

Semi-Annual Report: NDC Stable Income Fund

Investment Manager's Report : H2' 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.
- Risk management: A long-short strategy to mitigate downside risks.
- Income distribution: Targeting quarterly dividend payouts.

Fund Performance Review – H2' 2024

The fund delivered a net asset value (NAV) increase of 2.52%, outperforming the benchmark S&P Asia Pacific REIT Index (SREIAPUT), which gained 2.08% over the same period. Dividend payouts totaled \$0.22 per unit, bringing the total return (NAV + Dividend) to 2.59%.

Monthly Performance Breakdown

Date	NAV	NAV%	BM %	Dividend Payout	NAV + Dividend	NAV +Divd %	Expenses %	Gross NAV (before expenses)
Jul-24	8.28	2.70%	6.00%	0.00%	8.28	2.70%	-0.32%	3.03%
Aug-24	8.47	2.34%	6.38%	0.00%	8.47	2.34%	-0.41%	2.75%
Sep-24	9.00	6.31%	4.66%	1.22%	9.02	7.54%	-0.31%	7.85%
Oct-24	8.52	-5.31%	-8.12%	0.00%	8.52	-5.31%	-0.29%	-5.02%
Nov-24	8.48	-0.55%	-0.06%	0.00%	8.48	-0.55%	-0.32%	-0.23%
Dec-24	8.23	-2.97%	-6.78%	1.34%	8.24	-1.63%	-0.39%	-1.24%
H2' 24		2.52%	2.08%	2.56%		5.08%	-2.05%	7.13%

- July (+2.70%): NAV increased by 2.70%, while the benchmark rose 6.00%. The Federal Reserve held rates steady but indicated a potential rate cut in September, boosting market optimism.
- August (+2.34%): The fund continued its uptrend, slightly trailing the benchmark's 6.38% surge. Early-month declines were offset by expectations of a September rate cut.
- September (+6.31%): The fund achieved a 7.61% total return, including dividends, outperforming the benchmark's 4.66%. This was driven by a 50 basis point interest rate reduction by the Federal Reserve.
- October (-5.31%): A sharp decline, influenced by global market volatility, particularly in China and Hong Kong. However, the fund outperformed the benchmark's -8.12% drop.
- November (-0.55%): A relatively flat month, aligning with the benchmark.
- December (-2.97%): Initial gains were reversed in the last two trading days due to large-scale portfolio reallocations and uncertainties surrounding President-elect Trump's tariff agenda. Dividend payouts mitigated total losses to -1.63%.

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- For full period of H2'2024, the fund returns a positive 2.52% and inclusive of dividend net client returns are 5.08%.

Expense Impact & Gross Performance

The fund incurred expenses of -2.05%, bringing the gross NAV before expenses to 7.13%, reflecting improving cost-adjusted performance after the one-off setup cost incurred in H1'2024 which will not be repeated.

Portfolio Analysis

Key factors influencing H2 2024 performance include:

- Sector Rotation: Positive contributions from financials and industrial stocks..
- Technology Investments: Strategic positions in Adobe, WIPRO, and 5N Plus yielded favorable returns. WIPRO's investment in AI innovation and 5N Plus's role in specialty semiconductors capitalized on the growing AI sector.
- Monetary Policy Impact: The Federal Reserve's 50 basis point rate cut in September enhanced portfolio value.

In response to uncertainties surrounding President-elect Trump's tariff policies and potential inflation, we reduced REIT exposure by 7%, anticipating possible delays in further rate cuts. We also increased allocations to high-quality financial stocks.

To optimize returns on excess cash, we are establishing new brokerage accounts that facilitate investments in overnight or short-dated money market funds.

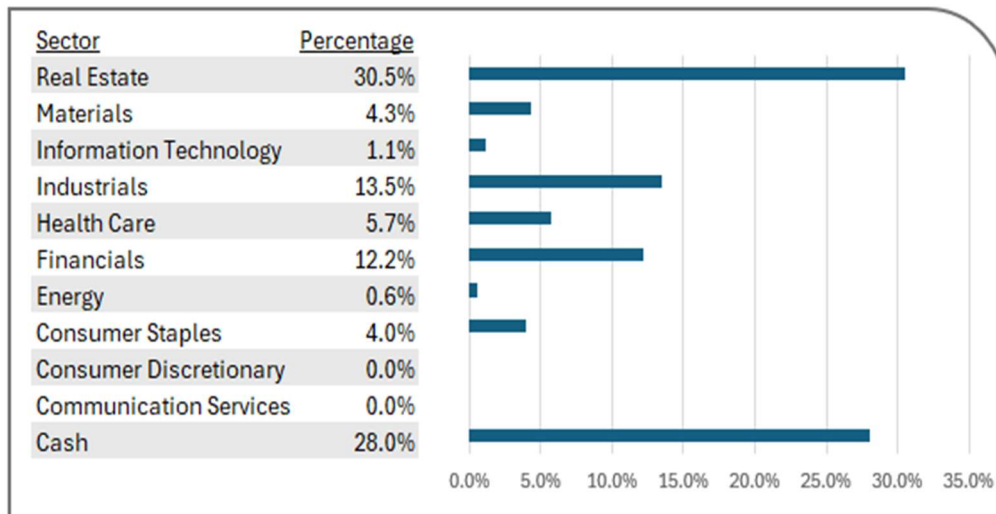
The fund maintained quarterly dividend distributions, delivering annualized payouts of 5.26% for Q1 2024 and 5.46% for Q2 2024.

Challenges & Strategy Adjustments

- Federal Reserve Policy & Market Uncertainty: The Fed has postponed rate cuts due to geopolitical tensions and inflation concerns linked to President-elect Trump's proposed tariffs. If high rates persist, we plan to further reduce REIT exposure by 5-7%, reallocating to higher-yield opportunities. Our base case anticipates a rate cut in Q4 2025 to support U.S. markets.
- High Valuation Environment: Identifying attractively priced stocks remains challenging amid elevated market valuations

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Portfolio Adjustments Moving Forward



The above is the current portfolio distribution.

We are repositioning our portfolio by:

- Financials: Targeting quality banks and insurance companies during market pullbacks.
- Industrials: Shifting focus from traditional REITs to robust industrial companies with strong fundamentals.
- Regional Diversification: Enhancing exposure to financial sectors in Japan, Thailand, and Hong Kong.
- Technology: Adding select high-growth tech stocks, as income funds increasingly view strong revenue growth in tech companies as a safer investment compared to traditional value stocks.

Market Outlook Ahead

Global equities remain on track for further gains in 2025, with Wall Street analysts projecting a 9% upside for the S&P 500, driven by resilient corporate earnings and economic growth under President-elect Trump. European markets are expected to rise by 9-10%, supported by strong corporate performance and attractive valuations. Meanwhile, Asian equities are gaining momentum, fuelled by technological advancements, policy support, and rising domestic consumption in China and India.

While a Fed rate cut remains possible in Q4 2025, inflationary pressures could delay easing measures, keeping interest rates elevated for longer. Market volatility is likely to persist, particularly in interest rate-sensitive sectors such as REITs and utilities, while financials, industrials, and select technology companies may outperform due to strong earnings growth and increasing AI-driven capital investment.

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To navigate these conditions, the fund will maintain a diversified, income-generating approach, gradually rotating into higher-quality assets that can sustain earnings growth despite macro headwinds. Our focus remains on balancing risk and return, seizing opportunities where valuation, dividend strength, and fundamental resilience align.

Portfolio Management Outlook

We maintain a balanced approach, focusing on:

- Financials & Dividend Stocks: Banks, insurance companies, and diversified financials in Japan, Thailand, and Hong Kong.
- Real Estate Services Firms: Pivoting from traditional REITs to companies with higher growth potential.
- Selective Growth Stocks: Positioning in tech and innovative firms with strong revenue growth.

We remain committed to high-quality stock selection, with a prudent approach to market timing and risk management. With improved expense efficiency and strategic asset allocation, we aim to continue enhancing investor returns in 2025.

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