



# Investment Newsletter

August 2022

“ **Omni Alpha:** ”  
Profit From Disruptions

# Why Omni Investment Services



“

By entrusting us with your investments via this **discretionary mandate offering**, you can relieve yourself from the day-to-day burden of managing your assets, allowing you to have more time for other meaningful pursuits.

”

“

Your investments will be **expertly and professionally managed** according to your specific investment goals and risk tolerance, whether investing in private, public or both. Besides, your investment will be supported with timely updates and meaningful reporting to make sure you are well informed.

”

Experienced with  
Impressive Track  
Records

Different Approach,  
Perspective and  
Ideas

Global Investing  
with focus on  
China, ASEAN, and  
United States

Thematic Investing  
with focus on  
Disruptive  
Technology

# Omni Investment Advisory



# Omni Investment Focus



## Asset Classes

### Public Securities:

- Public Equity
- Digital Assets
- Forex
- Commodities

### Private Investments:

- Startups
- Venture Capital
- Private Equity
- Direct Investments

# Omni Hedge Overview



## Omni Hedge®

### Principal Objective

- This strategy seeks to maximize long-term returns and protection of capital.
- Invest primarily in public securities in China (at least 50% of its assets), ASEAN and United States companies:
  - That will ride the emerging global trends
  - That have strong management team and resources
  - That have explosive growth potential
  - That will use transformative technologies for high impact
  - That have superior business and earnings model
- Trading in markets with volatility and liquidity as they give opportunities.

### Inception Date

- 1 July 2020

### Current Number of Holdings

- 17

### Team

- Scott (Strategy / Asset Allocation)
- Derrick (Macro / Theme)
- Analysts (Micro / Sector)

Omni Capital Partners

### Hedge Strategy

Hedging strategy involves taking an offsetting position for the related assets through versatile investment options.

### Purpose

To minimise the risk of adverse movements in prices and generate active positive returns.

### Characteristics

- Define success in absolute terms
- Active adjustment on correlation to market movements
- Volatility is relevant
- Performance depends on generation of alpha
- Versatile investment options to optimize the performance

### Features

- Global Macro & Micro
- Directional
- Arbitrage
- Long / Short
- Event Driven
- Momentum Investing

# Omni Hedge Portfolio



	Industry Breakdown
Capital Markets	26%
Technology Hardware, Storage & Peripherals	10%
Pharmaceuticals	9%
Healthcare Equipment & Supplies	8%
Internet & Direct Marketing Retail	7%
Semiconductors & Semiconductor Equipment	5%
Media	4%
Commercial Services & Supplies	3%
Healthcare Providers & Services	3%
Machinery	3%
Food Products	2%
Cash	21%

Note: Information as of 31 July 2022

	Sector Breakdown
Healthcare	20%
Information Technology	15%
Materials	14%
Other	9%
Consumer Discretionary	7%
Industrials	6%
Communication Services	4%
Energy	3%
Consumer Staples	2%
Cash	21%

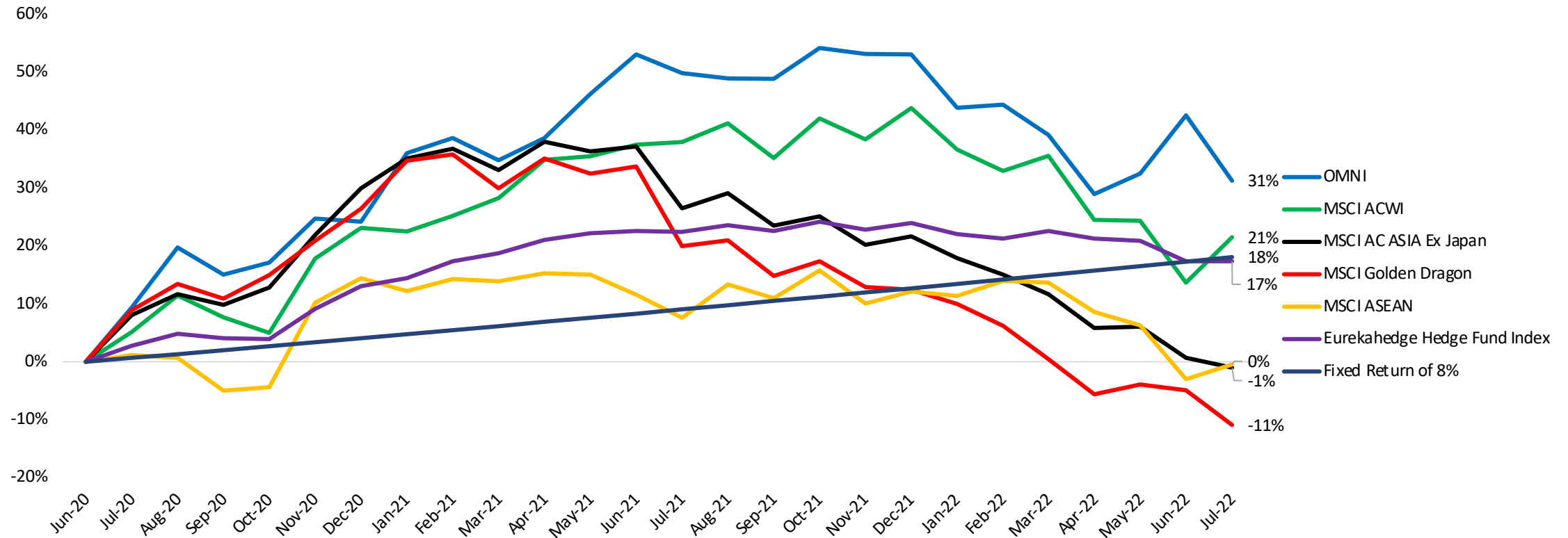
	Asset Class Breakdown
Equity - China	35%
Equity - ASEAN	12%
Equity - United States	7%
Commodity	16%
Digital Asset	0%
Other	9%
Cash	21%

	Market Capitalization
Mega (USD 100 Billion +)	7%
Large (USD 10 to USD 100 Billion)	24%
Medium (USD 2 to USD 10 Billion)	11%
Small (USD 0.3 to USD 2 Billion)	11%
Micro (USD 50 to USD 300 Million)	27%
Cash	21%

# Omni Hedge Performance



Performance of Omni's Model Portfolio (Hedge Fund Strategy)



**Note:**

MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries.  
 MSCI AC ASIA Ex Japan captures large and mid cap representation across 2 of 3 Developed Markets countries (excluding Japan) and 9 Emerging Markets countries in Asia.  
 MSCI Golden Dragon captures the equity market performance of large and mid-cap China securities (H shares, B shares, Red-Chips and P-Chips) as well as securities classified in Hong Kong and Taiwan.  
 MSCI ASEAN captures large and mid cap representation across 4 Emerging Markets countries, 1 Developed Market country and 1 Frontier Market country.  
 The Eureka Hedge Hedge Fund Index is Eureka Hedge's flagship equally weighted index of 1710 constituent funds. The index is designed to provide a broad measure of the performance all underlying hedge fund managers irrespective of regional mandate.

# Omni Hedge Performance



	1 Month	3 Months	6 Months	YTD	Since Inception
OMNI Hedge	-8%	2%	-9%	-14%	31%
MSCI ACWI	7%	-2%	-11%	-16%	21%
MSCI AC ASIA Ex Japan	-2%	-6%	-16%	-19%	-1%
MSCI Golden Dragon	-6%	-6%	-19%	-21%	-11%
MSCI ASEAN	3%	-8%	-11%	-11%	0%
Eurekahedge Hedge Fund Index	0%	-3%	-4%	-5%	17%
Fixed Return of 8%	1%	2%	4%	5%	18%

**Note:**

*MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries.*

*MSCI AC ASIA Ex Japan captures large and mid cap representation across 2 of 3 Developed Markets countries (excluding Japan) and 9 Emerging Markets countries in Asia.*

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# Omni Long Overview



## Omni Long®

### Investment Objective

- This strategy seeks long-term growth of capital.
- Invest primarily in public securities in China (at least 50% of its assets), ASEAN and United States companies:
  - That will ride the emerging global trends
  - That have strong management team and resources
  - That have explosive growth potential
  - That will use transformative technologies for high impact
  - That have superior business and earnings model

### Inception Date

- 1 July 2020

### Current Number of Holdings

- 19

### Team

- Scott (Strategy / Asset Allocation)
- Derrick (Macro / Theme)
- Analysts (Micro / Sector)

### Long Only Strategy

This passive strategy involves long-term holding of investments which we believe will ride through all volatilities to produce superior returns.

### Purpose

Buy growth company regardless of market timing.

### Characteristics

- Define success in relative terms
- No adjustment on correlation to market movements
- Volatility is irrelevant
- Performance depends on growth

### Features

- Global Macro & Micro
- Long Positions Only
- Value Investing
- Alpha Investing
- Absolute Return

# Omni Long Portfolio



Industry Breakdown	
Technology Hardware, Storage & Peripherals	12%
Interactive Media & Services	12%
Healthcare Equipment & Supplies	9%
Commercial Services & Supplies	7%
Biotechnology	7%
Internet & Direct Marketing Retail	6%
Food Products	6%
Semiconductors & Semiconductor Equipment	5%
Real Estate Management & Development	5%
Media	4%
Machinery	4%
Household Durables	3%
Healthcare Providers & Services	3%
Banks	2%
Cash	18%

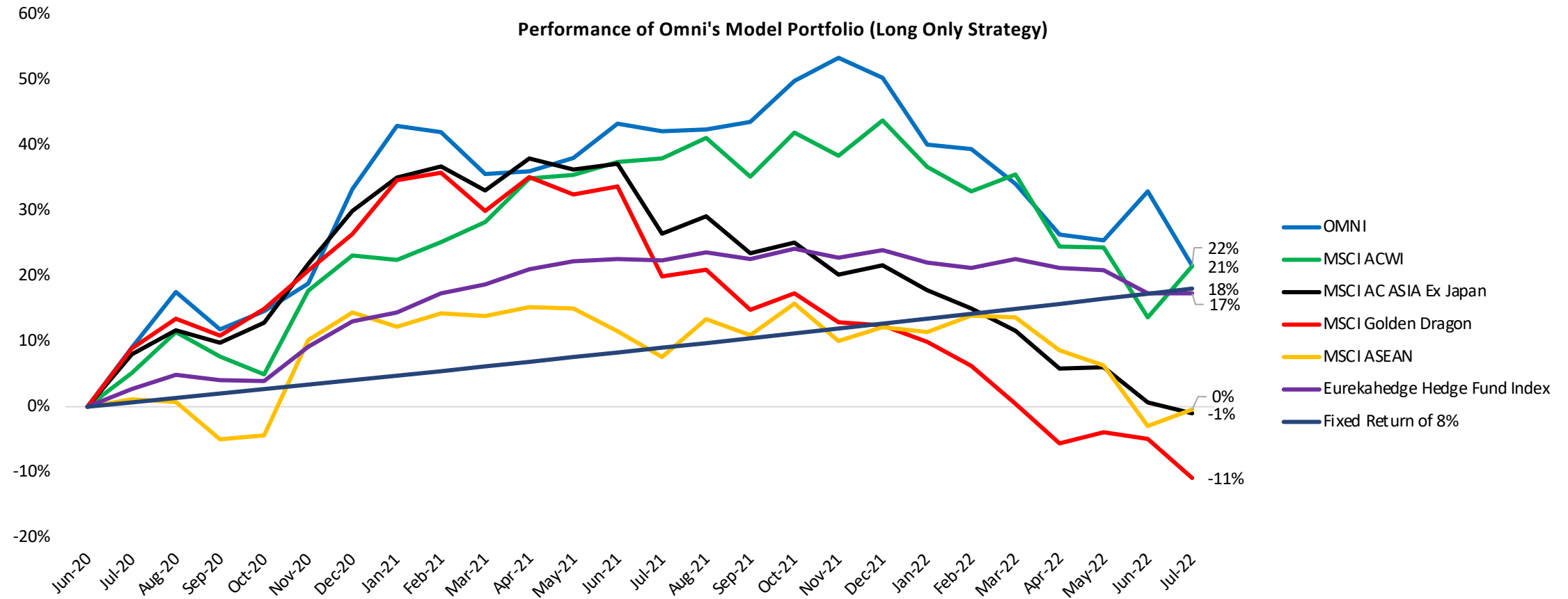
Note: Information as of 31 July 2022

Sector Breakdown	
Healthcare	18%
Information Technology	17%
Communication Services	16%
Industrials	11%
Consumer Discretionary	9%
Consumer Staples	6%
Real Estate	5%
Financials	2%
Cash	18%

Asset Class Breakdown	
Equity - China	47%
Equity - ASEAN	23%
Equity - United States	13%
Commodity	-
Digital Asset	-
Other	-
Cash	18%

Market Capitalization	
Mega (USD 100 Billion +)	12%
Large (USD 10 to USD 100 Billion)	37%
Medium (USD 2 to USD 10 Billion)	23%
Small (USD 0.3 to USD 2 Billion)	6%
Micro (USD 50 to USD 300 Million)	10%
Cash	18%

# Omni Long Performance



**Note:**

MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries.  
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# Omni Long Performance



	1 Month	3 Months	6 Months	YTD	Since Inception
OMNI Long	-9%	-4%	-13%	-19%	22%
MSCI ACWI	7%	-2%	-11%	-16%	21%
MSCI AC ASIA Ex Japan	-2%	-6%	-16%	-19%	-1%
MSCI Golden Dragon	-6%	-6%	-19%	-21%	-11%
MSCI ASEAN	3%	-8%	-11%	-11%	0%
Eurekahedge Hedge Fund Index	0%	-3%	-4%	-5%	17%
Fixed Return of 8%	1%	2%	4%	5%	18%

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# Omni Momentum Overview



## Omni Momentum®

### Investment Objective

- This strategy seeks maximum returns and protection of capital.
- Invest in global public securities.
- Trading in markets with volatility and liquidity as they give opportunities.

### Inception Date

- 1 July 2021

### Current Number of Holdings

- 16

### Team

- Scott (Strategy / Asset Allocation)
- Derrick (Macro / Theme)
- Analysts (Micro / Sector)

### Momentum Strategy

The key of momentum investing is to know when to enter into a position, how long to hold it for, and when to exit. We can also react to short-term, news-driven spikes or selloffs.

### Purpose

To minimise the risk of adverse movements in prices and to work with volatility by finding buying opportunities in short-term uptrends and then sell when the securities start to lose momentum.

### Characteristics

- Define success in absolute terms
- Active adjustment on correlation to market movements
- Volatility is key
- Performance depends on generation of alpha
- Versatile investment options to optimize the performance

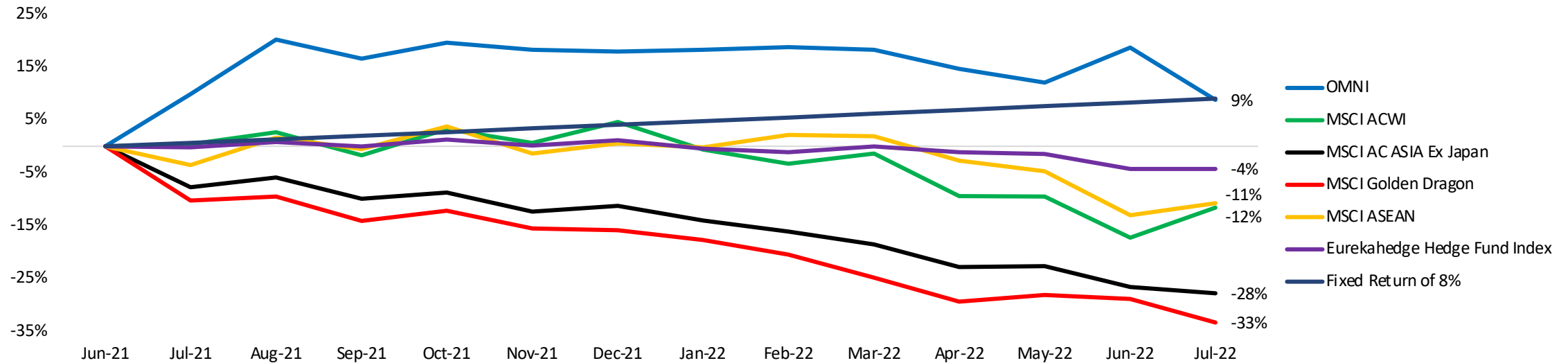
### Features

- Directional
- Arbitrage
- Long / Short
- Event Driven

# Omni Momentum Portfolio



Performance of Omni's Model Portfolio (Momentum Strategy)



	1 Month	3 Months	6 Months	YTD	Since Inception
OMNI Momentum	-8%	-5%	-8%	-8%	9%
MSCI ACWI	7%	-2%	-11%	-16%	-12%
MSCI AC ASIA Ex Japan	-2%	-6%	-16%	-19%	-28%
MSCI Golden Dragon	-6%	-6%	-19%	-21%	-33%
MSCI ASEAN	3%	-8%	-11%	-11%	-11%
Eureka Hedge Fund Index	0%	-3%	-4%	-5%	-4%
Fixed Return of 8%	1%	2%	4%	5%	9%

Asset Class Breakdown	
Equity - China	16%
Equity - ASEAN	13%
Equity - United States	-
Commodity	17%
Digital Asset	-
Other	36%
Cash	18%

Market Capitalization	
Mega (USD 100 Billion +)	-
Large (USD 10 to USD 100 Billion)	8%
Medium (USD 2 to USD 10 Billion)	18%
Small (USD 0.3 to USD 2 Billion)	20%
Micro (USD 50 to USD 300 Million)	36%
Cash	18%

Note: Information as of 31 July 2022

# *Investment Review and Outlook*



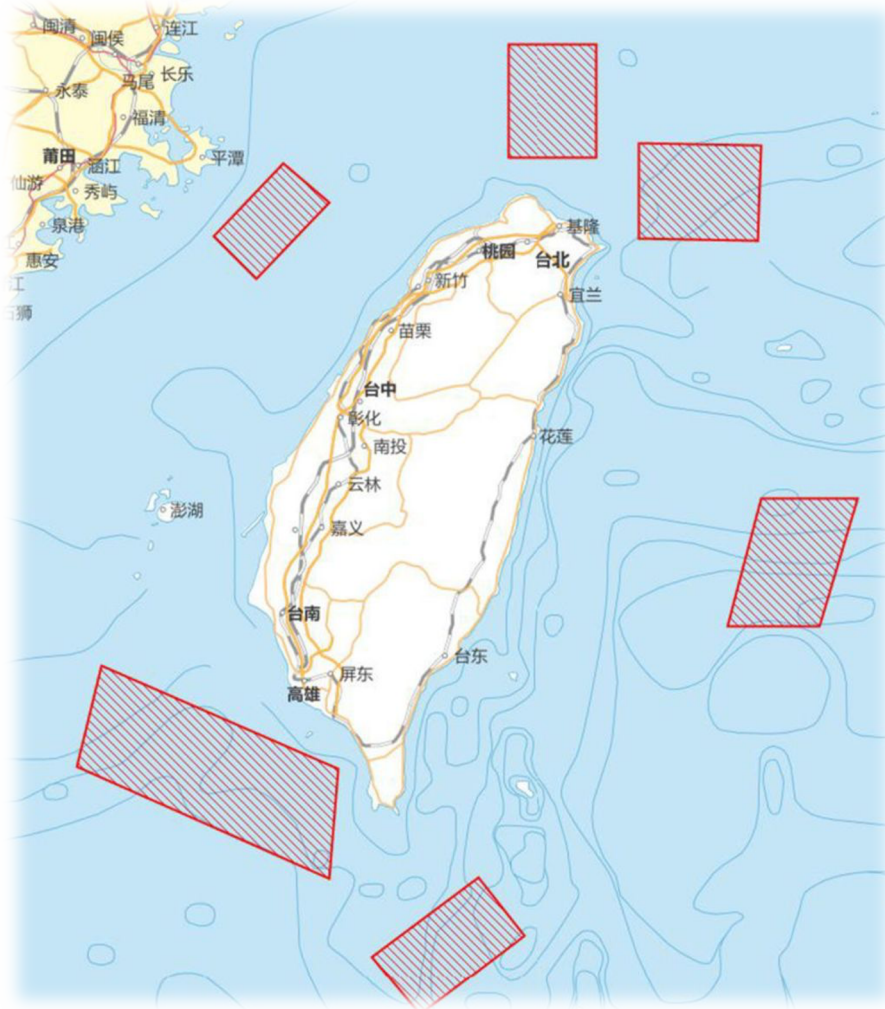
- China's military exercises highlight the risk that Taiwan tensions could exacerbate existing supply chain woes. The Taiwan Strait is the primary route for ships passing from China, Japan, South Korea and Taiwan to points west. According to data compiled by Bloomberg, almost half of the global container fleet and 88% of the world's largest ships by tonnage passed through the waterway this year. The planned drills would be the most serious show of force by China around Taiwan since at least 1995, when Beijing test-fired missiles into the sea near the island. Hence, further acceleration in deglobalization.
- President Biden is facing an alarming level of doubt from inside his own party, with 64% of Democratic voters saying they would prefer a new standard-bearer in the 2024 presidential campaign, according to a New York Times/Siena College poll, as voters nationwide have soured on his leadership, giving him a 33% job-approval rating. More than three-quarters of registered voters see the United States moving in the wrong direction, a pervasive sense of pessimism that spans every corner of the country, every age range and racial group, cities, suburbs and rural areas, as well as both political parties.
- Having argued that inflation was transitory and failed in the attempt, a motley assortment, including a Fed chairman, a Treasury Secretary, and many practitioners in Wall Street, are trying to tell us that there is no sign of a recession despite two consecutive quarters of negative GDP growth. The current argument goes that unemployment and consumer spending are still strong, but the yield curve is a "leading indicator" of what is happening in the economy currently, as opposed to economic data, which is "lagging" and subject to massive revisions.

# *Investment Review and Outlook*



- In the second half of 2022, China's economy may face four challenges with overlapping risks: First, repeated local epidemics will restrict economic operation; Second, foreign demand in developed countries continue to shrink, causing China's exports to decline; Third, both supply and demand of real estate will continue to drag on domestic demand growth; Fourth, US-China tensions flare on Taiwan issues. If these four types of risks can be effectively resolved, there is a high probability of returning to the normalized growth range in the second half of the year. However, if the four types of risks are superimposed, the endogenous driving force may continue to be weak. Further intensify policy efforts to stabilize the macroeconomic market are required to ensure the economy operates within a reasonable range.
- The current liquidity in China is relatively loose, and the fluctuation of the scale of reverse repurchase investment reflects a more refined operation of short-term liquidity investment, ensuring that there is no shortage or excess of liquidity. A total of RMB 100 Billion was injected into the market via the medium-term lending facility (MLF) in July to maintain liquidity in the banking system at a reasonably sufficient level, hence, creating a suitable monetary and financial environment for economic recovery.

# China Announces Live-fire Drills Surrounding Taiwan



Beijing announced six exclusion zones encircling Taiwan to facilitate live-fire military drills from 4 to 7 August, with some of the areas crossing into the island's territorial waters. The size and scope of the areas could set the stage for the Chinese military's most provocative actions near Taiwan in decades.

Note: Information as of 3 August 2022  
Source: Bloomberg

# Joe Biden's Approval Rating Lowest For Any President

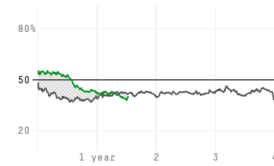


## How Biden compares with past presidents

● Approval rating ○ Disapproval rating ○ Net approval

561 days 4 years 8 years

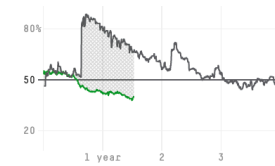
Donald Trump 2017-2021



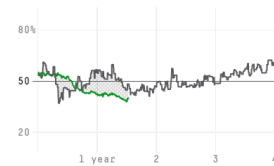
Barack Obama 2009-17



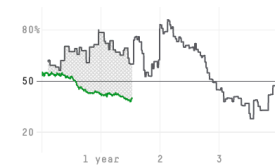
George W. Bush 2001-09



Bill Clinton 1993-2001



George H.W. Bush 1989-93



Ronald Reagan 1981-89



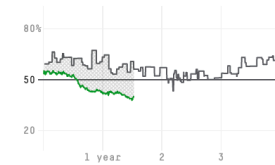
Jimmy Carter 1977-81



Gerald Ford 1974-77



Richard Nixon 1969-74



Lyndon B. Johnson 1963-69



John F. Kennedy 1961-63



Dwight D. Eisenhower 1953-61



Note: Information as of 33 August 2022  
Source: Fivethirtyeight

Biden's poll approval rate is the lowest compare with past president after World War II, which may indicate a major defeat for the Democratic Party.

Presidential poll approval ratings reflect the public's satisfaction with the current government and the jobless administration, and often predict the outcome of the general election.

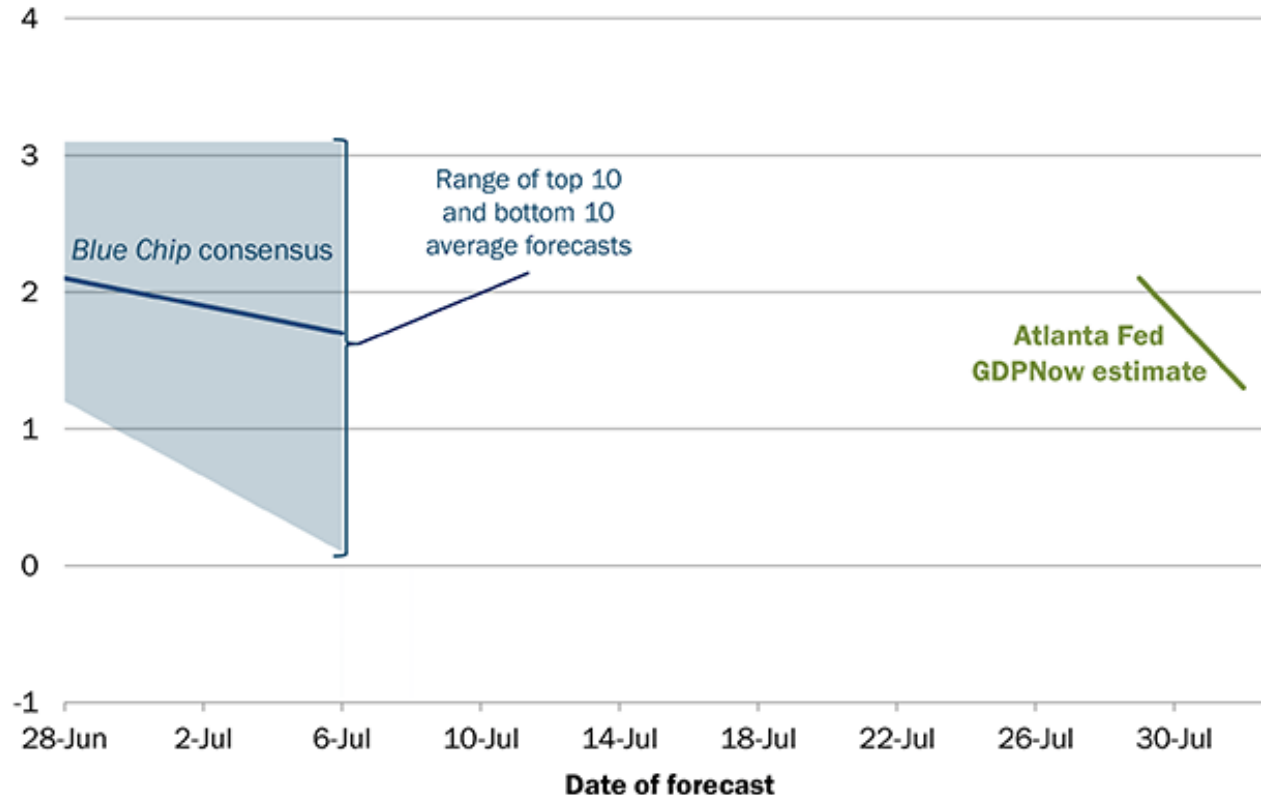
In the general elections since 1970, as long as the approval rate of the president at that time is lower than 50%, the ruling party will lose more than 25 seats in the House of Representatives.

# US Is Expecting a Third Quarter of Negative GDP



## Evolution of Atlanta Fed GDPNow real GDP estimate for 2022: Q3

Quarterly percent change (SAAR)



As of 1 August 2022, the GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2022 is 1.3%, down from 2.1% on July 29. After the Manufacturing ISM Report On Business from the Institute for Supply Management and the construction spending report from the US Census Bureau, the nowcasts of third-quarter real personal consumption expenditures growth and real gross private domestic investment growth declined from 2.5% and -1.4%, respectively, to 1.5% and -2.1%, respectively.

Note: Information as of 29 July 2022

Source: Federal Reserve Bank of Atlanta, Blue Chip Economic Indicators & Blue Chip Financial Forecasts

# US Manufacturing Is Growing Or Contracting?



## ISM Manufacturing PMI® July 2022

Index	Apr	Mar	PP Change	Direction	Rate of Change	Trend in Months
Manufacturing PMI®	52.8	53.0	-0.2	Growing	Slower	26
New Orders	48.0	49.2	-1.2	Contracting	Faster	2
Production	53.5	54.9	-1.4	Growing	Slower	26
Employment	49.9	47.3	2.6	Contracting	Slower	3
Supplier Deliveries	55.2	57.3	-2.1	Slowing	Slower	77
Inventories	57.3	56.0	1.3	Growing	Slower	12
Customers' Inventories	39.5	35.2	4.3	Too Low	Slower	70
Prices	60.0	78.5	-18.5	Increasing	Slower	26
Backlog of Orders	51.3	53.2	-1.9	Growing	Slower	25
New Export Orders	52.6	50.7	1.9	Growing	Faster	25
Imports	54.4	50.7	3.7	Growing	Slower	2

### Key Highlights:

- Inventories are at their highest level since July 1984.
- New orders and employment contract for the third month.
- The backlog of orders is barely positive.

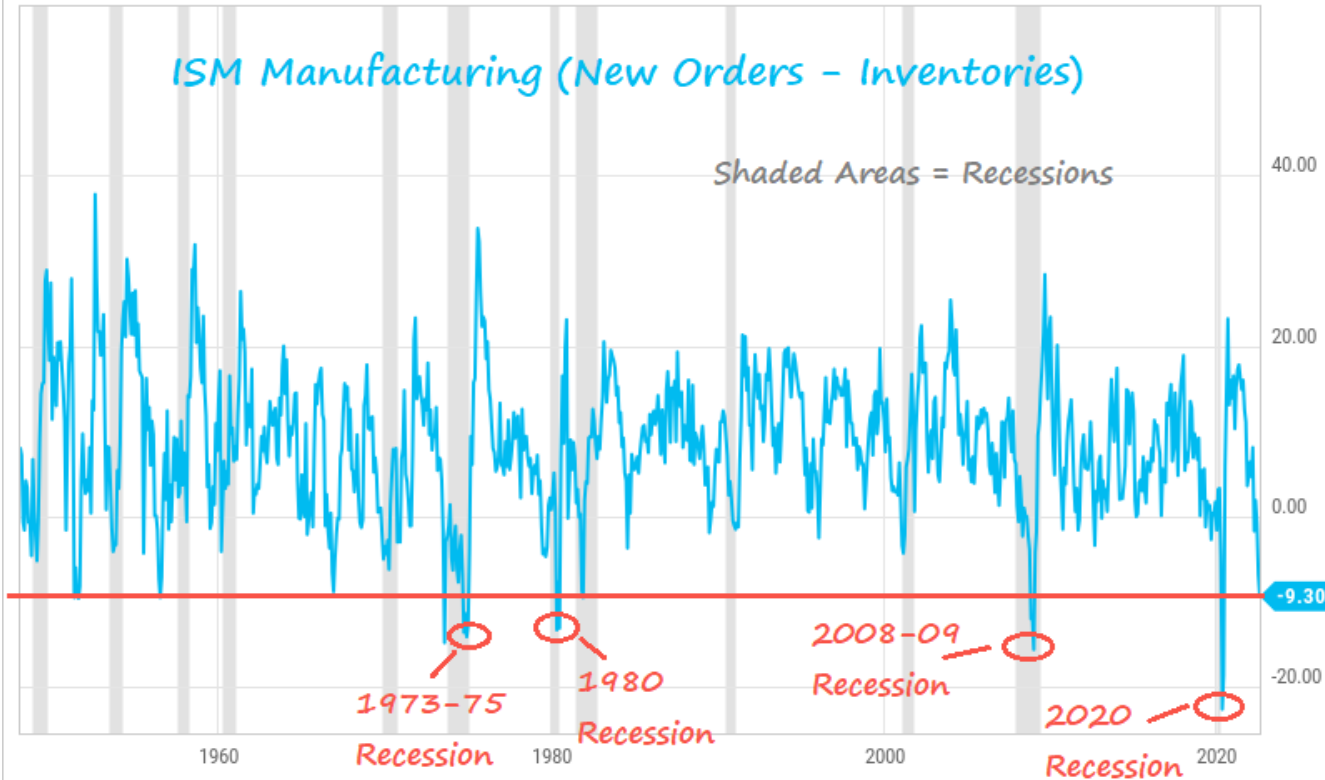
Note: Information as of 1 August 2022

Source: Mish Talk

# History of New Orders & Inventories Disconnect



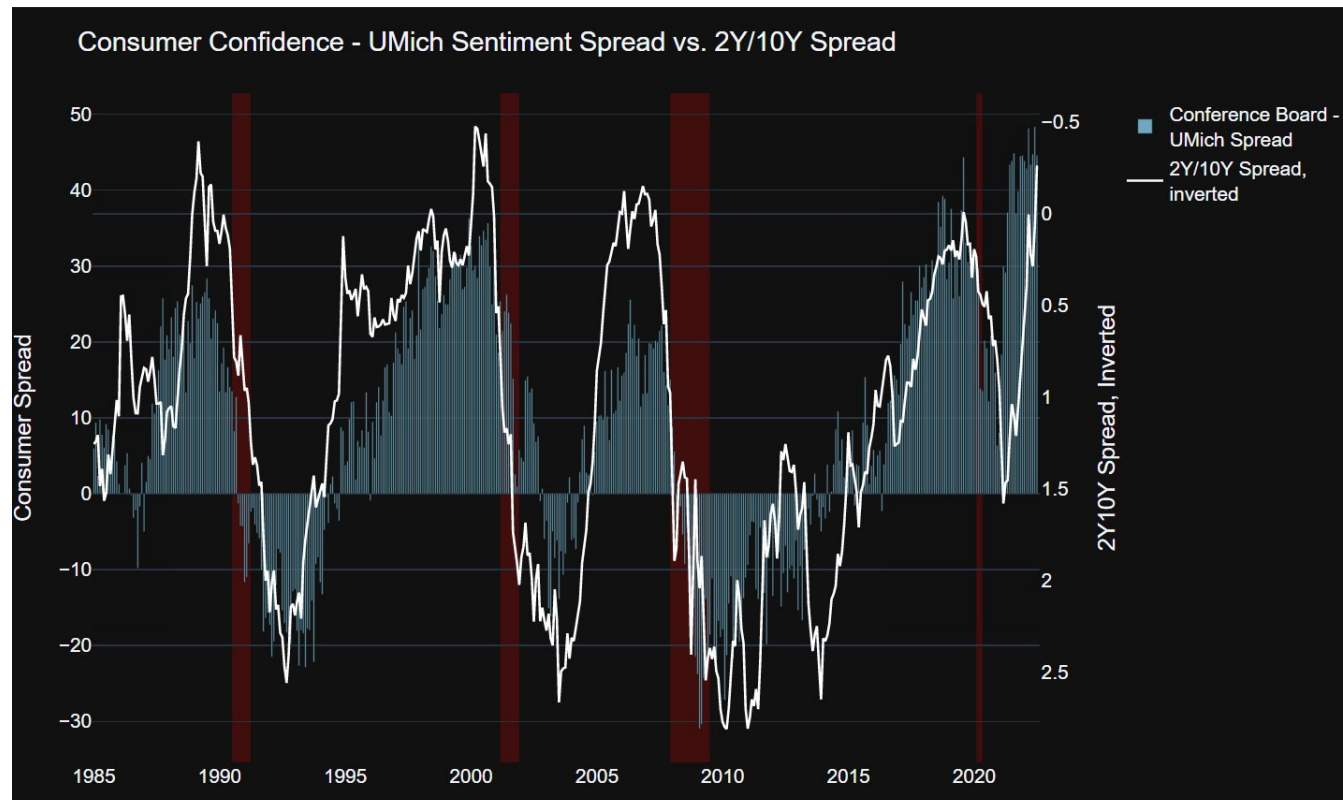
US ISM Manufacturing New Orders Index - US ISM Manufacturing Inventories Index



“The last 4 times the spread between New Orders and Inventories in the ISM Manufacturing Index was this negative, the US was already in a recession.”

Note: Information as of 1 August 2022  
Source: Compound Capital Advisor

# Global Recession Is The Base Case Scenario



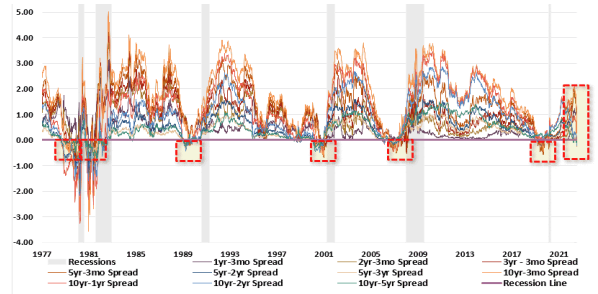
The spread between Michigan and Conference Board has often had a leading correlation with US GDP growth over a long history - the idea is that, late in the business cycle, household finances and people's sense of financial security deteriorate well in advance of actual jobs being lost in large numbers. The spread has been pointing to the risk of recession in coming months for some time now.

Moreover, the 2Y/10Y spread is inverted recently. Curve inversion isn't necessarily a causal mechanism to trigger recessions, although flat or inverted yield curves can affect the flow of credit to the economy. What an inverted curve does is provide a reflection of the market's often accurate judgement of the economy's ability to tolerate higher interest rates.

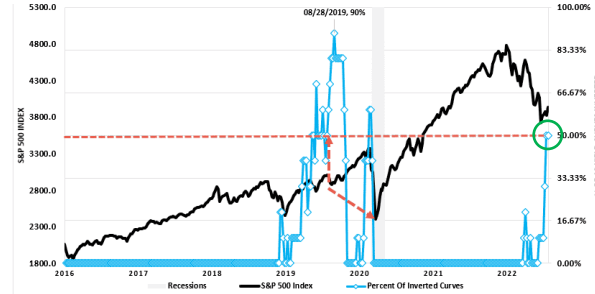
Note: Information as of 30 July 2022  
Source: Bloomberg

# Yield Spreads Are Collapsing

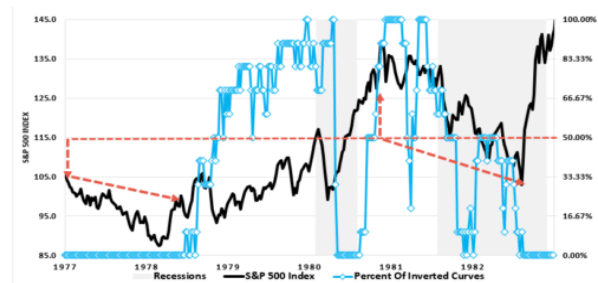
10-Yield Spreads



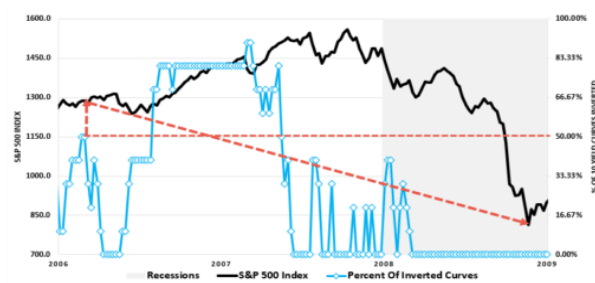
% of 10-Yield Curves Inverted (2016 – 2022)



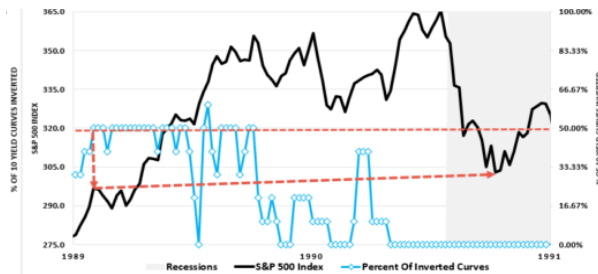
% of 10-Yield Curves Inverted (1977 – 1982)



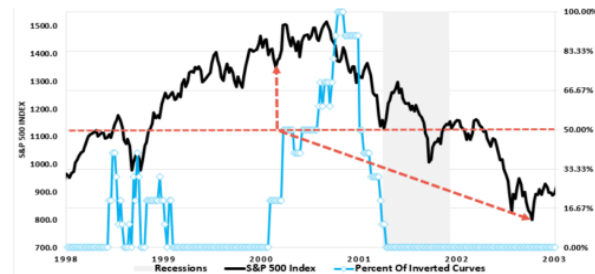
% of 10-Yield Curves Inverted (2006 – 2009)



% of 10-Yield Curves Inverted (1989 – 1991)



% of 10-Yield Curves Inverted (1998 – 2003)



Historically, a recession occurs when 50% or more of the tracked yield curves invert; every time.

The quad-panel chart below green dash line shows the 4-previous periods where 50% of 10 different yield curves are inverted. A horizontal red dashed line from the first point is where 50% of the 10-yield curves tracked became inverted and denoted points connected to the subsequent market low.

Currently, 50% of the 10-spreads track are inverted. As such, it is worth paying attention to the data. If the number of inversions increases, such will confirm that a recession is more likely.

Note: Information as of 26 July 2022  
Source: RIA Advisors

# China Leaders Say GDP Goal Is Guidance



## China's GDP (2020-2022) Growth Rate With Industries Breakdown

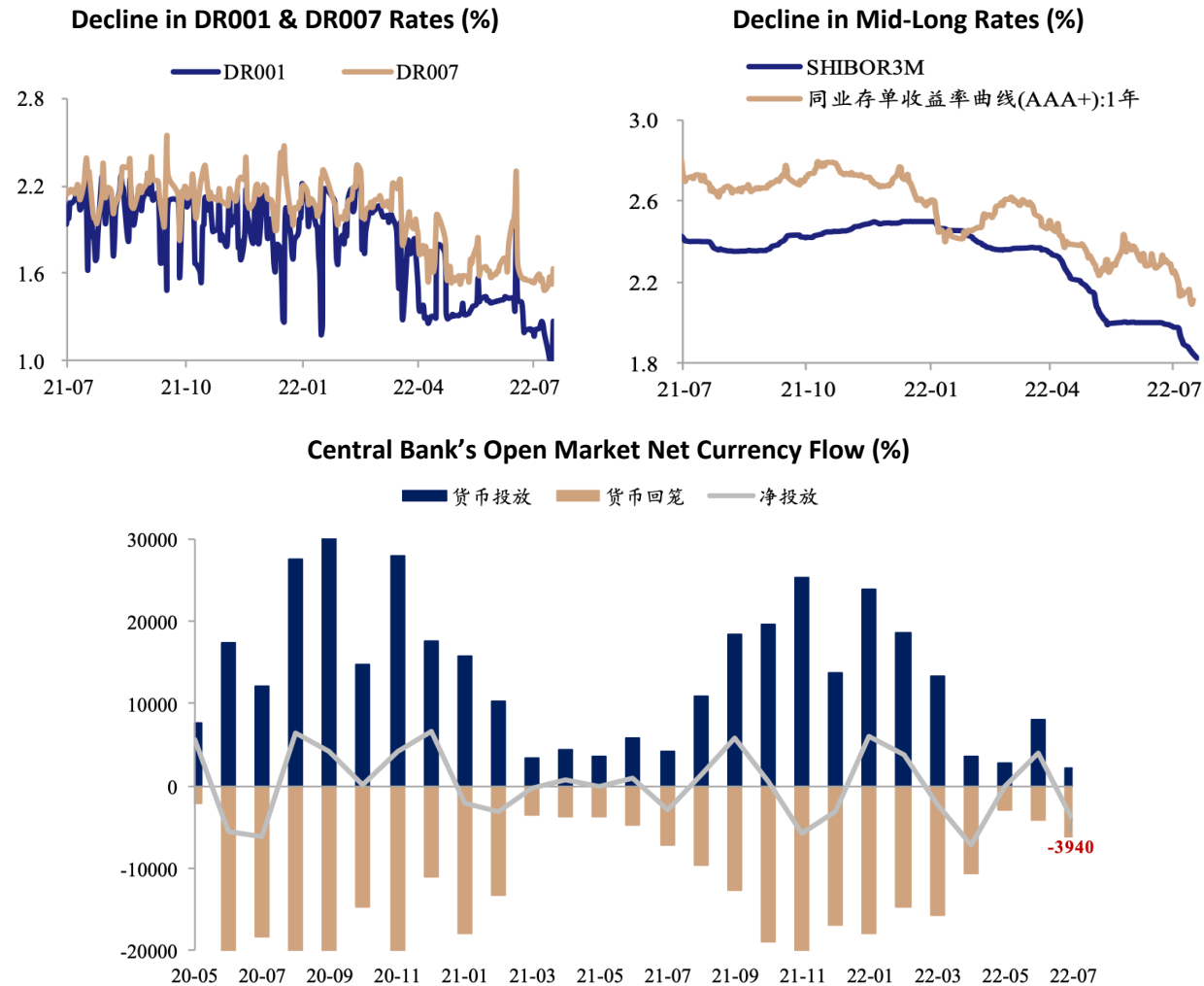
	2020年 增速 (%)	2021年增速 预测 (%)	2022年增速 预测 (%)	2022年较2021年 降低预测 (百分点)
GDP	2.3	8.2	5.5	2.7
第一产业	3.0	7.6	3.1	4.5
第二产业	2.6	8.3	4.5	3.8
第三产业	2.1	8.2	6.5	1.7

In the first half of the year, the year-on-year GDP growth rate was 2.5%. To reach the expected target of 5.5% for the whole year, it means that the year-on-year GDP growth rate in the second half of the year will reach 8.5%.

China will face enormous challenges in the second half of the year, and this shows how difficult it will be to achieve the expected targets for the whole year.

*Note: Information as of 30 July 2022  
Source: National Bureau of Statistics & Calculations*

# China Market Liquidity Is Relatively Ample



Note: Information as of 3 August 2022  
 Source: ChaSing Securities, Wind

As of 28 July 2022, the weighted average interest rate of DR007 is around 1.5489%, which is lower than the policy interest rate level. The one-day reverse repurchase rate of government bonds on the Shanghai Stock Exchange (GC001) rose to 1.59%.

The Shanghai Interbank Offered Rate (Shibor) fell 1 basis point overnight to 1.008%. The 7-day Shibor fell 1.9 basis points to 1.613%. The 2-week, 1-month, and 3-month Shibor yields are also below 2%.

As of 31 July 2022, the central bank achieved a net withdrawal of RMB 394 Billion from the open market in July.

# Contact Info



For further enquires, please contact:

## Omni Capital Partners

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