GOLDEN HORSE
FUND MANAGEMENT
金 馬 投 資 管 理

2019 June Report

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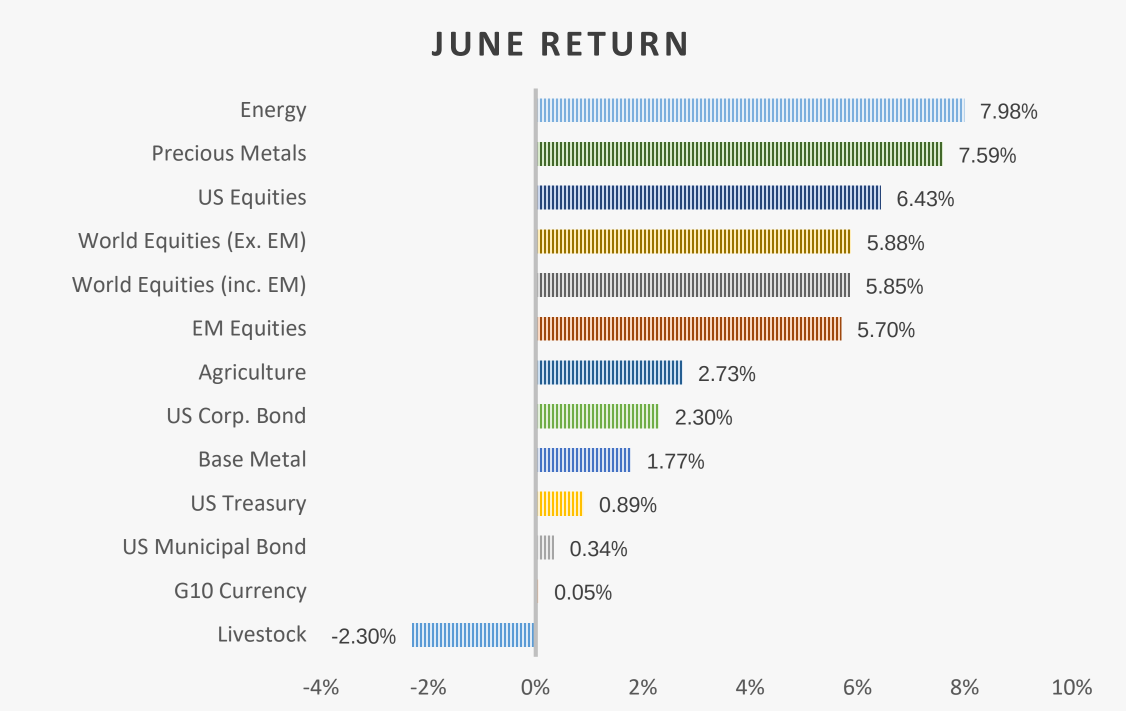
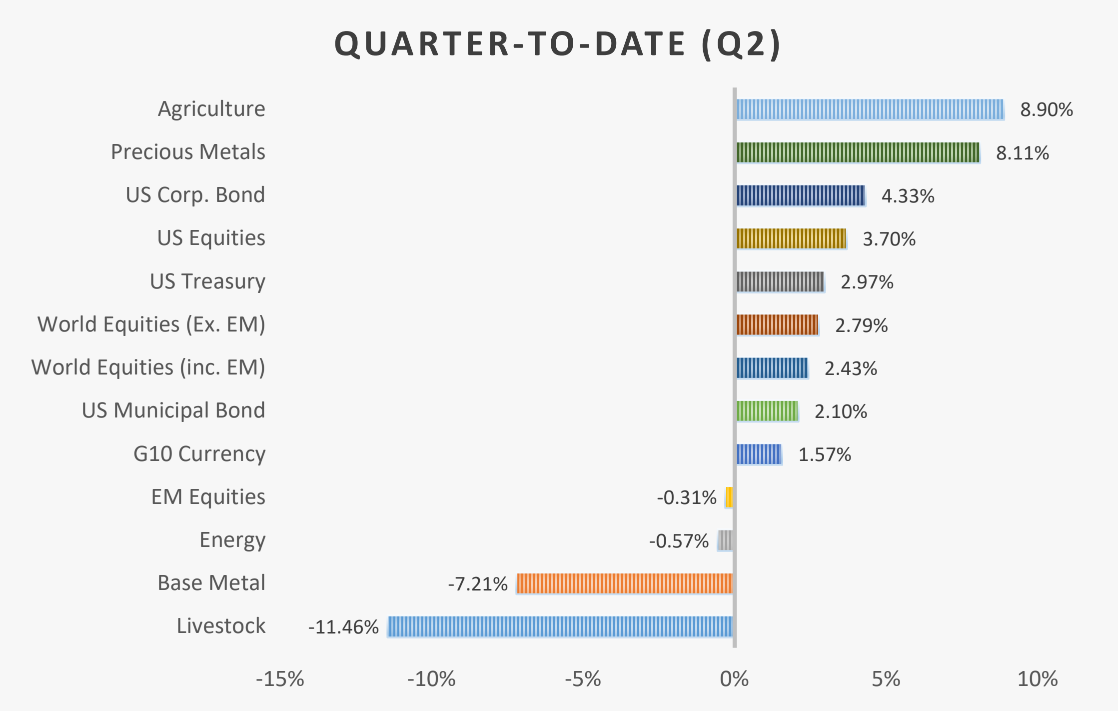
Source: Golden Horse Fund Management, Bloomberg
Data are as of June 28, 2019

Asset Class Performance





June

- Asset classes generally gained in June, with the highest returns in Energy, Precious Metals, and US Equities of 7.98%, 7.59%, 6.43%.
- The second quarter continues to see a broad-based increase across different asset classes. Optimistic expectations of a rate cut within the year contributed to this increase.

Looking Forward

- Our expectation that US equities will recover from the correction in May was validated.
- We note that US equity has gained significantly to make a new high, and may face resistance in the coming month, especially if the expectation of a July rate cut (which the gains were based on) does not play out. An amiable meeting between President Trump and President Xi, at the G20 meeting, on the other hand, may result in further gains.
- We are cautious towards the sudden surge in gold and other precious metals, which gained largely from a weakening dollar and expectation of a Fed cut.

Source: Golden Horse Fund Management, Bloomberg
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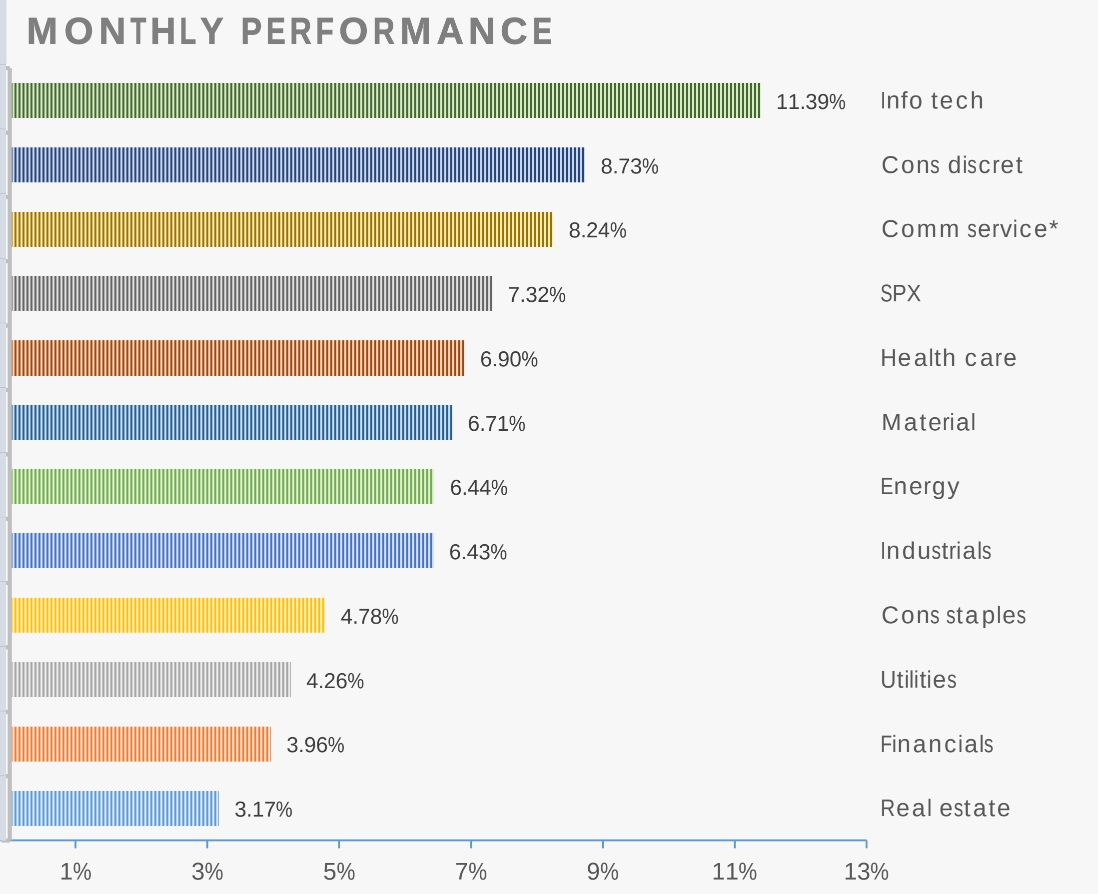
US: Sector Performance

Current Rank	May Rank	Change
1	11	(+10)
2	8	(+6)
3	5	(+2)
4	6	(+2)
5	3	(-2)
6	9	(+3)
7	12	(+5)
8	10	(+2)
9	4	(-5)
10	2	(-8)
11	7	(-4)
12	1	(-11)



* Telecom Service is transformed to Communication Service by pulling some stocks out of the consumer discretionary and technology sectors

June

- All the sectors gave eye-catching performance in June. Among all the sectors, Info tech achieved the highest gain of 11.39%, while Real Estate showed the lowest gain of 3.17%.
- Real Estate and Info Tech saw the biggest changes in rank, declining 11 places and climbing 10 places respectively.

Looking Forward

- We maintain our view that diversification across the cyclical and defensive sectors would help investors in achieving better risk-adjusted returns and also maintain our preference for the info tech and utilities sector.

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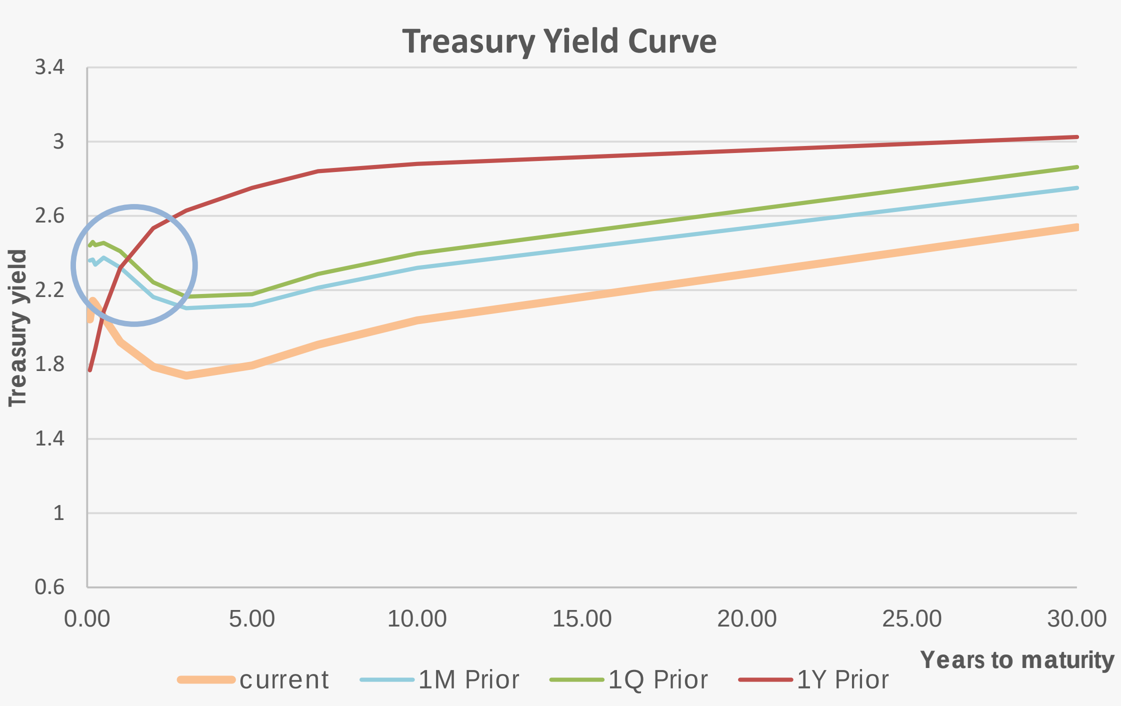
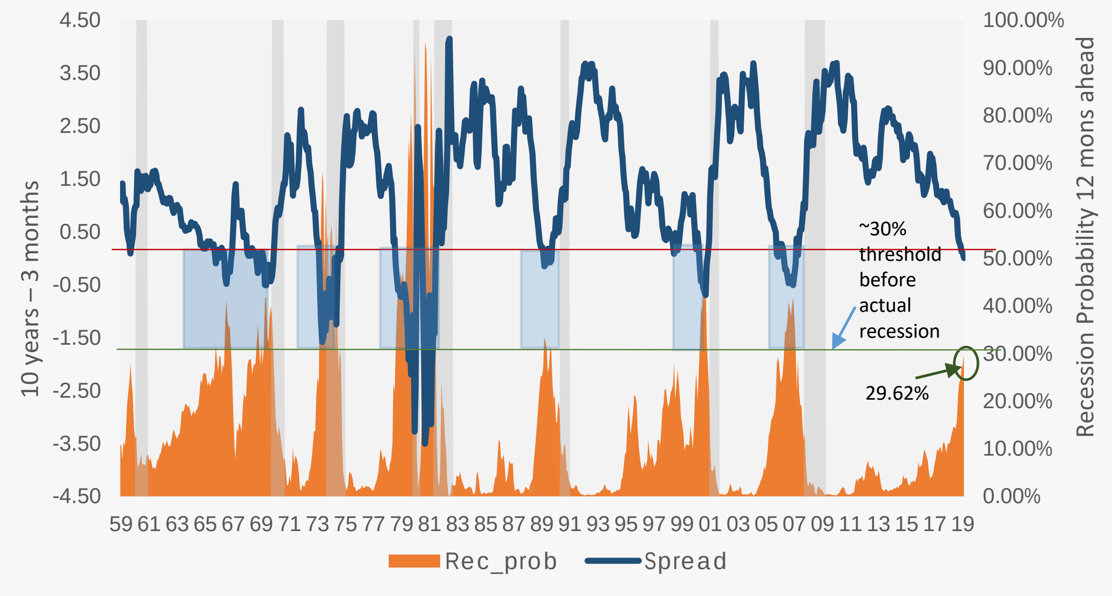
US: Treasury Yield Curve



Yield Spread and recession probability 12 months ahead, 10 yr yield - 3 month yield



June

- The US treasury yield curve inversion has become more pronounced within the 0 – 5 years' region, indicating that investors are more pessimistic about future global economy.
- The probability of a recession one year ahead as predicted by the US Fed has increased from 27.49% to 29.62%, almost hitting the 30% threshold, which strongly indicates a coming recession.

Looking Forward

- The current 29.62% probability of recession in 12 months ahead has crept even closer towards the threshold of 30% from last month's 27.49%. We believe this has prompted the US Federal Reserve to consider the need for a rate cut and become significantly more dovish. We will continue to monitor the yield curve for any changes.

Source: Golden Horse Fund Management, Bloomberg
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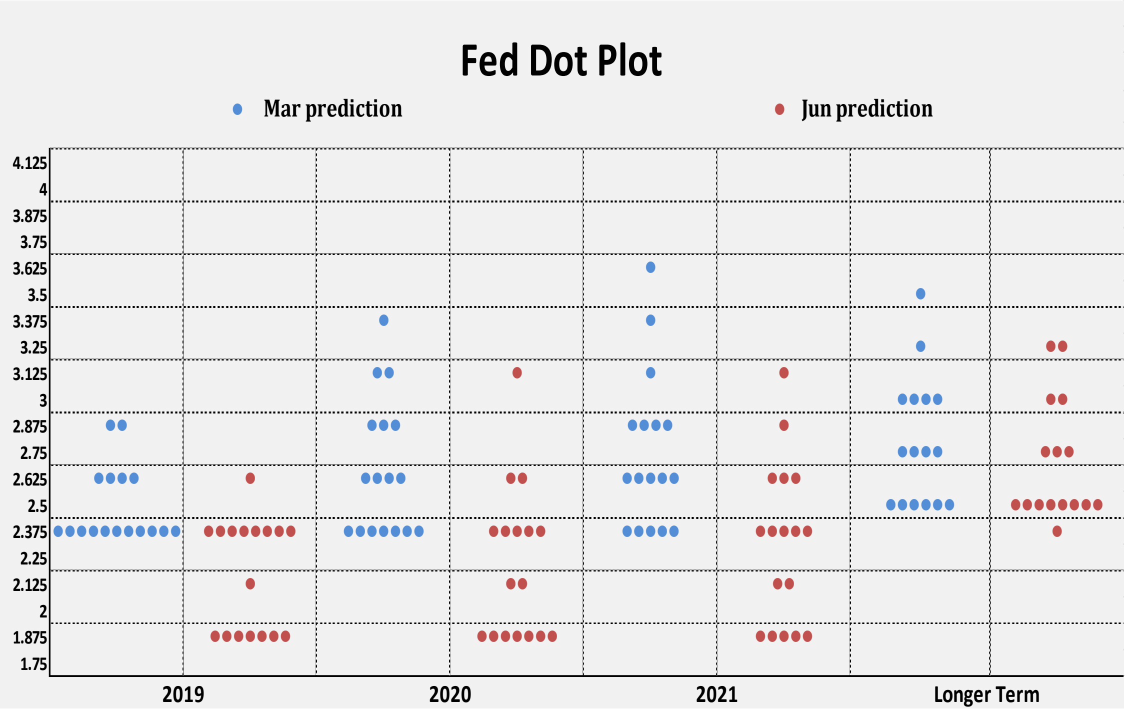
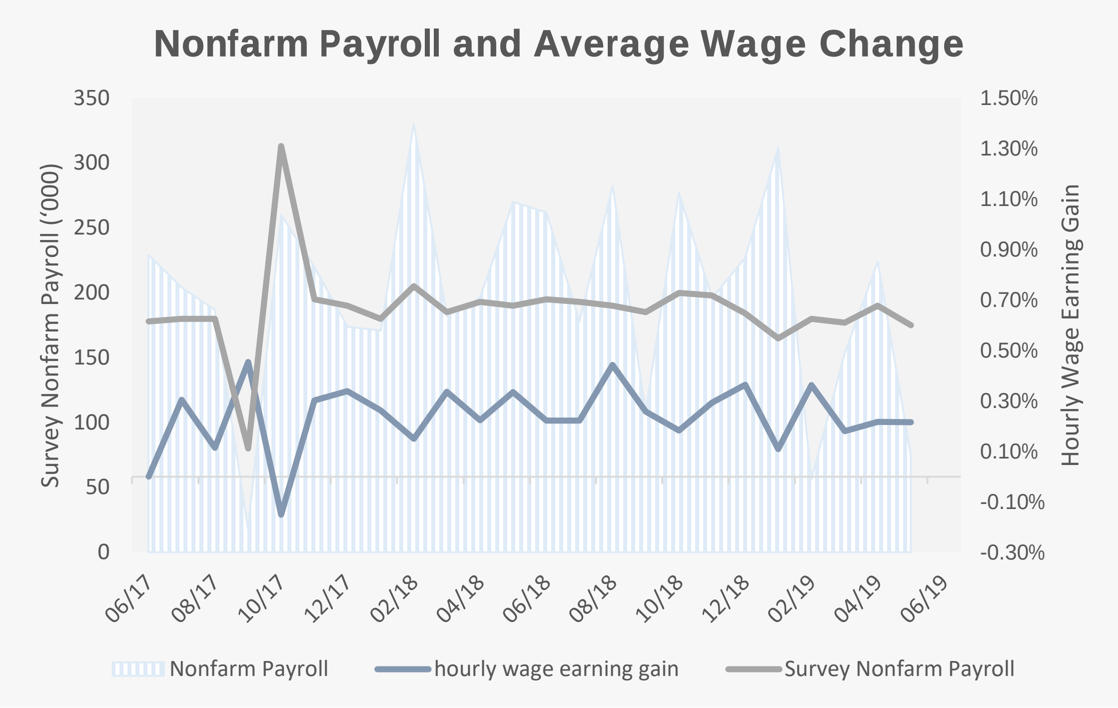
US: FOMC & Nonfarm Payroll





June

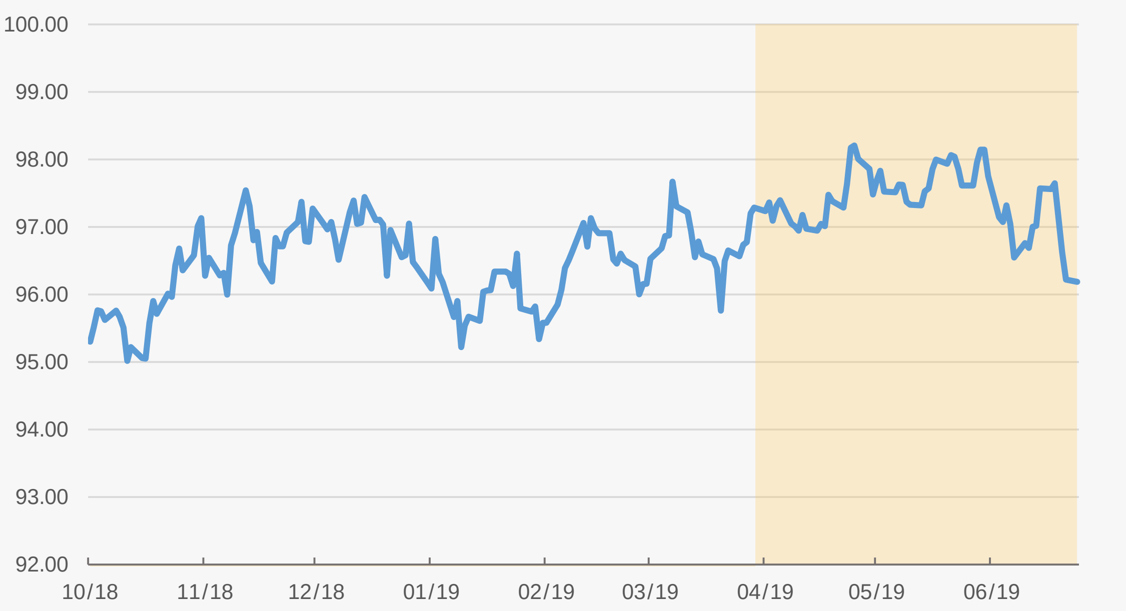
- US actual nonfarm payroll data showed significant decrease in May, by 75,000 which is much lower than the surveyed value of 175,000.
- Hourly wages grew at a rate of 0.22%, remaining unchanged as April.
- In the June FOMC, the US Federal Reserve adjusted its dot plot downwards, backing market expectations of a rate cut in 2019.

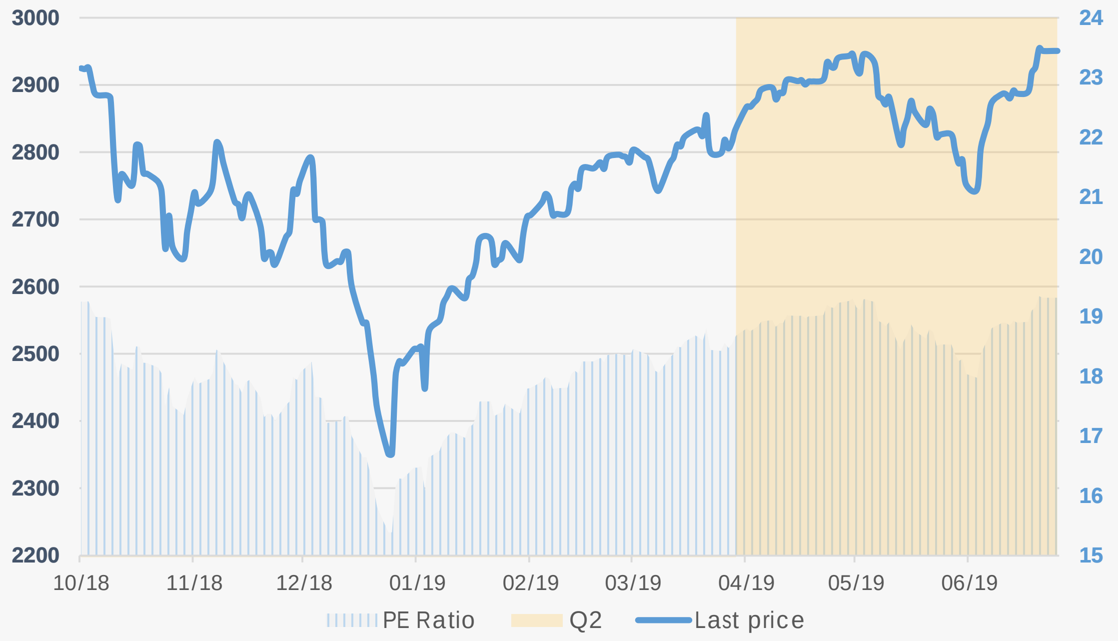
Looking Forward

- Our expectations played out exactly as the US equities market recovered on the continued dovishness of the Federal Reserve and the healthy US employment rate.
- We are sceptical of the certainty of a July Fed cut, given the recent highs in the US equity markets and strong employment rate, but we do think that the Fed is likely to cut by some time this year.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

US: Dollar Index and S&P





US Dollar

- The US Dollar Index fluctuated with a slight decline throughout the second quarter, closing at 96.19.

S&P 500

- The S&P 500 Index gained in June, rising from 2744.45 to 2950.46.
- The PE ratio also increased, climbing from 17.97 to 19.31 at late June.

Looking Forward

- As per our expectation, the S&P recovered and broke its previous high. We expect some consolidation given that the market has largely priced in a July Fed cut, and believe that the it will take some new events, such as increased Fed dovishness or a deal between US and China, for the index to head higher.

Source: Golden Horse Fund Management, Bloomberg
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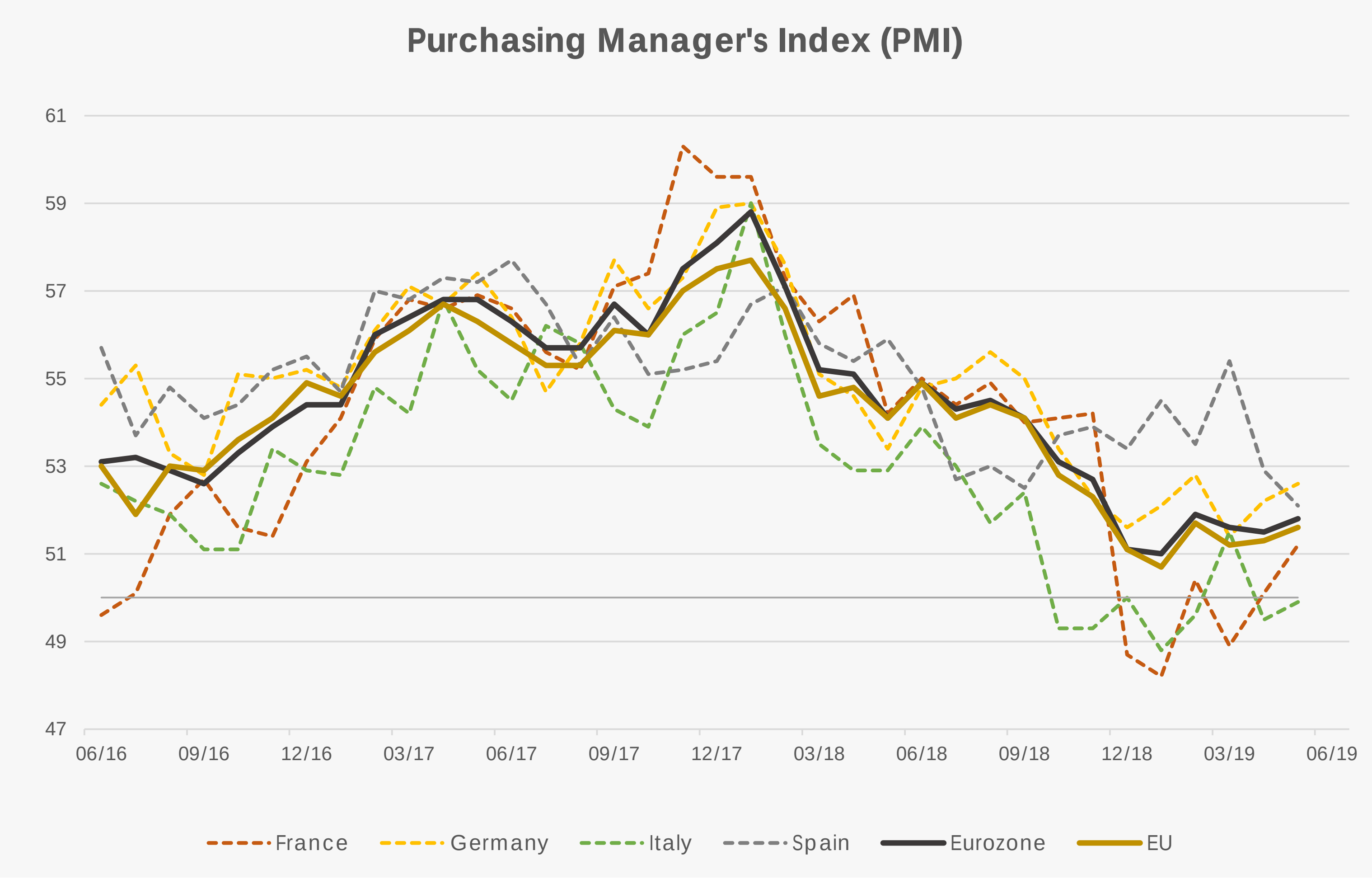
Euro: PMI



June

- In May, PMI value for France, Germany, Italy and EU showed mild upward movement, while that for Spain presented a decline.
- A PMI of 50-and-above signifies positive expectation for the private sector companies. We note that the PMI reading for Italy suggests a weak recovery, but it remains a cause of concern while below 50.

Looking Forward

- We hold our expectation that the European economy is likely to continue to underperform compared to the other major economies, given the general shape of its PMI since December 2017.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

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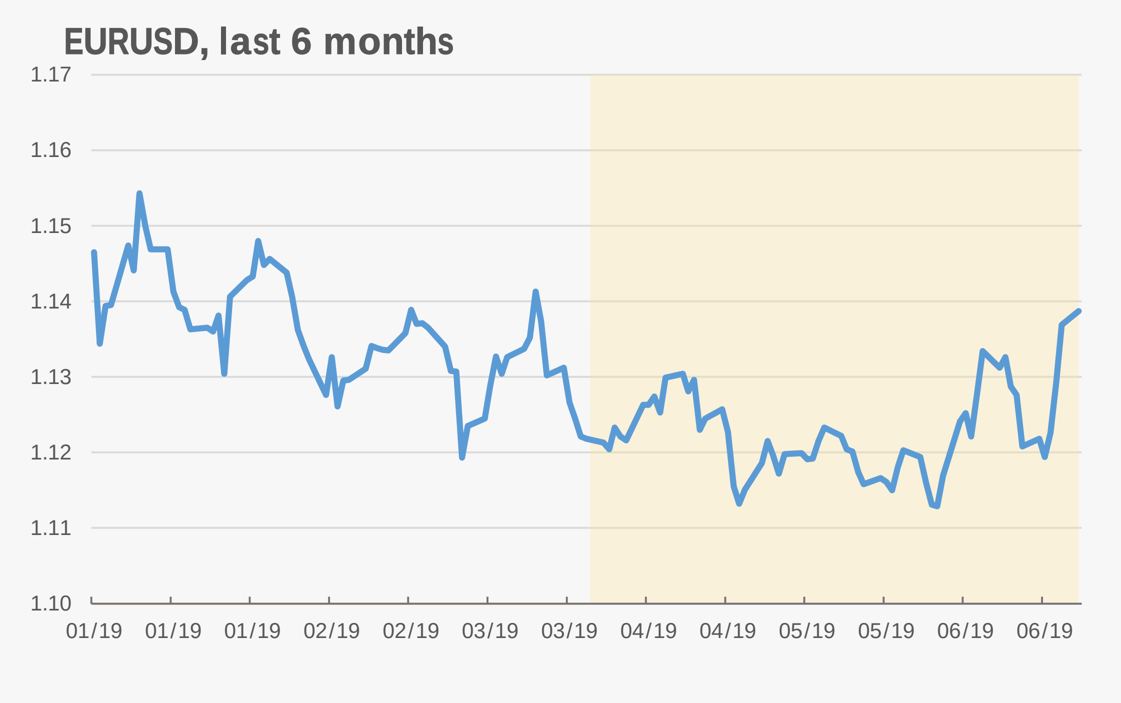
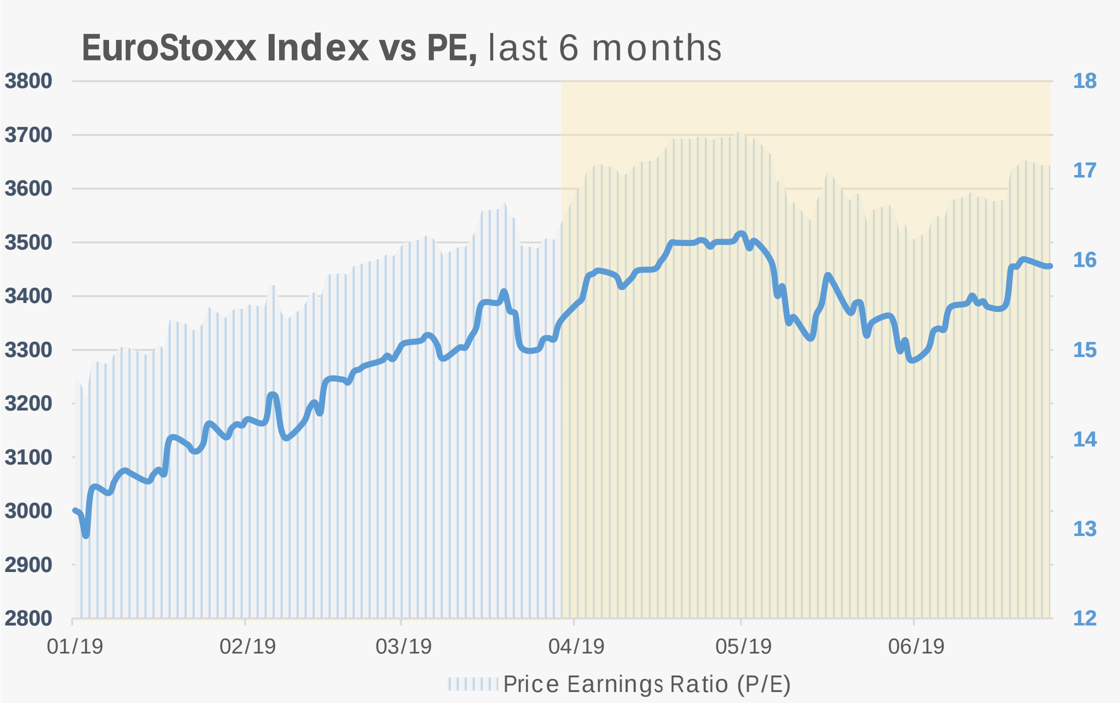
Euro: EURUSD & EuroStoxx 50 VS P/E





June

- EURUSD gained in June, rising from 1.12 to 1.14
- The EuroStoxx Index and its PE ratio ended at 3457.47 and 17.06 respectively.

Looking Forward

- Our expectation for a flat EURUSD did not play out. The pair was extremely volatile due to both the European Central Bank and the US Federal Reserve meetings in June. The US dollar weakened as the Fed became more dovish and the market priced in a 100% chance of a July rate cut.
- We continue to hold our expectations that the higher political risks and the weaker European economy will weigh on the European equities resulting in their underperformance compared to US equities.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

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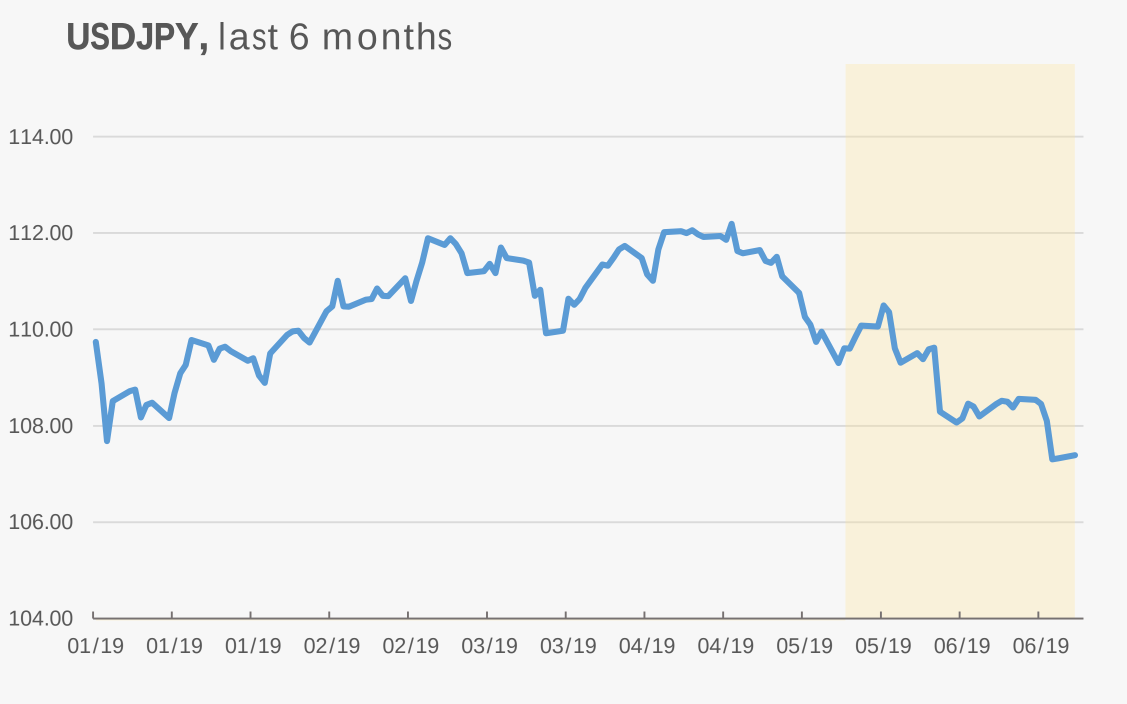
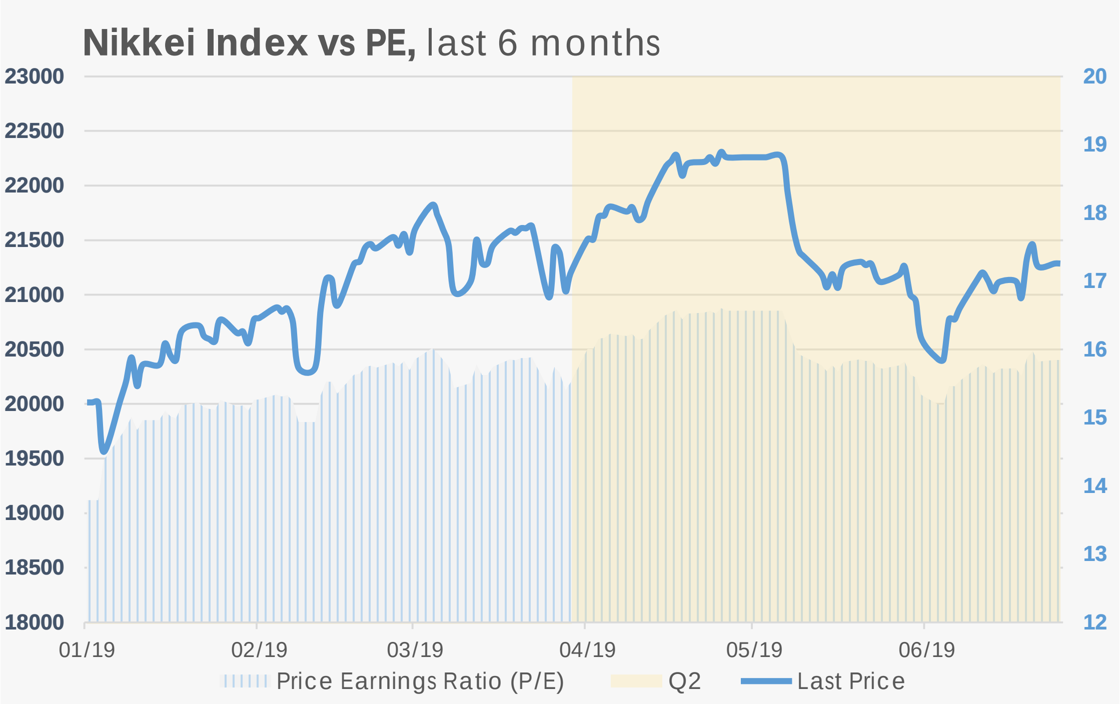
Japan: USDJPY & Nikkei VS P/E





June

- USDJPY fell in June, due to market expectations of a Fed rate cut.
- Both Nikkei Index and the PE ratio have seen mild increase in June, rising about 4.29%, following the global market's trend.

Looking Forward

- We expect USDJPY to stabilize in the short term as future expectations are mostly priced in, and will watch new events for a change in risk sentiments.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

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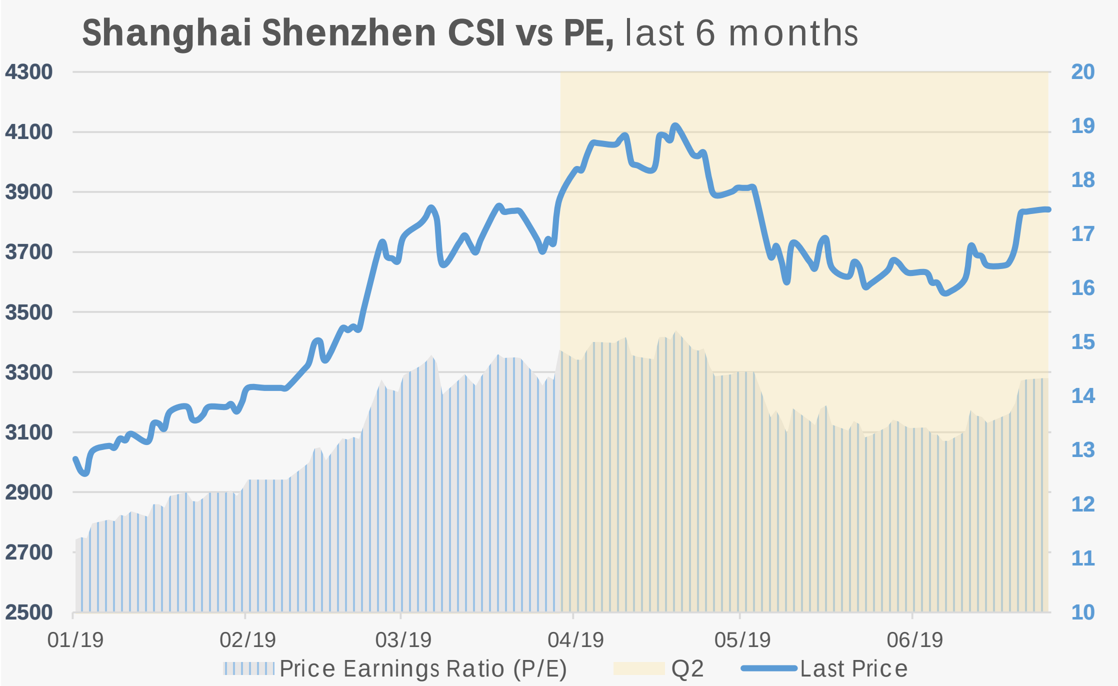
China: USDCNY & Shanghai Shenzhen CSI 300 Index VS P/E



June

- USDCNY dipped from 6.90 to 6.88 in June, after the hawkish Trump administration temporarily diverted its attention from US-China trade war and pointed its finger at Iran and India.
- The CSI 300 Index and its PE ratio gained in June, climbing by 5.76% and 6.82% respectively.

Looking Forward

- We note that USDCNY remained below the level of 7.00,and hold our opinion that China is unlikely to use its currency as a weapon in the trade war as it would affect China's other policy goals such as increasing the international use of the yuan and encouraging businesses to move up the value-added chain.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

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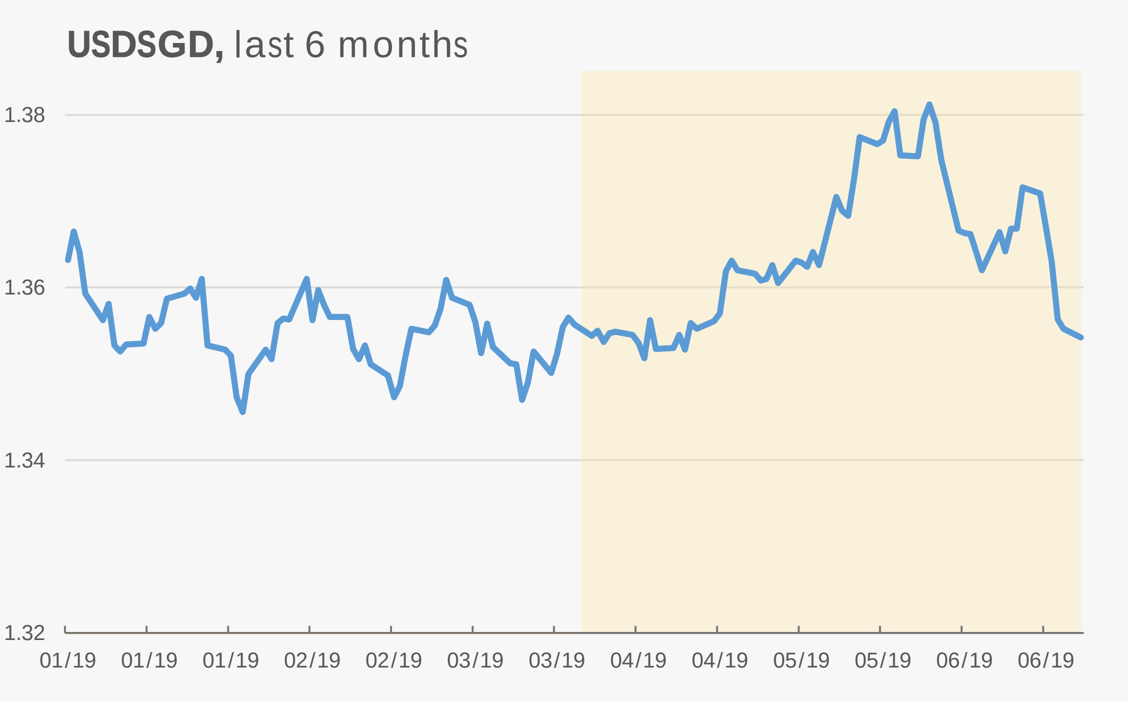
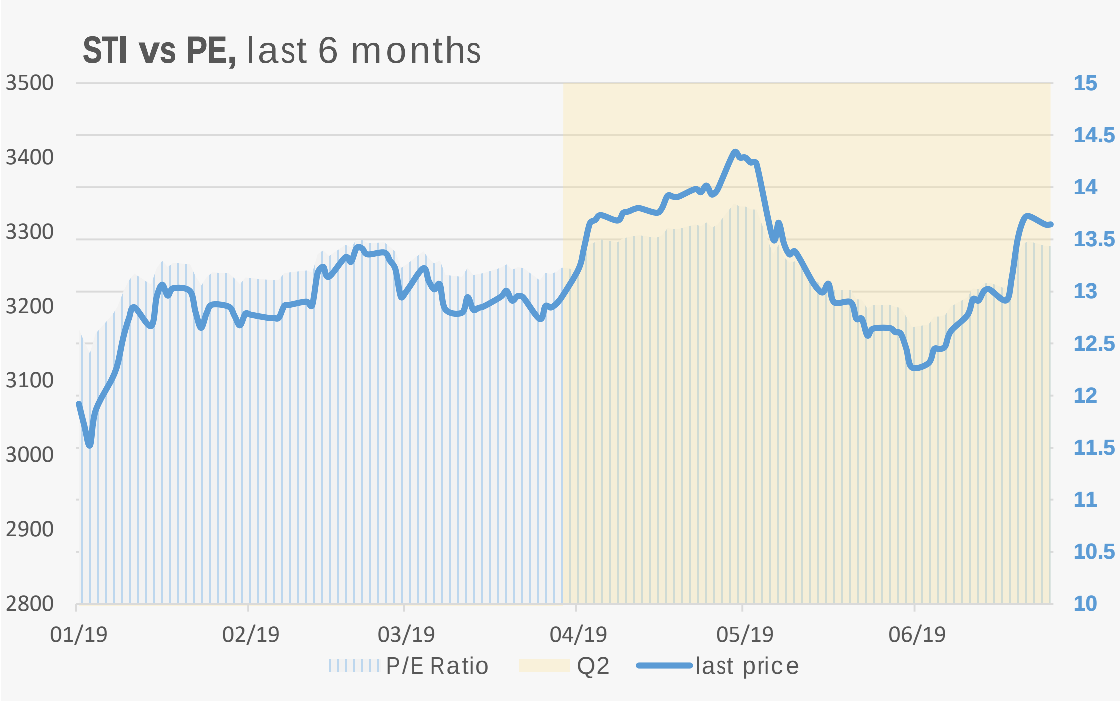
Singapore: USDSGD & STI VS PE





June

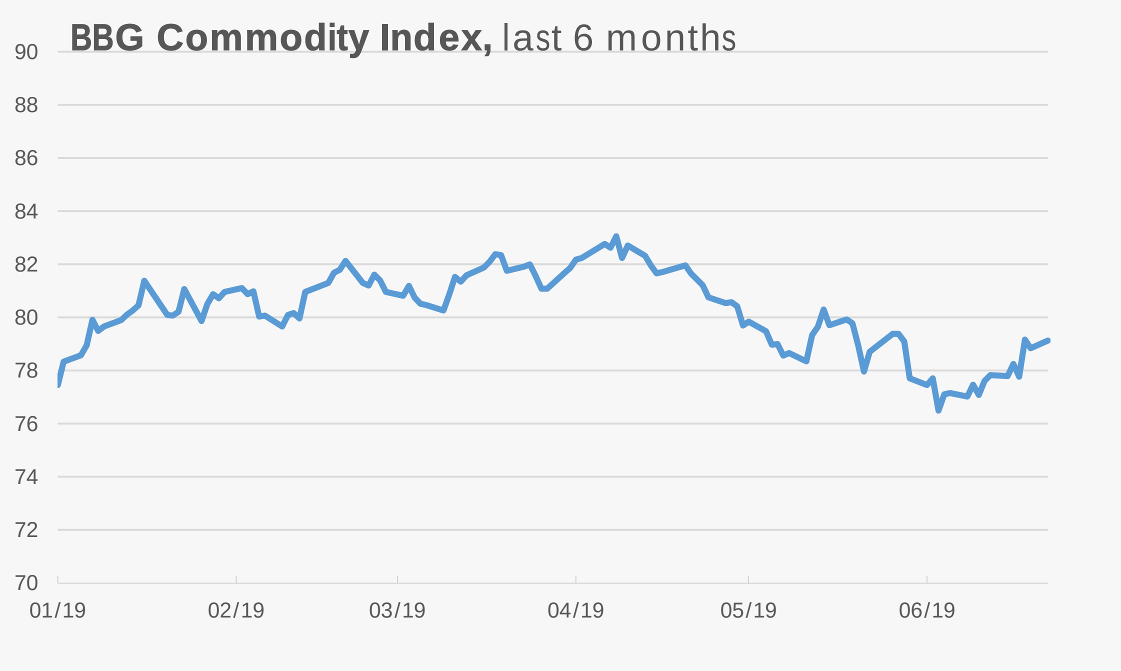
- USDSGD declined in June to 1.35 as the US dollar weakened due to the market expecting a Fed rate cut within 2019.
- The STI Index increased from 3123.46 at beginning of June to 3310.21, and the corresponding PE ratio increased from 12.68 to 13.44, both rising by 5.98%.

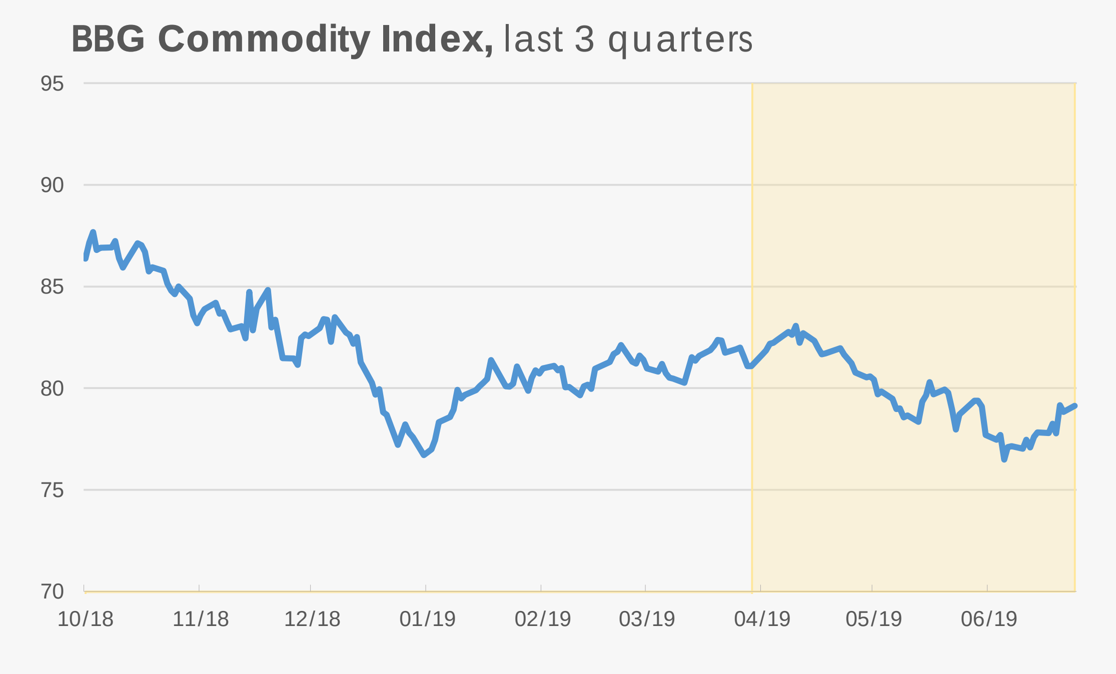
Looking Forward

- Contrary to our expectations, the USDSGD fell as the US dollar weakened. We expect the Singapore dollar and STI to remain sensitive to the US-China trade war, and to move according to any changes in the situation.

Source: Golden Horse Fund Management, Bloomberg
Data are as of June 24, 2019

Commodity: BBG Commodity Index





June

- The Bloomberg Commodity Index saw a stable uptrend in June, rising from 77.46 to 79.13.
- The weaker US dollar also contributed significantly to the rise in commodity prices.

Looking Forward

- We expect the price of commodities to remain muted as global demand remains low.
- The price of commodities will highly depend on the changes in the trade war. If the trade war were to abate, we believe that there would be greater demand coming in to support commodity prices.

Source: Golden Horse Fund Management, Bloomberg
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Commodity: Z-Scores of Commodities

**Z-Score: Number of standard deviations from a 200-day moving average. A high z-score indicates strong momentum relative to its 200-day moving average and vice versa.*

June

- Commodities displayed a broad-based gain in June.
- Gold Z-score increased the most by 1.53, while Livestock Z-score presented the only decrease by 0.56.

Looking Forward

- We hold our expectations that the lack of global demand is likely to keep commodity prices low, but surprise events such as a resolution to the trade war could cause a surge in commodity prices.

Source: Golden Horse Fund Management, Bloomberg
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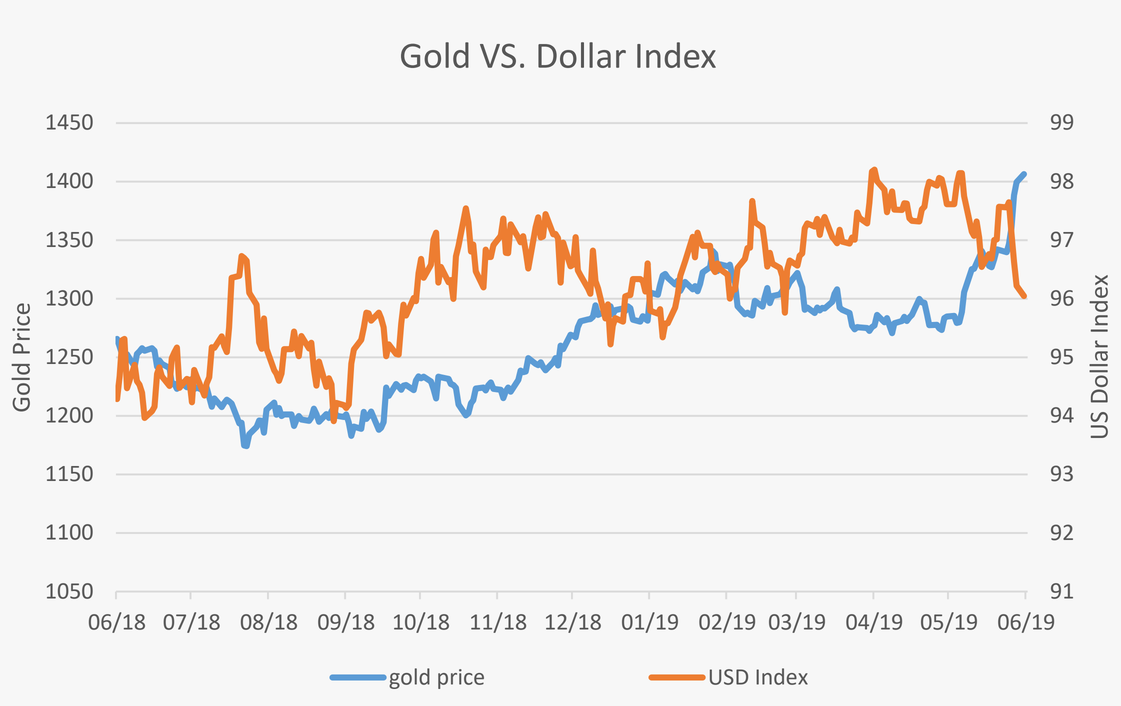
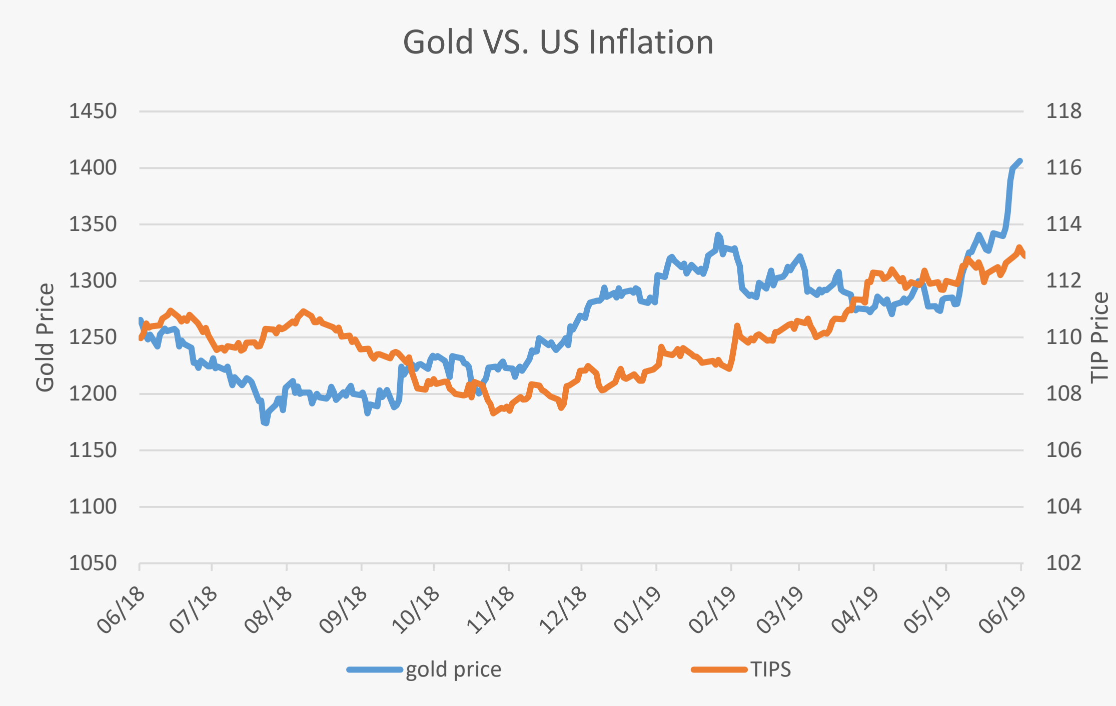
Commodity: Gold





June

- In June, Gold prices and TIPS both gained, as investors shifted to gold for its ability to hedge against inflation.

Looking Forward

- Our bearish bias for gold did not play out as gold surged on markets expectation for a Fed cut, despite risk-on sentiments in investors and low inflation data.
- We think that gold could face some mean-reversion in the short term given the sudden surge, but have a long bias for gold in the long term.

Source: Golden Horse Fund Management, Bloomberg
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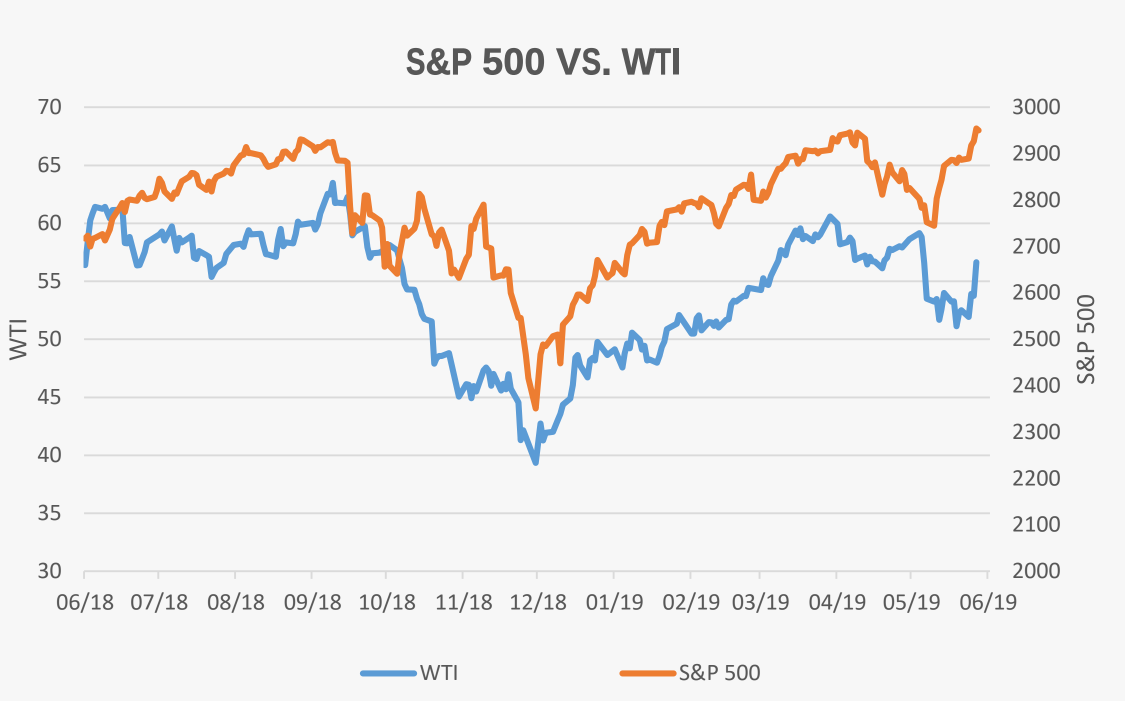
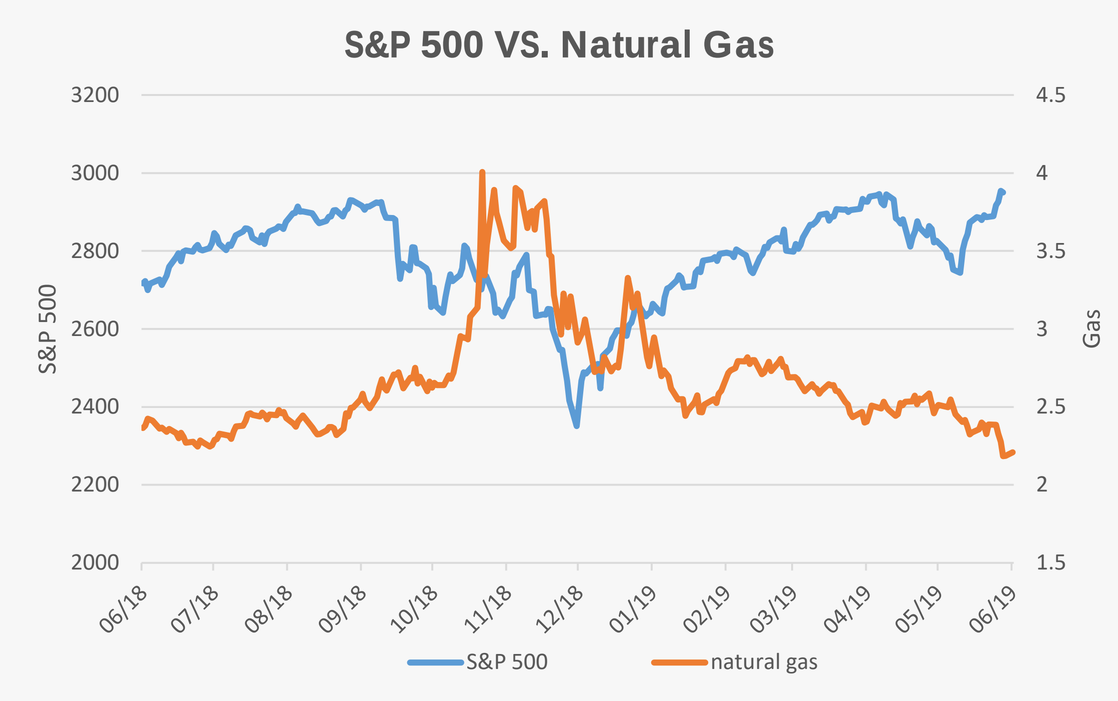
Commodity: Crude Oil





June

- West Texas Oil gained in June on escalating tensions between US and Iran and closed at 56.65, while Natural Gas fluctuated and closed at 2.21.

Looking Forward

- We expect price to remain volatile with a slight upward bias in the short term given the conflict between US and Iran.

Source: Golden Horse Fund Management, Bloomberg
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