

Investment Outlook

Equities allocation - Focus on Valuation Buffers

As we move towards the end of monetary accommodation, our focus is on which markets offer the best valuation buffers against the likely rises in interest rates and the risk-free rate.

US – neutral weight: The US has the highest NTM valuation amongst the above country/regional markets.

Europe – small overweight: European stocks may face less inflation pressure and possibly less rate risk than their US counterparts.

Japan – overweight. Among the DMs, Japan has possibly the lowest risk of rate increases. Its inflation remains the lowest among the DMs.

China – overweight. China’s policy conservativeness through the pandemic has allowed it to keep its policy ammunition which I would expect it to slowly utilize if the economy slows into 2022.

[Read the full commentary here](#)

Lim Say Boon

Chief Investment Strategist, CGS-CIMB Research

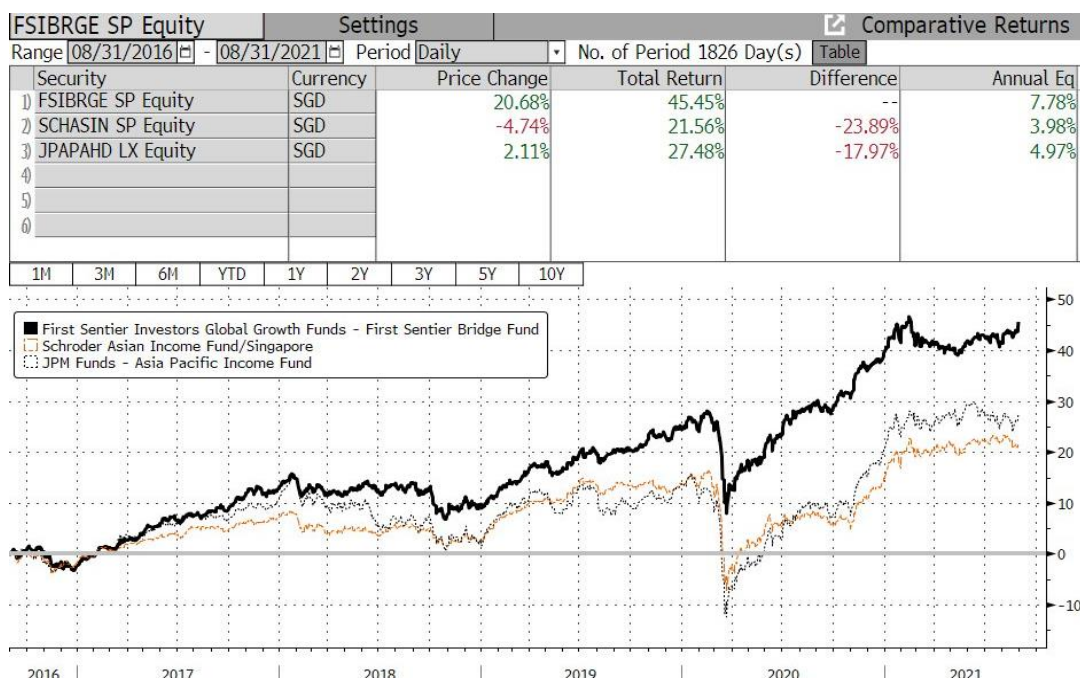
Our Analysis: A very consistent APAC focused multi-asset fund

- First Sentier Bridge Fund’s (FSIBGRE SP) generated cumulative total returns of 273.85%, that’s **7.54% annualised returns** since inception in July 2003; exceptional for 50:50 allocation.
- Delivering **high risk-adjusted returns** with 3-5yr Sharpe ratio between 0.82-0.96; much higher than our universe average at 0.58-0.64. Lead manager Martin Lau has been at the helm since inception and the average tenure of its managers at 10.8 years implies stability. Our CQM ranking model rates the fund a 3 out of 4.
- An ideal choice for investors looking a multi-asset allocation with an APAC focus that also **distributes ~4% yield** (semi-annual). Top 3 geographical exposure is in China, India, Taiwan, with a modest 6.4% in Japan and 3.76% in Singapore.

To showcase relative performance against its peers, we decided to compare against Schroder Asian Income (orange) and JPM Asia Pacific Income (black dotted lines) shown below. We observed consistent outperformance over last 5 years, especially post COVID recovery period. It’s 3yr Information ratio at -0.58 **stands out** against our universe segment average at -0.88 and thus validating our observation.

Jake Damien Chow, CMT (Chartered Market Technician)

Portfolio Manager, Discretionary Portfolio Management



Source: Bloomberg, Morningstar and CGS-CIMB Discretionary Portfolio Management 7 Sep 2021

Fund House

First Sentier Investors

NAV per unit

SGD 1.9533 (7 Sep 2021)

Risk Profile

Moderate (Mixed Allocation)

Investment Objective

50:50 allocation into equities and fixed income

Geographical Focus

APAC ex. Japan

Fund Manager

Martin Lau, CFA, Nigel Foo

Bloomberg Ticker	FSIBRGE SP
ISIN code	SG9999002067
Inception date	14 July 2003
Total expense Ratio	1.43%
Annualised Returns (3yr)	8.12%
Volatility (3yr)	8.26%
Sharpe Ratio (3yr)	0.82
Information ratio (3yr)	-0.58
Sortino ratio	0.71

Click on [factsheet](#) & [product highlight sheet](#)

Source: Bloomberg and Morningstar, 7 Sep 2021

Portfolio Objectives and Investment Strategy

The Fund aims to provide investors with income and medium term capital stability from investments focused in the Asia Pacific ex Japan region.

The investment policy of the Sub-Fund is to invest all or substantially all of its assets in the FSSA Asian Equity Plus Fund (in relation to the equity portion) and the First Sentier Asian Quality Bond Fund (in relation to the fixed income portion) (the “Underlying Sub-Funds”), which are both sub-funds of the Dublin registered umbrella fund known as First Sentier Investors Global Umbrella Fund plc.

The Equity Underlying Sub-Fund invests primarily (at least 70% of its net asset value) in equity securities or equity-related securities of companies that are listed, or have their registered offices in, or conduct a majority of their economic activity in the Asia Pacific region (excluding Japan).

The Bond Underlying Sub-Fund invests primarily (at least 70% of its net asset value) in debt securities of governments or quasi-government organisation issuers in Asia and/or issuers organised, headquartered or having their primary business operations in Asia.

Source: First Sentier Investors, 31st July 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	17.12	14.73	1.18	14.69
Fullerton Short Term Interest Rate Fund (FULSTIC SP) - Acc	SG	3	3.16	2.50	1.94	1.06
Fidelity European High Yield Fund (FFEHYUH LX) - Acc	Europe	3	7.21	5.98	0.66	10.25

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	9.20	7.66	1.20	6.43
Allianz Income and Growth (ALLIGAT LX) - Dist	Multi	3	11.77	11.04	0.84	14.02
First Sentier Bridge Fund (FSIBRGE SP) - Dist	APAC ex Jap	3	8.12	7.64	0.82	8.26

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	29.69	27.57	1.54	20.31
Nikko AM Shenton Global Opportunities Fund (NASGLOU SP) - Acc	Global	3	16.96*	17.54*	1.30	14.89*
Allianz Oriental Income (ALCZORAT LX) - Acc	APAC	3	23.86	18.10	1.27	19.37

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

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 250* 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 its "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 "CGS-CIMB Quantitative Models". 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.

Disclaimer

This material has been prepared by CGS-CIMB Securities (Singapore) Pte. Ltd. ("CGS-CIMB"). The information contained in this material is intended for CGS-CIMB's clients only and this material is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any jurisdiction where this material's distribution, publication, availability or use would be contrary to law or regulation.

By receiving this material, you agree and acknowledge that:

(1) This material (a) is current as at the indicated date and that any information or opinions expressed in this material are subject to change without notice. CGS-CIMB does not undertake any obligation to update this material; (b) is prepared from publicly available information believed to be reliable, but CGS-CIMB makes no representation as to its adequacy, accuracy, completeness, reliability or fairness; (c) is provided to you for general information only and should not be used or relied on as a recommendation or basis for making any specific investment, business or commercial decision. It is intended for circulation amongst CGS-CIMB's clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this material; (d) does not constitute in any jurisdiction an offer or solicitation to buy or sell, or to subscribe for any securities or investment products, or an invitation or a recommendation to enter into any transaction; (e) may contain either a link to the full text of research report prepared by CGS-CIMB's research analyst or an extract from such research report. There could be commentary or opinion made in this material which is based on such research report. Accordingly, such link or extract is for your ease of reference and convenience only. It is not intended to be a comprehensive explanation of the securities or investment products described herein. Such commentary or opinion may differ from, or be inconsistent with the views of CGS-CIMB's research analyst who publishes such research report; (f) is categorised as non-independent for the purposes of CGS-CIMB and therefore does not provide an impartial or objective assessment of the subject matter and does not constitute independent research. Consequently, the information contained in this material has not been prepared in accordance with legal requirements designed to promote the independence of research. Therefore, such information is considered a marketing communication;

(2) All securities and investment products contain risks and may not be suitable for everyone. You should consult with a lawyer, tax advisor, financial adviser or other professional adviser to determine what may be best for your individual needs. You should read the relevant offering documents of the securities or investment products (including the prospectus, product highlight sheet and fund/ product fact sheet detailing the full risk factors stated therein) before investing;

(3) No part of this material may be copied in any form or by any means, or redistributed without CGS-CIMB's prior express consent; and

(4) CGS-CIMB makes no representation, warranty or guarantee as to, and shall not be responsible for, the accuracy or completeness of the information contained in this material. None of CGS-CIMB, its affiliates and their respective directors, employees, officers and representatives shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon.