



HERE'S HOW WE SELECT OUR RECOMMENDED FUNDS

Since 2001, the iFAST Research Team has been publishing the Recommended Funds List to help investors make informed decisions when investing. Given the wide and increasing variety of funds available for investors, it should help to reduce some of the choice paralysis and serve as a good starting point in building a well-diversified portfolio.

In choosing the funds that make the list, we utilise a set of quantitative and qualitative criteria. For the quantitative factors, emphasis is placed on long-term outperformance, expense ratio, and risk. Qualitatively, we consider factors including, but not limited to, the fund manager's consistency in their investment approach as well as the stability of the management team.

Equity funds are usually benchmarked to well-known stock market indices, making them easier to compare against funds invested in a similar region or country. Bond funds are less comparable, given their differentiated focus on credit, country selection, currency and duration. As such, the three quantitative parameters are assigned weightages depending on the type of fund: equity, bond, and balanced. For instance, bond funds have higher weightages to risk, reflecting the emphasis on stability in fixed income investments.

PERFORMANCE

The most objective way to determine the quality of the fund manager is to assess

the fund's historical performance, a factor we weigh heavily in our fund selection exercise.

For this, we consider both the magnitude of performance as well as the consistency of returns.

In the case of new funds which feed into their overseas target funds with a longer track record, we may assess the target fund's performance. We recommend funds which have at least a 3-year track record.

EXPENSE RATIO

The expense ratio is what investors pay for the management of their fund on an annual basis. This charge is deducted from the value of the unit trust, and it takes into account all the operating expenses that a fund incurs, including its annual management fee, administration costs as well as trustee and custodian fees.

Generally speaking, the lower the expense ratio, the better it is for you, because you are incurring less costs.

RISK

Instead of purely using standard deviation as the measure of risk, we believe that it is more appropriate to focus on how well a fund holds up during periods when the relevant markets saw substantial decline. As such, in our assessment of risk, we focus on the maximum decline of a fund over a given period, and also incorporate a measure of downside volatility, which tells us how volatile a fund is over periods when it is losing value.

QUALITATIVE CRITERIA

In addition to looking at the above-mentioned quantitative parameters, we also consider other qualitative factors in our analysis, including the fund manager's consistency in their investment approach, the departure of key personnel as well as the stability of the management team.

We also incorporate our outlook on the fixed income market to assess the merits and disadvantages of a bond fund. As most of the funds which invest in other regions buy companies that predominantly have their assets and earning streams denominated in foreign currencies, there is currency exchange risk involved. A gain in the SGD against another currency may reduce the returns of the funds exposed to other currencies, while a drop in the SGD against other currencies would increase the returns. Thus, qualitative analysis is a necessary step to distinguish funds with superior management ability from those which were beneficiaries of strong market or currency movements.

As we take into account the qualitative factors, the highest-scoring fund based on quantitative assessment in a particular category may not necessarily be the fund we recommend, although fund performance remains a significant factor.

AN EXCELLENT STARTING POINT FOR YOUR INVESTING DECISIONS

Our goal is to help you invest globally and profitably. By that very nature, we are committed to bring you only the best-in-class funds through our Recommended Funds List. We will continue to monitor the space closely, and make changes to our selection methodology whenever necessary. Investors who are finding it hard to make a decision, or are new to investing, may refer to our Recommended Funds List – which is updated annually – for ideas to serve as a starting point for their portfolios.

TABLE 1: WEIGHTAGE OF QUANTITATIVE PARAMETERS

EXPENSE RATIO	EQUITY FUND	BALANCED FUND	BOND FUND
Performance	60%	60%	40%
Expense Ratio	20%	20%	30%
Risk	20%	20%	30%