

For 24 April 2019; selected media (BT & ST)

NTUC social enterprise launches low-cost, evidence-based investing solutions for the mass market

1. MoneyOwl, NTUC Enterprise's new fund management and financial advisory subsidiary, has started to offer low-cost, evidence-based investing options to the mass market. This is the third service MoneyOwl has launched in six months, following insurance advisory and will-writing.
2. MoneyOwl will provide investment advice through a roboadvisory platform supplemented by a team of salaried advisers – a hybrid or Bionic Financial Advisory model which MoneyOwl is first in Singapore to adopt. Clients will be matched to one of five portfolios with different combinations of global equities and global bonds, based on their ability, willingness and need to take risk. The portfolios are made up of low-cost SGD-denominated funds managed by US-based Dimensional Fund Advisors, with more than 8,000 securities underlying each portfolio. Dimensional's strategies, also called evidence-based investing, are based on leading academic research, including that by Nobel laureate Eugene Fama and his colleague Ken French. Dimensional has a 37-year old history and had US\$576 billion assets under management as of 31 March 2019.
3. While there has been a proliferation of investment platforms in Singapore in recent years, MoneyOwl stands out by virtue of its parentage, corporate mission and bionic advice model.
 - MoneyOwl is a joint venture between NTUC Enterprise and Providend, two home-grown corporates with decades of longstanding commitment to Singapore and stellar reputations for ethical business.
 - As an NTUC social enterprise, MoneyOwl inherits the DNA and social mission to meet underserved needs of ordinary working families. MoneyOwl aims to make conflict-free advice and fit-for-purpose financial solutions accessible so that all working families can achieve greater financial security and better retirement adequacy.
 - At the same time, as a Providend associate company, MoneyOwl benefits from Providend's deep expertise and experience of about two decades in comprehensive financial planning. Providend is well known as a best-in-class independent financial adviser and retirement specialist that has championed ethical advice and a fee-for-advice model.
 - Says MoneyOwl Chief Executive Officer and Chief Investment Officer Ms Chuin Ting Weber, "It has been 8 months since we started our company to Do Well, Do Good and Do Right by Singaporeans — just as our corporate parents, NTUC Enterprise and Providend, have done for decades, respectively in everyday life and in best-in-class ethical financial planning. Yes, we are a fintech, but we are also an NTUC social enterprise, so we want to really live up to MoneyOwl's namesake of being watchful, wise and with you all the way."
 - In line with its position as part of a well-established corporate group, on the technology front, MoneyOwl has taken pains to implement a high standard of information security, as recognised by its achievement of ISO27001 certification in March 2019, within five months of starting financial advisory operations.
 - As a Bionic Financial Adviser (Singapore's first), MoneyOwl has a dedicated team of qualified client advisers ready to discuss and explain investments and financial planning. MoneyOwl believes in "advisor alpha", namely, the value-add of an adviser in helping a client understand trade-offs in investment choices and helping the client can stay invested and not make rash decisions during times of market volatility through risk or behavioural coaching. The human

element in MoneyOwl's bionic model is applied mainly to advisory and not to investment management. When it comes to investment, MoneyOwl believes in capturing long-term market-based return and does not bet on any individual adviser or manager having superior skills to beat the markets consistently.

- Christopher Tan, Executive Director of MoneyOwl/ CEO of Providend adds, "I am thrilled with this launch as this is the first time in Singapore that the man on the street can access human-and-robo financial advice from a company with strong local parentage. This is especially important as in this tech space, it is the people behind the tech – whether we can trust them – that count most."
4. Through its investment service, MoneyOwl continues to bring low-cost and fit-for-purpose financial solutions to the mass market. Just as it has championed term insurance as the most cost-efficient way to fully cover one's protection needs, MoneyOwl has chosen globally diversified funds from Dimensional which capture market return yet are low cost (<0.4% p.a.), with annual management fees. MoneyOwl charges no upfront sales charge, only a low advisory or wrap fee of 0.65% p.a. of assets under management. There is also a third-party custody/platform fee of <0.2%. The all-in cost of ~1.2% p.a. is less than half of what an investor might otherwise pay if investing in an actively-managed fund with advice.¹ The cost savings compound significantly and make a big difference to a client's portfolio value over time. Minimum investment amounts start at a low \$100 for one-off investments and \$50 per month for regular savings plans.
 5. MoneyOwl receives no annual trailer commissions from Dimensional. Trailer commissions are the portion of funds' annual management fees that are paid to distributors and can make up to half of an actively managed fund's total expenses. In the interest of transparency, MoneyOwl's projected returns for client portfolios are presented net of all fees, including its own wrap fees. This is in line with MoneyOwl's ethos of being a conflict-free adviser. All MoneyOwl advisers are fully salaried and are not compensated by commissions.

Investment Philosophy

6. As a comprehensive financial adviser, MoneyOwl sees investing as part of an overall financial plan rather than an end in itself. "Investments and retail fund management must return to their core roots of serving a person's retirement and overall financial goals," says Ms Weber. "From this perspective, successful investing is not about maximising returns or even maximising risk-adjusted returns. It is about getting the best probability of meeting your financial goals so that you can achieve your life goals." This means investing based on solid, documented evidence that spans

¹ All-in, the cost of investing with MoneyOwl will be around 1.2% p.a., comprising:

- NO sales charge
- 0.65% p.a. advisory/wrap fee
- 0.18% p.a. third-party custodian/platform
- 0.32%-0.38% p.a. fund expenses

The cost of investing with industry (financial advisers) could average 4.9% in the first year and 2.9% p.a. thereafter, assuming:

- 2% upfront sales charge (one-off)
- 1% p.a. advisory/wrap fee
- 0.22% p.a. third-party custodian/platform
- 1.35%*-1.89%** p.a. fund expenses

*Average total expense ratio (TER) for Equity Unit Trusts - 1.89%;

**Average TER for Bond Unit Trusts - 1.35% (Source: FSMOne)

across markets and over time, while keeping costs low, as opposed to taking expensive bets that have a low probability of being right consistently.

7. MoneyOwl emphasises diversifying broadly and staying invested over the long term to capture market-based return. “The evidence tells us that stock markets go up in the long term despite short-term volatility. Therefore, staying invested at low cost is one of the most important keys to successful investing,” says Ms Weber. “At the same time, the evidence shows that ‘active management’, especially at high fees, has a poor track record of beating the market.” MoneyOwl thus eschews market-timing calls and forecast-based activities such as tactical asset allocation and stock-picking.
8. The two types of funds that would fulfil MoneyOwl’s investment criteria are globally diversified passive index funds and globally diversified evidence-based investment funds. Dimensional’s funds were chosen because they are well-aligned to MoneyOwl’s philosophy and have had a proven track record. In its funds, Dimensional takes a broad market exposure and tilts them towards “dimensions” or factors that have been documented over time and with evidence of higher projected return over the long term. For equities, for example, these tilts are towards value, small size and profitability. Currently, passively-managed unit trusts tracking global equity and global bond indices are not available to retail clients in Singapore.
9. [While Exchange-Traded Funds (ETFs) listed on overseas exchanges were considered, they are not suitable for small investors as the amount invested might not be enough to buy whole shares and investors would end up either with fractional shares and unclear legal ownership, or not be fully invested. There are also higher hidden costs like withholding taxes and bid-ask spreads. There is no suitable global bond ETF that is currency-hedged to Singapore dollars, unlike the Dimensional bond fund which is currency hedged. Bond currency exposure is generally hedged back to base currency because the volatility of currency exceeds that of bonds, and it does not make sense to take this additional risk.]
10. Dr. Chen Peng, CEO of Asia ex-Japan, Dimensional Fund Advisors, says, “Dimensional is excited to work with MoneyOwl to bring the Dimensional investment approach to more investors in Singapore. Since 1981, Dimensional has invested by implementing the great ideas in finance. It’s an investment approach backed by decades of academic research and one based on a belief in markets, which bring together the collective knowledge of millions of buyers and sellers to set security prices. We draw from those prices information about expected returns. So, instead of trying to out-guess the market, we focus on areas where we can use information from the market to deliver higher expected returns – in research, in designing and managing portfolios and ultimately, in working to help clients reach their goals. ”

Looking ahead

11. MoneyOwl aims to provide a full suite of comprehensive financial advice that is competent and conflict-free, through a bionic advisory model leveraging the prowess of technology and the wisdom of human advisers. Following the current investment launch, MoneyOwl will be looking to roll out its comprehensive planning service, which will bring together not just financial health assessment, insurance planning, investment planning, but also integrate national schemes like CPF into retirement planning. This is expected to be ready in the second half of the year.
12. MoneyOwl’s investment service is available at www.moneyowl.com.sg. MoneyOwl will also be conducting its inaugural Investment Seminar on 25 May 2019, featuring CEO & CIO of MoneyOwl Ms Chuin Ting Weber, Executive Director of MoneyOwl/ CEO of Provident Mr. Christopher Tan

and Dimensional's Asia ex-Japan CEO Dr. Chen Peng as speakers (please email enquiries@moneyowl.com.sg for more information).

Portfolios

MoneyOwl's five portfolios are as follows:

ASSET ALLOCATION					
	Equity	Growth	Balanced	Moderate	Conservative
Global Equities	100%	80%	60%	40%	20%
<i>Of which Developed Market Equities</i>	88%	70%	53%	35%	18%
<i>Of which Emerging Market Equities</i>	12%	10%	7%	5%	2%
Global Bonds	-	20%	40%	60%	80%

Within equities, we allocate between global developed markets and emerging markets broadly according to the proportions of the MSCI All Country World Index.

Dimensional funds making up MoneyOwl's portfolios

Dimensional Global Core Equity Fund (SGD, Accumulating)

Asset class: Equities, Developed Markets

Comparative Index: MSCI World Index (net div, SGD)

No. of holdings (31 Dec 2018): 7,750

Total fund expense (31 Dec 2018): 0.36%

Dimensional Emerging Markets Large Cap Core Equity Fund (SGD, Accumulating)

Asset class: Equities, Emerging Markets

Comparative Index: MSCI Emerging Markets Index (net div, SGD)

No. of holdings (31 Dec 2018): 900

Total fund expense (31 Dec 2018): 0.52%

Dimensional Global Short Fixed Income Fund (SGD, Accumulating, Hedged)

Asset class: Bonds, Global

Comparative Index: FTSE World Government Bond Index 1-5 Years (hedged to SGD)

No. of holdings (31 Dec 2018): 177

Total fund expense (31 Dec 2018): 0.30%

Fees

FEES (annualised)					
Portfolio Type	Equity	Growth	Balanced	Moderate	Conservative
Advisory/Wrap Fee (Paid to MoneyOwl)	0.65%	0.65%	0.65%	0.65%	0.65%
Platform Fee (Paid to 3rd party custodian/ platform)	0.18%	0.18%	0.18%	0.18%	0.18%
Fund Management Expenses (Paid to Dimensional)	0.38%	0.36%	0.35%	0.33%	0.32%
Total All-In Fee	1.21%	1.19%	1.18%	1.16%	1.15%

MoneyOwl does not charge a front-end sales charge.