

US Strategy - Defensive Dividends

Playing Defense through the Aristocrats

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US economic cycle – suggesting late stage economic cycle

- Third longest economic expansion in history at 98 months
- Average expansionary cycle is about 60 months

Economic Expansion	Duration of Economic Expansion	Economic Contraction	Duration of recession
1933 - 1937	51 month	1937 - 1938	12 month
1938 - 1945	81 month	1945 - 1945	7 month
1945 - 1948	38 month	1948 - 1949	10 month
1949 - 1953	46 month	1953 - 1954	9 month
1954 - 1957	40 month	1957 - 1958	7 month
1958 - 1960	25 month	1960 - 1961	9 month
1960 - 1970	107 month	1970 - 1970	10 month
1970 - 1973	37 month	1973 - 1975	15 month
1975 - 1980	58 month	1980 - 1980	6 month
1980 - 1981	12 month	1981 - 1982	16 month
1982 - 1990	92 month	1990 - 1991	9 month
1991 - 2001	119 month	2001 - 2001	8 month
2001 - 2007	73 month	2007 - 2009	18 month
2009 - ?	98 month and counting	?	?

Source: Bloomberg, PSR

Indicators bearish signal threshold

Indicator	Threshold	Last	Bearish Signal
Ted Spread	Above 1%	0.31%	Unconfirmed
2s10s Spread	Below 0%	0.81%	Unconfirmed
CB Consumer Confidence	Below uptrend line/112	122.9	Unconfirmed
Umich Consumer Sentiment	Below uptrend line/93.4	97.6	Unconfirmed
Bloomberg Consumer Comfort	Below uptrend line/47	52.8	Unconfirmed
Unemployment rate	Above 12 MA/4.6%	4.4%	Unconfirmed
Fed Funds Rate	Halting of the rate hike cycle	1.25%	Unconfirmed
S&P 500	Below 10MA/2359	2357	Unconfirmed
Value Line Geometric	Below uptrend line/444	518	Unconfirmed

Source: Bloomberg, PSR

S&P 500 Dividend Aristocrats

- List of S&P 500 constituents
 - Increased dividend payout for 25 consecutive years or more
- In the past two major crises
 1. Fell significantly less than the S&P 500 index
 2. Recovered faster than the index
 3. Continued to increase dividends
- Tradeable Instrument:
 - ProShares S&P 500 Dividend Aristocrats ETF (AMEX:NOBL)

S&P 500 Dividend Aristocrats

Ticker	Industry	Market Cap (USD Bn)	Dividend Yield	P/E Ratio
JNJ	Pharma	348.65	2.60	21.94
XOM	Integrated Oil	327.02	4.00	27.86
WMT	Supermarkets	238.38	2.60	19.23
PG	Soap & Cleaning Preparations	236.44	3.00	16.59
T	Diversified Communications Services	227.73	5.30	17.41
CVX	Integrated Oil	207.39	4.00	35.53
KO	Soft Drinks	195.86	3.20	48.34
PEP	Soft Drinks	165.17	2.80	24.6
MCD	Food & Restaurants	128.87	2.40	26.04
ABBV	Pharma	119.96	3.40	18.49
MMM	Diversified Operations	119.94	2.30	22.92
MDT	Medical Products	108.44	2.30	26.88
ABT	Pharma	88.66	2.10	70.88
WBA	Drug Stores	87.17	2.00	20.52
LOW	Building Products	63.89	2.20	23.72
CL	Soap & Cleaning Preparations	62.64	2.30	26.43
GD	Aerospace & Defense	59.51	1.70	19.66
ADP	Outsourcing	47.30	2.10	27.64
ITW	Industrial Machinery	46.96	2.30	22.08
BDX	Medical Products	45.53	1.50	57.49
KMB	Miscellaneous Consumer Products	43.42	3.20	20.52
SPGI	Business Information Services	39.37	1.10	17.92
ECL	Specialty Chemicals	38.55	1.10	30.49
EMR	Electrical Machinery	37.54	3.30	26.07
SHW	Paints & Allied Products	32.23	1.00	28.42

Ticker	Industry	Market Cap (USD Bn)	Dividend Yield	P/E Ratio
AFL	Insurance	32.22	2.10	12.31
APD	Diversified Chemicals	31.49	2.60	10.84
TGT	Discount Retail	31.33	4.30	11.61
SYF	Miscellaneous Food	27.99	2.50	25.37
PPG	Diversified Chemicals	26.53	1.70	26.87
ED	Electric Power	26.14	3.30	20.38
VFC	Textile Apparel Manufacturing	25.17	2.60	24.79
ADM	Agricultural Operations	23.59	3.10	17.77
BCR	Dental Supplies	23.37	0.30	42.25
BEN	Investment Management	23.27	1.90	13.64
SWK	Machinery Tools	21.70	1.80	18.17
CAH	Dental Supplies	21.37	2.70	16.75
BF_B	Alcoholic Beverages	20.96	1.40	31.32
TROW	Investment Management	19.90	2.80	14.22
CLX	Soap & Cleaning Preparations	17.85	2.40	25.95
NUE	Steel Producers	17.50	2.80	15.39
HRL	Meat Products	16.23	2.20	18.72
CTAS	Uniforms	14.05	1.00	30.43
DOV	Industrial Machinery	13.24	2.20	21.36
MKC	Miscellaneous Food	12.55	2.00	29.53
GPC	Auto & Truck Replacement Parts	12.38	3.20	18.21
CINF	Property & Casualty Insurance	12.26	2.70	21.42
PNR	Machinery	11.34	2.20	18.16
GWW	Industrial Services	9.31	3.20	18.55
FRT	Retail REIT	9.22	3.10	20.39
LEG	Furniture	6.05	3.20	18.14

Limited Downside

- NOBL fell less than the SPX index during the last 2 major crises
 - Dot-com Bubble (more similar to current market conditions)
 - Global Financial Crisis (GFC)



Phillip Ultra-Defensive Portfolio

- Defensive portfolio created from more defensive sectors
 - Healthcare
 - Consumer Staples and Discretionary
 - Energy

Ticker	Name	Price	Market Cap(USD Bn)
JNJ US Equity	Johnson & Johnson	131.03	351.68
XOM US Equity	Exxon Mobil Corp	76.57	324.44
PG US Equity	Procter & Gamble Co/The	92.53	235.95
WMT US Equity	Wal-Mart Stores Inc	78.37	234.11
CVX US Equity	Chevron Corp	108.76	206.10
KO US Equity	Coca-Cola Co/The	45.78	195.27
MCD US Equity	McDonald's Corp	159.81	129.45
ABBV US Equity	AbbVie Inc	75.42	120.23
MDT US Equity	Medtronic PLC	80.05	108.44
LOW US Equity	Lowe's Cos Inc	74.65	63.02

Performance during Crises

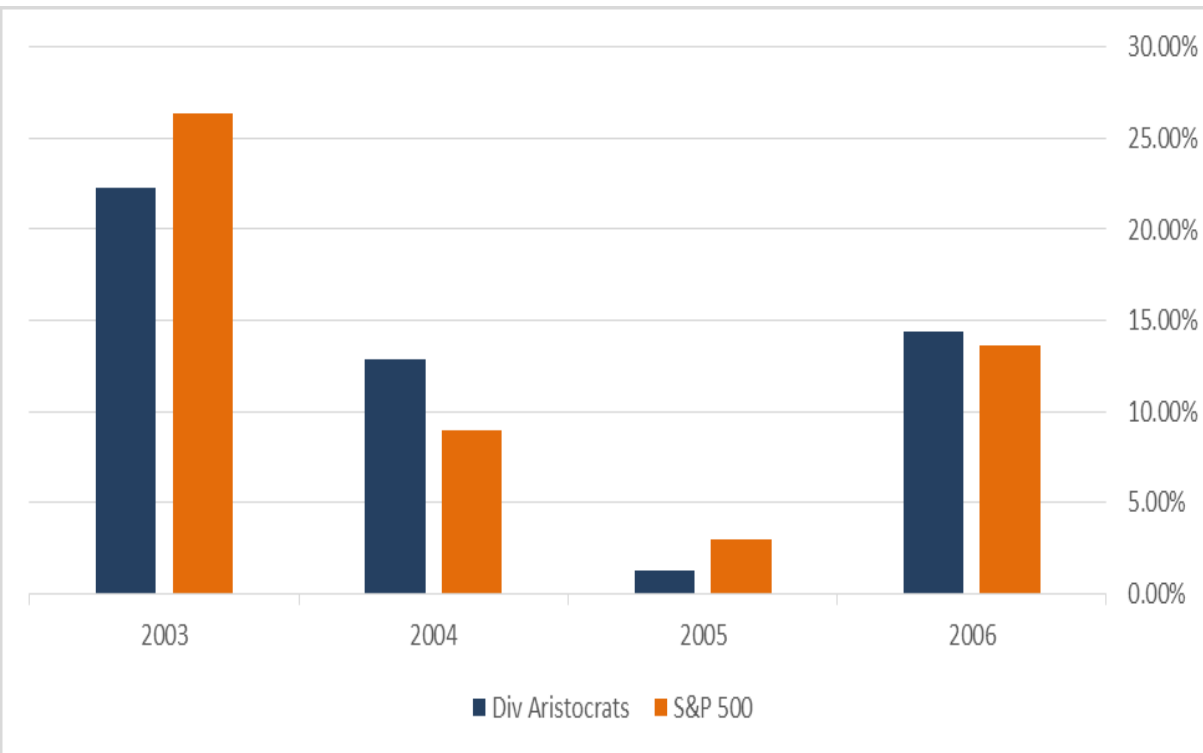
- Significantly outperformed index as well as the NOBL
 - -0.08% vs -0.93% (Dot-Com)
 - -32.41% vs -56.78% (GFC)



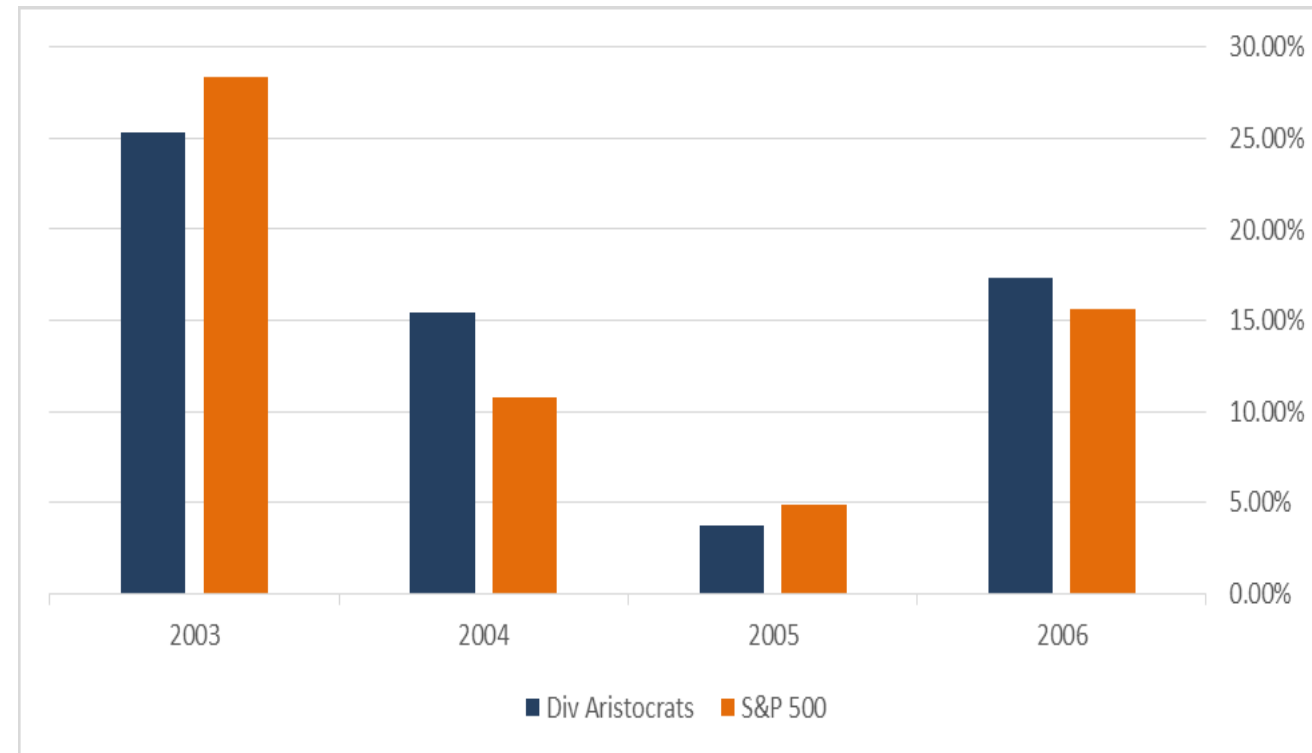
Faster Recovery post Dot-Com

- In the first 4 years following each Crisis,
 - The NOBL outperformed the index on average
 - Effect more pronounced once dividends are added

Comparative Returns (Post Dot-Com)



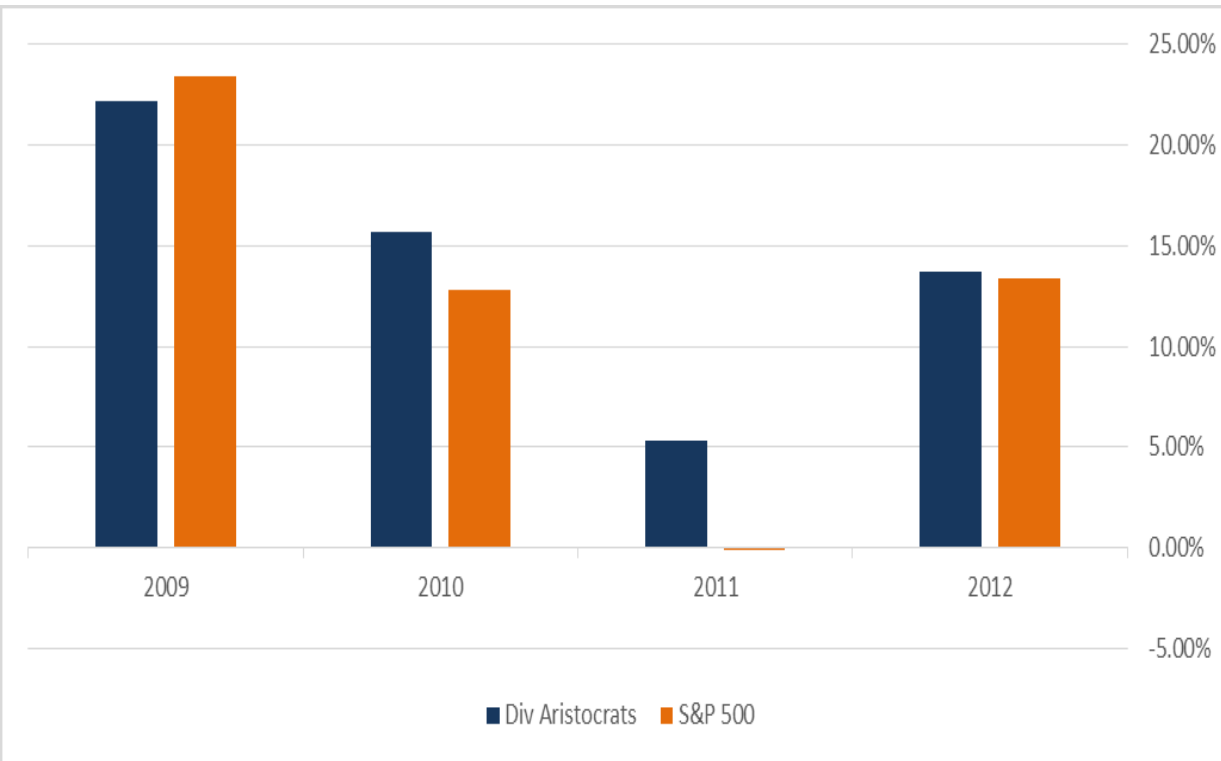
Comparative Total Returns (Post Dot-Com)



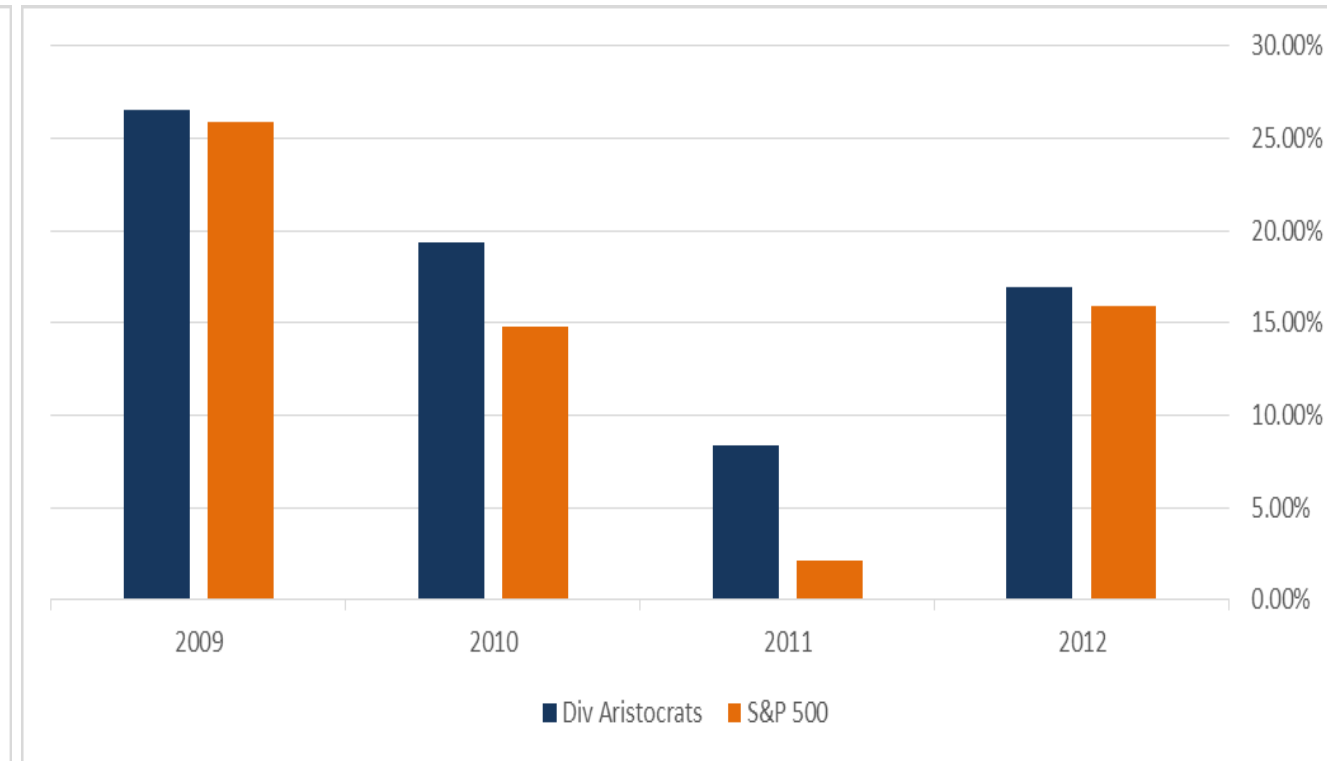
Faster Recovery post GFC

- Once dividends taken into account
 - The NOBL beat the index for all 4 years post GFC

Comparative Returns (Post GFC)



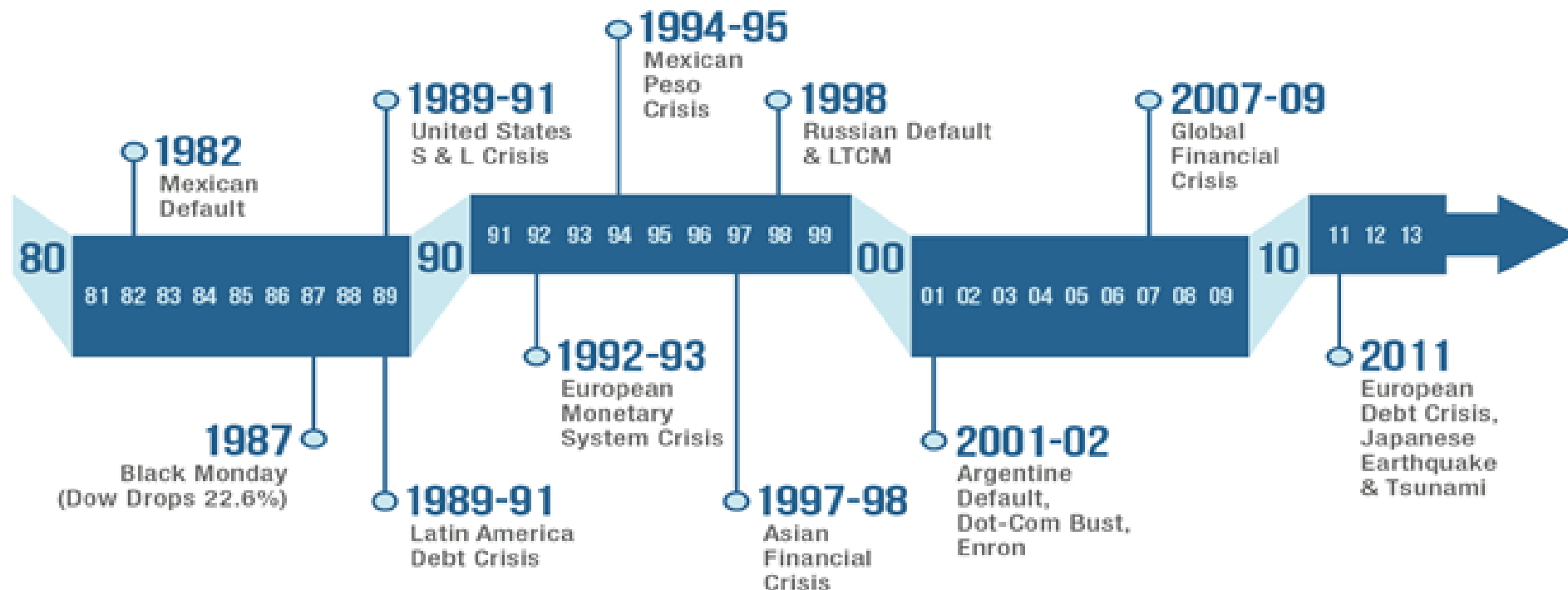
Comparative Total Returns (Post GFC)



Focus on Dividends

- Criteria to be included in NOBL
 - Increasing dividends every consecutive year for 25 years
 - At a minimum, ever stock in the list has been growing their dividend since 1992

Financial Crisis Timeline



Dividend Growth and History

- 5yr Div CAGR for constituents of NOBL gives an idea of Div growth rate

Ticker	Name	5 yr Div CAGR	Div Growth History (yrs)
JNJ US Equity	Johnson & Johnson	7%	54
XOM US Equity	Exxon Mobil Corp	10%	34
PG US Equity	Procter & Gamble Co/The	5%	60
WMT US Equity	Wal-Mart Stores Inc	6%	42
CVX US Equity	Chevron Corp	7%	31
KO US Equity	Coca-Cola Co/The	8%	54
MCD US Equity	McDonald's Corp	7%	40
ABBV US Equity	AbbVie Inc	0%*	44*
MDT US Equity	Medtronic PLC	12%	39
LOW US Equity	Lowe's Cos Inc	20%	54
	Portfolio	9.11%	
SPDAUDP Index	Dividend Aristocrats	9.77%	

* *AbbVie Inc was spun off from Abbott Laboratories in 2013, its 3yr Div growth rate is 12.50%*

Summary

- Market conditions have yet to signal an imminent correction
- Investors might wish to remain invested in equity markets and yet be defensive
- NOBL benefits investors due to:
 - Limited downside during crises
 - Faster recovery post Crises
 - Continually growing dividends

ETF

ProShares S&P 500 Dividend Aristocrats ETF
(AMEX:NOBL)

Phillip Ultra-Defensive Aristocrats

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11 September 17, 8.15am/11.15am Morning Call/Webinar



Singapore strategy update – September

Paul Chew

Phillip Securities Research Pte Ltd

11 September 2017

Singapore strategy update – September

- Maintain Neutral : STI Target 3270 unchanged
- Macro
 - Synchronous global recovery: global growth at 6-year high; electronics demand buoyant
 - The three worries: N Korea, debt ceiling, tighter monetary policy
 - US Data mixed: weak auto, loans but healthy sentiment, wages, jobs, manufacturing data
- BUY sustainable yield and property
 - Yield: AsianPayTV, CCT, MINT, Ascendas REIT
 - Property: CapitaLand, Wheelock, Chip Eng Seng
 - Banyan Tree: large pipeline of hotel-management contracts for the next several years
 - Coal: coal prices range-bound; SGX coal miners can almost double production in two years
- Sector updates
 - Domestic sectors still soft: retail, construction,
 - Hospitality experienced a nice bump in RevPar and tourist arrivals
 - Banking enjoying tailwinds: 18 month high SIBOR, healthy capital markets, improving economy

11 September 17, 8.15am/11.15am Morning Call/Webinar



The Phillip 20

August Monthly Review

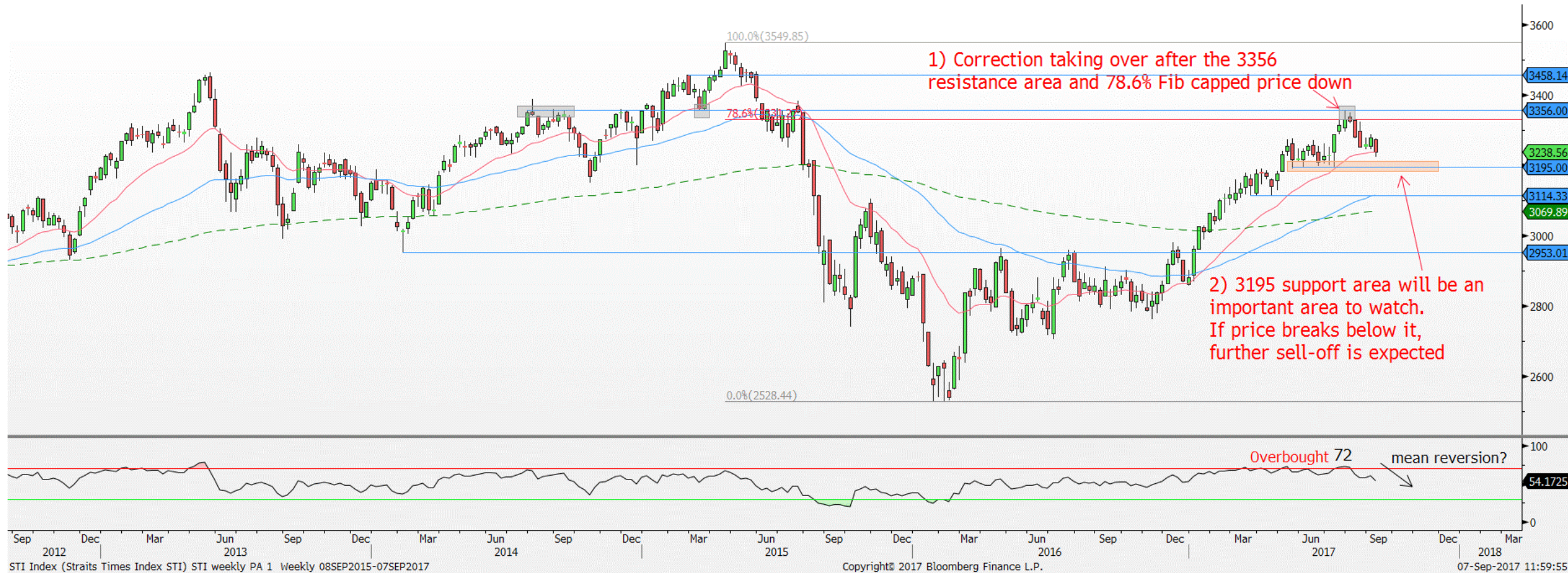
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11 September 2017

Straits Times Index – Technical Analysis

STI Weekly Chart : Stuck in a correction with all eyes on 3195 support



Source: Bloomberg, PSR

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Realized P&L for August 17

The Phillip 20 Portfolio - Realized P&L for August 2017

Company Name	Ticker	L	Entry Date	Entry price	Exit date	Exit Price	P&L
HI-P	H17	Long	7-Jul-17	0.950	16-Aug-17	1.410	48.42%
METRO	M01	Long	9-Mar-17	1.105	18-Aug-17	1.180	6.79%
UMS	558	Long	13-Jul-17	1.075	15-Aug-17	1.120	4.19%
SUNPOWER	5GD	Long	30-Mar-17	0.825	25-Aug-17	0.595	-27.88%
UPP HOLDINGS LTD	U09	Long	24-Mar-17	0.300	14-Aug-17	0.250	-16.67%
MM2 ASIA	588	Long	25-Jul-17	0.535	8-Aug-17	0.470	-12.15%
FOOD EMPIRE	F03	Long	7-Aug-17	0.700	22-Aug-17	0.625	-10.71%
SHENG SIONG	OV8	Long	5-Apr-17	0.985	25-Aug-17	0.895	-9.14%
HMI	588	Long	17-Jul-17	0.690	21-Aug-17	0.635	-7.97%
						Realized Average loss:	-1.26%

**Average gain is calculated based on equal weight placed on each trade*

Source: Bloomberg, PSR

New Entries for July 17

The Phillip 20 Portfolio - August new entries							
Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
GOLDEN ENERGY	AUE	Long	2-Aug-17	0.425	0.360	0.475	11.76%
ELLIPSIZ	BIX	Long	3-Aug-17	0.645	0.575	0.745	15.50%
HAW PAR	H02	Long	18-Aug-17	10.930	10.500	11.440	4.67%
PANUNITED	P52	Long	22-Aug-17	0.550	0.500	0.545	-0.91%
MIYOSHI	M03	Long	22-Aug-17	0.074	0.062	0.064	-13.51%
MOYA ASIA	5WE	Long	23-Aug-17	0.117	0.096	0.116	-0.85%
<i>*Average gain is calculated based on equal weight of 5% placed on each trade</i>						Average Unrealized Gain/loss:	0.83%

**Note; Moya Asia has been closed out on 5 September 2017 due to the bearish price action and weakening momentum.*

Source: Bloomberg, PSR

Watchlist

- China Sunshine
- Sunningdale Tech
- Straits Trading
- Jiutian Chemical
- GSH
- Hotung Inv
- Moya Asia
- Wing Tai
- Fischer Tech
- Asian Pay TV
- UOL
- Avi-Tech
- Silverlake Axis
- Metro
- Yongnam
- Frasers L&I Tr
- Micro-Mechanics
- Breadtalk
- YZJ Shipbldg SGD
- AEM
- Genting Sing
- Memtech Intl
- Wheelock Prop
- Venture
- Banyan Tree
- Serial System
- Sunright
- Oxley
- Cityneon
- Centurion

Current Portfolio

The Phillip 20 Portfolio - Our top technical picks							
Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
BLACKGOLDNATURAL	41H	Long	6-Jul-17	0.137	0.103	0.115	-16.06%
COGENT	KJ9	Long	22-Mar-17	0.780	0.725	0.805	3.21%
ELLIPSIZ	BIX	Long	3-Aug-17	0.645	0.575	0.745	15.50%
FRENCKEN	E28	Long	20-Jul-17	0.525	0.445	0.485	-7.62%
F & N	F99	Long	24-Mar-17	2.220	2.220	2.510	13.06%
GOLDEN ENERGY	AUE	Long	2-Aug-17	0.425	0.360	0.475	11.76%
HAW PAR	H02	Long	18-Aug-17	10.930	10.500	11.440	4.67%
MAN ORIENTAL USD	M04	Long	6-Sep-17	2.040	1.935	2.010	-1.47%
MIYOSHI	M03	Long	23-Aug-17	0.074	0.062	0.064	-13.51%
PANUNITED	P52	Long	22-Aug-17	0.550	0.500	0.545	-0.91%
RIVERSTONE	AP4	Long	12-Jul-17	1.065	0.995	1.080	1.41%
THAIBEV	Y92	Long	14-Mar-17	0.955	0.825	0.910	-4.71%
VALUETRONICS	BN2	Long	14-Jul-17	0.825	0.740	0.870	5.45%
<i>*Average gain is calculated based on equal weight of 5% placed on each trade from their respective entry dates</i>						Average Unrealized Gain/loss:	0.54%

Monthly Phillip 20 realized performance:

May 17 performance	3.37%
June 17 performance	0.33%
July 17 Performance	2.73%
August 17 Performance	-1.26%
September 17 Performance	-0.09%
Cumulative return since inception	5.61%

**Take profit will be updated accordingly in the future technical pulse report*

Source: Bloomberg, PSR

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