

Weekly Commentary 49 – Dec 2023

If you had invested in fixed income securities (ie bonds) since Covid when interest rates were brought down to zero when governments (except China's) panicked over the possible coming of another Great Depression, you would have lost money. Bonds behave predictably. If interest rates go down, the value of the bonds must go down to compensate for the lower returns implied by the lower interest rates. As such, there is a well-known inverse relationship between the value of bonds and interest rates. The low point reached on the ten year US treasury bond was ½ percent for a ten year investment. In other words, if you bought one of those babies in August 2020, your return would have been \$5000 every year for every million dollars of bonds you bought. Since then the bonds have retraced and two months ago, they were trading at 4.65 percent. That's a bloody disaster for anyone holding those bonds.

On the other hand, lower interest rates would generally make stock dividends more attractive. In the pricing of stocks, based on what is known as the dividend discount model - a standard stock pricing methodology – a fall in interest rates will lead to stocks going up. So, there is also an inverse relationship between stocks and interest rates. When interest rates fall, most investors will find equities to be rising.

This would make investing quite easy, wouldn't it. If interest rates fall, bonds would rise and stocks would also rise. In a portfolio consisting of both roughly equal percentages of bonds and stocks there would be a natural "hedge" in which the risk of stocks would be balanced by the stability of bonds. When interest rates fluctuate, the bond and stock components in the portfolio would move in predictable ways, and the investor would not suffer uneven losses. This has led to orthodoxy in traditional investment practice – institutional portfolios would then to hold 60% in stocks and 40% in bonds in what is known as the 60-40 allocation.

The 60/40 strategy involves constructing portfolios which are allocated 60% to equities and 40% to bonds. The simplest implementation of the strategy would involve buying the S&P 500 and U.S. Treasurys.

If you were to go that route, your portfolio would primarily contain U.S. investments. You could also build a globally diversified 60/40 portfolio by including international stocks and bonds as well.

In theory, a 60/40 mix allows you to maintain balance in your portfolio when the stock market is high. When it is falling, the bond portion is designed to minimize risk while generating a consistent rate of return over time, even during periods of volatility.

The main advantage of a 60/40 portfolio is that the bond allocation moderates the risk of the portfolio. That is, it allows investors to sleep at night.

How to Build a 60/40 Portfolio

How you go about adding investments to your portfolio with a 60/40 division depends on your investing style.

For example, DIY investors who are comfortable with a self-directed approach can construct a portfolio using low-cost exchange-traded funds (ETFs). ETFs are mutual funds that trade like stocks, so you get streamlined diversification while taking advantage of market movements. They're also more tax efficient than traditional mutual funds because the investments within the ETF don't turn over as often.

There are other investment options to consider as well. An investor with a current income need may benefit from dividend-paying stocks and real estate investment trusts for their equity allocation. On the fixed-income side, investors may consider municipal bonds to benefit from tax-exempt interest. Another option is high-yield bonds, which can offer better yields but are riskier.

You could of course choose individual stocks. However, even historically well-performing stocks can have bad days. And if you put all your eggs in one stock basket, so to speak, you could rack up big losses if the stock drops. For example, in the last year, Artificial Intelligence stocks have been flying. How long can this run last?

The returns on the market have been driven by a small percentage of big winners. Trying to pick winners, for most, is a loser's game. The solution is to invest in diversified funds instead.

If you're investing in mutual funds or ETFs for the equity portion of your portfolio, pay close attention to the fees. Specifically, hone in on the expense ratio. This ratio tells you what

percentage of a fund's assets are used to cover its operating costs each year. The higher the fee, the more of your investment earnings you'll hand over to own that fund.

The Downsides of the 60/40 Portfolio

While a 60/40 strategy is an uncomplicated way to invest, there are some downsides to consider.

The biggest disadvantage is that, over the long-term, a 60/40 portfolio will underperform an all-equity portfolio. And over very long time periods it will underperform by a significant amount because of the influence of compounding interest.

In other words, you may be playing it safer with a 60/40 division of assets but you could be missing out on returns. Between 1926 and 2017, large-cap stocks such as the ones included in the S&P 500 returned 10.20% compounded annually, according to Morningstar. Over that same time frame, long-term corporate bonds returned 6.10% while long-term government bonds returned 5.50% annually.

An investor who sticks with a straight 60/40 mix could see returns on both sides. However, they could potentially shortchange their portfolio's growth by not owning a higher percentage of stocks.

An article recently published by Bloomberg now reveals that the orthodoxy is now getting bad reviews. The beating that investors have taken in bonds over the last two years have led investors to the feeling that if it was ever a good idea to rely on fixed income in the first place. Now there's new research that validates such suspicions, and upends some serious conventional wisdom when it comes to building that retirement nest egg. A group of academics set out to test the old theory about how a diversified portfolio of bonds and stocks is the best way to save for the future. What they found was that a mix of half domestic, half international equities actually beat blended portfolios in both money made and capital preserved. With fixed income suffering subpar returns amid the Federal Reserve's monetary tightening, some have argued traditional investing advice needs a rethink. "As long as the equity investors are able to stick it out," says study co-author Scott Cederburg at the University of Arizona, "they end up being better off with very high probability than somebody who's trying to smooth out those short-term movements by diversifying into bonds."

The other big problem about bond-stock allocations is that there has to be certain amount of expertise in forecasting interest rates. Interest rates tend to rise when the economy is doing well, and most people with money would tend to invest in stocks exactly the opposite of what they should do.

In the last week, we have seen confusing data that makes it difficult to forecast where interest rates are headed. Since the peak in bond yields earlier this year, these have fallen by about ½ a percent from above 4.6 percent to 4.15 percent. When the 3Q unemployment numbers were released on Friday, there was a surprise. It emerged that the US unemployment rate is at 3.7 percent compared to 3.9 percent last month. This was a disappointment to most analysts as the US job market was one of the brighter spots in the economy. This led to a retracement of the benchmark ten year bond yield – from 4.14% to 4.23%. So, has the yield on 10 year bonds bottomed out? Is the soft landing that many had hoped for going to happen?

Obviously, forecasting interest rates is not easy.

If the economy does not fare as well as hoped for by the Biden White House, then the prospects of a Trump win in the 2024 elections will increase. How real is a Trump triumph over Biden?

Polls a year out from the 2024 election suggest Trump has a good chance of winning it. If he does, he and his allies want to be ready to run the country in ways they were not in 2016.

For more than a year, groups supporting Trump have been publicising plans to fill government roles with proven Trump loyalists if he wins a second term.

Trump believes his first term was undermined by “deep state” bureaucrats, “weak” lawyers and even “woke generals”. Some of his opponents argue that government officials indeed acted as “guardrails” during Trump’s administration, saving the country from his worst instincts.

There seems to be a near consensus among Trump’s friends and foes that his authoritarian second term plans would require more cooperative government officials than he had last time around.

But how much could Trump genuinely reshape the United States government?

Theory of bureaucratic politics

In 1971, political scientist Graham Allison wrote *Essence of Decision*, an analysis of the Kennedy administration's actions in the Cuban Missile Crisis. Allison argued that foreign policy decisions of the United States government could not be understood simply as rational responses to external situations. Decisions are political outcomes resulting from complicated "games" played between different actors within the government.

Even in foreign policy, a domain where the US president has a lot of power compared to other areas of policy, the president needs help making decisions. Those decisions reflect bargaining between cabinet secretaries, military figures, diplomats and advisers, all of whom have their own interests and viewpoints.

One of the book's earliest reviewers, the realist international relations scholar Stephen Krasner, was unimpressed by this analysis. He believed it would be popular with high-level policy-makers because it obscured their responsibility for the decisions they made. In the end, Krasner argued, there is a single decision-maker in US foreign policy, and that is the president. Games may be played among the president's staff and bureaucrats, but they are games whose rules are written by the president and whose players are chosen by the president.

Allison's theory would resonate with those who imagine a "deep state" establishment thwarting the president's agenda. Trump is not the first president to rail against entrenched opposition in his own administration, especially in foreign policy. Barack Obama's staff complained of "The Blob", a militaristic establishment that included Obama's secretary of defense. Other Democratic presidents also used blob-like metaphors. Allison noted that John F. Kennedy described the State Department as "a bowl of jelly", while Franklin D. Roosevelt said that trying to change anything in the Navy was "like punching a feather bed".

Biden faces other problems in his reelection bid. There is the debacle in Ukraine which will come back to haunt him. Increasingly American media are now talking about the war in Ukraine being lost. Here is Biden begging for Congress to approve his administration's plan to provide \$61 billion of funding to Kyiv:

Good afternoon, everyone. I'd like to speak to you today about an urgent responsibility that Congress has to uphold the national security needs of the United States and, quite frankly, of our partners as well.

This cannot wait. Congress needs to pass supplemental funding for Ukraine before they break for the holiday recess. It's as simple as that.

Frankly, I think it's stunning that we've gotten to this point in the first place. While Congress

— the Republicans in Congress is — are willing to give Putin the greatest gift he could hope for and abandon our global leadership not just to Ukraine, but beyond that.

We've all seen the brutality that Putin has inflicted on Ukraine: invading another country; trying to subjugate his neighbors to his iron rule; committing atrocities — atrocities against Ukrainian civilians; trying to plunge them into the cold and darkness of winter by bombing their electrical grid so they don't have any heat during the winter, ki- — or electricity, for that matter; kidnapping thousands of Ukrain- — thousands of Ukrainian children from their parents and families and keeping them in Russia.

Russian forces are committing war crimes. It's as simple as that. It's stunning.

Who is prepared to walk away from holding Putin accountable for this behavior? Who among us is really prepared to do that?

You know, for the better part of two years, the brave people of Ukraine have denied Russia a victory on the battlefield. They've defeated Vladimir Putin's ambition to dominate Ukraine.

And the people of the United States can and should take pride — they should take pride that we've enabled Ukraine's success thanks to the steady supply of weapons and ammunition we've provided them together with our partners and our allies.

I just did a meeting with the G7, which was one of the issues we discussed — all of the European leaders. We are prepared to stay with us — stay with Ukraine, and our European friends are as well.

Who in the United States are prepared to walk away from that? I tell you, I'm not prepared to walk away, and I don't think the American people are either.

If Putin takes Ukraine, he won't stop there. It's important to see the long run here. He's going to keep going. He's made that pretty clear. If Putin attacks a NATO Ally — if he keeps going and then he attacks a NATO Ally — well, we've committed as a NATO member that we'd defend every inch of NATO territory. Then we'll have something that we don't seek and that we don't have today: American troops fighting Russian troops — American troops fighting Russian troops if he moves into other parts of NATO.

Make no mistake: Today's vote is going to be long remembered. And history is going to judge harshly those who turn their back on freedom's cause.

We can't let Putin win. I'll say it again: We can't let Putin win. It's in our overwhelming national interest and international interest of all our friends.

*Any disruption in our ability to supply Ukraine clearly strengthens Putin's position. **We've run out of money to be able to do that, in terms of authorization.***

Note that in Biden's 80 year old brain, negotiation with the Russians does not register, but he is seeking negotiation with the Republicans to deal with Moscow? Really? There is something seriously wrong with the man's logic.

More analysts are already calling the war an outright loss for Ukraine with the narrative no longer a “stalemate”. Here are two examples:

Ukraine Has Lost The War And America Has Lost Interest

By indi.ca • 9 Dec 2023 •

Ukraine’s General Valery Zaluzhny recently informed America’s corrupt War Secretary Lloyd Austin that “*Ukraine needed 17 million rounds of ammunition and that US\$350–400 billion worth of assets and personnel.*” If wishes were horses, beggars would ride. These demands are physically and politically impossible and what Zaluzhny is admitting, between the lines, is that the war is lost. America, anyways, has lost interest, so nevermind.

As an unnamed source in that article said “*Austin was told 17 million rounds of ammunition were needed. He was stunned, to put it mildly, because **you wouldn’t be able to collect that many rounds in the whole world.***” All the Empire’s HIMARS and all the Empire’s munitions, cannot put Ukraine together again.

The dollar amount of \$400 billion (!) is even more farcical. The US Congress has been rejecting a \$60 billion allocation since October and cannot even fund its own country for more than a few months at a time. As much as the military industrial complex enjoys the filthy lucre, it’s a bit embarrassing watching their *wunderwaffen* burning on the Ukraine steppe. They’d rather drop their 2,000 kg bombs on air-defenseless homes and hospitals full of children in Gaza, which is more their speed.

Thus far (as much as the corrupt Pentagon can account for anything), the total military ‘aid’ America has ‘sent’ Ukraine has been around \$44.2 billion. I put ‘aid’ and ‘sent’ in scare quotes because the amounts just go right back to corrupt American arms dealers, like Austin’s company Raytheon (RTX). Zaluzhny is realistically saying he needs 10x the total amount given thus far, and that just isn’t happening.

Even if Ukraine got the money (it won’t), even if Empire could manufacture the shells (it can’t), who is going to fire them? Ukraine has assembled and destroyed at least three full armies now, they’re simply out of human resources. Ukraine has lost nearly half a million men and more wounded. No amount of money printing can bring the dead back to life, or make the lame walk. When the war started the average age of a Ukrainian soldier was 30–35 years. Now it’s 43 years old, and that’s not good. I’m 41 and I throw my back out sneezing. They’re scraping the bottom of the barrel.

Just look at Ukraine’s age pyramid. This is a war crime, committed by America’s infernal meddling.

Ukraine simply does not have fighting age men to throw into the fight anymore. It does not have a new generation coming up to continue a war of attrition. Meanwhile, at least 8 million people have simply left Ukraine, at least half a million have left the earthly realm entirely, and many more are disabled. Ukraine was an aging population in the first place and now nearly half of the young women and children are gone. The young men to fight simply don't exist, as much as Ukraine is trying forced conscription.

The gerontocrats of America have committed their own sort of genocide in Ukraine. Under the guise of 'helping,' they've completely destroyed this country for generations. They've helped themselves to filthy lucre and indulged late-imperial fantasies from afar, while decimating an entire population on the ground. As Henry Kissinger said, *"It may be dangerous to be America's enemy, but to be America's friend is fatal."*

The White Empire (America and its colonial fuckboys) has effectively sacked Ukraine, taking its women and killing off the menfolk. All for what? To make some filthy lucre and actually *improve* Russia's military capability. As Rob Urie writes (via Naked Capitalism), *"After killing or permanently maiming 400,000 Ukrainians from some grotesque, geostrategic, brain-fart, the political leadership in the US is supporting and funding a WWII-like genocide in Gaza. These are Liberalism's facts in 2023."* Geostrategic brain-fart is the right description, and Ukraine is where the shit comes out. Empire has long since moved on to something more their speed, dropping expensive bombs on poor people without air defenses. Ukraine is a lost cause, and the America media (privatized propaganda) and Congress have long since moved on. Just follow the money.

The amount sent in November 2023 was around half a billion, which is barely enough for the corruption in Ukraine, let alone actual fighting. Time is also money, and the more the US delays, the more salvaging Ukraine will cost. \$400 billion might as well be a trillion with all the delays now. What we have is a bunch of imaginary money chasing non-existent resources, all against time's arrow. It's a conundrum wrapped in a contradiction and thrown into a time machine. It just doesn't work.

Bear in mind that Ukraine doesn't just need this money for arms, it needs it to pay salaries, keep the lights on and generally keep its country from imploding. All of the stuff America threatened Russia with has actually happened to Ukraine, economic collapse and a government collapsing into palace-couping. Ukrainian President Zelensky and Commander Zaluzhny are openly feuding, with hand grenades being sent to Zaluzhny aides and elections being suspended. This is the 'democracy' American propaganda crowed about defending. It's long dead, along with much of the population, and only the arms dealers' have come out ahead. Behold the performance of Austin's RTX (née Raytheon) and the whole arms dealing cartel:

They got a nice bump in late February 2022, when Russia invaded Ukraine, but that buzz was wearing off into a hangover of bad advertising as their fancy weapons got obliterated by the superior Russians. Luckily enough, the proportional Al Aqsa Flood of October 7, 2023

triggered a wildly genocidal response from Israel. This meant the arms dealers could stop fighting an actual army and drop expensive bombs on civilians, as intended. This was business as usual, and they don't need the embarrassment of Ukraine anymore.

So now America has dumped Ukraine, quite unceremoniously. Zelensky can't even get a video-call with Congress, which he was recently paraded before like a sacrificial lamb. And the media has completely forgotten about both the existence and the logic of the Ukraine War, in their rush to cover (up) genocide in Palestine. **Ukraine has lost the war and America has lost interest.** The 'friendship' of America has been fatal, as everyone should know by now. Ukraine's cause is dead, and the signal is finally reaching the dim and deeply propagandized Western brain.

In an interview/article with The Economist (which has never found an imperial war it didn't like) Zaluzhny said it isn't possible to win the war without something akin to, and I quote, **discovering gunpowder**. He said, "*We need to look for this solution, we need to find this gunpowder, quickly master it and use it for a speedy victory. Because sooner or later we are going to find that we simply don't have enough people to fight.*" WTF are we even talking about here? Ukraine needs half a trillion dollars, all the bullets in the world, and to also invent the next gunpowder? If wishes were horses, beggars would fly, and this beggar is fucking *high*.

The Washington Post (which also has a hard-on for war) also features a dim awakening, finally admitting the the counter-offensive failed, and documenting the NATO fuckupalypse in detail. As Ukraine now collapses into palace intrigue (Zelensky is worried about Zaluzhny beating him in an election, so he cancelled them), the saying comes true. Victory has many fathers, but defeat is an orphan. Nothing shows this more than the fate of Zaluzhny aide, Major Gennadiy Chastyakov. As the report on his weird assassination goes:

Major Gennadiy Chastyakov, who served as the assistant to Valery Zaluzhny, had received a gift box from a colleague for his birthday on Monday that contained several "Western model" grenades, Ukrainian Interior Minister Ihor Klymenko wrote on Telegram.

Chastyakov's 13-year-old son then picked up one of the grenades and started turning the ring, Klymenko wrote. As Chastyakov took the grenade from him, the ring was pulled out and the weapon detonated.

This is, metaphorically, how Western gifts turned out for Ukraine. They received 'gifts' of western weapons, which only blew up in their face. This should be a lesson to all of America's 'allies'. Beware Greeks bearing gifts, and Americans bearing 'lethal aid'. The Empire has no allies, only interests, and it has a short attention span. It will praise and anoint you like a sacrificial lamb, feed you to Moloch, and move onto the next victim. As they have many times before, America will wreck your country and just move onto the next scam. This is how White Empire falls, destroying its 'allies' first, and then itself. Hence goes Ukraine,

the economy of Europe, and America itself, though not soon enough. A dying Empire has nothing but death to offer, but unfortunately they still have that in abundance.

Ukraine Has Lost The War: It Should Sue For Peace Immediately

Adebayo Adeniran

Ukraine is the great pawn of the United States of America.

And the events of the last few months have underlined this point much more than we care to admit and acknowledge.

For a minute, the all-powerful PR machine of the military industrial-complex, gave the impression that the lives of everyday Ukrainian mattered and what they were fighting for was a truly noble cause.

Anyone who remembers the CNN coverage of those heady days in March 2022, would be forgiven for thinking that Putin was the worst thing since Herr Hitler.

And with good reason too.

Ordinary folks had borne the brunt of Russian sponsored assassination attempts in the United Kingdom, while the memories of Cambridge Analytica's undermining of British and American democracy in 2016, when folks were hoodwinked into voting for Brexit and Donald Trump, remains as strong as ever.

The Russian strongman had very few supporters on both sides of the Atlantic and it was just too easy for Rupert Murdoch's organizations to make the dirt stick.

And in Volodymyr Zelenskyy, we had an unwitting and willing participant, who was depicted as the closest thing to a saint.

And it was precisely for this reason that the comedian turned politician had support from all quarters including the Klitchko brothers, who joined in the war efforts to keep Ukraine from the Russian bear.

And yes, that support also included the American congress, which provided billions in dollars of equipment and aid to facilitate Ukraine's swift victory and full ejection of Russia from its territory.

But no such thing has happened.

A few scalps have been claimed by both sides, but neither has landed the decisive blow.

You must never forget that the real challenge to Putin, came interestingly enough from his own side and not from the enemy.

The former head of its mercenary outfit, the Wagner Group, decided to execute a coup and was kilometers away from ousting the uber paranoid Russian, before he was talked out of it by the Belarussian dictator.

God knows that whatever was said must have been so convincing that Yevgeny Prigozhin chose not to proceed on taking Moscow.

But the former chef turned fighter soon found out that he had written his own obituary, when he failed to finish off Putin, when he had the chance to do so and it didn't come as a surprise when we all heard that he had perished in a plane crash.

And with that, the west was back to square one.

President Zelenskyy, who had come to enjoy the trappings of fame and the adulation of power, actually thought that the money would keep flowing and the western press would continue to fall over themselves to indulge him.

And then came Hamas, with its own problems and drama.

Since the 7th of October, we have been treated to an extreme and extraordinary spectacle in Gaza.

First we saw innocent Israelis being slaughtered by Hamas, and then we got to see the reprisals being meted out by the Israeli government to innocent women and children.

The fall-out from the events in Northern and Southern Gaza has meant that Ukraine has had to play second fiddle to Israel and this has been quite damaging to Zelenskyy.

Just the other day, one of the Klitchko brothers came out to denounce his President, accusing him of being a power hungry dictator, who has offered very little by way of leadership.

And the infighting among the prominent Ukrainian political class, has been exacerbated by the announcement that funding from the United States will come to an end in a few weeks.

All of which leaves Ukraine's war efforts in serious jeopardy.

Or with an opportunity of a lifetime, to admit that it has lost the war and immediately sue for peace.

Left to the European Union, this protracted war would never have happened: the economic ramifications of war have been far too deleterious for the German and French polities, with its citizens bearing the brunt of not having access to Russian gas.

Further afield, millions of Africans have been on the brink of starvation, owing to the sanctions imposed by the United States of America on the aggressor.

But it is worth pointing out that this is nothing compared to the carnage and destruction which the Ukrainian people have suffered in the last two years; their lives have been ripped apart and things will never be the same.

It is time for Zelenskyy to start peace negotiations with Putin and put an end to the suffering of his people.

This is my take on the subject matter, what's yours?

What's my take? Everyone who has followed my blogs for the past two years knows my take. You would remember that I have always thought that the collective west would not succeed in this proxy war and I have documented the progression from an ebullient, "let's go whup them" attitude about beating up the Russians and then to the last six months of "stalemate" and now the dejected and panicky acknowledgement of a Ukrainian loss. More importantly, given the popularly elected governments in these countries, I have always said that their will to persevere to support Ukraine would not last. There is still a chance that some of the \$61 billion will be approved and find its way to Ukraine, but there is only going to be more Ukrainian soldiers dying because of it. Is there any point to it at all?

There is a chance that Biden will continue to threaten his own citizens that if they don't continue to support Kyiv, they will end up fighting Russia in Europe when Russia goes to conquer the rest of the continent. This is actually an idiotic idea, because more intelligent people like John Mearsheimer and Jeffrey Sachs, have said that there is no evidence that Russia is imperialist under Putin. America under Biden is far more imperialist. Talk about the pot calling the kettle black.

Why do we in Asia care about this war in Ukraine? Because if the Biden administration claims that they can chew gum and walk at the same time, then their fear of China as a strategic competitor may lead them to start up trouble with China and both may stumble into a war. Therefore, the failure of western arms in Ukraine is, to me, a harbinger of peace in Asia. The final straw will be a loss by the DPP in Taiwan in their elections in Jan 2024 and we can then look forward to peace in our times.

By:

Yeong, Wai-Cheong, CFA

Fintech Entrepreneur, Money Manager and Blogger

Un-Influencer in a World full of Hubris

Key points raised in the dinner briefing and Zoom session last night, 9th Dec 2023

1. Why does the B broker now take three months to approve withdrawals?

The brokerage firms in London have an agreement with the fund that since they provide cover for trading losses, they will have to make sure that when there is a redemption, there are no outstanding trading losses in that account. Since no investor in the fund has lost money, all investors are bound by the same operating rules - no redemption can be made unless the hedger believes that the account does not have losses on A account that they will be held responsible for. Previously, the brokers were able to clear the accounts in a time shorter than they now require going forward. So now they tell us that they will take longer. They will look at every trade to see that there are no accrued losses that they will end up bearing. And with increased scrutiny on the banks and the banks on the brokers who use them, there is a general slowdown in which these things are done. In the first place, this is no easy task since now the UK authorities are also more stringent on audit. We don't know what the audit standard in the UK is but in SG, the authorities generally give a two week notice before they start an audit. So it does not require a change

a regulation for the FCA to initiate an audit. All it takes is an email two weeks before hand.

2. Further, once the accounts are cleared by the hedger for redemption, they will send it to their banks for transmitting out. The anti money laundering action is a reaction to the money laundering through SG banks which is a well known fact. The attached notice is how the MAS has reacted to it. The UK has taken steps to be aligned with the MAS. As such, the situation is that after an account is redeemed, there is a further period in which the broker needs to comply with the regulations that have made it impossible for many banks to allow money transfer firms to move money between money centers. As such, it will take more than 2 months after approval of redemption before we can get money transfers effected.
3. There is also widespread confusion in the money transfer industry on how to move money between money centers. Many of them are stranded. Until this situation is resolved, we won't know if things will revert to normal until they actually do.

2. All said, we are informed by people in London that this slowdown cannot last for more than a quarter. I don't know that for a fact and therefore, I am not in a position to comment on it. If it reverts by April or May 2024, then it is all good and we would suffer reduced returns for Q1 but after that, things will be back to normal.

What is the SGX system?

The details of this have been circulated before and it is attached to this Weekly again.

Migration to SGX

Upon receiving shareholders' indication of whether they want to move their shares from London to SGX, the SAL team will act accordingly. We hope to initiate the exercise in Q1.

The SGX VCC

As the institutional investors have chosen to use Fairshore Asset Management to start up their funds in Europe, ME and Japan, the remaining SAL portion will therefore use the same VCC for SGX. A new board of Directors with senior professionals representing their respective interests will be formed. Mr Sundra Moorthi VM Krishnasamy, himself a major investor will be appointed as Advisor to the new Board. Sundra is a top corporate lawyer in SG and MY and runs his own legal firm in KL.

Accredited Investors

We are studying this matter with Fairshore to see if they can accommodate the non accredited investors who rode on the back of the corporate AI status at SAL. I don't think that all will get into SGX as investors, but hopefully we can migrate some over.

The role of SAL

In case some have forgotten the role of SAL, this BVI company was intended to do two things:

- a) Provide a simple way for investors to join its shareholding and SAL will then subscribe on everyone's behalf to the AIF. Some of the shareholders will remember that we used to use a preference share rather than common shares but preference shares would not have been useful for conferring AI status on the shareholders.
- b) Through AI the status of SAL, all shareholders of SAL were also considered AIs in London.
- c) Provide the above without incurring a tax burden at Fund level.

SAL is a Not for Profit company. It pays for only two expenses – the platform fees charged by Fleur Capital for it to join the AIF, and Board fees (other than banking fees). Both are now too high, and Fleur has volunteered to cut their fees. I will also reduce the board fees after negotiation with board members since we will have lower revenues until after Q1 2024. All other expenses, including the salaries of SAL and expenses such as the dinner last night, are borne by YWC himself and therefore there is no drag on the dividends of SAL shareholders. In short, the staff of SAL are in fact the staff of YWC and not of SAL shareholders. This may not be repeated at the SGX VCC and therefore there may be a higher expense ratio on the SGX fund.

Can I keep a small fraction of my shares in London even if I move the bulk of my shares over to SGX

Some shareholders think that the London trading has 6 years of track record while the SGX trading has one. There are a few who want to keep some shares in London in case the SGX trading does not match that in London. But that's the wrong way of thinking about it. In SGX, the trading is much faster, and it trades five times a week, while the London book trades once a week. As such, one year in SGX is roughly the same as five or six years in London. With that said, I don't want to oversell the SGX track record. Each shareholder should decide for himself or herself.

As a matter of fact, the trading in London has made money in Dec 2023 so far. I will report on that tomorrow.

Can we have a list of the financial professionals that will be working in the SGX VCC?

Some shareholders forget that our system is highly computerised and that we don't really need analysts and traders to work for us. Our main professional activity in our funds is actually IT engineering. Not all IT engineers are good at finance, and if you want a guy who is useful in IT and also in Finance, these don't come cheap even if they are available. And

they may get bored in no time at all. And leave. I used to be CEO for Man Investment Products in SG, and to find a cross professional talent was not easy.

In any case, if you wish to know who my partners are, in case I drop dead in future, there are several people who know the business better than most. These are:

- 1) Ashish Patel, in charge of the US MARS FX fund which has about \$350million;
- 2) Madison Lin, in charge of the upcoming expansion of the fund into Europe and the ME;
- 3) Three new directors who are themselves market professionals.

Felice knows the email addresses of 1 and 2 and I will let everyone know who are the three new directors in due course.