CGSCIMB
Asia's Financial Gateway

Private Wealth
FUNDS BULLETIN
As of 10/08/2021

Fund in Focus:

Sustainable Global Thematic Portfolio

Investment Outlook

Inflation Strategies – Hedge and Discriminate

Equity outlook has softened; rotate to value in Developed Markets, discriminate in Emerging Markets

We downgrade equities from Overweight to Neutral to reflect the rising risks, but the bull market is not likely to be over just yet, in our view. We downgrade bonds to an even further Underweight — corporate credit spread risk is overwhelmingly towards spread widening. Rotation theme is accelerating away from tech towards old economy sectors, in our view; Overweight inflation hedges are gold, commodities and real estate. A more discriminating approach to Emerging Markets (EM) will be to focus on pandemic control, inflation management and exposure to commodities. EM will have mixed results on the above three criteria - scoring well on one or two, but not necessarily all three. Our top picks are **China, Indonesia, South Korea** and (**Asia Pacific but non-EM**) **Australia.** Read the full report here

Lim Say Boon
Chief Investment Strategist, CGS-CIMB Research

Our Analysis: Global regulatory and legislative changes, a tailwind for ESG

- Sustainable Global Thematic Portfolio (ALLATGA LX) SGD share class generated cumulative 151.42% total returns; delivering 6.57% annualised returns since inception in Dec 2007.
- The portfolio was tracking the global markets closely until the COVID-19 sell-off and a plethora of regulatory and legislative changes as well as industry level initiatives trigger the ESG space to pick up. No manager change since 2013 implies stability and our CQM ranking model rates the fund favourably for both share classes, a 3 out of 4.
- The SGD share class (ALLATGA) is an ideal choice for investors looking to exposure to global equities within the ESG space while avoiding USD risk. It could be a strong candidate to deliver alpha (excess performance) for its investors.

To better measure outperformance, we use MSCI World ESG Leaders Index (orange) instead of the global equities index; ACWI. We observed consistent outperformance over last 5 years and the majority coming from post COVID; driven by higher active share (stock picking) and the positive 3yr information ratio of 0.47 confirms this observation.

Jake Damien Chow, CMT (Chartered Market Technician)
Portfolio Manager, Discretionary Portfolio Management

Source: Bloomberg, CGS-CIMB Discretionary Portfolio Management (DPM) 9 August 2021

Fund House
AllianceBernstein

NAV per unit
SGD 61.27 (9 August 2021)

Risk Profile
High (Equities)

Investment Objective
The Fund mainly invests in global equities with an ESG focus

Geographical Focus
Global

Fund Manager
Daniel C. Roarty, CFA

Bloomberg Ticker	ALLATGA LX
ISIN code	LU01289739343
Total expense Ratio	2.02%
Annualised Returns (3yr)	20.43%
Volatility (3yr)	15.51%
Sharpe Ratio (3yr)	1.31
Information ratio (3yr)	0.47
Sortino ratio	1.08

Click on factsheet & product highlight sheet

Portfolio Objective & Strategy

The Portfolio seeks to increase the value of your investment over time through capital growth by typically investing at least 80% of its assets in equity securities of issuers that the Investment Manager believes are positively exposed to environmentally or socially-oriented sustainable investment themes derived from the UN Sustainable Development Goals (UNSDGs).

These companies may be of any market capitalization and from any country, including emerging markets. The Portfolio usually invests in at least three different countries and at least 40% in equity securities of non-US companies.

The Investment Manager employs a "top-down" approach to identify sustainable investment themes that are broadly consistent with achieving the UNSDGs such as Health, Climate, and Empowerment and a "bottom-up" approach to analyze individual companies, focusing on assessing a company's exposure to environmental, social and governance (ESG) factors.

The Investment Manager emphasizes positive selection criteria, in particular by analyzing the exposure to such ESG factors of each security or issuer, over broad-based negative screens in assessing an issuer's exposure to such ESG factors.

Source: Alliance Bernstein, 30 June 2021

9 Top Picks from FundsPrimo

(our proprietary quantitative ranking model)

Fixed Income Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
Franklin Global Convertible Securities (FGCSAAU LX) - Acc	Int'l	4	17.47	14.52	1.23	14.69
Fullerton Short Term Interest Rate Fund (FULSTIC SP) - Acc	SG	3	3.13	2.47	1.94	1.06
PIMCO GIS Dynamic Bond Fund (PUCEGEA ID) - Acc	Global	3	2.97	3.07	0.53	3.71

Multi Asset Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
First Sentier Global Balanced Fund (FSIGLBA SP) - Acc	Global	4	9.26	7.74	1.20	6.43
First Sentier Bridge Fund (FSIBRGE SP) - Dist	APAC ex Jap	4	8.13	7.65	1.08	8.26
Allianz Income and Growth (ALLIGAT LX) - Dist	Multi	3	11.91	10.93	0.87	14.02

Equities Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
Fidelity Funds – Global Technology Fund (FFGTAAU LX) - Acc	Global	4	29.55	27.68	1.51	20.31
Nikko AM Shenton Global Opportunities Fund (NASGLOU SP) - Acc	Global	3	17.00*	17.38*	1.30	14.89*
Allianz China A-Shares (ALCATSA LX) - Acc	China	3	33.52	23.05*	1.50	22.86

To access the full list of our FundsPrimo or our full product list, please contact your sales representative

Footnote:
Fund ratings screened based on our proprietary screening model (1: Uninspiring, 2: Fair, 3: Strong Performer, 4: Outstanding)
* Data from a share class with a longer history
Acc = accumulation fund
Dist = distribution fund

Source: Bloomberg, Morningstar, 9 August 2021

Methodology of FundsPrimo

(CQM Mutual Fund Screener)

CQM mutual fund screener is a multiple regression model that can handle vast amount of data. The aim is to objectively identify fund managers that consistently stand out in our three pillars of investment performance metrics which are predictive of future performance when constructed into a model.

First pillar: Relative outperformance: we apply “Information Ratio” to assess the funds’ performance relative to their benchmarks/peers.

Second pillar: Risk-adjusted returns: we apply “Sharpe Ratio” to evaluate portfolio returns adjusted for every unit of risk it bears.

Third pillar: Downside volatility: we apply “Sortino Ratio” to determine a manager’s ability in mitigating downside risk during market declines.

This model uses all available statistical data from these three pillars to populate a numerical score for each fund within their asset class universe before ranking them into 4 different quartiles thus deriving a CQM rating with 1 being the worst, and 4 being the best.

For inclusion into FundsPrimo, the investment team only select the top-ranking funds (average 15 percentile across product universe) from three different asset class segments such as; equities, fixed income and multi-asset. FundsPrimo therefore comprises of between 35-40* names drawn from our entire product universe approximately at 247* funds currently.

In addition, we have also handpicked and showcase 9 top-ranking funds with the least overlapping geographical exposure within FundsPrimo to help our advisors/clients to identify the right funds faster.

*figures are subject to change.

Key Risks

Type	Key Risks
Fixed Income Funds	• Investor will be exposed to credit risk of the issuer. Investor will incur losses to their investment if the issuer is unable to meet their contractual obligations or failure to repay the loan. • Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate. • Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates • Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value • Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses
Equities Funds	• Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losse • Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value • Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses
Multi-Asset Funds	• Investor will be exposed to currency risk. An investor will incur losses due to an adverse change in exchange rates • Investor will be exposed to credit risk of the issuer. Investor will incur losses to their investment if the issuer is unable to meet their contractual obligations or failure to repay the loan • Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate • Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates • Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses • Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value • Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses • Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses

Glossary

Name	Definition
Alpha	Alpha (α) refers to **excess returns** earned on an investment above the benchmark return and is commonly used to describe an investment strategy's ability to beat the market, or it's "edge". Active portfolio managers seek to generate alpha in diversified portfolios, with diversification intended to eliminate unsystematic risk.
Annualised return	Annualised return or annualised total return is the geometric average of an investment's earnings in a year. It shows an investor what they would earn if the annual return was compounded over a period of time and allows **objective comparison of the returns** of any asset over any given period.
Beta	Beta (β) is a measure of the volatility - or systematic (non-diversifiable) risk - of a security or portfolio compared to the market as a whole. It effectively describes the activity of a security's returns as it responds to swings in the market.
Core & Satellite also known as (Strategic & Tactical)	This strategy splits the portfolio is split into 2 segments; the "core" is usually the largest and passively managed by allocating to low cost funds to **harvest market returns** (beta). The "satellite" is usually smaller allocations and actively managed where investors can overweight in specific sectors, regions or styles in an attempt to ride economic and market trends to produce **outsize returns** (alpha).
CQM	CQM is the abbreviation for "**C**GS-CIMB **Q**uantitative **M**odels". This family of proprietary models are built on machine learning techniques; using large amount of **statistical inputs** to evaluate and identify investment opportunities.
Information Ratio (IR)	Information ratio is a measurement of portfolio returns beyond its benchmark, usually a market/sector/industry index, compared to the volatility of those returns. IR is often used as a measure of a portfolio manager's level of **skill, ability and consistency to generate excess returns** relative to a benchmark, by incorporating a tracking error, or standard deviation component into the calculation.
NAV	Net Asset Value per share is the current dollar value of a single stock, mutual fund, exchange-traded fund (ETF).
Sharpe Ratio (SR)	Sharpe ratio a measure of historical **risk-adjusted returns**. The higher the ratio, the greater the investment return relative to the amount of risk taken, and thus, the more attractive the investment. This ratio can be used to evaluate a single stock or investment, or an entire portfolio.
Sortino Ratio	Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative portfolio returns - **downside deviation** - instead of the total standard deviation of portfolio returns.
Volatility	Volatility is a statistical measure of the **dispersion of returns** for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured as either the standard deviation or variance between returns from that same security or market index.

Source: Investopedia, Wikipedia and CGS-CIMB Discretionary Portfolio Management August 2021

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