

Save&Invest

Rise in bonds, equities offsets weaker ETFs, Reits in June

Portfolios remain in positive territory, with two of the three edging up slightly last month



Lorna Tan

Invest Editor

The three simulated investment portfolios tracked under the Save & Invest Portfolio Series remain in positive territory since the beginning of this year despite their relative underperformance last month.

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

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 fit 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 0.13 per cent for the four weeks to June 30, against the 0.38 per cent increase for the benchmark. Mr Goh's investments dipped 0.01 per cent against a 0.4 per cent rise for the benchmark, while Mr Wang's rose 0.15 per cent, trailing the benchmark, which added 0.42 per cent.

The relative underperformance of all three portfolios was due to the global exchange-traded fund (ETF) and real estate investment trust (REIT) selections.

The India (-2.5 per cent) and gold (-2 per cent) ETFs underperformed the MSCI World benchmark (-0.02 per cent), while the 0.5 per cent depreciation of the United States dollar against the Singdollar also hurt performance.

A-REIT (-0.5 per cent) and Keppel DC REIT (-0.4 per cent) corrected in June, failing to keep track with the broader S-REIT index which was up 2.06 per cent.

This, however, was partially offset by outperformance of the Singapore stock security selection headlined by Wing Tai (4.5 per cent), Singtel (3.4 per cent), OCBC (3.1 per cent) and Thai Beverage (2.9 per cent).

The bond selection delivered a small positive return, with Ms Chee's and Mr Goh's bonds keeping pace with the ABF Singapore Bond ETF, while the DBS Perp (0.9 per cent) in Mr Wang's portfolio helped deliver a small outperformance over the bond benchmark.

MARKET COMMENTARY

Overall, there were no surprises in June and the global markets were generally "well behaved", said the CFAS panel. The Singdollar and the Straits Times Index remained range-bound last month.

In the light of such a benign environment, the CFAS panel decided to not make any changes to the portfolios.

"Having re-balanced the equity and gold holdings in May, we are holding steady for July," said the CFAS panel.

"There were some concerns about the rapidly escalating geopolitical tensions in the region stemming from the North Korean missile tests but the panel did not think that the long-term fundamentals of regional growth were as yet challenged.

"Our objective remains to keep the portfolios well diversified."

It added that the portfolios performed in line with the benchmarks for June, although the

Portfolio performance (as at June 30, 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	66,300.87	4.03	5.57	644.14	391.50	4,103.57
Mr Getty Goh	222,193	235,378.57	5.93	6.50	1,753.52	4,688.22	19,989.84
Mr Wang Moo Kee	437,248	454,367.92	3.92	5.04	6,130.24	2,260.51	20,563.33

*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	\$66,300.87	\$235,378.57	\$454,367.92
Asset class	Security (Weightage)	Security (Weightage)	Security (Weightage)
Cash	0.4%	0.2%	0.2%
Domestic equities	31% -DBS -First Resources -OCBC -Singapore Exchange -Singtel -Venture Corp -Wing Tai	37.9% -DBS -First Resources -OCBC -Singapore Exchange -Singtel -ThaiBev -Venture Corp -Wing Tai	30.5% -DBS -First Resources -OCBC -Singapore Exchange -Singtel -ThaiBev -Venture Corp -Wing Tai
Global ETFs	25.8% -DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX MSCI USA 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	44.4% -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	19.5% -DBX 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	4.9% -A-REIT -Keppel DC REIT
Bonds	32.6% -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 June 30, 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.sgxc.com/academy

Source: CFAS SUNDAY TIMES GRAPHICS



An employee installing interior accessories in a sport utility vehicle on the assembly line at a BMW plant in Greer, South Carolina. The US economy continues to enjoy a strong labour market and low unemployment. PHOTO: BLOOMBERG

There were no surprises in June and the global markets were generally "well behaved", said the CFAS panel. The Singdollar and the Straits Times Index remained range-bound last month.

best-performing asset class for the month as well as the quarter that ended June 30 were domestic equities.

"All the portfolios remain fully invested at the moment and are in positive territory since the beginning of this year," said the panel.

It noted that June was relatively lacklustre except the widely anticipated rate hike of 0.25 percentage point by the US Federal Reserve. The US economy continues to enjoy a strong labour market and low unemployment.

Business sentiment in Germany has improved considerably, with unemployment hitting a new low, while the euro zone seems to be in a much stronger position, seen in the hard line being taken by French President Emmanuel Macron and German Chancellor Angela Merkel in the Brexit negotiations.

East Asia had a good month too, with export orders rising in all countries except South Korea. The inclusion of Chinese A-share equities to the benchmark MSCI emerging markets index from next year

was generally welcomed by the markets.

While oil had a dramatic month, it did not really overwhelm investor sentiment. Brent plunged below US\$50 per barrel and registered the worst first half of a year since 1998. The fact that this occurred despite the output cuts agreed by Opec and Russia points to an ever-increasing stockpile of oil as well as falling break-even rates for US shale oil.

lornatan@sph.com.sg

● The next seminar in the Save & Invest Portfolio Series, which will include a portfolio construction exercise, will be held on Sept 2 from 9.30am to 3pm at the NTUC Auditorium. To register, visit www.sgxc.com/academy

Q&As with CFAS panel

Here are three questions on the selection of portfolio constituents:

Q Why was STI exchange-traded fund (ETF) not used to get exposure to domestic equities instead of selecting individual stocks in the three portfolios? For the local market, is it better to do individual stock picking rather than buying into the STI?

A Buying a broadly diversified STI ETF is a good, simple and low-cost alternative for retail investors who wish to get exposure to the Singapore stock market.

Using an STI ETF is also particularly suitable for investors with smaller portfolio sizes and who wish to have diversification. The panel, however, recognised that some investors prefer to invest in individual stocks.

Including individual stock picking in the portfolios would allow greater sharing on the thought process in stock selection which could benefit readers.

Q For US market exposure, DBX MSCI USA 1C was purchased instead of SPDR S&P 500 or other ETFs tracking S&P 500 index. Why is there a preference for DBX MSCI USA 1C?

A The db x-trackers MSCI USA Index ETF (DBX MSCI USA 1C) and the S&P500 ETF are similar in that they both provide exposure to large US-listed companies.

DBX MSCI USA 1C is slightly more diversified as it holds over 600 companies compared to S&P500 ETF which holds around 500. The total returns of both ETFs are also very similar since the launch of the portfolios in January last year.

The reason the panel decided to choose DBX MSCI USA 1C is because it tracks a total return index, meaning that the returns on the ETF include dividends which are reinvested.

Q Only one or two local Reits were selected for the simulated portfolios. Would an ETF such as NikkoAM-Straits Trading Asia ex-Japan REIT ETF offer a more diversified exposure?

A The NikkoAM-Straits Trading Asia ex-Japan REIT ETF was launched only on March 29 this year and was not available when the portfolios started in the new fiscal year from Jan 30, 2017.

Also, while the NikkoAM-ST ETF is substantially invested in S-REits (over 70 per cent), there still is an allocation to other Asian markets like Hong Kong and Malaysia. The panel's preference was to include only locally listed REits.

Lorna Tan

LOW-COST ALTERNATIVE

Buying a broadly diversified STI ETF is a good, simple and low-cost alternative for retail investors who wish to get exposure to the Singapore stock market.



CFAS PANEL

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 an 18-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 (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 Investor; 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).

Due to requests from readers, you can now access past articles in the series, as well as monthly portfolio reports, by clicking on the Save & Invest Portfolio Series banner at www.sgxc.com/academy.