



# Security Bank

ASSET MANAGEMENT GROUP

## Everybody Ought to be Rich

*The Case for Equities in Your Portfolio*

Date: November 18, 2016

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 **SECURITY BANK**

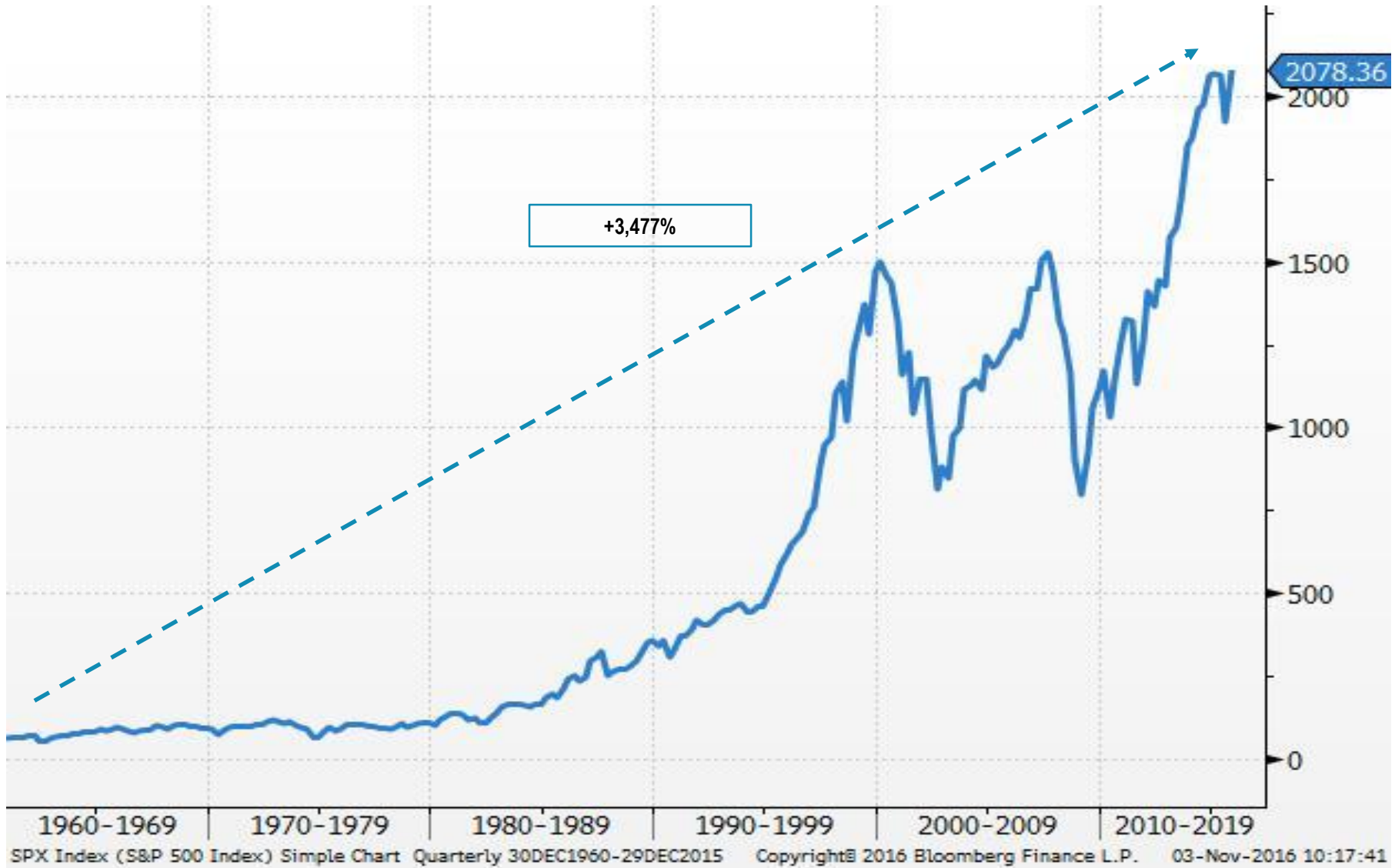
# Agenda

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- Why Invest in the Stock Market?
- It's All About Fundamentals
- Delving into Technical Analysis
- Why Retirement Funds Benefit from Equity Investments
- Key Takeaways

# Why Invest in the Stock Market?

S&P500 Index



SPX Index (S&P 500 Index) Simple Chart Quarterly 30DEC1960-29DEC2015 Copyright© 2016 Bloomberg Finance L.P. 03-Nov-2016 10:17:41

# Why Invest in the Stock Market?

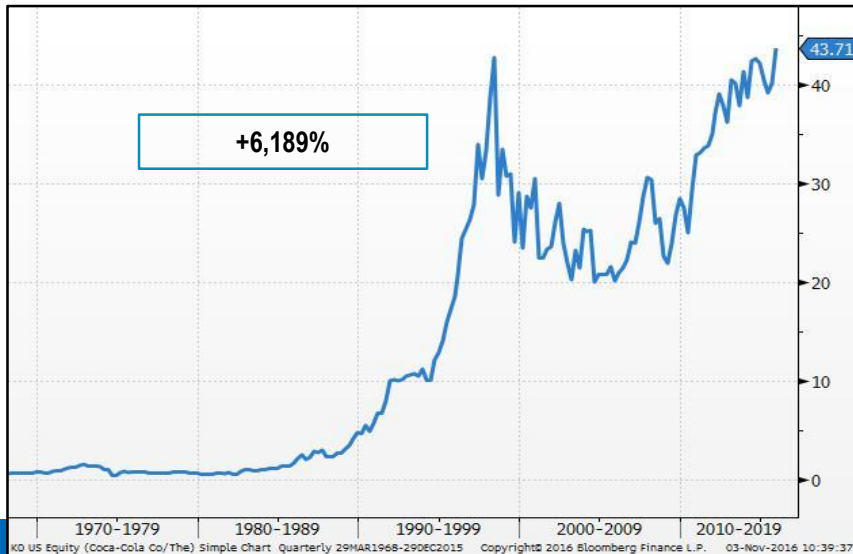
## Apple



## Wells Fargo



## Coca-Cola

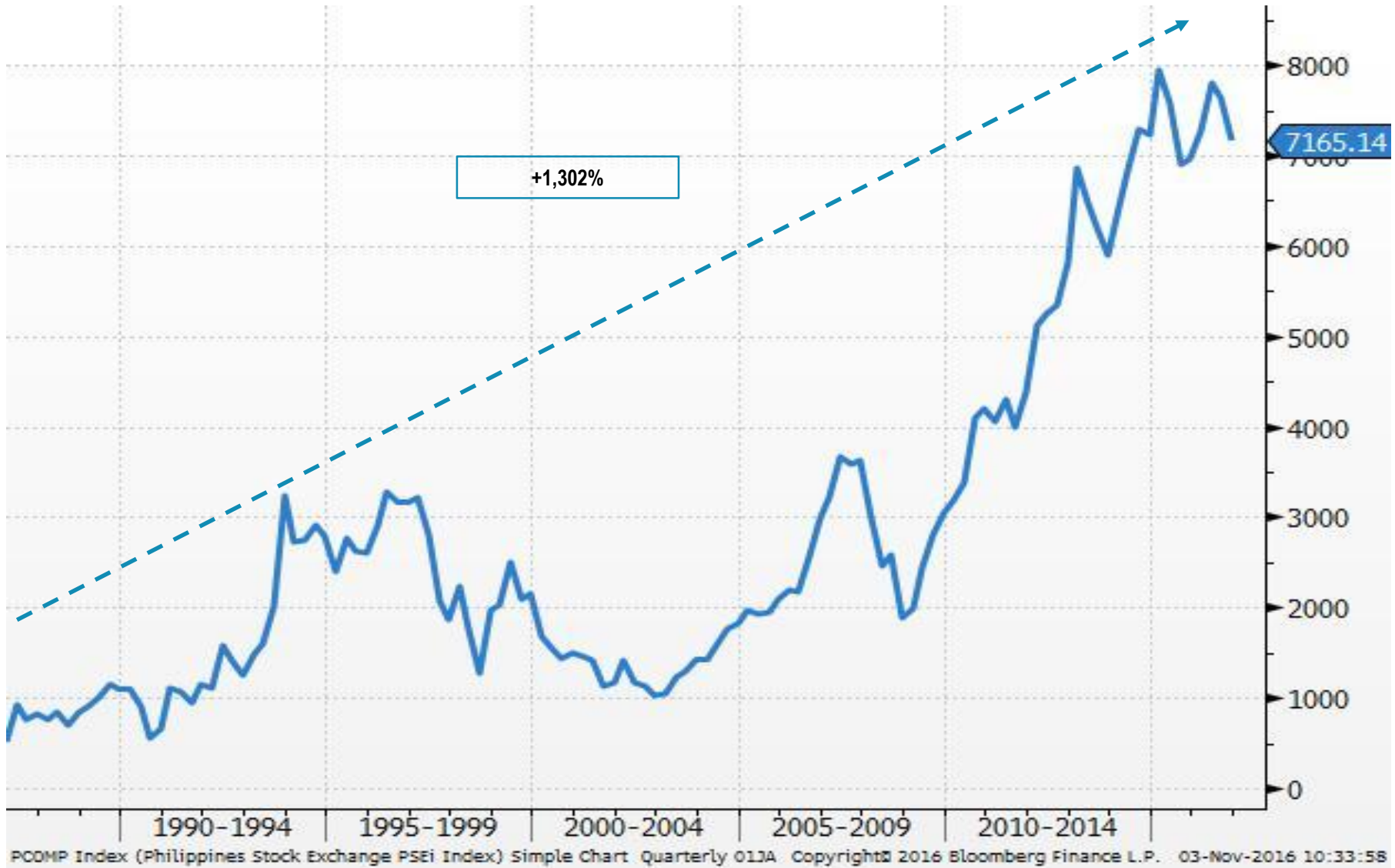


## Berkshire Hathaway



# Why Invest in the Stock Market?

PSEi Index



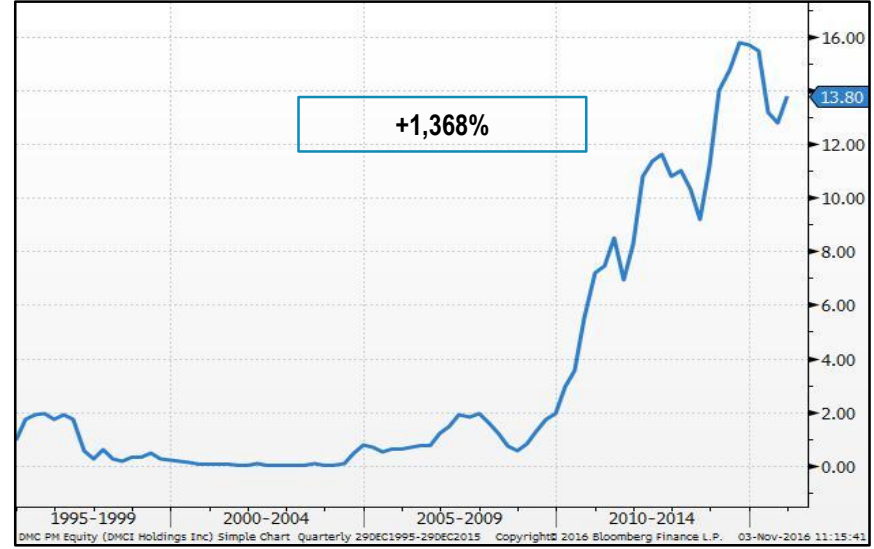
PCOMP Index (Philippines Stock Exchange PSEi Index) Simple Chart Quarterly 013A Copyright © 2016 Bloomberg Finance L.P. 03-Nov-2016 10:33:58

# Why Invest in the Stock Market?

## Universal Robina



## DMC



## JG Summit



## Aboitiz Power



# Why Invest in the Stock Market?

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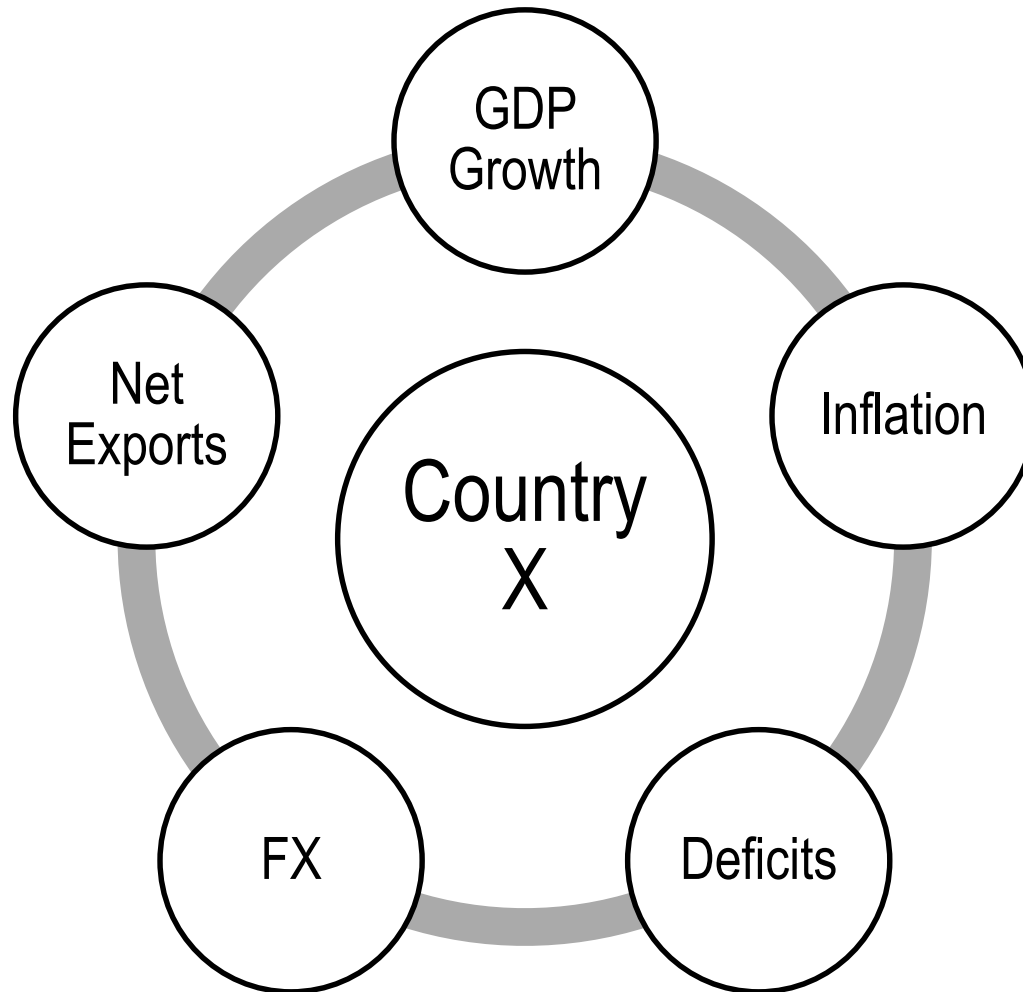


***Equity investments allow us to participate in the growth of companies by having a stake.  
Majority of the wealth of billionaires emanate from the market capitalization of their stocks.***

***There is higher risk involved but the potential rewards surely compensates for this.  
There is no free lunch.***

# It's All About the Fundamentals – Macro Environment

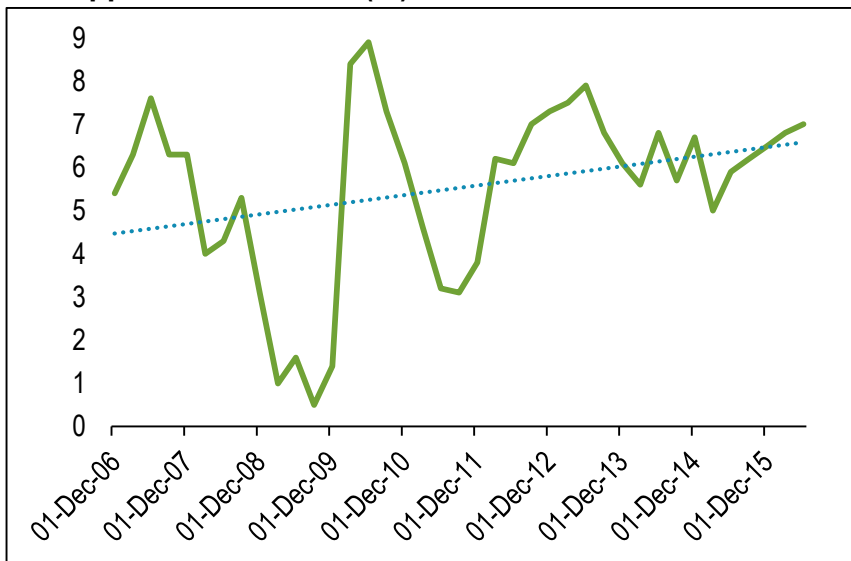
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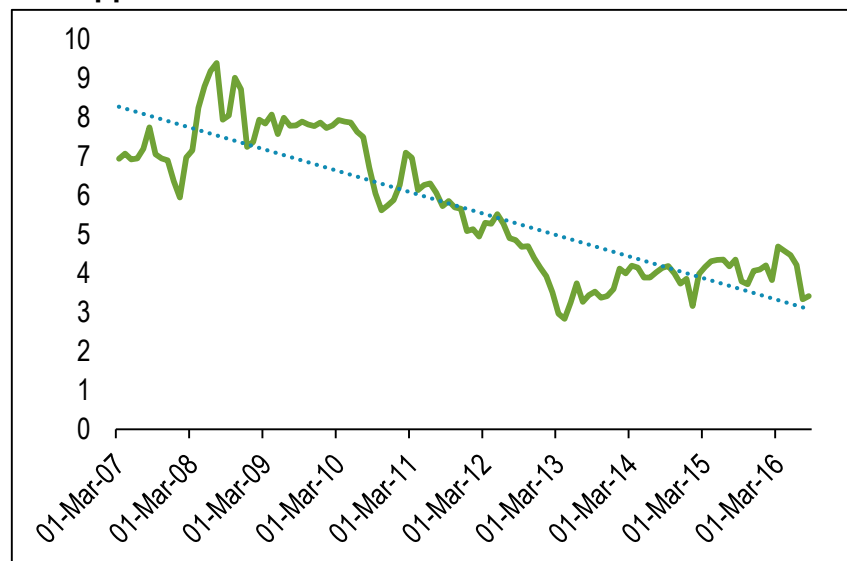


# It's All About the Fundamentals – Macro Environment

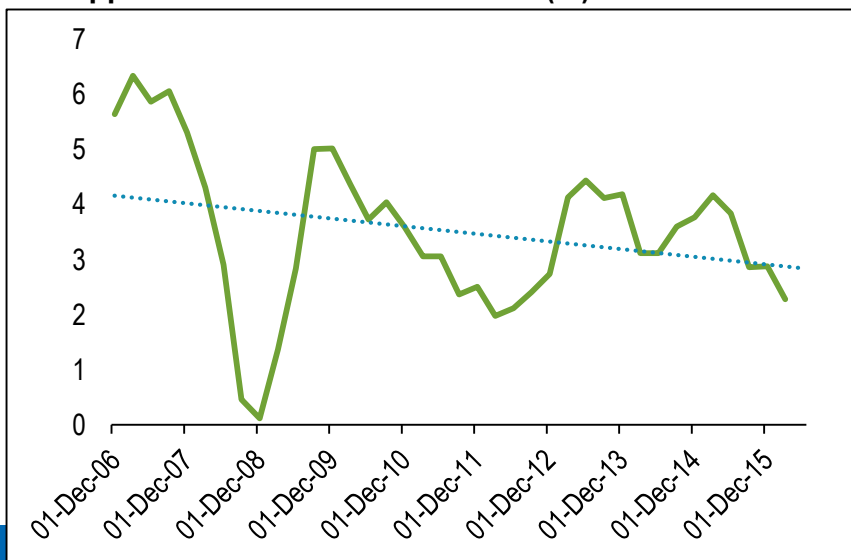
## Philippine GDP Growth (%)



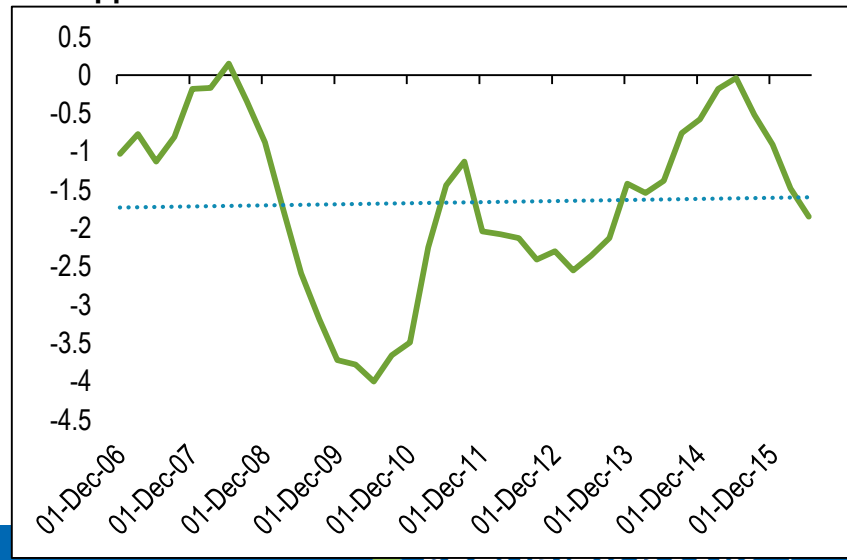
## Philippine Inflation



## Philippine Current Account Balance (%)

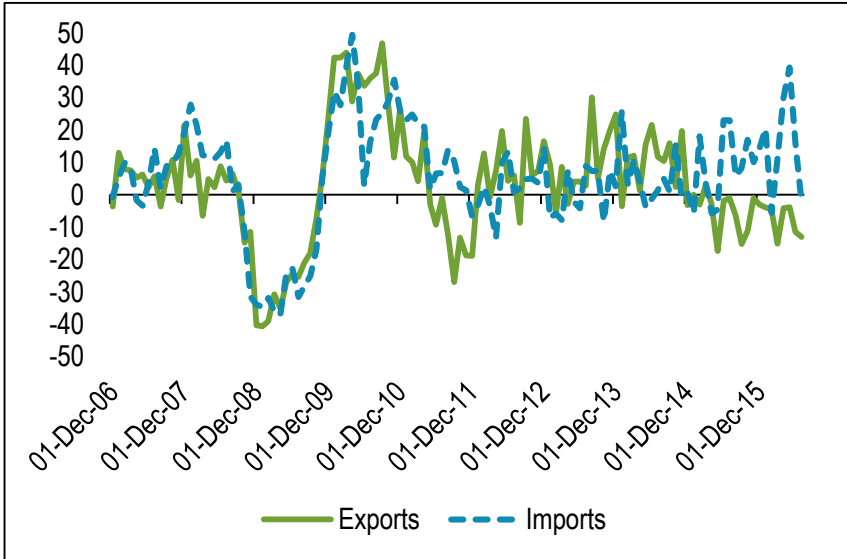


## Philippine Fiscal Deficit as % of GDP

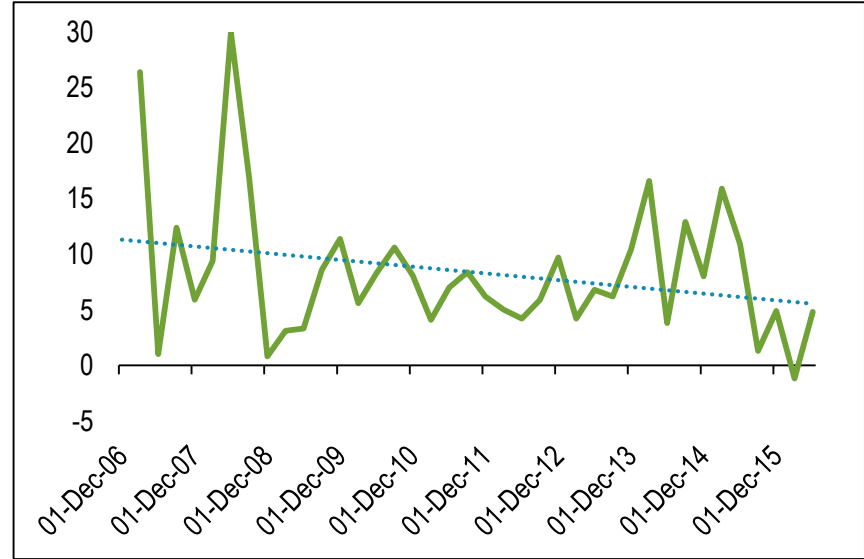


# It's All About the Fundamentals – Macro Environment

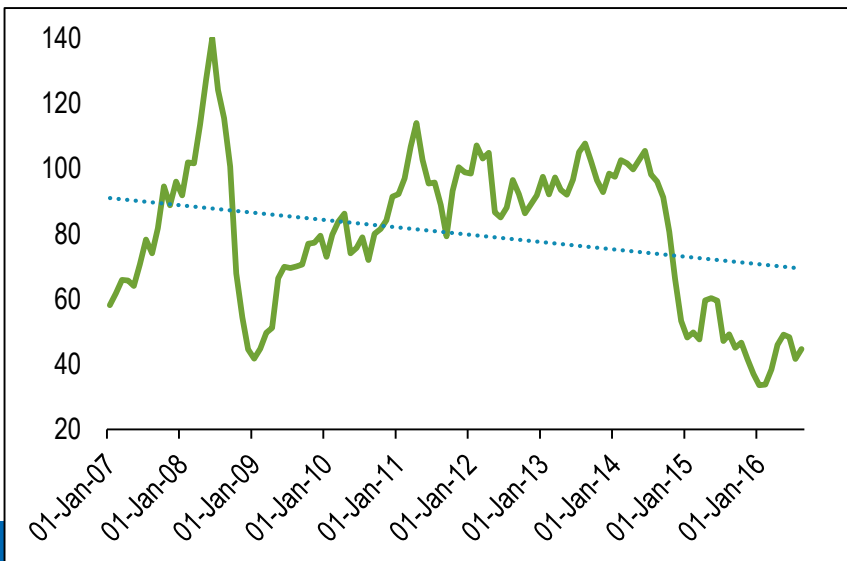
## Philippine Exports vs Imports Growth (%)



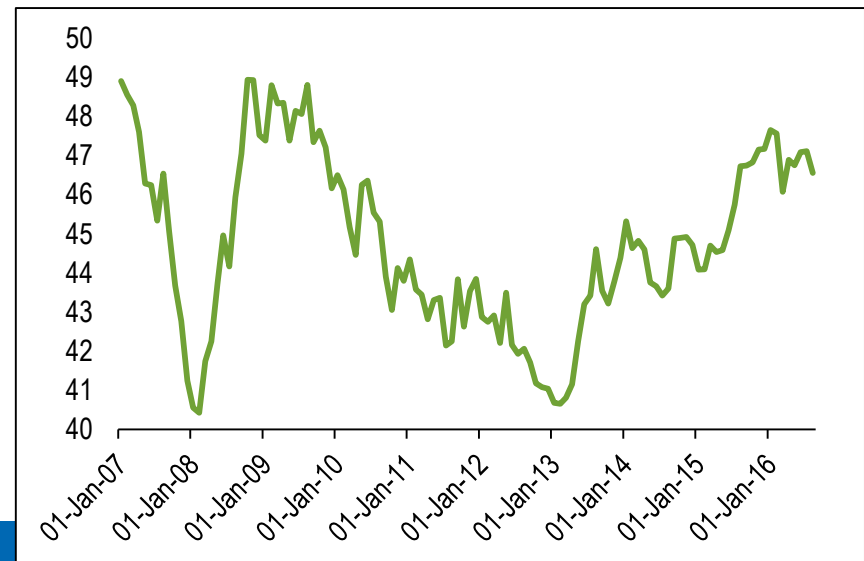
## YoY OFW Remittance Growth (%)



## WTI Oil Prices (%)



## USD/PHP Exchange Rate

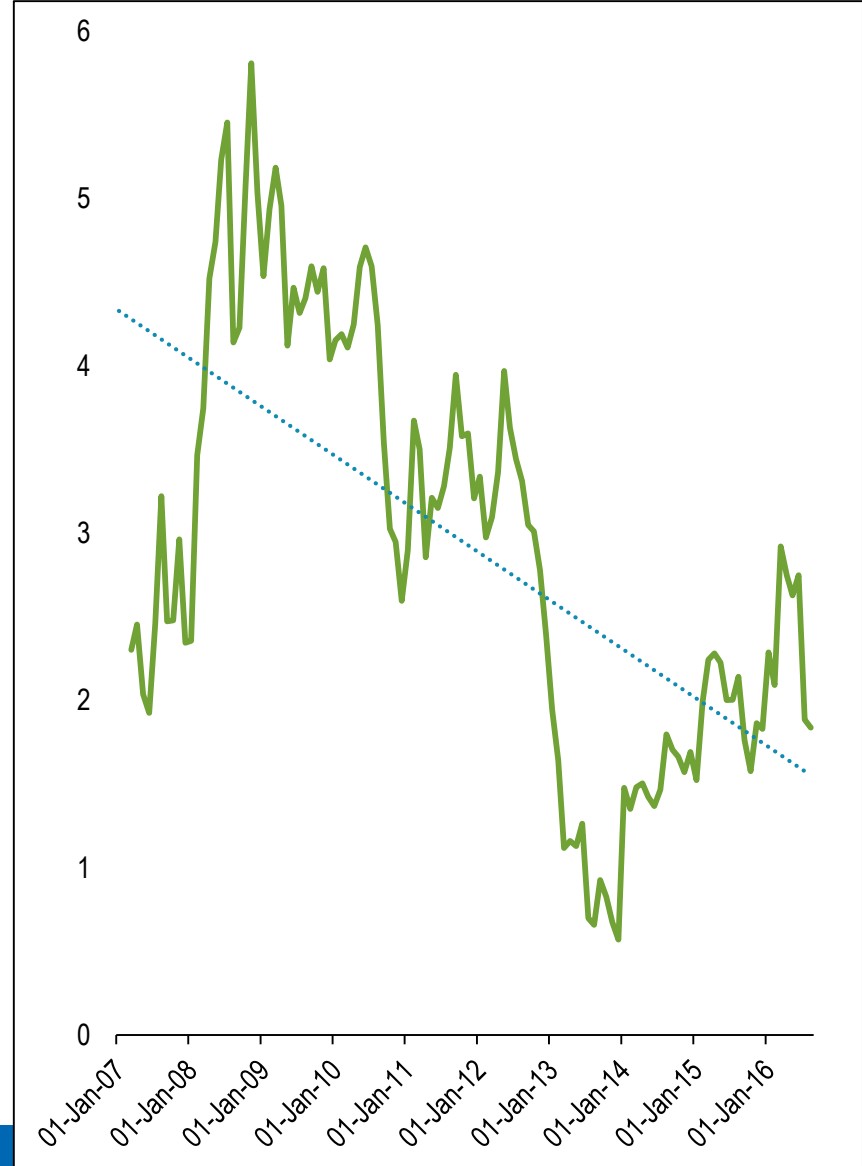


# It's All About the Fundamentals – Macro Environment

## US 10 Year Bond Yield



## PH-US 10 Year Bond Spread

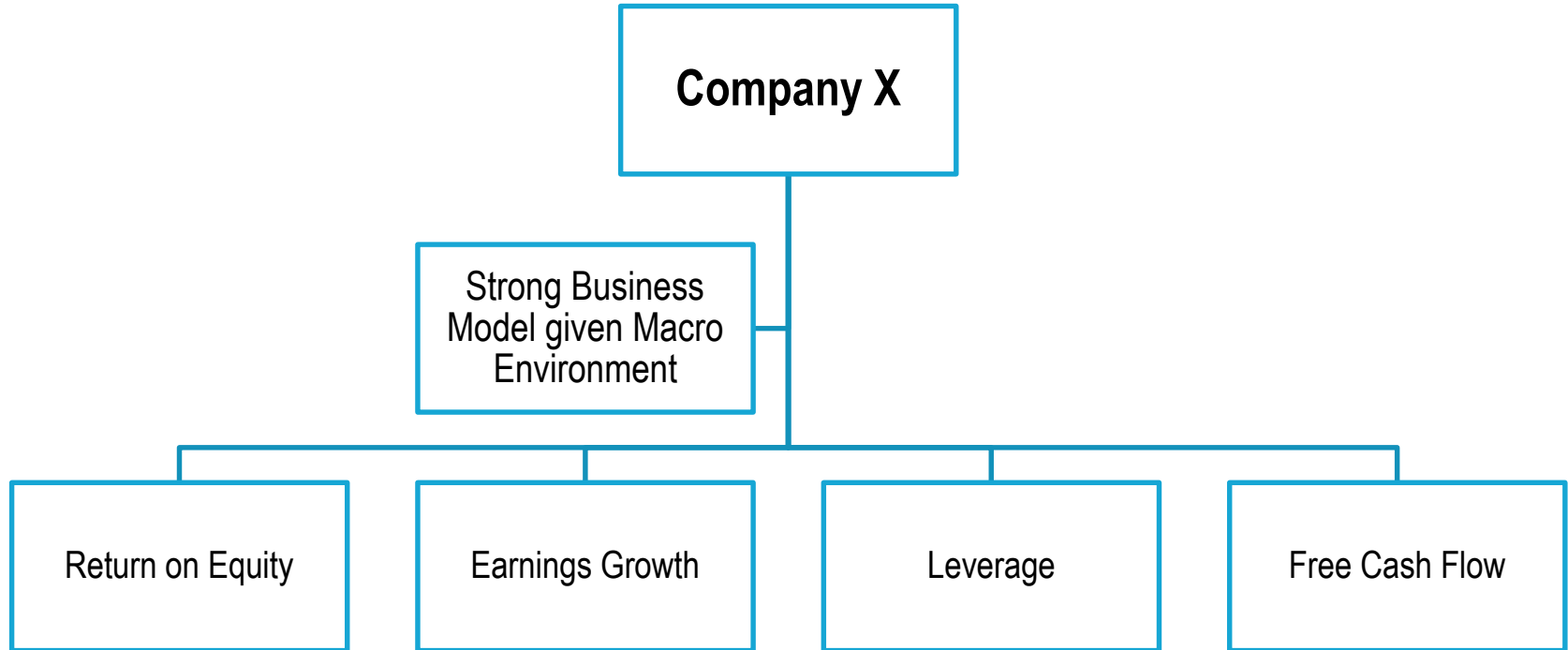


## PH 10 Year PDSTF-R2 Yield

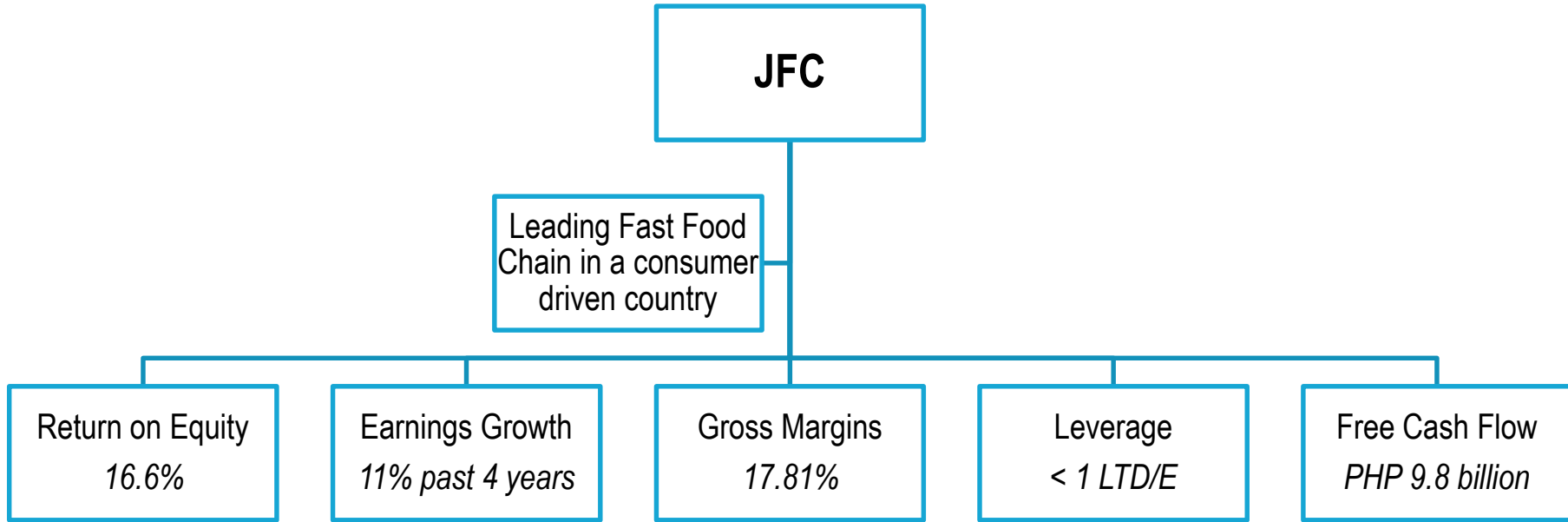


# It's All About the Fundamentals – Company Specific

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# It's All About the Fundamentals – Company Specific



***JFC has risen 150% the past 4 years and is one of the most expensive stocks in the PSEi at 40x 2016 P/E***

***Stability of earnings and the strong business model has attracted investors both local and foreign to the name***



# History Repeats Itself – Delving into Technical Analysis

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Forecasting future price direction by using past movements

History repeats itself because people don't change

Main tool is the price chart of securities

A number of tools have been derived from the behaviour of prices

# History Repeats Itself – Delving into Technical Analysis

The Trend is Your Friend...Until Proven Otherwise



# History Repeats Itself – Delving into Technical Analysis

## Identifying Buying/Selling Levels – Support/Resistance





# History Repeats Itself – Delving into Technical Analysis

## Identifying the strength of the trend – Moving Averages



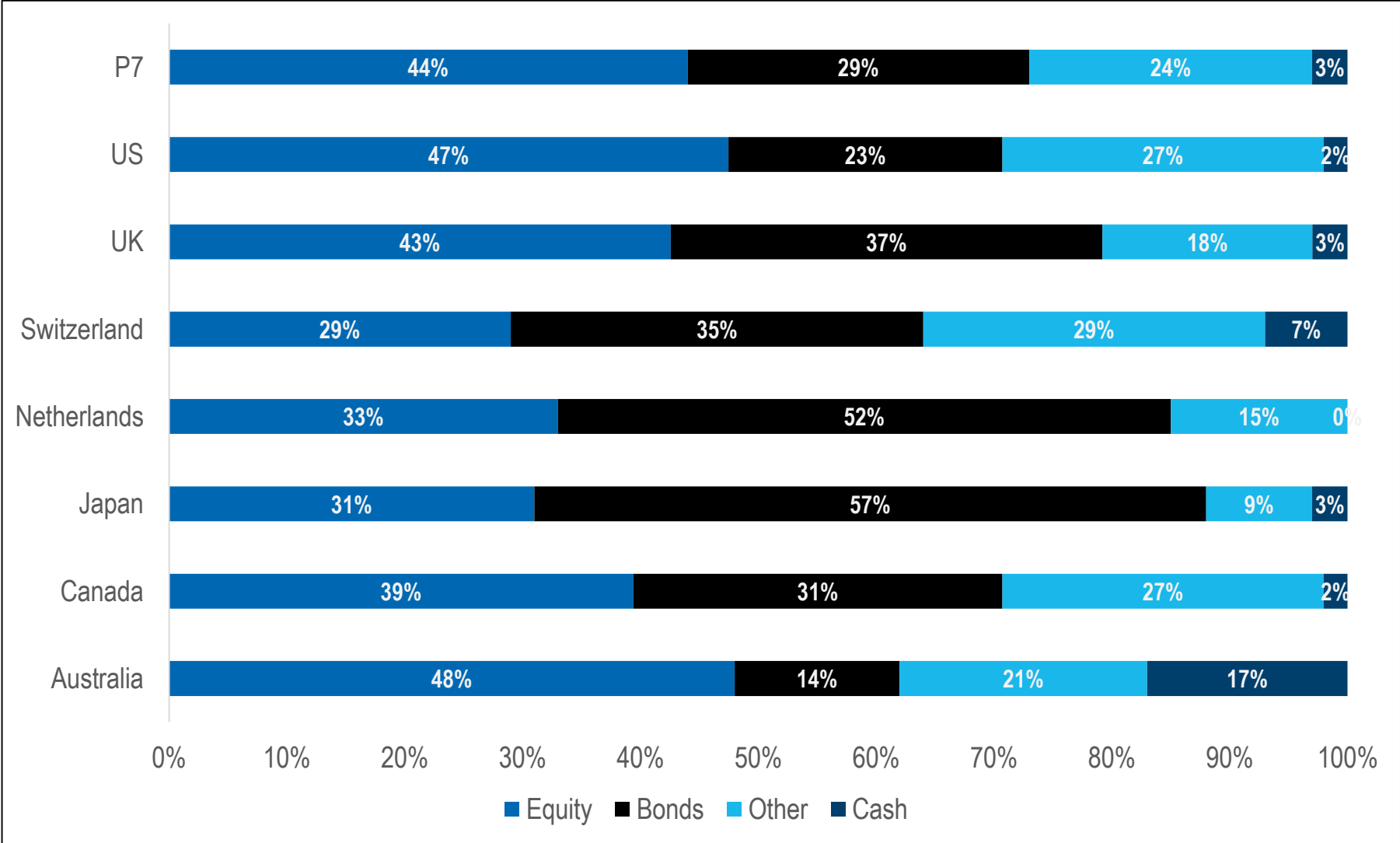
# History Repeats Itself – Delving into Technical Analysis

## Momentum Indicators – Relative Strength Index (RSI) / Moving Average Convergence Divergence (MACD)



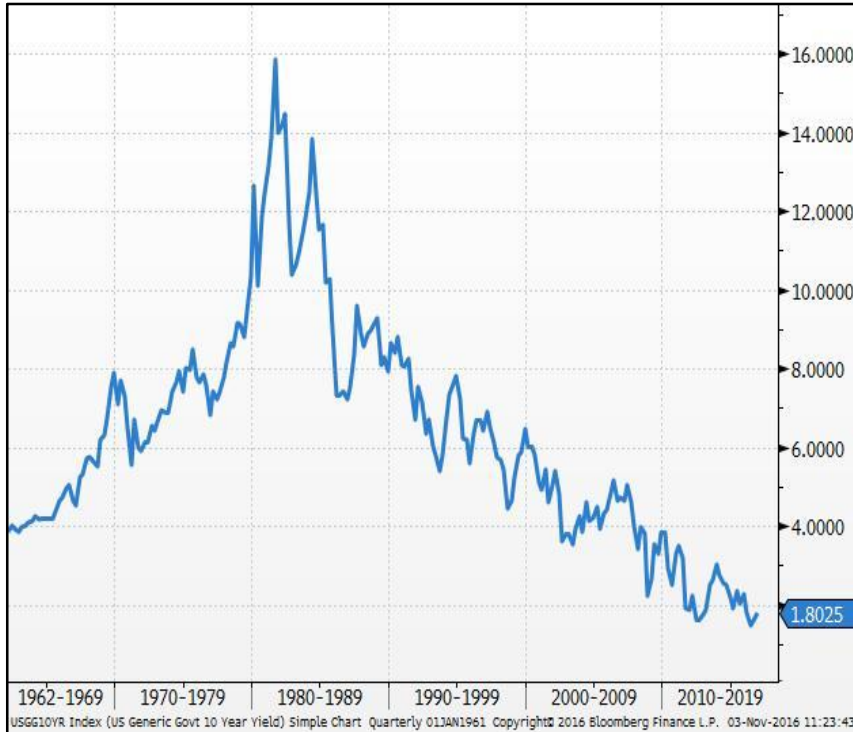
# Why Retirement Funds Benefit from Equity Investments?

Global Pension Assets Study



# Why Retirement Funds Benefit from Equity Investments?

## 10 Year US Treasury



## 10 Year German Bund



***Conventional finance would say that bond yields cannot go negative, but Japan and Germany 10 year have gone beyond the zero line. This poses a problem if inflation and the interest rate on liabilities are positive.***

# Why Retirement Funds Benefit from Equity Investments?

PH 10 Year PDSTF-R2 Yield



Philippine Inflation



***As it stands, real return on Philippine 10 year yields are almost zero in this new normal.***

***Equity investments, which derive their value from growing companies, potentially serves as an inflation hedge. Some more mature companies also provide ample dividend yield which further augments the total return.***

# Key Takeaways

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- New normal pushes us outside our comfort zone
- Equities are riskier but potentially offers higher returns
- Tilting the risk in our favour demands doing our HW
- Successful equity investing will demand long term thinking
- Things don't go up in a straight line. Higher volatility investments demands mental fortitude

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