

FUNDS AND REITS

EXCHANGE TRADED FUNDS (ETF)

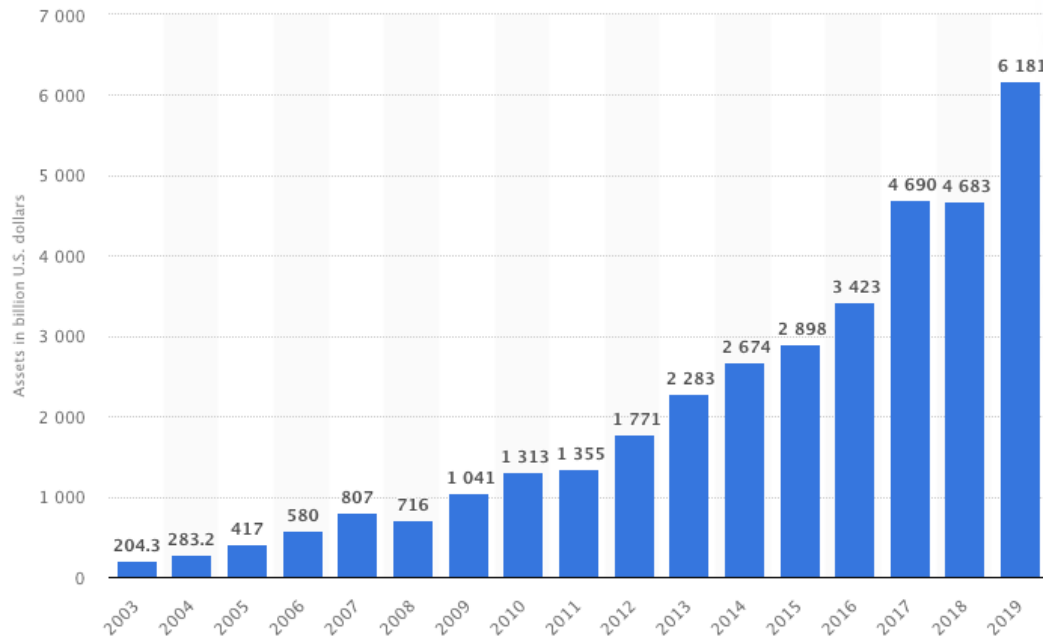
What's an ETF?

- An ETF is a collection of securities (e.g. stocks, bonds) typically tracking an underlying index, and it trades on an exchange, just like a stock
- An ETF could also track a certain industry or strategy
- ETF prices fluctuate intraday just like a stock
- Charges a low management fee

Examples of ETFs

- SPY – SPDR S&P 500
- IVV – Ishares Core S&P 500 ETF
- QQQ – Invesco Nasdaq 100
- GLD – SPDR Gold Shares
- Lion Phillip S-REIT ETF

ETF Assets Under Management



VALUE OF ASSETS MANAGED BY GLOBAL EXCHANGE TRADED FUNDS

6.18tr USD

NUMBER OF EXCHANGE TRADED FUNDS WORLDWIDE

6970

LEADING ETF PROVIDER WORLDWIDE

BlackRock

Statista 2020

In the USA:
(Cnbc.com)



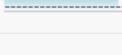




ETF assets rise to record \$4 trillion and top industry expert says it's still 'early days'

PUBLISHED SAT, NOV 9 2019-9:49 AM EST | UPDATED MON, NOV 11 2019-7:53 AM EST

ETFs versus Stocks

	ETFs	Stocks
Diversification	Yes, 1 ETF gives you access to many underlying stocks	No
Exchange Traded	Yes	Yes
Management Fees	Yes, <1%	No
Sales Fees	Brokerage (~0.1%)	Brokerage (~0.1%)
Strategies	Yes, linked to index/ sector/ theme	No, just the company's underlying businesses
Liquidity	Varies	Varies

Examples from HKSE

Name ▼ / Symbol ▼	Underlying Asset ▼	Last ¹ ▼	Chg ▼	Chg% ▼	Vol. ▼	Turn. ▼	NAV (Premium%) ▼ ⓘ	
TRACKER FUND 02800.HK	Hang Seng Index	27.050 HKD	+0.500	+1.883%	58.62M	1.57B	26.559 (+1.847%) HKD as at 2020/03/03	
HSCEI ETF 02828.HK	Hang Seng China Enterprises	108.400 HKD	+1.900	+1.784%	10.20M	1.10B	106.450 (+1.832%) HKD as at 2020/03/04	
CAM CSI300 03188.HK	CSI 300	48.150 HKD	+1.550	+3.326%	20.24M	961.76M	46.910 (+2.644%) HKD as at 2020/03/04	
FI2 CSOP HSI 07500.HK -2x	Hang Seng Index	6.810 HKD	-0.280	-3.949%	86.36M	601.75M	7.043 (-3.308%) HKD as at 2020/03/03	
CSOP A50 ETF 02822.HK	FTSE China A50	15.120 HKD	+0.440	+2.997%	30.72M	458.71M	14.709 (+2.793%) HKD as at 2020/03/04	
ISHARES A50 02823.HK	FTSE China A50	15.200 HKD	+0.440	+2.981%	25.31M	380.51M	14.853 (+2.338%) HKD as at 2020/03/04	
FL2 CSOP HSI 07200.HK +2x	Hang Seng Index	9.070 HKD	+0.320	+3.657%	34.64M	308.49M	8.794 (+3.141%) HKD as at 2020/03/03	

Aastocks.com

- Which underlying index to you like?
- Which provider do you prefer?

Comparing 2 ETFs

ETF Profile

ETF Category	Equity - China (China listed c...
Underlying	FTSE China A50
Issuer	CSOP Asset Management
Fund Manager	CSOP Asset Management
Fund Type	Equity
Geographic	China (China listed co.)
Sector	General
Fund Size (As of 2020/03/04)	11.35B
Base Currency	CNY
Dividend Policy	Annually (if any)
Stamp Duty	Exempted
Type of Listing	Local
Listing Date	2012/11/08
End of Financial Year	31/12
Expense Ratio	1.15%p.a.
Ref. Amount	\$1.69p.a.
Management Fee	0.99% per annum Annu...
Minimum Investment ²	\$3,020

ETF Profile

ETF Category	Equity - China (China listed c...
Underlying	FTSE China A50
Issuer	Blackrock Asset Management...
Fund Manager	BlackRock Asset Management...
Fund Type	Equity
Geographic	China (China listed co.)
Sector	General
Fund Size (As of 2020/03/04)	16.00B
Base Currency	CNY
Dividend Policy	Annual(if any)
Stamp Duty	Exempted
Type of Listing	Local
Listing Date	2004/11/18
End of Financial Year	31/12
Expense Ratio	1.39%p.a.
Ref. Amount	\$2.06p.a.
Management Fee	0.99% p.a. of net as...
Minimum Investment ²	\$1,518

2823 (RHS) has higher admin costs, despite larger AUM ₈

MUTUAL FUNDS

What's a Mutual Fund?

- A mutual fund is an investment vehicle made up of a pool of funds collected from investors for the purpose of investing in securities such as stocks, bonds, and other assets
- Mutual funds are run by money managers, who invest the fund's capital to produce capital gains and/or income for the fund's investors
- Mutual funds charge annual fees and in return, attempt to beat the market (benchmark)

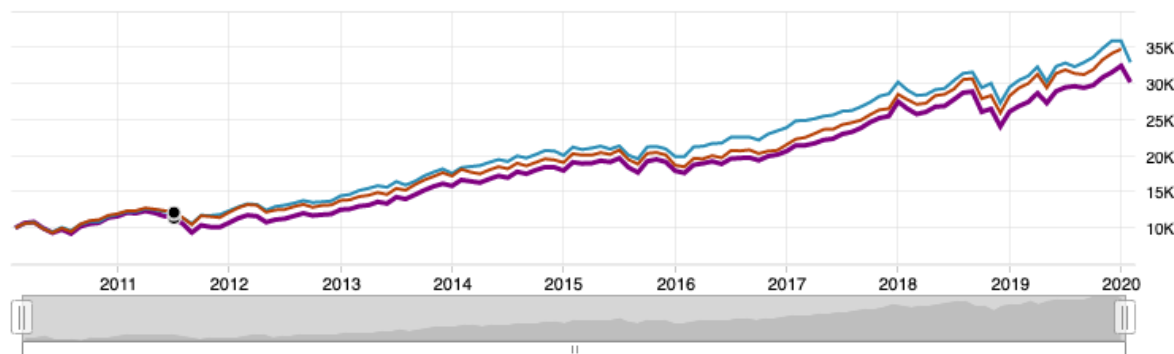
Example – Fidelity Magellan Fund

Hypothetical Growth of \$10,000 ^{3,4} ?

MORE

AS OF 02/29/2020; Morningstar Category: Large Growth

07/31/2011: FMAGX: \$11,456 ☒ S&P 500: \$12,025 ☒ Large Growth: \$12,226



Quarter-End Average Annual Total Returns ^{2,3} ?

AS OF 12/31/2019 ; Fund Inception 5/2/1963 | Expense Ratio (Gross) : 0.67% AS OF 5/30/2019

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Before Taxes				
Fidelity® Magellan® Fund	31.16%	16.14%	11.40%	12.00%
S&P 500	31.49%	15.27%	11.70%	13.56%
Large Growth	31.90%	18.09%	12.10%	13.40%
After Taxes on Distributions				
Fidelity® Magellan® Fund	26.98%	13.12%	9.12%	10.20%
Large Growth	29.33%	15.63%	9.97%	11.79%
After taxes on distributions and sale of fund shares				
Fidelity® Magellan® Fund	21.29%	12.33%	8.71%	9.52%
Large Growth	20.70%	14.04%	9.25%	10.92%

Top 10 Holdings ⁵ ?

AS OF 12/31/2019

28.01% of Total Portfolio

MSFT	MICROSOFT CORP
AAPL	APPLE INC
AMZN	AMAZON.COM INC
FB	FACEBOOK INC CL A
V	VISA INC CL A
MA	MASTERCARD INC CL A
UNH	UNITEDHEALTH GROUP INC
GOOG	ALPHABET INC CL C
GOOGL	ALPHABET INC CL A
HD	HOME DEPOT INC

94 holdings as of 12/31/2019 | 91 issuers as of 12/31/2019

Types of Funds

- Open-end Funds
 - issue redeemable securities
 - Shares are bought and sold at their net asset value (NAV), based on the value of the fund's underlying securities (typically computed at end of day)
 - Usually buy and sell shares directly from the fund
- Closed-end Funds
 - have a fixed number of shares
 - May be traded on an exchange, the fund may trade at a premium or discount to NAV, depending on supply and demand
 - Usually buy or sell shares through a broker (just like common shares)

Open vs Closed-end Funds

Closed-end Fund	Open-end Fund
Fixed number of shares	Shares are unlimited (can be created on demand)
Can't take on new capital once operations begin	New capital can come in anytime
Price reflects market value (not necessarily NAV)	Price usually fixed around NAV
Price determined by demand & supply	Front-end load or back-end load fees may be charged
Often has an end date where funds are returned	No end trading date
Example: Private Equity Funds	Example: most mutual funds

Size of Mutual Fund AUM

- Mutual fund industry globally manages ~\$46.7 trillion
 - as of end 2018, Investment Company Institute
- US Mutual funds manages about \$20 trillion
 - as of end Aug 2019, mutualfunds.com
 - Equities funds account for >50%, or ~\$10.49 trillion
 - Fixed Income, Balanced, and Money Market funds make up the rest

Mutual Funds versus ETFs

	Mutual Funds	ETFs
Diversification	Yes	Yes
Exchange Traded	For some	Yes
Management Fees	Yes, typically 1-2%	Yes, typically <1%
Sales Fees	Yes	No
Strategies	Yes, various	Yes, linked to index or sectors
Liquidity	Good	Excellent, as good as a stock
Intraday Pricing/Trading	No; buy/sell at end of day net asset value (NAV) per share	Yes
Active/Passive Management	Typically Active	Typically Passive

Mutual Funds

Discussion/Exercise

- Of the mutual funds that your bank sells, which do you like most? Why?
- Can you name a high performing Equities Fund, Fixed Income Fund, and a Macro/PE/others Fund?

REITS

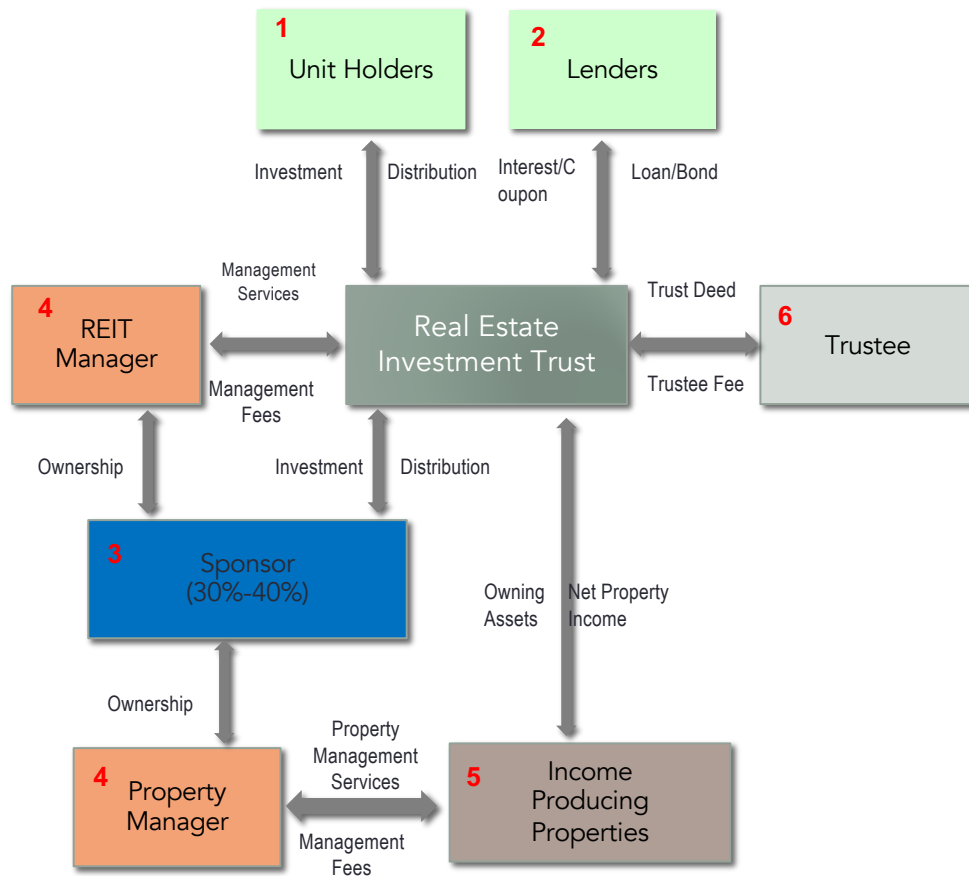
What is a REIT?

- A collective investment scheme that offers exposure to real estate
- A vehicle that allows investors to pool their capital together so that they collectively own a portfolio of income producing properties
- A platform that enables major property owners to recycle their capital and grow their portfolio of real estate under their management



CapitaLand Retail China Trust has a diversified portfolio of 11 shopping malls located across eight cities in China.

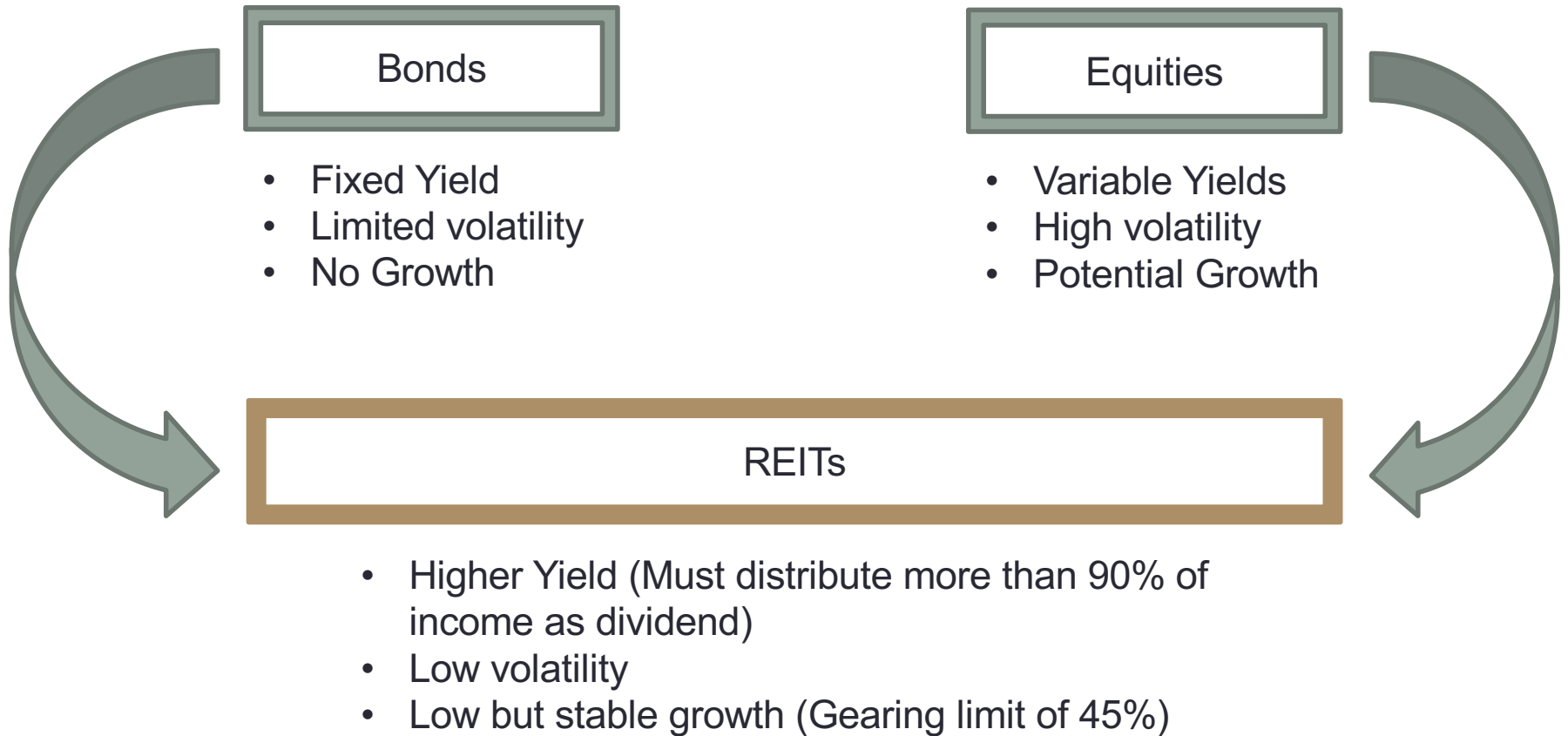
How does a REIT work?



1. Unit holders pool their capital together to invest in large-scale income producing properties.
2. Lenders provide loans to the Trust to finance the purchase, limited to 45% of value of assets.
3. Sponsor that contributes the properties but remains as the largest unit holder: 30-40% of issued units.
4. Sponsor owns the REIT Manager and Property Manager, thus receiving the annual asset management and property management fee.
5. Properties contribute rental income to the Trust, of which at least 90%, after deducting expenses has to be distributed to unit holders.
6. Trustee ensures the properties are managed in accordance to the trust deed, and the interest of the unit holders are protected.

A Differentiated Asset Class

REITs offer many of the positive aspect of both bonds and equities



Key Risks of Investing in a REIT

- **Market Risks** – Units are traded in the stock market. The price of the unit of a REIT is more volatile than the price or value of the underlying property
- **Income Risks** – Payment of dividend may be disrupted by falling rental, financing cost, non-renewal of lease and accident/natural disaster
- **Concentration Risks** – Properties in a REIT is normally focused on a particular type, industry or geographical location
- **Leverage Risks** – REITs rely on leveraging to increase its return on equity and boost the dividend yield. A rise in borrowing cost may significantly undermine REIT's ability to pay dividends
- **Refinancing Risks** – REITs may face difficulties in obtaining debt refinancing, especially if the maturity profile of the debt is not evenly spread-out
- **Currency Risks** – Movements in currency exchange can significantly affect the amount of dividends from overseas properties.



**ARE YOU
PREPARED
FOR RISING
INTEREST
RATES?**



Common Types of REITs

Retail



Healthcare



Hospitality



Industrial



Office



Others



SGX Real Estate Sector

Cluster of 108 real estate companies and property trusts, with a total value of US\$122 bio



Real Estate Companies

REITs

Stapled Trusts

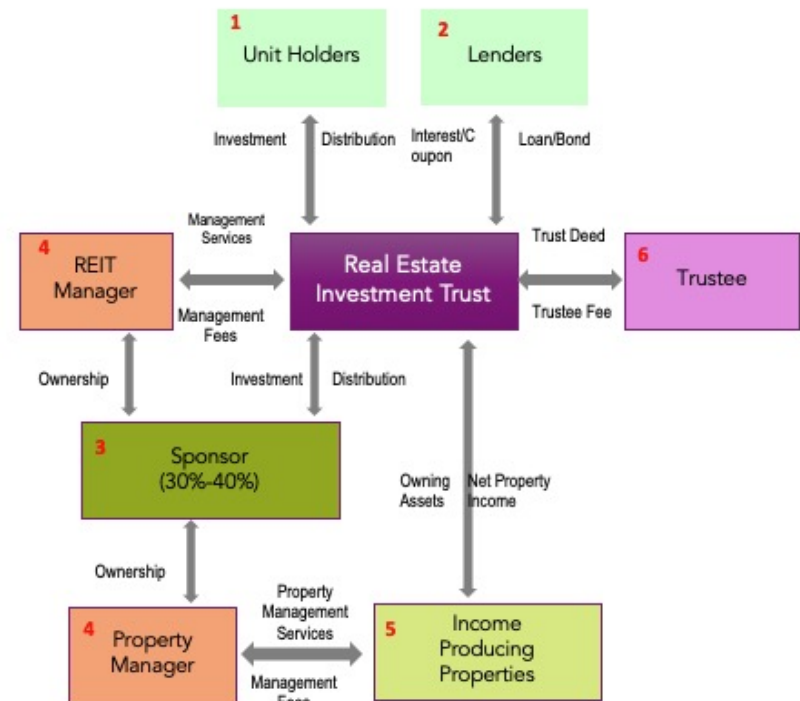
Property Trusts

Market Cap	US\$57 billion	US\$59 billion	US\$4.6 billion	US\$1.6 billion
No of Cos	66	34	5	3
Ave PB/Yield	0.71x	6.0%	6.7%	5.1%
Selected Companies:	<ul style="list-style-type: none"> • Capitaland Limited • Global Logistics Properties • Hongkong Land Holdings • City Developments • Yanlord Land • UOL Group • Guocoland • Ying Li Int'l • First Sponsor • Far East Orchard • Fraser Centerpoint • Regal International 	<ul style="list-style-type: none"> • Mapletree Greater China Commercial • CapitaRetail China Trust • Keppel REIT • Mapletree Logistics Trust • Suntec REIT • CapitaCommercial Trust • Ascendas REIT • CapitaMall Trust • Mapletree Comm Trust • Cache Logistics Trust • Manulife US REIT • Fraser Logs and Ind • Keppel-KBS US REIT • Cromwell European REIT • Sasseur REIT 	<ul style="list-style-type: none"> • CDL Hospitality Trust • Ascendas Hospitality Trust • Far East Hospitality Trust • OUE Hospitality Trust • Frasers Hospitality Trust 	<ul style="list-style-type: none"> • Ascendas India Trust • Religare Health Trust • Dasin Retail Trust

So many REITs, how to choose?

The 1-2-3 of picking REITs

- 1 main macro factor:
 - Interest Rate Direction
- 2 quantitative criteria:
 - Dividend Yield (note: high \neq good)
 - Price to Book
- 3 qualitative considerations:
 - Sector
 - Sponsor
 - Geography

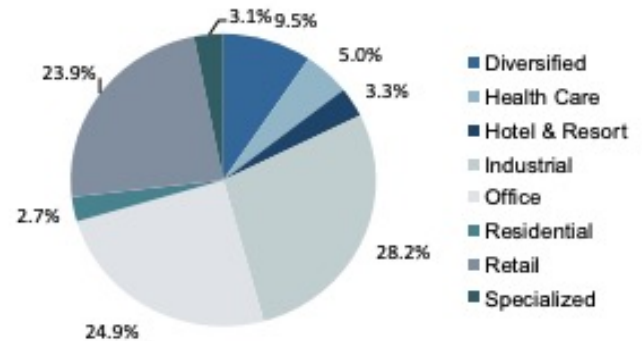


Still can't decide? REIT ETF!

- Lion-Phillip S-REIT ETF
- NikkoAM-STC Asia REIT ETF
- Phillip AP Dividend Leaders REIT ETF

A look at Lion-Phillip S-REIT ETF:
- invested in ~28 REITs

Lion-Phillip S-REIT ETF Industry Allocation



Source: Lion Global Investors



China REITs is here!

News: China to launch USD4.9b of REIT products

This expands fundraising channels for debt-laden local governments

MAINLAND CHINA & HONG KONG

China has approved the country's first batch of public real estate investment trusts (REIT), giving local governments another tool to finance infrastructure projects.

The nine projects, involved in sectors ranging from toll roads to wastewater treatment, were approved by the China Securities Regulatory Commission on Monday (17 May), raising an estimated CNY31.2b (USD4.9b) in total, according to calculations by Bloomberg.

The move is set to expand fundraising channels for debt-laden local governments, and allow retail investors to tap into what a financial institution has estimated may become a USD3t market should the trial be expanded to include traditional real estate.

STRATEGIES

What Strategies to Take?

- Top-down versus Bottom-up
- Technical versus Fundamental
- Short-term versus Long-term
- Is that enough to decide what to buy?
- What other types of strategies?

Three Stock Strategies

- Condensing the above strategies into 3 Strategies...
- The 3 strategies will connect the theoretical aspects of equity valuation and apply it through simple and practical methods

Reference: Personality Driven Portfolio
 Sam Phoen, 2018

STOCK TRADING STRATEGIES

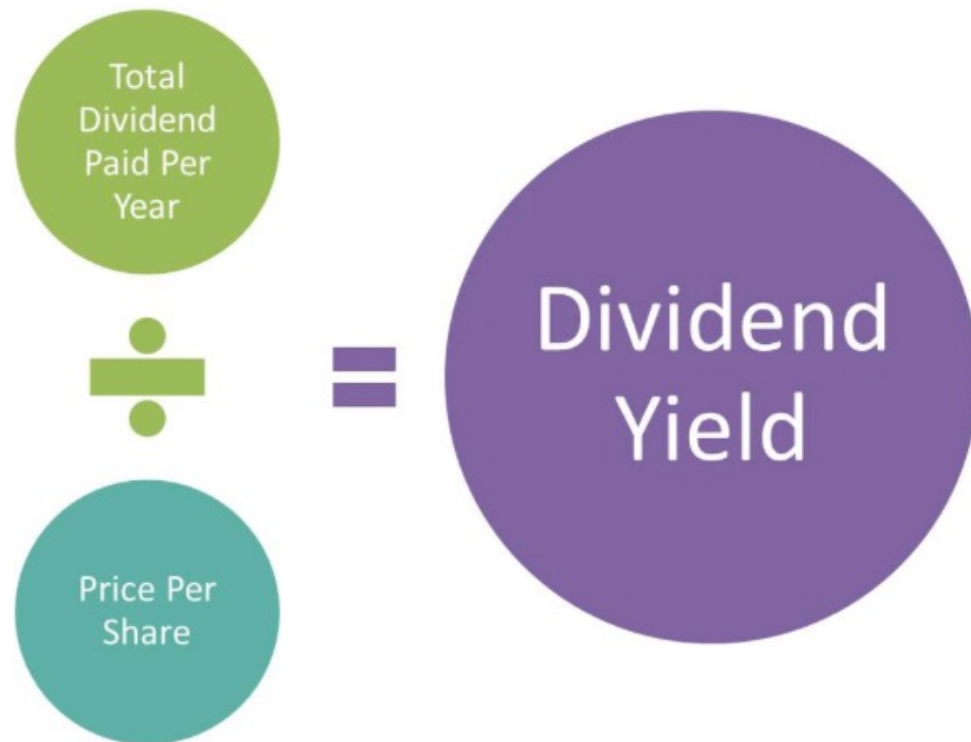
Three Stock Strategies

- Yield (Dividends)
- Long Term Capital Gains
- Short Term Trading



3 Stock Strategies - Yield

- Also called Dividends strategy
- What is yield?



- REITs

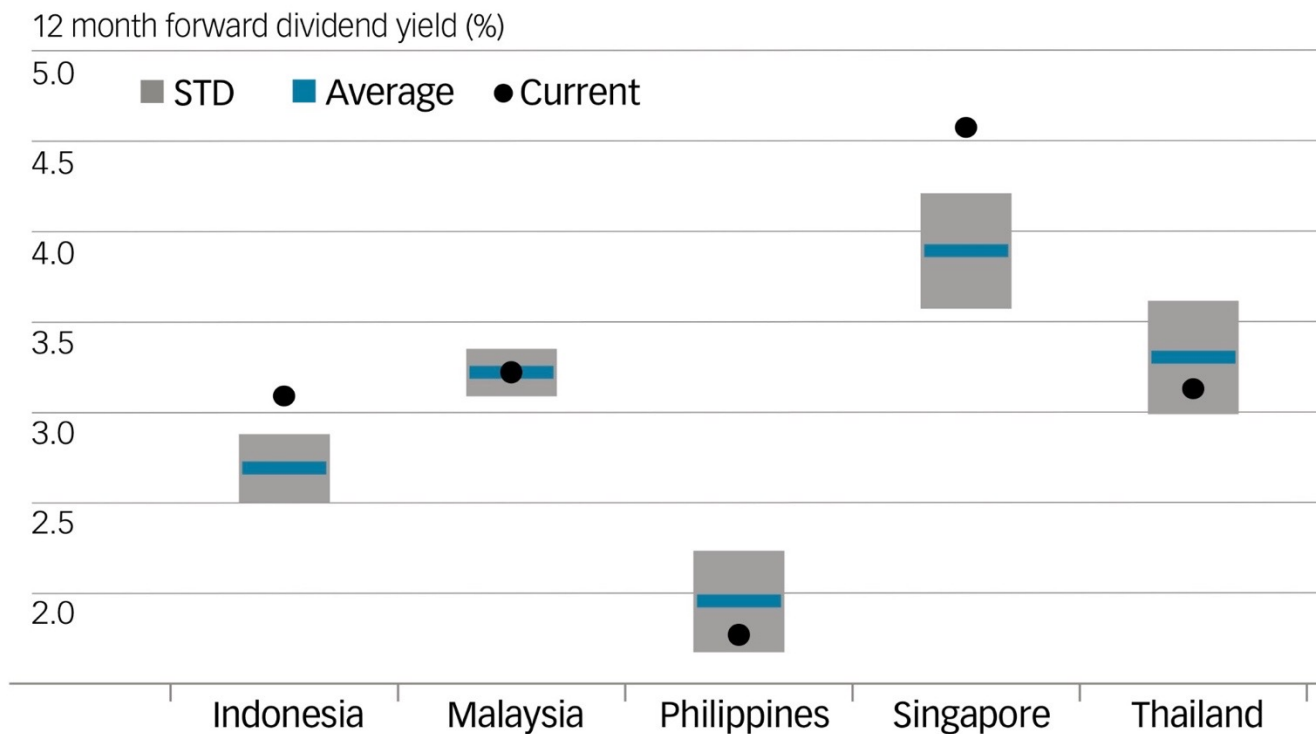
Yield (Dividends) Strategy

What are we after?

- High dividend yields of course!
- But what is high?
 - > 10-year bond yield
 - > 2 to 3 * 1-year risk-free rate
- Steady or slightly growing dividends

Yield (Dividends) Strategy

Singapore has highest dividend yield in Asean



Source: Morgan Stanley Research, Datastream (countries refer to MSCI country indices)

Yield (Dividends) Strategy

Discussion/Exercise

- Define your own criteria for Yield stocks
- Try sgx.com or any other financial websites and find stocks that meet your criteria of Yield
- Share the top stock(s) that you pick and rationale (Not REITs please...)

Dividend stock? Be careful...

Singtel's Q4 gains fall 25.7% on one-off charge at Indian unit

Final dividend nearly halved to 5.45 cents as a prudent step to conserve financial headroom

A one-off hit from its India unit sent net profit plunging at Singtel in the fourth quarter.

Earnings came in at \$574.4 million for the three months to March 31, down 25.7 per cent from the \$773 million recorded a year earlier.

This came as the telco took a net exceptional charge of \$302 million for the quarter, mainly arising from Bharti Airtel's provision for a one-time spectrum charge, the company said yesterday.

Earnings per share stood at 3.52 cents, down from 4.74 cents for same quarter last year. Operating revenue fell 10.2 per cent to \$3.9 billion, due to lower mobile service and equipment sales turnover across Singapore and Australia.

The firm has proposed a final dividend of 5.45 cents a share, almost half the 10.7 cents per share a year earlier. This will bring the total dividend per share for the year to 12.25 cents, from 17.5 cents last year.

AT A GLANCE

OPERATING REVENUE:
\$3.9 billion (-10.2%)

NET PROFIT: \$574.4 million
(-25.7%)

FINAL DIVIDEND PER SHARE:
5.45 cents

"This reduction is prudent to conserve financial headroom to cope with uncertainties in the current Covid-19 operating environment,

SGT.SG (SingTel) SGX - Daily Chart
Close: 2.47 Date: 2020-07-24 (GMT+8)



Singtel took a net exceptional charge of \$302 million for the fourth quarter, mainly arising from India unit Bharti Airtel's provision for a one-time spectrum charge.
ST FILE PHOTO



Would your dividends over the last 5 years be enough to make up for the capital lost?

Straits Times, 29 May 2020

3 Stock Strategies - L/T Capital Gains (LTCG)

- Key here is “Long-Term”, defined as >1 year or longer
- Two types of stocks give you L/T Capital Gains
 - Growth Stocks
 - Value Stocks
- Both types are capable of producing L/T gains if right
- Both types are unlikely (though not impossible) to show significant results if only held for the S/T

LTCG Strategy - What are we after?

Growth Stocks

- High growth in
 - profit (or reduction in losses)
 - revenue, or
 - customer acquisition
- Great if it's profitable, but still ok if not
- Retaining its profits for reinvestment, so tend not to pay dividends
- Examples: Technology stocks, renewable energy stocks

Value Stocks

- Stock trading below its justified fundamentals (remember valuation techniques?)
- Sound financials, ideally with long company history indicating sustainability of earnings
- Price trading below its own average levels and at bottom of historical price ranges
- Examples: Mature blue chips temporarily unloved by market

LTCG Strategy – Growth vs Value

Investors have shunned bargain-priced stocks in favor of fast growers for years. Is value due for a comeback?



ILLUSTRATION BY DAVE URBAN

LTCG Strategy – Growth vs Value

Growth stocks have outperformed Value stocks for over 14 years (since Dec 2006), the longest stretch I have on record.

Chart 1: Growth vs Value since 1990 (Wilshire US Large-Cap Growth Index over Value Index)



Source: Bloomberg

Recently, Value stocks have staged a remarkable comeback, on the back of an expected economic recovery linked to mass vaccinations. Is this the start of a bigger trend where Value outperforms Growth?

LTCG Strategy – Growth and Value

Discussion/Exercise

What are your own criteria for Growth or Value stocks?

Try any other financial websites e.g. finance.yahoo.com and find some stocks that meet your criteria of Growth or Value!

Share the top Growth or Value Stock that you pick and rationale

3 Stock Strategies – Short Term Trading

- How do you trade stocks short term?
- Any particular patterns or methods?
- Introducing 5 Short Term Trading strategies

**Thematic
Trading**

**Trading
Laggards**

**Trading on
Mispricing**

**Technical
Trading**

**Speculative
Trading**

STT Strategy – Thematic Trading



What are we after?

- Trading on a specific theme
- Theme may be well researched or based on a belief
(note the difference between this and pure speculation)
- Theme might be based on sentiment or developing trend

STT Strategy – Thematic Trading



Example

- You have been following stock of Oxley Holdings, a medium-size Singapore developer for a while. URA Singapore Residential Property Price Index was scheduled for release on 2 Oct 2017. You decided to buy before the release, expecting a positive number.
- Oxley's price before and after the release of a small positive number:



STT Strategy – Trading Laggards



What are we after?

- A laggard stock is one whose stock price is lagging other similar stocks in the industry/sector or market
- A laggard does not need to move in same direction or magnitude as others in same industry, esp. if it has a different focus, poorly run, or different business model etc.
- Most stocks in the same industry/sector do move in same direction, and we are after these stocks

STT Strategy – Trading Laggards



Example

- CityDev is another Blue-Chip property stock in Singapore. Here's how it reacted to the official price release on 2 Oct and 3 days after:

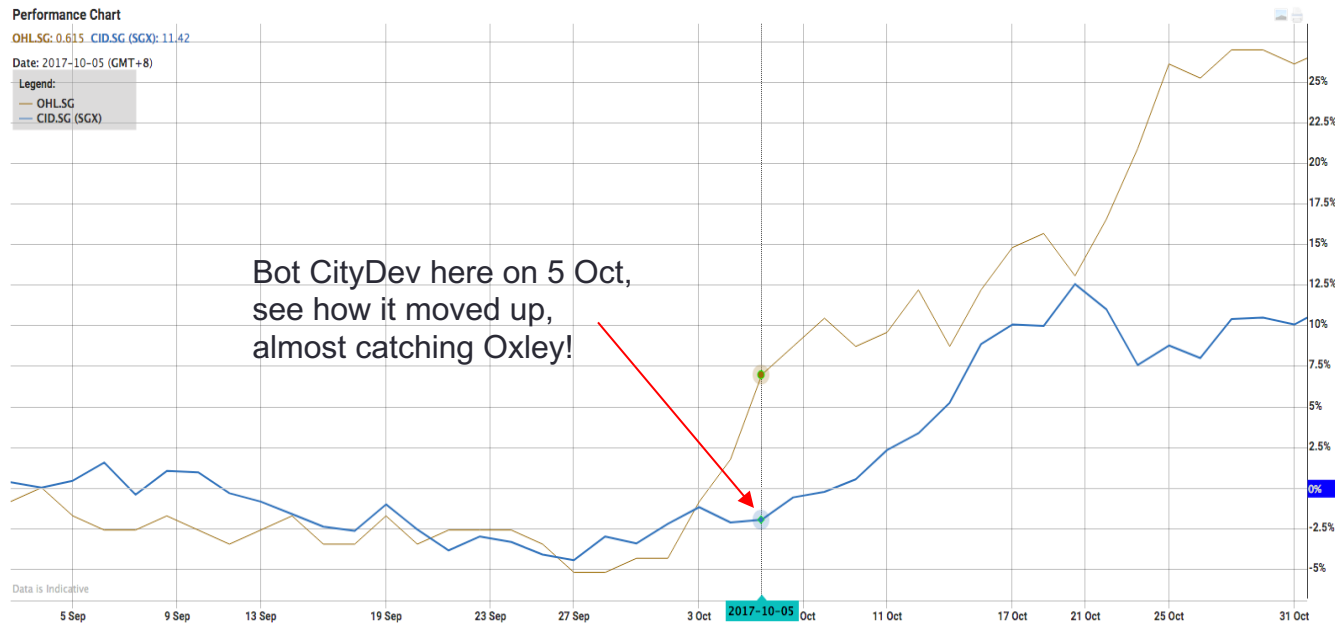


- If you are convinced Property prices should head higher, then there is no reason why CityDev should lag Oxley by so much. You decided to buy CityDev on 5 Oct, 3 days after the release.

STT Strategy – Trading Laggards



Example continued...



- Laggard CityDev staged a remarkable catch-up with Oxley in the following 2 weeks! Your “late” purchase on 5 Oct would have gained 14% by 19 Oct!

STT Strategy – Trading on Mispricing

What are we after?



- A stock may be mispriced for a variety of reasons
 - Overreaction to a good/bad news
 - But how do you judge if it has over or under reacted?
 - Technical factors like M&A, Corporate Actions
 - In an M&A, the buying company tends to see a fall in stock price, while the acquired company tends to see a rally
 - In Corporate Action, e.g. rights issue, the company stock price should fall on the ex-Rights date
 - On an ex-dividend date, the company stock price should fall theoretically by the dividend amount
- We try to take advantage of such very short term mispricing

STT Strategy – Trading on Mispricing

Example



YZJ.SG (YZJ Shipbldg SGD) SGX - Daily Chart



STT Strategy – Technical Trading



What are we after?

- Based on chart patterns
- Be aware of system trading who will beat humans in speed in detecting any technical patterns, and are always more disciplined in taking profit and cutting loss

STT Strategy – Speculative Trading



What are we after?

- Buying or selling on reasons not covered in the 4 S/T strategies above are collectively known as “Speculative” Trading
- Some common reasons/excuses given include
 - Hot tip
 - Gut feel
 - Educated guess
 - Outright bet
 - Market mood
- Whatever the reasons, the speculation/gambling desire is innate in many of us, and we are really after the quick money, adrenaline rush and the bragging rights that come with it...

Short Term Trading Strategies

Discussion/Exercise

- Is the market really efficient? Is there still a chance for S/T traders to make money consistently in your view?
- Share a S/T trade that you have done or heard of recently. Can it be classified under one of the 5 types? How did it turn out?

The 3 Stock Investment Strategies

- Yield (Dividend)
- Long Term Capital Gains
- Short Term Trading
- Do you have a favourite?
- Would it suit you? Why?

Recap on what we covered...

Valuing Equities

- 1 Macro-Economic Analysis
- 2 Industry Analysis
- 3 Fundamental Analysis

Funds and REITs

- 4 ETFs
- 5 Mutual Funds
- 6 REITs

Strategies

- 7 Stock Trading strategies

Are You Ready for Stocks?

*Are you
ready to
help your
clients now?*



Add me!



WeChat ID: Sam_PTL



<https://www.linkedin.com/in/samphoen/>

Copyright and Disclaimer

No part of this presentation or slides may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner.

Requests for permission should be addressed to Sam.

The author makes no warranties on any claims in this presentation. This presentation does not constitute a recommendation, offer or solicitation to buy or sell any investment product. It does not have regard to your specific investment objectives, financial situation or particular needs. Investments are subject to investment risks. The risk of loss in Futures, Options or any leveraged trading can be substantial and you could lose in excess of your initial funds. You may wish to seek advice from a financial adviser, pursuant to a separate engagement, and to read the governing Terms and Conditions and the Risk Disclosure Statement carefully in any product term sheet before making a decision whether or not to invest in such products.