2023 ANNUAL PORTFOLIO REPORT

Prepared by SaigonQuant

From
SEP 2023

To
SEP 2024

Word Count
2988 Words

Saigon Quant

ABOUT US

SaigonQuant

SaigonQuant is a mutual fund dedicated to smart investing in the dynamic world of US stocks. Our primary goal is to invest in a portfolio of common stocks issued by large-capitalization, growth-oriented businesses that the manager believes have an advantageous business strategy. We specialize in large-cap blend companies with a keen focus on the IT sector. An experienced team of experts carefully curates investments to provide you with a well-balanced and forward-thinking approach to wealth accumulation.

OUR PEOPLE

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I. Investment Policy Statement (IPS)

1. GENERAL INFORMATION

Name of fund	SaigonQuant
Asset class	Equities
Inception date	September 4th, 2023
Report date	September 4th, 2024
Chartered capital	USD 50,000,000
Target securities	S&P 500 listed companies' stock
Investment horizon	Long-term investment
Investment style	Large-cap Blend stocks
Strategy	Active management
Target investors	Investors who are income-oriented and risk-averse, favoring capital appreciation, stability, and long-term growth.
Invested sectors	Information Technology, Financial Services, Healthcare, Consumer discretionary, Consumer staples, Communication services, Energy, Utilities, Industrial.
Short sales mechanism	Not applicable

2. INVESTMENT OBJECTIVES

SaigonQuant Fund seeks to achieve long-term capital appreciation by actively managing a diversified portfolio of U.S. large-cap stocks that combine growth and value attributes, aiming to outperforming the S&P 500 Index and comparable passive funds.

Return objectives :	Annualized return of S&P500 **+5%**, ETFs (same style) **+4%**
Risks objectives :	Portfolio's standard deviation **<20%**, rebalance if violated

3. FEES & EXPENSES

The table details fund-related fees and expenses for buying, holding, and selling shares. Investors may also incur additional fees through their financial intermediaries, not reflected below:

Table 1. Annual Fees and Expenses

Shareholder Fees (fees paid directly from your investment)	
Sales Charge (Load) Imposed on Purchases (as a % of offereing price)	**4%**
Purchase Fee	**None**
Sales Charge (Load) Imposed on Reinvested Dividends	**1%**
Redemption Fee	**1%**
Annual account Fee (on accounts valued at less than $10,000)	**10$**
Shareholder Fees (fees paid directly from your investment)	
Management Fees	**1%**
Distribution and Service fees	**None**
Performance Fees	**0.3%**
Other Fees (Legal expenses; marketing expenses and other administrative expenses.)	**0.1%**
Total Annual Fund Operating Expense (no outperformance)	**1.1%**
Total Annual Fund Operating Expense (outperformance)	**1.4%**

4. INVESTMENT STRATEGY

Why invest in Large-cap Blend ?

Over the past decade, U.S. large-cap and blend stocks, as reflected by S&P 500 and Russel Index have generated returns of approximately 107.2% and 86.2%. Large-cap stocks are preferred for three primary reasons: (1) they are financially resilient, offering greater stability and a more consistent performance history compared to mid- and small-cap stocks, (2) they often benefit from competitive first-mover advantages, and (3) their solid reputations help mitigate downside risk. Additionally, blend stocks are selected to capture specific growth opportunities and provide diversification, particularly as the economy continues its recovery.

Table 2. Investment Style's Returns In Recent Years

	2019	2020	2021	2022	2023	5 Years
Growth	27.1%	31.4%	32.0%	-29.6%	27.9%	98.5%
Blend	**31.5%**	**18.4%**	**28.7%**	**-18,1%**	**26.3%**	**107.2%**
Value	25.5%	-8.7%	34.6%	-0.8%	8.2%	65.5%
Large	**28.9%**	**16.3%**	**26.9%**	**-18.1%**	**19.5%**	**86.2%**
Mid	26.2%	13.7%	24.8%	-13.1%	11.2%	73.0%
Small	25.5%	18.4%	14.8%	-20.5%	7.7%	46.1%

Performance Benchmark

Our criteria to select benchmarks include: (1) S&P 500 as we actively track our portfolio with the market index; (2) Passively-managed Large-Blend style ETFs with similar fund size (more than 10 million USD). As such, we came up with the following benchmarks:

Table 3. Performance Benchmark

Legend	Benchmark
^GSPC	S&P 500 Index
VV	Vanguard Large-Cap ETF
FLRG	Fidelity U.S Multifactor ETF
SCHX	Schwab U.S Large-Cap ETF
FLQL	Franklin U.S Large-Cap Multifactor Index ETF

Stock Selection

All selected stocks have market capitalization above 10 billion USD. For blend stocks, we focus on Technology sector due to its strong future growth potential. Growth stocks in Energy and Industrials Staples sectors are underweighted given their unattractive valuations and pessimistic outlook. With an anticipated economic slowdown in the coming quarters, we include defensive stocks in the Consumer Staples and Healthcare sector to balance the portfolio.

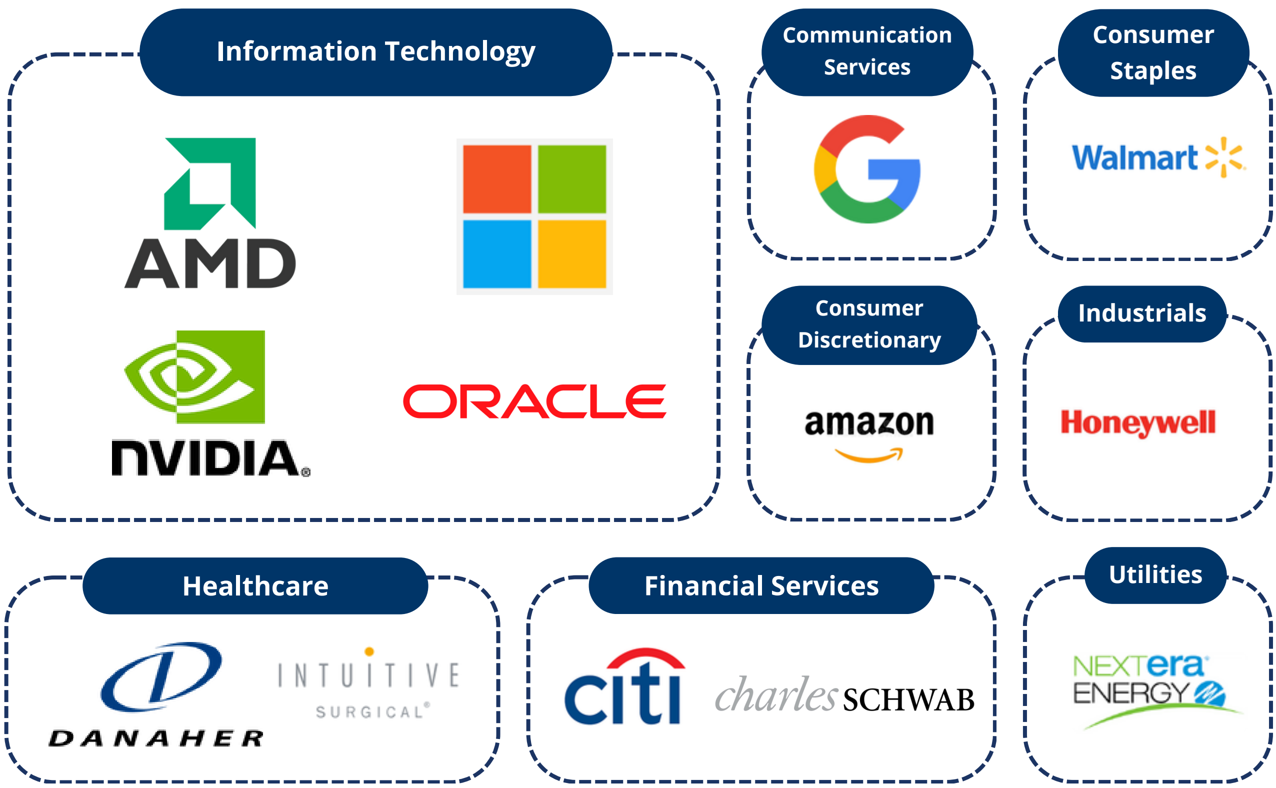


Table 4. Detailed on SaigonQuant Fund Stock Selection

Sector	Ticker	Company	Market Cap ($)	P/E LTM	P/E 5-year	Sector P/E LTM	EPS Last Year	EPS Next Year
Information Technology	**AMD**	Advanced Micro Devices	248.63 Billion	229.06	108.34	38.65	700%	60%
	NVDA	NVIDIA Corp	2.89 Trillion	50.73	93.87		172%	43%
	ORCL	Oracle Corp	458.84 Billion	30.18	30.18		19.1%	14%
	MSFT	Microsoft Corporation	3.25 Trillion	37.84	37.84		9.63%	16%
Healthcare	**ISRG**	Intuitive Surgical Inc	173.99 Billion	66.34	73.47	34.58	23.33%	15%
	DHR	Danaher Corp	199.11 Billion	39.95	39.95		-1.43%	14%
Financial Services	**C**	Citigroup Inc	115.98 Billion	14.98	9.65	34.58	14.93%	25%
	SCHW	Schwab Charles Corp	116.76 Billion	23.61	22.42		3.13%	31%
C.D	**AMZN**	Amazon.com Inc	1.99 Trillion	51.92	26.29	31.8	95.45%	17%
C.S	**GOOGL**	Alphabet Inc	2.00 trillion	24.89	79.12	21.79	31.72%	13%
Indus	**HON**	Honeywell Internationall Inc	132.12 Billion	21.65	24.16	10.97	5.8%	10%
C.St	**WMT**	Walmart Ince	633.17 Billion	24.89	23.5	25.45	-42.66%	11%
Energy	**CVX**	Chevron Corp	266.33 Billion	11.83	N/A	34.58	-24.53%	14%
Utilities	**NEE**	169.59 Billion	169.59 Billion	19.45	31.12	21.16	-42.75%	8%

5. PORTFOLIO INVESTMENT POLICY

Rebalancing Policy

The portfolio's actual asset allocation can shift away from its target due to varying stock returns. Therefore, we plan to adjust the portfolio only when significant deviations occur, specifically when the portfolio value **exceeds 5%** of its original value, allowing us to align the weight of individual companies subjected to original target allocations, which followed by strategic asset allocation.

Asset Allocation Policy

We select the stocks of leading companies listed on the S&P 500 index, aiming for abnormal returns and resources in cash to provide a protective buffer during market fluctuations, which the target allocation as table below:

Table 5. SaigonQuant Fund Asset Allocation

Asset class	Sub-asset class	Target allocation
Equity	US Large-Cap Blend Stock	99.0%
Cash		1.0%

In terms of diversification, we take prudent steps to limit the potential for major losses. This involves maintaining individual investment securities **no more than 10%** of our total equity holdings.

II. Portfolio Construction

1. OVERVIEW OF THE US ECONOMY

US Economy Inflation

Inflation's path to normalcy has hit another obstacle. Gasoline prices surged after OPEC+ extended oil supply cuts, pushing headline CPI inflation up to 3.7% in August from 3.2% in July. Despite this, core inflation is trending lower, with core CPI rising 0.3 percentage points but slowing annually to 4.3%. Used car prices fell 1.2%, helping moderate core goods inflation. Shelter inflation has also eased, decelerating for the fifth consecutive month to 7.2%, aided by a pullback in house prices and a wave of new multifamily construction.

Labor Market Cooling but Stable

The labor market is softening, with job growth averaging 153,000 per month over the summer. The unemployment rate rose to 3.8%, reflecting an encouraging increase of 736,000 in the labor force. Wage growth is easing but remains elevated, with average hourly earnings up 4.3% year-on-year in August. However, alternative measures, such as the Atlanta Fed's wage tracker, suggest broader wage pressures are cooling.

Consumer Spending and Financial Pressures

Consumer spending remained strong in July and August, with real spending rising 0.6% in July. However, spending is outpacing income, putting pressure on households with thinner financial buffers. As student loan payments resume and gas prices rise, discretionary spending could slow in the coming months.

Federal Reserve and Interest Rates

The Fed is expected to hold rates steady at its September meeting, but a final 25-basis point hike could come in November due to persistent inflation pressures. Rate cuts are possible in the first half of 2024 if core inflation continues to cool. Comerica's outlook suggests just 100 basis points of rate cuts next year, with long-term bond yields and mortgage rates rising due to higher crude oil prices.

Outlook for 2024

Looking ahead, growth is expected to slow significantly in 2024, with risks including a potential autoworkers strike, a government shutdown, and the resumption of student loan payments. Five consecutive quarters of below-potential GDP growth are anticipated. The 10-year US Treasury yield is forecast to fall to 3.9% by the end of 2023 and 3.5% by late 2024, as cooling inflation supports lower rates.

In summary, while inflation is easing, rising energy costs and economic risks present challenges. The labor market is loosening, but wage growth remains a concern. Consumer spending could slow as financial strains increase, and the Fed may adjust rates cautiously in response to these dynamics.

Table 6: Macroeconomics Data Summary

	2Q'23A	3Q'23A	4Q'23F	1Q'24F	2Q'24F	2022A	2023F	2024F	2025F
Output									
Nominal GDP (Billions $ Annualized Rate)	26,799.0	27,218.0	27,477.0	27,699.0	27,926.0	25,463.0	27,006.0	28,043.0	29,055.0
Percent Change Annualized	***4.1***	***3.9***	***3.3***	***3.3***	***3.3***	***9.2***	***6.1***	***3.8***	***3.6***
Real GDP (Chained 2012 Billions $ Annual Rat	20,386.0	20,525.0	20,565.0	20,599.0	20,645.0	20,014.0	20,440.0	20,664.0	20,923.0
Percent Change Annualized	***2.1***	***2.8***	***0.8***	***0.6***	***0.9***	***2.1***	***2.1***	***1.1***	***1.3***
Industrial Production Index (2007=100)	103.6	102.4	102.4	102.1	102.0	102.0	102.0	102.0	102.6
Prices									
CPI (1982-84=100)	303.4	306.7	309.2	311.3	313.4	292.6	305.2	314.9	323.6
Percent Change Annualized	2.7	4.5	3.3	2.7	2.6	8.0	4.3	3.2	2.8
PCE Price Index (2012=100)	127.0	128.2	129.3	130.2	131.0	122.9	127.7	131.6	134.9
Percent Change Annualized	***2.5***	***4.0***	***3.5***	***2.7***	***2.5***	***6.3***	***3.9***	***3.1***	***2.5***
Crude Oil, WTI ($/barrel)	74.0	82.0	87.0	88.0	89.0	95.0	80.0	89.0	90.0
Labor Markets									
Payroll Jobs (Average Monthly Difference, Ths	222.0	154.0	124.0	101.0	80.0	427.0	206.0	173.0	145.0
Unemployment Rate (Percent)	3.6	3.7	4.0	4.3	4.4	3.6	3.7	4.4	4.4
Labor Force Participation Rate (%)	***62.7***	***62.8***	***63.0***	***63.0***	***63.0***	***62.2***	***62.6***	***63.0***	***63.0***
Housing									
Housing Starts	1443	1441	1424	1413	1402	1551	1423	1400	1398
Case/Shiller One-Family HPI	302.5	304.7	305.5	306.2	307.2	298.5	302.5	307.9	312.9
Year/Year Percent Change	***-0.2***	***1.0***	***2.5***	***3.0***	***1.6***	***14.8***	***1.3***	***1.8***	***1.6***
Consumer									
Consumer Confidence	105.4	106.3	110.1	111.4	112.4	104.5	106.6	112.3	116.8
Car and Light Truck Sales	15.7	15.9	16	16.1	16.2	13.9	15.7	16.3	16.7
Retail & Food Service Sales	688.4	705.6	706.7	703.8	703.9	672.7	697	705.8	714.5
Percent Change Annualized	***0.6***	***10.4***	***0.6***	***-1.6***	***0.0***	***9.7***	***3.6***	***1.3***	***1.2***
Financial Indicators (Period Average)									
Federal Funds Rate	5.07	5.29	5.5	5.58	5.33	1.68	5.07	5.21	3.67
1-Month BSBY	5.16	5.35	5.51	5.59	5.35	1.8	5.15	5.21	3.68
3-Month Term SOFR	5.13	5.36	5.45	5.46	5.17	2.18	5.18	5.05	3.52
1-Yr. Treasury Rate	4.94	5.42	5.39	5.25	4.88	2.79	5.13	4.68	3.1
5-Yr. Treasury Rate	4.26	4.35	4.35	4.28	3.92	3	4.03	3.8	2.84
10-Yr. Treasury Rate	4.07	4.23	4.23	4.22	3.92	2.95	3.89	3.82	2.93
30-Yr. Fixed Rate Mortgage	6.49	7.04	7.04	7.04	6.51	5.33	6.77	6.4	5.27

Sources: Bloomberg

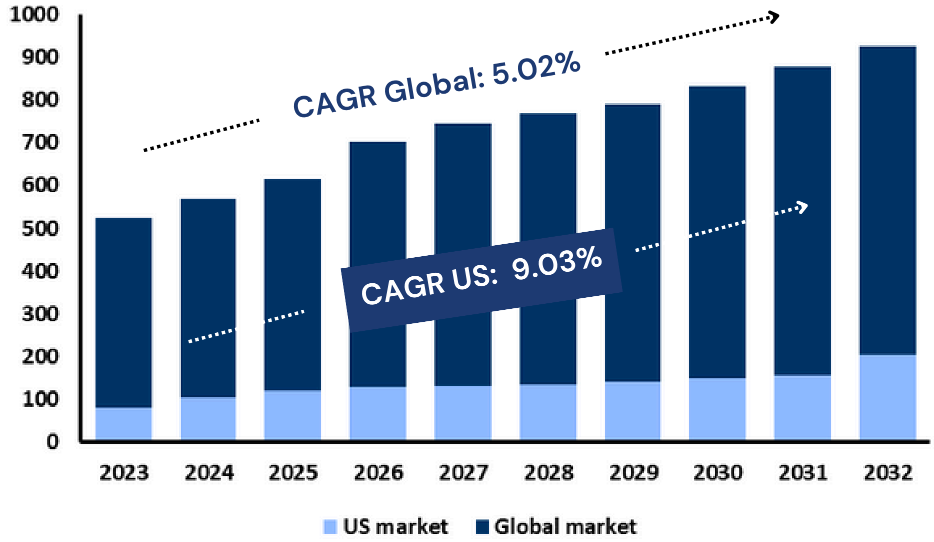
2. POTENTIAL SECTORS IN US MARKETS

In this section, we will conduct specific sector analysis which will be our rationale to allocate the weight to each sector (overweighted, underweighted or equally weighted comparing to S&P500 composition)

Information Technology (Overweighted: 30%)

The U.S. holds one-third of the $5 trillion global IT market, positioning itself as the world's largest tech market (ITA, 2024), with projections estimating it will reach USD 26.93 trillion by 2032, growing at a CAGR of 11.0%. We see substantial growth potential driven by (1) cutting-edge developments in artificial intelligence (AI), (2) a strengthening economy, and (3) increasing attractiveness of semiconductors. For these reasons, we have decided to overweight this sector, focusing primarily on large-cap companies such as NVDA, AMD, ORCL, and MSFT.

Figure 1: Semiconductor market size in 2023 – 2032F (Billion USD)



Financial Services (Underweighted: 12%)

Following the collapse of three major regional banks in early 2023, financial services stocks faced substantial pressure, with regional banks bearing the brunt of the market's reaction. This underperformance, compared to larger institutions, was driven by growing concerns over liquidity, as these failed banks had accumulated a significant amount of commercial deposits that far exceeded the limits of FDIC insurance. Consequently, we have moved to an underweight position for financial services stocks in our portfolio, with C and SCHW as two representatives.

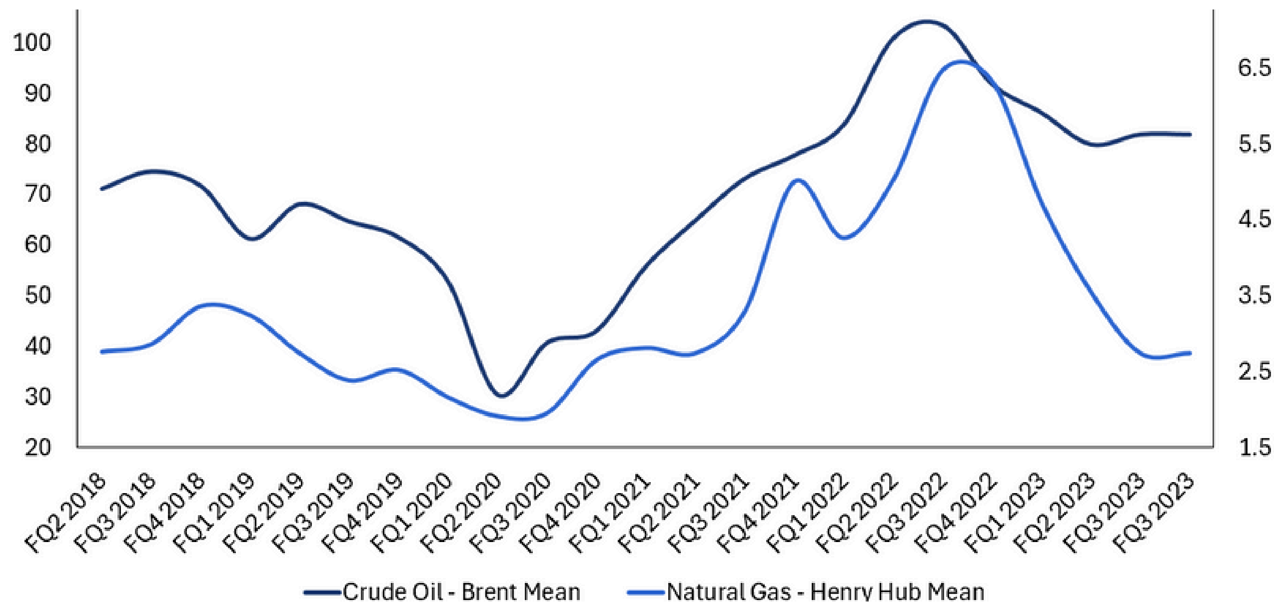
Healthcare (Overweighted: 13.3%)

The recent surge in interest surrounding a new class of weight-loss drugs, Ozempic from Novo Nordisk, has been a significant contributor to the healthcare sector's performance over the past year. After a period of underperformance relative to the broader market, valuations within much of the sector have become more attractive, offering notable investment opportunities. Given that healthcare services, including medical consultations and prescription drug use, remain essential regardless of broader economic conditions, we have decided to slightly overweight this sector, targeting undervalued companies such as DHR and ISRG.

Energy (Overweighted: 8.3%)

Based on the analysis reports of the International Energy Agency, in 2023Q4 and 2024, the crude oil and natural gas price is projected to experience an upward pressure given the mismatch between the demand and supply in the global scale. In specific, (1) the recovery in industrial and services activities and (2) the extension of production cuts from Saudi Aramco and OPEC+ will be the drivers for oil and gas companies' profitability. Along with renewable energy transition, carbon capture and storage (CCS) is considered as the solution for the carbon emissions and other environmental issues in oil and gas exploration and production activities. As such, we have largely overweighted energy sectors with a key player, CVX, in our portfolio.

Figure 2: Crude oil and natural gas price 2018 - 2023



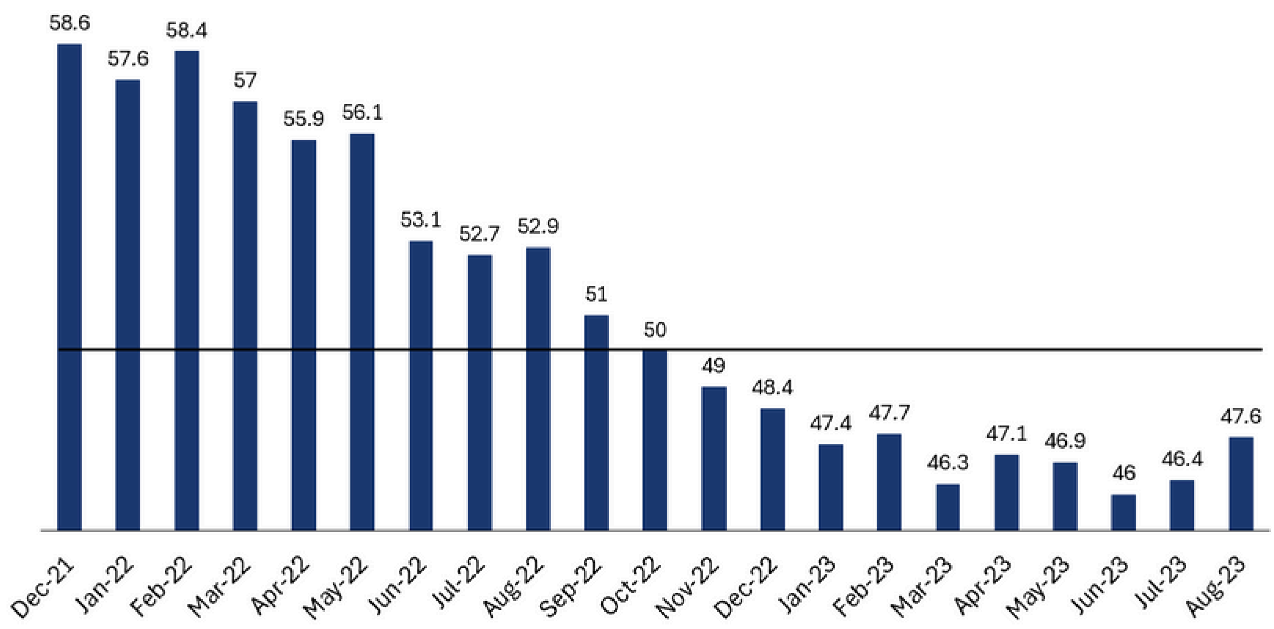
Utilities
(Equal: 2.6%)

According to the U.S. Information Agency, renewable energy sources, such as wind and solar, contributed 14% of U.S. electricity generation in 2022 and are projected to rise to 16% in 2023 and 18% in 2024. This growth is driven by (1) increased U.S. government subsidies, which have doubled over the past seven years, (2) rising investor interest in transitioning from fossil fuels to alternative energy, and (3) the global commitment to net-zero emissions by 2050, with the U.S. leading the way. Given sustainable growth in both the short and long term, we maintain a similar weight to the S&P 500 index as a defensive sector, selecting NEE as a first-mover.

Industrials
(Underweighted: 8.2%)

According to S&P Global, after a gradual recovery in 2023H1, the PMI index fell to 49.6 in July and 47.9 in August, signaling a pessimistic outlook among U.S. manufacturers. This decline is driven by (1) record-high input cost inflation, especially wages, (2) contraction in sales and new orders due to weakening demand, and (3) geopolitical tensions, reducing export orders and raising transportation costs. As a result, producers lowered factory utilization. Thus, we underweight the industrial sector compared to the S&P 500, focusing on a strong-growth company, HON.

Figure 3: US Manufacturing PMI in 2022-8M2023



Consumer Discretionary (Underweighted: 10%)

In 2023, the consumer discretionary sector experienced solid growth early on, but recent challenges are dampening its outlook. Discretionary spending grew 4% year-over-year in Q1 2023, fueled by wage increases and low unemployment. However, rising interest rates, inflation, and global supply chain issues are weakening momentum. Higher borrowing costs and eroding purchasing power are reducing consumer confidence, leading to cautious spending. We have adjusted our stance to underweight by -0.6%.

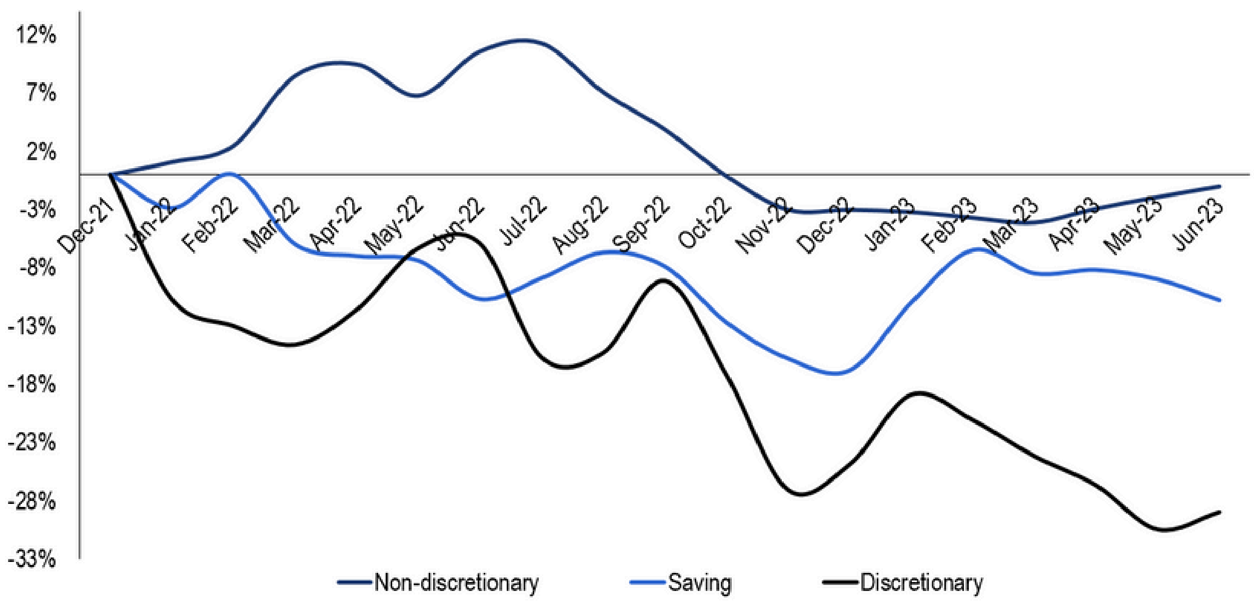
Communication Services (Equal 8.7%)

In 2023, communication services saw strong growth, driven by digital advertising (+10% YoY in Q1 2023) and streaming services (+7% global subscriptions). Key drivers include, (1) 5G adoption, (2) corporate digital investment, and (3) rising demand for digital media Given these factors, we maintain the same position in the communication services sector relative to the S&P 500.

Consumer Staples (Overweighted 6.9%)

Easing inflation and rising wages support steady demand for essential goods. Strong pricing power and growth in sustainable products drive the sector's resilience. With compelling valuations and potential for improved margins, we have adjusted our position to an overweight of +0.4% compared to the S&P 500.

Figure 4: Monthly spending intentions (% change, 2021 as base)



3. OUR MANAGED PORTFOLIO FORMATION & MODEL SELECTION

We employed the Black-Litterman with Absolute Views Model to project 2024 expected returns. This model allows us to leverage our our exclusive advantage of being accessible to Analyst Reports and Target Price calls on each stocks provided by top US Brokerage firms (i.e., JP Morgans, Barclays, etc.) and reflect them into our subjective views which are then integrated with market data to provide a more robust and intuitive framework for our 2024 estimated expected returns.

Figure 5: Analyst Report with Target Price provided by Barclays

BARCLAYS

Equity Research
Healthcare
8 August 2023

Eli Lilly & Co

2Q23 Post-Call Thoughts; Raising PT to $590

| CORE

Mounjaro approaches $4bn run-rate, and have increased conviction in our $10bn '24 outlook; raising 2030 LLY incretin sales to $60bn from $50bn.

Positive top-line SELECT data and a solid 2Q Mounjaro print (+$222mn vs. cons) provided compelling evidence that that the broader GLP-1 class and Mounjaro specifically are both delivering on their potential – and quite convincingly proceeding better than expectations. While limitation on supply persist, we left the call encouraged by 2H Mounjaro pricing commentary, and there should be some modest ramp in supply within weeks. Even if 3Q volume is modestly below our prior assumption, we see pricing dynamics more than offsetting this, and expect an exceptional 4Q - with Mounjaro sales likely to approach $1.9bn. More to the point, we raised our FY23 and FY24 Mounjaro estimates (now $5bn in '23 and $10bn in '24) and anticipate Street expectations gravitate toward that neighborhood. Further, we have increased conviction in the longer-term adoption trends for the class in obesity on the back of SELECT, and raised our peak sales estimate for LLY incretins (Mounjaro plus next-wave assets) to ~$60bn (see Figure 5) from $50bn, with underlying obesity adoption ~20% (12mn patients in US) in 2030. Based on that we are raising our PT to $590 from $500.

LLY	OVERWEIGHT Unchanged
U.S. Biopharmaceuticals	POSITIVE Unchanged
Price Target	USD 590.00 raised 18% from USD 500.00
Price (07-Aug-23)	USD 454.08
Potential Upside/Downside	+29.9%
Market Cap (USD mn)	431045
Shares Outstanding (mn)	949.27
Free Float (%)	89.19
52 Wk Avg Daily Volume (mn)	2.9
Dividend Yield (%)	1.00
Return on Equity TTM (%)	55.42
Current BVPS (USD)	11.79

Source: Bloomberg

After deriving expected return for each shortlisted stocks based on our preliminary fundamental analysis from S&P 500 using Black-Litterman with Absolute Views model as we decribed above, we then proceeded to optimize the portfolio with the goal of maximizing the Sharpe ratio under spicific constraints (1) Total weight for each sector must equal to which we have already assigned in section II.2 of Overview of US economy and potential sectors (2) Weight assigned to each stock is not allowed to exceed

10% to avoid being overly concentrated and deviated from tracking index (3) Total weight equals to one with no negative composition weights (no short sales permitted).

Table 7: Optimal Weights using Black-Litterman Absolute Views

Sector	Sector Weight	Ticker	BL Expected Excess Return	BL Expected Return	BL Optimal Weight
Information Technology	30.00%	**AMD**	22.69%	27.99%	10.00%
		MSFT	21.21%	26.50%	9.39%
		NVDA	27.85%	33.15%	10.00%
		ORCL	12.72%	18.02%	0.61%
Healthcare	13.30%	**DHR**	15.20%	20.50%	10.00%
		ISRG	12.77%	18.06%	3.30%
Financial Services	12.00%	**C**	29.13%	34.43%	2.00%
		SCHW	29.88%	35.18%	10.00%
Consumer Discretionary	10.00%	**AMZN**	23.21%	28.51%	10.00%
Communication Services	8.70%	**GOOGL**	30.19%	35.49%	8.70%
Industrials	8.20%	**HON**	14.94%	20.24%	8.20%
Consumer Staples	6.90%	**WMT**	6.27%	11.57%	6.90%
Energy	8.30%	**CVX**	12.68%	17.98%	8.30%
Utilities	2.60%	**NEE**	12.14%	17.44%	2.60%
Total	**100%**				**100%**

Table 8: Performance Summary Table from Optimal Weights

Performance Results Summary	
Mean of Portfolio	**25.91%**
Standard Deviation of Portfolio	**16.34%**
Sharpe Ratio	**1.26**

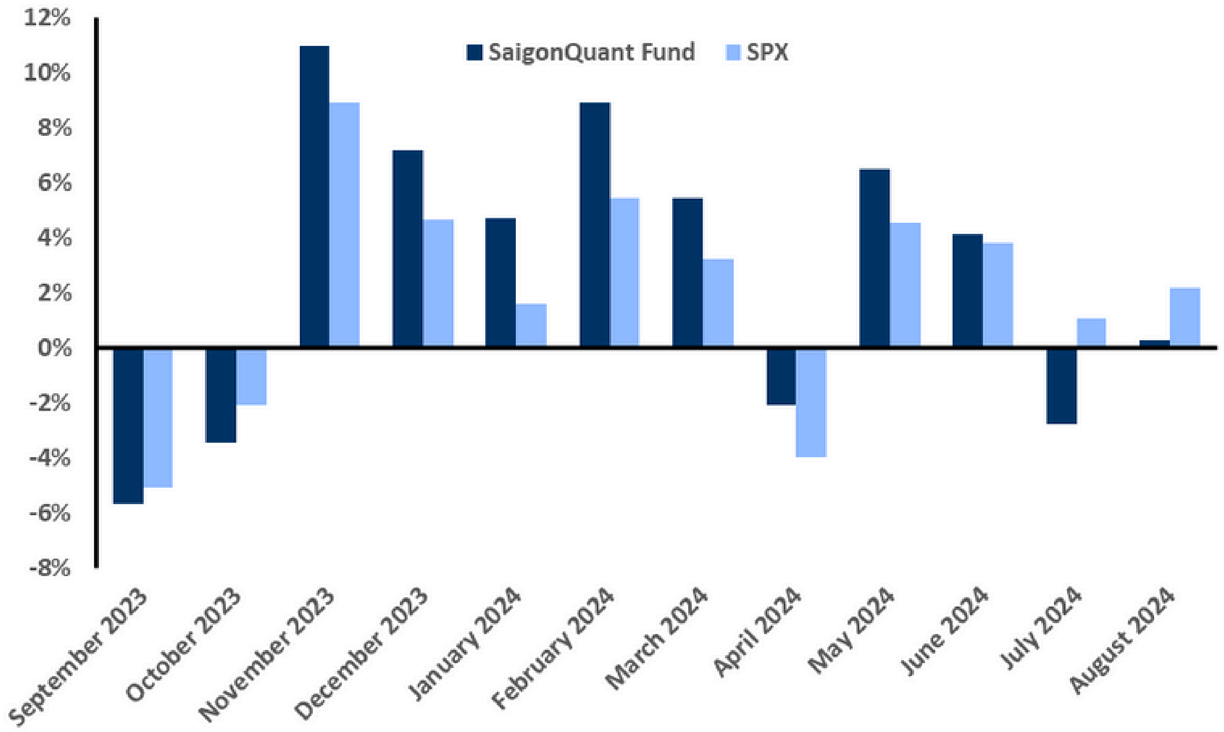
III. Monitoring & Rebalancing

1. MONTHLY RETURNS MONITORING

In September 2023, our fund declined, mirroring the broad index due to inflation worries and fears of prolonged high interest rates. The downturn extended into October as rising bond yields pressured the market. By November, sentiment improved, and our portfolio rebounded, outperforming the index, driven gains in MSFT, NVDA and AMD, fueled by AI market enthusiasm. MSFT's rally continued through December, boosting our returns as tech stocks surged with holiday demand.

The positive trend continued into early 2024, with our portfolio outperforming in January and February due to robust consumer spending. In April, inflation concerns resurfacing, though we still fared better than the market. By May, optimism around corporate earnings led to recovery. July saw a dip as global slowdown fears hit growth stocks and despite a small gain in August, the portfolio lagged behind the index due to rising recession concerns.

Figure 6. Monthly returns of SaigonQuant vs S&P 500



2. REBALANCING

The IPS mandates rebalancing to be carried out when the portfolio value deviates by 5% from its target, minimizing unnecessary trading costs and maintaining strategic allocations. As of 6th March 2024, the portfolio value exceeded the threshold (5.07%), triggering a full rebalance. Key observations include:

- All stocks were realigned to their original target weights, maintaining our **strategic asset allocation**.
- The rebalancing was influenced by inflation concerns, rising interest rates, and fluctuations in the energy market. Despite strong AI-driven demand in the tech sector, we reduced positions in AMD and NVDA due to valuation concerns. We also increased exposure to CVX, anticipating energy demand recovery, and GOOGL, given its sustained strength in digital advertising.

Table 9: Portfolio Rebalancing

Stock	Weight before rebalancing	Buy/ Sell	No. of stocks to buy/sell	Weight after rebalancing
AMD	15.07%	Sell	15042	10.00%
AMZN	10.02%	Sell	78	10.00%
C	2.25%	Sell	2732	2.00%
CVX	5.86%	Buy	10254	8.30%
DHR	8.69%	Buy	3240	10.00%
GOOGL	6.68%	Buy	9642	8.70%
HON	7.10%	Buy	3464	8.20%
ISRG	3.30%	-	0	3.30%
MSFT	9.01%	Buy	593	9.39%
NEE	1.76%	Buy	9576	2.60%
NVDA	14.49%	Sell	31601	10.00%
ORCL	0.44%	Buy	941	0.61%
SCHW	9.12%	Buy	8081	10.00%
WMT	6.20%	Buy	7186	6.90%

3. MACRO OVERVIEW

From September 2023 to August 2024, the global markets faced several key challenges, as indicated by:

- Persistent inflation and the Federal Reserve's continued interest rate hikes put pressure on growth stocks, particularly in late 2023.
- Rising bond yields in October created further volatility, but AI-driven tech stocks like NVDA, rebounded strongly by early 2024, benefitting from high demand and optimism in the sector.
- By mid-2024, global recession fears caused a dip in growth stocks, while more defensive sectors, such as Consumer Staples, held up better.
- The Energy sector experienced fluctuations due to shifting oil prices, but some companies saw gains as global demand recovered.

Our portfolio, with significant additional exposures to Technology and Energy, capitalized on these trends, outperforming benchmarks during key periods, though some challenges emerged by July due to recession concerns.

IV. Portfolio Performance & Evaluation

1. PERFORMANCE MEASUREMENT

Our fund has experienced a flourishing year demonstrating with an outstanding return, surpassing our benchmark index, S&P 500, and other corresponding indices, including VV, FLRG, SCHX, and FLQL. Our fund's previous year results are summarized as below.

Table 10: Portfolio Performance – Risk and Return (1)

	^GSPC	Saigon Quant	VV	FLRG	SCHX	FLQL
Beta	1.00	1.21	1.01	0.92	1.01	1.05
Intercept	0.000	0.0001	0.0000	0.0001	0.0000	0.0000
Total risk	1.58%	2.78%	1.65%	1.45%	1.64%	1.82%
Market risk	1.58%	2.33%	1.63%	1.35%	1.63%	1.75%
Specific risk	0.00%	0.45%	0.02%	0.10%	0.01%	0.07%
Annualized return	23.16%	32.56%	23.20%	23.20%	22.84%	23.40%
Annualized st.dev.	12.58%	16.68%	12.84%	12.05%	12.82%	13.48%

Our fund achieved an **annualized return of 32.56%**, exceeding S&P 500 and other comparable indices, which is attributed to our investment style and strategies. Notably, the Technology sector was the top performer, while defensive stocks in Healthcare and Consumer Staples largely contributed our fund's returns.

1. PERFORMANCE MEASUREMENT (CON.T)

Our fund demonstrated a relatively high correlation with the market, reflected by a **beta of 1.21**. We effectively balanced risk and return, as shown by a **standard deviation of 13.48%** and an annualized total risk of 1.82%, which were only slightly higher than those of the S&P 500 and similar indices. Importantly, the annualized standard deviation remained comfortably below our Investment Policy Statement's acceptable threshold of 20%.

Table 11: Portfolio Performance – Risk and Return (2)

	^GSPC	Saigon Quant	VV	FLRG	SCHX	FLQL
Jense's alpha	0.00%	5.53%	-0.21%	1.42%	-0.57%	-0.70%
Sharpe ratio	1.45	1.65	1.42	1.51	1.39	1.37
Treynor ratio	18.19%	22.75%	17.98%	19.72%	17.63%	17.52%
M2 Measure	0.00%	2.63%	-0.31%	0.84%	-0.64%	-0.99%
T2 Measure	0.00%	4.56%	-0.20%	1.53%	-0.56%	-0.67%
Information ratio	N/A	0.82	-0.15	0.45	-0.47	-0.27

Our active fund consistently outperformed benchmark indices. The Sharpe ratio revealed that our fund generated an extra **1.65 units of return per unit of total risk**, which is 16% higher than the benchmark average. Similarly, the Treynor ratio indicated a **22.75% risk premium per unit of systematic risk**, outperforming all comparable indices. Additionally, our actively managed portfolio delivered robust returns, as reflected by a positive **Jensen's alpha of 5.53% on an annualized basis**, showcasing our ability to outperform the market. Furthermore, with an **information ratio of 0.82**, far above the average of -0.11 from similar indices, our portfolio management strategies consistently achieved higher excess returns for the same level of risk.

2. PERFORMANCE ATTRIBUTION

To assess performance attribution, we analyze the excess return of 9.41% in three key factors: asset allocation, sector allocation, and stock selection. Our benchmark portfolio consists of 99.4% invested in the S&P 500 index, representing large-cap blend equities, and 0.06% in cash, in line with comparable active mutual funds in the market.

Table 12: Asset Class Allocation Analysis

Asset Class	Portfolio Weight	Index Weight	Excess Weight	Index Return	Contri-bution
Equity	99.00%	99.94%	-0.94%	23.16%	-0.22%
Cash	1.00%	0.06%	0.94%	0.00%	0.00%
Total Contribution of Asset Allocation					-0.22%

Table 13: Sector Allocation and Stock Selection Analysis

Asset Class	Portfolio Return	Index Return	Excess Return	Portfolio Weight	Contri-bution
Equity	32.88%	23.16%	9.73%	99.00%	9.63%
Cash	0.00%	0.00%	0.00%	1.00%	0.00%
Total Contribution of Selection					9.63%

Our fund generated a **total excess return of 9.41%** relative to the benchmark portfolio, primarily because of efficient sector allocation and stock selection. However, **asset allocation contributed negatively at -0.22%**, as we slightly overallocated to cash to improve liquidity and support gain distributions. Additionally, **sector allocation and stock selection impact** was notably positive, contributing **9.63% to our superior performance**. In specific, thanks to our effective investment strategies and exceptional selection expertise, we achieved a 9.73% excess return on equities compared to the S&P 500 index.

2. PERFORMANCE ATTRIBUTION

Tabel 14: Sector Allocation and Stock Selection Decomposition

Sector	Weights in Portfolio	Weights in S&P 500	Weights Difference	Index Return	Contribution
Information Technolgy	30.00%	28.10%	1.90%	38.70%	**0.74%**
Healthcare	13.30%	13.10%	0.20%	20.10%	**0.04%**
Financials	12.00%	12.60%	-0.60%	35.40%	**-0.21%**
Consumer Disc.	10.00%	10.60%	-0.60%	12.40%	**-0.07%**
Com. Services	8.70%	8.70%	0.00%	32.10%	**0.00%**
Industrials	8.20%	8.50%	-0.30%	23.60%	**-0.07%**
Consumer Sta.	6.90%	6.50%	0.40%	18.60%	**0.07%**
Energy	8.30%	4.30%	4.00%	6.30%	**0.25%**
Utilities	2.60%	2.60%	0.00%	25.60%	**0.00%**
Materials	0.00%	2.50%	-2.50%	16.10%	**-0.40%**
Real Estate	0.00%	2.50%	-2.50%	21.90%	**-0.55%**
Total Contribution					**-0.21%**

We observed that **asset allocation and sector allocation** had a negative impact on the portfolio, **contributing -0.22% and -0.20%**, respectively, suggesting that broader strategies were suboptimal. In contrast, the **9.84% positive contribution from security selection** highlights successful stock picking, indicating that leveraging sell-side research as the buy-side role significantly contributed to our performance.

Table 15: Performance Attribution Summary

Attribution Factor	Return	Weight	Contribution
Asset Allocation	-0.22%	100%	-0.22%
Sector Allocation	-0.21%	99.00%	-0.20%
Security Selection	9.93%	99.00%	9.84%
Total Excess Return on the Portfolio			**9.41%**

3. STYLE ANALYSIS

Our fund's investment style is large-cap blend, with both growth and value stocks. In our portfolio, we allocated **67.2% for large-blend** stocks. Also, **large-growth and large-value** companies accounted for **10.0% and 22.8%,** representing our **tactical allocation** to capture potential stocks and portfolio diversification into defensive stocks, respectively.

Figure 7: MorningStar Style Box

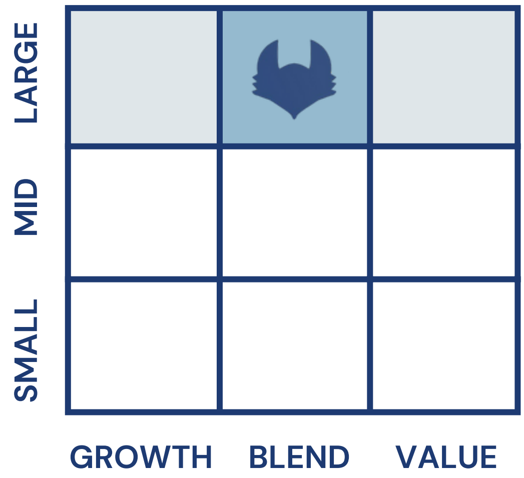
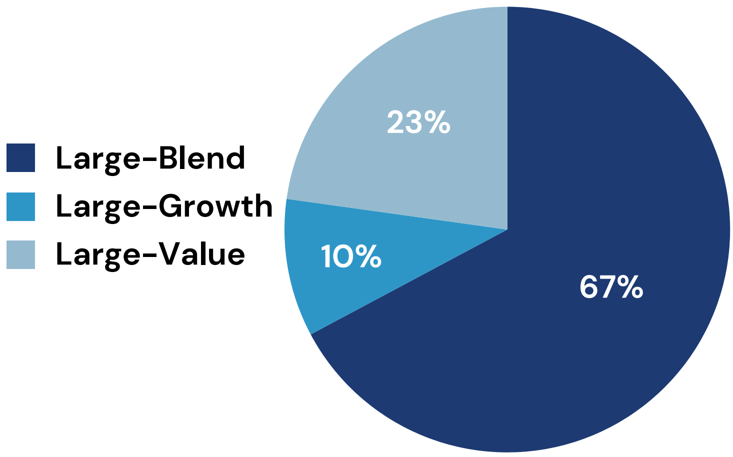


Figure 8: Investment Style Index Weights



As illustrated in the charts, our fund recorded an outstanding annualized return of 32.56%, which outperformed the benchmark index. In specific, we attributed 65% of our fund's performance to our investment approach, which indicates the consistency between our portfolio management and investment style previously stated in the IPS. The remaining 35% of our fund's return was dedicated to our industry and company analysis and selection capabilities.

Table 16: Fund Performance Decomposition

PERFORMANCE TRACKING	RETURN	WEIGHT
Fund Return	32.56%	100%
Benchmark Component	21.20%	65%
Selection Component	11.35%	35%
Tracking Error	0.0053	

V. Conclusions & Limitations

1. CONCLUSIONS

From September 2023 to September 2024, SaigonQuant achieved strong investment performance, surpassing both the risk-return goals and benchmark expectations, despite a challenging macroeconomic landscape.

2. LIMITATIONS

While we have outperformed the market, several constraints in the Black-Litterman model—such as allocation bias, subjective asset selection, and return assumptions—have been observed, impacting risk accuracy and performance.

1. **Allocation Bias:** The use of fixed sector allocations compared to the S&P 500 may lead to biased portfolio weighting, overlooking market changes.
2. **Subjective in Selection:** The reliance on reports from institutions like JP Morgan, Deutsche Bank, and Morgan Stanley could introduce subjectivity in asset selection.
3. **Assumption of Normal Distribution:** The model's assumption of normal returns may misestimate risk for assets with skewed or heavy-tailed distributions, leading to potential underperformance.

VI. Appendices

1. STOCK SELECTION RATIONALE

Sector	Ticker	Rationale
Information Technology	AMD	• AMD is a leader in semiconductor technology, AMD is known for its high-performance computing and graphics products, • AMD positioning well for AI-driven growth and Data Center GPUs, making it a solid long-term investment opportunity.
	MSFT	• Microsoft, a global tech giant, Microsoft excels in software, cloud services, and AI solutions saw its cloud platform grow 27% in constant currency, driven by AI demand. With 70.1% gross margins and EPS of $2.69, beating estimates by 5.5%, • Microsoft projects 25-26% Azure growth in 1Q24, boosted by AI, reinforcing its strong growth trajectory.
	NVDA	• NVIDIA Corporation (NVDA) is a global leader in accelerated computing and AI technologies, renowned for its powerful GPUs that drive innovation across industries. • The company has maintained its market leadership, especially in the AI segment, with an 80% growth in its Data Center segment, surpassing competitors like Intel and AMD.
	ORCL	• Oracle Corporation (ORCL) specializes in database technology and cloud infrastructure, leading the way in enterprise software and AI-powered cloud services. ORCL has positioned itself as a second-order beneficiary of the AI boom, capitalizing on its Oracle Cloud Infrastructure (OCI) and AI-driven offerings. • Oracle is expected to continue its strong growth trajectory in cloud services.
Healthcare	DHR	• Danaher Corporation (DHR), a diversified science and technology innovator, Danaher drives advancements in life sciences, diagnostics, and environmental solutions achieved 15% YoY revenue growth in Q2 2023. • With $1.2 billion in free cash flow, the company continues to drive innovation and growth through strategic acquisitions and strong segment performance.
	ISRG	• Intuitive Surgical (ISRG) leads in robotic-assisted surgery with its da Vinci systems. In Q2 2023, ISRG saw 15% year-over-year revenue growth, driven by increased demand and system placements. • Its expanding installed base and innovative technology position ISRG for continued long-term growth.

VI. Appendices

Sector	Ticker	Rationale
Financial Services	C	• Citigroup (C) offers a global business model with consistent, high-quality earnings by targeting key client segments and optimizing its capital base. • Despite near-term risks related to increased investments in risk management and the sale of certain international businesses, the company's diversified operations, particularly in areas such as ICG and Private banking, provide resilienc
	SCHW	• A leader in retail financial services, Charles Schwab provides investment, banking, and wealth management services. Charles Schwab (SCHW) posted Q2 2023 revenues of $4.7 billion, with strong asset growth and net interest income of $2.3 billion. • With EPS expected to rise from $3.32 in 2023 to $6.00 by 2025, Schwab's cost efficiency and projected NIM growth to 3% by 2025 position it for long-term success
Consumer Discretionary	AMZN	• Amazon dominates e-commerce, cloud computing, and AI services, consistently innovating across various sectors to maintain global leadership. • Amazon's retail business also saw revenue growth fueled by its leadership in price, selection, and delivery speed, especially in essential categories. With improved macro conditions and strong momentum in advertising revenue, Amazon is well-positioned for sustained growth.
Communication Services	GOOGL	• Alphabet, Google's parent company, leads in digital advertising, AI, and cloud services, revolutionizing how people access information and technology.
Industrials	HON	• A global automotive leader, Honda excels in vehicle innovation, including electric mobility and advanced engineering solutions. • Honda has been at the forefront of developing electric vehicles and autonomous driving technologies. The company continues to expand its global footprint while maintaining its focus on efficiency and technological advancement.
Consumer Staples	WMT	• The world's largest retailer, Walmart is known for its extensive global operations in both physical and digital retail. • Walmart's focus on operating leverage, margin improvement, and growth in alternative segments like advertising supports its long-term investment appeal
Energy	CVX	• Chevron is a major player in the global energy market, specializing in oil, gas, and renewable energy technologies. • CVS is known for its strong upstream presence, particularly in high-margin assets like the Permian Basin and Tengiz
Utilities	NEE	• A leader in renewable energy, NextEra Energy focuses on clean power generation and sustainable energy solutions. • The company's Energy Resources division saw a notable backlog of ~20GW in new renewable and storage projects.

VI. Appendices

2. LIMITATION REMEDIES

Practical remedies can address the Black-Litterman model's limitations, reducing allocation bias, selection subjectivity, and improving return distribution assumptions for better portfolio management.

1. **Allocation Bias:** Regularly adjust sector allocations based on updated market trends or consider using dynamic weighting strategies that better reflect real-time sector shifts, rather than relying solely on fixed numbers from benchmarks like the S&P 500.
2. **Subjective in Selection:** Incorporate a broader range of data sources and valuation models, or use quantitative methods such as machine learning algorithms to cross-validate institutional reports and minimize subjectivity in asset selection.
3. **Assumption of Normal Distribution:** Use alternative models that accommodate non-normal return distributions, such as those that account for skewness and kurtosis (e.g., the Student-t distribution or Extreme Value Theory) to better estimate risks for assets prone to extreme market behavior.

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