

Fund manager interview series

Strike the right balance of safe assets and growth assets

Vincent Chan, co-head of multi-asset at Fullerton Fund Management, discusses his market outlook in our series featuring fund managers and market experts.



Lorna Tan
Invest Editor

Besides being responsible for leading Fullerton Fund Management's efforts in multi-asset investment strategies, Mr Vincent Chan is lead portfolio manager for Fullerton SGD Heritage series of funds.

He joined Fullerton in 2017 after a stint as the Asia head of multi-asset products at Schroders Investment Management. Before that, he was with NTUC Income, where he managed the asset allocation and external fund managers teams.

Earlier in his career, Mr Chan was with sovereign wealth fund GIC, holding various key posts across departments such as investment policy, economics and capital market research, external fund manager and fixed income.

Mr Chan graduated from the National University of Singapore with an honours degree in business administration. He is also a CFA charterholder.

Q What advice do you have for Singaporeans managing their retirement savings?

A Singaporeans planning for a comfortable retirement should think long term in terms of investment horizon and portfolio planning. A good approach would be to divide your investments into two categories: safe assets and growth assets.

Safe assets may include Singapore Government investment-grade corporate bonds, life insurance and fixed deposits. Growth assets include equities, which offer potentially higher returns but have higher volatility. A combination of safe and growth assets can help create a well-balanced portfolio, and the allocation can be adjusted depending on an investor's risk profile.

Younger individuals can take advantage of the power of compounding to accumulate long-term wealth, and can consider higher exposure to growth assets. Older investors can focus on lower-risk instruments that offer yield.

In general, avoid investing too much in safe assets as low returns will not be sufficient to meet future retirement needs.

A useful rule of thumb is to take 100 minus the age of the investor to represent the amount that should be invested in growth assets. For two individuals, aged 30 and 60, the percentage of wealth invested in growth assets should ideally be 70 per cent and 40 per cent respectively.

Individual investors can further customise the asset mix by considering their risk profile. The key is to ensure the portfolio allocation matches your current situation and expected long-term needs.

Q How can the SGD Heritage Series help Singaporeans address the issue of planning for their future?

A The Fullerton SGD Heritage Series was designed with Singaporeans in mind. It comprises three Singapore dollar-centric multi-asset portfolios that cater to three different risk-return profiles: growth, balanced and income. The funds are intended as retirement solutions to help Singaporeans grow their wealth across different stages of the investment journey.

For investors who can tolerate more risk for potentially more return, the SGD Heritage Growth Fund invests 80 per cent in equities and 20 per cent in fixed income, and intends to declare a monthly payout of up to 2 per cent per annum.

For those who wish to balance risk and return, the SGD Heritage Balanced Fund invests in an equal combination of equities and bonds, and intends to declare a monthly payout of up to 4 per cent per annum.

Meanwhile the SGD Heritage Income Fund invests 80 per cent in bonds and 20 per cent in Singapore real estate investment trusts (S-Reits) in order to deliver higher income. This fund has a monthly payout of 5 per cent per annum and 8.8 per cent (for decumulating share classes only) from the net asset value of the investments.

We've experienced positive interest from investors and raised \$420 million for the Heritage Series since the initial public offering in mid-May.

Q What do the funds invest in and what guides the asset allocations?

A The three SGD Heritage Funds (Growth, Balanced and Income) invest in the following underlying



Mr Vincent Chan says many Singaporeans fail to save and invest for retirement. His suggestion to the younger generation is that they visit older estates to observe how the elderly are spending their retirement. With a practical appreciation, the young can start investing for their retirement nest egg. ST PHOTO: JASON QUAH

building blocks: Asian bonds, Singapore bonds, Asian equities and S-Reits.

The underlying asset classes play different roles within the portfolios. The funds have exposure to equities for growth, while bonds deliver income and smooth volatility. S-Reits are utilised as a more stable alternative to stocks and are structured as an investment trust that distributes most of the rental yield from its properties.

The selection of high-quality credits, S-Reits and stocks is done by Fullerton's fixed income and equity teams, while the overall asset allocation is managed by the multi-asset team. These teams together comprise almost 50 investment professionals.

In terms of asset allocation, each SGD Heritage Fund is anchored to a strategic asset allocation, with some flexibility for tactical asset allocation.

For instance, the SGD Heritage Growth Fund has a strategic allocation of 80 per cent in equities, and a tactical range of plus or minus 15 per cent that can be applied to the strategic equity allocation. Tilts to the asset and country mix are based on the economic outlook and market dynamics that affect the prospects of these investments.

Q Global recession fears are mounting as the trade war escalates. What are the implications?

A Fundamentals have been weakening as US-China tensions escalate. However, bilateral tension goes beyond just trade issues. In the medium term, we can expect adjustment across a wide spectrum - individuals, companies and governments.

For example, manufacturers are moving various aspects of their production to different locations to get around the higher-than-expected tariffs. At the country level, trade policies and the management of foreign reserves need to realign to a new reality. In this environment, we believe conventional arrangements will be disrupted.

From an asset allocation perspective, we would adopt a more cautious approach in the near term. For investment solutions, it is important to have multiple levers in order to adjust portfolios.

Multi-asset portfolios like the SGD Heritage Series encompass a range of solutions where asset mix, country mix and security selection can be adjusted to take into account the current environment.

Q What is your market outlook and how does this impact your

multi-asset portfolio strategy?

A We are cautious in the near term, with a preference for safer assets such as bonds and yield-bearing instruments such as Reits. However, market disruption created by the US-China trade tensions are likely to throw up investment opportunities, which we aim to capture through our security selection process.

Q What advice do you have for the younger generation when it comes to retirement planning?

A "In time for the future" is a mindset I would like to encourage. We always wish for a time machine to undo some of the bad decisions in the past, but this is never possible. What is more achievable is to prepare for the future.

A recent report by the World Economic Forum suggests that people should expect to live around a decade longer than what their retirement funds can pay for.

We prepare our children for a better education and we save to upgrade to better housing. Yet, many Singaporeans fail to save and invest for their retirement. The priority is simply not there.

My suggestion to the younger generation is to visit the older estates and observe how the elderly

are spending their retirement. With a practical appreciation, I hope the younger generation will start preparing an investment programme for their own retirement nest egg.

Q What keeps you awake at night?

A The pace of change has increased dramatically with the wider adoption of artificial intelligence (AI). What keeps me up at night is thinking about the impact of AI on society. How can individuals, companies and governments stay relevant in a changing world?

For investments, we are already starting to incorporate elements of AI into our processes so as to enhance the investment outcome.

Q If I am not a fund manager, I would be...?

A This is a tough question, as I never really focused on having a specific type of career. For me, personally, I would like to do well and do good. I'm lucky that I got into the investment industry a long time ago, and I am still loving it. The specific profession is less important to me, as long as it is something I enjoy and is in line with my beliefs and passion.

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Investor tips

- Be patient and nimble.
- Invest for the long term and according to your risk and return profile.
- Have a pool of safe assets that can deliver income and smooth volatility.
- Ensure sufficient exposure to growth assets to leverage opportunities created by changing fundamentals and market disruption.
- Access multiple levers (for example, country mix, security selection) and dynamic asset allocation to adjust to the current market environment.

Lorna Tan