Semi-Annual Report: NDC Stable Income Fund

Investment Manager's Report : H1 2024

Investment Objective

The fund aims to generate stable income and long-term growth through:

- Primary investments: High-quality, income-generating REITs and equities.
- Additional allocations: Other income-generating assets, such as ETFs and fixed income instruments.
- Risk management: A long-short strategy to mitigate downside risks.
- Income distribution: Targeting quarterly dividend payouts.

Fund Performance Review – H1' 2024

The fund experienced a volatile first half of 2024, ending the period with a net asset value (NAV) decline of -8.54%. The benchmark index, SREIAPUT, also declined by -7.09% during the same period, reflecting broad market weakness in the real estate sector.

Despite market headwinds, the fund distributed dividends totaling $0.22 per unit, which helped cushion the decline, bringing the total return (NAV + Dividend) to -7.12%.

Monthly Performance Breakdown

Date	NAV	NAV%	BM %	Dividend Payout	NAV + Dividend	NAV +Divd %	Expenses %	Gross NAV (before expenses)
Jan-24	8.40	-4.45%	-3.84%	0.00%	8.40	-4.45%	0.00%	-4.45%
Feb-24	8.28	-1.43%	-2.35%	0.00%	8.28	-1.43%	-5.19%	3.76%
Mar-24	8.36	1.01%	4.77%	1.32%	8.38	2.32%	-0.42%	2.74%
Apr-24	8.10	-3.16%	-4.96%	0.00%	8.10	-3.16%	-0.39%	-2.77%
May-24	8.16	0.81%	0.58%	0.00%	8.16	0.81%	-0.26%	1.07%
Jun-24	8.06	-1.31%	-1.29%	1.37%	8.07	0.05%	-0.26%	0.32%
H1' 24		**-8.54%**	**-7.09%**	**2.68%**		**-5.86%**	**-6.52%**	**0.67%**

January (-4.45%): The fund suffered a significant drop, mirroring the benchmark's -3.84% decline as Fed holds the high Fed fund rates unchanged at 5.25% to 5.50%.

February (-1.43%): Continued downward pressure, though outperforming the benchmark's -2.35% as hotter than expected US CPI print erased hope of Fed cut.

March (+1.01%): A positive rebound, benefiting from a 4.77% rally in the benchmark with market talking about the peak in Fed rate policy. The dividend payout of $0.11 per unit improved the total return to +2.34%.

April (-3.16%): Weakness resumed, as both the fund and benchmark fell sharply as Fed dot plot fell from 5 cuts to 3 cuts in 2024.

May (+0.81%): Slight recovery, with NAV in line with the benchmark.

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June (-1.31%): Declined again, but the dividend payout helped achieve a total return of +0.03%.

Expense Impact & Gross Performance

The fund incurred -6.52% in expenses, primarily due to a one-off setup cost settled in February 2024. If adjusted for this expense, the gross NAV before expenses would have improved to -0.60%, highlighting cost pressures affecting performance. With this one-time expense behind us, expense ratios should normalize in H2 2024, improving net returns.

Portfolio Analysis

- Three key factors weighed on fund performance in H1 2024:
- Higher expenses due to the one-off cost.
- Heavy exposure to real estate and Asian value stocks, which remained highly sensitive to Fed rate decisions.

Constraints on cash management, as the current trading platform does not allow investment in short-dated money market funds and pays very low interest on sitting cash.

The fund performed well in areas where cash was allocated to quality financial companies that paid strong dividends and offered capital appreciation opportunities. We successfully maintained our dividend distributions, delivering annualized payouts of 5.26% p.a. for Q1 2024 and 5.46% p.a. for Q2 2024.

Challenges & Strategy Adjustments

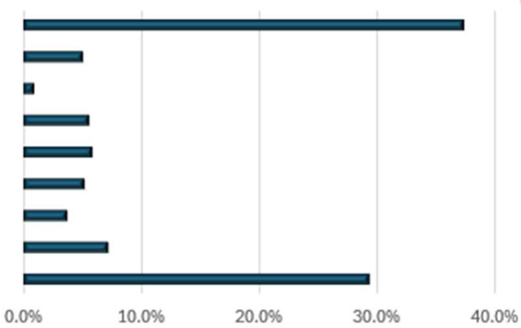
- **Federal Reserve Policy & Market Uncertainty**
  The Fed has delayed rate cuts due to rising geopolitical risks, including the **Gaza-Israel conflict** and OPEC's oil production cuts, which have kept inflationary pressures in check. Additionally, **Biden's expanding trade war with China** is disrupting supply chains, potentially increasing the cost of goods.

If the Fed **maintains high rates for longer**, we **plan to reduce REIT exposure by another 5%**, reallocating funds to higher-yielding opportunities.

- **Cash Deployment Strategy**
  Given the limitations of our current platform, we have held over **20% in cash** while selectively reinvesting in **dividend-paying stocks** post-ex-dividend. With the planned shift to Interactive Brokers, we will be able to **place idle cash in money market funds**, optimizing liquidity management while awaiting better investment opportunities.

- **Portfolio Adjustments Moving Forward**

Sector	Percentage
Real Estate	37.3%
Materials	5.0%
Information Technol	0.9%
Industrials	5.6%
Health Care	5.8%
Financials	5.2%
Energy	3.7%
Consumer Staples	7.2%
Cash	29.3%



We are repositioning our portfolio by:

- **Targeting banks and insurance companies**, as the US continues driving global growth and Asia Pacific remains on a **higher growth trajectory**.
- **Shifting focus from traditional REITs to real estate services companies**, which offer stronger fundamentals.
- **Increasing exposure to Japan, Thailand, and Hong Kong financial sectors** for diversification.
- **Adding select high-growth technology stocks** to enhance performance, as many income funds increasingly view strong tech companies as safer investments versus traditional value stocks.

Portfolio Management Outlook

We entered 2024 with **optimism** that the equity market would benefit from the Fed's expected rate cuts. Our **heavy allocation to Singapore and real estate stocks** was positioned to benefit from lower rates. However, the risk remains that the Fed may **not cut rates as quickly as expected**, potentially impacting our real estate positions.

Against this backdrop, our focus is on **identifying high-quality companies at reasonable valuations** where fundamentals remain strong and earnings risks are low.

Investment Themes Moving Forward

- **Prioritizing dividend-paying financials**, particularly in the Asia Pacific region.
- **Seeking value in real estate services firms**, which offer better resilience compared to traditional REITs.
- **Diversifying into Japanese, Thai, and Hong Kong financial sectors**.
- **Adding high-growth, high-revenue companies** to balance portfolio performance.

We remain committed to **fundamental research and a bottom-up investment approach**, ensuring that our portfolio is built on durable, long-term growth opportunities.

We believe that, over time, the best risk-adjusted returns come from investing in companies at the forefront of innovation and secular growth trends. With prudent cash management, sector rotation, and strategic allocations, we aim to enhance investor returns in the second half of 2024.