

How are fund pickers playing multi asset?

Fund analysts give us their outlooks on the sector and name the funds they are using or watching

SINGAPORE

DARYL LIEW, CFA
REYL

We don't have any direct exposure to mixed-asset funds in our discretionary portfolios. This is because as the portfolio manager, we are the ones who manage the asset allocation strategy of the portfolio. We do, however, have two multi-asset funds in our approved fund buy-list that can be used in advisory portfolios if clients want some exposure to this category of funds or for smaller managed accounts where it is more difficult to diversify into several asset classes. The two multi-asset funds in our approved fund buy-list are **Blackrock Global Allocation** and **BNY Mellon Real Return**. Both these funds have long established track records and are supported by strong specialised teams from the various asset classes.

SHIN HORNG SEOW, CFA
BANK OF CHINA

Our exposure to multi asset is about 20% to 30% of clients' portfolios. Over the past year, the proportion of the allocation to multi asset has increased. After the global financial crisis in 2008, correlation between equities and fixed income has increased.

Thus, the traditional allocations between equities and fixed income have not been able to effectively help investors diversify the risks in their portfolios.

With multi-asset funds, uncorrelated assets can be added to clients' portfolios and give them a truly diversified portfolio. With multi asset we expect lower volatility in clients' portfolios and a higher sharpe ratio.

At the moment, we are recommending the **Schroder ISF Global Multi-Asset Income** fund to our clients. This fund offers both regular income as well as investment growth, with potential payouts of 5% per annum. It invests into a broad range of different asset classes, including global equities, developed and emerging market government debt and corporate bonds, allowing its team of specialist fund managers and asset allocators to seek out the best sources of income while diversifying risk. This fund also takes a global unconstrained approach, investing flexibly across countries, sectors and market capitalisation.

SIMON COXETER, CFA
MERCER INVESTMENTS

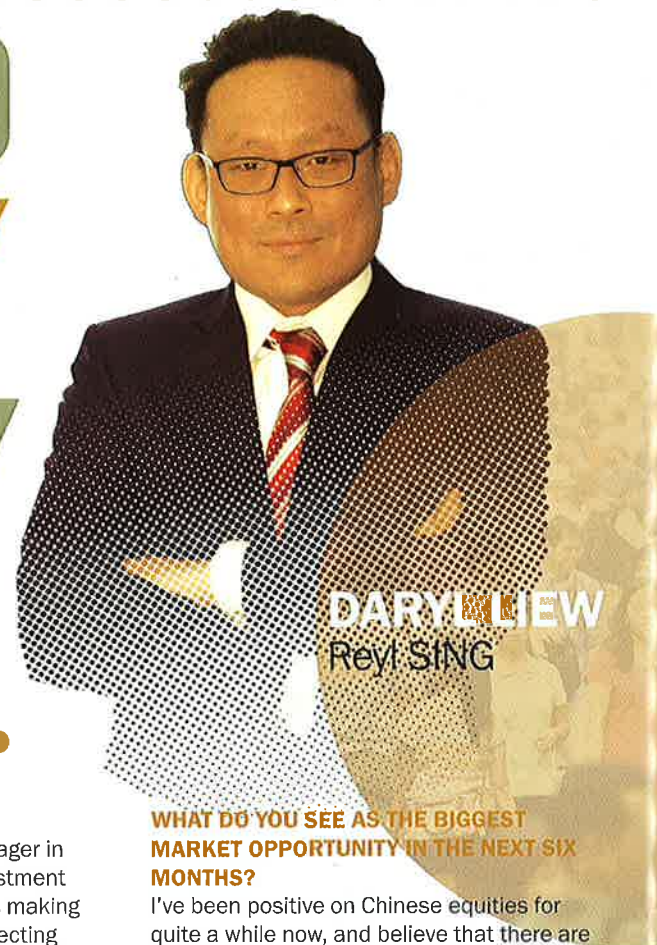
Our clients in Asia have significant exposure to multi-asset strategies, to some extent mirroring client activity in Europe and North America. This is an ongoing trend, and consequently, asset management firms have placed more emphasis on developing multi-asset investment capabilities. In Asia, for example, we've seen a number of build-outs in this area; an unsurprising corollary of the long-term opportunity in the region. Liquidity, simplicity and relatively low fees mean that multi-asset funds can be attractive components of defined contribution pension schemes, and may appeal in particular to smaller institutional investors where governance issues are a key consideration. In some markets, demand has shifted from traditional balanced mandates to more comprehensive multi-asset solutions tailored to a client's return preferences and risk tolerances. Indeed, the old labelling of 'balanced' in the US/Asia and 'diversified growth' in the UK is becoming redundant. The range of strategies available in this sector has ballooned over recent years, pushing boundaries between traditional and hedge fund investments in the liquid alternatives space. Navigating this diverse terrain, we identify key sources of risk/return and consider the potential role each strategy could play within an investment portfolio. To this end, we've constructed a proprietary categorisation schema to differentiate between types of multi-asset strategies.

VICTOR WONG, CFA
FINANCIAL ALLIANCE

Our current exposure to multi asset is around 10%. We had no exposure to multi asset last year, and only recently decided to allocate to the sector. We have some exposure to US high yield bonds, which have done exceptionally well over the past few years due to low global interest rates and tightening credit spread as money flows to this sector in search of yield. Going forward, global interest rates are going to rise as the US stops its QE program and global economic growth rates normalise. The high yield credit spread may also widen, leading to pressure on the bond prices. We are also of the view that equities will outperform bonds over the next three years as equity yields looks very attractive compared with bond yields. With the above backdrop in mind, we feel multi-asset funds will add more diversification and resilience to our portfolios. Based on the funds that are available on the platform that we use, **Schroder ISF GIB Multi-Asset Inc A Acc SGD** is our current recommended fund as it has delivered the most consistent return over various historical periods with low volatility. The fund also uses active risk management to limit downside risk through judicious use of derivatives as well as having the flexibility to increase its cash holding up to 20%.

THE END OF EASY MONEY

EASY MONETARY CONDITIONS IN THE US HAVE LONG DOMINATED THE INVESTMENT CLIMATE. BUT AS THIS ERA DRAWS TO A CLOSE, DARYL LIEW IS PREPARING FOR THE IMPACT ON GLOBAL MARKETS



DARYL LIEW
Reyl SING

ROLE

I am a discretionary portfolio manager in charge of managing bespoke investment portfolios for clients. This includes making asset allocation decisions and selecting instruments (from funds to individual securities). I also provide coverage on Asian stocks for Reyl.

THE BIGGEST EVENTS OF 2014

The major event so far in 2014 that has caused a relook into our processes was the sharp reversal in momentum strategies in March this year which caused a number of managers to underperform. The speed and magnitude of the move caught many fund managers by surprise.

HOW WILL THESE AFFECT YOUR INVESTMENT PROCESS?

Yes, from a due diligence process, it caused us to relook at how we assess the risk management processes of fund managers.

WHAT DO YOU SEE AS THE BIGGEST MARKET OPPORTUNITY IN THE NEXT SIX MONTHS?

I've been positive on Chinese equities for quite a while now, and believe that there are a number of catalysts that could potentially lead to a strong rally in Chinese stocks for the next several months.

WHAT DO YOU SEE AS THE BIGGEST MARKET CHALLENGE IN THE NEXT SIX MONTHS?

I'm concerned about the impending reversal of easy monetary conditions in the US and the potential impact it will have on emerging markets.

IF YOU COULD CHANGE ONE THING ABOUT THE INDUSTRY OVERNIGHT, WHAT WOULD IT BE?

Aligning financial incentives for fund managers and distributors to truly act in their clients' best interests. ★

UPPING THE ANTE

OCBC BANK'S WYSON LIM BELIEVES AN UPTURN IN US CORPORATE EARNINGS WILL LEAD TO INCREASING CAPITAL EXPENDITURE AND A WAVE OF M&A ACTIVITY



WYSON LIM
OCBC Bank

ROLE

In my current role, I am responsible for growing the consumer business in Malaysia and developing the OCBC Al Amin business franchise. I also oversee OCBC's regional wealth management product strategy, development and advisory units. Prior to this, I oversaw the Wealth Management Business for OCBC Bank in Malaysia.

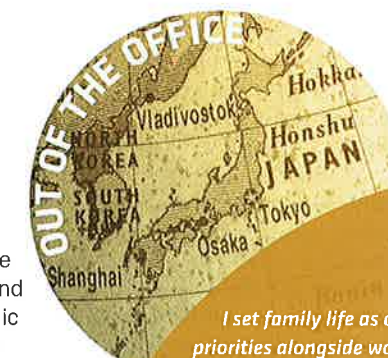
THE BIGGEST EVENTS OF 2014

We believe equities could rally further in the current environment of improving growth and low interest rates, as recent macroeconomic developments have been supportive of the global recovery.

The 2Q14 earnings season in the US has also generally reported better than expected results, and this suggests that with stronger revenue growth, we can expect companies to turn more optimistic and increase their capital expenditure and M&A, further driving growth activity in the US.

However, we are becoming watchful on valuations and technical positioning. Currently, we are moderating our aggressive overweight in equities and taking some chips off the table.

In the high yield and emerging market bond space, we are taking a neutral view on it as the hunt for yield continues while remaining underweight in investment grade bonds on the back of impending rate hikes. ★



I set family life as one of my priorities alongside work. In my spare time, I try to spend more time with my two children. You can't have a life if you are always working around the clock. You need to have a balanced life, which brings meaning to everything. Besides family, I love travelling. I see Japan as one of the best destinations for spending time with my family. It's only on family holidays overseas that I get to devote all my time to the family. I really enjoy Japan. I love the Japanese culture and food. Another interest is reading Fast Company, an international magazine dedicated to technology, business and design. I'm always looking out for the latest gadgets because there will be something, be it a new feature or design that can inspire your mind and stimulate ideas.



Spending time with my family.