

Deep Deep scores a hat trick

BY HARRY HUO

Deep Deep continues to win, gaining 0.34% while beating human-managed portfolios represented by Tong's Portfolio, Warren Buffett's Berkshire Hathaway, Aggregate Value Fund and all the benchmark indexes despite a lacklustre month in February. Similarly, it won all competing portfolios and indexes by gaining 22.36% since inception. It is tempting to break into the song by Bee Gees *You win again* but Deep Deep does not sing. Yet.

This month we bought **JB HiFi**, **Algoma Central Corporation**, **CK Hutchison Holdings**, **Hamakyorex Co**, **IJM Corporation**, **SNT Motiv Co**, **Home Bancorp Inc** and sold **Helia Group**, **Canadian Tire Corporation**, **China Merchants Port**, **NTT Corporation**, **Pantech Group Holdings**, **GABIA Inc** and **Auto Nation Inc**.

Notable stock picks

This is the sixth article in the series, and we have almost reached the midpoint of the contest between man and machine. For those who have been following this series, I have explained how and why Deep Deep works and the investment process in Aggregate Asset Management since incorporating AI. For this article, let's highlight a few stocks we have picked over the last six months and see if we can learn some lessons on AI's strengths and limitations.

Best performer

Deep Deep's best pick is **Supalai Public Company**. It is one of the largest real estate development companies in Thailand that builds commercial and residential buildings. Deep Deep triggered a buy before its meteoric rise and we bought it on Oct 17, 2022 at US\$0.58 (\$0.79) and sold it at US\$0.69 on Dec 2, 2022, gaining about 39%. What is remarkable about the stock is that the company's financial performance has been largely consistent for the last three years and there was no earth-shattering good news but Deep Deep detected momentum buying by the investors. Deep Deep sees patterns which we humans have missed or failed to see.

15 stock picks for March

Stock	Country	Price (US\$)	% of portfolio
JB Hi-Fi	Australia	28.80	7.0
Algoma Central Corporation	Canada	11.58	6.9
Jointown Pharmaceutical Group Co	China	2.08	7.2
Mercedes-Benz Group AG	Germany	79.75	7.8
CK Hutchison Holdings	Hong Kong	6.26	7.1
PT Bukit Asam	Indonesia	0.25	5.7
Hamakyorex Co	Japan	23.98	7.1
IJM Corporation	Malaysia	0.37	7.0
DMCI Holdings Inc	Philippines	0.20	6.5
Hutchison Port Holdings Trust	Singapore	0.20	5.7
SNT Motiv Co	South Korea	37.75	6.9
Asia Cement Corporation	Taiwan	1.46	6.6
TTW Public Company	Thailand	0.27	5.9
Central Asia Metals	United Kingdom	3.15	6.0
Home Bancorp	United States	37.70	6.7

*Cash level at less than 1%
*Price (US\$) as at March 8

Top five countries (since inception)

Country	Performance	Contribution
South Korea	54.7%	3.44%
United States	51.9%	3.37%
Germany	50.8%	3.40%
Thailand	50.4%	2.97%
Japan	29.9%	2.08%

Our US picks

Our US stock picks throughout the competition have been spectacular. Since inception, Deep Deep's previous US picks (**Genworth Financial Inc**, **Conn's Inc**, **Citi Trends** and **Autonation**, excluding latest pick) have achieved a cumulative return of 55% versus Berkshire Hathaway's 14%.

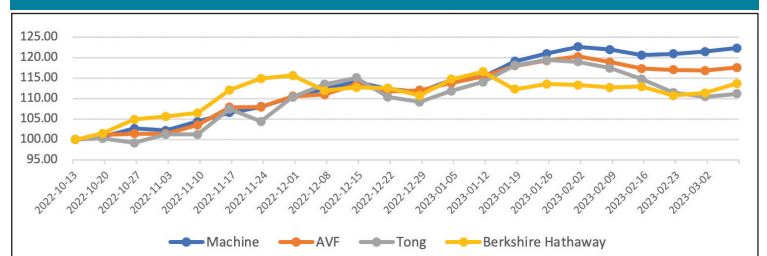
Analysts and trendspotters have been declaring the death of bricks-and-mortar stores, the future is online retailing and **Amazon** is king! Hang on. Amazon has fallen 49% from its peak, sorry Bezos. Deep Deep has picked two contrarian companies that have stores. It is like the protagonist Ellie in HBO's *The last of us* who saw a mall for the first time in a post-apocalyptic world — what a strange concept. Conn's Inc sells mattresses, home appliances and furniture in 160 stores across 15 states in the US. Citi Trends is a US retail clothing company that sells discounted products to less affluent, urban customers in 615 US stores.

Both stocks gained about 25% and 10% respectively when they were in Deep Deep's portfolio.

Worst performer

Our worst performer was **Guangdong Taipai Group Co**. It manufactures cement and ready-made concrete products for civil projects in southern and eastern China. With the restart of China's industrial engine in the wake of the pandemic, companies that support construction should do well but the stock price languished and it lost 11% before selling it. This is the biggest loss we have sustained so far. It is important to remember Deep Deep is not like the time-travelling DeLorean car in *Back to the future*. It did not see the future and travel back in time computationally to tell us which stocks to buy. It is a probabilistic AI engine that hunts for stocks with the highest probability of outperforming the market's mean returns. How did Deep Deep's portfolio do well despite

Performance comparison since inception on Oct 17, 2022



How the portfolios stack up (%)

Portfolio	1-week change	1-month change	Since inception
Machine	0.75%	0.34%	22.36%
AVF	0.59%	-1.15%	17.54%
Tong's Portfolio	0.67%	-5.32%	11.17%
Berkshire Hathaway	2.07%	0.86%	13.67%
Dow Jones	0.45%	-3.15%	9.90%
MSCI ACWI	0.57%	-2.75%	13.75%
MSCI AC AP	0.09%	-3.89%	18.55%

Top 5 performers of last month's picks (1-month performance)

Stock Name	Country	Performance
Helia Group	Australia	19.0%
Jointown Pharmaceutical Group Co	China	9.7%
PT Bukit Asam	Indonesia	8.0%
AutoNation Inc	United States	5.6%
GABIA Inc	South Korea	4.3%

this loss? The answer is diversification — the other 14 stocks cushioned the loss easily and delivered a win overall.

Importance of being earnest

Readers will be surprised why we highlight our biggest loser in this article. This is Aggregate's ethos — we report our sterling performance with the same level of detailed analysis and transparency as much as we report the bad news. We do not hide or obfuscate. We feel very uncomfortable when we see the websites of funds showing truncated performance data. These websites avoid showing 2022 results for obvious reasons. Our fund management team studies failures and bad stock picks with the same obsession as we study our winners and successful investment strategies. We do not sit on our laurels too. While we are refining Deep Deep, we already have another team headed by Dr Chai Woon Huei, our data scientist, to develop an even more advanced AI. ■

Harry Huo is head, special projects, at Aggregate Asset Management. This article does not constitute a recommendation. Neither is it a solicitation to invest. This is a "live" portfolio that was inception on Oct 17, 2022 and takes into account transaction costs.

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Battle of the Portfolios challenge

The table above shows the 15 stocks picked on March 8 by Aggregate Asset Management to form a concentrated, proprietary AI-picked portfolio. This machine-picked portfolio will challenge human stock pickers via the following competing portfolios and benchmarks:

- a. Aggregate Asset Management's diversified fund, Aggregate Value Fund, with nearly 1,000 stocks picked by human inputs but enhanced by AI stock screening.
- b. Tong's Portfolio which has been published in The Edge Singapore since December 2017.
- c. Warren Buffett's investment vehicle Berkshire Hathaway's stock performance.
- d. Dow Jones Industrial Index, MSCI All Country World Index (MSCI ACWI) and MSCI AC Asia Pacific (MSCI AC APAC) will be included as reference benchmarks.

Every month, we will publish an updated table showing the relative performance of these portfolios and benchmarks, and we will continue to do so monthly for a year. In October 2023, we will declare the winning portfolio based on the highest portfolio return. For simplicity, all our portfolios' returns and benchmarks will be in US dollars for easy comparison.

Rolex, Patek investments beat S&P gains over five years

Prices for Rolex, Patek Philippe and Audemars Piguet watches appreciated by an average of 20% a year since mid-2018, outpacing the S&P 500 Index, as values for pre-owned luxury timepieces surged, a new report shows.

The S&P 500 stock index averaged annual returns of 8% from August 2018 to January 2023 while a basket of pre-owned watch models from top Swiss brands grew at more than twice the

pace, the report from Boston Consulting Group and secondary market dealer WatchBox said. That's despite prices of some pre-owned models, including Rolex Daytonas, Patek Nautilus and AP Royal Oaks, declining by as much as a third since the market peaked in the first quarter of 2022.

Prices for a basket of so-called independent brand watches including FP Journe, H. Moser & Cie and De Bethune — a small Swiss producer which is majority owned by WatchBox — re-

turned 15% over the same period. The report touts luxury watches as an alternative asset class to stocks, bonds, art and wine.

Over a longer period, stocks outperformed watches as an investment asset. The S&P 500 had a compound annual growth rate of 12% between 2012 and 2022, while Rolex, Patek and AP watches averaged 7%.

Secondary-market watch price increases accelerated sharply during the pandemic as Mil-

lennial and Generation Z consumers, cash-flush and stuck at home, discovered a pricey new hobby by collecting Swiss watches. The rise and fall of cryptocurrency values has also correlated with used watch prices.

"Value and transparency are the drivers of the secondary market and that has been a driver of liquidity," Sarah Willersdorf, a managing director and partner at BCG in New York, said in an interview. — Bloomberg