June 2022
Fountainhead Partnerships Fund
Quarterly Letter

Investing is Simple but not Easy… bear markets are the mechanism that serves to transfer assets from those with weaker stomachs and without investment plans to those with stronger stomachs and well-thought-out plans: Warren Buffet

Fountainhead Partnerships Fund (FHPF) was -9% in June with S&P 500 and MSCI World down -8.3. In 2022 first half, FHPF was -23% vs S&P 500 and MSCI World return of -21%.

Putting it into perspective, since Jan 2018 this is the third correction of over 20% in the S&P500. Still the stock market is up over 53% in absolute terms, or 10% annually, since then. In the last 45 years the S&P 500 has experienced only 9 down years (including this year), an 80% win rate.

S&P 500 Down Years (1976-2022)			
Year	S&P 500 Total Return (Stocks)	Bloomberg US Agg Index TR (Bonds)	60/40 Portfolio (S&P 500 / Bloomberg Agg)
1977	-7.2%	3.0%	-3.1%
1981	-4.9%	6.2%	-0.5%
1990	-3.2%	9.0%	1.7%
2000	-9.1%	11.6%	-0.8%
2001	-11.9%	8.4%	-3.7%
2002	-22.1%	10.3%	-9.2%
2008	-37.0%	5.2%	-20.1%
2018	-4.4%	0.0%	-2.6%
2022 YTD	-20.0%	-10.4%	-16.1%

However, this year's decline in stock market has been unique in many decades as it is the first down year where (so far) bond returns are also negative. Some might say this year's rout in the stock market is actually caused by the decline in bond prices (i.e. increase in yields) as the corporate profits (so far) are still growing.

So what happened historically after similar declines in the first halves? Should investors capitulate? The answer is an emphatic NO. After each decline of current proportions, the stock market was almost always up in the following 6months to 10 year periods.

Wilshire 5000 - Worst 6 Months Periods & Forward Returns (1971-2022)									
Worst 6 Month Periods				Forward Total Returns					
Rank	Total Return	Start Month	End Month	3-Month	6-Month	1-Year	3-Year	5-Year	10-Year
1	-42.4%	Sep-08	Feb-09	26%	42%	56%	102%	189%	372%
2	-36.4%	Jun-08	Nov-08	-16%	6%	27%	53%	132%	288%
3	-34.7%	Aug-08	Jan-09	8%	23%	35%	73%	147%	309%
4	-33.3%	Apr-74	Sep-74	9%	36%	41%	84%	153%	392%
5	-31.0%	Oct-08	Mar-09	17%	36%	52%	91%	167%	341%
6	-29.5%	Jul-08	Dec-08	-11%	4%	28%	52%	134%	246%
7	-29.4%	May-08	Oct-08	-14%	-7%	11%	41%	108%	250%
8	-27.3%	Apr-02	Sep-02	8%	4%	26%	66%	115%	129%
9	-26.3%	Mar-74	Aug-74	-1%	18%	29%	62%	121%	333%
10	-21.4%	Oct-00	Mar-01	7%	-10%	3%	9%	33%	55%
11	-20.9%	Jan-22	Jun-22						
12	-20.4%	Jun-87	Nov-87	18%	17%	24%	49%	120%	432%
13	-19.6%	Sep-00	Feb-01	2%	-7%	-8%	2%	22%	44%
14	-19.3%	Feb-74	Jul-74	-5%	1%	21%	50%	90%	255%
15	-18.5%	Aug-87	Jan-88	5%	10%	21%	44%	103%	387%
16	-18.3%	Jul-87	Dec-87	8%	15%	18%	43%	109%	405%
17	-18.2%	Jul-74	Dec-74	25%	46%	38%	70%	135%	356%
18	-17.9%	May-74	Oct-74	7%	22%	26%	51%	100%	318%
19	-17.9%	Feb-02	Jul-02	-3%	-5%	13%	51%	85%	98%
20	-17.8%	Jun-74	Nov-74	19%	35%	36%	65%	123%	334%
Average Worst Periods				**6%**	**15%**	**26%**	**56%**	**115%**	**281%**
Average All Periods				**3%**	**6%**	**12%**	**41%**	**79%**	**219%**
Differential				3%	9%	14%	15%	36%	62%

Source: compoundadvisor

In this quarter's letter we will share some historical perspectives on how the stock market front runs the economic and earnings recession; what a Fed mistake means and how we are navigating through this macro backdrop.

Stock market is a discounting mechanism but not a perfect one:

As students of financial markets' history we had a look at how markets behaved before, during and after an economic recession in the past and how earnings changed in those times.

Periods	Start of Recession	End of Recession	SPX Peak to Trough	EPS Chg	Chg in valuation
1	Jul-53	May-54	-15%	2%	-16%
2	Aug-57	Apr-58	-21%	-9%	-16%
3	Apr-60	Feb-61	-14%	-4%	-8%
4	Dec-69	Nov-70	-36%	-13%	-24%
5	Nov-73	Mar-75	-48%	6%	-59%
6	Jan-80	Jul-80	-17%	-2%	-15%
7	Jul-81	Nov-82	-27%	-19%	-16%
8	Jul-90	Mar-91	-20%	-29%	-16%
9	Mar-01	Nov-01	-50%	-54%	-44%
10	Dec-07	Jun-09	-55%	-92%	-15%
11	Feb-20	Apr-20	-34%	-28%	3%
12	**Jan-Jun 2022**		**-25%**	**6%**	**-26%**

There have been 4 economic recessions in which corporate earnings held up (blue shaded columns). However, just look at periods 4 and 5: A 13% decline in earnings in 1969-70 recession took the stock market down by 36% while <u>a 6% increase in earnings</u> during 1973-75 recession could not save the stock market from a 50% decline. What giveth; the valuation.

During periods of high inflation, it is the valuation that detracts most of investors returns even if the profits hold up.

So when does the market historically turn around?

The answer is often earlier than the economic recession ends and WAY earlier than the earnings recession ends. See below:

	Market peak	Start of Recession	Market bottom	End of recession	EPS bottom	Chg in valuation		Mkt peak bfr start of recession (months)	Mkt bottom AFTER START of recession	BEFORE END of recession	Mkt bottom bfr EPS bottom
1	Dec-52	Jul-53	Sep-53	May-54	eps never fell	-16%		-8	1	-8	
2	Jul-57	Aug-57	Dec-57	Apr-58	Sep-58	-16%		-2	3	-4	-9
3	Jul-59	Apr-60	Oct-60	Feb-61	eps held up	-8%		-10	5	-4	
4	May-69	Dec-69	Jul-70	Nov-70	Dec-70	-24%		-8	6	-4	-5
5	Jan-73	Nov-73	Dec-74	Mar-75	eps never fell	-59%		-11	12	-3	
6	Jan-80	Jan-80	Jan-80	Jul-80	eps held up	-15%		-1	-1	-6	
7	Jun-81	Jul-81	Aug-82	Nov-82	Mar-83	-16%		-2	12	-3	-7
8	Jun-90	Jul-90	Oct-90	Mar-91	Dec-91	-16%		-2	2	-5	-14
9	Aug-00	Mar-01	Oct-02	Nov-01	Mar-02	-44%		-8	18	11	7
10	Jul-07	Dec-07	Mar-09	Jun-09	Mar-09	-15%		-6	14	-3	0
11	Jan-20	Feb-20	Apr-20	Apr-20	Dec-20	3%		-2	1	0	-8
12	Jan-22	Jun-22	Jun-22	?	eps held up	-26%		-5	0		
	Average- # months							-5	6	-3	-5

Anyone who finds the table hard to read, here is the summary:

On average:

1. Market peaks 5 months before recession starts.

2. It bottoms 6 months into recession and about three months before recession ends.

3. Market stops declining five months before earnings stop going down.

Yes, investing is not easy, however simple it sounds. The genius investor we referenced at the top of the letter who said investing is simple but not easy went on to explain the not so easy part like this *" Investing is simple, but not easy. The simple part is that the winning strategy is to act like the lowly postage stamp that adheres to its envelope until it reaches its destination. Investors should stick to their asset allocation plan, until they reach their financial goals. The reason investing is not easy is that it is difficult for most investors to control their emotions — emotions of greed and envy in bull markets and fear and panic in bear markets. In fact, bear markets are the mechanism that serves to transfer assets from those with weaker stomachs and without investment plans to those with stronger stomachs and well-thought-out plans — with the anticipation of bear markets built in — as well as the discipline to adhere to those plans."*

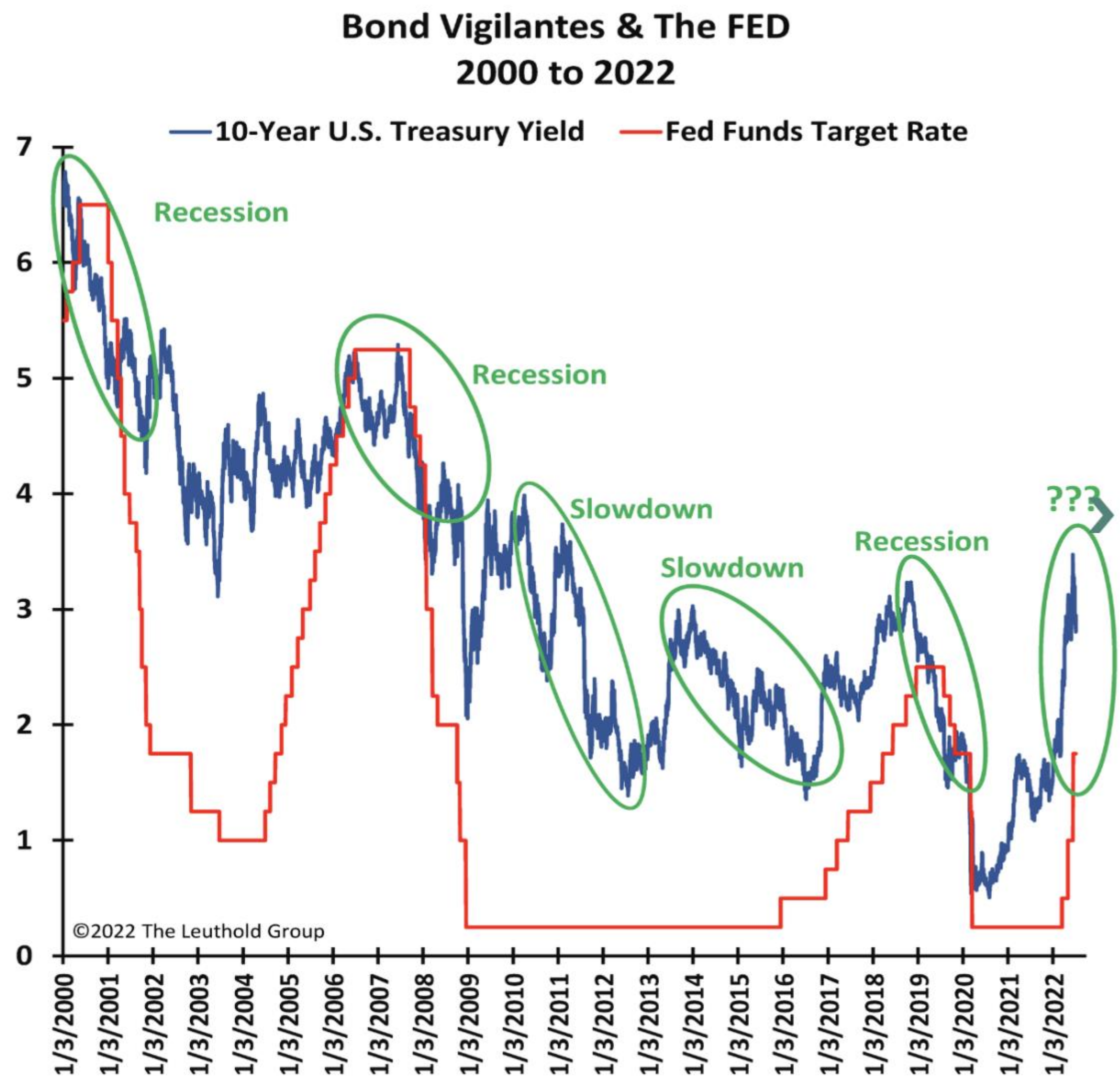
How we assess our own performance in the first half:

Our investment strategy is built around finding quality growth opportunities and investing in them at reasonable valuations that discount double digit returns expectations. When we don't find those opportunities, we remain in cash and anticipate prices to decline. We came into 2022 with 20% cash and with some protection through index hedges. Our strategy offers superior growth opportunities than the overall benchmark indices but also leaves us vulnerable to higher than average valuations. In times of volatility high valuation stocks, regardless of their quality, tend to decline more than the overall index. Google and Microsoft recent stock returns are examples of that irony. In our strategy we try to ensure during declining markets that we are not drifting too far away from index returns despite the fact that our growth (but profitable) stocks tend to get hit more than the overall index. Our cash and index hedges have protected the portfolio from any large deviation from the market returns so far this year. Most satisfying thing for us is no company in our portfolio has cut its core earnings guidance to date. The one issue that most of our companies have highlighted in the way of achieving their earnings target in 2022 is the strength of US dollar; a variable that is beyond their control.

Where we go from here? The answer largely depends on whether the Fed will commit the mistake (again!).

Global economies are facing very a high level of inflation that started from supply side disruptions during the global pandemic, was worsened by unnecessarily long fiscal and monetary responses and is being extended by war in Europe and Chinese govt insistence on zero-covid policies. High inflation and rapidly rising market interest rates have forced the initially very reluctant central banks to raise interest rates in a hurry. Developments, however, of the last few weeks are encouraging. Most inflation drivers; freight rates, commodity, food and metal prices have declined significantly from their highs. Important inflation components like wages and housing are not rising as fast as they were a few months ago. Leading Economic Indicators (LEIs) are portending a very soft landing to a recessing economy going forward. All these factors are expected to bring down the inflation.

With signs of inflation going down here comes the next challenge for equities: will the US central bank be able to stop raising rates at the right time? **What is the right time for the Federal Reserve to stop raising rates? The answer from history is very categoric: Listen to the bond market.**



Source: Leuthold group.

This is the fourth interest rate hiking effort by the US Fed since the year 2000. The hiking cycles had a 3/4 record of creating a recession. So will it behave differently this time? There is a slim hope for it coming from the previous rate hiking episode of 2018 when Fed pivoted just at the right time and start cutting rates. However, this time inflation has made its job very complicated. There is a recipe still out there for the US Fed offered by the bond market in the form of US 10-year treasury rates. So far this year, the US bond market has allowed and encouraged the Federal Reserve to raise rates aggressively. However, post the July hike of 75bps, and a possible 50bps in September, the message from the bond market for the US central bank is now loud and clear to at least pause for some time.

Given the record, and complexity of the situation, there is less than even chance that the central bank will be able to listen to the bond market on time. The actions of the US central bank in the next few months will determine whether we are heading into a slowdown or a full-blown economic recession in which earnings will decline significantly. **An interesting point at** the moment is that high inflation means we could well be in a technical recession while nominal GDP is growing strongly – feeding into relatively healthy profits.

In the last few weeks we have raised equity exposure and reduced some index hedging. However, we are looking to have some more clarity on earnings before increasing equity exposure to an ideal 100% level.

Thank You.

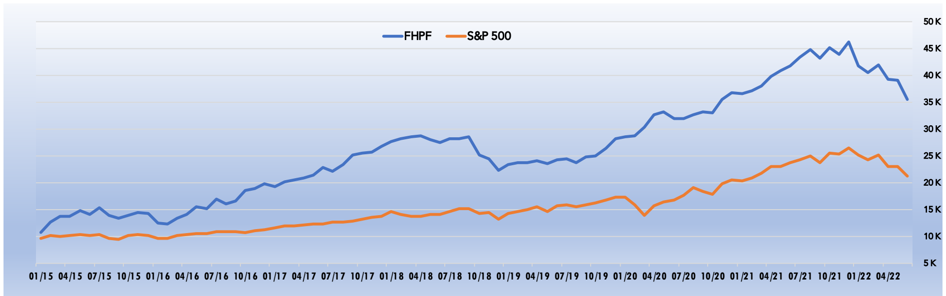
Fountainhead Pte Ltd

A mindset not hostage to consensus

Fountainhead Partnerships Fund (FHPF)

Hypothetical Growth of $10,000

01/31/2015 - 06/30/2022



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted.

INVESTMENT APPROACH

- Long term thematic investing by comprehending and allocating capital in secular long term trends - both societal and macro.
- Identify stocks in global themes such as aging population, consumption habits, automation, payments etc and invest when prices are right.
- A return oriented mindset agnostic to definition of value or growth, geography or size of the company.
- Avoid market noise and use temperamental advantage.

PERFORMANCE

(As of 06/30/2022)	2022	2021	2020	2019	2018	2017	2016	2015	Inception*
Fountainhead Partnerships Fund	-23%	26%	30%	27%	-17%	35%	39%	42%	20%
S&P 500 (IVV)	-20%	29%	18%	31%	-4%	22%	12%	1%	12%
MSCI World	-20%	18%	16%	27%	-9%	24%	8%	-2%	8%

Notes: i) Total return on FHPF net of TER vs Total return on ishares S&P 500 ETF and ishares MSCI World AC ETF. ii) Inception* is CAGR

KEY HOLDINGS

(As of 06/30/2022)

Holding	Country
Alphabet Inc	USA
Novo Nordisk A/S ADR	USA
Berkshire Hathaway Inc	USA
Shell PLC	UK
Icon Plc	UK
Autodesk Inc	USA
Greggs PLC	UK
Cochlear Ltd	USA
Danaher Corp	USA
Stryker Corp	USA

KEY STATISTICS

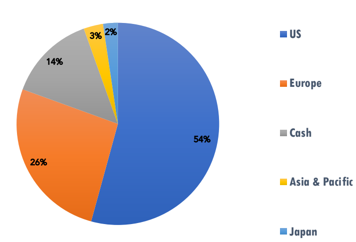
(As of 06/30/2022)

Ratio	Fund	S&P 500	MSCI World
P/E	17	16	14
P/B	4.0	3.0	2.0
ROE	31%	19%	14%
Div Yield	2.18%	1.62%	1.40%
Sharpe ratio*	1.0	0.6	0.4

* Since inception Jan 2015

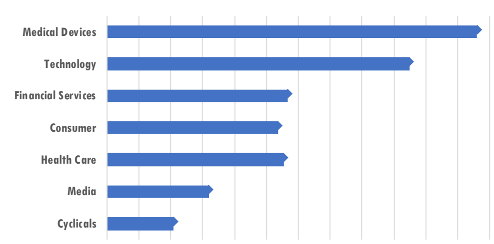
GEOGRAPHIC EXPOSURE

(As of 06/30/2022)



SECTOR EXPOSURE

(As of 06/30/2022)



http://thefountainhead.sg

FUND OVERVIEW

Objective

Long term capital appreciation through listed equities and capital preservation through recession risk management.

Strategy

Globally diversified equity portfolio with a 3-10 year view and global macro trading whenever equity like returns are possible.

Risk

Equity investments involve risk of manager's ability to buy and sell stocks at the right valuations. An error of judgement may cause investors some or significant loss on their investments.

FUND SNAPSHOT

(As of 06/30/2022)

Strategy Inception	01/2015
Fund Category	Equity Hedge
Risk of this Category	High
Returns (inception) p.a.	20.0%
Exp. Ratio Net (p.a.)	1.50%

FUND MANAGER

(Fountainhead Pte. Ltd.)

Primary Manager - CIO:	Asif Ali
Portfolio Manager:	Paul Sherriff, CFA
Portfolio Manager:	Hamza Ayub, CFA

FUND DETAILS

Auditor	PWC
Administrator	Vistra International
Custodian and Broker	Julius Baer/Interactive Brokers
Compliance	RSM
Fund Manager Regulator	Monetary Authority Singapore
Fund Registration	Cayman Monetary Authority

Fountainhead Pte Ltd
A mindset not hostage to consensus

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Fountainhead Partnerships Fund (FHPF)

RISK RETURN STATISTICS

01/31/2015 - 06/30/2022

MONTHLY RETURN

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	7.6%	18.3%	8.1%	0.2%	7.4%	-4.4%	8.4%	-9.7%	-2.7%	3.9%	2.9%	-1.3%
2016	-11.5%	-1.5%	8.5%	5.4%	9.0%	-1.9%	11.4%	-4.3%	2.3%	12.4%	2.3%	4.0%
2017	-2.8%	5.1%	1.3%	1.6%	2.7%	6.5%	-2.6%	5.7%	7.1%	2.0%	0.4%	3.9%
2018	3.3%	2.1%	1.2%	1.0%	-2.8%	-1.8%	2.9%	-0.1%	1.4%	-12.0%	-3.0%	-9.0%
2019	5.1%	1.7%	-0.4%	1.8%	-2.2%	2.7%	0.8%	-2.6%	4.5%	0.4%	6.2%	6.6%
2020	1.0%	0.5%	5.6%	7.9%	1.4%	-3.7%	0.0%	2.3%	2.0%	-0.6%	7.7%	3.3%
2021	-0.7%	1.9%	2.2%	4.8%	2.6%	2.1%	3.9%	3.4%	-3.6%	4.6%	-2.9%	5.3%
2022	-9.6%	-3.0%	3.4%	-6%	-0.6%	-9%						

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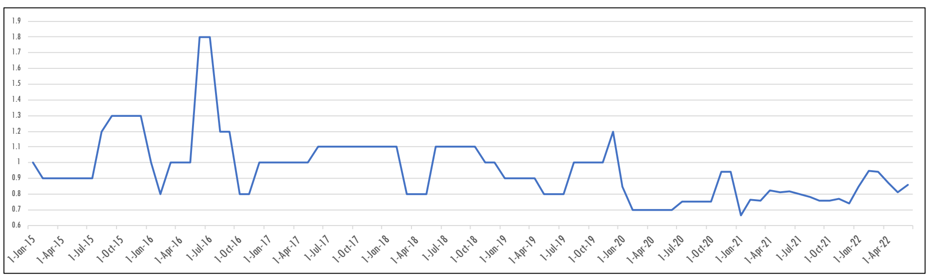
CUMULATIVE RETURN

(As of 06/30/2022)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	Inception
FHPF	-15.1%	11%	46%	29%	56%	134%	151%	255%
S&P 500	-10.5%	26%	35%	49%	71%	101%	109%	112%
MSCI World	-15.7%	17.5%	20%	27%	41%	68%	62%	67%

Inception: 1st Jan 2015

FUND GROSS



Sub 100% represents cash holdings – not downside hedging – undertaken from time to time. Similarly, levels above 100% is marketable asset value – not theoretical exposure via derivatives

MONTHLY RETURNS SUMMARY

01/31/2015 - 06/30/2022	FHPF	S&P500	MSCI
Annualized Volatility	18%	15%	15%
Annualized Return (CAGR)	20%	12%	8%
Correlation	1.00	0.54	0.54
Sharpe Ratio	0.95	0.58	0.36
Returns Skew	-0.15	-0.41	-0.41
Max Drawdown	-22%	-20%	-21%
Worst Monthly Return	-12%	-12%	-13%
Best Monthly Return	18%	13%	12%

MSCI: MSCI World AC ETF

FUND HOLDINGS SUMMARY

(As of 06/30/2022)	FHPF
Number of Holdings	29
Weight of Top 10 Holdings	48%
Weight of Largest Holding	10.0%
Weight of Smallest Holding	0.6%
Largest Market Cap (bn)	1400
Smallest Market Cap (bn)	4.0
Average Market Cap (bn)	166.0
Median Market Cap (bn)	36.0