

## Save&amp;Invest

# Choice to move cash back to equities pays off

Positive returns for all simulated portfolios as global markets rally in the last month



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Invest Editor

All three simulated portfolios achieved positive returns last month, with performance boosted by the decision to move cash back to equities before the global markets rally.

The Save & Invest Portfolio Series features communications manager Shona Chee, 26, entrepreneur Getty Goh, 39, who is married with two children, and retiree Wang Moo Kee, 63.

Introduced by The Sunday Times in January last year, the series does not involve actual money as it is intended for the purposes of illustration and education only.

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

#### PORTFOLIO PERFORMANCE

Ms Chee's portfolio was up 3.2 per cent the month ended Oct 31, beating the benchmark by 0.57 percentage point. Mr Goh's was up 4.48 per cent, beating the benchmark by 1.23 percentage points, while Mr Wang's portfolio advanced 2.30 per cent, 0.17 percentage point ahead of the benchmark.

"The decision to deploy the 20 per cent cash and move back to equities last month paid off, allowing the portfolios to benefit from the rally in global markets in October," said the CFAS expert panel.

It reversed the decision in August to lock in some profits and raise cash levels to 20 per cent to reduce risk exposure in all the simulated portfolios. That proved to be the right move then.

Security selection across all categories, apart from the global exchange-traded funds (ETFs) allocation in Mr Wang's portfolio (both gold and Europe underperformed MSCI World), helped to contribute to the outperformance.

The panel noted that the Singapore equities allocation was driven by strong performance in Wing Tai (11.1 per cent) and Thai Beverage (8.9 per cent). Both Keppel DC Reit (3.8 per cent) and A-Reit (3 per cent) outpaced the broader S-Reit index (2.4 per cent).

#### The 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 a two-year period. It guides retail investors in basic investment techniques and shows 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 in the series, as well as monthly portfolio reports, by clicking on the Save & Invest Portfolio Series banner at [www.sg.com/academy](http://www.sg.com/academy).

#### Portfolio performance (as at Oct 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	70,673.01	10.89	9.56	1,146.02	2,833.95	5,756.38
Mr Getty Goh	222,193	255,848.03	15.15	12.08	3,355.62	18,881.37	25,234.03
Mr Wang Moo Kee	437,248	476,702.98	9.02	7.98	9,818.79	20,241.66	22,081.24

\*New fiscal year begins from Jan 31, 2017.

#### What is 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	\$70,673.01	\$255,848.03	\$476,702.98
Asset class	<b>Security (Weightage)</b>	<b>Security (Weightage)</b>	<b>Security (Weightage)</b>
Cash	<b>0.6%</b>	<b>0.2%</b>	<b>6.8%</b>
Domestic equities	<b>33.8%</b> -Netlink NBN Trust -OCBC -Singapore Exchange -Singtel -ThaiBev -Wing Tai	<b>36.7%</b> -Netlink NBN Trust -OCBC -Singapore Exchange -Singtel -ThaiBev -Wing Tai	<b>27.9%</b> -Netlink NBN Trust -OCBC -Singapore Exchange -Thai Bev -Singtel -Wing Tai
Global ETFs	<b>25%</b> -DBX AC ASIA ex-Japan 1C -DBX EURO STOXX 50 -DBX FTSE China 50 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	<b>39.3%</b> -DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX FTSE China 50 1C -DBX MSCI Japan 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	<b>12.4%</b> -DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX FTSE China 50 1C -SPDR Gold shares
Reits	<b>10.1%</b> -A-Reit -Keppel DC Reit	<b>12.9%</b> -A-Reit -Keppel DC Reit	<b>10%</b> -A-Reit -Keppel DC Reit
Bonds	<b>30.6%</b> -CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings Bond	<b>11%</b> -CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings Bond	<b>43%</b> -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 Bond

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

• Portfolio performance as at Oct 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.sg.com/academy](http://www.sg.com/academy)

Source: CFAS SUNDAY TIMES GRAPHICS

Asian equities – Asia ex-Japan (5.5 per cent), India (7.2 per cent), China (5.4 per cent) and Japan (5.9 per cent) – all helped the global ETF selection beat MSCI World (2.5 per cent).

The bond selection outperformed due to gains by retail corporate bonds and bank perpetuals, compared with the bond index which was up 0.1 per cent.

#### ADJUSTMENTS

The panel decided to sell off First Resources in all three portfolios, and to trim the Wing Tai position in Mr Goh's portfolio as the position size had grown to over 10 per cent of the portfolio.

Furthermore, it trimmed the gold ETF in Mr Wang's portfolio to allow the addition of other equity ETFs. The sales proceeds were channelled to various equity securities to maintain the overall equity allocation.

For Ms Chee, a China ETF was added to her portfolio while for Mr Goh, the Netlink Trust, A-Reit and Keppel DCReit positions were boosted. An Asia ex-Japan ETF and China ETF were added for Mr Wang.

#### MARKET DEVELOPMENTS

Global markets finished October strongly, brushing off unnerving events such as the North Korean missile crisis and Catalonia's bid for

independence from Spain.

Developed market equities (MSCI World) gained 2.5 per cent (all returns stated are in SGD terms) last month and 12.7 per cent year to date. Emerging market equities gained 4 per cent in the same month with year-to-date returns of 24.6 per cent.

During the same period, the STI performed well, gaining 4.8 per cent. Strong results from the manufacturing sector helped Singapore's economy grow 4.6 per cent in the third quarter from a year ago, beating the median forecast of 3.8 per cent.

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