PROFESSIONAL INVESTMENT ADVISORY SERVICES

Quarterly Client Newsletter

Issue Forty-Seven
2022

INSIDE THIS ISSUE

Retirement Planning: How Can Millennials Help Their Parents?

Navigating an Uncertain Environment

PIAS Investment Outlook (Q3 2022)

CONTRIBUTORS

China Taiping Insurance Singapore

China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") is a leading insurer for both life and general insurance businesses. Established in Singapore since 1938, CTPIS has been assuring our customers in Singapore with financial peace of mind. As a one-stop financial solutions provider with a globally recognized financial standing, we are here to safeguard our customers and their loved ones through it all.

More info: www.sg.cntaiping.com/

Fullerton Fund Management Company Ltd

Fullerton Fund Management Company Ltd ("Fullerton") is an Asia-based investment specialist, focused on optimising investment outcomes and enhancing investor experience. We help clients, including government entities, sovereign wealth funds, pension plans, insurance companies, private wealth and retail, from the region and beyond, to achieve their investment objectives through our suite of solutions. Our expertise encompasses equities, fixed income, multi-asset, alternatives and treasury management, across public and private markets. As an active manager, we place strong emphasis on performance, risk management and investment insights.

More info: https://www.fullertonfund.com/

Professional Investment Advisory Services ("PIAS")

Established in 2001 and licensed by the Monetary Authority of Singapore, PIAS is a multi-award winning financial advisory firm in Singapore. PIAS offers a diversified suite of financial services and solutions with a personalised approach. With one of the largest, most respected and fastest growing network of advisers in Singapore, PIAS' professional advisers provide sound and comprehensive financial advice at both individual and corporate levels.

More info: www.proinvest.com.sg

Retirement Planning: How Can Millennials Help Their Parents?

Retiring can be both an exciting and overwhelming experience. Find out how you can help your parents plan a stress-free and fruitful post-retirement future.

If you are a millennial in your late 20s to 40s, then chances are, you are busy building your family and carrying a whole new level of financial responsibilities – paying for your child's education, servicing a mortgage loan, obtaining suitable savings insurance for your future, and the like. As such, it might slip off your mind that while you are growing older, your parents are too; they might also need help in planning for their retirement needs.

Compared to millennials and those in Generation Z, many senior citizens do not have the necessary financial knowledge to know how much they need for their retirement and the steps they should take. While most, if not all, want to do their best to provide for their parents in their golden years, the reality is that the resources available to do this are often limited. If you are like most millennials out there who care about making sure retirement goes well for your parents, then helping your parents plan ahead is the best thing you can do for them.

Read on for a brief guide on how you can carry out effective retirement planning with your parents.

Have conversations about retirement with them

Talking about what you and your parents may have to face in the future might seem like an overwhelming conversation, but they are much needed. Retirement talks are necessary to make sure you understand what your parents want and need, and as much as possible, try to keep the conversation light and open. A great way to start the conversation would be to ask your parents how they envision their retirement.

A few questions you can consider asking your parents would be:

- Would they prefer to continue working so that they can keep themselves active?
- Do they intend to set up a small business?
- Would they want to travel the world using their hard-earned money?

Moreover, it would be best to learn more about their fears, liabilities, and aspirations after retiring so that you can plan the ideal retirement scenario for them.

Understand their current financial position

In most cases, you might find that parents tend not to be upfront about the amount of money they have in their savings account. However, although your parents might be uncomfortable sharing about their savings, it is essential that you get at least an idea of their current financial situation. If you find that your parents are beating around the bush with how much money they have, you can ask them about a few specifics to get a sense of their financial position. This includes their CPF money, outstanding mortgage or personal loans, investments and insurance plans, and monthly expenses. By knowing these valuable pieces of information, you might just have an idea of whether your parents have more assets or liabilities.

Make sure they are sufficiently insured

As your parents grow older, they become more susceptible to ill-health and diseases. For this reason, it is vital to make sure they have adequate insurance protection that can cushion the financial impact in the event of critical illness. Protection plans can give you financial peace of mind that your parents will not be unnecessarily burdened if they get sick or injured.

Aside from protection plans, retirement insurance is something your parents will ultimately need. A retirement insurance plan provides a regular stream of income to supplement CPF Life, allowing your parents to reap the benefits while enjoying their retirement years. Free your parents from the stress of post-retirement and give them the financial security they need.

Help them right-size their home

Your parents' living accommodation is another crucial aspect you should look into when planning their retirement. If your parents are still paying the mortgage for their house, it is best to ask them if they are able to finance their home before they retire. If their answer is no, right-sizing their home is an excellent option to consider. Downsizing the home is especially recommended for senior citizens who no longer require a bigger space – this can be financially beneficial to your parents, as they can use the net proceeds to supplement their retirement income.

Conclusion

The importance of retirement planning cannot be stressed enough. Having a retirement plan will essentially enable an individual to take care of their post-retirement days properly and help them lead a stress-free life. Aside from your own retirement planning, your parents' retirement needs are the ones you should ideally think about the most. As your parents have done their all to raise you, it is only fitting that you give back by helping them secure their post-retirement future. It is advisable to consult your trusted financial advisor for comprehensive retirement planning.

Navigating an Uncertain Environment

What's driving markets?

Markets have been going through what can be described as a bad "hangover". Supercharged monetary and fiscal stimulus unleashed by the central banks in 2020 in response to the COVID crisis fuelled bubbles across many risk assets. Investors clearly got hooked on this rather intoxicating cocktail of abundant liquidity and optimism on an economic recovery, as the world learnt to live with COVID.

However, events over the last six months have clearly demonstrated that financial markets are also subject to Newton's third law. A combination of supply side pressures and abundant liquidity has unleashed inflation, which until recently was considered almost "extinct".

As late as last year, market participants were writing the obituary for inflation with explanations ranging from globalisation, demographics/ageing, sharing economy, automation etc. being put forward as possible reasons for a structural demise in inflation. However, events over the last twelve months have indicated that we are far from taming the beast.

A combination of extremely accommodative monetary policies, coupled with supply side constraints, have led to inflation prints in developed markets, not seen since Freddie Mercury crooned "We will rock you". The problem is exacerbated by the war in Ukraine which led to a sharp spike in prices of all sorts of commodities ranging from oil, coal, wheat and palm oil. The inflation trajectory will likely remain the most important driver for markets in the near-term.

Closer to home, China is the last major country still pursuing a zero-Covid policy. Investors will on one hand need to decipher the severity and duration of lockdowns following sporadic outbreaks, and on the other, the extent of stimulus measures the government may unveil to support the economy.

What is the outlook for equities?

Clearly the outlook has turned gloomy with the discussion moving away from a growth scenario to whether we are staring at a recession or worse, stagflation. Comparisons with the 1970s are not unreasonable as history clearly seems to be rhyming. We believe that inflation is likely to remain high in the short-term, which means that the Fed will continue to raise rates till at least the year-end. However, this is now widely understood, and the futures market has already priced in another 150bps of rate increases. Simultaneously, the MSCI All Country World Index has fallen 20% (in USD term) in the first half of 2022 and partially pricing in a recession, even before the recession actually hits. A shallow recession is probably already priced in by equity markets but a deeper recession or a stagflation scenario is not.

The important point to consider is that not all assets are likely to suffer the same fate. Many markets and sectors are in a rather different cycle and exhibit characteristics which allow them to generate positive returns even in the current environment.

Case in point would be China. The Chinese market has suffered a long bear market which lasted almost sixteen months before the recent rebound on policy easing by the central bank and more stimulus action announced by the government. As such the fate of the Chinese market could diverge significantly from developed markets.

Similarly, many other sectors and stocks are well placed in this climate, especially stocks which exhibit strong pricing power. Investors can also find opportunities in more defensive sectors such as telcos, energy, consumer discretionary etc.

What should investors do?

We believe that the key to generating returns in this environment is to have an unconstrained absolute return strategy to investing, backed by strong ground up fundamental research. This may potentially help investors channel capital to stocks with the highest probability of generating returns irrespective of the broader macro environment. Fullerton has been employing this approach in its key absolute return equity strategies – Asia Absolute Alpha and Global Absolute Alpha – with good results.

What's unique about Fullerton's Absolute Return Strategy?

Most long-only strategies are benchmarked to an index with the objective to outperform the benchmark, not to generate an absolute return. These tend to have strict risk limits measured in terms of deviation from the benchmark (i.e. tracking error), as well as limits on sectors, country, and single stock exposures.

Fullerton's absolute return strategy seeks to generate an absolute positive return over a market cycle, which we believe could better compensate investors for the risk associated with equity investing. The measure of risk is more simplistic – do not lose money.

Apart from focusing on finding the best ideas using the unconstrained approach discussed above, our fund managers utilise cash as a "residual" asset class, i.e. the strategy can hold cash if we do not find sufficiently attractive opportunities, such as during periods of extreme market volatility.

In addition, one of our flagship absolute return strategies – Asia Absolute Alpha also redefines Asia more holistically and can invest in any company with significant exposure to Asia regardless of the country in which the company is listed or incorporated. This allows the portfolio for example to buy into some US and European consumer names which are major beneficiaries of the rise of the Asia and especially the Chinese consumers.

We believe that a robust absolute return strategy requires a certain mindset which Fullerton's fund managers have honed over the years. This has allowed the Asia Absolute Alpha strategy to generate strong double-digit annualised returns over the past three and five years, as well as since its inception in 2015[1].

Disclaimer

This publication is prepared by Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") and is for your information only. It is not for general circulation and no recommendation is being made to purchase or sell any securities whether referred herein or otherwise. This is not the basis for any contract to deal in any security or instrument, or for Fullerton or its affiliates to enter into or arrange any type of transaction. Any investments made are not obligations of, deposits in, or guaranteed by Fullerton.

Investments have risks and you may lose your principal investment. The value of the investments and any accruing income may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. The contents herein may be amended without notice. Fullerton, its affiliates and their directors and employees, do not accept any liability from the use of this publication.

[1]Source: Fullerton and Bloomberg. Data as of 30 June 2022 in USD term, gross of fees and with dividends reinvested. Past performance is not necessarily indicative of future returns.

FULLERTON
FUND
MANAGEMENT

PIAS Investment Outlook (Q3 2022)

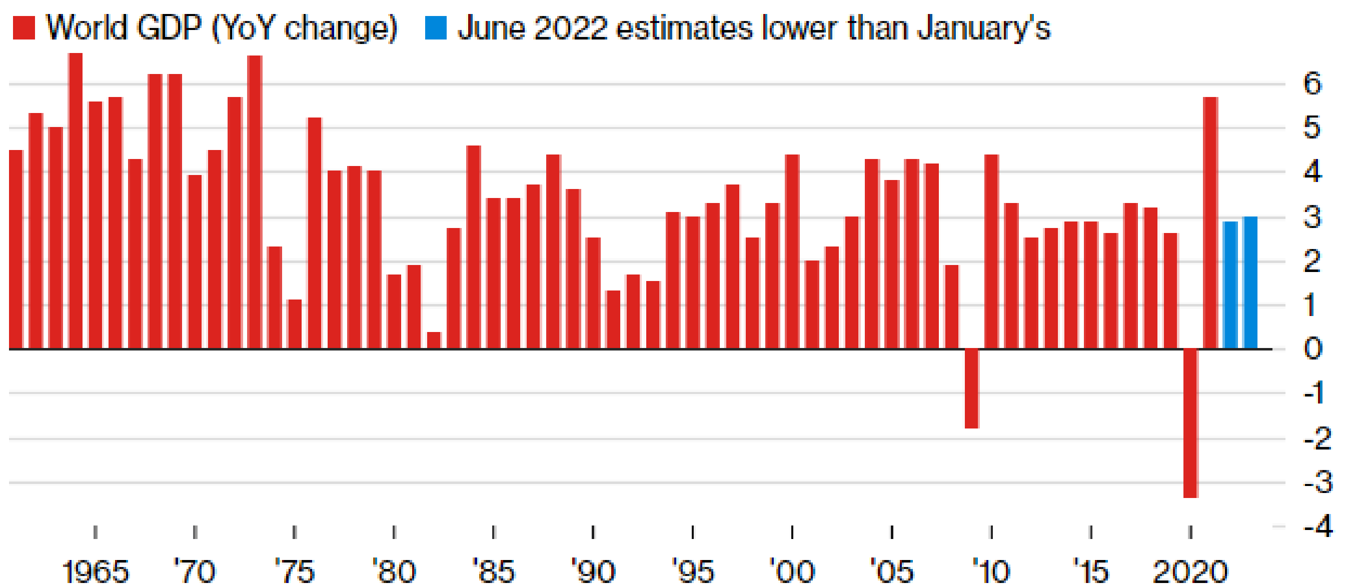
Author | Gerard Minjoot, Investment Strategy, Partnership Management, Professional Investment Advisory Services Pte Ltd.

As interestingly pointed out by the Bank of America - Merrill Lynch, the global economy is in a place where its "still on thin I.C.E", with persistently high (I)inflation, China's ongoing fight against (C)ovid-19 and Europe facing its worst (E)nergy crisis in decades underpinned by the Ukraine conflict. This led to a challenging first half with relentless worries and drawdowns that up-ended most of the market sending all major indices trending lower with some even into the bear market territory. The shifting economic climate has put most central banks in a tight spot to find a balance of not diminishing growth while cooling red-hot inflation. **Against such profound headwinds, the World bank reduced the global growth estimates down from 3.2% in April to 2.9% in June.**

As the world keeps its eyes on Europe and the intensifying geopolitical friction between Russia and the EU over the Ukraine conflict, we see the region face an embattled economy where inflation had set a record of 8.1% in May coupled with the ongoing energy crunch and supply chain concerns. **Though current economic activity may be supported by a relatively robust labour market and household savings, we are seeing further weakness forming in the PMI and consumer sentiments** piggybacking on a more hawkish ECB with a possible hike of 25 basis points in July and further hikes in the future. **Escalated tensions with Russia have also put most EU countries in a tough spot facing a shortage of natural gas** when Russia reduced its supply as an act of retaliation against the bloc. Thus, **our view remains slightly negative because most of the economical and geopolitical issues may not be able to be resolved in such a short time**, and the possibility of a further escalation or protraction to the war may put Europe into a deeper economic rut.

The US economy continues to be battered from fever-high inflation and the Fed's increasingly aggressive rate hikes. The impact has resonated through the market sending most equities into a bear market. Even as worries for an economic downturn mount, **we anticipate rate hikes to remain hawkish till at least the end of the year but do not believe that a recession will occur in this quarter despite the risks of it materializing having risen**. On the backdrop of rising inflation and interest rates, **we continue to favour quality value businesses compared to growth for portfolio management**.

World Bank Cuts Global Economic Expansion Forecast (Chart A)



Source | World Bank, June 2022

With most parts of the world re-opening their borders and enjoying the freedom of travelling unrestricted once more, some major cities in China recently emerged from 2 months of hard lockdowns as the more transmissive variant infiltrated and put Beijing's zero-covid policy to the test. This led to extensive disruptions in economic activities across sectors such as consumerism, manufacturing and shipping delaying any efforts for recovery. Nevertheless, China's inflation rate has been relatively stable with its monetary policies maintaining a dovish stance; compared to other major economies. Moving into the second half of the year, **our view on China remains neutral as we do still see some headwinds remain for the short-term stemming from the country's Covid-zero policy and the regulatory pressures towards businesses even as we note some easing on this front.** We are still cautious about the real estate sector which has not yet recovered to be a stumbling block to China's recovery. **Yet, we remain constructive on the longer-term period under the backdrop of supportive policies and attractive valuations.**

While the market is forced to embrace a new reality of macroeconomic and geopolitical challenges, **we would expect 2022 to experience a considerable slowdown in growth. We do not see an imminent threat of a global recession in this quarter** but remain cautious that should headwinds intensify, it may accelerate the timeline of a market downturn. **We believe that market volatility to remain high and urge investors to remain invested with an emphasis on downside and volatility management through a well-diversified portfolio.** We would also advise to dollar-cost average instead of trying to time the market should investors participate during this period.

YOUR PRIVACY

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your adviser.

DISCLAIMER

The views expressed in this presentation reflect the views of the Professional Investment Advisory Services Pte Ltd (“PIAS”). The information provided herein is intended for general circulation and are not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use will be contrary to local law or regulation. This presentation may not be copied, either in whole or in part, or distributed to any other person without our specific prior consent. PIAS and its affiliates, directors, associates, connected parties, employees and/or Representatives may own or have an interest in the securities covered in this material. PIAS does not make any representation or warranty (express or implied) as to its accuracy, completeness, timeliness or correctness for any particular purpose.

The content in this presentation may consist of the past performances of markets, sectors and funds. These are provided for reference only and do not have regard to the specific investment objectives, financial situation or the particular needs of any recipient. Henceforth, the contents shall not be construed as an offer or solicitation to buy, sell or subscribe for any investment or life insurance product or the giving of advice thereof. Accordingly, no warranty whatsoever is given and no liability whatsoever will be accepted by PIAS for any loss arising whether directly or indirectly as a result from you acting based on this information.

All investments, past performance of the mentioned collective investment schemes and life insurance policies and any projection of the economies, stock markets, bond markets and the economic trends of the markets are not necessarily indicative of the future performance. All investments, collective investment schemes and life insurance policies are subject to investment risks, including the possible loss of the principal amount invested. Opinions and estimates are subject to change without notice. You are advised to read very carefully the applicable prospectus, product highlight sheet and/ or profile statement of the collective investment schemes, as well as the applicable product summary, benefit illustration and product highlight sheet in respect of the life policies. To the maximum extent permitted by law, PIAS accepts no liability for any losses or damages (including direct, special, indirect, consequential, incidental or loss of profits) if any kind arising from or in connection with any reliance and/or use of the information (including any error, omission or misstatement, negligent or otherwise) or further communication, even if PIAS has been advised of the possibility thereof.

Please seek advice from a Financial Adviser Representative or consult a professional regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before making a commitment to purchase the investment product. In the event that you choose not to seek advice from a Financial Adviser Representative or a professional, you should consider whether the product in question is suitable for you.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

Co. Reg. No. 200106346Z | Financial Advisory Licence No. FA000008-4

Head Office
6 Shenton Way, OUE Downtown 2,
#09-08, Singapore 068809

T: +65 6372 5700
F: +65 6372 5950
E: pias.enquiry@singlife.com
W: www.proinvest.com.sg