.

Impact of Interest Rates on the Stock Market

Interest rates have always played a significant role in shaping the dynamics of the stock market. In recent times, we have witnessed heightened volatility as market participants closely monitor changes in interest rates. As you may be aware, the U.S. Federal Reserve has adopted a gradual approach to normalizing interest rates, striving to strike a balance between economic growth and inflation containment.

Historically, rising interest rates have been perceived as a negative catalyst for the stock market. As borrowing costs increase, companies face higher expenses, potentially impacting their profitability. Additionally, higher interest rates may divert investor attention towards fixed-income instruments, offering relatively safer returns. However, it is important to note that the relationship between interest rates and the stock market is nuanced and multifaceted. Factors such as economic growth, corporate earnings, and investor sentiment also influence market behaviour.

While the Fed announced two more hikes for 2023, it is apparent that we are fast approaching the end of the hiking cycle. We acknowledge the potential risks associated with rising interest rates, we believe that our investment strategy is well-positioned to navigate these challenges. Our focus on fundamentally strong companies with sustainable competitive advantages allows us to weather short-term fluctuations while capturing long-term value.

The Most Hated Bull Market Recovery in 2023

The current bull market recovery has been met with skepticism and, at times, outright disdain. Market commentators have dubbed it the "most hated bull market recovery," primarily due to concerns over valuations and the perceived disconnect between the market and the broader economic conditions.

It is true that certain sectors have experienced significant valuation expansions, fueled by favourable investor sentiment and the pursuit of growth opportunities. However, we believe that the underlying strength of the global economy, the ongoing advancements in technology and the improving employment numbers provide a solid foundation for further growth.

As astute investors, we remain diligent in our assessment of potential risks and opportunities, ensuring that our portfolio remains well-balanced and aligned with our long-term investment objectives.

For the purpose of allocation, we do not outrightly timing the market. Our approach is to invest while the prices are still reasonable. The portfolio is about 92% invested at this point in time. The cash holdings are invested in money market funds,which is highly liquid, allowing us to gain some interest while waiting for opportunities.

Our Portfolio Performance

We are pleased to report that our portfolio delivered good performance this year, outperforming the broader market. Despite the prevailing challenges and uncertainties, our portfolio achieved a YTD return of **20.07% on average vs SP500 14.36%**. This outstanding performance can be attributed to the selection of high-quality companies across diverse sectors, coupled with our rigorous risk management practices.

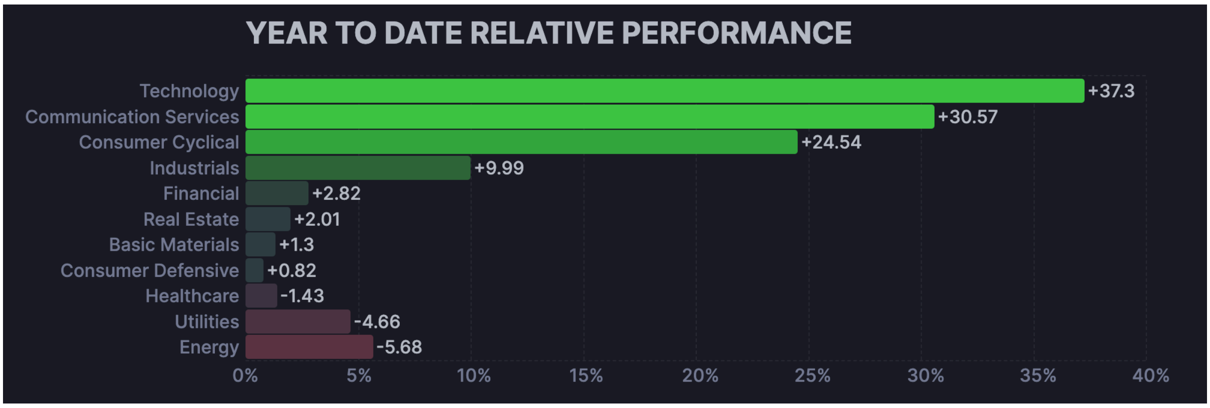
Our investment approach is rooted in extensive research and analysis, focusing on companies with solid financials, robust growth prospects, and strong management teams. By adopting a disciplined and long-term investment strategy, we are confident to generate favourable future returns for our investors. We remain committed to upholding this level of excellence, continuously monitoring our holdings, and making informed adjustments when necessary.

Our portfolio is lifted primarily due to homebuilder and semiconductors which continue to perform well in the market recovery. According to news article[1], USA is currently facing a shortage of 6.5million housing units. Quoting the article, *"But in 2022, the United States saw the highest level of yearly household formations in the last decade, with 2.06 million new households, outpacing housing starts. This widened the gap between total housing starts and household formations from 1.8 million housing units between 2012 and 2021 to 2.3 million units at the end of 2022, the report found"*.

This is the narrative that influences our investments in homebuilders. However, our main reason to invest in homebuilders is the high business quality and attractive

[1]https://edition.cnn.com/2023/03/08/homes/housing-shortage/index.html#:~:text=As%20a%20result%2C%20there%20is,homes%20between%202012%20and%202022.

valuation. This year, Consumer Cyclical which includes homebuilders, has performed 30.57%, just behind Technology which includes semicon.



Source: Finviz

However, our portfolio is not without fault. Our investment into the energy sector did not pan out as expected. Thankfully, our energy investment continues to bring in attractive dividends while we await for the valuation to catch up. We will continue to monitor the business quality of the energy businesses and update again.

A Cautiously Bullish Approach

While we maintain our bullish outlook on the market, we approach the coming months with caution. As mentioned earlier, rising interest rates and potential market corrections pose challenges that we must consider. We believe it is essential to strike a balance between seizing opportunities for growth and actively managing risk.
Our team remains vigilant in monitoring market conditions, assessing macroeconomic trends, and identifying potential catalysts that may impact our portfolio. We are committed to preserving and enhancing the value of your investments, diligently reviewing our holdings, and rebalancing our positions as needed.

Conclusion

In conclusion, we are pleased with the progress our portfolio has made, exceeding market expectations and delivering robust returns. The current market environment presents both opportunities and challenges, and we remain confident in our ability to navigate these waters while preserving the value of your investments. As always, we appreciate your trust and continued support.

If you have any questions or concerns, please do not hesitate to reach out to our team. We are here to provide you with the guidance and insights necessary to help you achieve your financial goals.

We are happy to announce that the Truffle Portfolio is opened for new accounts and top-up funding to existing accounts for the month of July.

For New Cash or SRS Accounts

1. Apply at https://investwithpete.co/how-to-apply
2. Min. investment sum is S$50,000 (Cash) and S$30,000 (SRS) or equivalent in other currencies

For Top-up to Existing Accounts

1. Min. investment sum is S$10,000 or equivalent in other currencies
2. For SGD funding : https://www.poems.com.sg/payment/
3. For other currencies funding: https://www.poems.com.sg/helpcentre/PSPLTrustAccounts.pdf)
4. State their ACCOUNT NUMBER and ACCOUNT NAME clearly in their payment instruction

We will close all applications and top ups by the end of July and focus our attention back to managing the portfolio.

Thank you for your continued partnership.

Regards,
Pete