QUARTELY CLIENT NEWSLETTER

INSIDE THIS ISSUE

THE PIAS QUARTERLY

ISSUE 52 | Q4 2023

Stay informed and empowered with The PIAS Quarterly. Your essential guide to invaluable financial insights.

The curated newsletter features client-focused articles that provide knowledge and inspiration, whether you are seeking professional financial guidance or looking to address personal financial circumstances.

The PIAS Quarterly covers a range of topics from well-known and trusted finance organisations, ensuring you stay ahead of the curve.

COVERING YOUR BASES: HOW INSURANCE FILLS PROTECTION GAPS IN SINGAPORE

Income Insurance Limited (Income Insurance)

In Singapore, different customer segments may have different priorities and challenges when it comes to ensuring that they are well-protected against unfortunate events like critical illness, injury, or death.

For singles without children, when it comes to determining how much coverage they need to be well-protected, they will have to consider their retirement plans, and what it takes to support ageing parents and perhaps even adult siblings.

On the other hand, for parents whom we know as the 'sandwich generation', they face the added responsibility of providing for their children's future while supporting their ageing parents. The costs associated with raising children, including their education and enrichment expenses, can be substantial. Balancing these financial demands while planning for retirement can be especially challenging.

This is why it's imperative for both segments to address protection gaps early, so that they won't be caught off-guard when unfortunate events happen, leaving them vulnerable to life's curveballs.

What Is a Protection Gap?

A protection gap is simply the difference between the financial resources that you have, and the resources you need during a specific event like a critical illness, injury, or death.

Let's take, for example, that James has a total of $300,000 worth of critical illness insurance coverage and cash savings. If he gets diagnosed with cancer unexpectedly, the costs may add up to $1M for medical bills plus living expenses for him and his family. Here, James' protection gap is $700,000 (or 70% of his protection needs), which represents the sum that he needs to fork out on his own to get the treatment that he needs and to ensure his family can continue to sustain while he recovers.

A recent study by the Life Insurance Association (LIA)[1] underlined that economically active adults in Singapore have an average mortality gap of 21% and a critical illness (CI) gap of 74%. These staggering percentages suggest that there is room for improvement when it comes to preparing Singaporeans to guard against financial impacts arising from these unfortunate events.

Some common reasons why working adults might avoid thinking about addressing their protection gaps:

- A reluctance to broach topics involving injury, illness, or mortality.
- Some might believe that their youth and current good health allow them to delay obtaining insurance.
- Uncertainty on how much insurance coverage is appropriate[2].
- Perceived high costs and complexity of insurance[2].

Although these concerns might be understandable, neglecting insurance coverage entirely can do more harm than good.

How Can I Know What My Protection Gap Is?

To conveniently assess if you have a protection gap, you can consider using this Protection Gap Calculator[3]. In just 3 minutes, you will be able to have a broad stroke view of any potential gaps.

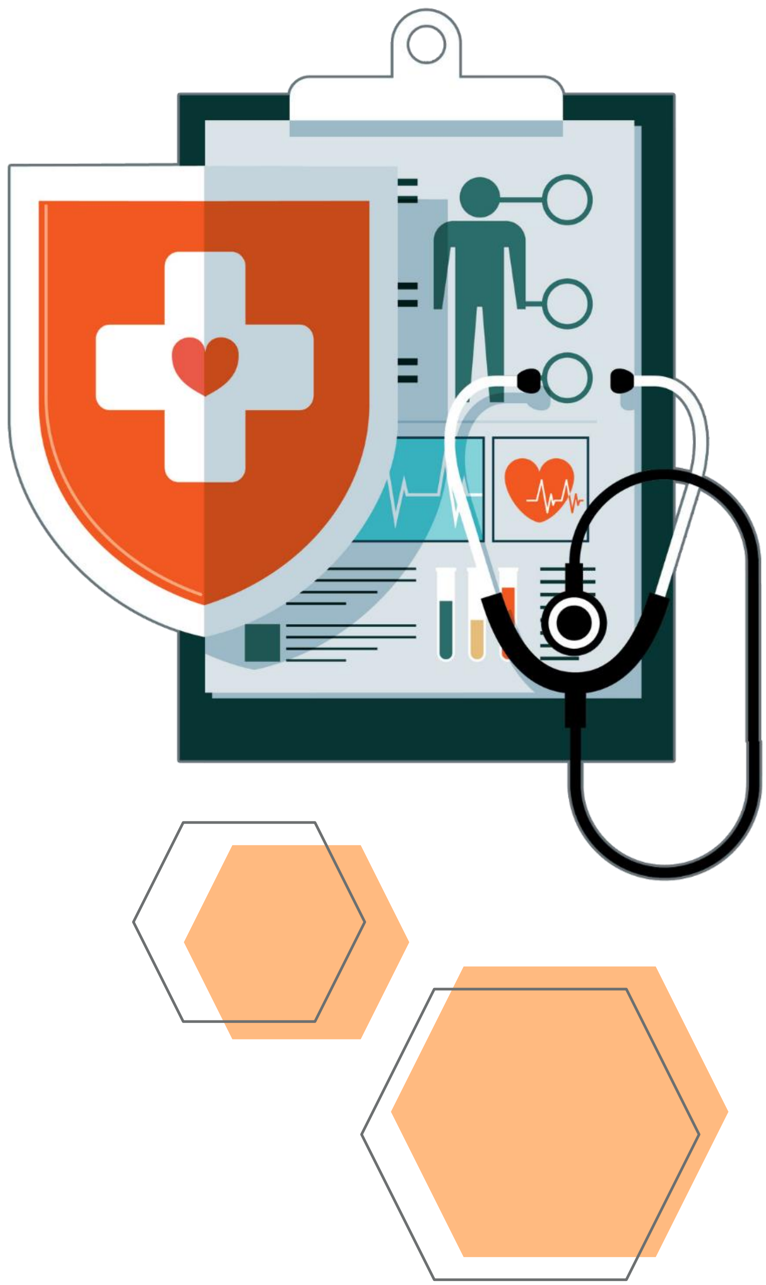
Remember, different life stages and milestones, such as marriage, parenthood, or caregiving for elderly parents, can alter your protection gaps. So doing regular checks on your protection gaps can ensure that your coverage aligns with your changing circumstances.

What Can You Do About a Protection Gap?

If you have a protection gap, your next step is to bridge that gap with the right protection insurance plans, with the help of a qualified advisor. To do so, consider factors like your budget, the number of dependents you have, and the type of coverage that aligns best with your circumstances.

Plan for the Long-Term With the Right Insurance Solutions

Generally, the key categories of protection insurance include, but is not limited to, health and life insurance. Hospitalisation insurance, which falls under health insurance, shields against unforeseen medical expenses, inpatient hospital costs, and medical expenses that may not be covered by other policies, ensuring financial stability during health crises. As for life insurance, it safeguards your family's financial well-being in the event of your unexpected passing, total and permanent disability (TPD) and terminal illness, with some policies even extending coverage to mental illnesses. As life circumstances change and new insurance options emerge, seeking guidance from an advisor for an annual review becomes crucial, ensuring you maintain the right level of protection without overburdening yourself or leaving gaps in coverage.



Safeguard Your Future: Act Today

Don't wait until uncertainties knock on your door. Take steps today to safeguard your financial well-being and that of your loved ones.

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Income Insurance is not responsible to any party for this article. You should seek financial advice from a qualified advisor if in doubt. Buying insurance that are not suitable for you may impact your ability to finance your future insurance needs.

[1] Source: 2022 LIA Protection Gap Study from https://www.lia.org.sg/media/3974/lia-pgs-2022-report_final_8-sep-2023.pdf

[2] Source: https://www.statista.com/statistics/1101354/singapore-millennial-attitudes-towards-insurance/

[3] The figures generated by the calculator are estimates and offer a rough idea of your protection gap(s). For detailed analysis and personalised solutions, please contact a qualified advisor.

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Income Insurance Limited (Income Insurance) is one of the leading composite insurers in Singapore, offering life, health and general insurance. Established in Singapore to plug a social need for insurance in 1970, Income Insurance continues to put people first by serving the protection, savings and investment needs of individuals, families and businesses today.

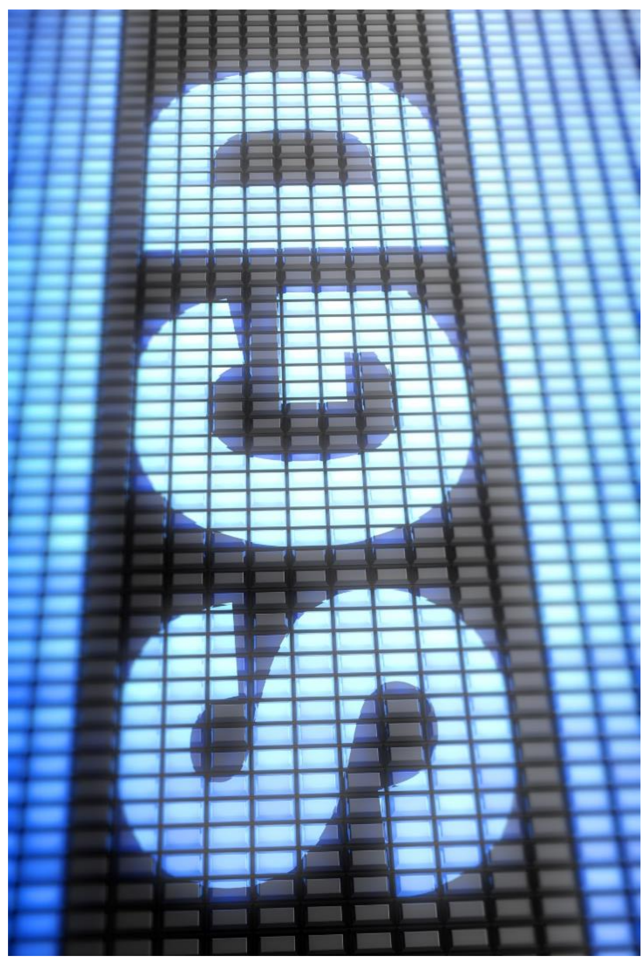
For more information, please visit www.income.com.sg

THE YIELD APPEAL OF SGD BONDS

Eastspring Investments (Singapore) Limited

At the start of the year, we highlighted the merits of investing in Singapore dollar (SGD) bonds against a backdrop of elevated inflationary forces and recessionary risks. Much has happened in credit markets since then but investors' preference for high quality assets in a stable currency remains intact. This has and continues to benefit SGD bonds; the Markit iBoxx ALBI Singapore Total Return Index has gained 0.4[1]% year-to-date, up from -9.9% over the same period last year.

Earlier in the year, the uncertainty over US Fed hike expectations amid stubbornly high inflation prints and the US regional banking crisis resulted in periods of volatility and the market witnessed wild gyrations in US Treasuries with sharp intra-day moves. Singapore bond yields rose in tandem with USD rates to multi-year highs.



More recently the US Fed paused on rate hikes but reiterated a hawkish stance and signalled higher for longer rates as inflation, which has improved, remains too high for the central bank to declare victory. Coupled with US economic resilience and higher than expected debt issuances, the 10-year US Treasury yield sold off to hit a 16-year high before sliding a bit. The renewed hawkish tone has again filtered through to SGD bonds with 10-year SGS yield hitting a year high of 3.47% and yields on latest six-month T-bills crossed the 4% mark, the first time since January.

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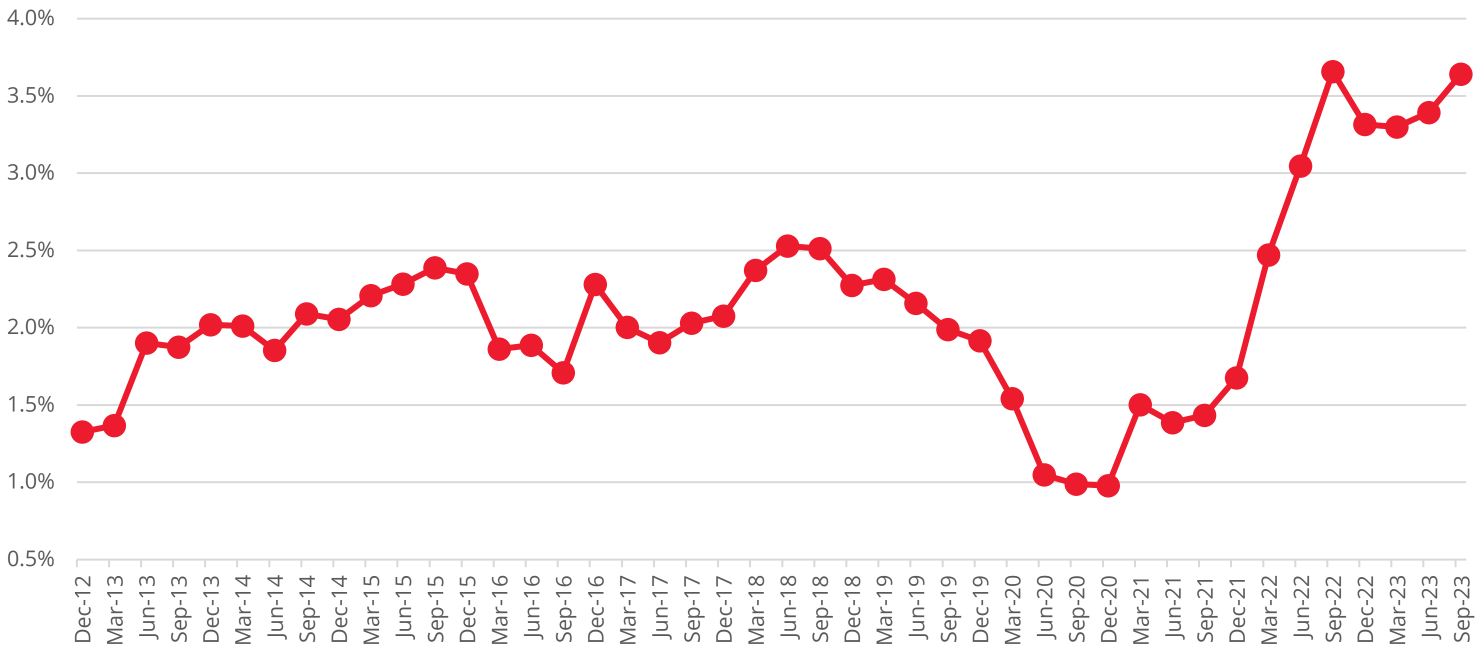
[1] Year to date as at 30 September 2023

Singapore government bonds continue to offer relatively attractive yields among the highest-rated AAA-rated sovereigns. On the other hand, the SGD corporate debt market has seen lower new issuance volume this year, providing a supportive technical backdrop besides absolute yields that are trading at an attractive multi-year high. Bond investors also stand to benefit from capital appreciation once the global easing cycle kicks in. As such, it is an opportune time to lock in the current higher bond yields in high quality issuers such as SGD government bonds and investment grade SGD corporate bonds.

Eastspring's Fixed Income team believes investor demand will remain healthy for SGD bonds, especially in the high-quality issuers' segment. The team likes SGD credits for their relatively low volatility and stable credit fundamentals.

Singapore bonds yields have climbed to multi-year highs



Source: Eastspring Investments, Markit iBoxx, Blackrock Aladdin, as at 30 September 2023. The Yield for the Markit iBoxx ALBI Singapore Index refers to its yield-to-maturity (YTM). The YTM calculation is a weighted sum of underlying bond yields in the index, which are priced according to sources from Blackrock Aladdin assuming that all coupon payments are reinvested at the same rate as the bond's current yield and takes into account the bond's current market price, par value, coupon interest rate and time to maturity.

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For more information, please visit www.eastspring.com/sg

INVESTMENT PERSPECTIVE

WHICH STYLE TO CHOOSE: GROWTH, VALUE OR QUALITY?

Content was first published by UOB Asset Management (UOBAM)

Finding a suitable investment style can help you better align to your investment objectives
https://www.uobam.com.sg/insights/quality-growth-value.page

Growth, value, and quality investment styles are often pitted against each other, but all three are valid, depending on your ability to withstand volatility and time horizon. So how do they differ and which strategy suits you best?

Growth Investing

Growth companies are typically ones that:

- are expected to grow at a higher rate than the market
- can deliver better-than-average growth in sales or earnings.
- tend to reinvest most or all of their earnings to drive higher growth. As such, they typically pay little or no dividends.

As a result, growth stocks have higher valuations for their stocks and above-average price-to-earnings (P/E) ratios, given the strong potential for future growth.

Attracted by the upward momentum of growth stocks, their prices can soar especially as more and more investors pile into them,. But notably, the trend can quickly reverse if growth expectations are not met.

As such growth stocks may be more suitable for investors looking for higher returns in a relatively short period of time, and who can stomach higher risks.

Value Investing

Value companies are typically ones that:

- are larger and more well-established
- able to show strong long-term fundamentals, but may be temporarily out of favour
- have less need for capital to drive growth, and therefore are more likely to use their profit to issue dividends to investors

The hope is that value stocks are under-priced given their fundamentals, but will eventually be worth more. This means that investors often look for stocks with a low P/E ratio.

Sometimes however, there is a reason for the low valuation, such as stagnant earnings or poor company management. Value investors therefore risk falling into such "*value traps*", that is, buying cheap stocks that may not appreciate as expected.

That said, value stocks are generally less volatile compared to growth stocks. Given their promise of higher dividends, they tend to attract conservative investors seeking income and modest capital appreciation.

Quality Investing

Quality companies are typically ones that:

- have consistent earnings growth and stable profits.
- have high financial productivity, that is, it tends to reinvest its cash flows back into the business to defend and grow its competitive advantage.
- Have competitive advantage(s) that enable it to maintain its market-leading position and pricing power.

Since quality companies tend to perform well across different market environments, they are suitable for investors seeking stable consistent returns no matter the investing climate.

Comparison of Investment Styles

Fig 1: How growth, value, and quality differ

	Growth stocks	Value stocks	Quality stocks
Description	Fast-growing with the potential for high capital appreciation	Currently undervalued but potential for prices to rebound	Stocks of companies capable to sustainable and stable earnings
Valuation (P/E ratio)	Higher	Lower	Moderate relative to growth and value
Volatility	Higher than the broader market	Lower than the broader market	Lower than the broader market
Dividends	Low or none	Generally high	Average. Can grow over time
Sectors[1]	- Information Technology - Consumer Discretionary - Communication Services	- Financials - Healthcare - Industrials	Usually found across sectors; top 3 largest sectors within the MSCI ACWI Quality Index are: - Information Technology - Healthcare - Industrials

[1] Based on the top 3 largest sector weights of the MSCI ACWI Growth Index, MSCI ACWI Value Index, and MSCI ACWI Quality Index

Quality vs Growth and Value

Quality investing is a less well-known investment style but has come to the fore in recent years given the high market volatility. It also sits between growth and style investing and is therefore an attractive option for those who want to straddle these two extremes.

Although similar to growth investing, quality investing takes a more conservative approach by focusing on a company's current profitability and cash generation. Growth investors on the other hand tend to prioritise revenue growth and the potential for future profits.

And although similar to value investing in that both styles seek companies with strong fundamentals, quality investing is less focused on the price of a company's stock. Instead, this style is more concerned with quality characteristics such as financial productivity.

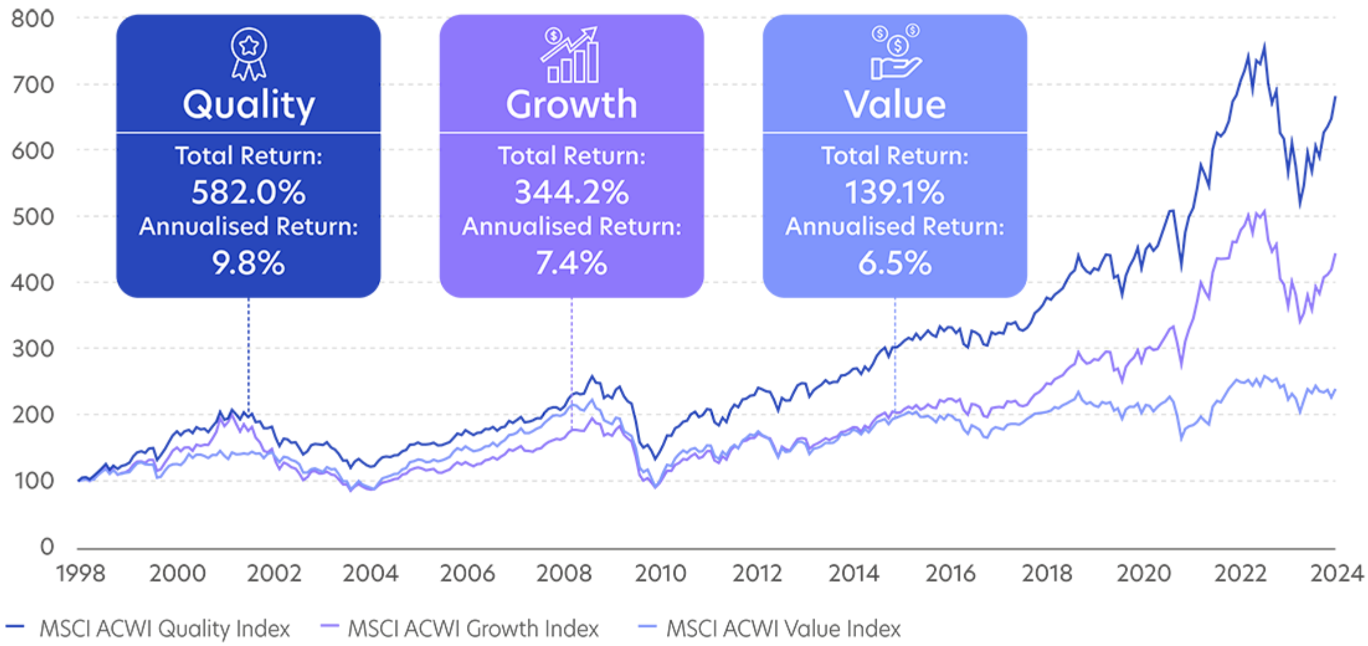
Performance Comparisons

Historically, growth stocks tend to do well when interest rates are low and company earnings are rising.

But when rates rise, value stocks tend to shine as investors prioritise current earnings over future revenue growth.

But over the long term, quality has tended to outperform . Over the past decades, quality stocks have outperformed their growth and value peers through different market cycles and interest rate environments.

Fig 2: Quality vs value and growth indices, 1 January 1997 – 30 June 2023



Source: MSCI, Morningstar, as of 30 June 2023. MSCI ACWI Growth Index, MSCI ACWI Value Index, MSCI ACWI Quality Index

UOB Asset Management's house view is that interest rates have peaked, but levels will likely stay high for an extended period. Given this, we think investing in equities is coming back into favour, but expect short term volatility to continue. Investors looking to re-enter the equities market may want to do so cautiously, with a focus on more defensive options.

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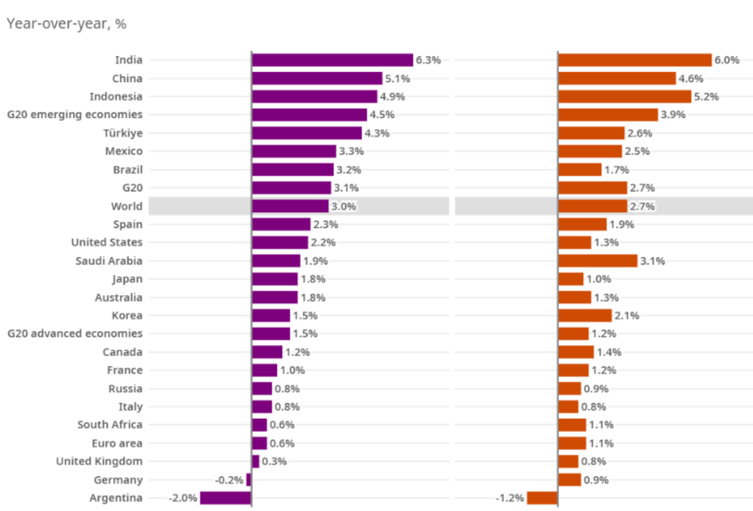
PIAS INVESTMENT OUTLOOK (Q4 2023)

Following a promising start to 2023, which was supported by lower energy prices and the reopening of China, global growth has stalled as the rebound in China lost momentum and the effects of tighter monetary policies became more apparent. **According to the OECD, global GDP growth will continue to be below average in 2023 and 2024, with projected rates of 3% and 2.7% respectively due to the necessary macroeconomic policy tightening aimed at addressing inflationary pressures (Chart A).**

The US economy continued to surpass expectations despite its monetary tightening, as household consumption and business investment demonstrated robust growth. The immediate risks of financial sector turmoil have also been mitigated by the recent resolution of the US debt ceiling standoff and proactive measures taken by authorities earlier this year to address the banking crisis. As a result, the US economy is moving away from the expectation of a recession and leaning towards a soft-landing scenario. However, the US interest rate is projected to remain at a higher level for an extended period. **We believe that the US will lose some of its momentum in the last quarter of 2023, as the impacts of monetary tightening measures begin to have a more pronounced effect. Over the coming months, household balance sheets may also weaken due to a slowdown in wage growth and increased debt payments resulting from higher interest expenses.**

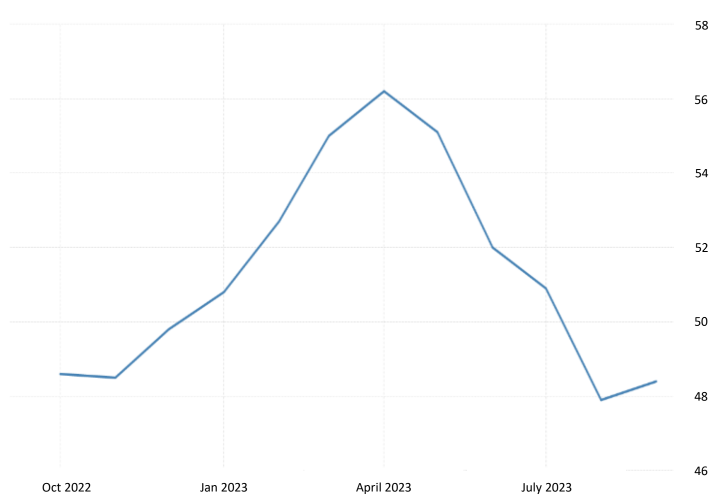
Despite managing to avoid a technical recession in early 2023 and experiencing modest growth in Q2 2023, the European economy continues to face underlying weaknesses. Activities within the services sector, which has been a key driver of business growth for Europe, dipped below 50 in August (Chart B), while the manufacturing sector continued to experience a significant contraction. **However, looking ahead, we anticipate a pickup in activities as inflation moderates. We believe that the robust labour market and strong wage growth will support private spending which will aid the European economy in navigating the upcoming quarter. As inflation continues to moderate, rising wages will also boost real disposable income in the coming year, alleviating financial constraints for households and supporting consumption.** Although key interest rates may have been reaching their peak in Europe, with the European Central Bank (ECB) signalling that the 25bps rate hike in September is likely the last hike in the cycle, the plateau period could be lengthy, and we do not anticipate the ECB to commence rate cuts until the second half of 2024. **According to the Conference Board, Europe is expected to expand by 0.7% in 2023 and achieve moderate growth of 0.9% in 2024.**

GDP Projection for 2023 and 2024 (Chart A)



Source: OECD Economic Outlook Interim Report, September 2023

Euro Area Service PMI (Chart B)



Source: Trading Economics, September 2023

The deteriorating state of China's property market is casting a shadow over global growth prospects, with underwhelming post-Covid recovery. However, the stimulus package implemented in China is expected to boost growth in the fourth quarter of 2023. The People's Bank of China (PBOC) has made a second announcement this year to lower banks' required reserves by 0.25%, resulting in a weighted average reserve requirement ratio (RRR) of around 7.4% for financial institutions. This move aims to improve liquidity and offer assistance to the property market. **Nevertheless, we believe that the recovery could be limited as policies have thus far been targeted and measured. That said, we are still hopeful that China could achieve its GDP growth target of 5% in 2023, with its service PMI remaining positive at 51.8 and manufacturing PMI exhibiting notable improvement, increasing from 49.2 in July to 51 in August, exceeding market predictions.**

While the global interest rate hikes appear to be peaking and headline inflation is decreasing, core inflation continues to persist in several economies due to cost pressures. **Challenges stemming from deteriorating stricter financing conditions and the diminishing effects of post-covid recovery will also contribute to slower growth during the final stretch of 2023. Therefore, we advise investors to stay invested and seek opportunities within a well-diversified portfolio.**

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Vision, Mission and Values

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To be Singapore's leading and respected financial services brand and be recognised as the 'preferred and chosen' partner – for our clients, advisers, product providers and the community.

Mission

To be the financial life partner of our clients, delivering quality financial advice and solutions that are tailored to the needs of our clients. To provide the framework and support for our advisers to allow them to build rewarding and sustainable businesses.

Values

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Professionalism

Setting the professional standard for financial advice in Singapore.

Integrity

Doing the right things.

Accountability

Taking ownership.

Synergy

Capitalising on our individual abilities to achieve a shared organizational goals and visions.

PIAS

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