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# FUNDSUPERMART

SINGAPORE

INVEST GLOBALLY AND PROFITABLY

2019/20 RECOMMENDED FUNDS REPORT

# FUNDSUPERMART RECOMMENDED FUNDS REPORT

FSM CHOICE AWARDS 2019

Winners Revealed!

# FSM CHOICE AWARDS 2019

TOP SELLING
FUND IN 2018
(MULTI-ASSET)

**ALLIANZ INCOME AND GROWTH CL AM DIS H2-SGD**

TOP SELLING
REGULAR SAVINGS PLAN FUND IN 2018 (MULTI-ASSET)

**ALLIANZ INCOME AND GROWTH CL AM DIS H2-SGD**

TOP SELLING
FUND IN 2018
(FIXED INCOME)

**FIDELITY ASIAN HIGH YIELD A-MDIST-SGD (HEDGED)**

TOP SELLING
REGULAR SAVINGS PLAN FUND IN 2018 (FIXED INCOME)

**UNITED ASIAN BOND FUND SGD**

TOP SELLING
FUND IN 2018
(EQUITY)

**SCHRODER ASIAN GROWTH DIS SGD**

TOP SELLING
REGULAR SAVINGS PLAN FUND IN 2018 (EQUITY)

**SCHRODER ASIAN GROWTH DIS SGD**

# *Congratulations to our FSM Choice Awards Winners!*

FSM Choice aims to recognise funds and asset management partners who have achieved outstanding performance over the past year. With a wide selection of over 1,500 funds from over 40 asset managers on Singapore's leading wealth management platform FSMOne.com, emerging as a winner in the various categories is no mean feat!

FSM CHOICE AWARDS 2019
BEST
RISK-ADJUSTED RETURNS (US EQUITY)

**WELLS FARGO US LARGE CAP GROWTH FUND**

FSM CHOICE AWARDS 2019
BEST
RISK-ADJUSTED RETURNS (ASIA EX-JAPAN EQUITY)

**SCHRODER ASIAN GROWTH FUND**

FSM CHOICE AWARDS 2019
BEST
RISK-ADJUSTED RETURNS (EUROPE EQUITY)

**FIDELITY EUROPEAN DYNAMIC GROWTH FUND**

FSM CHOICE AWARDS 2019
BEST
RISK-ADJUSTED RETURNS (EMERGING MARKETS EQUITY)

**JPMORGAN FUNDS - EMERGING MARKETS OPPORTUNITIES FUND**

FSM CHOICE AWARDS 2019
BEST
RISK-ADJUSTED RETURNS (JAPAN EQUITY)

**LIONGLOBAL JAPAN GROWTH FUND**

FSM CHOICE AWARDS 2019
BEST
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FSM CHOICE AWARDS 2019
INVESTORS' CHOICE
FUND HOUSE OF THE YEAR

**FIRST STATE INVESTMENTS**

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## ABOUT US

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- Advising others

FSMOne.com's regional research team specialises in the research of investment products including unit trusts, bonds, stocks & ETFs and provides research support and market updates to retail investors in Singapore, Hong Kong, Malaysia, China and India. (Singapore Company Registration No. 200000231R)


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# FOREWORD


We live in times where the fear of missing out (with the fancy acronym of FOMO) is more of the norm than an exception. The latest smartphone deal? Queue. The newest Japanese ramen restaurant in town? Queue. The techie and foodie in us cannot resist jumping in the queue to grab a good deal and for satiating our taste buds, but for some, seeing a long queue somewhere without knowing the reason why is a good enough reason to also join in.

## Have you also encountered the FOMO phenomenon among investors?

When certain investments do well, some start jumping on the bandwagon. The Bitcoin craze comes to mind a couple of years ago. When interviewing a few young candidates applying for a junior position in our company on their investment strategy, more than a few shared that Bitcoin would be their first investment foray. Unfortunately, there were no valid reasons as to the reason why they wanted to invest in Bitcoin apart from hearing from a friend that it was a "sure-make-money" investment, or from reading about the euphoria in the media headlines that Bitcoin prices were skyrocketing.

Having to do the proper homework on what makes an investment solid over a longer period of time – and not over the next few days or weeks or even months – is something our research team at FSMOne.com has been doing for years.

Now in its 19th edition, the Recommended Funds Report 2019 is one resource we have created from the early days of our business in Singapore. FSMOne.com started off in the year 2000 as a funds supermarket and with your support over the years, we have grown into one of the leading wealth management players today, offering a wide range of products and services to investors in various parts of Asia.

The methodology our research team uses to sieve out the gems has remained consistent from the early days. Performance, expense ratio and risk continue to be the cornerstone of what our analysts look into. The evaluation emphasises the long-term outperformance of funds in diverse asset classes that cover the global investment world. Short-term surges in performance do not mean an entrance into the Report; the fund has to also show resilience during a downturn.

Our team believes that it may be easy to be a shorter-term winner during a bull market, but it is during periods of greater volatility that uncover a fund manager's ability to navigate more treacherous conditions. As Warren Buffett wisely observed, "only when the tide goes out do you discover who's been swimming naked".

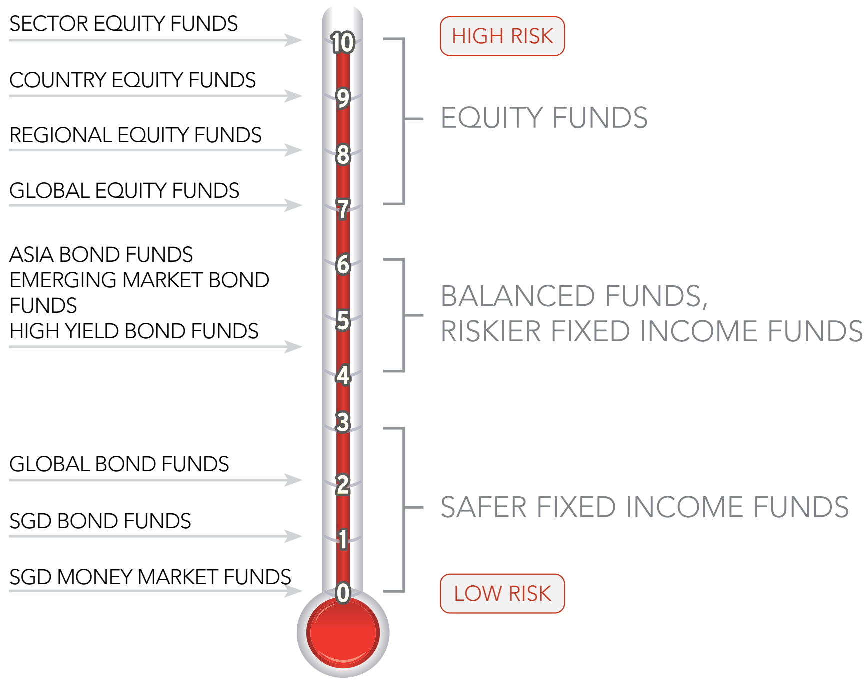
That is also why we believe active management continues to have its merits and the numbers our research team has crunched for this Report support that. It therefore pays to have a fund management team that can make decisions calmly, have a longer-term perspective in mind, and does not fall prey to FOMO instincts. But don't just hear this from me; read this Report, and the charts and numbers paint a more convincing picture of how some active fund managers have consistently demonstrated their outperformance.

We would like to congratulate the fund houses and the fund managers who are in the Recommended Funds Report 2019/2020. Some are newcomers, while others have consistently made their mark over a number of years. On behalf of the FSMOne.com team, we would like to thank you – our faithful investors and readers who have continuously looked into our Recommended Funds Report for investment gems – and we wish you a profitable investment journey.

Jean Paul Wong

General Manager, FSMOne.com

## RISK RATING METHODOLOGY




At Fundsupermart, we rate the riskiness of funds on a scale of 0 to 10. Factors that we consider include: the types of securities a fund invests in, the geographical and sector diversification of the fund and how derivatives are being used. It represents our view on the riskiness of each fund relative to each other. A fund with a risk rating of 4 is more risky than a fund with a risk rating of 2 but it is not twice as risky.

**LOWEST TO LOWER RISK (RISK RATING: 0 - 1)**

Money market funds invest in SGD bank deposits and/or short-term money market instruments. This makes them the safest product on a fund distribution platform. We have assigned a rating of '0' to money market funds.

Short-duration funds and other funds that invest mainly in Singapore bonds with limited foreign currency exposure are exposed to interest rate risk. As such, we assign such funds a risk rating of '1'.

**LOW RISK TO MODERATE RISK (RISK RATING: 2 - 5)**

Non-Singapore bonds take on foreign currency risk. As such, non-Singapore focused bond funds have a risk rating starting from 2. Depending on the categories of bond classes that the bond funds invest into, the risk rating would range from 2 to 5. On the lower risk scale, we have bond funds invested into government bonds from a diversified number of developed nations where credit risk is low. For bond funds focusing on Asian regions or other emerging markets, the fund would be exposed to higher credit risk and political risk as emerging markets are more likely than developed nations to default on their bonds. For bonds focusing on sub-investment grade corporate bonds, we believe that the risk of default is even higher and these funds warrant a risk rating of 5.

**MODERATELY LOW RISK TO MODERATELY HIGH RISK (RISK RATING: 4 - 6)**

Balanced funds invest in a mixture of equity and fixed income instruments. Thus, they are assigned a risk rating which falls between that of bond funds and equity funds. This ranges from 4 to 6, depending on the regions in which they invest as well as their asset allocation between equities and bonds (as inferred from their benchmark). A larger percentage of bond holdings would suggest lower risk.

**MODERATELY HIGHER RISK TO HIGH RISK (RISK RATING: 7 - 10)**

Typically, equity funds tend to generate higher returns compared to bond funds. This usually comes with higher risk. The risk ratings for equity funds usually begin from 7 for globally-diversified equity funds. Funds which are invested in a major region would be assigned a risk rating of '8'. As an exception, Singapore equity funds are also rated 8, though they are also considered single-country funds; this is because local investors do not face exchange-rate risk when they invest in these funds.

Funds that invest in the riskier emerging markets, such as the Asian and Latin-American region, are rated '9' and above. In addition, funds which invest in specialised industries or sectors (e.g. technology funds) are usually rated '10' due to concentration risk. Funds which invest in single emerging economies will face greater political risk as well as foreign exchange risk, while sector-specific funds face greater industry-specific risks. Therefore, they are assigned a risk rating higher than that of regional or global equity funds.

DISCLAIMER: THE ABOVE RISK RATING METHODOLOGY IS BASED ON OUR RESEARCH, AND MAY DIFFER FROM OTHER RATING METHODOLOGIES. AS THIS ONLY SERVES AS A GUIDELINE, IT IS UP TO THE INVESTOR TO DECIDE ON ITS SUITABILITY. ALSO, AS THE RISK CATEGORIES ARE BROAD CATEGORIES, THERE MAY BE DIFFERENCES IN RISK FROM ONE FUND TO ANOTHER EVEN IF THEY HAVE THE SAME RISK RATING. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

# FUND SELECTION METHODOLOGY

## PERFORMANCE

The most objective way to determine the quality of the fund manager is to assess the fund's historical performance, a factor we weight heavily in our fund selection exercise. For this, we consider both the magnitude of performance as well as the consistency of returns.

In the case of new funds which feed into their overseas target funds with a longer track record, we may assess the target fund's performance. We recommend funds which have at least a 3-year track record.

## EXPENSE RATIO

The expense ratio is what investors pay for the management of their fund on an annual basis. This charge is deducted from the value of the unit trust, and it takes into account all the operating expenses that a fund incurs, including its annual management fee, administration costs as well as trustee and custodian fees.

Generally speaking, the lower the expense ratio, the better it is for you, because you are incurring less costs.

## RISK

Instead of purely using standard deviation as the measure of risk, we believe that it is more appropriate to focus on how well a fund holds up during periods when the relevant markets saw substantial decline. As such, in our assessment of risk, we focus on the maximum decline of a fund over a given period, and also incorporate a measure of downside volatility, which tells us how volatile a fund is over periods when it is losing value.

## BOND FUNDS

Equity funds usually track well-known stock market benchmarks, making it easier to compare funds invested in a similar region or country. Bond funds are less comparable, given their differentiated focus on credit, country selection, currency and duration. To reflect the emphasis on stability in fixed income investments, we assign different weightings to the three quantitative parameters as shown above.

## OTHER QUALITATIVE CRITERIA

In addition to looking at the above-mentioned qualitative parameters, we also consider other qualitative factors in our analysis, including the fund manager's consistency in their investment approach, the departure of key personnel as well as the stability of the management team. We also incorporate our outlook on the fixed income market to assess the merits and disadvantages of a bond fund.

As most of the funds which invest in other regions buy companies that predominantly have their assets and earning streams denominated in foreign currencies, there is currency exchange risk involved. A gain in the SGD against another currency may reduce the returns of the funds exposed to other currencies, while a drop in the SGD against other currencies would increase the returns. Thus, qualitative analysis is a necessary step to distinguish funds with superior management ability from those which were beneficiaries of strong market or currency movements.

As we take into account the qualitative factors, the highest-scoring fund based on quantitative assessment in a particular category may not necessarily be the fund we recommend, although fund performance remains a significant factor.

### WEIGHTAGE OF QUANTITATIVE PARAMETERS

| FUND TYPE | EQUITY FUND | BALANCED FUND | BOND FUND |
|---|---|---|---|
| Performance | 60% | 60% | 40% |
| Expense Ratio | 20% | 20% | 30% |
| Risk | 20% | 20% | 30% |

SOURCE: FUNDSUPERMART COMPILATIONS

FRANKLIN TEMPLETON

# LOOK BEYOND THE FAANGS

## FTIF Franklin Technology Fund

**There are fresh opportunities beyond the big technology names, says Jonathan Curtis, Portfolio Manager of Franklin Technology Fund.**

A few big names, notably the "FAANGs" (Facebook, Apple, Amazon, Netflix and Alphabet's Google), tend to dominate many investors' perception of the technology sector.

However, there's more to the sector than those few giants. We also have our eyes on some lesser-known companies playing an integral role in delivering digital transformation, through integrating new technology and challenging the status quo.

### Digital Disruptors Force Legacy Businesses to Adapt

Increasingly, we're seeing companies across a range of industries turn to artificial intelligence and machine learning solutions in their quest to remain competitive, such as voice recognition apps like Siri or Alexa, or the Netflix recommendation engine.

Digital transformation is helping a wider array of companies amend existing business processes or create new ones.

That said, we also think certain companies involved in the commercialization of fifth-generation (5G) broadband cellular network technology could represent some longer-term opportunities.

### Beyond 5G Technology

We certainly think the roll-out of 5G mobile data networks could be a game-changer.

In our view, the most attractive investment opportunity is in the supply chain for 5G implementation—such as chip and memory manufacturers in the semiconductor space—rather than telecommunication equipment manufacturers.

We also see potential opportunities among wireless communications infrastructure companies that help 5G carriers distribute their network services out to mobile devices.

These communications tower operators that control the distribution have a good deal of pricing power over mobile carriers.

We recognize too that the evolution of 5G creates further opportunities in the realm of the Internet of Things, integrating devices into everyday items via wireless internet.

We think the number of connected devices is likely to rise dramatically, thanks to the extra bandwidth and lower latency that 5G offers.

### Taking a Longer-Term View

While some investors may use high-profile FAANG stocks as a bellwether for the tech sector, we tend not to take too much notice of short-term movements in a handful of names.

We typically invest with a three-to-five-year outlook and look for opportunities tied to the broad theme of digital transformation.

### Why Franklin Technology Fund?

**Invests in companies benefitting from digital transformation themes**

Artificial Intelligence | Cloud Computing | Internet of Things | E-commerce

**Experienced team based in Silicon Valley**

10+ Tech experts researching various sub-industries

Near leading technology companies and VC firms

**Award-winning fund**

Best Information Tech Equity Fund in the Singapore Lipper Fund Awards over multiple years

**WHAT ARE THE KEY RISKS?**

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. The Fund invests mainly in equity securities of technology companies worldwide. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate significantly over relatively short time periods. Other significant risks include: liquidity risk. For full details of all of the risks applicable to this Fund, please refer to the "Risk Considerations" section of the Fund in the current prospectus of Franklin Templeton Investment Funds.

For more information, please visit
**franklintempleton.com.sg/tech**

**IMPORTANT INFORMATION**

Franklin Technology Fund is a sub-fund of Franklin Templeton Investment Funds ("FTIF"), a Luxembourg-registered SICAV. **This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.**

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## CORE PORTFOLIO

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ASIA EX-JAPAN EQUITY
CORE PORTFOLIO – EQUITY

# BlackRock Global Funds – Asian Growth Leaders Fund

2019 | 2018

### KEY FEATURES

- We like the fund's sector and country positioning as well as individual stock picks focused on financials, consumer discretionary, and semiconductors which we believe will benefit from a cyclical recovery in the region
- Mid-cap biased portfolio and strategy will be focused on mid to long term structural trends reshaping Asia
- Suitable for investors seeking a more aggressive approach when investing in the Asia ex Japan market

### OUR COMMENTS

BlackRock Global Funds – Asian Growth Leaders Fund retains its spot on our Recommended Fund list for the Asia ex Japan equity category despite a challenging year for the fund in 2018. Among a myriad of exogenous factors (e.g. trade tensions, China slowdown, 2018's Fed rate hike cycle), we believe one primary reason for the fund's underperformance was due to its mid-cap and growth bias which tends to underperform during poorer market conditions.

Inversely, it does well when better market conditions return and when there is a cyclical recovery in place. We believe the fund's sector, country and individual stock positioning will allow investors to benefit from an ongoing cyclical recovery in the region.

Our research team continues to back this fund for its strong cumulative returns over the past five years, returning investors an annualised 9.3% versus the peer average of 7.0% (in SGD terms). As an actively managed strategy, the investment team is not afraid to take off benchmark positions which have led to strong returns for investors. For example, the fund has seen good calendar year returns from 2013 to 2015 in which the fund ranked within the top quartile among its peers in those years.

Given the fund's growth and size bias it tends to exhibit greater volatility, both upside and downside, than its peers. The overall downside deviation and maximum drawdown of the fund over the past three years are 7.2% and 26.8% respectively (annualised), versus the peer average of 7.3% and -22.3%.

The fund's portfolio alpha is expected be driven by bottom-up stock selection (>50%), with sector views, country allocation and style factors contributing to a smaller share (<30%) of the fund's outperformance. While the stock selection and portfolio construction process is benchmark agnostic, the fund manager guides that sectoral and country allocations do not typically deviate beyond +/-10% from the benchmark.

The fund's tendency to hold a concentrated portfolio (42 as of 31 March 2019) also underscores the manager's high conviction approach when investing in Asia, which has allowed investors to enjoy significant benchmark outperformance over the last five years. This fund will be highly suitable for investors seeking a growth oriented Asia ex Japan equity fund with a long-term track record.

ASIA EX-JAPAN EQUITY
CORE PORTFOLIO – EQUITY

# Schroder Asian Growth Fund

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2004 | 2002 | 2001

### KEY FEATURES

- A strong outperformer, emphasising active management and bottom-up stock picking
- Fairly low expense ratio due to modest annual management fees
- Fund may appeal to cost-conscious investors who are looking for a good long-term track record

### OUR COMMENTS

Schroder Asian Growth Fund makes its thirteenth consecutive year of being our recommended fund for the Asian ex Japan equity category. Over the past five years, the fund posted a five-year annualised return of 11.0%, comfortably above its peer average of 7.3%. It ranks highly across multiple calendar and cumulative performance periods.

Aside from its ability to generate returns, we also appreciate the fund's decent risk management capabilities. Resilience is one key aspect why we have been picking this fund over again. Its three-year downside volatility and maximum drawdown of 7.4% and -21.5% respectively ranks it slightly better than its peer average. On an aggregate basis, taking into account both risk and return, the fund's combined profile presents itself as the one with the strongest risk-adjusted returns on our platform.

Perhaps one key aspect to its strong track record – aside from its stellar fund management team – is the unconstrained investment mandate the team wields, which allows the fund to take off-benchmark positions when opportunities arise. Nonetheless, the MSCI AC Asian ex Japan (NDR) Index is used as a performance benchmark and to indicate its broad investment universe.

Schroder Asian Growth Fund prides its investment process as primarily the result of bottom-up stock picking, as it believes that top-down, technical analysis, or market timing are not the fund's strong suits. Companies with strong growth attributes backed by long-term secular trends and fundamentals will be a key area the fund will be looking at in generating alpha. As such, investors considering this fund should have a long-term investment horizon.

There are also economies of scale to the operations of this fund given its fairly large assets under administration, as it has one of the lowest expense ratios in its peer group. All in all, we think this fund is a great choice for investors seeking exposure to Asia's fastest growing region.

ASIA EX-JAPAN EQUITY (SMALLER COMPANIES)
CORE PORTFOLIO – EQUITY

# PineBridge Asia Ex Japan Small Cap Equity Fund

2019 | 2018 | 2017

### KEY FEATURES

- Asia ex Japan small-cap equity strategy; possible complement to large-cap exposure
- Investment managers employ a rigorous, fundamental bottom-up research process without a particular style bias
- Suitable for investors who desire an active, fairly concentrated Asia ex Japan small-cap equity fund

### OUR COMMENTS

Pinebridge Asia ex Japan Small Cap Equity Fund is our pick for the Asia ex Japan small cap category for the recommended funds list. Among its peers, the fund has the strongest track record in terms of delivering returns for investors. The fund's five-year annualised return of 9.5% trumps the peer average (of 4.1%) by a significant margin. Ranking wise, its calendar year performance from 2013 to 2018 has also been consistently strong.

Despite its stronger returns profile, the fund's downside deviation (6.0%) and maximum drawdown (-18.7%) over the last three years have been lower than its peer average (of 7.4% and -22.8% respectively). Unlike some of its peers, as part of its investment universe and mandate, the fund has significant allocations to the Australian market, which may explain some of its resiliency.

Rigorous bottom-up research forms the main part of its investment process given that returns generation is expected to be derived mainly from stock picking. In constructing the portfolio, the team thinks about whether the companies under their radar have the requisite valuations, economic moats, compelling expected returns, and quality corporate governance they seek.

The team does not constrain itself to a particular style box and is benchmark agnostic when it comes to stock selection. For performance benchmarking and risk management purposes, however, the fund draws its investment universe loosely from the MSCI AC Asian Pacific ex Japan Small Cap USD Net Index.

In managing the strategy, the investment manager adopts a high conviction approach, expecting to hold anywhere between 40 to 70 stocks. As of end-March 2019, the fund has a total of 60 holdings in its portfolio. This fund will be suited for investors who would like to have small cap exposure to the Asian Pacific region as a complement to their large-cap equity exposure. The SGD share class of the fund is also available.

ASIA PACIFIC EX-JAPAN EQUITY
CORE PORTFOLIO – EQUITY

# First State Dividend Advantage

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011

### KEY FEATURES

- Focuses on higher-quality companies, primarily those with higher dividend yields; often viewed as a more resilient segment of the equity market
- Consistent top performer with good risk management
- Strong long-term track record, suitable for investors seeking a more defensive Asia Pacific ex Japan equity fund

### OUR COMMENTS

We are proud to have First State Dividend Advantage as our recommended fund under the Asia Pacific ex Japan Equity category for the ninth year running. The fund ranked first in four of five cumulative performance periods as it recorded an annualised return of 10.7% over the past five years, besting its peers by more than five percentage points. The fund also bagged home top spot in two out of five calendar year periods (in 2014 and 2018).

This track record did not come at the expense of excessive risk taking, scoring highly on risk metrics relative to its peer group (ranking in the first quartile), as seen from its decent downside deviation and maximum drawdowns of 5.4% and -12.8% respectively over the last three years.

As one of the more resilient offerings on our platform, we think it is largely due to the manager's adherence to finding sensibly priced, high quality companies that have sustainable earnings and growth. A long term approach is taken as the manager believes the longer the investment horizon, the less likely it is to be priced in by other market participants.

A unique difference that sets this fund apart is the fund's remuneration scheme, which ensures that the analysts, and portfolio managers, are invested into the same funds as investors, wholly aligning both stakeholders' interests.

Portfolio allocations are "conviction-based" which may result in the fund's portfolio differing significantly from its benchmark, the MSCI AC Asia Pacific ex Japan Index. Investors seeking a more defensive strategy encompassing the First State Dividend Advantage may consider the First State Bridge, which offers exposure to the same underlying equity strategy (both the First State Dividend Advantage and First State Bridge feed into the First State Asian Equity Plus Fund), with the inclusion of investment grade Asian fixed income exposure.

ASIA PACIFIC EX-JAPAN EQUITY
CORE PORTFOLIO – EQUITY

# Threadneedle (Lux) Asia Contrarian

2019 | 2018

### KEY FEATURES

- Contrarian views have served the investment team well, given that it was the strongest overall performer in both cumulative and calendar year periods across five years
- Growth oriented and focused on companies with potential for long-term sustainable growth and returns
- Suitable for investors who would like an actively-managed fund manager that seeks to exploit market inefficiencies with a focus on investments for the long-term

### OUR COMMENTS

For the Asia Pacific Ex Japan category, Threadneedle makes its second appearance into our Recommended Funds List since debuting in 2018. One of the fund's highlights is its ability to outperform its peers – ranking first, second, and third across three cumulative performance periods (three years was used since the fund does not have a five-year track record). Its consistent stellar performance, however, comes at the expense of slightly higher risk, registering a three-year maximum drawdown of -26.3%, slightly above the -25.3% peer average. Three-year downside deviation was also marginally higher than its peer average.

The investment team seeks out high quality and sustainable businesses priced at attractive valuations due to market inefficiencies, or long-term mispricing. Their investment style consists of taking on views contrarian to the markets, believing that any volatility derived from market pessimism can be an advantageous point to either initiate a new position or build upon an existing position, so long as the fundamentals of their investments remain robust. Therefore the fund's slightly elevated risk profile is a function of its investment process of taking advantage of short-term market volatility for extra returns.

As a benchmark agnostic fund (benchmark is MSCI AC Asia Pacific Ex Japan Index), the fund seeks to hold 40-60 stocks at any one time, with tracking error typically within the range of 3% to 8% (ex ante). As of end-March 2019, the fund has 51 securities, highlighting its high conviction and concentrated investment style. Investors looking for an aggressive Asia Pacific ex Japan equity strategy that can exploit short-term opportunities should consider this fund, given its focus on long-term investment horizon and strong outperformance relative to its peers.

EUROPE
CORE PORTFOLIO – EQUITY

# Fidelity European Dynamic Growth

2019

### KEY FEATURES

- Fund performance backed by robust risk management
- Quality growth bias; the manager seeks to invest companies with secular growth opportunities irrespective of macroeconomic conditions
- Fund is not benchmark constrained and hence will appeal to investors seeking an actively managed strategy

### OUR COMMENTS

This would be the first time Fidelity European Dynamic Growth equity fund is appearing on our recommended funds list, a fund that stood out for its strong risk-adjusted returns. Since end-March 2014, the fund has returned investors an annualised 7.9% per year, representing 600 basis points higher the peer average in SGD terms.

Its calendar year performance has also seen it rank among the top quartile consistently over the past five years, highlighting the efficacy of the manager's philosophy. Risk wise, the fund has a higher maximum drawdown but lower downside deviation. This means that during normal market conditions, the fund tends to be less volatile on the downside (peer average of 8.4% versus fund's 7.7%), but can see higher drawdowns during periods of market upheavals (peer average of -20.8% versus fund's -25.8%), based on what the data from the last three years suggest.

Much of the fund's strong performance is a result of its growth-bias philosophy, which seeks to generate alpha via the mispricing of companies that are overlooked for their growth duration, unrecognised growth, or growth surprises potentials. Overall the fund is benchmark agnostic when it comes to constructing its portfolio as seen from its high level of active money (88%) and high conviction approach (of 52 holdings) as of end March 2019. For the purpose of benchmarking, however, the MSCI Europe (N) Index is the index of choice.

The strong long-term track record of the fund will appeal to investors who seek growth-style investing in the deep European equity universe. As the fund manager has an investment horizon of between three to five years when initiating a position in the portfolio, investors are likewise encouraged to adopt the same time frame or longer when investing in the fund.

EUROPE (SMALLER COMPANIES)
CORE PORTFOLIO – EQUITY

# Threadneedle (Lux) Pan European Small Cap Opportunities

2019 | 2018 | 2017 | 2015 | 2014 | 2013

### KEY FEATURES

- Provides fairly diversified small-cap European equity exposure
- Fundamental bottom-up stock-picking approach, which has seen the fund deliver strong outperformance over its benchmark
- Suitable as a complement to existing large-cap European equity exposure within the portfolio, which can provide an additional driver of overall returns

### OUR COMMENTS

Top spot for the niche category of Europe small-cap equity for 2019 once again goes to Threadneedle (Lux) Pan European Small Cap Opportunities. The fund invests in the equities of smaller-capitalised companies in the region of Europe including the UK, preferring companies that are quality and growth oriented.

The strategy ranked top in both performance and risk metrics, generating an annualised return of 11.9% from end-March 2014 to end-March 2019, higher than the peer average's 3.9%, and ranking first and second in multiple occasions over the last three years. It also ranked highly across various calendar year periods, illustrating its consistency.

While maintaining its consistent outperformance, the fund also recorded slightly better risk metrics than many of its peers. Its three-year maximum drawdown and downside deviation came in at -22.0% and 9.2%, versus the peer average of -22.5% and 10.1% respectively.

Fundamental stock picking drives the fund's overall sector and geographic weightings and does not rely on top-down views in constructing its portfolio. As part of the investment team's analytical process, they utilise Porter's Five Forces framework to evaluate companies' business models and pricing power.

Valuations factors, alongside current thematic and economic views are also considered when picking suitable candidates. For performance comparisons, fund performance is benchmarked against the Euromoney Smaller Pan European Index, however, it is unconstrained and may take off-benchmark positions at times. The portfolio is expected to have between 80 to 100 holdings at any one point of time. As of the end of March 2019, the fund has 83 holdings in its portfolio.

The fund would be suitable for investors who are fans of bottom-up stock picking, and would like to complement their existing larger-cap European equity fund holdings with exposure to smaller companies. Investors should note that the SGD-hedged class of the strategy is also available on the platform, providing investors with a means of expressing a negative view on the EUR vis-à-vis the SGD.

JAPAN
CORE PORTFOLIO – EQUITY

# JPMorgan Funds – Japan Equity Fund

2019 | 2018

### KEY FEATURES

- Top performing Japanese fund across a five-year cumulative period with strong risk management capabilities
- Primarily bottom-up stock pickers, with a preference for companies that exhibit sustainable earnings and long-term growth potential
- Highly active manager and is benchmark unconstrained; best suited for individuals who are happy to align their investment horizon with the long-term approach of the manager

### OUR COMMENTS

JPMorgan Funds – Japan Equity Fund retains its spot under the Japanese core-equity category of our list. Like the previous year, we selected the fund for its strong performance alongside its exceptional risk metrics relative to its peers. We appreciate the fund's strong and consistent annualised returns of 10.5% across the past five years, besting the peer average of 6.9%. Its performance across individual calendar year is also commendable as it came in second place in four out of five years.

In recent times, the fund's has generated higher downside volatility (of 11.2%) than its peer average (of 8.8%) while its three-year maximum drawdown has deteriorated slightly to be in line with the peer average of -22.5%. Given the fund's tendency to be aggressively positioned, we think this is an acceptable trade-off for the fund's ability to generate much higher returns.

The investment approach of the fund rests on the belief that a company's valuation is driven by the sustainability of its earnings, and its ability to grow them in the future. Therefore, the team relies on bottom-up research to identify companies with undervalued earnings growth potential.

Good companies at attractive valuations are usually hard to come by, and therefore the fund prefers to hold a fairly high conviction portfolio of 54 securities as of end-March 2019. While the fund is benchmarked to the TOPIX Index (USD hedged), it is largely benchmark agnostic when it comes to portfolio construction. This product is highly suited for investors who want to invest in Japan for the long-term, via a fund manager that has proven to outperform without taking on excessive risks.

JAPAN (SMALLER COMPANIES)
CORE PORTFOLIO – EQUITY

# United Japan Small and Mid Cap Fund

2019 | 2018

### KEY FEATURES

- Managed with a heavy bias towards small and mid-caps
- Growth oriented and highly diversified
- Suitable for investors seeking to exploit inefficiencies in the Japanese equity market via an actively-managed strategy; may complement your existing large-cap Japanese equity exposure

### OUR COMMENTS

United Japan Small and Mid Cap Fund makes another appearance under the Japanese small and mid cap category of the recommended funds list, after its debut in 2018. As its name suggests, the fund invests in small and medium capitalised corporations listed in the Japanese equity markets.

Over a three-year cumulative performance period, the fund outstripped its peers, returning investors a stunning annualised 13.5%, versus the peer average of 8.9%. Unsurprisingly, the strategy's strong showing was also reflected in its calendar year performance.

The fund manager relies purely on bottom-up research in selecting their stocks, and holds the stocks for an average of five years, underscoring the team's long-term investment horizon and focus on companies with strong earnings growth potential, regardless of economic, currency and geopolitical conditions surrounding Japanese companies. Besides outperforming its peers, the fund has also outpaced its benchmark, the MSCI Japan SMID Cap Index. As a highly diversified strategy, the fund consists of 81 securities in the portfolio as of end-March 2018.

Top 10 holdings currently constitute a mere 16.7% of total funds, with no single security investment exceeding 2.0%. The utilisation of a diversified strategy (84 holdings as of end March 2019) should help the fund in mitigating volatility that is commonplace in the targeted market capitalisation space it seeks to invest. Ranking first for both lowest downside deviation (8.8%) and three year maximum drawdown (-21.5%) metrics, the fund has shown more resilience than most of its peer.

The fund's three portfolio managers have worked together for more than 15 years, and have developed strong synergy with one another in navigating this segment of the Japanese equity market. The fund would thus be suitable for investors seeking an actively-managed Japanese equity fund with a tilt towards the small- and mid-cap space; the fund would also be a good complement for existing large-cap Japanese equity exposure. The fund comes in three share classes, namely the SGD, SGD-H and USD, providing investors with means of expressing their views on the JPY vis-à-vis the SGD or USD.

GLOBAL EMERGING MARKETS
CORE PORTFOLIO – EQUITY

# BlackRock Emerging Markets Equity Income Fund

2019

### KEY FEATURES

- Ranked highly in performance and overall risk management
- Income-focused approach means lower downside deviation
- Suitable for investors with lower risk appetite seeking EM exposure

### OUR COMMENTS

The BlackRock Emerging Markets Equity Income fund makes its debut as our recommended fund for the global emerging markets category. Although it fell short to the JPMorgan Emerging Markets Equity fund as the top-performing fund in this category based on a 5-year period, the fund achieved notable cumulative returns (34.6%) with the lowest downside deviation (5.0%) and maximum drawdown (-16.6%) in the past five years.

The investment team employ a combination of bottom-up and fundamental analysis alongside top-down macroeconomic country allocation views, as selecting the right countries in which to invest within the emerging markets universe is key to driving returns, given that many countries across the emerging markets are at different stages of macroeconomic cycles. Their stock selection process goes through multiple stages to finally arrive at quality choices which deliver alpha. The fund is primarily focused on firms that provide high dividend yield, followed by firms with long term dividend and capital growth. A small portion is allocated to firms that have rapid near-term growth opportunities.

Although benchmarked to the MSCI Emerging Markets Net Total Return Index, the fund is unconstrained, and does not take guidance from the index when constructing its portfolio. The fund usually holds 50-80 positions in its portfolio, highlighting its conviction based and concentrated approach when investing in GEM. This fund would be suitable for investors seeking for income and lower volatility in the GEM space.

GLOBAL
CORE PORTFOLIO – EQUITY

# Nikko AM Shenton Global Opportunities Fund

2019 | 2018

### KEY FEATURES

- Ranked highly in performance with decent risk metrics
- Growth and quality oriented; managers are high conviction bottom-up stock pickers focused on companies that can deliver growth in future cash flows and long-term sustainability
- Suitable for investors seeking a dynamic and aggressive fund that has a long-term track record of outperforming its benchmark

### OUR COMMENTS

Nikko AM Shenton Global retains its spot on the recommended funds list for 2019 after its debut in the previous year. We continue to recommend this fund under the global equity category for its strong performance over the past five years. In this period the fund managed an annualised return of 9.9%, outperforming the peer average of 7.9%. Same goes for the fund's calendar year returns in which it has been a strong and consistent outperformer relative to many peers.

Compared to other global equity funds, the fund's downside volatility and drawdowns have been on the higher end (of 7.0% and -17.5%) within the category averages (of 6.8% and -16.5% respectively) over the past few years. Despite so, we do not think it as thoughtless on our part to recommend this fund as the fund continues to post one of the best risk-adjusted returns and we believe volatility is the price to pay for market-beating returns.

The fund manager's investment philosophy is centred on the search for companies with growth and quality characteristics, particularly, those with potentially strong growth in future cash flows and long-term sustainability, that have yet to be reflected in their current share prices. In portfolio construction, the investment manager segments it into various prospects under three main buckets of cyclicals, defensives, and sensitive companies.

As firm believers of bottom-up stock picking, the fund believes that high conviction investment ideas are best reflected in a concentrated portfolio. Thus, the fund aims to hold anywhere from 40-50 securities in their portfolio with a high active share ratio. The investment manager is benchmark (MSCI World Free Index Net Total Return) agnostic, indicating that the fund may at any time, take on off-benchmark names in the portfolio and thus investors should only view the benchmark for risk management and performance appraisal purposes.

As of 31 March 2019, the fund held 40 stocks in its portfolio, underscoring the highly concentrated style adopted by the investment managers in driving returns from their high conviction stock ideas. This fund is highly suitable for those looking for an actively managed bottom-up global equity fund that has a track record in translating high conviction stock ideas into strong portfolio performance.

US
CORE PORTFOLIO – EQUITY

# Legg Mason ClearBridge US Large Cap Growth Fund

2019 | 2018

### KEY FEATURES

- Consistent long-term performance and good risk management shaped by a long-term investing horizon
- Growth oriented and bottom-up stock pickers; portfolio is constructed with companies across a spectrum of growth rates and valuations
- Fund will appeal to investors who want a balanced approach in investing into US equity markets

### OUR COMMENTS

For the US equity category, Legg Mason ClearBridge US Large Cap Growth Fund remains our choice for 2019 due to its stellar long-term outperformance and strong risk metrics relative to its benchmark and peers. From end-March 2014 to end-March 2019, the fund managed an annualised return of 14.4% versus the peer average of 8.8% as it has consistently brought in consistent top performance across calendar year periods.

The fund's good performance does not come at the expense of excessive risk taking. Relatively speaking, the fund's three-year maximum drawdown and downside deviation is line with the peer average (of -19.7% and 8.1% respectively.

The fund's strong risk-adjusted returns, in our opinion, is likely the product of the fund's unique approach of allocating funds into three main buckets categorised under select, stable and cyclical stocks. Companies under these buckets have differing valuations and growth characteristics, allowing the fund to diversify and capture a spectrum of growth opportunities across the large cap US equity space.

As an actively managed fund, the overall portfolio exhibits little overlap in terms of holdings with its benchmark, the Russell 1000 Growth Index. Therefore the benchmark's and portfolio's performances are likely to differ.

For exposure to the US equity markets, investors seeking a high conviction bottom-up stock picker with a demonstrated history of outperforming its peers in both risk and performance should definitely consider this fund for inclusion into their portfolios.

US (SMALLER COMPANIES)
CORE PORTFOLIO – EQUITY

# JPMorgan Funds – US Small Cap Growth Fund

2019

### KEY FEATURES

- Diversified portfolio with high tracking error
- Strong track record; suitable as a complement to existing large-cap US equity exposure
- Suited for investors seeking companies with durable business capable of achieving sustained growth

### OUR COMMENTS

JPMorgan Funds – US Small Cap Growth Fund makes it's first-ever appearance on our recommended funds list for the niche category of US small-cap equity. We chose this fund for its performance relative to its peers and its decent risk management capability. The fund returned investors an annualised 11.5% over the past five years, versus the peer average of a mere 6.0%. Calendar returns for the fund was also stellar, obtaining top spot for two out of five years.

Given the rather volatile small and mid-cap equity market, we think the fund has performed decently well in the context of its strong returns. The fund's maximum drawdown (-28.3%) and downside deviation (10.7%) over the past three years is just shy of the peer average of -27.3% and 10.3% respectively.

The investment team is not strict in the boundaries of their benchmark defining their investment universe. For risk and performance benchmarking purposes, however, the fund is benchmarked to the Russell 2000 Growth Index (Total Return Net of 30% withholding tax) and aims to maintain a diversified portfolio of between 80 to 130 holdings.

Given the wide variety of small cap opportunities, and risks associated with this asset class, the fund prefers to keep the individual sizing of securities small, in the range of 1% to 3% based on their expected risk-adjusted return of their stock picks.

Overall, we like the fund's overweight exposure to consumption and IT related sectors and industries that currently exhibit secular growth opportunities, and underweight to cyclical sectors (e.g. Financials) that tend to be affected by macroeconomic conditions. This fund may serve as a good complement to an existing US large-cap equity exposure given that it is more domestically focused, which presents a different sort of exposure to US markets.

EMERGING EUROPE EQUITY

SUPPLEMENTARY PORTFOLIO – REGIONAL EQUITY

# Schroder ISF - Emerging Europe

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009

### KEY FEATURES

- Ranked first for both risk management and performance, consistent track record
- Displayed strong risk management capabilities during difficult market environments
- Suitable for investors seeking more targeted exposure to the Emerging Europe sub-region, or prefer a more diversified approach to investing in Russian equities without being overly exposed to the energy sector

### OUR COMMENTS

The Schroder ISF – Emerging Europe is once again our choice for the regional equity category of Emerging Europe. The fund is highly consistent and generated strong performance over the past five years and across all cumulative performance periods which led it to rank first relative to its peers. While managing to outperform its peers, the fund has not sacrificed on its overall risk management, coming in first in its downside deviation over the past three years (7.1%), beating its peer average of 7.8%. Similarly, the fund has the lowest three-year maximum drawdown of -18.3% as compared to the peer average of -21.4%.

The fund's strong risk management capabilities is attributed to its approach to investing. The manager uses fundamental bottom-up stock selection to drive alpha generation while complementing it with top-down views on country allocation. As various emerging market differ in their stage of development and economic cycle, the manager opted not to adopt a systematic style bias towards investing. The fund's focus on larger cap companies, in particular on the largest companies in the industry, has helped to reduce overall portfolio volatility. Moreover, the fund also runs an underweight position on sectors such as energy and materials, which can be susceptible to swings in commodity prices. Its largest sector exposure is to the financials, comprising 35.7% of the entire portfolio (overweight).

With the ability to deviate in weightings for individual sectors relative to its benchmark, the fund seeks to be diversified across a range of countries in the region. However, the Emerging Europe sub-regional market is expected to be more volatile than global or developed regional equity markets. As of end-March 2019, 55.1% of the fund was invested in Russian equities, 13.7% in Polish equities and 10.1% in Turkish equities, representing significant concentration risks to these three countries in the portfolio.

The fund will appeal to investors who want more targeted exposure to the Emerging Europe sub-region within their overall emerging market exposure, or want a more diversified approach to investing in Russian equities without too much exposure to the energy sector.

GREATER CHINA EQUITY

SUPPLEMENTARY PORTFOLIO – REGIONAL EQUITY

# Schroder ISF – Greater China Equity

2019

### KEY FEATURES

- Regarded highly for its strong risk-adjusted returns
- Active and unconstrained investment approach with the flexibility to deviate from reference benchmark
- Fund will appeal to investors seeking strong, consistent long-term performance when investing in the Greater China region

### OUR COMMENTS

Schroder ISF – Greater China Equity dethrones our long-time incumbent for the Greater China equity category, First State Regional China Fund, having shown its prowess in generating returns and mitigating downside risks.

Over the past five years, the fund posted an annualised return of 12.2%, besting the peer average of 10.4%. Calendar year returns wise, the fund often posted a top quartile performance against its peers, ranking first in three out of five years. Its loss mitigating ability is also stellar, based on its -20.4% maximum drawdown and 7.7% downside deviation across the past three years, as compared to the peer average of -24.9% and 8.3% respectively.

A big part of the fund's success may be attributed to its robust bottom-up research driven investment process and the flexibility to exercise those views in a less constrained manner that the fund managers have high convictions in. The team believes that long-term alpha generation is not via market timing, momentum-driven plays, or technical analysis, but rather, through an in-depth understanding of the companies they invest in, many of which exhibit quality or under-valued characteristics. Overall, the fund does not engage in excessive trading as seen from its average turnover ratio of 63% over the past three years.

Consisting of China, Hong Kong and Taiwan, the fund's focus on the Greater China region offers a more diversified investment scope compared to a single-country China equity fund. Investors seeking exposure to this region may consider this fund for its strong risk-adjusted returns and fundamentals driven investment approach.

LATIN AMERICA EQUITY
SUPPLEMENTARY PORTFOLIO – REGIONAL EQUITY

# PineBridge Latin America Equity Fund

2019 | 2018

### KEY FEATURES

- Ranked highly for strong performance and risk metrics
- Suitable for those who seek strong active returns without adding unnecessary risk when investing in Latin America
- May be used in conjunction with other regional/sub-regional equity funds for more diversified exposure to global emerging market equities

### OUR COMMENTS

Our recommended fund for the Latin America equity category made its debut in 2018. Once again our choice for this category, the PineBridge Latin America Equity Fund, which has performed admirably against its peers, and has been consistent across various calendar periods. The fund has been able to manage an annualised return of 1.2% over the last five years, one of the highest amongst its peers, versus the peer average of -0.4%.

The fund has also consistently performed well on various calendar year periods. A distinguished part of the fund's strength can be attributed to its risk management capabilities. Relative its peers, the fund posted the lowest three-year downside deviation of 11.4%, considerably lower than the average of 12.9%. The fund's greater allocation to Financials, Consumer Staples and Discretionary, which are more exposed to domestic economic growth, and fewer allocation to energy and materials, which are highly dependent on movements in commodity prices, helps mitigate volatility in asset prices.

Managers of the fund are benchmark-agnostic when it comes to stock selection, as they believe alpha opportunities tend to be limited when the investment universe is restricted to the MSCI EM Latin America DTR Net Index. With 53 stocks in the portfolio as of 31 March 2019, the fund exhibits a high conviction approach to investing, with top 10 holdings constituting 50.9% of the fund's portfolio.

Latin America is a major sub-regional market within the global emerging markets space and Brazil constitutes the largest component of the MSCI EM Latin America index. As such, the fund has significant country concentration within the portfolio with 62.3% and 20.3% of its assets in Brazilian and Mexican equities respectively (as of end-March 2019). For investors seeking a more targeted investment to supplement their global emerging market equity allocation, PineBridge Latin America Equity Fund is a suitable candidate. While the fund is denominated in USD, investors will be exposed to multiple Latin American currencies, predominantly the Brazilian Real and the Mexican Peso.

CHINA EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# Fidelity Funds – China Focus Fund

2019 | 2018 | 2012 | 2009

### KEY FEATURES

- One of the best performing funds, consistent risk-adjusted performance and fairly resilient during market volatility
- Deep value investor who likes to seek out quality stocks trading at attractive valuations that are out-of-favour due to short-term macroeconomic or company-specific reasons
- Provides exposure to both on and off-shore China equities

### OUR COMMENTS

Fidelity Funds – China Focus Equity Fund continues its reign as our recommended Chinese equity fund for 2019. Fidelity has the second strongest five-year cumulative performance out of all its peers , and was resilient during periods of market turmoil (e.g. 2014 to 2015), returning investors 6.0% during that period when the peer average was a mere 1.6%. In the more recent downturn of 2018, the fund was the best performer, returning -10.5% while its peers averaged -15.8%. The level of risk taken by the fund was also not excessive; the fund's three-year maximum drawdown (of 22.8%) and downside deviation (of 7.8%) all came in much lower than its peers, compared to the peer average of 40.6% and 9.1% respectively, underscoring the fund's strong risk-adjusted returns.

Fundamentally a bottom-up stock picker, the manager aims to exploit mispriced opportunities and avoid growth traps within the Chinese market in generating long-term value. Primarily a contrarian manager, the fund's style can be characterised as deep value and quality as it generally avoids growth traps (e.g. overweighting growth firms). The manager prefers out-of-favour businesses that can generate durable earnings, or businesses that have long-term positive secular trends ignored by market participants. Aside from quantitative screens, corporate governance is one key qualitative areas the investment team looks at when deciding on conviction for their stock picks.

While benchmark aware, the fund is not beholden to buy lists or market index holdings. As of end-March 2019, the fund's top 10 holdings constitute 47.3% of total funds, underscoring the manager's high-conviction approach, whilst still maintaining some form of diversification. As a fund that takes into account the impact of policy changes in the medium-to-longer term, such as China's gradual liberalisation of its capital markets, this strategy may add value to investors who desire an actively-managed strategy for capturing opportunities in the Chinese equity markets.

INDIA EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# First State Global Growth Funds – Regional India

2019 | 2018 | 2017 | 2016 | 2011

### KEY FEATURES

- Top performing fund over cumulative five-year and four-year periods, consistent performer
- Impressive risk metrics, ranked first in overall risk management
- Suitable for those who seek strong active returns when investing in the Indian equity market

### OUR COMMENTS

The First State Regional India fund returns and clinches its top spot for the fourth year running and is our Recommended Fund 2019 for Indian equities. Across all periods since 2014, the fund ranked first in its cumulative performance, outperforming its peers with a five-year annualised returns of 15.4% (versus the peer average of 11.1%). The fund's performance has also been relatively consistent, ranking highly on various calendar year periods. While managing this superior track record, the fund also ranked first in its peer category for overall risk metrics, recording a three year maximum drawdown of -19.1%, decently lower than the peer average of -21.6%. Amongst its peers, the fund's three-year downside deviation was the second lowest at 8.1%, comparing favourably with the peer average of 9.3%!

In its portfolio construction, the fund adopts a "bottom-up" approach that begins with a thorough analysis of individual companies, identifying quality companies exhibiting good growth potential, and are undervalued when relatively measured against a range of valuation metrics. The investment team pays close attention to the quality of management and balance sheet strength when assessing individual companies. As conviction-based stock pickers, the team does not attempt to make a top-down view, instead focus on investing in quality companies that can deliver sustainable returns, regardless how the broader economy is faring. While the fund's performance is benchmarked to the MSCI India Index, the managers have communicated that the portfolio construction process is benchmark-agnostic, without any tracking error targeted.

With its resilience and strong active management capabilities as well as its relatively concentrated investment focus, the fund is suitable for investors looking for dedicated exposure to the Indian equity market. While the fund is denominated in SGD, investors should note that currency exposure will be largely to the Indian rupee (INR) when investing in the fund.

INDONESIA EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# JPMorgan Funds – Indonesia Equity Fund

2019 | 2018 | 2017

### KEY FEATURES

- Ranked highly over cumulative performance periods
- Bottom-up approach in seeking out opportunities in Indonesia
- Suitable for those who seek a relatively concentrated approach when investing in the Indonesian equity market

### OUR COMMENTS

For the third year in a row, taking the place of Indonesia Equity on our Recommended Funds List is JPMorgan Asset Management's JPMorgan Funds – Indonesia Equity Fund. From the end of March 2014 to end-March 2019, the fund has posted a 3.2% annualised return (versus peer average of 1.2%), taking the top place for all cumulative performance periods.

In terms of overall risk management, a higher level of risk was taken by the fund to achieve stronger performance. Its five-year maximum drawdowns came in marginally higher than the peer average (-27.4% versus peer average of -26.6%). In addition, its downside deviation has improved, coming in at 8.6% below peer average of 8.8%.

The investment managers adopt a bottom-up approach in finding suitable candidates for the portfolio while also considering the domestic business dynamics and qualitative factors. The analysis process is supplemented by taking into account the macro environment, political dynamics as well as industry trends to assess the nature of opportunity. The fund will also invest across the entire spectrum of market capitalisation, allowing investors to capture various sorts of opportunities. The team is expected to hold between 20 and 50 stocks at any one point of time in the portfolio. Benchmarked to the MSCI Indonesia Index (Total Net Return), the investment manager is benchmark aware, but not constrained by it during portfolio construction.

The fund is suitable for investors who wants a multi-cap, bottom-up stock picking style of investing in the Indonesian equity market. Given its narrow investment focus, the fund should be part of an investor's supplementary portfolio; more conservative investors may wish to seek more diversified exposure via a South East Asian focused equity fund or through an Asia ex-Japan equity fund. While the fund is denominated in SGD, investors should note that currency exposure will be largely to the Indonesian Rupiah (IDR) when investing in the fund.

MALAYSIA EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# Fidelity Malaysia Equity Fund

2019

**KEY FEATURES**

- Top performing fund over cumulative five-year period, consistent long-term performance
- Exploits mispricing opportunities through fundamental analysis with a 3 to 5 years horizon
- High conviction and growth oriented portfolio suitable for those seeking strong active returns

## OUR COMMENTS

Fidelity Malaysia Equity Fund is our top pick for the Malaysian equity category of our recommended funds list. Being its debut on the list, we chose this fund for its strong relative returns as well as risk management. Local investors of Malaysian equities have not seen strong returns largely due to the currency depreciation of the MYR vis-à-vis the SGD. While the peer group averaged an annualised return of -2.6% over the past three years, the fund returned investors 0.7% per annum which is 190 basis points above its peers.

It also ranks highly in calendar year returns, taking top spot two out of five years, largely due to its strong risk management capability. Against its peer group, the fund generated the lowest drawdown (-13.2% versus -19.4%) and downside deviation (6.5% versus 7.8%) over the past three years, highlighting that good risk management can be a good contributor to overall returns.

The fund manager is a bottom-up stock picker and constructs the portfolio on an individual stock basis. Generally the fund does not have any systematic bias in the management of the portfolio, however, the fund manager's investment approach tends to result in the portfolio having a value tilt. The fund manager aims to identify and invest in 40-60 stocks, outlining a fairly concentrated approach to investing in the Malaysian equity market. We encourage investors to limit their investments in this fund to the supplementary portion of their portfolio, given the concentrated exposure and mandate of the fund.

RUSSIA EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# Parvest Equity Russia

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011

**KEY FEATURES**

- Top performing fund over multiple cumulative performance periods
- Active management that takes overall market environment into consideration
- Russian equities have tended to be fairly volatile; less aggressive investors could look towards a more diversified Emerging Europe equity fund

## OUR COMMENTS

For the ninth consecutive year, Parvest Equity Russia from BNP Paribas Asset Management retains its spot on our Recommended Funds List for the single country equity category of Russia. Ranking first over its two-year, three-year and five-year cumulative performance periods, the fund has posted a 6.2% five-year annualised return (as of end-March 2019), beating its peer average of 5.4%.

The Russian stock index is heavily represented by energy companies. As such, the Russian equity market is highly susceptible to the movement of energy prices, which tends to be fairly volatile. Nonetheless, the fund managed to outperform its peers with its consistent performance without sacrificing on overall risk management. It posted one of the lowest downside deviation at 7.9% (against peer average of 8.0%) over the past three years. As it was underweight the energy and material sector as compared to its benchmark, it was able to maintain lower volatility relative to its peers and benchmark, especially when commodities faced significant swing in prices.

The fund's portfolio is relatively concentrated, consisting primarily of benchmark stocks of typically larger capitalisation to provide liquidity and stability, alongside an allocation to off-benchmark stocks (dependent on liquidity and float) to generate additional alpha. As of end-March 2019, the fund held 39 holdings in its portfolio. During a normal market environment, the fund is focused on investing in growth biased companies, while preferring stronger "value" propositions during periods of risk aversion, having consistently shown a willingness to shift towards a defensive stance during periods of volatility. For example, the fund underweighted financials and growth companies during a tumultuous period for Russian equities back in 2014.

Given its narrow investment and concentrated focus, the fund should be part of an investor's supplementary portfolio and is more suitable for aggressive investors. Investors should also note that while the fund is denominated in EUR, currency exposure will be to the Russian Rouble (RUB) when investing in the fund.

SINGAPORE EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# Nikko AM Singapore Dividend Equity Fund

2019

### KEY FEATURES

- Consistent outperformance against peers, strong risk management metrics
- Benchmark and style agnostic, preferring to combine both top-down macroeconomic views with bottom-up fundamental research into its portfolio allocation
- Suitable for investors seeking a high conviction Singapore equity fund

### OUR COMMENTS

The Nikko AM Singapore Dividend Equity Fund takes the pole position within the Singapore equity category for the first time in 2019, with the combination of strong equity returns, consistency in performance and good risk management, leading to our recommendation. Ranked first for overall performance, the fund came is ranked second for its five-year cumulative performance, registering an annualised return of 5.1%, compared to the peer average of 4.0%. Similarly, its calendar year performance was also strong, being one of the few funds able to rank consistently high across the various periods. In terms of overall risk metrics, the fund ranks first among its peers, posting the lowest three year maximum drawdown of 23.0% (versus peer average of -24.5%), and one of the lowest three-year downside deviation in its category.

The investment team holds the belief that Asian markets are inefficient and individual stocks are prone to periodic mispricing, which they may exploit to deliver strong returns over the long term. The team behind the fund seek to deliver returns with a strong focus on dividends, via regularly screens for non-small-cap and liquid stocks that are overlooked. Stocks that pass through the screen are then analysed fundamentally to generate high conviction ideas that focus on sustainable dividend pay-outs, resilient business models and proven management. The fund is also benchmark agnostic as it aims to deliver total returns and not outperformance over a benchmark.

As of end-March 2019, the fund's current holdings of 45 stocks in the portfolio underscores its high conviction approach in investing within the Singapore equity markets. Investors may consider this fund if they are looking for high conviction managers focused on exploiting market inefficiencies and delivering capital growth. While currency risk is less of an issue given that underlying currency exposure is primarily to the Singapore Dollar (SGD), investors should be wary of the possibility of overconcentration risks when allocating exposure owing to any concurrent participation in the local stock market.

THAILAND EQUITY
SUPPLEMENTARY PORTFOLIO – SINGLE COUNTRY EQUITY

# FTIF – Templeton Thailand

2019

### KEY FEATURES

- Suited for investors who are value focused in the context of growth prospects, and have a longer-term investment horizon
- Benchmark agnostic fund with strong active returns
- Suitable for more targeted exposure to Thailand equities, as opposed to a more diversified Asia ex-Japan or South East Asian equity fund

### OUR COMMENTS

For the first time ever, FTIF – Templeton Thailand Equity Fund ascends to the top of our list for the Thailand equity category, given its track record of outperformance against its peers and benchmark. The performance of the fund over the past five years speaks for itself, as it returned investors an annualised return of 12.3% during this period. For calendar year returns, it also managed to come out on top over three out of five instances.

Mainly, the fund's approach is based on seeking out companies trading at the greatest discount to what the team thinks they are worth, despite these companies not looking cheap at first glance, relative to their history or peers. Nonetheless, the fund did not appear to take excessive risks based on its maximum drawdown and downside deviations of -14.0% and 7.0%, against the peer average of -14.7% and 7.3% respectively. We think the fund's risk-return profile is impressive, given the underlying market's expensive valuations and bouts of geopolitical instability which could contribute to higher market volatility.

The appropriate index for benchmarking the fund's performance is the MSCI Thailand Index. While the fund is benchmark aware, its portfolio construction process is not driven by it. Also, the fund manager seeks to create a portfolio of 60-70 companies, combining the potential of their best ideas with diversification benefits. Currently, the fund continues to favour sectors such as Consumer Services, Tourism, and Healthcare sectors as the manager believes Thailand remains competitive in these areas.

Those seeking a fund manager with a tested track record in investing in Thailand may consider this fund. Given its narrow investment focus, the fund should be part of an investor's supplementary portfolio; less aggressive investors may wish to seek exposure via a more diversified South East Asia focused equity fund.

GLOBAL FINANCIALS EQUITY
SUPPLEMENTARY PORTFOLIO – SECTORS

# Fidelity Funds – Global Financial Services Fund

2019 | 2018 | 2017 | 2016 | 2011 | 2010

## KEY FEATURES

- Consistent performer, ranking first over multiple cumulative performance periods
- Often seen as a cyclical sector, there are some secular growth opportunities in the form of Fintech and online payments
- Provides exposure to some of the largest global financial companies; limit exposure to supplementary portion of the portfolio

## OUR COMMENTS

Fidelity Global Financial Services Fund once again takes the top spot as our recommended fund for the Global Financials equity category. We like the fund's outperformance over both cumulative periods, return investors an annualised return of 6.2% versus the peer average of 5.7% over the past five years (from end-March 2014 to end-March 2019).

The fund's resilience in terms of downside deviation and maximum drawdowns of 7.9% and -21.6% slight edges out the peer average of 8.7% and -21.8% respectively, highlighting the risk management aspect of the fund's performance consistency.

The investment managers utilise a bottom-up research and analytical approach to find quality companies exhibiting strong potential, focusing on the fundamentals of the business (balance sheet assets, strength of franchise and management). The macro back-drop would also be assessed to establish the future operational and regulatory context for the various companies under consideration. Benchmarked to the MSCI AC World Financials Index, the fund is expected to be fairly diversified across geographies.

Since the Great Financial Crisis back in 2008-2009, financial institutions have witnessed various legal and regulatory changes, restructurings as well as adaptations to business models due to changing technological trends which present fresh investment opportunities.

While the banking sector today is structurally sound relative to previous years, financials continue to face headwinds in the form of low interest rates at this juncture. But over the long-term, we continue to expect rates to rise, in a situation where banks and financial institutions would be one of the biggest beneficiaries. Investors interested in this space are encouraged to limit this fund to the supplementary portion of their portfolios, due to the fund's concentrated mandate and exposure.

GLOBAL PROPERTY EQUITY
SUPPLEMENTARY PORTFOLIO – SECTORS

# Janus Henderson Global Property Equity Fund

2019 | 2018

## KEY FEATURES

- Primarily invests in property equities globally
- Strong cumulative and calendar year performance across various periods
- Largely exposed to real estate companies of developed markets

## OUR COMMENTS

Janus Henderson Global Property Equity Fund is our recommended global equity fund for 2019, retaining its spot given its strong overall performance and risk management across various cumulative and calendar year periods. The fund netted investors 7.9% over a five year cumulative period (from 31 March 2014 to 31 March 2019), representing a 120 basis point annualised outperformance over the peer average. It also ranks highly from a calendar year perspective as it consistently ranks among the top three among its peers.

Risk wise, the fund also outshines its peers as it posted the lowest three-year drawdown of -10.7% versus the peer average of -12.2%. Similarly the fund's downside deviation of 5.9% also trumps the peer's average of 6.4%.

The main objective of the fund is to seek long-term capital appreciation, by investing in listed equity securities of companies or Real Estate Investment Trusts (REITs) around the world, and is benchmarked against the FTSE EPRA/NAREIT Developed Index.

In the shorter term, subsiding headwinds of rising interest rate hikes should help garner interest back to the property sector, as rising interest rates eroding yields have often been the main concern of investors. With the business cycle maturing, the fund is selective and actively manages where it invests in. Currently the team sees value in longer-term structural growth trends in data centres, cell towers, gaming REITs and global logistics. In these areas, the team believes they can generate greater income and capital appreciation for the portfolio due to their strong pricing power and relatively low capex requirements.

As of end-March 2019, the fund has 50 holdings in its portfolio, and is largely exposed to real estate in developed markets. Due to the fund's mandate and exposure, interested investors are encouraged to limit this fund to the supplementary portion of their portfolios. Investors will have to take note that although the fund is denominated in SGD, the currency exposure will be to the various currencies of the different markets of the fund's underlying assets.

GLOBAL RESOURCES EQUITY
SUPPLEMENTARY PORTFOLIO – SECTORS

# JPMorgan Funds – Global Natural Resources Fund

2019 | 2018

### KEY FEATURES

- Strong and consistent long-term performance
- Higher volatility expected due to more focused investment mandate; allows one to gain exposure to the global resources value chain
- Performance has a strong positive correlation with commodity prices

### OUR COMMENTS

Under our global resource equity category on our recommended funds list, the JPMorgan Funds – Global Natural Resources fund is our pick for the second consecutive year. Investors interested in this volatile and niche market segment may appreciate the fund's superior performance over its peers.

For instance, the fund topped the peer average with an annualised return of 4.5% versus 1.3% over the past four years. It also ranks highly in calendar year periods, taking second spot in three out of five calendar year periods.

The fund's good performance can be partly explained by its strong risk management metrics. Its three-year downside deviation (of 9.0%) and maximum drawdown (of -21.9%) outstrips the peer average of 11.0% and -26.0%, highlighting its ability to navigate this highly volatile space more adeptly than others.

The fund manager's investment philosophy stems from the premise that commodity demand will continue to be driven by the ongoing transformational urbanisation process in emerging markets, which provides structural tailwinds for commodity prices. Given the favourable long-term backdrop, the fund manager seeks out companies that can grow production, and successfully replace depleting reserves, especially in tight commodities markets, as they are likely to enjoy strong profitability.

Its concentrated investment mandate may likely lead to higher levels of volatility as compared to a more diversified equity fund, and investors should be aware that the fund's performance is likely to have a positive correlation with the prices of commodities.

Additionally, the fund does not have meaningful exposure to the agriculture sector, mainly due to its benchmark which sees the fund focusing on energy, gold and precious metals, metals companies and coal-related companies. Due to the fund's mandate and exposure, interested investors are encouraged to limit this fund to the supplementary portion of their portfolios.

GLOBAL TECHNOLOGY EQUITY
SUPPLEMENTARY PORTFOLIO – SECTORS

# FTIF – Franklin Technology

2019

### KEY FEATURES

- Ranks first across various cumulative periods in terms of performance
- Employs a combination of top-down research on a sector basis, and bottom-up research at a company level
- Suitable for investors seeking an actively-managed strategy in the technology equity space

### OUR COMMENTS

2019 marks the first ever appearance on our recommended funds list for the FTIF – Franklin Technology equity fund. Across the various cumulative and calendar year periods under our consideration, the fund has managed a top quartile performance against its peers – no easy feat given the highly competitive backdrop.

On a cumulative basis, the strategy comfortably surpass its peers as it generated a five-year annualised return of 24.7% from end March 2014 to 2019, comparing favourably to the peer average (of 15.7%). In generating its strong performance, the fund does not sacrifice on its overall risk management, based on its three-year maximum drawdown of -23.1% and downside deviation of 8.1% (versus peer average of -21.1% and 8.4% respectively).

According to the fund manager's philosophy, the investment team believes that above average performance and below average risk is possible through a disciplined investment process founded on bottom-up research anchored by a long-term outlook. The investment process incorporates both bottom-up (company-specific) and top-down (sector and sub-sectors) research while taking consideration of broad based trends such as cloud computing, ecommerce and artificial intelligence, to name a few.

The performance of the fund is benchmarked against the MSCI AC World Information Technology Index but the strategy is benchmark agnostic, and does not significantly impact on the construction of the portfolio. Seeking to be sufficiently diversified holding between 60-80 securities, the fund's position sizes typically varies not more than 10% (for the higher conviction bets). Given the fund's mandate and focused exposure, interested investors are encouraged to limit this fund to the supplementary portion of their portfolios.

ASIA BONDS
CORE PORTFOLIO - BOND

# Allianz Flexi Asia Bond Fund (SGD-Hedged)

2019 | 2018

### KEY FEATURES

- Invests in both Asian sovereign and corporate debt, with the flexibility to invest in local currency issues
- Unconstrained mandate allows the fund to invest across the credit spectrum; including the non-investment grade credit space
- Currency exposure is actively managed and expected to be a driver of returns

### OUR COMMENTS

For 2019, we are retaining Allianz Flexi Asia Bond Fund on our recommended list for the Asian Bond category for the second time. Over the past five years, the fund has registered a cumulative total return of 15.7% over the past five years, slightly lower than the peer average. It ranks above the average in overall risk metrics such as in the three-year maximum drawdowns (-6.8%) and downside volatility (2.2%).

Aside from its decent performance and risk metrics, we particularly like this fund for its unconstrained mandate that allows it to allocate across the full credit spectrum (e.g. investment grade, high yield, sovereigns and corporates) as well as cash. The fund manager targets an overall investment grade credit rating for its portfolio although it may have some exposure to higher yielding credits. The portfolio's average credit quality is BBB-, and has 202 individual holdings.

The fund also has no geographic or country as well as sector constraints, allowing the managers to seek out opportunities wherever appropriate. Its unconstrained style in investing in Asian credits has seen the investment managers consequently not adopting a benchmark for the fund.

Other than hard-currency issues, the fund allows for tactical allocations to local currency bonds for diversification and additional sources of value-add. In terms of its duration profile, it is expected to be between zero and ten years, although it is currently biased to the longer side (relative to last year) of 4.07 years, as of end-March 2019. Duration is actively managed according to their top-down macro views and may be done through treasury futures.

Qualitative and quantitative analysis will be employed during the research process for selecting appropriate credits and constructing the portfolio, with the investment managers incorporating top-down macro research alongside bottom-up credit analysis. With regards to alternative sources of returns, currency (cash allocation) is expected to be a driver of returns, and such exposure is actively managed relative to the base currency (USD).

ASIA BONDS
CORE PORTFOLIO - BOND

# Nikko AM Shenton Asia Bond Fund

2019 | 2018 | 2017 | 2016 | 2015 | 2014

### KEY FEATURES

- Offers exposure to local currency Asian bonds
- Mostly invested in government bonds; bonds in the portfolio tend to be mostly investment-grade
- Strategy is managed from a SGD-perspective
- Recommended for investors who want exposure to Asian local currency bonds, and want to benefit from the potential appreciation of Asian currencies vis-à-vis the SGD

### OUR COMMENTS

Other than the Allianz Flexi Asia Bond Fund (SGD-Hedged), we also have a recommendation for the local currency Asian bond market on the recommended list of funds. For the sixth consecutive time, the Nikko AM Shenton Asia Bond Fund is our choice for the local currency market.

The fund is largely focused on local currency sovereign credits as seen from its benchmark, the Markit iBoxx Asian Local Bond Index (ALBI), which defines its investment universe. Nonetheless, it is noteworthy to mention that the fund manager has the ability to allocate up to 30% of portfolio assets in issues denominated in non-Asian currencies, or in regions beyond Asia Pacific ex Japan.

Due to the nature of the Asian local currency bond market, country selection, currency views, as well as duration management by the manager becomes crucial in order to generate returns. Hence, a combined top-down and bottom-up research process is employed by the manager. As of end-March 2019, the fund's largest country allocations are to South Korea, China, Singapore and Malaysia, with more than 70% of its assets in sovereign bonds. The fund's portfolio sports a yield of 3.84% with a duration profile of 7.2 years.

Currency is also expected to be a key return driver, with the fund's positioning overweighting the currencies of countries such as the MYR, INR and RMB, and underweighting currencies of countries such as Korea and Thailand at this current juncture.

Additionally, derivatives may be employed by the fund manager to achieve the intended currency exposure. Investors should note that the fund's underlying strategy is managed from a SGD-perspective, entailing a larger allocation to Asian currencies which the manager expects will appreciate vis-à-vis the SGD.

GLOBAL EMERGING MARKET BONDS
CORE PORTFOLIO - BOND

# Neuberger Berman – Emerging Market Debt Hard Currency Fund (SGD-Hedged)

2019 | 2018

### KEY FEATURES

- Investing across the emerging market debt universe; primarily focused on hard currency issues
- Focused on sovereign and quasi-sovereign debt, with minor exposure to corporate issues
- Product is suitable for investors desiring a well-diversified and actively-managed strategy

### OUR COMMENTS

For the category of 'Bonds – Global Emerging Markets', the Neuberger Berman Emerging Market Debt Hard Currency Fund retains its place on our recommended list for the second consecutive time. The fund was launched back in May 2013 and has decent performance with its original USD class since then. The fund has also scored decently on overall risk metrics in its ranking with its peers in this category.

The fund will invest across the emerging market debt universe, primarily focusing on hard currency issues. While the fund may invest in both sovereign and corporate bonds, sovereign and quasi-sovereign bonds will be the focus, with the portfolio typically having a minor exposure to corporate issues. The fund has no credit rating constraints. To fulfil the objective of seeking an attractive level of risk adjusted total return, the investment team employ a combination of top-down and bottom-up analytical research processes in order to find suitable issues and to construct the portfolio. The performance of the fund is benchmarked to the JPMorgan EMBI Global Diversified Index (USD). In terms of duration, the portfolio is expected to have duration exposure within a +/- 1 year range vis-à-vis the benchmark index.

As of end-March 2019, the fund has 320 different individual holdings, making it widely-diversified. The investment managers are overweight improving credits in Sri Lanka, Ivory Coast, Ghana, and the long-end of the Mexican curve. They are also positive on emerging markets such as Turkey and Argentina. Given that emerging markets worldwide are at various stages of the credit cycle coupled with varying macroeconomic backdrops, an actively-managed approach will be vital for navigating the space successfully for future investment performance. Managed by Neuberger Berman's in-house emerging markets debt ream, the fund is appropriate for investors desiring a well-diversified and actively-managed strategy for the global emerging market debt universe.

GLOBAL BONDS
CORE PORTFOLIO - BOND

# HSBC Global Investment Funds – Global High Income Bond Fund (SGD-Hedged)

2019 | 2018 | 2017 | 2016 | 2015

### KEY FEATURES

- Actively-managed bond allocation across a spectrum of investment and non-investment grade bonds
- Allows almost equal exposures to various bond market segments that include emerging markets, European and US debt
- Recommended for investors who desire a generic global bond fund which offers exposure to various bond classes within a single fund

### OUR COMMENTS

The HGIF Global High Income Bond fund from HSBC Global Asset Management continues to earn its place on our Recommended List for the global bond category. An investor of the fund would be granted one-stop access to various segments of the global fixed income markets, with the managers being able to seek out returns from across the entire fixed income spectrum.

The fund's performance is benchmarked against a customised benchmark: 35% Barclays Emerging Markets USD Aggregate Index, 20% Barclays Baa Corporate Index, 15% Barclays US High Yield Ba Index, 15% Barclays Euro-Aggregate Baa Index USD hedged and 15% Barclays Euro High Yield BB Index USD Hedged. 35% of the composite benchmark would thus be constituted of US investment and non-investment grade bonds, while another 35% would be constituted of USD-denominated emerging market bonds. The remaining 30% of the benchmark comprises of European investment and non-investment grade bonds. With the fund manager managing the fund against this composite benchmark within an internal tracking error budget, the fund would thus be exposed to somewhat equal weights to the debt markets of the US, Europe and Emerging Markets, as well as broad-based exposures to both the BBB and BB segments of the fixed income credit spectrum. The fund may also invest up to a maximum of 20% of its assets to mortgage-backed and asset-backed securities.

Similar to its customised benchmark, the fund is widely diversified as well, holding 801 securities in the portfolio (as of end-March 2019), which should help in lowering the overall volatility of the fund. The fund has an off-benchmark exposure to asset-backed securities on the basis of attractive relative valuation, which has helped to improve the overall yield profile of the fund. Additionally, approximately 80% of the ABS exposure is floating rate, which should help in lowering sensitivity to movements in risk-free rates and US government yields.

Investors would have to take note that although the fund will typically maintain an average credit rating that is investment grade, the managers may allocate the portfolio's assets to non-investment grade securities. With its broadly-diversified approach and almost equal allocations to the various bond market segments worldwide, the fund is recommended for investors who desire a generic fixed income fund which offers various bond classes within a single fund. The USD share class of the original strategy is also available in HGIF Glb High Income Bond AM USD.

GLOBAL BONDS
CORE PORTFOLIO - BOND

# BlackRock Global Funds – Fixed Income Global Opportunities Fund (SGD-Hedged)

2019 | 2018 | 2017 | 2016 | 2015

### KEY FEATURES

- Unconstrained, strategic mandate that allows the manager the flexibility to seek out opportunities across the entire spectrum of bond markets
- Fund has ability to venture into negative duration to cushion against rising interest rates
- SGD-hedged share class available; recommended for investors seeking a diversified and flexible global bond fund

### OUR COMMENTS

For the other product recommendation for the global bond category (apart from the HGIF Global High Income Bond Fund), the BGF Fixed Income Global Opportunities Fund from renowned asset manager BlackRock is once again our pick for the fifth consecutive year running on our recommended list.

Adopting an absolute return approach, the fund is an unconstrained strategic bond fund that could invest across the entire spectrum of fixed income assets in order to fulfil its investment objective. The fund managers have elected not to utilise a benchmark index as a result, which provides the flexibility to allocate and rotate across any segment or sector across the bond universe. A diversified approach will be adopted, with the managers aiming to ensure that no single trade or position dominates the risk-return profile of the fund. Additionally, the BGF Fixed Income Global Opportunities Fund has the ability to venture into negative duration as a result of the investment managers being able to sell short bond futures contracts. This ability essentially allows the managers to shield the overall portfolio against the risk of interest rates rising faster-than-expected. Investors should note that currency is also expected to be a driver of performance returns.

The investment team has been increasing their long US duration in 2018 as they believe that the Federal Reserve will move towards a pause in its rate hike programme. They have also recued their US investment grade credit exposure. They expect the global economy to remain in the late-cycle phase but avoid a recession in 2019, and they believe that the dovish tilt by major central banks like the European Central Bank (ECB) and the People's Bank of China (PBOC) provides a supportive backdrop for spread assets and the construction of a portfolio focused on income generating assets. The team has raised exposure to high quality investment grade credit in Europe and across Asia and view carry strategies to be well-suited in the current environment. Emerging market assets are owned tactically at this current juncture.

The absolute return nature of the fund's strategy means the SGD-hedged share class of the fund will be more appropriate for investors based in Singapore and investing with a SGD perspective. The USD share class of the original strategy is also available with: BlackRock Fixed Inc Global Opps A6 USD.

HIGH YIELD BONDS (ASIA)
CORE PORTFOLIO - BOND

# United Asian High Yield Bond Fund (SGD-Hedged)

2019

### KEY FEATURES

- Provides exposure to Asian high yield bonds; largely invested in non-investment grade (lower quality) corporate bonds which entail higher risk
- Managed with a focus on SGD-denominated issues, with SGD-hedged and USD share classes available
- Recommended for investors looking for exposure to a high-risk high-return segment of the fixed income market

### OUR COMMENTS

United Asian High Yield Bond Fund makes a debut on our recommended funds list for the category of Asian high yield bonds. Over the past five years, the fund has ranked first among its peers in the category in cumulative performance (as of end-March 2019). On a calendar year basis, the fund has ranked first relatively consistently over the past five years as well. In terms of risk metrics, the fund's track record has been decent within the peer category.

The fund is actively managed with a focus on yield at an acceptable risk premium. Its investment approach embodies two key principles when investing in the Asian High Yield space. Firstly, credit selection backed by bottom-up research that looks into credit quality, security structure and relative valuation are seen as a main source of return. This bottom-up process is also supplemented by top-down macroeconomic analysis that considers duration management, currency overlay, and country/sector allocation as secondary sources of returns.

While alpha is expected to be generated via duration and currency management, the fund manager guides that risk allocated to its US interest rate duration positioning should not dominate its relative performance. High yield is expected to form a majority of the portfolio (typically 60%-70%), and the fund manager may make tactical allocations (typically 30%-40%) into short term primary market trades, or investment-grade credits for added stability.

The benchmark for the fund is the JP Morgan Asia Credit Index Non-Investment Grade Index, and the fund is managed from a benchmark aware perspective. Investors should note that the Asian high yield bond segment tends to be fairly concentrated, with a large proportion of issuers coming from the Chinese real estate and the financial sectors.

Owing to the higher-risk, higher-yield nature of the Asian high yield credit market, the fund is thus recommended for investors seeking some of the strongest returns within the fixed income market whilst willing to undertake the higher risk associated with investing in the segment. The fund is managed with a focus on SGD-denominated issues, with the SGD-hedged and USD share classes also available.

HIGH YIELD BONDS (GLOBAL)
CORE PORTFOLIO - BOND

# Schroder ISF Global High Yield (SGD-Hedged)

2019 | 2018 | 2017 | 2016 | 2012

### KEY FEATURES

- Invested in global high yield bonds; primarily in US and European high yield bonds
- Managed from a USD-perspective, although SGD-hedged class reduces fluctuations between the USD and SGD
- Recommended for exposure to the global high yield space which tends to offer higher yields relative to safer segments, albeit with higher credit risk

### OUR COMMENTS

The Schroder ISF Global High Yield fund retains its place on our Recommended List of funds for the category of global high yield bonds for the fourth consecutive year running. Although a global high yield bond fund, the fund is tilted towards the Western developed credit markets, and is expected to have a sizable allocation to the US high yield debt market (which is the largest and deepest high yield market globally). The fund also holds a substantial amount of European non-investment grade credit, offering investors some exposure to the European credit markets.

While the performance of the fund is benchmarked against the Bloomberg Barclays Global High Yield ex CMBS ex EMG 2% Issuer Capped Bond Index USD-hedged, the investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of the benchmark index. The investment manager is focused more on credit quality as opposed to yield solely, and the fund generally does not invest in the lower tiers of the credit spectrum such as distressed debt despite having no specific ratings restrictions, implying a more conservative approach. The duration of the fund will typically be within +/- 1 year of the benchmark, and all non-USD issues are hedged back to the USD.

As of end-March 2019, the fund had 479 holdings, and is underweight both BB and B-rated issues (comprising a total 60.5% of the overall portfolio) relative to its benchmark index, and has off-benchmark exposure to AAA, AA and BBB-rated issues. The portfolio sports an effective duration of 3.39 years, with an effective yield of 6.50%.

The high yield bond segment provides some of the strongest returns within the global fixed income universe, but comes with commensurately higher risk. They tend to be more correlated to economic momentum rather than the overall direction of interest rates. While yields in developed markets are generally higher than levels seen for most of 2017, credit spreads remain relatively tight as risk-free rates have risen. Additionally, various parts of the world are at different stages of the credit cycle at this current juncture. Thus, in such a market environment, we believe that investors should opt for actively-managed strategies moving forward.

HIGH YIELD BONDS (US)
CORE PORTFOLIO - BOND

# Threadneedle (Lux) US High Yield Bond (SGD-Hedged)

2019 | 2018 | 2017 | 2016 | 2013 | 2012

### KEY FEATURES

- Primarily invested in US high yield corporate bonds; diversified across a fairly large number of issuers
- Focuses on credit selection, manager prefers independent ratings on securities
- Strategy managed from a USD-perspective, but SGD-hedged to minimise fluctuations of the USD against the SGD
- Recommended for investors seeking dedicated exposure to the US high yield bond market

### OUR COMMENTS

For the category of US high yield bonds, Columbia Threadneedle's (Lux) US High Yield Bond fund continues to be our recommendation for this segment for the fourth consecutive year. The investment manager historically tended to focus more on the higher rungs of the "junk bond" market, with securities rated CCC and below (deemed to be "extremely speculative" by credit rating agency S&P) usually forming a minor portion of the overall portfolio (9.1% of the portfolio, as of end-March 2019).

The manager employs a dynamic approach to investing, combining bottom-up and top-down analysis to uncover relative value opportunities in the broad high yield market. A proprietary risk and relative value rating system based on rigorous, in-house credit research helps position the portfolio based on the trade-off between risk and expected return. Bottom-up fundamental research typically contributes at least two-thirds of the alpha generated, and is crucial given that returns in the US high yield space are driven primarily by credit selection. The performance of the fund is benchmarked against the BofA Merrill Lynch US High Yield Cash Pay Constrained Index.

The fund is currently underweight CCC and BB-rated issues and overweight B-rated issues. On an industry basis, the fund is underweight traditional wireline telecom and broadcast media, and overweight cable, fiber-based enterprise telecom and towers. Overall yields have fallen as quickly as they have risen in late-2018, with credit spreads in the US non-investment grade debt market also falling just as quickly alongside yields. With valuations not particularly attractive coupled with the fact that the US is in the later stages of the credit cycle, an actively-managed strategy is thus crucial for navigating the current environment going forward.

Investors should note that while the fund is managed from a USD-perspective (the majority of the fund's holdings are mostly denominated in USD), the SGD-hedge provides an avenue for a minimisation of the fluctuations in the USD vis-à-vis the SGD. The fund is recommended for investors seeking dedicated exposure to the US high yield market; investors who want exposure to the USD may wish to consider the unhedged class of the strategy instead.

SINGAPORE-CENTRIC BONDS
CORE PORTFOLIO - BOND

# LionGlobal Short Duration Bond Fund

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002

## KEY FEATURES

- Previously known as the "LionGlobal Bond Fund", the change in name and mandate reflects a conscious shift towards a more defensive (lower duration) positioning
- Focuses on higher-quality global bonds with a tilt towards the domestic market, although not as highly-diversified as most global bond funds
- Managed from a SGD-perspective; the majority of securities held by the fund are SGD-denominated
- Recommended for investors seeking a lower-risk Singapore-centric bond fund with the flexibility to invest globally

## OUR COMMENTS

The LionGlobal Short Duration Bond Fund is once again our pick for the SGD-centric bond space on our Recommended List of Funds for 2019. The fund's continued focus on short duration exposure is pertinent in the current fixed income market environment, and its typical allocation range of 33% and 60% to Singapore bonds makes it fairly Singapore-centric. As of end-March 2019, 43.4% of the fund's geographic exposure is in Singapore.

The fund has been known to focus on corporate bond issues instead of sovereign debt issues and the investment manager has guided that credit exposure will predominantly be in investment-grade credits; with the fund's end-March 2019 average credit rating of BBB a reflection of the manager's intention and mandate. Although the Fed has paused on its normalisation of monetary policy at this current juncture, there are no plans to abandon the current normalisation phase yet, implying that duration management continues to be vital. The fund has maintained a defensive stance, with its portfolio's weighted duration at 2.11 years, positioning itself towards the shorter end of the yield curve.

Investors should note that currency positioning is unlikely to be a key driver of returns for the fund, given that the fund's portfolio currency exposure is primarily to the SGD. The investment manager is cognisant of currency risks when investing in non-SGD denominated bonds, and will seek to hedge currency exposure where appropriate. While managed against the 12-Month S$ Interbank Bid Rate, the fund actually adopts an "absolute return" approach which sees it target positive returns regardless of market conditions.

The fund's prudent duration management and focus on higher-quality bonds has aided its stability and resilience, earning it a continued recommendation for investors seeking a lower-risk Singapore-centric bond fund with the flexibility to invest globally. The fund also presents a diversified approach to investing directly in selected local company bonds; investors are likely to recognise many of the names within the fund's 10 largest holdings.

SINGAPORE-CENTRIC BONDS
CORE PORTFOLIO - BOND

# United SGD Fund

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011

## KEY FEATURES

- Seeks to beat SGD deposit rates; provides higher yields compared to most money market funds
- The fund can hold longer-maturity securities which the manager expects to be called within 3 years
- Managed from a SGD-perspective; manager tends to adopt a passive currency hedge for non-SGD denominated securities
- Recommended for investors who are seeking a reasonable level of yield but want to avoid taking on excessive interest rate risk

## OUR COMMENTS

UOB Asset Management's United SGD Fund continues to be our pick for the Singapore-Centric fixed income category on the Recommended List. The fund's focus on short duration exposure makes it a pertinent choice among the SGD-centric bond products available. Managed against the 6-month SIBID rate, the fund is invested primarily in short duration credit with overall duration kept fairly low although investors should be aware that the fund manager has allocations to perpetual bonds that are either expected to be called or which offer non-call step ups that are sufficiently attractive.

As of end-March 2019, the fund had a weighted average yield-to-maturity of 4.2% with an effective duration of just 1.6 years, representing a fairly low level of interest rate risk.

Our communication with the investment manager revealed that the fund tends to be focused on credits, with credit selection expected to be the main driver of the fund's returns, making selection of issues critical. The investment manager employs both bottom-up and top-down research analyses in their credit selection. Currency is not expected to play a major role in deriving returns, as all non-SGD exposure in the portfolio is expected to be hedged back to the SGD.

As of end-March 2019, there are 47 holdings in the portfolio. The fund continues to maintain its "ladder" strategy, where maturities are spread across a one-year, two-year and three-year time frame. Bond issues that mature in the current year will be reinvested by the manager at the prevailing interest rates, enabling the portfolio to ride on an increasing interest rate environment.

At this current juncture, adopting a defensive stance as risk-free rates rise is crucial not just for returns but for capital preservation. Investors who desire slightly higher yields from exposure to corporate credit but with lower duration risk can consider the United SGD Fund for the fixed income portion of their portfolios.

# Nikko AM Shenton Short Term Bond Fund S$

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011

**KEY FEATURES**

- Invests in short duration instruments like short-term bonds and money market instruments
- Fairly diversified across issuers and countries (Asia), while being managed from a SGD-perspective
- "Same day" transactional feature makes the fund a useful parking tool
- Recommended for investors seeking a reasonable level of yield but want to avoid taking on excessive interest rate risk

## OUR COMMENTS

For the Designated Parking Facility, the Nikko AM Shenton Short Term Bond is our recommended product on our list of Recommended Funds, whereby the fund invests in high quality short duration bond issues and money market instruments, allowing investors to obtain a reasonable level of yield without taking on excessive interest rate risk.

The investment managers focus on high quality issues and seek to maintain the average credit rating of bonds at BBB+ and above, avoiding issues which are rated lower than BBB-. As of end-March 2019, the average portfolio credit rating of the fund's holdings was BBB+. In managing the portfolio, the managers also do not buy into perpetual or undated bonds.

The investment managers adopt a prudent approach to duration management, with the fund's duration typically kept below 3 years (the fund's portfolio weighted average duration was 1.35 years as of end-March 2019). Our communication with the investment managers indicated that they do not utilise a barbell duration strategy, but employ a laddered approach in terms of bond maturities – which the managers believe will lead to smaller immediate marked-to-market losses when interest rates eventually increase. In addition, currency is not expected to be one of the main drivers of fund returns, with the managers typically hedging all non-SGD positions back to the SGD. As of end-March 2019, the fund is broadly diversified (135 holdings across 112 issuers) with larger weights allocated to China, Singapore and Hong Kong. On a sector basis, banks are the largest allocation on account of high credit quality and attractive valuation.

There is no lag time involved in the utilisation of the Nikko AM Shenton Short Term Bond Fund to finance an investment in another fund, so investors will be able to transact at that day's price. In addition, investors can specify the dollar investment amount when making buy orders funded with the Nikko AM Shenton Short Term Bond Fund, instead of having to determine the number of units to switch, making it similar to a cash transaction and providing convenience to investors.

Given its transactional and investment features, the fund is recommended for investors who want to park funds for future investment, but want to earn a respectable amount of interest at the same time. The short duration nature of the fund also makes it suitable for investors who are looking for a fund which can offer a decent level of yield, but does not come with high interest rate risk.

*[Investors who are looking for an alternate currency parking facility with similar transactional features may be interested in the AUD-hedged class of the Nikko AM Shenton Short Term Bond Fund, which utilises currency forwards to swap SGD exposure of the Nikko AM Shenton Short Term Bond Fund (S$) for AUD exposure, allowing for an additional component of returns due to interest rate carry (as yields on AUD deposits are currently higher than those on SGD deposits). Investors should note that in the Nikko AM Shenton Short Term Bond Fund (A$), the higher yield comes with AUD currency risk (the risk of the AUD depreciating against the SGD).]*

ASIA BALANCED
CPFIS-SA PORTFOLIO

# First State Bridge

2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006

### KEY FEATURES

- A consistent performer with a strong track record, aided by the fund's defensive nature
- Resilient in "down" markets, aided by allocation to fixed income
- Suitable for investors seeking exposure to both Asian equities and investment grade bonds

### OUR COMMENTS

By now, you should not be surprised that First State Bridge is once again the recommended fund for the Asia Balanced CPFIS-SA category. Over the past five years, the fund has generated an annualised return of 7.2% as of the end of March 2019. On a calendar year basis, the fund has also ranked first multiple times, and has not let investors down on its overall risk management throughout its consistent performance over the years. It has registered a lower three-year maximum drawdown and downside deviation than its peer.

Based on the fund's benchmark, the equity – fixed income allocation is expected to be 50:50 (the fund had 47.8% of its assets in equities and the remaining in fixed income and liquidity as of end-March 2019). Asian equity exposure is obtained via the First State Asian Equity Plus fund while the First State Asian Quality Bond Fund provides investment grade Asian fixed income exposure which lends the fund stability. Investors looking for the same Asian equity strategy without the fixed income component may wish to consider the First State Dividend Advantage, which feeds into the same underlying equity strategy and is also featured in our Recommended Funds list for 2019.

Investors should note that while the fund is denominated in SGD, only the fixed income portion of the fund will be hedged back to the SGD, which means that investors in the fund will still be exposed to the various Asian currencies in the equity portion of the portfolio. However, given its diversified nature, currency risk is expected to be mitigated. The fund is suitable for investors seeking a product with exposure to both Asian equity markets as well as investment grade credit.

GLOBAL BALANCED
CPFIS-SA PORTFOLIO

# Schroder Multi-Asset Revolution

2019 | 2018 | 2016 | 2015 | 2014 | 2013 | 2012

### KEY FEATURES

- Strong track record on a risk-adjusted basis; also consistently outperformed benchmark since fund restructured in 2006
- Multi-Asset approach to fulfil objective of long-term capital appreciation
- May appeal to investors seeking a highly-diversified fund, with exposure to various asset classes

### OUR COMMENTS

The Schroder Multi-Asset Revolution clinches the top spot for the Global Balanced CPIF-SA category for the second year running. The fund registered a five-year 4.4% annualised return (as of end-March 2019), and its performance has been relatively consistent; it managed to rank first in multiple calendar year periods over the past five years. In terms of its overall risk scoring, it has also consistently ranked first, clocking a three-year downside deviation of 4.5% and a three-year maximum drawdown of -11.2%, much better than its competitor.

The Schroder Multi-Asset Revolution fund is a unique, globally diversified fund-of-funds that provides exposure to bonds, stocks and real estate. The fund adopts a flexible and active asset allocation strategy that is left to the discretion of the investment managers with the intention of optimising returns and lowering risks according to changing market conditions.

The fund obtains asset class and market exposure via investing in various underlying funds that include the Schroder ISF US Large Cap fund, Schroder ISF QEP Global Core, Schroder Global Equity Alpha, Schroder Singapore Fixed Income fund and the Schroder Global Corporate Bond. Investors should take note that given the global nature of the portfolio, currency risks are mitigated due to the fund's wide geographic diversification and the employment of active currency hedging (to the SGD) by the managers on the fund's fixed income assets.

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### STEP 1: FIGURE OUT YOUR INVESTOR PROFILE!

The old adage that there is no free lunch in markets is probably true. In order to produce investment returns, one essentially needs to take some form of risk. However, before we start investing and taking risks with our capital, we would need to know our own risk tolerance.

Examining your own behaviour and risk appetite is thus the first step required before pulling the trigger. Investors just starting out should therefore ask themselves how much they are willing to risk and what kind of volatility they are willing to accept in order to stay vested. For instance, people with relatively high risk tolerance would probably accept volatility levels that are characteristic of those seen in equities. However, if high volatility levels make you uncomfortable to stay vested, perhaps you are more inclined to be risk averse, and gunning for lower risk assets like high quality fixed income would be more appropriate.

Some factors to consider would be your liquidity needs: how much cash do you need in the future and when do you need the cash by? Most of us have bills and student or mortgage loans to service, and figuring out all your requirements is a crucial step; it allows you to thus plan for what you need and how much you can set aside to invest. It also enables you to decide on an appropriate investment plan that can meet those needs or goals of yours. If on the other hand, you do not have any short term commitments or financial obligations but have the desire to build some capital and are willing to take some risks with the expectation of higher potential returns, then you could plan out your capital that you are willing to commit and invest. If, however, you are a retiree, and require a regular stream of income to support your retirement days, then perhaps a lower risk investment plan would be more suitable as you may not be able to afford the risks of capital loss.

### STEP 2: DECIDE ON THE APPROPRIATE ASSET ALLOCATION

Once you know your risk appetite and investment goals, choosing your instruments and your asset allocation is the next step. At Fundsupermart, we have 2 main asset classes (bonds and equities) for investors to choose from and to construct their portfolios.

Given the fact that equities are riskier than bonds, investors with a higher risk tolerance and the ability to take more risks would favour a more aggressive portfolio consisting of more equity funds, while investors who are more risk averse may prefer to invest in a more conservative portfolio with more bond funds. For investors who perhaps possess a medium risk tolerance profile, having an equal exposure to both bonds and equities is a viable course of action. They could also opt for balanced funds, which offer a proportionate amount of equities and bonds, helping to strike a better balance between the 2 main asset classes. They may also be good simple one stop solutions for inexperienced or investors just starting out who are unfamiliar with asset allocation strategies, delegating the task to the investment managers and professionals!

### STEP 3: DECIDE ON THE EXACT FUND(S) TO INVEST IN AND KEEP UPDATED - TOOLS AND SUPPORT AVAILABLE!

After choosing your desired asset allocation, you would next need to choose the funds needed to fulfil those allocations.

With regards to the various kinds of funds available on Fundsupermart, fund information such as prospectuses and factsheets are available for investors to download and carry out the necessary 'homework' before investing. Additionally, investors may also like to consider funds in the Recommended Funds List which have been spotted to have stronger performances and better consistency in their investment strategy compared to peer funds. The list also serves as a starting point for investors to choose an appropriate fund for their portfolio, given that investors just starting out may not know where to begin given the entire plethora of funds we offer.

Additionally, our in-house Research team monitors and constantly provides timely updates on the various markets under our coverage. Star ratings provide our take on the relative attractiveness of those markets, helping investors to see which markets sport the most attractive potential upside. Investors can also review articles listed in the Fund house depository section which provides insights as to what investment professionals are thinking about the investment landscape or their thoughts regarding the various market segments or market-related events.

For comparison of similar funds, the funds selector acts as a screener for funds by asset management groups, risk ratings, asset class categories, specialist sectors, and other useful filters. For better comparison, the chart centre provides a graphical comparison of the performances of FSM indices and funds on our platform.

Should you be unsure of the risks and commitments involved in any investment product, contact us at advisory@fundsupermart.com or speak to your friendly and informative Investment Advisers at our office (Ocean Financial Centre – 10 Collyer Quay, #26-01, Singapore 049351).