

For Unicorn's Value Investing Portfolio Services (VIPs) Clients only

New Investment Call – 28 Sep 2020



Cash Portfolio (No Change)

Current Allocation
7.5% China H Share Funds
7.5% China A Share Funds
20% Global Innovators Fund
20% Gold ETF
45% Cash Fund

CPFOA Portfolio (No Change)

Current Allocation
15% China H Share Funds
5% Asia-Pacific Funds
10% US Technology Funds
5% Europe Funds
65% Short Duration Bond Funds

SRS Portfolio

Current Allocation	New Allocation
7.5% China H Share Funds	10% China H Share Funds
7.5% China A Share Funds	10% China A Share Funds
20% Global Innovator Fund	25% Global Innovator Fund
65% Cash Fund	55% Cash Fund

Overview

This investment call will focus on SRS investments as we are increasing our **equities exposure to 45% from 35%** for the SRS portfolio only. There are no significant changes in our view towards the global economy since the last investment call on 17 Aug. We believe the nature of SRS allows us to have a higher exposure to equities as compared to our Cash and CPFOA Portfolios.

Why is there a need to increase equities exposure for the SRS Portfolio?

SRS is meant for tax management and it can only be withdrawn penalty-free after the statutory retirement age, currently at 62 years old. This generally gives SRS investments a longer investment time horizon. As such, a higher equities exposure is beneficial for SRS investors as:

- We expect good quality equities to outperform other conventional asset classes like bonds and cash over the longer term.
- The longer investment time horizon allows the portfolio to ride through the volatility that usually accompanies equities.

As we are in an **era of technological disruption** and **slow economic growth**, Unicorn believes that the future opportunities lie with structural growth businesses that are less reliant on economic growth, as well as with China due to its future potential as a rising superpower.

What are the changes?

In order to maintain exposure to both the developing and developed markets, we are recommending an additional 5% allocation to China which represents the developing market and 5% to the Phillip Global Rising Yield Innovators Fund which represents the developed market.

As shared previously, despite the fact that China was where COVID-19 started, the China market has recovered due to its strong management over the pandemic and strong financial standing. The China market has gone above the previous peak in the last 1 year¹, while the global equities² are still catching up.



Fig 3: MSCI China representing the China markets¹



Fig 2: MSCI ACWI Index representing 23 Developed Markets & 26 Emerging Markets²
"Past performance is not necessarily indicative of future performance."

The Phillip Global Rising Yield Innovators Fund seeks to identify structural innovators that enjoy high growth potential while being less dependent on economic cycles, and therefore more resilient to unforeseen shocks to the economy or markets. Hence, the companies in the Fund provide an edge over others, with faster recovery and further growth while other companies are struggling to cope with the economic downturns.

Sources

- ¹ – Google Finance
- ² – MSCI

Important Notes

The recommended funds reallocation above may result in crystallising your gains or losses from the funds that are being switched out. However, we believe that by switching out of these funds into funds that are carefully selected after our intensive research, this would mean a better long-term risk-reward proposition for your portfolio.

Investment involves risk including the possible loss of principal amount invested. Unicorn's Investing Committee monitors the recommended asset allocation closely and recommends funds after intensive research and observing market trends and macro-economic developments. However, we do not guarantee the performance of the funds and the past performance of the funds is only one of the many factors we look at; hence, it is not necessarily indicative of the future performance of the funds.

I have read and understood the reasons for the reallocation of my Unicorn-advised portfolio and I would like my Unicorn Financial Consultant to help me make the necessary reallocation to my Unicorn-advised portfolio to align it to the above recommendation by Unicorn Financial Solutions Pte. Limited.

Name and signature of Client/ Date
