

A bunch of stocks isn't a portfolio.
Until you structure it.

Structuring a portfolio is an art as much as it is a science. This is part of an HLB-exclusive 'Total Portfolio Management' series that will hopefully help clarify how investors can shape and actively manage their portfolios — no matter if markets are bullish or bearish.

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WHAT IS AN INVESTMENT PORTFOLIO?

A portfolio is a combination of asset classes with different risk and return profiles as below. Although higher risk may mean a higher expected return (or loss!), a riskier asset class can be made less risky with a smaller allocation.

If a conservative investor has a long-term horizon for a goal, he/she can take more risk because time diminishes risk. In fact, investing only in low-risk assets actually increases the risk of not reaching the long-term goals.



WHY YOU SHOULD CONSIDER A PORTFOLIO?

Gains from stocks can be easily wiped off in a short period of time as the market falls faster than it climbs up.

Portfolios provide protection during such trying times, as shown below where a 56% potential loss can be reduced by around 5x just by having a smaller allocation to the riskiest asset, in this case, growth stocks.

This means that even the most conservative investors can have stocks in their portfolios.

Investing 100% in equities may give you the highest returns provided that you pick the right stock and the economy is doing well. This is often not as simple as some might think it would be.

HOW PORTFOLIO ALLOCATION HELPS PROTECT YOU



This form of protection is important because the lesser your investment falls, the easier it is to recover all else being equal.

ALL ABOUT HLB MODEL PORTFOLIOS

HLB MODEL PORTFOLIOS – HELPS YOU ALLOCATE EFFICIENTLY

Finding the best asset mix can be an arduous task. There can be numerous trials and errors that can be time consuming. Moreover, choosing the best allocation often involves the use of models and software that are commonly employed by investment professionals. Of course, this does not come cheap.

In HLB, there is a team of investment and research professionals that aim to deliver the optimal solution right to your doorstep.

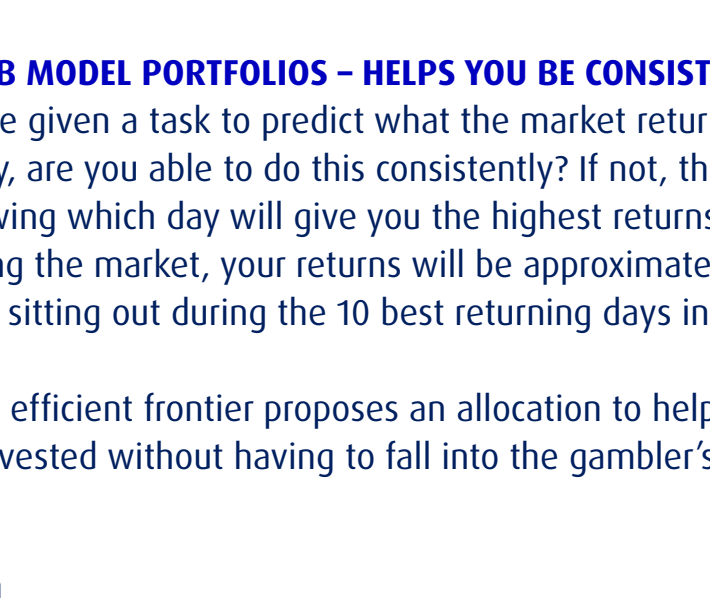
HLB MODEL PORTFOLIOS – SHAPED TO SUIT YOUR NEEDS

As we now know the importance of having a portfolio and the difficulties in building one, not to mention managing it, it is best to leave this to the professionals with decades of experience managing investment risks.

HLB has built three different model portfolios to cater to a variety of investors. As you can see from the charts below, over periods of market stresses in the last 15 years, the backtesting of these model portfolios shows that it provides some protection throughout many market cycles, reducing the maximum fall of investors.

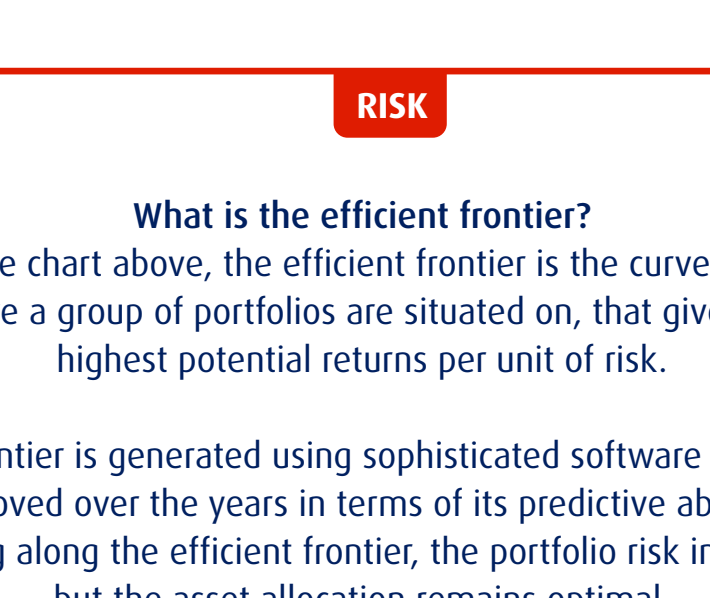
1. STEADY INCOME MODEL PORTFOLIO

For the investors that aim to minimize and diversify risk while allowing a steady income growth, the Steady Income Model Portfolio may suit your investor profile. Between 2016 – 2022, this investor profile resulted in 5-year annualized returns of +4.87% p.a. and 5-year total returns of 27%. The maximum fall recorded was -8.1%*



2. BEST OF BOTH WORLDS MODEL PORTFOLIO

For the investors that aim to balance between generating a steady income and investment with potential for higher growth, the Best of Both Worlds Model Portfolio may suit your investor profile. Between 2016 – 2022, this investor profile resulted in 5-year annualized returns of +8.12% p.a. and 5-year total returns of 48%. The maximum fall recorded was -11.06%*



3. RETURN MAXIMISER MODEL PORTFOLIO

For the investors that aim to be aggressive to achieve returns in a shorter timespan, the Return Maximizer Model Portfolio may suit your investor profile. Between 2016 – 2022, this investor profile resulted in 5-year annualized returns of +10.66% p.a. and 5-year total returns of 66%. The maximum fall recorded was -15.25%*



*Source: Morningstar Direct. Performance charts from 2/9/2016 to 30/04/2022. Past performance is not an indicator of future performance.

HLB MODEL PORTFOLIOS – HELPS YOU BE CONSISTENT

If you were given a task to predict what the best returns are on a particular day, are you able to do this consistently? If not, then there is no way in knowing which day will give you the highest returns. This means that by timing the market, your returns will be approximately 40% lesser if you were sitting out during the 10 best returning days in the market.

As such the efficient frontier proposes an allocation to help you remain fully invested without having to fall into the gambler's fallacy.



What is the efficient frontier?

In the chart above, the efficient frontier is the curved line where a group of portfolios are situated on, that gives the highest potential returns per unit of risk.

The frontier is generated using sophisticated software that has improved over the years in terms of its predictive abilities. Moving along the efficient frontier, the portfolio risk increases but the asset allocation remains optimal.

The frontier is constructed with a long-term horizon in mind factoring both up and down markets.

WHAT TO DO AFTER YOU INVEST IN A PORTFOLIO?

DETERMINE YOUR REVIEW FREQUENCY

Quarterly reviews are recommended for medium to long-term investments (3–5yrs).

Longer term (>5yrs) investments? Opt for semi-annual/annual reviews.

As the market moves, your portfolio risk would also change, hence it is prudent to re-balance when the time comes.

TRACK YOUR INVESTMENT PERFORMANCE

Gauge your investment performance by comparing to a benchmark.

One rule of thumb, investment performance is considered satisfactory when it outperforms the benchmark.

HLB's model portfolios are measured against their benchmarks and are constantly optimized.

TRACK YOUR INVESTMENT OBJECTIVE

Be it college funds for your kids, buying a new house or funding your retirement, the model portfolio can help achieve your objectives.

During periodic reviews, always check if your investment portfolio is on-track to meet your investment goals.

We hope this helped you begin to understand portfolio management and how it can be part of helping you achieve your financial goals. Keep an eye out for the next part of this series as we look at how targeted Satellite Diversification can help you capture shifting opportunities.

WE'RE ALWAYS HERE TO HELP

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