Save&Invest

Returns boosted by ETFs, bonds

Simulated portfolios registered gains last month despite some market volatility

Lorna Tan
Invest Editor

All the three simulated portfolios tracked under the Save & Invest Portfolio Series remain fully invested and were in positive territory as at the end of the first quarter.

The series, which was introduced by The Sunday Times in January last year, features 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 years to 10 years. Today, we look at how they performed last month.

PORTFOLIO PERFORMANCE

Ms Chee's portfolio was up 0.81 per cent for the month ended March 31, against 1.44 per cent for the benchmark. During the same period, Mr Goh's portfolio saw returns of 1.24 per cent, against 1.73 per cent for the benchmark, and Mr Wang's portfolio was up 1.01 per cent while the benchmark achieved 1.23 per cent.

Just as in February, the relative underperformance last month was due to security selection in the Singapore stock allocation.

While the Singapore equities selection delivered a positive performance, it trailed the 2.74 per cent gain posted by the Straits Times Index. Performance was dragged down by SingPost (-1.8 per cent) and Singtel (-0.6 per cent), the main laggards.

The real estate investment trust (Reit) selection also underperformed the benchmark. Both Ascendas Reit and Keppel DC Reit delivered positive returns in the month, but trailed the S-Reit index.

The global exchange-traded funds (ETFs) allocation kept pace with the MSCI World benchmark, as the Asia ex-Japan and India ETFs enjoyed a good month, offsetting negative returns in the United States, Japan and gold ETFs.

Corporate and perpetual bonds bounced back last month, contributing to the relative outperformance of the bond allocation versus the predominantly Singapore government bond index.

The CFAS panel said that 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, but the portfolios have not been invested in Europe consistently. The benchmark does not include gold either, but the portfolios have maintained a position in the metal for a long time.

PORTFOLIO ADJUSTMENTS

The panel made two adjustments to the portfolios last month, replacing SingPost with Venture Corp and including the DBX Euro Stoxx 50 ETF, which was funded by a sale of the Japan ETF in Ms Chee's and Mr Wang's portfolios.

The China ETF position was halved in Mr Goh's portfolio.

LOOKING AHEAD

Last month was bombarded with critical news such as the much-awaited US Federal Reserve rate hike, the failure of the Trump administration to repeal Obamacare, and British Prime Minister Theresa May invoking Article 50 for Brexit. Obviously such events increase market volatility and, as a result, developed equity markets around the globe retreated towards the end of last month.

The panel believes that the global economy appears to be in decent shape, with the US leading the way and Europe continuing to show signs of recovery.

"However, the strong rally in equity markets in the three months ended March 31 – STI was up over 10 per cent – does raise concerns about whether we could see markets consolidate for a period," it said.

This issue was discussed and the decision made to continue to stay invested as the fundamental backdrop was still positive.

The panel added that the risks in the upcoming months will likely be driven by geopolitics – potential protectionist trade policies by President Donald Trump or escalations in tensions with North Korea. It is difficult to mitigate such risks.

"Investors are advised to maintain a diversified portfolio as markets could become more volatile in the second quarter," added the panel.

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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

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).

You can access past articles and monthly portfolio reports by clicking on the Save & Invest Portfolio Series banner at www.sgx.com/academy

Portfolio performance (as at March 31, 2017)

Portfolio	Investment as at Jan 31, 2017 ($)	Current portfolio value ($)	Net total return (%)	Benchmark return (%)	Dividends and coupons ($)	Realised P/L ($)	Unrealised P/L ($)
Ms Shona Chee	63,732	64,540.77	1.27%	2.98%	172.55	-378.69	3,460.26
Mr Getty Goh	222,193	227,949.34	2.59%	3.47%	375.13	-262.68	18,313.06
Mr Wang Moo Kee	437,248	443,644.16	1.46%	2.63%	1,417.17	-3,031.62	18,124.82

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	$64,540.77	$227,949.34	$443,644.16
Asset class	**Security (weightage)**	**Security (weightage)**	**Security (weightage)**
Cash	**1%**	**0.1%**	**0%**
Domestic equities	**30.3%** -DBS -First Resources -OCBC -Singapore Exchange -Singtel -Venture Corp	**38%** -DBS -First Resources -OCBC -Singapore Exchange -Singtel -Venture Corp	**30%** -DBS -First Resources -OCBC -Singapore Exchange -Singtel -Venture Corp
Global ETFs	**25.2%** -DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX MSCI USA 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	**44.3%** -DBX FTSE China 50 1C -DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX MSCI Japan 1C -DBX MSCI USA 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	**19.2%** -DBX EURO STOXX 50 -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	**33.5%** -CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings Bonds	**8.7%** -CMT 3.08% Feb 21 -ISHARES JPM USD Asia Bond -Singapore Savings Bonds	**45.9%** -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 Sep 18) -Singapore Savings Bonds

NOTES:
- Portfolio start date was Jan 18, 2016.
- 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

Mr Paul Ryan, Speaker of the US House of Representatives, not getting the votes to repeal Obamacare, and Mrs Theresa May invoking Article 50 affected markets last month. PHOTOS: AGENCE FRANCE-PRESSE, EUROPEAN PRESSPHOTO AGENCY

India led Asian equity funds in robust Q1

Wong Wei Han

Funds focused on Asian shares put in strong performances in the first quarter, thanks to markedly better business sentiment.

India stood out with equity funds angled on the country a dominant force in Fundsupermart's ranking for the three months to March 31.

The top two equity fund performers were the Amundi India Infrastructure Fund, which delivered a 17.61 per cent return, and the Eastspring Investments – India Discovery Fund, with a return of 15.81 per cent. The returns are calculated in Singdollar terms. The HSBC Global Investment Funds – Indian Equity had a return of 14.91 per cent, followed by the BlackRock Global Fund (BGF) India Fund with a 14.28 per cent return, both also among the top 10 performers.

These generous returns came as the Bombay Stock Exchange benchmark index Sensex racked up a 12.5 per cent return in the first quarter.

"A quarter which was expected to be the worst hit on account of the demonetisation turned out to be one of the best for the Indian market," said Mr Kean Chan, research assistant manager of iFast, which is the company behind the unit trust platform Fundsupermart.

"The earnings of Indian companies came in better than expected and gross domestic product grew 7 per cent in the last quarter of 2016, signalling that concerns regarding demonetisation may have been overblown."

But it was not just India ruling the roost. The regional benchmark MSCI Asia ex-Japan was up 9.2 per cent in the first quarter, with South Korea, Singapore, Taiwan and China among the drivers.

South Korea's benchmark Kospi posted a 10.9 per cent first-quarter return, followed by Singapore's Straits Times Index at 10.2 per cent. The Taiwan Stock Exchange Index was up 9.2 per cent and the Hang Seng Mainland 100 index, which tracks the stocks of the top 100 mainland China firms listed in Hong Kong, rose 6.5 per cent.

These were way ahead of developed market performances. Europe's Stoxx 600 index had a 3.2 per cent first-quarter return while the S&P 500 in the United States had only 1.9 per cent.

Investment sentiment in Asia was lifted by improving economic data that suggests a brighter corporate outlook, Mr Chan said, adding: "With economic stabilisation in China, we expect Asian economies and markets to continue their gradual recovery this year, benefiting asset markets in the region."

This backdrop helped the Threadneedle Developed Asia Growth and Income fund return 15.02 per cent in the first quarter while the BGF Asian Dragon Fund was up 14.07 per cent, just ahead of the BGF China Fund, which added a 13.84 per cent return.

These three funds are hedged to the Australian dollar and had also benefited from the 2.3 per cent increase in the Australian-Singapore exchange rate.

Meanwhile, energy and commodity equities have been wobbling, reflecting the still lacklustre crude oil prices. Little surprise then that equity funds in this area were in a sea of red. The BGF World Energy Fund was the worst performer on Fundsupermart's platform, reporting a 9.79 per cent loss.

The Parvest Equity World Energy Classic fund lost 9.6 per cent, and the United Global Resources Fund pared 5.74 per cent.

"Soft-commodity prices also saw some weakness in the first quarter, which consequently weighed on the equity prices of agriculture-related companies," Mr Chan said.

As a result, the BGF World Agriculture Fund chalked up a 3.55 per cent loss, followed by the Allianz Global Agricultural Trend fund with a 3.11 per cent loss.

Given the pockets of uncertainties, investors should diversify their portfolio, Mr Chan stressed, but Asia ex-Japan equities outlook remains bright even after the build-up in the first quarter.

"Valuation multiples still remain attractive on aggregate, and we expect a continued and gradual recovery in corporate earnings to support equity market gains moving forward," he added.

"We remain positive on the region and reiterate our preference for Asia ex-Japan vis-a-vis the Western developed markets of Europe and the US."

The top performing fixed-income funds in the first quarter were also mostly in emerging markets, as well as those hedged to the Australian currency.

The Allianz Dynamic Asian High Yield Bond fund was the best of the crop. The Aussie-hedged fund dished out a 7.51 per cent return, followed by the Pimco Emerging Market Bond fund, which gained 6.61 per cent.

The weakness of the US dollar in the first quarter was a strain on funds hedged to the greenback. For instance, the BNP Paribas Flexi I US Mortgage Classic fund lost 3.14 per cent while the Eastspring Investments – US High Investment Grade Bond fund had a 2.8 per cent loss.

Mr Chan advised investors to take a defensive stance with fixed-income investments, with a focus on the less risky short-term bonds with decent yields.

"We would like to reiterate the fact that the fixed-income portion of one's portfolio is meant to be a stabiliser," he said.

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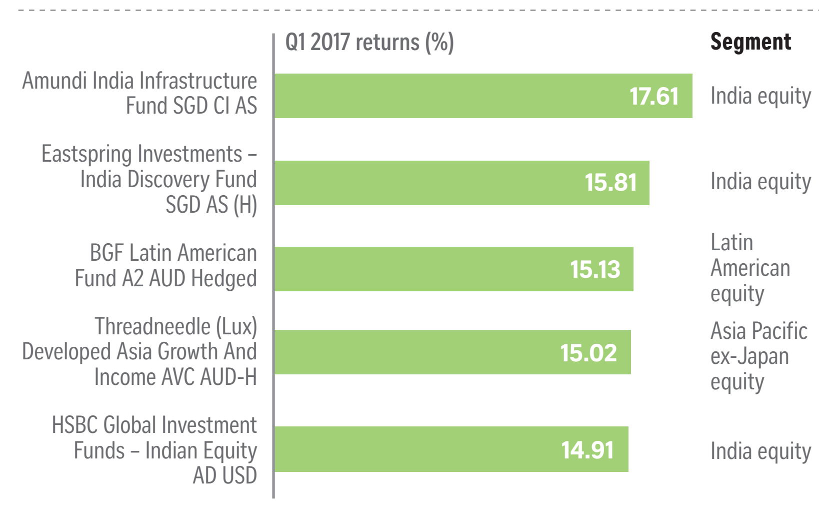
Top performing equity funds in Q1 2017



Source: IFAST COMPILATIONS SUNDAY TIMES GRAPHICS