Save&Invest

Portfolios achieve double-digit gains in 2017

But December performance mixed, with all three portfolios declining against benchmarks

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Invest Editor

All three simulated portfolios in the Save & Invest Portfolio Series reported double-digit gains over 2017, which was in line with the 19 per cent gains in global markets.

Sound equity allocations over the 12 months were behind the positive performance, with a number of stand-out stocks boosting returns.

But it was a mixed bag for last month, with two portfolios racking up gains but all three declining against their respective benchmarks. This was partly due to the selection of securities in the global exchange-traded fund (ETF), real estate investment trust (Reit) and bond allocations.

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 2016, the series does not involve actual money as it is intended for illustration and education only. The series ends on Jan 31 with the final seminar on Feb 24.

The portfolios are limited to instruments listed on the Singapore Exchange and the Singapore Savings Bonds (SSB). 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 with 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

All three portfolios posted double-digit gains last year. Ms Chee's portfolio was up 12.8 per cent, Mr Goh added 17.7 per cent and Mr Wang's investments gained 10.45 per cent.

The CFAS experts said: "The strong performance was due to the equity allocations. The best-performing Singapore stock was Venture Corp, which was included in the portfolios on March 31 last year and sold on Aug 31, locking in capital gains of 37.8 per cent.

"With the benefit of hindsight, this position was sold too early, as Venture surged another 29 per cent over the final four months of the year," they said.

"The best performing ETFs were the DBX Asia ex-Japan and the iShares India ETFs, which rallied 33.8 per cent and 30.4 per cent respectively (in Singapore dollar terms) for the year."

Ms Chee's portfolio inched up 0.02 per cent last month, trailing the benchmark by 0.24 percentage points. Mr Goh's investments were up 0.08 per cent, but were under the benchmark by 0.20 percentage points. Mr Wang's portfolio dipped 0.03 per cent, 0.4 percentage points below the benchmark.

Security selection in the global ETF, Reit and bond allocations contributed to the underperformance of the three portfolios compared with the benchmark, said the CFAS panel.

In the global ETF selection, Europe (down 2.1 per cent) and gold (up 0.3 per cent) underperformed MSCI World (up 0.7 per cent), dragging down the overall performance despite a strong month for Indian (up 3.3 per cent) and Asian equities (up 2.1 per cent).

While Keppel DC Reit was up 0.7 per cent, it trailed the broader S-Reit index, which rose 2.5 per cent, and negatively impacted performance.

The 0.9 per cent correction in the US dollar against the Singdollar again negatively impacted the iShares JPM Asia Bond ETF (down 1.2 per cent). This contributed to a rather large underperformance of the bond allocation against the bond index, which was up 1 per cent.

The Singapore equities allocation was the sole outperformer, mainly due to a recovery in Wing Tai, which rose 5.8 per cent, and a 1.8 per cent gain by NetLink NBN Trust. This helped to outpace the Straits Times Index, which dipped 0.7 per cent.

ADJUSTMENTS

The panel made one adjustment to the portfolios last month, taking profit on Keppel DC Reit after nice gains and replacing it with Frasers Hospitality Trust.

The panel considered switching from the March 2017 SSB to the new February 2018 SSB. This SSB pays a higher coupon in the initial years compared with the March 2017 SSB, reflecting the increase in interest rates over the last several months.

The panel decided against making this change as the February 2018 SSB reflects a flatter yield curve, which means that investors would be foregoing higher coupons in later years.

MARKET DEVELOPMENTS

As United States Federal Reserve chairman Janet Yellen prepares to retire this year, she leaves behind a legacy of steady economic growth, rising asset prices and a restrained inflation rate that Wall Street has loosely referred to as a "Goldilocks" economic scenario.

The panel said global markets expanded in tandem against this Goldilocks backdrop to surpass their historical highs several times through the year.

There was a range of factors behind this rally, including strong corporate earnings, higher dividends and share buybacks, and US President Donald Trump's pro-growth measures. The bulls refused to have their spirits dampened as stock markets shrugged off the risks of a contagion effect from heightened calls for trade protectionism.

Even the geopolitical tensions between Pyongyang and Washington, Qatar-related strains among Opec members, and Puerto Rico and Venezuelan bond defaults failed to derail the bull party.

Global markets side-stepped the twists and turns of 2017 to gain US$9 trillion (S$12 trillion) in value as the MSCI all-country world index reached an all-time high, while the volatility index hovered at record-low levels for much of last year.

By region, emerging Asia was the strongest at 30.4 per cent, easily outperforming Europe and the US as markets from India (up 27.91 per cent) to Mongolia (up 66.48 per cent) reached record highs, and bumper earnings meant valuations remained lower than the rest of the world.

Although concrete progress on US tax cuts came only days before the end of the year, the S&P 500 Index finished 2017 above the most bullish price target, gaining 19 per cent, while the Dow Jones Industrial Average shot up 25 per cent. The Nasdaq outshone both with a 28 per cent gain as technology emerged as the year's best performing sector.

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While the Hang Seng charged ahead by 35.99 per cent, powered by the success of technology giant Tencent Holdings' WeChat messaging service, the Shanghai Composite Index gained a disappointing 6.56 per cent as local investors turned cautious following fears of tightening regulations.

Investor euphoria and geopolitical risks helped bitcoin increase 20-fold in valuation from January last year, touching a high of US$20,000.

The mainstream popularity saw 12 million customers sign up for Coinbase, one of the biggest US bitcoin exchanges, surpassing the number of accounts at established brokerages like Charles Schwab.

The bubble continues to build, partly driven by the spread of populist sentiment in the West, ransomware attacks demanding payment in bitcoin and buyers from Venezuela seeking refuge from hyperinflation.

Cyber-security pioneer John McAfee setting a US$1 million price target for bitcoin by 2020 helped propel the mania as well.

While cryptocurrency did well, the greenback suffered its biggest loss since 2003. It fell 9.9 per cent against a basket of currencies, and early forecasts suggest further dollar weakness as more central banks move towards policy normalisation.

Notably, the euro gained 14 per cent against the greenback for the year, its best performance in 14 years and one that reflects the recovery in the euro zone.

Stronger manufacturing output in Europe and China supported base metal commodities like copper and aluminium, which both gained 29 per cent last year.

Gold rose 11.9 per cent – its strongest performance since 2010 – on the back of dollar weakness and geopolitical tensions. Palladium led the commodity rally, gaining 54 per cent as investors bet on increased usage of pollution-controlled devices for gasoline vehicles.

Rising demand for oil and reduced output from Opec countries and allies like Russia boosted crude prices above US$60 a barrel, the highest level in more than two years.

Overall, it was a bumper year for the world's 500 wealthiest people as they became US$1 trillion richer. Indeed, investors who backed the synchronised global business cycle and simply stayed invested were generally well rewarded.

"The current outlook for this year suggests that the bull market will continue. Although asset values are at the high end of historical levels, central bankers like Janet Yellen maintain that it doesn't necessarily mean they are 'overvalued'," added the CFAS panel.

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• The final seminar in the Save & Invest Portfolio Series, which will include a portfolio construction exercise, will be held on Feb 24 from 9.30am to 3pm at the NTUC Auditorium. To register, visit www.sgx.com/academy

Portfolio performance (as at Dec 29, 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	70,149.83	10.07	11.03	1,484.62	3,218.95	4,559.60
Mr Getty Goh	222,193	254,264.30	14.43	13.86	4,578.69	20,281.37	21,131.61
Mr Wang Moo Kee	437,248	473,982.99	8.40	9.37	12,821.59	22,064.16	14,679.16

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	$70,149.83	$254,264.30	$473,982.99
Asset class	Security (Weightage)	Security (Weightage)	Security (Weightage)
Cash	0.0%	0%	7.4%
Domestic equities	33.3% • NetLink NBN Trust • OCBC • Singapore Exchange • Singtel • ThaiBev • Wing Tai	36% • NetLink NBN Trust • OCBC • Singapore Exchange • Singtel • ThaiBev • Wing Tai	27.3% • NetLink NBN Trust • OCBC • Singapore Exchange • ThaiBev • Singtel • Wing Tai
Global ETFs	25.1% • DBX AC Asia ex-Japan 1C • DBX Euro Stoxx 50 • DBX FTSE China 50 1C • iShares MSCI India Index ETF • SPDR Gold shares	39.6% • 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	12.4% • DBX AC Asia ex-Japan 1C • DBX Euro Stoxx 50 • DBX FTSE China 50 1C • SPDR Gold shares
Reits	11.1% • A-Reit • Frasers Hospitality Trust	13.5% • A-Reit • Frasers Hospitality Trust	10.1% • A-Reit • Frasers Hospitality Trust
Bonds	30.5% • CMT 3.08% Feb 21 • FCL 3.65% May 22 • iShares JPM USD Asia Bond • Singapore Savings Bonds	10.9% • CMT 3.08% Feb 21 • FCL 3.65% May 22 • iShares JPM USD Asia Bond • Singapore Savings Bonds	42.8% • 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 Bonds

NOTES:
Portfolio start date was Jan 18, 2016. New fiscal year begins from Jan 31, 2017. Portfolio performance as at Dec 29, 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.
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Source: CFAS
STRAITS TIMES GRAPHICS

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 ending this month. 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.