

Save&Invest

Portfolios miss out on gains in market

Being underweight in banking stocks that shot up last month among reasons for their decline



Lorna Tan

Invest Editor

The three simulated portfolios set up to take some of the mystery out of investing took a hit last month. This is partly due to missing the boat on two bank shares.

DBS and UOB both shot up last month, but they were not represented in any of the simulated portfolios, which explains their relative decline against the benchmarks.

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 illustration and education only.

The 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 dipped 0.76 per cent over the four weeks in the last month, trailing the benchmark by 1.85 percentage points.

Mr Goh's portfolio was down 0.7 per cent, 1.99 percentage points under the benchmark, while Mr Wang's took a 0.54 per cent dip, leaving it 1.47 percentage points below the benchmark.

The CFAS panel said: "Security selection across all categories explains the underperformance of the three portfolios compared with the benchmark."

"The Singapore equities allocation was dragged down by the sharp correction in Wing Tai, which fell 7.3 per cent, and their underweight position in banking stocks."

The panel noted that DBS stock was up 7.2 per cent for the month while UOB advanced 6.4 per cent but neither were in any of the portfolios. So these sizeable gains went begging.

It was the banking sector's rally last month that proved the main driver behind the Straits Times total return index's 1.9 per cent gain to 4,792.56 at the end of November.

There were other hitches as well. The 0.7 per cent dip in A-Reit units pulled the Reit allocation below the broader S-Reit index, which was up 1.4 per cent.

The lack of exposure to United States equities and the 1.1 per cent correction in the greenback against the Singdollar explains why the global exchange-traded funds (ETFs) selection trailed MSCI World, which added 0.9 per cent.

The weakness in the US dollar, which hit the iShares JPM Asia Bond ETF, also explains the small underperformance of the bond allocation against the bond index, which rose 0.1 per cent.

ADJUSTMENTS

There were no adjustments to the portfolios last month.

MARKET DEVELOPMENTS

One of the more astounding suc-

Portfolio performance

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	70,137.82	10.05	10.70	1,376.17	2,833.95	4,991.04
Mr Getty Goh	222,193	254,057.99	14.34	13.51	4,259.44	18,881.37	22,540.17
Mr Wang Moo Kee	437,248	474,117.35	8.43	8.93	12,170.19	20,241.66	17,144.22

What are in the simulated portfolios? (as at 30 Nov 2017)

	Ms Shona Chee	Mr Getty Goh	Mr Wang Moo Kee
Initial investment amount	\$60,000	\$200,000	\$400,000
Portfolio value	\$70,137.82	\$254,057.99	\$474,117.35
Asset class	Security (Weightage)	Security (Weightage)	Security (Weightage)
Cash	0.9%	0.5%	7.3%
Domestic equities	33.4%	36.2%	27.5%
	-Netlink NBN Trust -OCBC -Singapore Exchange -Singtel -ThaiBev -Wing Tai	-Netlink NBN Trust -OCBC -Singapore Exchange -Singtel -ThaiBev -Wing Tai	-Netlink NBN Trust -OCBC -Singapore Exchange -Thai Bev -Singtel -Wing Tai
Global ETFs	25.0%	39.4%	12.4%
	-DBX AC ASIA EX Japan 1C -DBX EURO STOXX 50 -DBX FTSE China 50 1C -ISHARES MSCI India Index ETF -SPDR Gold shares	-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	-DBX AC Asia ex-Japan 1C -DBX EURO STOXX 50 -DBX FTSE China 50 1C -SPDR Gold shares
Reits	10.1%	13.0%	10.0%
	-A-Reit -Keppel DC Reit	-A-Reit -Keppel DC Reit	-A-Reit -Keppel DC Reit
Bonds	30.7%	11.0%	42.8%
	-CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings bond	-CMT 3.08% Feb 21 -FCL 3.65% May 22 -ISHARES JPM USD Asia Bond -Singapore Savings bond	-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 Nov 30, 2017. New fiscal year begins from 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 STRAITS TIMES GRAPHICS



The exchange rates of various cryptocurrencies, including bitcoin, seen at a cryptocurrency exchange in Seoul, South Korea, last week. The surge in bitcoin's value by more than 1,000 per cent this year has many excited. PHOTO: REUTERS

cesses of this year has been cryptocurrencies in general, and bitcoin in particular.

Bitcoin has risen more than 1,000 per cent this year and its market capitalisation now exceeds the gross domestic product of whole economies, said the panel.

Its run has all the makings of a bubble, with bitcoin fever infecting everyone from Wall Street to grandma on Main Street.

The announcement that bitcoin futures contracts will be on offer in the US - a move that suggests trading regulations will be brought to bear on the wild market - sent the currency surging 30 per cent in a week to US\$11,434 (S\$15,419) on Nov 29.

Shares had reason to prosper as well, with the new US tax Bill within sight and government regulations seen as hamstringing American business on track to be rolled

back by the end of this year.

Data showing that the US economy in the third quarter grew at its fastest pace in three years added extra impetus to the rally.

The panel noted that the Dow Jones Industrial Average posted its biggest one-day gain in a year on Nov 30, closing above 24,000 for the first time.

Investors appear to have priced in the prospect of even-stronger corporate earnings next year with the proposed corporate tax cuts alleviating concerns of rising stock valuations.

The S&P 500 also broke records by logging its 13th straight month of gains, the longest streak in history. While this may be of concern, no obvious danger signals have appeared on the horizon as yet.

The party looks poised to continue as consumers welcome the

holiday season with confidence at a 17-year high, as preliminary retail results for Black Friday reveal.

About US\$9.6 billion has flowed into US-focused stock funds this year, helping to push net flows into positive territory, said Morningstar. The Dow Jones Industrial Average is up 22.14 per cent, the S&P 500 ahead 17.59 per cent while the Nasdaq has added 27.34 per cent.

Singapore registered its fastest growth since the end of 2013, with an expansion of 5.2 per cent in the third quarter compared with the same corresponding period last year.

This prompted the Ministry of Trade and Industry to upgrade its full-year growth forecast for this year from 2 to 3 per cent to 3 to 3.5 per cent.

lornatan@sph.com.sg

Outlook for 2018

Singapore has plenty to offer investors, with one of the strongest earnings growth and lowest valuations among Asean markets, according to the CFA Society Singapore (CFAS) panel.

It also provides one of the highest dividend yields - around 3.2 per cent - partly due to the strong Reit presence here, it added.

Data from the Trade and Industry Ministry (MTI) underlines the momentum: Gross domestic product expanded 5.2 per cent year on year in the third quarter, with manufacturing up 18.4 per cent from the previous year and its 15th straight month of growth.

Almost all other sectors, including the service, finance, insurance, wholesale and retail trade, transportation and storage industries, also registered expansion in the quarter.

The only important laggard was construction, which contracted 7.6 per cent. The sector's performance continues to be poor because of weakness in both private-sector and public-sector building activity.

The property market has been in a slump since 2013 and has yet to bounce back. But home prices recently recorded their first quarterly increase in four years, signalling that the sector could be poised for recovery.

The CFAS panel says that overall recovery is likely to broaden from the manufacturing sector to the rest of the economy next year.

"According to the MTI forecast, the economy as a whole is expected to grow by '3 per cent to 3.5 per cent' in 2017, with growth steady but still firm at '1.5 per cent to 3.5 per cent' in 2018," said the panel.

"The expansion will be driven by manufacturing and supported by wholesale trade, transportation and storage and finance and insurance - sectors expected to benefit as the global economy recovers."

Lorna Tan

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.sgx.com/academy.

TRAILING BEHIND

Security selection across all categories explains the underperformance of the three portfolios compared with the benchmark. The Singapore equities allocation was dragged down by the sharp correction in Wing Tai, which fell 7.3 per cent, and their underweight position in banking stocks.



CFAS PANEL