

Save&Invest

Simulated portfolios all outperform benchmarks

This is due to a better showing by the Singapore stocks in May; panellists decide to take profit



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The three simulated investment portfolios tracked under the Save & Invest Portfolio Series were fully invested in May and outperformed benchmarks.

The Portfolio series 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.

It does not involve actual money, as it is intended for the purposes of illustration and education only.

To keep them simple, accessible and easy to monitor, all three portfolios are limited to instruments listed on the Singapore Exchange (SGX) and 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 portfolio is heavier on blue-chip shares, while bonds mirror 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 was up 2.01 per cent for the four weeks to May 31, against 1.26 per cent for the benchmark. Mr Goh's portfolio added 2.57 per cent, against 1.45 per cent for the benchmark, while Mr Wang's rose 1.86 per cent, ahead of the 1.12 per cent achieved by the benchmark.

The relative outperformance of the portfolios was due to a pick-up in the performance of the Singapore stock security selection headlined by Venture Corp (10.22 per cent) and First Resources (6.15 per cent).

The real estate investment trust (Reit) selections of A-Reit (3.13 per cent) and Keppel DC Reit (4.44 per cent) also managed to outpace the broader S-Reit index.

The global exchange-traded funds (ETFs) allocation outperformed the MSCI World benchmark, driven by a continued rally in the Euro Stoxx 50 ETF (3.11 per cent) and FTSE China 50 ETF (3.61 per cent). The bond selection delivered a positive return, keeping pace with the ABF Singapore Bond ETF, and booked coupon income from holdings in DBS 4.7 per cent Perp and FCL 3.65 per cent.

PORTFOLIO ADJUSTMENTS

The CFA Singapore panel noted that while dark clouds may be gathering (North Korea's intervention, interest rate hikes), it does not believe there is a need yet to go defensive. Nevertheless, the panel decided to take some profit on positions that have outperformed, or where conviction levels have reduced. The following portfolio adjustments were made on May 31:

- Taking partial profit on DBS (which has gone up by 36 per cent), by selling half the existing position in all three portfolios;
- Trimming the SGX position by half in all portfolios;
- Trimming the US ETF positions (DBX MSCI USA) by half in all portfolios. In Ms Chee's case, the US ETF proceeds were diverted entirely to the Europe ETF (DBX Euro Stoxx 50). For Mr Goh and Mr Wang, the US ETF proceeds were diverted equally to gold (SPDR Gold Shares) and the Europe ETF (DBX Euro Stoxx 50);
- Initiating a position in Wing Tai in all three portfolios; and
- Initiating a position in Thai Beverage for Mr Goh and Mr Wang's portfolios, but not for



Thai Beverage's Chang beer brewery. The CFAS panel says that the decision to initiate positions in Thai Beverage were driven by factors including robust earnings forecasts for the firm. PHOTO: BLOOMBERG

Portfolio performance (as at May 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	66,211.75	3.89	5.17	567.89	391.50	4,090.70
Mr Getty Goh	222,193	235,402.47	5.94	6.07	1,677.27	4,688.22	20,090
Mr Wang Moo Kee	437,248	453,664.88	3.75	4.60	5,825.21	2,260.51	20,165.32

*New fiscal year begins from Jan 31, 2017

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	\$66,211.75	\$235,402.47	\$453,664.88
Asset class	Security (Weightage)	Security (Weightage)	Security (Weightage)
Cash	0.3%	0.1%	0.1%
Domestic equities	30.8% -DBS -First Resources -OCBC -Singapore Exchange	37.6% -DBS -First Resources -OCBC -Singapore Exchange	30.3% -DBS -First Resources -OCBC -Singapore Exchange
Global ETFs	26% -DBX AC ASIA EX Japan 1C -DBX EURO STOXX 50 -DBX MSCI USA 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	44.6% -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	19.7% -ABF EURO STOXX 50 -DBX MSCI USA 1C -ISHARES MSCI India Index ETF -SPDR Gold shares
Reits	10.2% -A-Reit -Keppel DC Reit	9.2% -A-Reit -Keppel DC Reit	5% -A-Reit -Keppel DC Reit
Bonds	32.7% -CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings bond	8.4% -CMT 3.08% Feb 21 -ISHARES JPM USD Asia Bond -Singapore Savings bond	44.9% -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 Sept 18) -Singapore Savings bond

NOTES: • Portfolio start date was Jan 18, 2016.
• Portfolio performance as at May 31, 2017.
• Ms Chee's investment amount grew to \$60,000 from \$40,000 as she added \$20,000 savings to the simulated portfolio.
• 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

The 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.

Ms Chee because of cost considerations.

The CFAS panel advised that the decision to initiate positions in Wing Tai and Thai Beverage was driven by a few compelling factors, such as Wing Tai's unconditional cash offer for Wing Tai Malaysia at a compelling 53 per cent premium. As for

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

Thai Beverage, the factors include robust earnings forecasts for the firm, and its goal to develop more income sources outside Thailand.

MARKET OUTLOOK

The panel said the "sell in May and go away" rhetoric did not really apply this time round. It noted that there have been pockets of

profit-taking rather than broad-based selling. Instead of outright reduction of risk assets in portfolios, there have been re-allocations of risk within portfolios.

The panel said: "Global equities made further headway in May, and this time, the rally was witnessed across the board. Some key macro data, for example deflation in certain countries, as well as earnings growth drove the momentum in equity markets."

Investors can anticipate some key events to aid their portfolio decisions. There is the Group of 20 summit on July 7 and 8 in Hamburg. Aside from discussions around economies, other important themes expected to surface include those centred on social issues, climate change and perhaps policies in the United States.

Investors will also be looking at how China addresses its debt issues. Moody's downgrade of its rating in early May was prompted by rising debt levels and slowing growth, the panel said.

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Know your rights as an investor

Retail investors should be aware of their rights and choose appropriate advisers who meet their needs and uphold certain professional standards.

This is the advice of the CFA Institute, which has identified 10 basic rights every investor should expect from a financial services professional.

Mr Daryl Liew, co-chair of the Advocacy Committee at CFA Singapore, said: "As investors consider hiring professional help, they should know their rights and what to demand of their financial advisers. What factors should you look out for, and what questions should you ask?"

Here is the CFA's Statement of Investor Rights, which should be used to underpin the questions you can and should ask your advisers.

When engaging the services of financial professionals and organisations, I have the right to...

1. Honest, competent and ethical conduct that complies with applicable law

- Is your practice governed by an ethical or professional code of standards, and may I have a copy?
- Are you and your firm familiar with and willing to abide by the Statement of Investor Rights?

2. Independent and objective advice and assistance based on informed analysis, prudent judgment and diligent effort

- Who will be working on my portfolio, and what are their credentials and experiences?
- What happens to my portfolio if you or members of the team leave the firm?
- Can you provide me with examples of the analysis and process you perform to arrive at investment decisions?

3. My financial interests taking precedence over those of the professional and the organisation

- What regulatory standard, if any, governs our relationship?
- Are you a fiduciary, and would our relationship be held to a fiduciary standard?
- How do you decide which investments to recommend? Are you free to recommend investments sponsored or managed by other firms?

4. Fair treatment with respect to other clients

- What policies are in place to make sure clients receive fair treatment relative to each other?
- How do you ensure clients have appropriate access to products and investment opportunities?
- How do you make sure clients receive adequate support and customer service, especially during a crisis?

5. Disclosure of any existing or potential conflicts of interest in providing products or services to me

- What is your process for identifying and communicating conflicts of interest?
- How are conflicts of interest addressed and mitigated, and can you share an example?

6. An understanding of my circumstances so that any advice provided is suitable and based on my financial objectives and constraints

- How do you get to know your clients and assess their financial needs and goals?
- How do you determine whether recommended products and services are appropriate for my portfolio and can help me achieve my financial goals?
- Will you provide me with a written personal financial plan designated to fulfil my financial needs and goals?

7. Clear, accurate, complete and timely communications that use plain language and are presented in a format that conveys the information effectively

- What means of communication (for example, e-mail, phone, and so on) do you use, and how often should I expect to hear from you?
- How often will we meet in person?
- Can you provide examples of reports, performance statements and other types of communication I may receive from you?

8. An explanation of all fees and costs charged to me and information showing these expenses to be fair and reasonable

- On what basis are you compensated: fee only, fee-based, commission, percentage of assets under management, fixed or flat fee?
- How are these fees calculated, billed and collected?
- Could the proposed fee arrangements lead to conflicts of interest?

9. Confidentiality of my information

- What is your privacy policy for client information?
- How can you certify that my financial and personal information is secure?
- Have you ever had information lost or stolen? If so, how was the situation resolved?

10. Appropriate and complete records to support any work done on my behalf

- How long will my records be retained at your firm, and can I request them at any time?
- Does the firm claim compliance with the Global Investment Performance Standards? (The GIPS is a set of standardised, industry-wide ethical principles that guide investment firms on how to calculate and present results to prospective clients.)

Lorna Tan

• For more information, visit <http://cfa.s/rights>