



PROFESSIONAL INVESTMENT ADVISORY SERVICES

Quarterly Client Newsletter

Issue Forty-Two
2021

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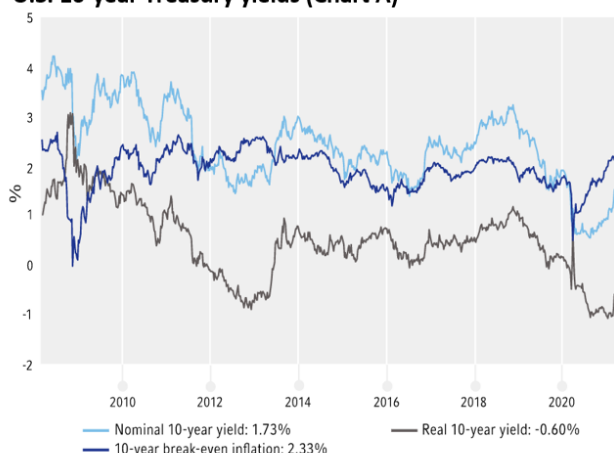
PIAS Investment Outlook (Q1 2020)

Author | Roxanne Liang, Investment Strategy, Partnership Management, Professional Investment Advisory Services Pte Ltd.

Global economic recovery prospects are boosted by the rollout of vaccines and equities continue to rally from the lows of March 2020. The increase in U.S. 10-year Treasury yields reflects improving optimism over the economic outlook and rising inflation expectations on the back of more stimulus by central banks and governments globally (Chart A). The technology sector has been battered by the rise of bond yields as investors discount future earnings at higher rates and investors switch to sectors that will benefit from economies reopening ie travel and financials. **We are cognizant of the rotation of growth to value over the past few months and markets exposed to cyclical sectors can continue to perform well even as bond yields rise.** Cyclical and value were depressed during the Covid-19 downturn and thus have more upside in the recovery ahead.

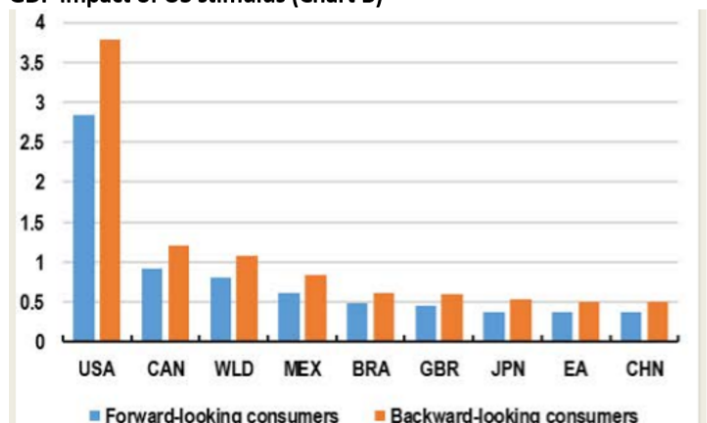
China's economic growth looks set to be strong in this year, as it adopted a "first-in, first-out" position of the Covid-19 pandemic shutdown and recovery and we expect China to start tightening its policy stance in 2021. Domestic consumption will be boosted by government incentives and further jobs growth. While U.S.-China tensions continue to linger, our view is that there will not be further escalation from Biden's administration. Stimulus measures will benefit Emerging Markets more broadly, with the recovery in global demand and a weaker U.S. dollar (Chart B). We are of the view that India is poised for a buoyant recovery due to its approach towards domestic production and the focus on infrastructure spending and growth.

U.S. 10-year Treasury yields (Chart A)



Source: Refinitive Datastream, March 2021

GDP impact of US stimulus (Chart B)



Source: OECD Economic Outlook, March 2021

Europe's exposure to cyclically sensitive sectors such as industrials, materials and energy provide more potential to outperform in the post-vaccine phase of the recovery with the steepening of yield curves. The Bank of England is likely to keep rates on hold during the recovery phase and this should keep gilt yields contained and rising in line with U.S. Treasuries. We think that Japan's growth might be lesser compared to the other economies due to the reduction in potential boost from the Tokyo Olympics in July without participation of overseas spectators.

There has been increasing interest and flows into ESG funds, and a renewed focus on ESG integration driven by data will see the emergence of new technologies and approaches. **Cryptocurrency has been thrown in the limelight in recent months and we advocate a cautious stance towards this speculative asset class.** Janet Yellen sounded warnings of the legitimacy and stability while China has announced the state-backed digital currency known as Digital Currency Electronic Payment which is expected to be a major alternative payment system in time to come. India also imposed a cryptocurrency ban in mid-March 2021. We would like to emphasize that volatility is to be expected from time to time as markets fluctuate according to news or expectations on earnings. **We urge investors to stay the course for the long run, keep to fundamentals and remain invested in a well-diversified portfolio.**

Source | Figures extracted from Refinitiv Datastream and OCED Economic Outlook

Retirement is the new beginning, not the end

What does retirement mean to the average Singaporean? Some say it's the ability to live life at a much slower and peaceful pace, while others view it as the start of an exciting life stage that's filled with new experiences.

Retirement is no longer just an end point or the cessation of working life. A recent survey from Fullerton Fund Management, **"Rethinking Retirement"** revealed that 8 in 10 Singaporeans think of retirement as a new life stage, with the financial freedom to pursue their ideal lifestyle. They do not associate "retirement" as a time to stop work and relax, but more as an opportune time to learn and grow, travel or spend quality time with loved ones, all without being weighed down by the financial and mundane day-to-day commitments.

The aspiration to pursue a choice retirement lifestyle means Singaporeans need to start growing their nest egg early. And one way to do that is through prudent investing.

What drives Singaporeans to plan for their retirement?



Overall we found that younger Singaporeans – 8 in 10 among those in their 20s, claim to have begun their financial planning journey. Being in a sandwiched generation, they want to ensure their future financial freedom by investing early and avoid burdening their children with any outstanding financial woes. But at the same time, this group of Singaporeans feel stymied by a lack of capital for retirement planning and they cite not having adequate money for such a "future big life project".

Singaporeans in the middle of the spectrum, aged between 31 and 45, are familiar with the concept of compound interest, that "the longer investment period, the greater the return". However, a key obstacle to retirement planning at this stage is other more pressing financial commitments such as house loans and their children's education. These obligations take center stage and often cause retirement planning to be de-prioritised and, as a result, delayed to a much later life stage, or indefinitely.



For those in the age band of 46 to 59, we see a mixed bag. Those who have started planning were mainly driven by the aspiration to retire as early as possible, thus maximising their available free time. Investing early allows them to bring their semi-retirement plans forward, making it possible to not work longer than needed. Nevertheless, there remains a segment which has not made adequate preparations and has mistaken notions about retirement planning. Those in this segment think it is too late to start investing so they end up not trying altogether.



How large a nest egg do Singaporeans consider necessary to support their retirement lifestyle?

On average, Singaporeans estimate that S\$1.44 million would be sufficient to fund their retirement lifestyle. But only 4 in 10 are fully confident they can achieve their desired retirement income.

This creates a need for Singaporeans to reevaluate their retirement lifestyle, and to seek additional means of building their wealth and create additional income sources that can adequately support their financial needs to achieve their desired retirement.

To find out more about the survey and retirement-related insights, please visit <https://www.fullertonfund.com/rethinking-retirement/> to download the Rethinking Retirement report.



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¹ The commissioned survey by Fullerton Fund Management is conducted by Blackbox, a research company offering consumer, business, and community-wide perspectives on contemporary problems and challenges.

Building Your

etirement Nest Egg

RETIREMENT PLAN

If you are wondering what an "adequate" retirement nest egg looks like, you are probably not alone. But should you be grappling with a sense of uncertainty as we move into the post-pandemic world, here are some findings from a local study that can help you track your progress.

In a qualitative study led by researchers from Lee Kuan Yew School of Public Policy and Nanyang Technological University, it was found that based on statistics from 2013, only 55% of respondents turning 55 had enough savings in their Central Provident Fund accounts to fulfil the Basic Retirement Sum. This meant that around half would not even receive the basic annuity of less than \$800 per month.*

The same study also noted that some of Singapore's older population would have to supplement their retirement fund through other ways in order to achieve the basic standard of living. Hence, it is imperative to ensure that you have alternative income sources such as investment payouts which can help to furnish your desired lifestyle.

This brings us to the next question: How can you make your money work harder for you and how dividend payout can come into the picture? Here are three reasons why you should consider purchasing an

Investment-Linked Plan (ILP) with dividend payout:

- It can provide a stable stream of passive income.
- It may even exceed the interest rates offered by banks.
- It helps to provide a hedge against inflation and market volatility.

Dividends are paid even during tumultuous market periods, when capital gains are hard to achieve. The yield might fluctuate now and then, but as long as you stay the course and hold the ILP sub-fund, you can receive dividends at the appointed time.

The Solution You Seek: Create A Golden Goose That Lays Eggs

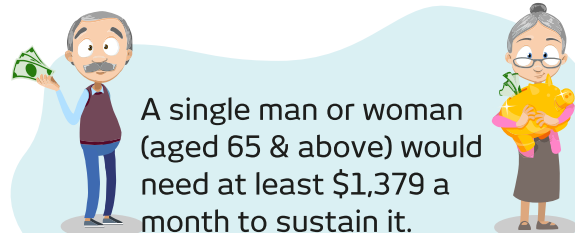
Remember: You can live off the eggs but never off your goose. Your eggs are the dividends and potential capital gains that are derived from your investment in our suite of ILP solutions.

With wise advice, innovative solutions and some clever planning with your #GoToPartner, you can look forward to a life of financial freedom when you retire. Allow us to empower you with the ability to dream bigger and leave a lasting legacy for your loved ones.



Retiring in Singapore: The Facts & Figures

What Does It Take To Meet The Basic Standard Of Living?



A single man or woman (aged 65 & above) would need at least \$1,379 a month to sustain it.



A couple (aged 65 & above) would need \$2,351.



Source: What Older People Need In Singapore: A Household Budgets Study

* Source: <https://www.straitstimes.com/singapore/study-finds-1379-a-month-needed-to-meet-basic-living-standard-for-single-elderly>

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