Save&Invest

2 of 3 simulated portfolios trail respective benchmarks

All made gains but just I fared better despite July being a relatively stable month globally

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Invest Editor

In January, The Sunday Times Invest introduced a Save & Invest Portfolio Series featuring the simulated portfolios of three real retail investors.

In this ninth part of the series, we look at the performance of the three simulated portfolios, which went live on Jan 18 and are being tracked each month until early next year.

The investors are 25-year-old Shona Chee, a communications manager, entrepreneur Getty Goh, 38, who is married with two young children, and retiree Wang Moo Kee, 61.

To recap, the Portfolio Series does not involve actual money as it is intended only for illustration and education.

All three portfolios are limited to instruments listed on the Singapore Exchange (SGX) – to keep them simple, accessible and easy to monitor – and to Singapore Savings Bonds, which can be bought via automated teller machines.

The main asset classes are domestic equities, real estate investment trusts (Reits), global exchange-traded funds (ETFs) and bonds.

While there are similarities in the three portfolio holdings, the allocation for each profile differs, depending on the individual's risk-return objectives and preferences. Each portfolio has a different benchmark that best reflects the portfolio mix.

The simulated portfolios have been constructed by CFA Society Singapore (CFAS) for an ideal investment horizon of five to 10 years.

PORTFOLIO PERFORMANCE

All three portfolios registered gains last month. Ms Chee's portfolio rose 1.58 per cent for the month, trailing the benchmark (1.82 per cent) by 0.24 percentage point.

Mr Goh's portfolio advanced 1.58 per cent, trailing the benchmark (2.31 per cent) by 0.73 percentage point while Mr Wang's portfolio was up 1.71 per cent, beating the benchmark (1.56 per cent) by 0.15 percentage point.

Last month, the Singapore equities – driven by a strong performance by Sats – and the bond allocation outperformed their respective benchmarks. All bond positions gained for the month.

The ETF and Reits – A-Reit ended the month slightly lower – allocations underperformed their respective benchmarks for the month. All ETFs, apart from the Lyxor Commodity Non-Energy, gained, but gold trailed the gains achieved in the equity ETFs.

Both Ms Chee and Mr Goh's portfolios held a greater percentage of ETFs but were underweight Singapore equities, which explains the overall underperformance versus the benchmark for July.

Mr Wang's portfolio outperformance was mainly driven by the strong month for his individual bond holdings.

ADJUSTMENT TO PORTFOLIOS

The CFAS panel decided to make one adjustment to the portfolios this month. The panel said: "We decided to take profit on Singtel, which had delivered strong double-digit returns in all three portfolios since inception. The proceeds will be held in cash for the time being."

THE NEW NORMAL

The CFAS panel noted that July was a relatively stable month for global markets, after an eventful June.

The panel said: "Most global indices rallied after the Brexit vote to regain the earlier levels, having quickly rationalised the dynamics of Britain exiting the European Union. While the global growth outlook continues to look bleak and governments agonise over deflation, both stocks and bonds registered record highs in July."

Gold continued its ascent while oil took a tumble on the back of rising inventories. Despite the attempted coup in Turkey, emerging markets saw inflows of nearly US$25 billion (about S$34 billion) – comprising about US$15 billion in equities and US$10 billion in debt – last month, against US$13 billion in June, according to the Institute of International Finance.

The Group of 20 finance ministers' meeting in China recognised that global monetary policy was no longer effective and that fiscal policy should be deployed with greater urgency. Ultra-low interest rates have failed to spur growth or generate inflation.

"The private sector is hesitant to invest in new projects (and this is) best exemplified by the increasing (amount of) cash sitting on corporate balance sheets in the region. Thus it is up to governments to create jobs and get the economy moving again. They must formulate robust fiscal stimulus programmes, together with the much-needed structural reforms," said the panel.

Growth continues to slip across most of Asia, with household debt having increased sharply in recent years and the traditional export engine beginning to sputter. In Japan, too, after unprecedented stimulus for years, "Abenomics" – the radical policy adopted by Japan's Prime Minister Shinzo Abe – is now faltering.

Painting a dire picture on what may lie ahead for retail investors, the CFAS panel warned that "something has to give at some stage".

For both the bond and equity markets to rise like this is somewhat irrational but, then, as economist John Maynard Keynes famously said, "Markets can remain irrational longer than investors can stay solvent", said the panel.

Of late, reports have indicated a difficult and choppy investment environment, with modest growth prospects.

Sovereign wealth fund GIC recently said in its annual report that it anticipates significantly lower and more volatile returns in the next 10 to 20 years, compared with its experience in the last two to three decades. This is due to a difficult investment environment with modest growth prospects, greater uncertainty and a high degree of volatility.

The panel added: "Investors are being forced to accept increasingly lower expected returns for increasingly higher risk. The longer the current situation lasts, the greater the violence of the eventual unwind. The day that stock-market investors realise central banks have run out of ammunition, there could be a stampede for the exits."

It said: "In such an environment, investors must moderate their return expectations as the foreseeable future is likely to be volatile. Preservation of wealth is a worthy goal in itself and, increasingly, the new normal."

• The fifth seminar in the Save & Invest Portfolio Series will be held on Oct 1, from 9.30am to 3pm at NTUC Auditorium. More details will follow in due course. To analyse the financials of SGX-listed firms, you can check out StockFacts (www.sgx.com/stockfacts). Please send your queries on this series to lornatan@sph.com.sg

How they compare: Simulated portfolios (July 29, 2016)

Ms Shona Chee's simulated portfolio
Age: 25
Investable sum: $40,000 with $4,000 principal guaranteed

Asset class	Security	Weight (%)
Cash	SGD	7.5
Domestic equities (23.9%)	DBS	7.3
	SATS	6.3
	Singapore Airlines	5.2
	Singapore Post	5.1
Global ETFs (26.6%)	DBX MSCI USA	5.3
	DBX FTSE China 50 1C	4.6
	DBX MSCI AC Asia ex-Japan	8.6
	SPDR Gold shares	8.1
Reits (8.7%)	A-Reit	8.7
Bonds (33.3%)	CMA 3.8% Jan 22	4.8
	CMT 3.08% Feb 21	4.9
	FCL 3.65% May 22	4.7
	ISHARES JPM USD Asia Bond	10.6
	Singapore Savings Bond	8.3
	Total:	100

Mr Getty Goh's simulated portfolio
Age: 38
Investable sum: $200,000

Asset class	Security	Weight (%)
Cash	SGD	7.1
Domestic equities (30.9%)	DBS	7.2
	SATS	6.7
	Singapore Airlines	5.7
	Singapore Exchange	6
	Singapore Post	5.3
Global ETFs (43%)	ISHARES MSCI India Index ETF	5.1
	DBX MSCI USA	8.8
	DBX FTSE CHINA 50 1C	8.1
	DBX MSCI AC Asia ex-Japan	5.5
	Lyxor ETF Commodities CRB Non-Energy	6.7
	SPDR Gold shares	8.8
Reits (9.8%)	A-Reit	4.9
	CMT	4.9
Bonds (9.2%)	CMA 3.8% Jan 22	1.9
	CMT 3.08% Feb 21	1.9
	ISHARES JPM USD Asia Bond	3.5
	Singapore Savings Bond	1.9
	Total:	100

Mr Wang Moo Kee's simulated portfolio
Age: 61
Investable sum: $400,000

Asset class	Security	Weight (%)
Cash	SGD	5.8
Domestic equities (23.6%)	DBS	4.7
	SATS	5.2
	Singapore Airlines	5.5
	Singapore Exchange	5.1
	Singapore Post	3.1
Global ETFs (12.7%)	DBX MSCI USA	3
	DBX FTSE China 50 1C	2
	DBX MSCI AC Asia ex-Japan	4.5
	SPDR Gold shares	3.2
Reits (10.6%)	A-Reit	5.4
	CMT	5.2
Bonds (47.3%)	CMA 3.8% Jan 22	9.2
	CMT 3.08% Feb 21	4.8
	DBS 4.7% Perpetual (Call Nov 20)	5
	FCL 3.65% May 22	4.6
	ISHARES JPM USD Asia Bond	14
	OCBC 5.1% Perpetual (Call Sep 18)	5
	Singapore Savings Bond	4.7
	Total:	100

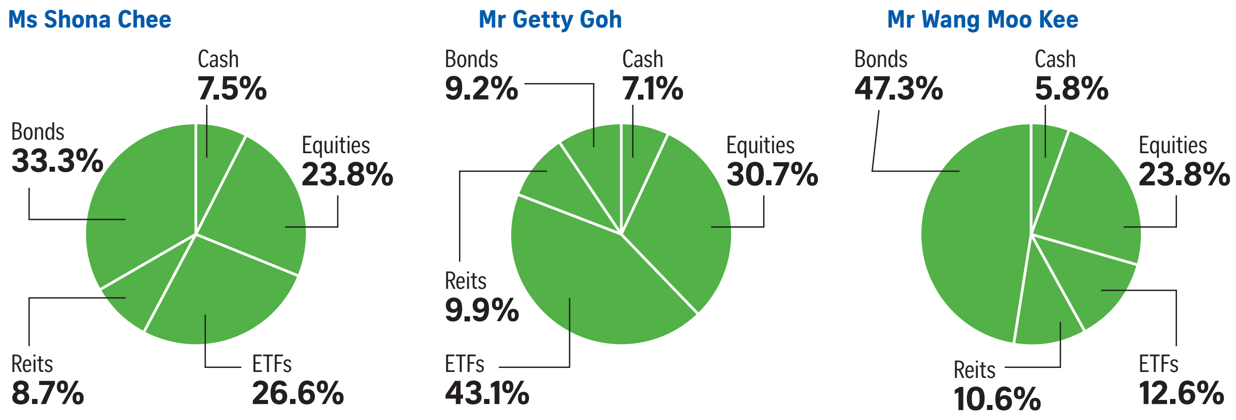
Source: CFA SOCIETY SINGAPORE
SUNDAY TIMES GRAPHICS

Gold continued its ascent while oil took a tumble on rising inventories. However, gold trailed the gains achieved in the equity ETFs. PHOTOS: BLOOMBERG, REUTERS

Portfolio performance

Asset class	Initial investment	Current portfolio value	Net total return	Benchmark return	Dividends and coupons	Realised P/L	Unrealised P/L
Ms Shona Chee	$40,000	$42,231.63	5.58%	8.54%	$474.09	$919.96	$1,508.59
Mr Getty Goh	$200,000	$212,910.96	6.46%	9.31%	$1,791.64	$3,391.80	$8,515.31
Mr Wang Moo Kee	$400,000	$428,561.33	7.14%	8.09%	$7,018.86	$8,631.42	$15,476.91

How they compare



NOTES:
1. Portfolio start date was Jan 18, 2016.
2. Portfolio performance as at Jul 29, 2016.
3. As the Portfolio Series is intended for illustrative and educational purposes only, it will not involve actual money, investments or solicitation of funds for actual fund management by CFAS or the advisory panel.
4. You are advised to seek independent financial or other professional advice for your own investments.
5. CFAS and the advisory panel may provide information and recommendations on investments which they have an interest in.
6. All views or recommendations made by the advisory panel are to be attributed to CFAS.

Source: CFA SOCIETY SINGAPORE SUNDAY TIMES GRAPHICS

RECORD STOCK/BOND HIGHS IN JULY

Most global indices rallied after the Brexit vote to regain the earlier levels, having quickly rationalised the dynamics of Britain exiting the European Union. While the global growth outlook continues to look bleak and governments agonise over deflation, both stocks and bonds registered record highs in July.

CFAS PANEL, noting that July was a relatively stable month for global markets, after an eventful June. The Brexit vote was held on June 23

CASH PILING UP ON BALANCE SHEETS

The private sector is hesitant to invest in new projects (and this is) best exemplified by the increasing (amount of) cash sitting on corporate balance sheets in the region. Thus it is up to governments to create jobs and get the economy moving again.

CFAS PANEL, on the need for robust fiscal stimulus programmes and much-needed structural reforms

Save & Invest Portfolio Series

The Save & Invest Portfolio Series features the simulated portfolios of a young working adult, a married couple with two young children and a retiree over a 12-month period.

It guides retail investors in basic investment techniques and on how to build a portfolio in line with their financial goals and risk tolerance. This initiative involves the Singapore Exchange collaborating with CFA Society Singapore and MoneySense, the national financial education programme.

The CFAS panellists who track the simulated portfolios are Mr Phoon Chiong Tuck, head of fixed income at Lion Global Investors, Mr Jack Wang, partner at Lexico Capital, Mr Praveen Jagwani, chief executive of UTI International, Singapore, and Mr Simon Ng, CEO of CCB International (Singapore).