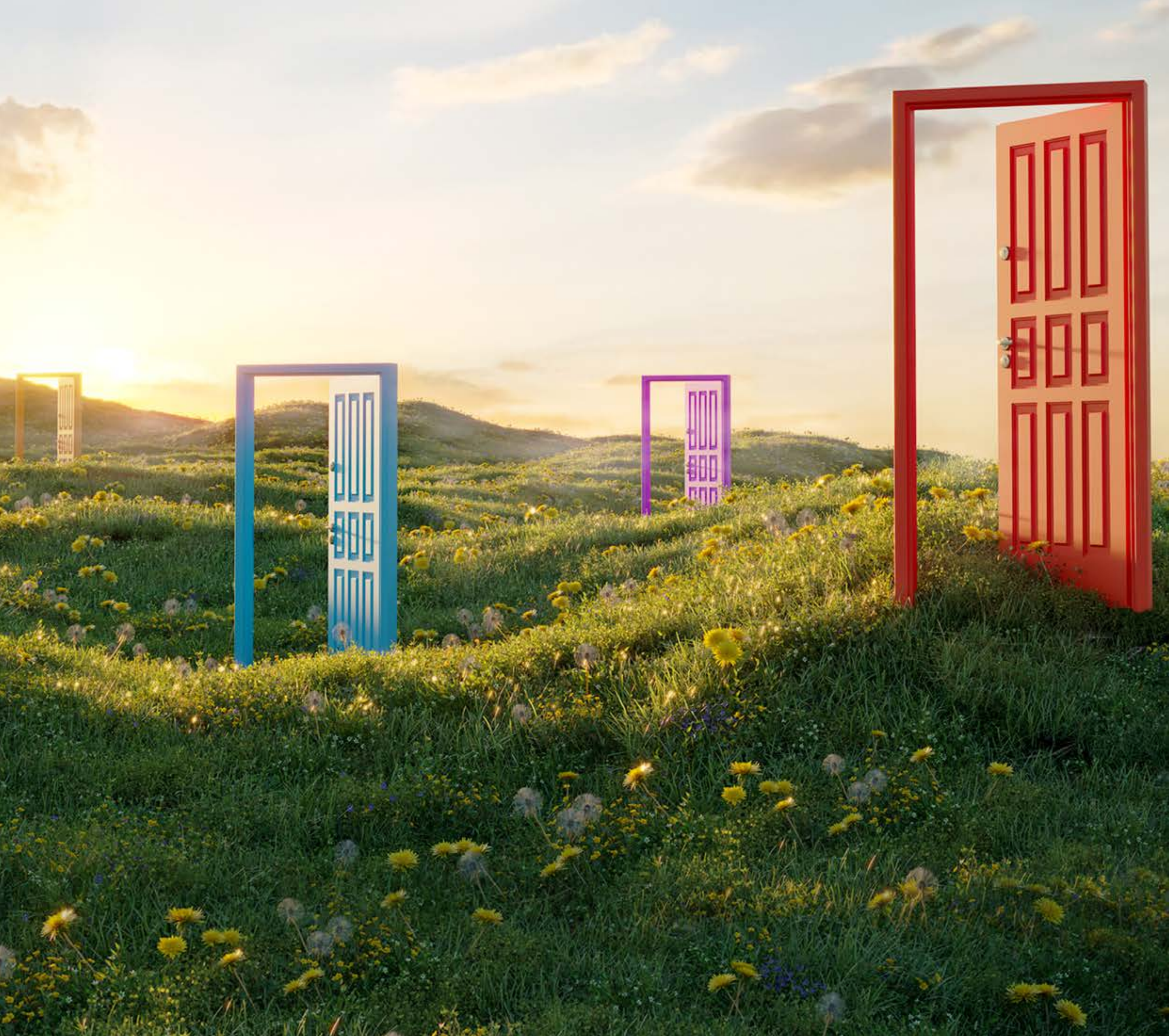
FULLERTON
FUND MANAGEMENT

Rethinking Investing

Investors' attitudes and behaviours in an evolving landscape



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Foreword

We are living in a markedly different environment today, characterised by heightened geopolitical tensions, economic shocks, inflation, climate change, and the rapid advancement of artificial intelligence. These are just some of the transformative forces shaping our world, redefining the way we live, work and invest.

Investors are no doubt watching these developments closely. They are reframing their investment behaviours, inclinations, and attitudes as they look to position themselves for opportunities in a shifting landscape. Armed with a plethora of information and readily available tools, they are also more informed and assertive than before, seeking to educate themselves, and actively participate in their financial journey.

Our "Rethinking Investing" report paints a picture of the modern investors' resilience. Despite a challenging external backdrop, they are taking a sanguine and confident view of the markets. Their optimism is not unwarranted - the volatility and complexity of markets can often herald fertile ground for astute investors to capitalise on.

This report will shed light on how investors' attitudes and behaviours have evolved – as prior conventions and accepted investment tenets are being questioned. It will elaborate on how investors are redefining and rethinking their investing approach.

Through a more intimate understanding of investors' preferences and needs, we seek to strengthen our connections and establish more effective, transparent, and collaborative partnerships to fulfil – and even exceed our clients' expectations.

Ken Goh
Chief Investment Officer
Fullerton Fund Management

About the study

Background

Fullerton Fund Management commissioned a study of Singaporean investors to understand and gain perspectives into investors' attitudes, behaviour, and challenges in today's investment landscape, as well as the key drivers at play in an evolving investment environment. It also looks at how sentiment and expectations may have shifted among investors, what the core investment aspirations of Singaporean investors are, and how investors believe they can achieve their investment goals.

Survey methodology

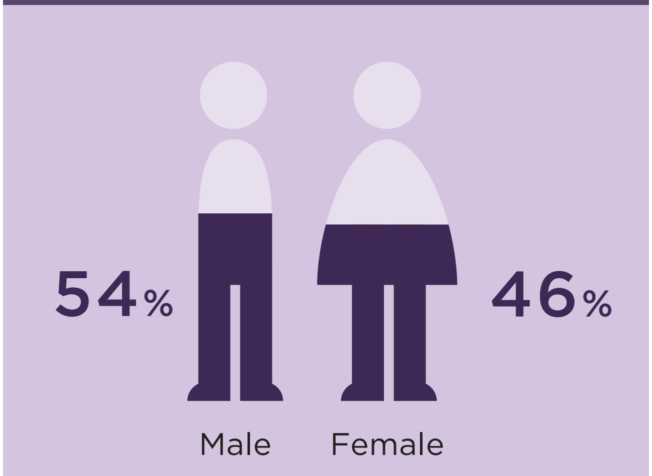
An online survey of 500 Singaporeans was undertaken in late 2023. All were active investors with at least 3 years of investing experience and investable assets of at least SGD 40,000.

The survey was followed by a series of in-depth interviews and focus group discussions, where we spoke to several end-investors and senior representatives in financial intermediaries to obtain further insights into how investors' inclinations have changed.

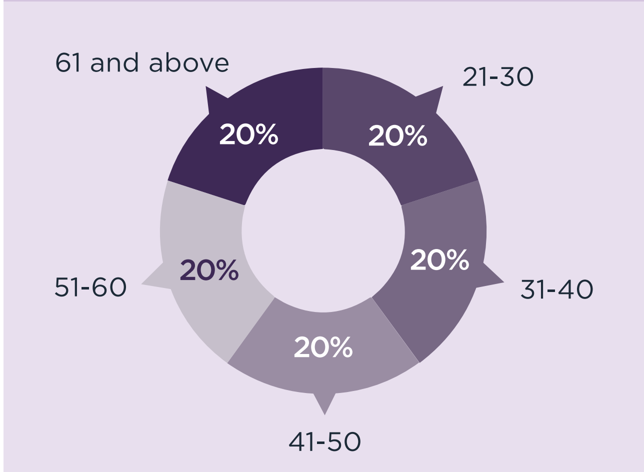
Respondents were carefully selected to ensure a balanced and representative cross-section of Singapore investors across age, gender, marital status, ethnicity, income, and employment status.

Profile of respondents

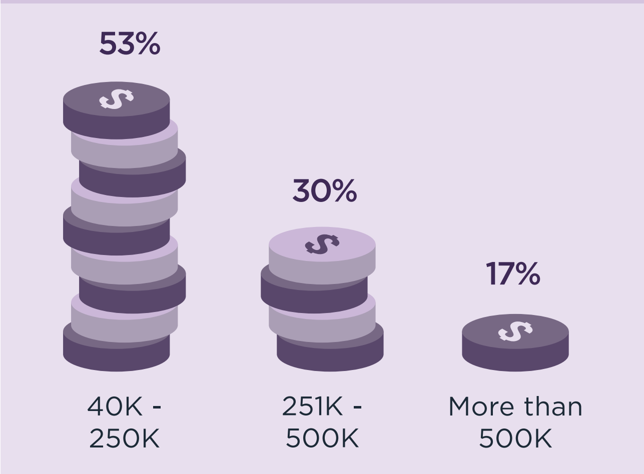
Gender



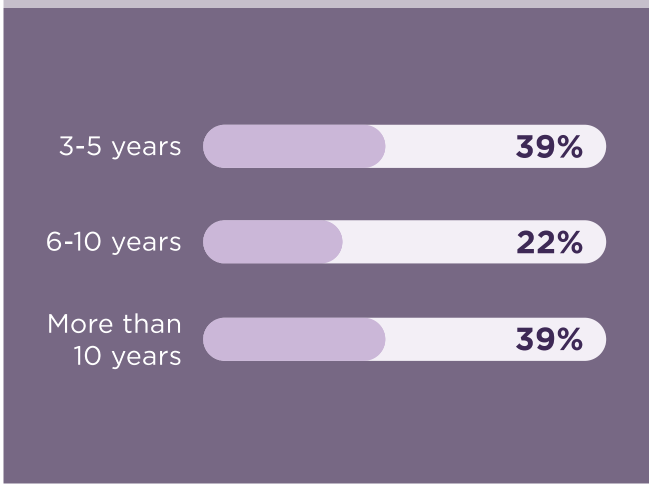
Age



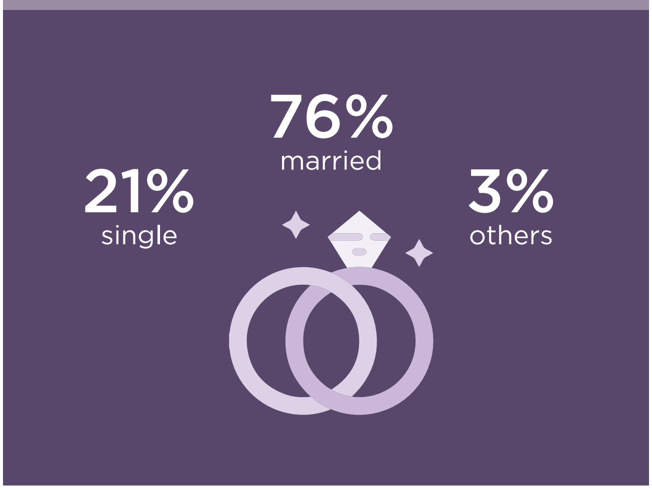
Value of investments (in SGD)



Investment experience



Marital Status



Employment Status

Executive summary

Rethinking investing in an evolving landscape

Structural shifts, economic turbulence, international shocks, and digitalisation have accelerated the pace of change globally. Singaporean investors were not immune to the impact of these forces on financial markets. In response, they have adjusted to the environment by adapting their attitudes and behaviours.

Our survey illustrates how investors' perspectives have evolved and highlights how they are recalibrating their investing approach:

01

Investors remain Active, Buoyant, and Committed (ABC) despite the macro uncertainty

Despite the challenging backdrop, Singapore investors have stayed actively invested. About three-in-four have maintained and even raised their risk levels over the past twelve months. They are sanguine about the future as they see the global environment turning incrementally positive - with many staying committed to their objectives. This positive disposition is more pronounced amongst younger investors.

The core foundational goals they identified are financial security in retirement, sustainable long-term wealth creation, and the generation of stable income streams.

02

Investors are consciously on the lookout for opportunities

Although investors have been investing in safe-haven assets, this partially reflects a tactical position as they look to rotate into assets with higher growth potential when the markets are conducive.

The younger investor cohort has a higher inclination for global assets, while the older investor group exhibits a stronger preference for domestic assets.

03

Investors are amenable to new approaches and ideas

Singapore investors are open to non-traditional assets and emerging structural themes in making their portfolios more resilient and future ready. 79% believe it is crucial to invest in areas aligned to the long-term structural direction of the global economy. Themes with strong interest are the health and medical sector, artificial intelligence, and the green energy space.

Traditional avenues like property ownership and CPF savings are increasingly seen as insufficient to achieve investors' financial aspirations. Investors appreciate they need to do more to meet their goals.

04

Investors have healthy risk appetites

96% of investors show a strong inclination toward maintaining low to moderate risk levels in their portfolios, while 73% have return expectations of 7% p.a. and less.

05

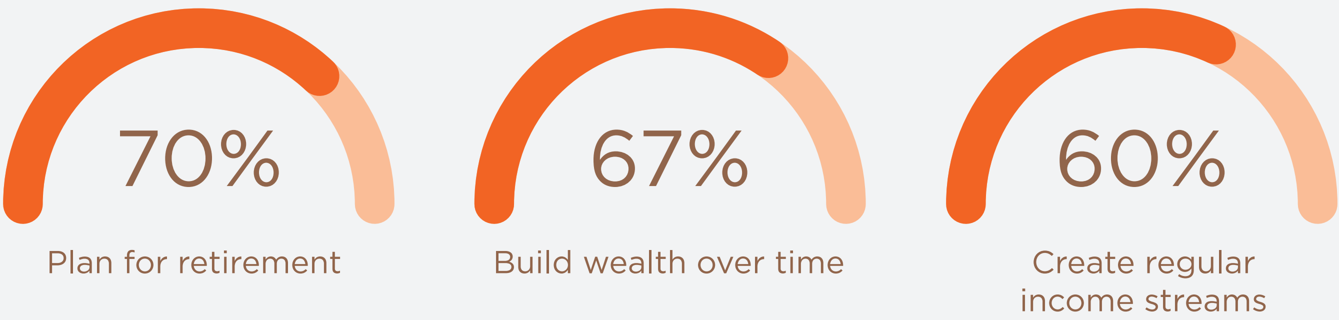
Investors are facing their concerns head-on

High living cost, high interest rates, and growth uncertainty are the main concerns. Investors are navigating economic and market complexities by actively seeking knowledge as they refine their portfolio strategies.

Evolving priorities and attitudes of Singapore investors

For most respondents in our survey, the top investment goals were broadly intuitive and enduring. Planning for retirement, building wealth over time, and creating regular income were top of mind, and viewed as key building blocks to secure a comfortable retirement.

Top 3 Investment Goals (Total Avg.)



However, economic uncertainties and escalating cost-of-living have cast a spotlight on how investors are rethinking their approach to building long-term wealth. Traditional strategies, once considered sacrosanct, are no longer considered sufficient to meet long term investment objectives.

Almost three-in-four of the survey respondents – particularly those among the 31-40 and 51-60 age groups – believe that the traditional security nets provided by property ownership and Central Provident Fund (CPF) contributions are not enough to provide for a comfortable retirement.

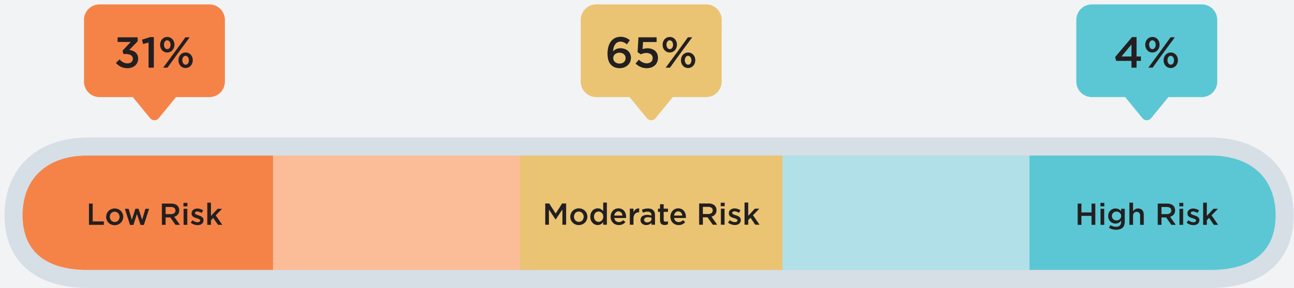
Common investment sentiments

Most Common Investment Sentiments	Total Avg.	21 - 30	31 - 40	41 - 50	51 - 60	61 and above
Owning a home and contributing to CPF are no longer enough to depend on for retirement	73%	67%	81%	71%	81%	65%
There are many more types of investment oppotunities available today which are worth looking at	68%	70%	76%	76%	65%	55%

Respondents' risk profiles, also reflect their thinking in this economically uncertain environment. While investors in general prefer to take a conservative approach, they are willing to take on risk if it helps them achieve their financial goals.

Most Singapore investors, typically cautious, have identified themselves as low to moderate risk-takers. Yet the need for financial resilience has prevailed in the past 12 months: 53% of investors have maintained, and 25% have increased their risk profiles. Notably, the 21–30-year-old investors have shown the greatest propensity to increase their risk levels and embrace bolder strategies, contrasting with the relatively more circumspect investors in the 51-60 age cohort.

Singaporeans consider themselves low-to-medium risk takers



Definitions for purpose of survey: low risk (can tolerate potential loss of up to 5% p.a.), moderate risk (can tolerate potential loss of between 5-20% p.a.), high risk (can tolerate potential loss of >20% p.a.)

Younger investors with strongest risk appetite

	Total	21 - 30 years	31 - 40 years	41 - 50 years	51 - 60 years	61 years & above
Generally increased risk in my portfolio	25%	46%	28%	17%	12%	21%
Remains about the same	53%	43%	53%	59%	59%	49%
Generally reduced risk in my portfolio	23%	11%	19%	24%	29%	30%

Note: May not sum to a 100% due to rounding.

Significant number of respondents cited their target annual return to be within the 5-7% p.a. range

The survey indicated that nearly half of the respondents (47%), cited an annual target return of between 5-7% p.a.

Something that also stands out in today's climate is a consensus among many investors on the importance of investment-driven income streams, which is no longer a "nice-to-have", but an essential part of their financial planning.

The Persona of the Modern Singapore Investor

The findings of our study have identified discernible characteristics of the comtemparary Singapore investor.

Active

Investors have remained engaged and are not beholden to specific strategies. They exhibit an open mind, emboldened by a proliferation of investment choices and resources, weighing both novel and traditional investment opportunities. They are quick to recalibrate their strategies in response to market conditions.

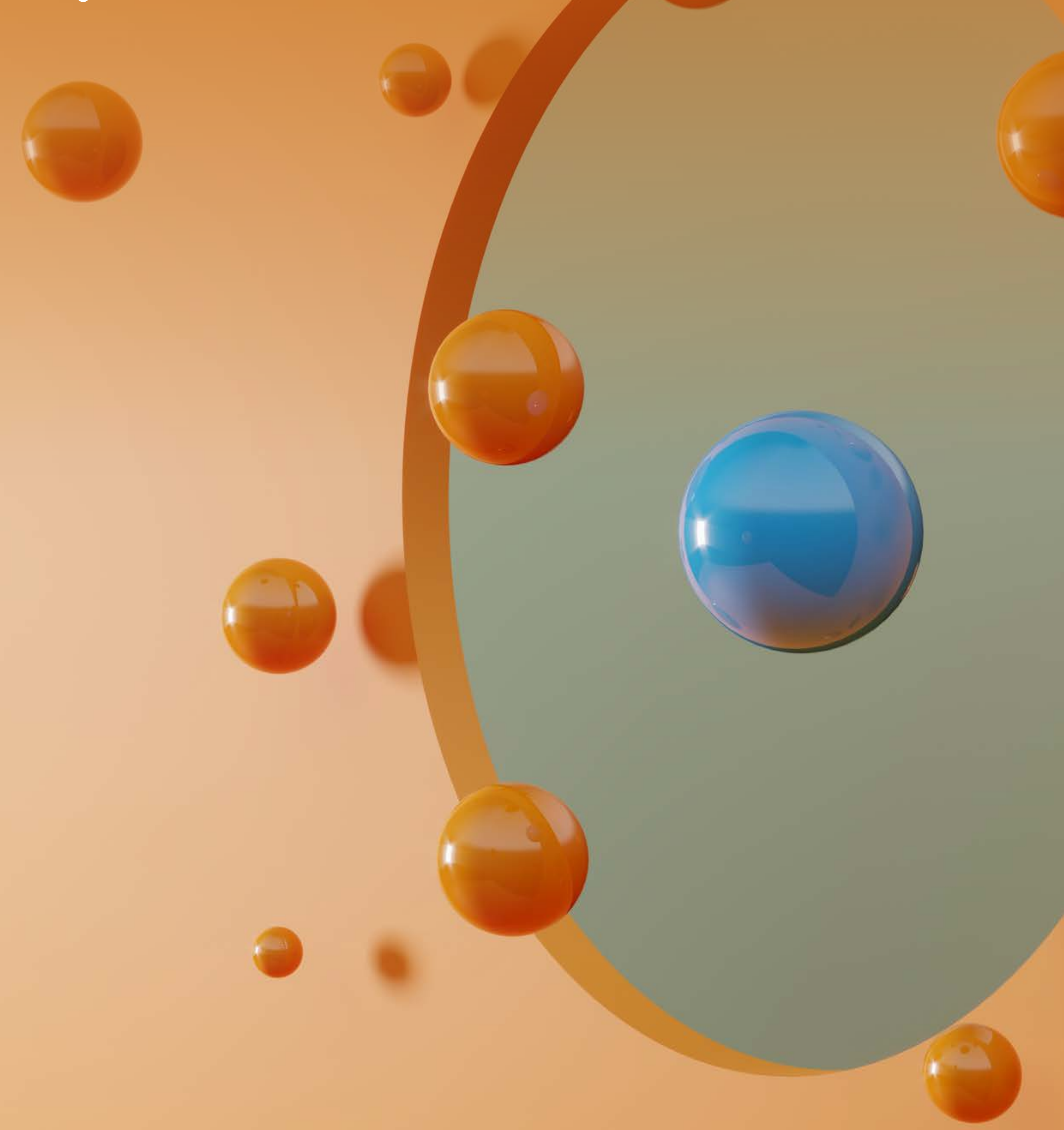
Buoyant

A robust 68% of investors are feeling positive amid favourable economic projections and easing rate hike expectations. This sentiment is even more pronounced among investors aged 21-30, with 84% in a buoyant mood.

Committed

Amidst market uncertainties, most investors remain steadfast in their investment journey, maintaining a balanced risk appetite with 69% viewing their portfolios as future-ready. This confidence stems from their dedication to taking a long-term approach, maintaining the quality of their investments, and assurance of achieving their desired returns.

Active, Buoyant & Committed: ABC of the changing investor mindset



Changes in career dynamics, global structural shifts, and uncertain economic conditions have eroded long-held investment beliefs and as a result, investors have also realised that their investment mindset must adjust accordingly. In this section we explore the fundamental motivations behind the changing mindset of the Singaporean investor, and how they are adapting to the new environment.

Active

Our survey captured a display of resilience amongst Singaporean investors, with a remarkable **97% of Singapore investors remaining active in their investment activities** over the past 12 months, despite facing macroeconomic headwinds and uncertain market conditions.

These investors articulated a variety of reasons for staying active in the market: 65% are proactively combating cost-of-living pressures; more than half are intent on deploying their surplus capital; and a similar proportion are seeking portfolio diversification. This data highlights a collective determination among financially healthy investors to invest strategically to navigate and adapt to financial pressures.

Separately, the asset allocation among the average investor's portfolio illustrates an equilibrium between growth (like equities, ETFs, REITs, and unit trusts) and conservative options (like bonds and savings accounts), underpinned by a healthy and balanced appetite for risk

Factors driving decision to stay invested over the past 1 year

Note: Does not add up to 100% as respondents may select more than one factor.

Safe-haven assets and equities remained favoured assets among investors over the past 12 months

- **79%** Savings account, fixed deposits and / or government bonds
- **76%** Company shares
- **55%** Unit trusts / mutual funds
- **28%** Corporate bonds
- **18%** Cryptocurrency
- **3%** I have not been actively investing

Note: Does not add up to 100% as respondents may select more than one asset class.

Buoyant

Singapore investors exhibit a sense of buoyancy, especially among the younger investors: A substantial 68% of Singapore investors exude a positive outlook for investing, spurred by encouraging economic forecasts and moderating rate hike expectations. This optimism becomes even more pronounced amongst the younger investors, within the 21-30 age bracket, with 84% having a positive view on investing.

More than two-thirds of Singaporean investors are buoyant on investing, led by those 30 and under

Reasons for being positive on investing

31% Favourable outlook on economy and/or investment return

25% Expect global interest rate hikes to slow

23% Supportive government measures during crisis periods

9% Tapering of inflation

Note: Does not add up to 100% as only selected reasons shown.

68% Optimistic | **32% Pessimistic**

Reasons for being negative on investing

33% Higher inflation & interest rates

33% Volatile global markets

22% Possibility of recession

11% International conflicts

1% High oil/ energy prices

Committed

In the face of market fluctuations, a sizeable 79% of investors are satisfied with their current investment portfolios. This thinking reflects their long-term horizon, their belief in the inherent quality of their investments, and the confidence that their portfolios will meet their desired returns.

Reinforcing this sentiment, 69% of the survey respondents have expressed that they are confident of the resilience of their investment portfolios.

Investment risks and challenges

Respondents indicated that **inflation or higher living cost, heightened interest rates**, and **lower economic growth** were their top three concerns that could undermine their investment returns in the next 12 months. Contrarily, the risks associated with unemployment and potential geopolitical tensions weigh much less heavily.

Inflation seen as the biggest perceived risk to investment returns

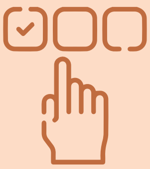
Our survey also uncovered instances when investors can be overwhelmed by the complexity of the financial markets. In probing the preferred financial instruments for inflation protection, participants revealed a spectrum of choices – from government bonds and fixed deposits to stocks. This could be indicative that individual investors, with limited assets and expertise, may find navigating a turbulent economic landscape challenging.

Indeed, the gap in investment and product knowledge was cited as one of the principal challenges respondents faced when investing.

Challenges faced while investing

62%
say they would like to explore novel asset classes but **don't know how**

40%
say a **lack of investment knowledge** is a big challenge

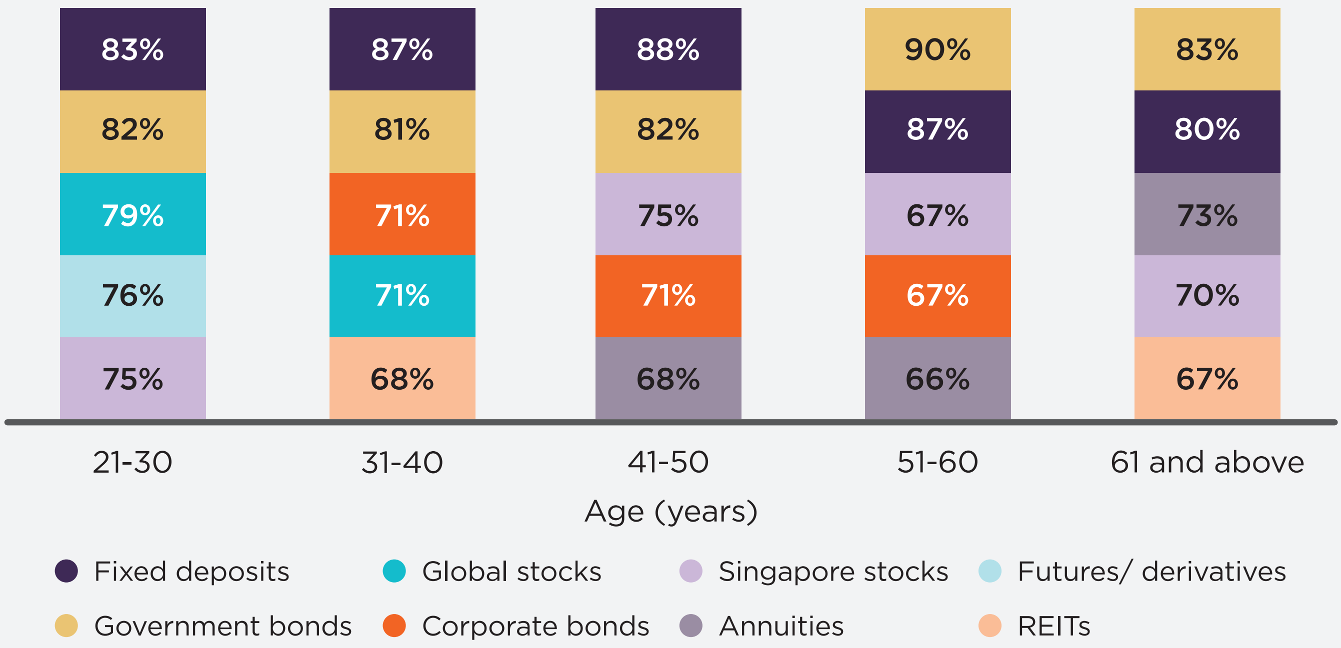


35%
say they are confronted by **too many investment choices**

What are Singapore investors looking to invest in?

In the current climate marked by elevated interest rates, liquidity is paramount. Investors are gravitating towards cash and other safe-haven assets, which are not only intrinsically stable but also offer historically attractive yields. Fixed deposits, government bonds and Singapore equities are perceived as the three best assets to invest in right now – with the young demographics more bullish on equities than their more senior counterparts.

Top 5 preferred assets to invest in now, by age group



Interestingly, the survey highlights a discernible inclination among respondents over 40 towards Singapore stocks, demonstrating a "home bias", whereas their younger counterparts aged 40 and below exhibited a higher inclination towards global stocks. This disparity may suggest a trend where younger investors lean towards growth-centric investment strategies, while older investors gravitate towards familiar markets that are perceived as more stable or noted for their higher dividend yields.

Although investors are currently favouring safe-haven assets, there is an understanding that this tactical stance is likely to pivot when market dynamics turn favourable. With a fairly substantial amount of dry powder still parked in safe assets, investors are well-positioned to deploy this capital and seize new opportunities for growth as they arise.

> "To me, it's important that I keep my assets fluid so that if there is an opportunity, these can easily be converted for deployment."
>
> *- Male end-investor, 45 years old*

To future-proof their portfolios, there is a rising inclination to build resilient portfolios through gaining exposure to **non-traditional assets** and **emerging structural themes**. On the latter, about four-in-five (79%) investors agree that they should gain exposure to sectors that align with the broader direction of the future global economy, in areas such as **biomedicine, artificial intelligence, and sustainable energy**.

Investors express interest in non-traditional assets and emerging structural themes

Almost half of all Singaporean investors (48%) - and three- quarters (74%) of those aged 21-30 - **express an interest in investing in non-traditional assets.**

Of those who expressed interest in investing in non-traditional assets, nine-in-ten (89%) are willing to allocate up to **25% of their portfolio to alternative assets.**

79% of respondents agree that investors must **invest in areas that best reflect where the economy is headed** over the next decade.

Singaporean investors identify the top three sectors for long-term resilience as **health and medical, artificial intelligence**, and the green **energy economy**.

"Companies with green energy are worth a shot. The world has changed and there's a trend now to be environmentally-friendly, we need to make the trend our friend." *- Male end-investor, 51 years old*

Technological advancement is enabling investors

Technology is allowing investors to make better decisions – with caveats.

Respondents in our study indicated that they appreciate that technology helps them make better investment decisions and streamlines their investment processes. Additionally, despite the fact that AI remains somewhat nascent in the investment ecosystem, almost half say they are open-minded about entrusting it to guide them on future investment decisions.

How technology is helping investors

67%

say investment has been made easier today because **technology allows them to do what they want, when they want**

47%

would be willing in the future to **allow AI to give them investment advice**

Today’s sophisticated investors are also discerning, and most have not turned away from traditional channels in favour of tech tools simply because they are novel. While technology can help investors improve access to timely information and sophisticated analysis, the pace of innovation and the deluge of investment options on digital platforms, can at times be more intimidating than empowering.

When we look across age demographics, there is a hint of scepticism among the more elderly investors when it comes to tech – only 50% of over 60s see tech as making investment easier compared to 67% overall. Moreover, older investors (those within the 51-60 and over 60 age groups) will take more convincing than the young to entrust AI with investment advice in the future. Nonetheless, there is broad readiness to embrace technology among Singapore investors, and the growth in sophistication of Singapore investors extends across age brackets and their portfolio sizes.

Younger investors more amenable to tech helping them on their investment journey

Investment Attitudes	Total	21 - 30 years	31 - 40 years	41 - 50 years	51 - 60 years	61 years & above
Investment is so much easier these days with technology allowing me to do what I want, when I want	67%	70%	81%	71%	63%	50%

Younger investors more amenable to adopting AI in the provision of investment advice

Investment Attitudes	Total	21 - 30 years	31 - 40 years	41 - 50 years	51 - 60 years	61 years & above
I would be willing in the future to allow AI to give me investment advice	47%	60%	64%	50%	38%	25%

These insights suggest that both fintech platforms and traditional financial advisors can play vital roles to steer investors through the complexities of the modern investment landscape and cater to the requirements of different investor demographics.

Leveraging professional expertise to unlock opportunities

Singaporean investors today are keen to polish their investment capabilities, to fully harness the opportunities ahead, and align their expectations with results.

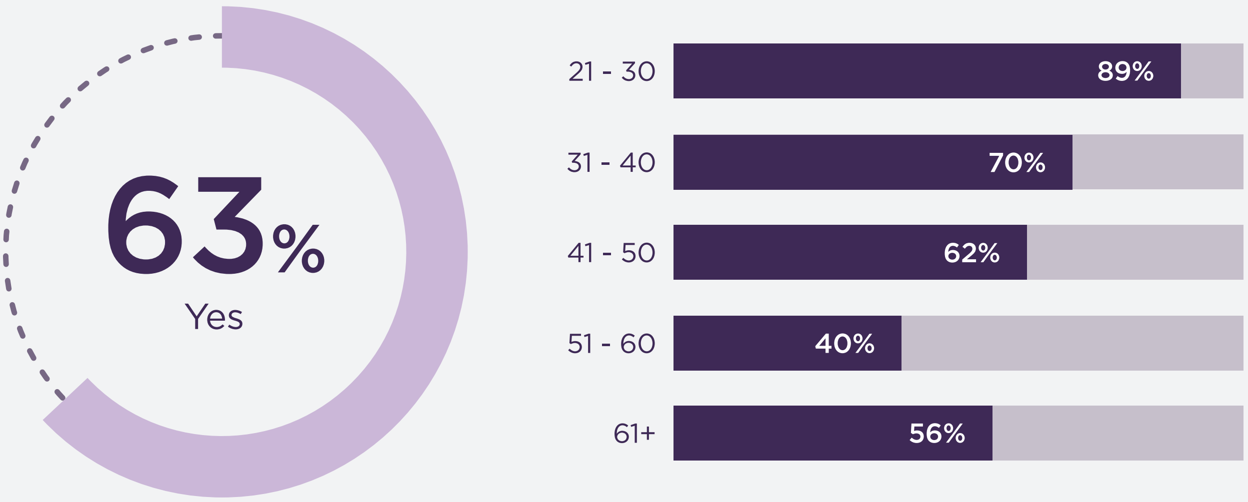
Among the one-in-five investors currently dissatisfied with their portfolios, improving the **quality of their investments**, more **active management**, and more **diversified investments** were the top three factors cited as enablers to improving their portfolio outcomes – factors that are often challenging for individual investors to manage by themselves.

Additionally, **three-in-five (62%) among all respondents say they wish to explore new asset types, such as in the alternative space, but are unsure of how to go about it**.

A majority (63%) also believe that working in partnership with professional asset managers could help them simplify investing, streamline the selection of investment options, and in selected cases, enhance the accessibility of some strategies to help them achieve their targeted returns. This is especially so for younger investors with less experience, where **nine-in-ten investors aged 30 and under are open to considering delegating some investments to professional partners**. Greater investment knowledge and better access to information and instruments are where investors see most value in using professional asset managers.

Majority of Singaporean investors are amenable to delegating their investments to a professional asset manager

Would you consider delegating your investments to a professional asset manager?



Why would you consider using a professional asset manager?	All	21 - 30	31 - 40	41 - 50	51 - 60	61 and above
They have more investment knowledge on the markets	37%	36%	30%	45%	43%	32%
They have better access to information	21%	30%	21%	13%	10%	25%
I don't have the time to manage my investments	14%	15%	20%	8%	15%	13%
They have access to deals/ instruments I am not able to access on my own	27%	19%	29%	34%	33%	29%

Note: May not add up to 100% due to rounding.

Furthermore, despite the proliferation of freely available investment information online, our study found that **investment professionals (such as financial advisors) remain trusted as the second-most frequent source of advice for investors today**, narrowly behind only financial companies' websites and apps.

“For sure I would have done better over the past 5 years with an advisor.” *- Female end-investor, 26 years old*

These findings suggest that Singaporean investors, despite being empowered, technologically adept, and astute, do not necessarily subscribe to a “do-it-all-alone” approach. Rather, they are open to enlist investment professionals where they perceive value, to help them navigate market volatilities and calibrate their long-term return goals to more closely align with their long-term investment aspirations.

Conclusion

Investors are "switched on", resilient, and adaptable

Rethinking Investing sheds light on the changing sentiments, aspirations, and strategies of Singaporean investors, against the backdrop of a rapidly shifting global financial landscape. The insights gathered portray a generation of investors who exhibit both financial independence and an understanding of investment nuances. Despite market uncertainty, numerous investors surveyed have stayed the course, leveraging an array of investment strategies at their disposal, while maintaining healthy risk appetites. This report unveils the persona of the emerging Singapore investor, encapsulated by the "ABC" acronym – one who is Actively engaged, Buoyant about the future, and Committed to their goals.

Based on our findings, the investors we surveyed not only expressed their preparedness to invest the effort to gain knowledge but have also exhibited sound investment acumen and perspective in their investment dealings. Beyond our findings however, achieving lasting wealth and safeguarding purchasing power necessitates an additional, critical component - discipline. While "safe haven" assets typically carry minimal risk, they have not shown to outpace inflation over time. During future market volatilities should yields of traditional safe haven assets like fixed deposits and government bonds wane, investors will need to be deliberate and disciplined in their investment approach, dig in their heels and embrace the ambiguity of short-term asset prices.

Staying the course, being active, and taking calculated risks

One should remember the investment adage that "time in the market beats timing the market". While everyone wishes they can pick the market bottom to invest and exit at the peaks, this is only possible on hindsight, not by strategy. Research has shown that long-term outcomes for investors who await market clarity before acting, often lag behind those who are already in the market and persisted through the various cycles. Staying nimble sounds good in theory but challenging in practice.

As it is, measured exposure to growth assets may prove to be a valuable approach to gradually growing one's long-term wealth. That said, heavy exposures to fads or thematic investments contain an inherent degree of risk that could result in unintended capital losses should the trends reverse.

Ultimately, a diversified and well-positioned portfolio remains the key component to achieving long-term investment success. Professional management can also provide investors with domain expertise, help navigate market complexities, and guide investors through the myriad of available options. Success for Singapore investors hinges not just on the right attitude and optimism. It also requires a keen self-awareness of their investment profile and limitations, coupled with a steadfast commitment to a sound and holistic strategy to lay the foundation for sustained long-term success.

About Fullerton Fund Management

Fullerton Fund Management Company Ltd (“Fullerton”) is an active investment specialist, focused on optimising investment outcomes and enhancing investor experience.

We help clients, including government entities, sovereign wealth funds, pension plans, insurance companies, private wealth and retail, from the region and beyond, to achieve their investment objectives through our suite of solutions.

Our expertise encompasses equities, fixed income, multi-asset, alternatives and treasury management, across public and private markets. As an active manager, we place strong emphasis on performance, risk management and investment insights.

Incorporated in 2003, Fullerton is headquartered in Singapore, and has associated offices in Shanghai, Jakarta and Brunei. Fullerton is part of Seviora, an asset management group owned by Temasek. Income Insurance Limited, a leading Singapore insurer, is a minority shareholder of Fullerton.

For more information, please visit www.fullertonfund.com.

This survey is commissioned by Fullerton and conducted by Blackbox Research.

About Blackbox

Blackbox provides clients with decision science solutions, offering consumer, business, and community-wide perspectives on contemporary problems and challenges. It gathers data, constructs advanced analytical approaches, and develops a deep understanding of Asia and its diverse people – monitoring emerging trends both regionally and globally with the main aim of signalling potential changes of significance before they occur.