Save&Invest

Staying ahead by spreading out assets

Diversified portfolios able to reap gains despite poor showing of some stocks

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Invest Editor

Diversification was the key to last month's gains in the simulated portfolios of three retail investors we have been tracking under the Save & Invest Portfolio Series.

The series was introduced by The Sunday Times in January last year.

Today, we look at the February performance of three simulated portfolios. Our investors are: communications manager Shona Chee, 26, entrepreneur Getty Goh, 38, who is married with two children, and retiree Wang Moo Kee, 62. The Portfolio Series does not involve actual money as it is intended only for the purposes of illustration and education.

To keep them simple, accessible and easy to monitor, all three portfolios are limited to instruments listed on the Singapore Exchange and to Singapore Savings Bonds, which can be bought via ATMs.

There are similarities between the holdings, but the allocations differ depending on individual risk-return objectives and preferences. Each portfolio has a benchmark that best reflects its mix. For example, Mr Goh's is heavier on blue-chip shares, while bonds reflect Mr Wang's more conservative stance.

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

PORTFOLIO PERFORMANCE

Ms Chee's portfolio saw returns rise 0.45 per cent for the month ended Feb 28, against 1.52 per cent for the benchmark, while Mr Goh's returns were up 1.34 per cent, against 1.71 per cent for the benchmark. For Mr Wang, returns grew 0.44 per cent, while the benchmark achieved 1.39 per cent.

The CFAS panel said the relative underperformance of all three portfolios was due to security selection in the Singapore allocation. The selected Singapore equities delivered a negative performance against a 1.81 per cent gain by the benchmark Straits Times Index (STI).

The reason is that four of the six stocks saw losses last month, with SingPost (-4.7 per cent) suffering the largest correction.

"February was a relatively stable month, with all three portfolios posting a gain. In the underlying mix, certain stocks dragged down the Singapore equity portion. But this was somewhat offset by the well-diversified nature of the portfolio, with United States and Indian equity markets bolstering returns," said the panel.

It noted the STI's positive showing was driven by a strong month for oil and gas, shipping and property counters – sectors to which the portfolios currently have no exposure.

"Corporate and perpetual bonds also corrected in the month, contributing to the underperformance of the bond allocation versus the predominantly Singapore Government bond index," said the panel.

"This, however, was partially offset by a strong month for the global exchange-traded fund (ETF) allocation, driven by US and India ETFs. The China ETF in Mr Goh's portfolio also had a strong month, which explains its relatively better performance."

Explaining why the benchmarks fared better, the panel said the chosen benchmarks that are available do not mirror the simulated portfolios exactly. The benchmarks are theoretical constructs and are not readily investible.

For example, most of the non-Singapore exposure in the portfolios has been obtained through ETFs, for which the chosen benchmark is an All Country Total Return ETF. This ETF includes Europe; yet, the portfolios have not been consistently invested in Europe. The benchmark does not include gold either, but the portfolios have maintained a position in gold for a long time.

With the portfolios fully invested and in the absence of any compelling factors, the panel decided not to make any allocation adjustments to the portfolios last month.

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- The next seminar in the Save & Invest Portfolio Series, which will include a portfolio construction exercise, will be held on April 22 from 9.30am to 3pm at the NTUC Auditorium. To register, visit www.sgx.com/academy

Portfolio performance (as at Feb 28, 2017)

Portfolio	Initial investment ($)	Current portfolio value ($)	Net total return (%)	Benchmark return (%)	Dividends and coupons ($)	Realised P/L ($)	Unrealised P/L ($)
Ms Shona Chee	63,732	64,018.93	0.45	1.52	102.01	-196	2,726.27
Mr Getty Goh	222,193	225,181.10	1.34	1.71	304.59	-1,535.72	16,759.85
Mr Wang Moo Kee	437,248	439,192.80	0.44	1.39	370.03	-1,862	13,362.48

What are in the simulated portfolios?

	Ms Shona Chee	Mr Getty Goh	Mr Wang Moo Kee
Initial investment amount	$60,000	$200,000	$400,000
Portfolio value	$64,018.93	$225,181.10	$439,192.80
Asset class	**Security (weightage)**	**Security (weightage)**	**Security (weightage)**
Cash	**0.2%**	**0.2%**	**0.2%**
Domestic equities	**29.6%** - DBS - First Resources - OCBC - Singapore Exchange - Singapore Post - Singtel	**37.9%** - DBS - First Resources - OCBC - Singapore Exchange - Singapore Post - Singtel	**29.6%** - DBS - First Resources - OCBC - Singapore Exchange - Singapore Post - Singtel
Global ETFs	**26.5%** - DBX AC Asia ex-Japan 1C - DBX MSCI Japan 1C - DBX MSCI USA 1C - iShares MSCI India Index ETF - SPDR Gold shares	**44.2%** - DBX FTSE China 50 1C - DBX AC Asia ex-Japan 1C - DBX MSCI Japan 1C - DBX MSCI USA 1C - iShares MSCI India Index ETF - SPDR Gold shares	**19.1%** - DBX MSCI Japan 1C - DBX MSCI USA 1C - iShares MSCI India Index ETF - SPDR Gold shares
Reits	**9.9%** - A-Reit - Keppel DC Reit	**9%** - A-Reit - Keppel DC Reit	**4.8%** - A-Reit - Keppel DC Reit
Bonds	**33.9%** - CMT 3.08% Feb 21 - FCL 3.65% May 22 - iShares JPM USD Asia Bond - Singapore Savings Bonds	**8.8%** - CMT 3.08% Feb 21 - iShares JPM USD Asia Bond - Singapore Savings Bonds	**46.3%** - ABF Singapore Bond Index Fund - CMT 3.08% Feb 21 - DBS 4.7% Perp (call Nov 20) - FCL 3.65% May 22 - iShares JPM USD Asia Bond - OCBC 5.1% Perp (call Sept 18) - Singapore Savings Bonds

NOTES:
- Portfolio start date was Jan 18, 2016 and the new fiscal year begins from Jan 31, 2017.
- 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.
- You are advised to seek independent financial or other professional advice for your own investments.
- CFAS and the advisory panel may provide information and recommendations on investments which they have an interest in.
- All views or recommendations made by the advisory panel are to be attributed to CFAS.
- Figures may not add up to 100% due to rounding off.
- To access past articles and portfolio reports, click on the Save & Invest Portfolio Series banner at www.sgx.com/academy

Source: CFAS SUNDAY TIMES GRAPHICS

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. 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 (CFAS) and MoneySense, the national financial education programme.

The CFAS panellists tracking the simulated portfolios are Mr Phoon Chiong Tuck, senior fixed income manager 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).

Owing to readers' requests, you can now access past articles and monthly portfolio reports, by clicking on the Save & Invest Portfolio Series banner at www.sgx.com/academy

Retail investors who follow the Save & Invest Portfolio Series having lunch with an expert CFA Society Singapore panel and representatives from the Singapore Exchange and The Sunday Times. PHOTO: CFAS

Feeling empowered from the knowledge gained

Retail investors say that the lessons on the importance of diversifying an investment portfolio, picked up from following the Save & Invest Portfolio Series, have empowered them to be more disciplined in their investments.

Launched in January last year, the series features the simulated portfolios of three investors. It aims to guide retail investors in investing and on how to build a portfolio in accordance with their financial objectives and risk profile.

So far, six seminars connected to the series have been held. Besides a question and answer session hosted by the expert panel from CFA Society Singapore (CFAS), seminar participants were taken through a portfolio construction exercise by the Singapore Exchange (SGX). About 500 participants attended the last seminar in January. The next seminar will be on April 22.

Recently, four readers were invited to have lunch with the CFAS panel and representatives of both the SGX and The Sunday Times.

At the lunch, undergraduate Tan Wei Jie said that he felt empowered to start investing after following the series.

"The best thing is that the series cuts across age groups. There's a portfolio for my age group and another for my parents'," he said.

He hopes that the expert panel will continue to provide the rationale behind what to include in the simulated portfolios and the reasons for adjustments.

WISDOM FOR ALL AGES

I realised that investing shouldn't just be about stock-picking but portfolio diversification (as well). I got my retiree parents to read the series. They now know they shouldn't just put their savings into whatever product the salesperson at the bank recommends.

MR SURESH SOMASAMY, on what he has learnt from the series.

Sunday Times reader Suresh Somasamy said he learnt about asset allocation and even managed to get his parents interested in the series.

"I realised that investing shouldn't just be about stock-picking but portfolio diversification (as well). I got my retiree parents to read the series. They now know they shouldn't just put their savings into whatever product the salesperson at the bank recommends."

Retail investor Seng Kok Teng said that he used to focus solely on small local listed firms. Since following the series, he is considering diversifying into other geographies through global exchange-traded funds (ETFs).

The CFAS panel noted that in recent years, globalisation has caused a high degree of synchronisation and interdependence between major economies.

"When one fails, there is a domino effect on others. This is called correlation. Our objective in building these portfolios is to bring together asset classes that have low correlation with each other, to better protect any downside," said the panel.

Lorna Tan