QUARTERLY REPORT: NDC STABLE INCOME FUND — SECOND QUARTER 2023

Headline – New Dimensions Capital

- Main Economic and Financial Events of the Quarter
- N.D.C. Stable Income Fund Performance Analysis
- Investments Themes and Forward-Looking Considerations

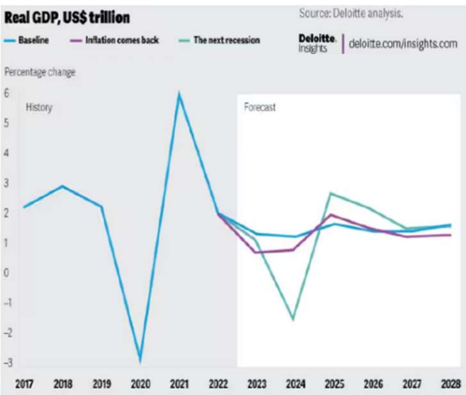
New Dimensions Capital (N.D.C.), Singapore

A multi-family office delivering fresh perspectives and guidance on multi-generational family wealth creation and management. As a premier asset manager in Singapore, New Dimensions Capital acts to guide, protect and grow client's wealth. Since N.D.C. was founded in 2020 by Elaine Foo, the firm has focused on becoming a trusted and reliable partner to regional families and ultrahigh net worth investors.

1. Main Economic and Financial Events of the Quarter

After another 'all-hands-on-deck" quarter, we realized the importance of cutting through the noise and focusing on strategic decisions that keep us successfully invested in a continuously challenging market. Portfolio rebalances need to consider various inputs such as: position in the cycle, value and sentiment drivers besides the intrinsic portfolio considerations.

Global shares gained over the quarter with the advance led by developed markets, notably the US, while emerging market stocks lagged. Enthusiasm over AI (Artificial Intelligence) boosted technology stocks. Major central banks raised interest rates over the period although the US Federal Reserve elected to stay on hold in June. Government bond yields rose over the same period (consequentially, prices fell).



US equities ended the quarter higher, with the bulk of the gains made in June. The advance came amid moderating inflation and signs that the US economy remains resilient despite higher interest rates. A revision to Q1 GDP growth indicated expansion of 2% (annualized), substantially more than the previous estimate of1.3% growth.

The chief concern remains the probability of recession, although the signals keep pointing to a resilient economic growth and a very low probability of strong recession (see chart from Deloitte).

Key Stats for the Second Quarter of 2023 (Source: Morningstar):

- Stocks rose 8.5% and 16.5% for the calendar year, based on the Morningstar US Market Index.
- In 2023 through May, the top 10 stocks were responsible for 9.3 percentage points, or 97%, of the U.S. market's overall 9.6 percentage-point gain. In June, the concentration broadened, with stocks like Eli Lilly and Adobe also contributing to the gains.
- 2023 has seen the best first-half performance for the Morningstar US Technology, Communication Services, and Consumer Cyclical Indexes in their entire tracked histories (since 1999).
- Growth continued to perform together with low volatility, a factor at the other spectrum of risk.
- In June, stocks entered a new bull market, up more than 20% from their October 2022 low. NASDAQ Composite was up 30% at the end of June 2023, a record level in several decades.
- The Fed held rates steady at its June policy meeting, its first pause in hiking rates in 15 months.
- The yield curve remained inverted for the 5th quarter in a row, indicating the possibility of recession.

	Performance (%)		
U.S Equities	Q2 2023	Q1 2023	1 Year
U.S. Market	8.49	7.40	19.25
Value	3.86	0.18	11.45
Growth	11.64	14.79	23.41
Dividend Composite	3.24	0.55	11.36
Wide Moat Composite	12.10	9.34	23.81
Global Equities			
Developed Markets ex-US	3.13	7.53	17.08
Emerging Markets	1.77	3.58	4.00
Fixed Income			
U.S. Core Bond	-0.82	2.92	-1.05
U.S. Treasury Bond	-1.37	2.97	-2.33
U.S. High Yield Bond	1.65	3.68	8.93
TIPS	-1.45	3.38	-1.81
10+ Year Treasury Bond	-2.35	6.18	-7.56

Source:

- Morningstar Direct,
- Morningstar Indices.

Data as of June 31, 2023

2. Portfolio Performance Analysis

NDC STABLE INCOME FUND	QTR 2 2023
NAV	9.36
QTR P&L	-3.70%
Investment P&L	-0.76%
Hedging P&L	0.05%
FX P&L	-0.71%
Dividend Rec.	1.33%
Expenses	-1.37%
Dividends Paid	1.00%

The second quarter of 2023 has been a difficult one for many strategies, especially for the income searching ones but it became a path-finding experience. The Fund has lost 3.7% of its NAV but from a management perspective, we succeeded to pay our first dividend tranche, surpass a difficult period of volatility in the USDSGD and initiated the short equities process meant to balance the periods of weak equity markets.

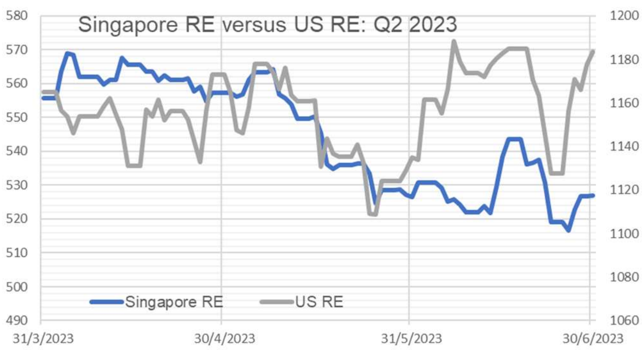
The month of May 2023 was the weakest, with growth or technology stocks trading ahead of quality names. Income strategies were affected the most, due to the exposure to quality and dividend yield.

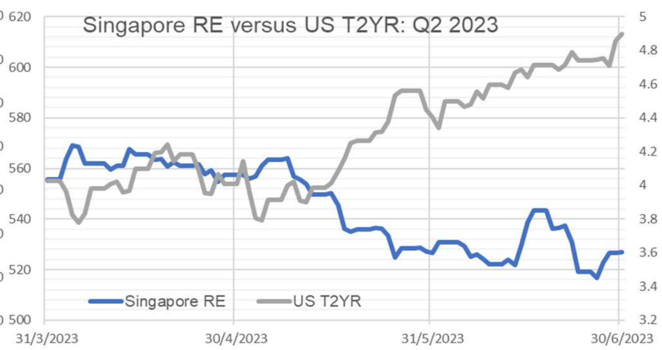
2.1 Portfolio Construction and Specific Allocations.

The strategy for the NDC Stable Income Fund (NDC SIF) is to distribute a consistent dividend on a quarterly basis in addition to providing solid capital gains, underlying a stable income to fund 's subscribers.

Portfolio construction methodology remained unchanged, as we continued to build exposure to high quality dividend paying names in Singapore. This remains the portfolio's core allocation and includes Singapore REITs and a couple of Singapore Banks. As the Real Estate sector is a primary source of higher dividend yield, the strategy expanded into US and Canadian REITs, too.

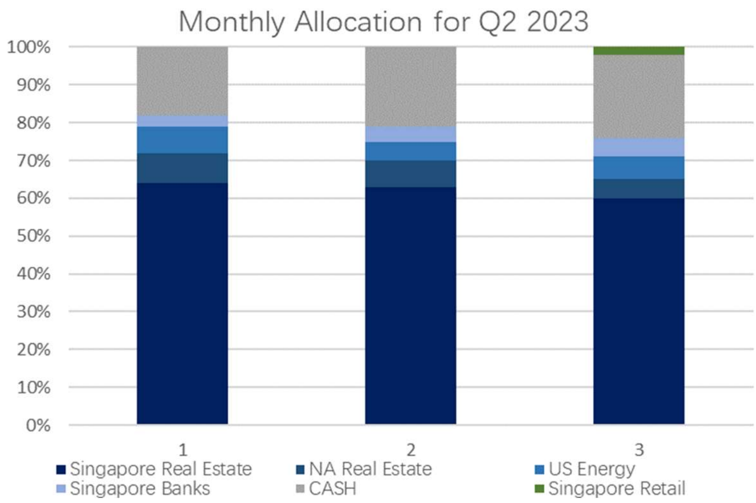
Portfolio performance was acceptable for the first half of the quarter, but around the mid of May we have observed that Singapore REITs started to trail their US peers. This was clear around the mid-May when US Real Estate names started to move ahead of their Singapore peers, and 'galloped" their way ahead for all the next month (chart below, LHS). The managers at NDC looked for explanations on this sudden break in relationship and identified the culprit as the intensified narratives behind rates-hike, as represented by the RHS chart below (Singapore RE charted versus the US treasury 2 years index).





Besides managing the portfolio actively, managers have also added a new source of revenue by balancing the long side of the portfolio with short positions in EU or US technology, and US airlines companies. For a more efficient effect in hedging the core Real Estate holdings, short EU real estate positions were added in June. Performance improved to close almost flat, dragged down by an unfavorable currency move.

The cash drag over the quarter (averaging 22%) and a persistent weak performance from the China related positions were the other detractors for the quarter besides the inefficient portfolio core allocation into Singapore REITs.



2.2 Top-down Performance Explanation

Here we analyze performance based on portfolio exposure to certain global themes or factors that we consider important to our investment strategy. We use portfolio holdings weighted by the period they were allocated out of the quarter (i.e.: a stock that was held for one month versus another one that was held for two months, will be weighted half of the latter one's weight).

Furthermore, we analyze the contribution to return of the intended and unintended factors selected for this analysis, such as: High Dividend, Real Estate, Defensive, Industrial, Energy, Low Risk and so on.

For the second quarter of the year and for the NDC Fund, we identified that allocation to high Dividend paying names (dividend yield names) and the lack of any exposure to technology names have kept the down-pressure on fund performance (versus the US major indexes).

By the end of the second quarter, NASDAQ grew a record 30% and S&P500 up 16% (data showed the super 7 megacaps - Alphabet, Apple, Meta, Nvidia, Amazon, Microsoft and Tesla - accounts more than 70% of the 2023 gains). Since technology names usually pay extremely low or no dividend at all, our strategy had no such allocation.

From a top-down perspective, we have realized that around mid of May, the 'loyal' investors in Singapore REITs have started to listen to news of rate-hikes by Fed and other central banks, almost forgetting their superior valuations or the performance of similar sector in US or even rest of APAC. For the APAC region, Australia and Japan delivered higher returns to their investors by taking advantage of a broader and deeper market availability.

Investment Asset / Period	2 Quarter	YTD	1 Year	3 Years	5 Years
NDC Stable Income	-3.60%	-6.40%	-	-	
INDICES					
Global High Dividend	2.06%	3.76%	0.98%	32.68%	30.05%
Apac High Dividend	0.45%	6.87%	6.91%	26.76%	10.89%
Global Real Estate	0.24%	1.59%	-5.99%	13.98%	15.72%
Singapore Real Estate	-6.27%	-5.26%	-9.86%	-0.80%	-5.97%
Global I.G. 3-5 Years	0.00%	2.07%	1.13%	-3.63%	6.47%
OTHER FUNDS					
Vanguard Equity Income (USD, US)	3.06%	0.89%	8.72%	48.75%	49.14%
Threadneedle Equity Income (USD, LUX)	2.47%	8.39%	11.56%	38.18%	22.97%

It was an obvious divergence between the Singapore Real Estate sector and the same Global and APAC sectors. The performance table above clearly states that Singapore RE significantly underperformed High Dividend indices, a relationship that usually shows higher correlations. Funds from large institutional managers have allocated their funds to technology names or European assets, improving their NAV for the same period (despite undermining their capability to pay dividends).

We continue to rebalance periodically our portfolio and improve allocations towards the rewarding sectors in small steps as we expect the markets' volatility to rise significantly.

2.3 Corporate Actions and Strategic Enhancement

The 2nd quarter of our fund and of the year has been prolific in terms of dividends accumulated, and we expect a slightly higher allocation to our investor for an annualized 4.33% dividend yield. The Fund did not participate in a couple of placements in Singapore Real Estate sector (CapitaLand Ascendas and Mapletree Industrial Trust) as managers have realized that the recent performance for such corporate actions was not as strong as expected, another proof that the sector is not well supported by investors. The action was rewarded not only by avoiding respective losses but especially by buying into the same names at better levels than the placement one.

For the next quarter, the managers of the NDC Fund are looking to increase allocation to a growing and still undervalued market in Japan and diversify the portfolio by including broader businesses such as Keppel Corp, Singapore Airlines in Singapore, larger REITs in HK or industrials and retail in US.

3. Investments Themes and Forward-Looking Considerations

As we pay attention to improving returns, we have increased exposure to Quality and Growth names and count on every market pickup to realize micro-profits on the non-core allocations. To further protect profitability, we are looking at Quality names, strong balance sheet and besides a high ROE, we search for sales growth as a good indicator of increasing demand.

- Unlike the previous quarter, we unwound US Energy names and selective Real Estate names, especially the ones with high exposure to office businesses. For Real estate names, we prefer companies with good cashflow from operations, rather than pure EPS valuations.

- We have increased exposure to diversified businesses in Retail or Consumer Staples and Industrials.

From a portfolio construction perspective, we have initiated a small-short position in European equities, although they were investors' favorites in 4Q2022 and 1Q2023. With a weaker manufacturing outlook in Europe, we are skeptical the earnings announcements will receive further love from market participants. Pursuing the income strategy that underlines the Fund, we have not invested in the Tech sector and our view is that the sector will cool down and investments diversify into Industrials, Energy or large banks.

3.1 Careful management due to mixed economic data

Contradictory economic data seems to take an increased weight in global narratives, especially in the US. The most recent ISM Manufacturing Index and the Purchasing Managers' Index show contraction/recessionary indicators. Lumber pricing is down, but housing prices have not crashed yet despite higher financing costs. We see services inflation and employment data indicating huge demand. There are more than 10MM unfilled jobs in the US. The unemployment rate is still well below 4% but growth is clearly weakening. Wage growth continues although at a pace that falls short of inflation.

The outstanding question is whether the US will hit recession in 2023 or the beginning of next year. The outcome may surprise both thought parties, and the base case scenarios are getting lower probabilities. One possible outcome is to have the US economy, and consequently global economies to a certain extent, rolling through a benign recession and persistent inflation, signaled by the Fed pursuing higher rates for longer.

Practically speaking, in the short term we see resilient markets and investors considering the positive news and headlines, above others. We consider that a smart trade is the one that matches flows and interests not the one following sentiments and prices with a qualitative explanation to it. Currently, flows and trading interest prove that market participants are pricing-in a closer peak of fed funds rate and almost no recession, which in our opinion is the best-case scenario (a 20% probability of outcome).

Through our investments, we keep calm and partially hedged. We are cautious about the US REITs and keep positive about Singapore REITS as we consider their weakness since Q1 2023 as exaggerated relative to their superior balance sheet quality.

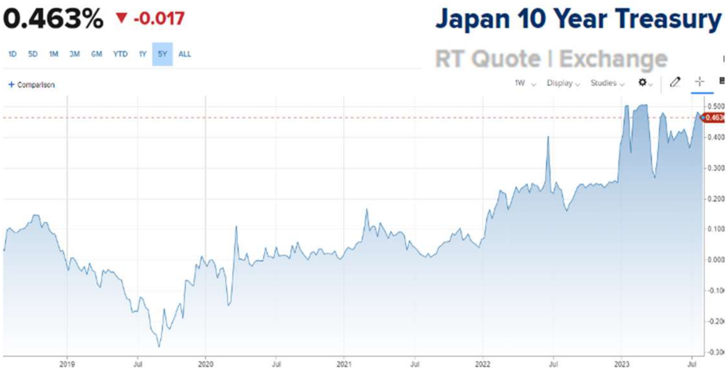
Through our investments, we target diversified businesses and recession resistant ones – Consumer Staples, Industrials, Healthcare, Energy. Geographical allocation wise, we will increase allocations to Japan and, should China not falter in its recovery process, Hong Kong.

Contingent on new data releases, we are closely monitoring Energy and large Banks stocks.

3.2 Buy Japan equities but keep an eye on Japan debt.

Japan is facing a potential sovereign debt default. To pay the interest on the debt, they will need to print more yen otherwise a default will result in significant market tremors.

Our Q1 2023 report explained the strong interest in Japanese equities due to changes in governance, low valuations and potentially strengthening JPY. Last year's weak Japanese Yen levels were caused by investors buying US$ against selling JPY, to take advantage of the rate differential or the higher yield in US$.



The means for BoJ to keep the JPY from falling further is to implement the equivalent of raising interest rates. This will result in a massive budget deficit and the need for further JPY printing, a "debt death spiral" that many Japan macro-analysts fear for many years.

This puts a dent in investors' appetite for Japanese equities, especially since the Fed have notified of two more rate hikes and mentioned of no rate cuts yet. As in any market, buying Japan equities should be done very selectively and after a good understanding of what BoJ signals that it intends to do.

3.3 Build a portfolio resilient to divergent narratives and volatile markets.

The amount of news and headlines, breaking stories and research reports have one significant effect on portfolios of whatever strategies or benchmarks, and this is a shortening of holding period. Investments are made based on expectations of long-term returns and risk factors or sentiment changes during recent years, resulting in a turnover higher than expected.

Robert Shiller, the Yale economist, and Nobel laureate who predicted the housing crisis of the late 2000s, argues that people's actions more often depend on "stories" than hard data and complex formulas. We, therefore, structure our portfolio into a core and long-term allocation, representing our long-term views about the markets and the relevant products that make the best supporting vehicle, with the remaining satellite portion of the portfolio managed tactically to deal with valuation fluctuations and sentiment changes, that follow a short-term pattern.

The core-satellite strategy reduces the reliance on market timing or chasing returns, provides an enhanced diversification, and allows for a better positioning in terms of taking advantage of capital gains discounts.

	April	May	June	FORWARD LOOKING
CORE				
Singapore Real Estate	**64%**	**63%**	**60%**	**(60-65)%**
SATELLITE				5%
N.A. Real Estate	8%	7%	5%	
US Energy	7%	5%	6%	5%
Singapore Banks	3%	4%	5%	10%
Singapore Retail	0	0	2%	5%
CASH	18%	21%	22%	10%
	36%	37%	40%	
Short US Tech	-2%	-3%	-3%	-5%
Short US Air Transp.	0%	-1%	-2%	-3%
Short EU Real Estate	0%	0%	-2%	-5%
Short EU Tech	0%	0%	-2%	-5%
Short EU Insurance	0%	-2%	-1%	-5%
	-2%	-6%	-10%	
SATTELITE	**34%**	**31%**	**30%**	**~ 30%**

Practically, we continue to allocate into a core portfolio of leading Singapore REITs and selective Canadian and U.S. REITs, due to their propensity to pay consistent dividends while keeping appropriate valuations (see Mapletree Logistics, CapitaLand Ascendas, Fraser Logistics in Singapore, or Boston Properties in US, Artis REIT in Canada.

Tactically, we will further allocate to Retail and Energy companies, or companies with a diversified business (i.e.: corporations, with multiple revenue streams) and revenue-growth features (see Keppel Corporation, Singapore Airlines, Mitsubishi Corporation,) building the Satellite portfolio. Our portfolio's short side captures the rotation out of Technology sector and the short-term overbought Real Estate in Europe or US and is part of management effort to tactically balance the Fund for underperforming sectors or sub-sectors.