Save&Invest

Global equity markets' rally boosts portfolios

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Invest Editor

They grew between 5.88% and 9.19% for last six months, and outperformed benchmarks in July

We can now examine the investment portfolios tracked under the Save & Invest Portfolio Series over the recent six-month period.

The three simulated investment portfolios showed robust growth of between 5.88 per cent and 9.19 per cent for the six months ended July 31. Last month, the portfolios were up and outperformed their respective benchmarks, boosted by global equity markets.

The series features communications manager Shona Chee, 26, entrepreneur Getty Goh, 39, and retiree Wang Moo Kee, 63.

The Portfolio Series, introduced by The Sunday Times in January last year, 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, and the Singapore Savings Bonds. 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.

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

For the six-month period from Feb 1 till the end of July, Ms Chee's portfolio was up 6.2 per cent against the 7.2 per cent increase for the benchmark. The slippage was mainly attributable to trading costs of around 0.7 per cent.

Mr Goh's portfolio was up 9.19 per cent, beating the benchmark by 0.8 per cent. The CFAS panel said: "The outperformance is mostly due to the Global ETF selection driven by the strong rally in the China, India and Asia ex-Japan ETFs."

Mr Wang's portfolio was up 5.88 per cent, trailing the benchmark which grew 6.41 per cent. Trading costs contributed more than half (or 0.3 per cent) of the slippage.

For the month of July, Ms Chee's portfolio grew 1.94 per cent, beating the benchmark by 0.22 percentage point. Mr Goh's portfolio was up 2.83 per cent, beating the benchmark by 0.78 percentage point while Mr Wang's portfolio rose 1 per cent, beating the benchmark by 0.38 percentage point.

The CFAS panel said: "The best-performing asset classes for the month were equities, both domestic and global. All the portfolios remain fully invested at the moment and have been in positive territory since the beginning of this year."

The outperformance of all three portfolios was due to the Singapore stocks and global ETF selections.

The Singapore stock security selection was led by a strong month for Venture Corp (9.8 per cent), Thai Beverage (6.2 per cent), OCBC (6 per cent) and DBS (5.7 per cent).

The India ETF (6.7 per cent) helped drive the outperformance for the global ETF selection for all three portfolios, while Mr Goh's portfolio enjoyed an additional boost from the China ETF (6.8 per cent). This was all the more impressive considering the continued weakness of the US dollar, which depreciated 1.5 per cent against the Singdollar.

A-Reit (4 per cent) and Keppel DC Reit (2.2 per cent) both rebounded last month and delivered a small outperformance against the broader S-Reit index. The bond selection underperformed mainly due to the US dollar effect, which impacted the performance of the iShares JPM Asia Bond ETF.

ADJUSTMENTS

The CFAS panel made one adjustment to Mr Goh's portfolio last month, taking partial profit on the India ETF and buying Frasers Centrepoint's FCL 3.65 per cent May 22 retail corporate bond.

OUTLOOK

Overall, the global economy continues to show steady signs of recovery. The MSCI World gained 9.4 per cent in US-dollar terms in the six-month period from Jan 31 to the end of July, handsomely beating the 5.3 per cent full-year return of 2016.

In the same half-year period, the S&P500 gained 8.4 per cent, almost catching up with the 9.5 per cent gain of calendar year 2016.

The Stoxx600 as a proxy for Europe rose 4.9 per cent in the same period, in contrast with last year when it finished on a negative 1.2 per cent. On home ground, the Straits Times Index has already returned 9.3 per cent, again outperforming the whole of last year.

"The most recent earnings season has concluded with growth generally ahead of expectations, which has kindled the next leg of the rally in equity markets," said the expert panel. Looking ahead, the panel said that the biggest market risks appear to be geopolitical, with North Korea and potential trade wars heading the list.

A normalisation of central bank balance sheets – due to the reversal from quantitative easing (QE) – could lead to a withdrawal of liquidity from the system, though expectations are that the US Federal Reserve will proceed with reversing QE in a gradual manner.

In Singapore, the panel sees potential further upside for the banking stocks. It added that as an asset class, S-Reits also offer attractive yield pickup in a low-rate environment. Their valuations remain attractive and they offer stable dividends and growth potential.

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- 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.sgx.com/academy

Portfolio performance (as at July 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	67,589.30	6.05	7.29	746.93	391.50	5,289.21
Mr Getty Goh	222,193	242,041.21	8.93	8.64	2,070.12	6,186.22	24,946.48
Mr Wang Moo Kee	437,248	462,524.15	5.78	6.44	6,548.01	2,260.51	28,301.80

NOTES:
- Portfolio start date was Jan 18, 2016.
- New fiscal year began on 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

The Save & Invest Portfolio Series

The series features the simulated portfolios of a young working adult, a married couple with two young children and a retiree over an initial 18-month period.

Given the high level of interest, we have now extended the exercise until the end of this year.

The series 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 who are 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, chief executive 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.sgx.com/academy.

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