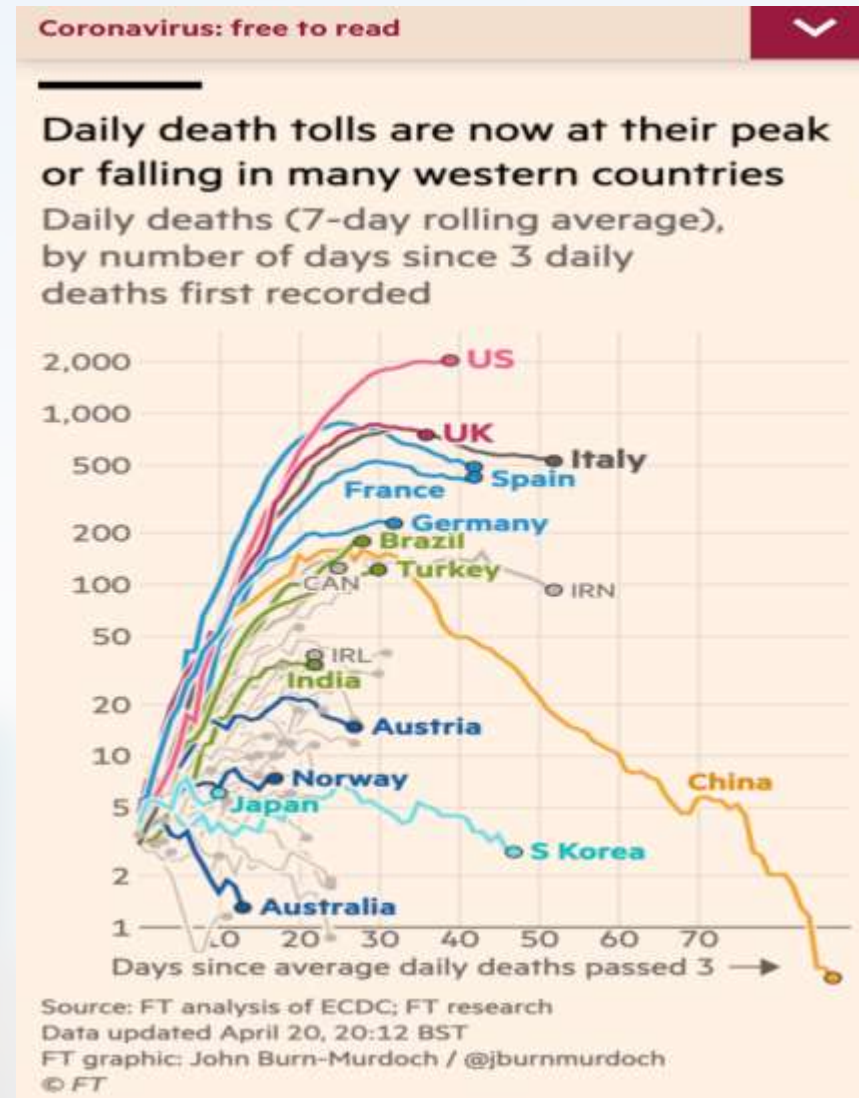


CASTLESTONE  
MANAGEMENT



## Advisor Bulletin April 2020

The spread of the Coronavirus has slowed in many European countries and the US appears to be peaking



## The S&P 500 has already begun to rebound from the Coronavirus Pandemic

- The S&P 500 looks to have bottomed
- The recovery is greater than that of the 2018 sell off but not as large as the 2008 financial crisis (yet)
- We are 20% off that market peak
- There is potential for an upside move for the remainder of the year

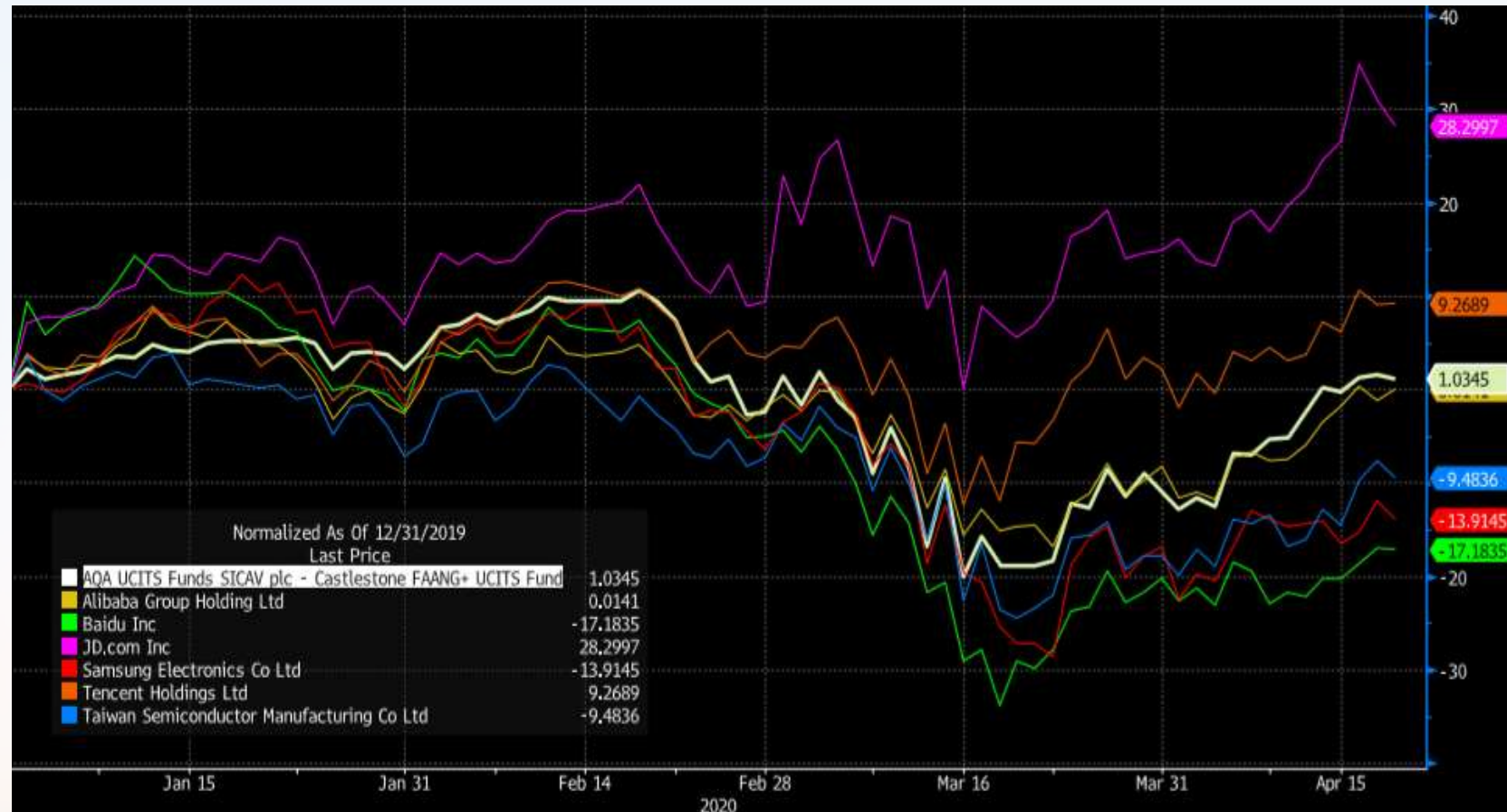


# FAANG stocks have led the rebound



## Emerging Market FAANG stocks performance YTD

- The performance has been mixed
- It will take EM markets longer to recover from the sell off
- All the stocks have rebounded from their lows
- JD.com has been the leader



## How cheap are they?

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a dark blue rectangular background.The Google logo, featuring the word "Google" in its multi-colored font.The Amazon.com logo, featuring the word "amazon.com" in black lowercase letters with a curved orange arrow underneath.The Netflix logo, featuring the word "NETFLIX" in bold red uppercase letters.

### How Cheap Are They?

1. **Facebook** [FB](#) is trading with a forward P/E of just 17.8. That's where it was trading at its 2018 lows when shares sold off due to the privacy and regulatory issues. Its P/S ratio of 6.7 is also equivalent to the 2018 lows. When Facebook went IPO in 2012, its forward P/E of 72. If you missed the 2018 buying opportunity, 2020 might be another chance.
2. **Alphabet** [GOOGL](#) has a forward P/E of 21.1. This is the cheapest the search engine giant has been since 2012, when it traded at 15.4x. Its P/S ratio of 4.9 is also the lowest since 2012. Is Alphabet a buy?
3. **Apple** [AAPL](#) was trading at its highest valuation of the last decade just as the coronavirus hit, with a forward P/E of 22.5. Shares have fallen over 13% year-to-date and it now trades with a forward P/E of 18.9. It's got the cash to survive any global economic shock, but are its shares still too expensive even with the pullback?
4. **Amazon** [AMZN](#) is one of the few FAANG stocks that is actually UP for the year, gaining about 7% year-to-date. With its Whole Foods grocery business and excellent delivery logistics, Wall Street is betting on it to be a big winner during and after the pandemic. But with a forward P/E of 71, is it still too expensive?
5. **Netflix** [NFLX](#) used to have the highest P/E ratio of the FAANGs. In 2019, it traded between 82 and 111x earnings. But even with the shares UP year-to-date, the forward P/E ratio has dropped to just 60.5. That's its lowest P/E since 2011, when it traded at 15x. Is this a buying opportunity as everyone is stuck inside with nothing to do except watch the streaming services?

## FAANG+ stocks lead most active stock list.

### Most traded stocks in first quarter of 2020:

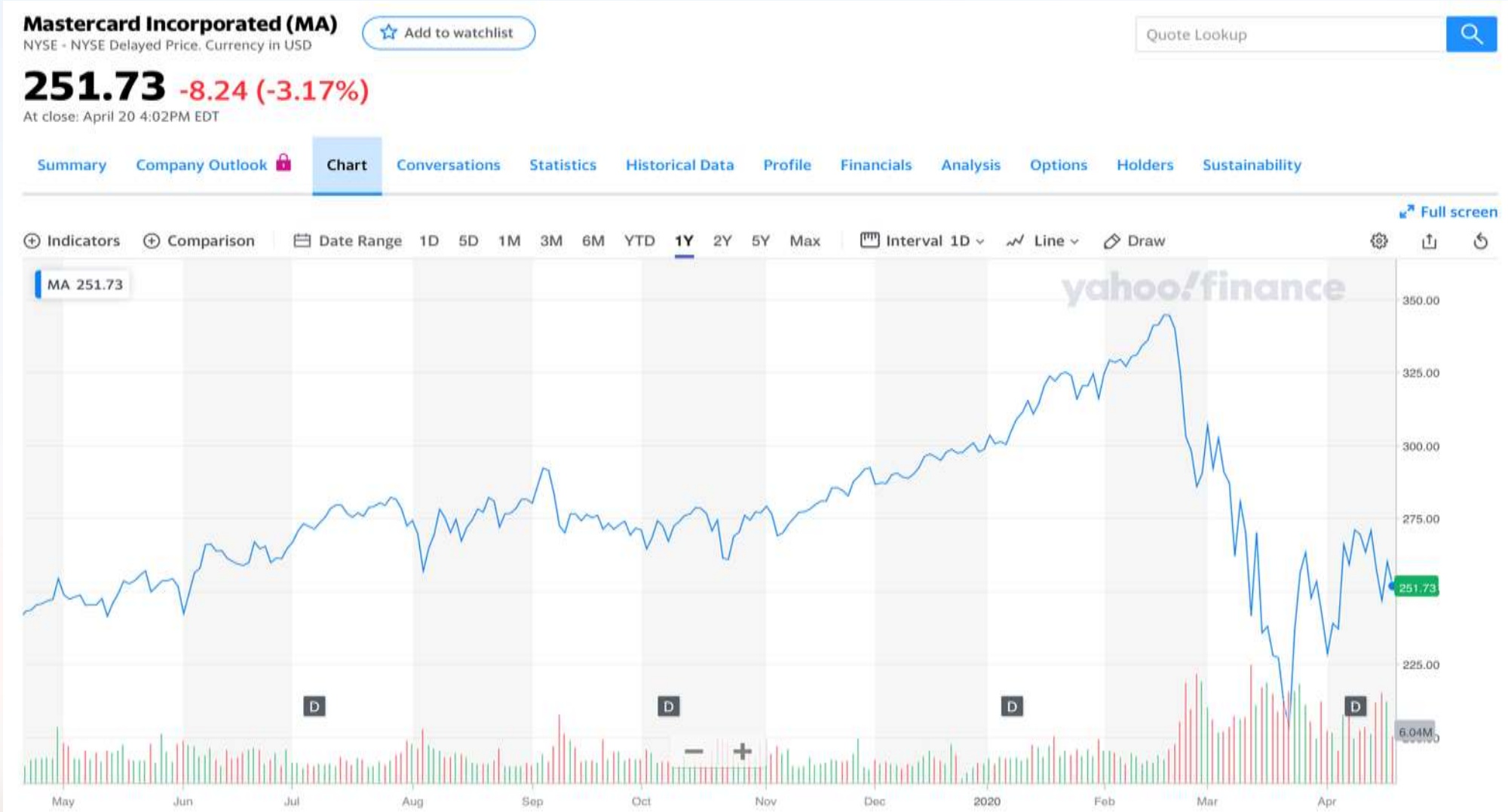
#### **ALL MARKETS**

1. Tesla
2. Apple
3. Microsoft Corp
4. Danske Bank
5. Amazon
6. Advanced Micro Devices
7. Facebook
8. Boeing
9. Novo Nordisk
10. NVidia

#### **UK**

1. Tesla
2. Apple
3. Anglo American
4. Microsoft
5. Lloyds Banking Group

## Non FAANG stocks recovering as well





## FAANG holdings

Ticker	Name	Dividend		Mkt Cap Billions \$	Industry Sector	Country	Subgroup Sector	Return
		% Holdings	Net Yield					
AMZN US Equity	AMAZON.COM INC	8.07	0.00	\$1,160.63	Communications	US	Internet & Direct Marketing Re	0.00%
BABA US Equity	ALIBABA GROUP HOLDING-SP ADR	4.06	0.00	\$556.24	Communications	CN	Internet & Direct Marketing Re	0.00%
BIDU US Equity	BAIDU INC - SPON ADR	3.93	0.00	\$35.07	Communications	CN	Interactive Media & Services	0.00%
CSCO US Equity	CISCO SYSTEMS INC	2.00	3.55	\$171.97	Communications	US	Communications Equipment	3.55%
EBAY US Equity	EBAY INC	2.10	1.70	\$29.94	Communications	US	Internet & Direct Marketing Re	1.70%
FB US Equity	FACEBOOK INC-CLASS A	7.77	0.00	\$486.91	Communications	US	Interactive Media & Services	0.00%
JD US Equity	JD.COM INC-ADR	1.97	0.00	\$63.50	Communications	CN	Internet & Direct Marketing Re	0.00%
NFLX US Equity	NETFLIX INC	8.41	0.00	\$190.80	Communications	US	Movies & Entertainment	0.00%
SNAP US Equity	SNAP INC - A	2.01	0.00	\$17.98	Communications	US	Interactive Media & Services	0.00%
TCEHY US Equity	TENCENT HOLDINGS LTD-UNS ADR	2.01	0.30	\$487.88	Communications	CN	Interactive Media & Services	0.30%
TWTR US Equity	TWITTER INC	3.86	0.00	\$20.20	Communications	US	Interactive Media & Services	0.00%
<b>Total Communication</b>		<b>46.21</b>						
TSLA US Equity	TESLA INC	4.24	0.00	\$126.43	Consumer Discretionary	US	Automobile Manufacturers	0.00%
<b>Total Consumer Discretionary</b>		<b>4.24</b>						
MA US Equity	MASTERCARD INC - A	2.01	0.65	\$246.60	Financials	US	Data Processing & Outsourced S	0.65%
V US Equity	VISA INC-CLASS A SHARES	1.99	0.75	\$315.04	Financials	US	Data Processing & Outsourced S	0.75%
WDI GY Equity	WIRECARD AG	2.11	0.16	\$15.33	Financials	DE	Data Processing & Outsourced S	0.16%
<b>Total Financials</b>		<b>6.12</b>						
AAPL US Equity	APPLE INC	7.76	1.15	\$1,174.25	Technology	US	Technology Hardware, Storage &	1.15%
AKAM US Equity	AKAMAI TECHNOLOGIES INC	2.04	0.00	\$16.73	Technology	US	Internet Services & Infrastruc	0.00%
AVGO US Equity	BROADCOM INC	1.96	5.25	\$99.01	Technology	US	Semiconductors	5.25%
CTXS US Equity	CITRIX SYSTEMS INC	2.03	0.95	\$18.10	Technology	US	Application Software	0.95%
GOOG US Equity	ALPHABET INC-CL C	7.79	0.00	\$834.62	Technology	US	Interactive Media & Services	0.00%
IBM US Equity	INTL BUSINESS MACHINES CORP	1.98	5.55	\$103.73	Technology	US	IT Consulting & Other Services	5.55%
INTC US Equity	INTEL CORP	1.95	2.34	\$241.25	Technology	US	Semiconductors	2.34%
MSFT US Equity	MICROSOFT CORP	3.95	1.22	\$1,276.45	Technology	US	Systems Software	1.22%
NVDA US Equity	NVIDIA CORP	3.92	0.24	\$165.07	Technology	US	Semiconductors	0.24%
ORCL US Equity	ORACLE CORP	1.97	1.87	\$161.81	Technology	US	Systems Software	1.87%
SMSN LI Equity	SAMSUNG ELECTR-GDR REG S	1.93	2.85	\$242.85	Technology	KR	Technology Hardware, Storage &	2.85%
TSM US Equity	TAIWAN SEMICONDUCTOR-SP ADR	1.96	3.25	\$266.41	Technology	TW	Semiconductors	3.25%
TXN US Equity	TEXAS INSTRUMENTS INC	2.00	3.37	\$99.75	Technology	US	Semiconductors	3.37%
VRSN US Equity	VERISIGN INC	2.21	0.00	\$23.93	Technology	US	Internet Services & Infrastruc	0.00%
<b>Total Technology</b>		<b>43.43</b>						
<b>TOTAL</b>		<b>100%</b>	<b>1.26</b>					<b>1.26%</b>

# FAANG+ YTD

CASFAUB MV Equity (AQA UCITS Funds SICAV plc - Castlestone FAANG+ UCITS Fu  
 DGTECU1 MV Equity (Dominion Global Trends SICAV plc - eCommerce Fund)  
 FDN US Equity (First Trust Dow Jones Internet Index Fund)  
 NYFANG Index (NYSE FANG+ Index)

**Bloomberg**  
 SPX Index (S&P 500 Index)



**Global Bond Yields remain low**

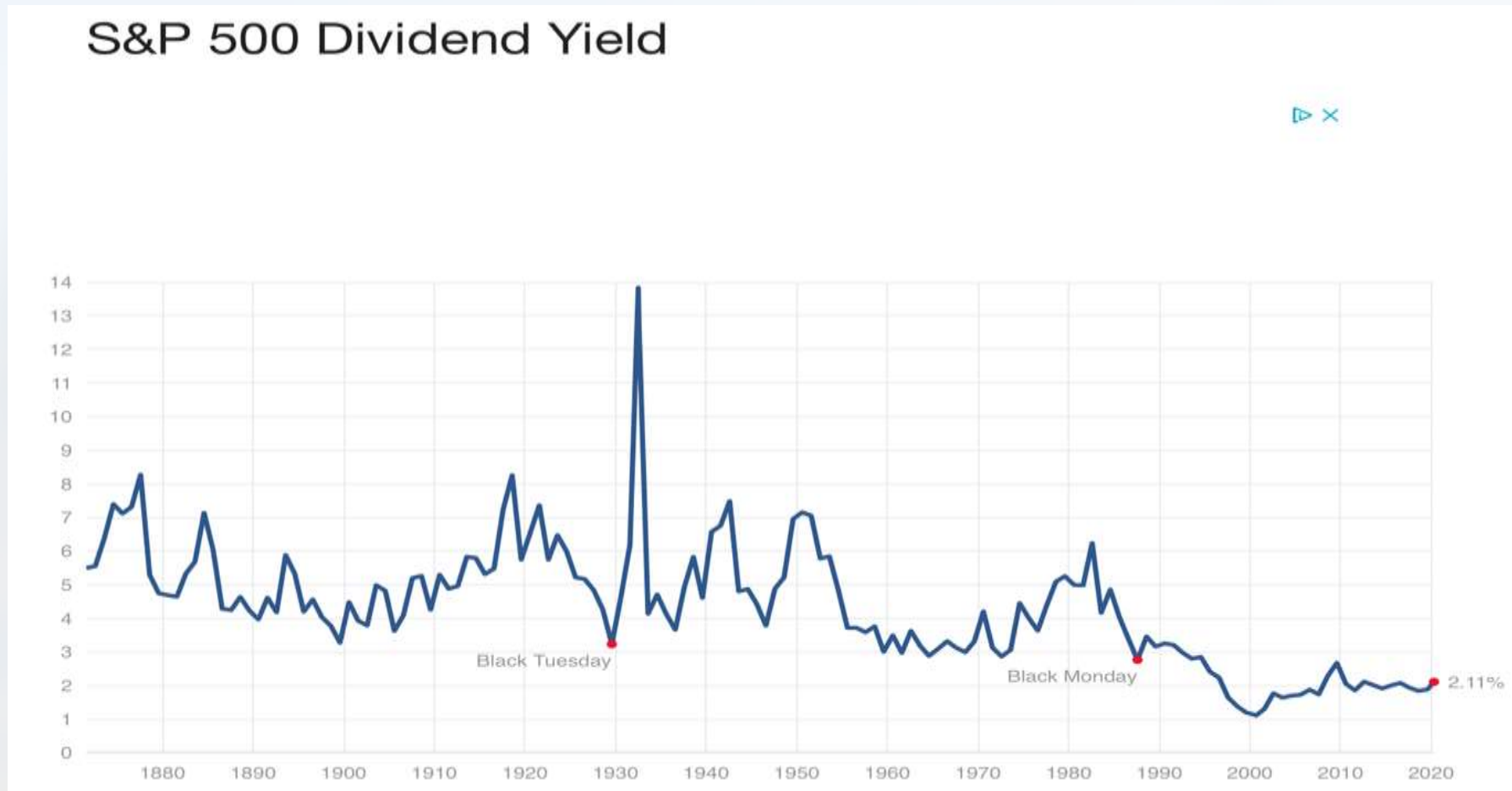
4/21/2020

Region	Security	Yield
<b>Americas</b>		
United States	US 10-year Treasury	0.552
Canada	Canadian 10 -year	0.573
<b>EMEA</b>		
United Kingdom	10-year Gilt	0.293
France	French 10-year	0.062
Germany	German 10-year	-0.485
Spain	Spanish 10-year	0.987
<b>Asia/Japan</b>		
Japan	Japanese 10-year	0.006
Australia	Australian 10-year	0.845
China	Chinese 10-year	2.553

## The Dividend Yield on the S&P is attractive

- The Dividend yield on the S&P 500 is higher than the 10-year US Treasury

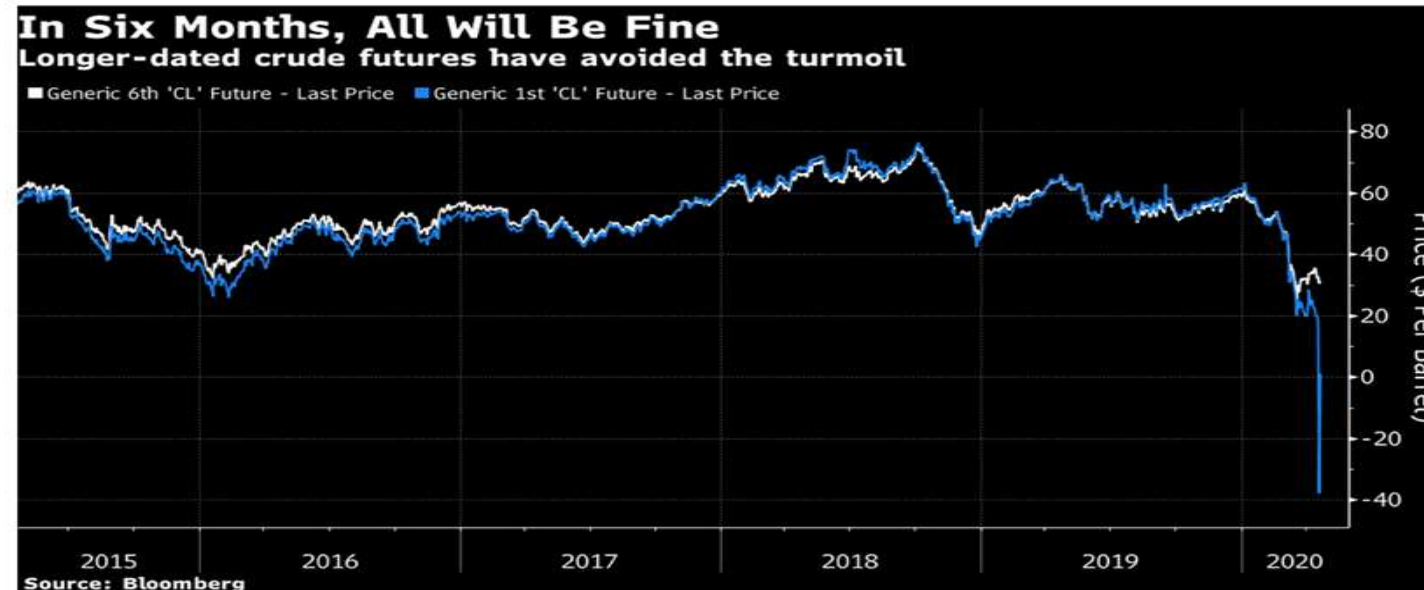
### S&P 500 Dividend Yield



## Oil prices remain under pressure

- The price drop when viewed by the 3 month contract is not as bad as the headlines
- A drop in oil prices is good for the economy

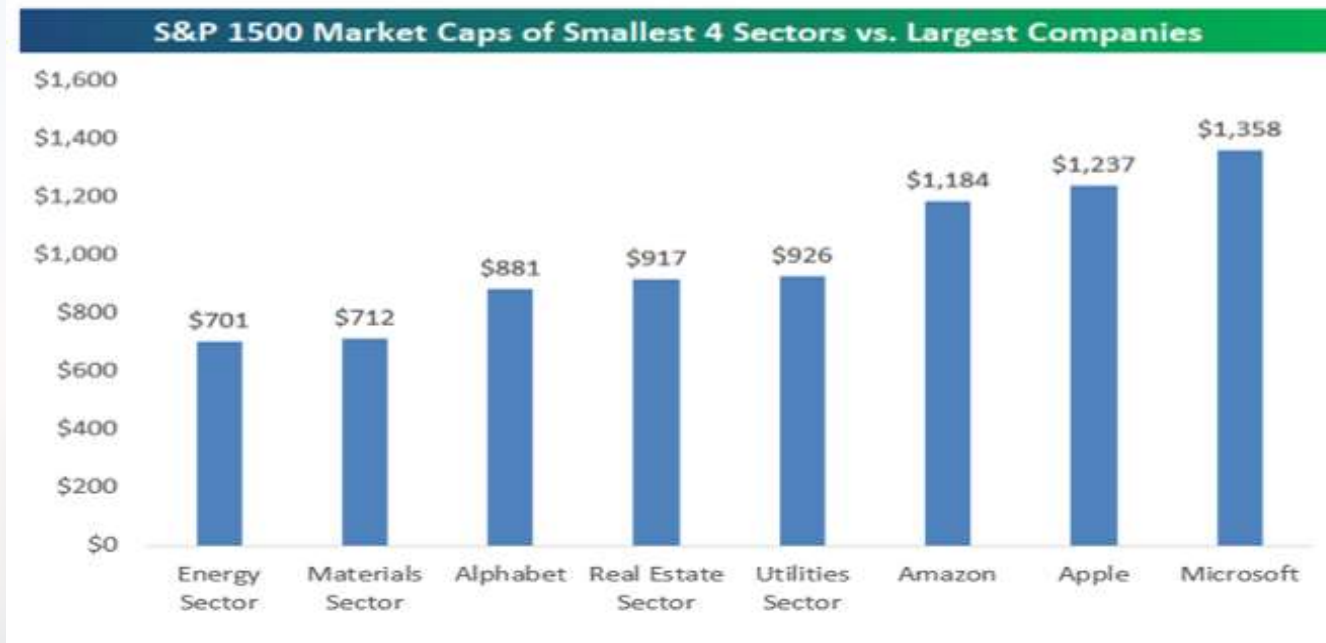
Do we have more horrors ahead? We might well, but the evidence is that they haven't yet been priced in. Normally the futures for the first and sixth month trade in close alignment, as the following chart shows. They parted company a month ago. The odds are that the industry will be able to reorganize itself over the next few months to avoid the absurdity of needing to pay others to take oil in nonexistent storage. But getting to that point will be difficult.



## The oil sector no longer has the impact it once did

- The oil sector only has a 5% weighting of the S&P 500
- The Energy sector market cap is approximately half that of Apple and Microsoft
- In the US energy stocks no longer have the impact on the market they once did

To put this into glorious perspective, Bespoke Investment Group offers the following chart comparing the current market capitalizations of the four biggest stocks in the S&P 500 (Microsoft Corp., Apple Inc., [Amazon.com](https://www.amazon.com) Inc. and Google parent Alphabet Inc.) with the four smallest sectors. At this point, the entire market value of all the energy and materials companies in the S&P 500 is barely any bigger than Microsoft. All the big four internet stocks are at present bigger, in their own right, than the entire S&P 500 energy sector.



## Recap

- PEAK IN COVID-19 INFECTIONS IS NOW OBVIOUS (FT CHARTS)
- USA 10 YEAR BOND 0.61% (UNATTRACTIVE)
- GERMANY 10 YEAR BOND -0.47% (UNATTRACTIVE)
- OIL PRICE \$22.95 (GOOD FOR THE ECONOMY)
- OIL STOCKS ARE MEANINGLESS TO THE S&P 500 INDEX
- FAANG STOCKS ARE NOT EXPENSIVE & INCREASED USE OF TECHNOLOGY
- YIELD S&P 500 INDEX 2.11% IS VERY ATTRACTIVE
- UPSIDE +10%

# Disclaimer

**Note: Disclaimer: This document is intended for and directed at investment professionals and not intended for retail customers. Persons who do not have professional experience in matters relating to investment should not rely on this document.**

AQA UCITS Fund SICAV plc is licensed in Malta by the Malta Financial Services Authority as an undertaking for collective investment in transferable securities (UCITS).

This document is issued by Castlestone Management LLC ("We"). The information contained in this document is not directed at, nor is it intended for distribution to, or use by, persons in any jurisdiction in which the investment products are not authorized for distribution or in which the dissemination of information regarding the investment products is not permitted. This document is not offering to sell any product. Any investment in the Fund is required to be undertaken in line with the Offering Supplement of the Fund. Copies of the Offering Supplement, audited annual financial statements and half-yearly reports and the key investor information documents (in English Language) are available free of charge upon request. We will not be liable for any use you make of any information in this document. We are not your advisor or fiduciary. We are not recommending or making any representations as to suitability of any product or the tax, legal or accounting treatment of any product. We are not responsible for information stated to be obtained or derived from third party sources. All opinions are given as of the date hereof and are subject to change. We are not obliged to inform you of any such changes. Any projections and opinions expressed herein are expressed solely as general market commentary and do not constitute investment advice or guaranteed return. They represent the views of Castlestone Management LLC at the time of publication and are subject to change without notice. Any simulated performance data and/or past performance data contained herein is not a reliable indicator or guarantee of future performance. An investment in the Fund may include a commission or sales fee which is charged at the time of the initial purchase of the investment and may be deducted from the invested amount therefore lowering the size of your investment. A redemption / contingent deferred sales charge may be charged at the time you redeem your investment and such charge may have an impact on the amount of money you receive back upon your redemption. Income from investments may fluctuate and investors may not recoup the amount originally invested. An investment in the Fund may be effected by changes in currency exchange rates. If you redeem your investment before 6 years, you may be at higher risk of losing some, or all of, the money you invest. Any forward-looking statements concerning the financial condition, results of operations and businesses of Castlestone Management LLC expressed or implied, are based on management's current expectations and assumptions, which may change without notice, and are no guarantee of future results, performance or events. Nothing in this document constitutes a representation that any investment strategy or

recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. Investors and prospective investors should make reference to the risk warnings set out in the Offering Supplement of the Fund. This document is confidential. No part of it may be reproduced, distributed or transmitted without Castlestone Management's written permission. Neither this document nor any copy of it may be distributed, directly or indirectly, in the United States of America or its territories or possessions (the "United States" or to any US Person as defined in Regulations under the United States Securities Act of 1933 (as amended)). Any failure to comply with these restrictions may constitute a violation of United States securities law. This is not exhaustive; other regional-specific wording may apply. If in doubt, please consult with Castlestone Management's Compliance department. Castlestone Management LLC is a registered investment adviser in the state of New Jersey. Being registered does not imply a certain level of skill or training. Investment in any Fund involves significant risks. A prospective or continuing investor should not invest in any Fund unless satisfied that it and/or its investment representative or professional adviser has/have asked for and received all information which would enable it or both of them to evaluate the risks in terms of an investment or continued investment in the Fund. The information in this document has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. No invitation to the public in Hong Kong to buy or subscribe for any product is permitted to be made. You should consult your own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning any of the contents of this document.

Additional information about Castlestone Management LLC is available on the United States Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## WARNING

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.