

INVESTING & WEALTH

LIKE many investors, Ivan did not have the habit of monitoring his investments after the initial set-up. However, after investing in the Avallis Portfolio Asset Management (PAM) strategy in 2016, he began to learn about the importance of regular reviews and the benefits of portfolio rebalancing.

Ivan's goal is to retire in 20 years. After assessing his current financial situation, Ivan can increase his portfolio risk now and lower it as he approaches retirement. Based on his risk profile and the market outlook, Ivan invested in two portfolios with allocations of 50 per cent equities and 50 per cent bonds.

Ivan's investments were split into an Asian Market (AM) Portfolio and a Developed Market (DM) Portfolio to achieve diversification across different regions.

Investments generally perform according to market movements. If left unadjusted over time, the portfolio's composition will deviate from Ivan's original target allocation. The portfolio might become too risky, which Ivan may not be comfortable with or too conservative which deters him from achieving his long-term target return.

Avallis PAM emphasises regular portfolio rebalancing which is the key to maintaining the portfolio risk of the original asset allocation. Allocations that exceed the initial weights are sold to buy assets that have become underweight relative to initial targets. This systematic method, done every six months, allows the portfolio to align the risk level to the one accepted by the client at the outset.

Avallis' Review and Rebalancing Report consists of reviews of the performances of the selected markets, funds and the various portfolios. An action plan with details of the recommended rebalancing transactions is customised for Ivan's portfolio. Rebalancing will be executed upon Ivan's review and confirmation. This exercise, with follow-up from the adviser, gives Ivan the opportunity to monitor his investments at least once every six months.

Ivan's portfolios have just hit the six-month mark. Generally, equities have performed better than bonds in the past six months, which resulted in an increase in equity exposure in Ivan's portfolios. Therefore, the recommendation is to sell some equities to top up the bonds to rebalance the portfolios. At the same time, changes were made to funds selection due to performance and currency exposures. These changes were made during this rebalancing exercise.

With the PAM methodology, Ivan's investment will be less volatile as compared to the past when his investments were not reviewed regularly. Diligence in rebalancing your portfolios will keep your investments in line with your risk profile.

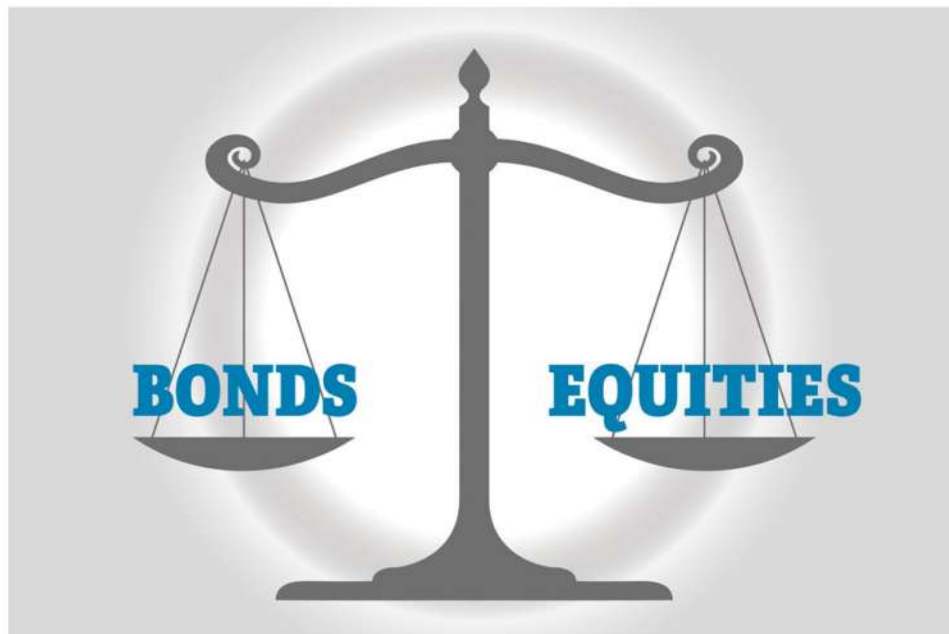
The total value of Ivan's PAM investment is S\$83,325.60 as at May 15, 2017; returns are 2.95 per cent for the AM portfolio and 5.36 per cent for the DM portfolio over the last six months.

The market outlook remains positive for both the Developed and Asian Markets. Ivan's next scheduled rebalancing will be in November 2017.

The PAM series of portfolios seek to align clients' investment and financial planning objectives with their risk profile. Clients' objectives are achieved through investing in both equity and fixed income funds. Diversification is further extended across geographical regions and various industries and sectors. These investments are intended as medium to long-term holdings. Whenever possible, PAM selects more than one manager for each asset class.

The importance of portfolio rebalancing

It is key to maintaining the portfolio risk of the original asset allocation. **By Oh Chun Wei**



Portfolio health check

Asset allocation snapshot

DM	INITIAL VALUE	BEFORE REBALANCING		AFTER REBALANCING		CURRENT VALUE (\$S)
	NOV 2016 (\$S)	(\$S)	(%)	(\$S)	(%)	
Equities	20,000.00	21,990.16	53	20,907.87	50	21,067.63
Bond	20,000.00	19,846.87	47	20,929.16	50	21,076.50
Total	40,000.00	41,837.03	100	41,837.03	100	42,144.13

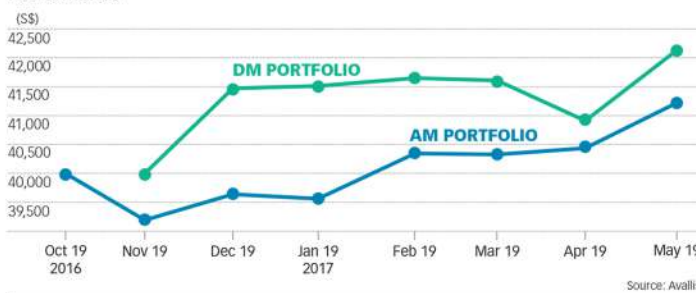
AM	INITIAL VALUE	BEFORE REBALANCING		AFTER REBALANCING		CURRENT VALUE (\$S)
	OCT 2016 (\$S)	(\$S)	(%)	(\$S)	(%)	
Equities	20,000.00	21,471.06	52	20,482.93	50	20,553.93
Bond	20,000.00	19,494.79	48	20,482.92	50	20,627.54
Total	40,000.00	40,965.85	100	40,965.85	100	41,181.47

Rebalancing on May 2, 2017. Due to the use of forward pricing for transactions, there will be certain discrepancies between target and actual allocation percentages after rebalancing.

Diligence in rebalancing your portfolios will keep your investments in line with your risk profile.

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Performance



Source: Avallis

> The writer is director and independent financial advisory representative at Avallis Financial, which aims to educate and empower clients to achieve their financial goals