SUPER MARKETS

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Financial Editorial

Financial Editorial (FE) has had a brief but rich history, having published 6 issues of our very own in-house magazine, Super Markets. FE was conceptualised with the intent to facilitate one of Investment & Networking Club's (INC) Missions, "To promote financial literacy" through our magazine publications. It also serves as a platform to encourage our members and readers to form their opinions on the happenings in the world.

INC
SIM Investment & Networking Club

Investment & Networking Club (INC) was founded in 2008 and is a student club within the Singapore Institute of Management (SIM). INC seeks to promote financial literacy among SIM students and youths in Singapore through sound education and experiential learning. INC is currently the leading investment-focused student network in SIM that seeks to establish and maintain long-term partnerships with financial institutions and other societies dedicated to advancing financial knowledge in Singapore. Together with the investment clubs of NUS, NTU and SMU, INC is part of the Securities Investors Association, Singapore (SIAS) Youth Chapter.

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Editors' Note

We are proud to present this sixth issue of Super Markets, which boasts interesting and thought-provoking articles ranging from technological disruptions in finance today, to guides on how to better understand the financial world, written to pique the interest of our readers - whether they are new to finance, or already industry veterans. This issue also includes special interviews with individuals whom we think complement our Youth Financial Symposium's theme: "Empower Yourself, Finance Your Future".

This issue would not have been possible without the combined efforts of our members as well as sponsors, and we are grateful for the support we have received over the years.

We hope that you will glean insights from the carefully curated articles, and perhaps actionable perspectives in finance and beyond.

Wilson Tan
Director

Arina Rauf
Deputy Director

Esther Ong
Deputy Director

Contributors

Bella Clarissa Jane

Chanraj Singh

Chee Guan Jia

Chin Ying Jie

Grace Lim

James Ng

Johan Chua

Lee Shi Hui

Nataneal Hans Effendy

Stuart Tan

Xie Shenglin

THE WAY OF HARING.

"There will be growing pains along the way - and more horror stories, no doubt - but the sharing economy is here to stay."

- Glenn Carter

Every night, an average of 2 million people are staying in Airbnb rentals. As one of the fastest growing trends of the past decade, the sharing economy is driven mainly by technology and innovation through peer-to-peer based sharing, more commonly knownas collaborative consumption.

Words | Art Grace Lim

HOPPING ON THE SHARING TREND

In this time and day where sustainability and efficiency are key, peer-to-peer based sharing which started off as an online shopping platform in 1995 has since been adapted to almost every industry to suit consumers' needs and demands.

SHOULD WE WELCOME A SHARED WORLD?

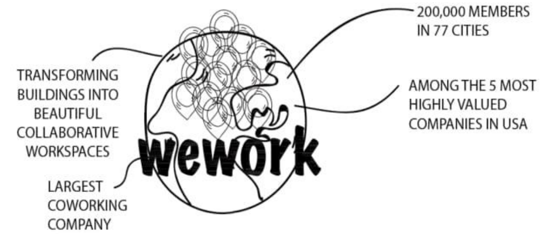
Proven to be one of the best examples of the Internet's value to consumers, the booming popularity of the sharing economy has an expected growth of over 2000% in the near future, with expectations for the market valuation reaching US$335 billion by 2025. Coworking spaces, hospitality-sharing, and ride-sharing services are some of the trends pushing the sharing economy up ahead. At the present moment where companies are competing on ways to provide value-added services to consumers, the sharing economy stands out from others traditional businesses by offering customised products and services.

NO SPACE, NO WORRIES

Popular among freelancers and independent professionals, the concept of coworking spaces is embodied around the idea of diversity and community. By paying a membership fee, individuals have access to a personal desk in a shared office, with an all-inclusive lounge and pantry area along with other perks.

Originated in the mid-1990s in Berlin, the coworking fad gained popularity after it was introduced to San Francisco in 2005. Currently, coworking spaces are seen around metropolitan cities where land scarcity and high rental costs prove challenging for independent professionals and entrepreneurs. Offering greater flexibility and vast networking opportunities, coworking spaces have become one of the fastest growing sectors in the Commercial Real Estate Industry worldwide. Medium and large corporate organisations have started incorporating the coworking concept as part of their business strategy by offering unused office spaces in their buildings to generate an extra stream of revenue.

Dominating the coworking industry since it started in 2010, WeWork managed to top valuations at US$20 billion in just 8 years, with an aim to transform buildings into beautiful, collaborative workspaces for its 200,000 "We" members in 77 cities. It is currently one of the 5 most highly-valued private companies in the US, and is set to receive another US$20 billion in funding from SoftBank to increase their presence worldwide - targeting South America and Asia Pacific.



With approximately 500,000 people utilising over 7,800 coworking spaces over the past 7 years, coworking spaces have since been responsible for over 8% of gross leasing volumes in Asia Pacific, leading a growth rate of nearly 36% a year.

The rapid expansion of coworking spaces has forced traditional landlords to reform their plans for the Commercial Real Estate Industry, with some hopping on the trend of coworking while others working to compete against the flexible scheme of coworking spaces.

THE EVOLUTION OF TECHNOLOGY IN THE SHARING ECONOMY THROUGH APPLICATION-BASED SERVICES

WELCOME HOME

By offering guests a completely different experience while travelling, hospitality-sharing has revolutionised the way people travel, and created a growing trend of homestay. Travellers are no longer bound to hotels and hostels but instead seek an affordable accommodation with a more intimate and immersive experience.

Valued at approximately US$38 billion, Airbnb operates primarily as a lodging, homestay, and tourism platform, offering listings in over 81,000 cities, and has become the largest hotel chain without owning a single property.

The growth of hospitality-sharing services has been slammed with strict regulations imposed by governments for fear of safety and favouritism towards traditional hotel chains. In Japan, a law has been passed for the first time in 2017, legalising home-sharing in Japan yet restricting it. The passing of this new law has eliminated four-fifths of Airbnb's ~60,000 listings, risking holiday-goers' plans.

Despite that, the popularity of hospitality-sharing services does not seem to be fading as the affordable accommodation costs offered are enticing more to start travelling. With an increase of 35% year-on-year in overnight

stays in Budapest, Airbnb has shown strong growth in the tourism industry, boosting tourism in several cities as it continues its growth expansion in line with tourism expansion plans worldwide.

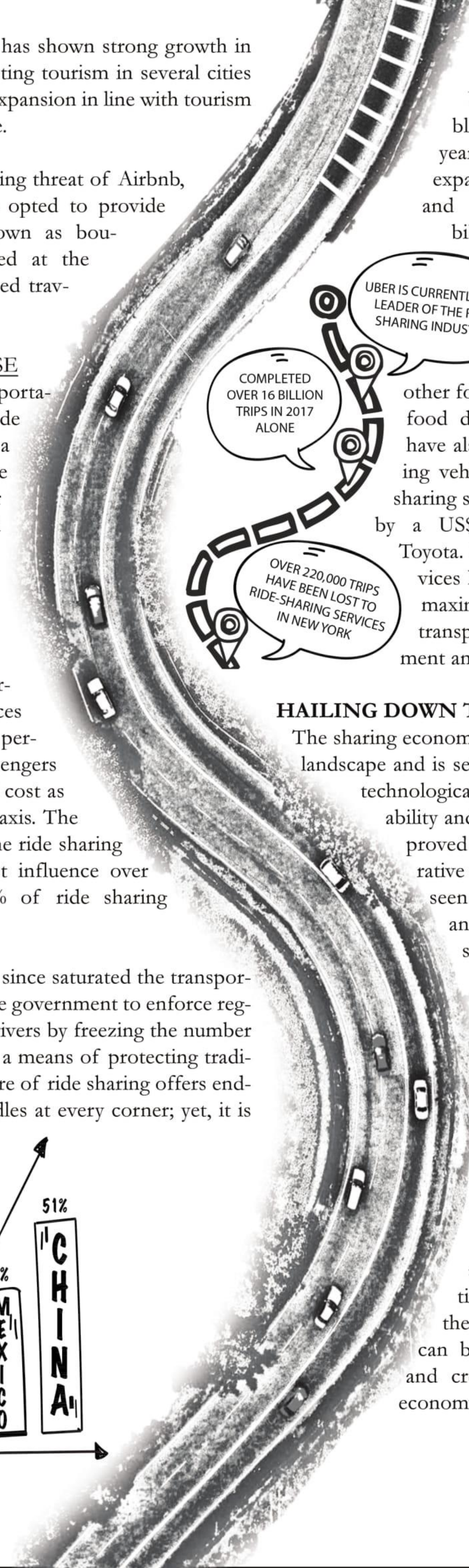
To compete against the rising threat of Airbnb, several hotel chains have opted to provide apartment-like hotels known as boutique apart-hotels, targeted at the budget driven, project-based traveller for short stays.

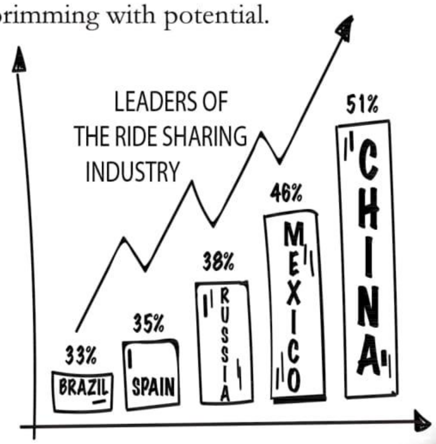
<u>STEERING OFF COURSE</u>

Taking the ground transportation market by storm, ride sharing was developed as a means to better utilise the empty seats in passenger cars and has since helped in reducing traffic congestions and harmful gas emissions in our urban environment.

As an application-based service, ride sharing services allow people to drive their personal vehicle to take passengers on trips at a low-overhead cost as opposed to conventional taxis. The aggressive expansion of the ride sharing industry has the strongest influence over Asia, owning nearly 40% of ride sharing market share.

Ride sharing services have since saturated the transportation economy, causing the government to enforce regulations for ride sharing drivers by freezing the number of ride sharing vehicles as a means of protecting traditional businesses. The future of ride sharing offers endless possibilities, with hurdles at every corner; yet, it is brimming with potential.





A top contender in the US market, Lyft has recently raised US$600 million funding, doubling the company's valuation in a year with plans for further expansion in North America and developments to enter the bike sharing industry underway.

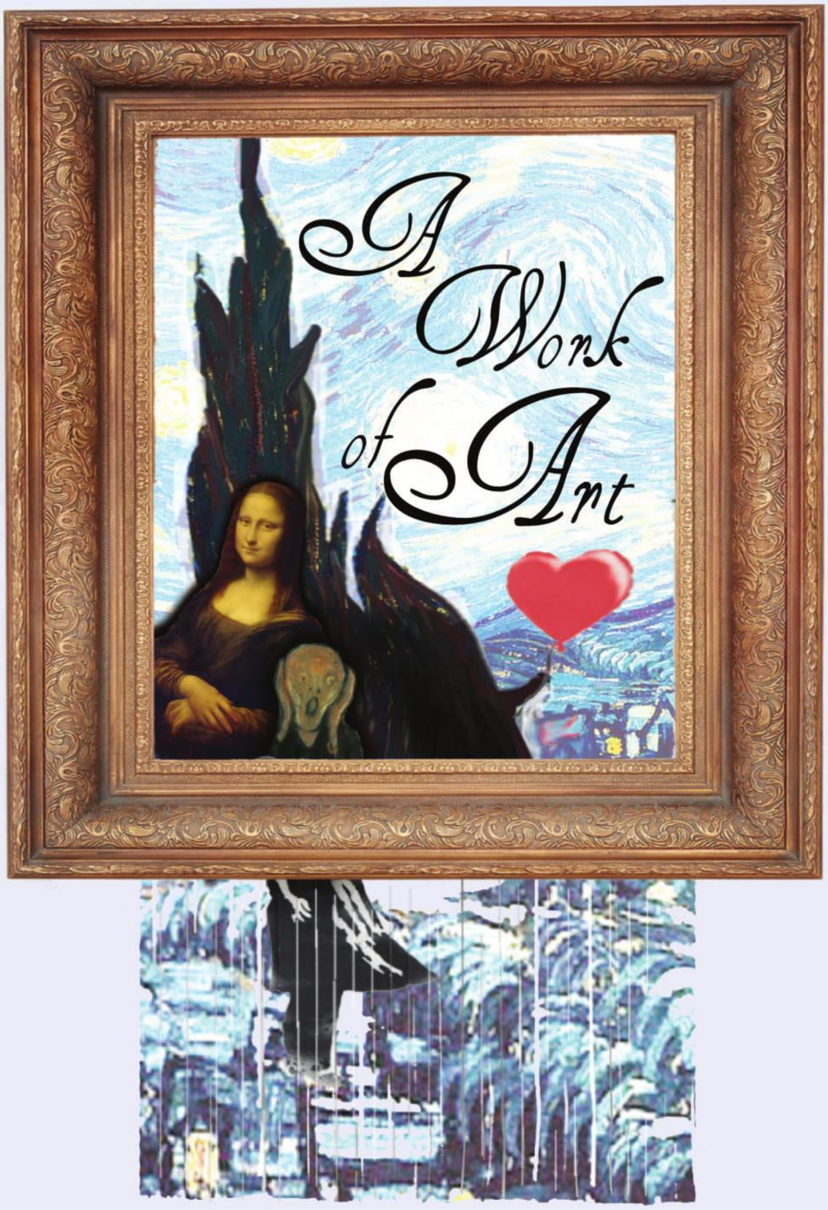
Other ride sharing giants, such as Uber, have since taken the opportunity to expand into other forms of transport sharing such as food delivery and bike sharing. Plans have also been developed for self-driving vehicles (SDVs) to be part of ride sharing services in the near future, backed by a US$500 million investment from Toyota. Revolutions in ride sharing services have proven and will continue to maximise the effects of sustainable transportation to both the environment and commuters alike.

HAILING DOWN THE FUTURE AHEAD

The sharing economy has since shifted our economic landscape and is set to be an integral part of major technological advancements. Global sustainability and efficiency have significantly improved through the concept of collaborative consumption and countries have seen an increase in employment rate and transactional value through sharing services.

Despite that, governments have realised the potential threats posed by the industry and are wary of giving in to the new trend that is defying the regulations set for traditional businesses.

With adequate planning and cooperation between governments and companies regarding regulations and long-term sustainability, the benefits of the sharing economy can be fully maximised by everyone and create a positive impact on our economy.



Words | Art Arina Rauf

A picture is worth a thousand words; a painting is worth a million bucks. This article traces how the appreciation of and interest in contemporary art in particular has led enthusiasts, critics and artists themselves to put a price on the seemingly intangible concept of art.

From classical to modern times, art has always represented a departure from the mundane, mechanical lives of humanity. Many regard passion as something priceless, yet art comes with a price tag - and usually a hefty one. It is no surprise that art collecting is usually seen as a hobby for just a fraction of high net worth individuals. However, with the rise of the Internet and the wave of globalisation, art has also become increasingly accessible to and sought after by the financially savvy - whether or not they have a penchant for creative visuals. Today, art has gained the status of being an exotic financial product. As a result of 'art financialisation', art is not only collected for aesthetic purposes, but also traded in the economy as a means of investment.

PUTTING INVESTMENTS IN THE BLACK

Given the illiquidity of the art market, art may not be a preferred medium of transaction for many investors. It is difficult to immediately convert an artwork to cash since one would need to find a willing buyer especially in times of economic downturns. One must also consider the insurance, storage and conservation costs associated with art ownership and transaction - which may very well eat into profit margins - before physically investing in art.

For the uninitiated, it is possible to invest in art without actually buying and owning the physical artwork. Popular means of doing so are through lending or loaning art. One stands to gain additional wealth from lending out his collection to interested parties, such as niche art galleries, who are seeking short-term ownership of certain pieces. Alternatively, the same collection may be used as collateral if one decides to take up a loan to finance future spending instead. Conveniently, there are many institutions which recognise and accept art collaterals such as traditional banks like Goldman Sachs, Citi and Deutsche Bank, auction houses like Sotheby's, as well as various other small and medium-sized financers. However, it should be cautioned that the nature of art investment is one of high-risk, high-return - one can only enjoy a maximum loan amount equivalent to just half of a piece's value due to the high volatility associated to art prices. Nevertheless, art investment as an additional source of income should not be quickly dismissed especially since it is an attractive means of wealth and portfolio diversification. The art market has also generally seen positive growth and increasing valuation as more demand and wealth pour into the industry over the years. Budding art investors should therefore look to financial intermediaries, which offer a myriad of art advisory services, to kick-start their art investment journey.

RED-HOT ECONOMY

Art is also subjected to market demand and supply like other traditional financial products. Following basic economic fundamentals, a high demand and low supply would usually translate to rare works by famous artists selling at exorbitant prices. However, a closer look at art valuation would yield greater intricacies of the economy. The demand of an art piece would depend on several factors: the physical properties of the piece itself, research data and valuation trends curated from various sources, participant activity during auctions and - possibly the most unquantifiable of them all - subjective views and cultural values.

The highly dynamic pricing of art makes it an even riskier investment decision than it already is. However, one thing that is certain would be the growing worldwide demand for art. An interplay of global macroeconomic factors has allowed for increasing wealth of citizens in developing countries who seek to acquire art as a reflection of their newfound cultured and lavish lifestyles. In line with globalisation, previously closed economies such as Russia and China have also seen the values of historic Russian and Chinese art rise exponentially, fuelled by growing global demand.

Unlike demand, the supply of art is comparatively much simpler to understand. While the supply can be tightly controlled by through legal restriction or otherwise, it is the rarity of an artist's work which has greater influence and weight.

For rookie art investors, perhaps it would be wise to follow the basic rule of 'scale, intensity and medium' - which refer to the size and detail of a work, the amount of effort put by the artist, and the materials used in creating the art piece respectively - to arrive at a conclusion of the value of an art piece in the economy.

BLACK SHEEP

While it is common to misperceive the art industry as one which compromises of mainly Western, contemporary art, the art market is also increasingly flooded with Islamic and Chinese art, especially antiques. Art investors should therefore recognise the different values which these works hold and invest intelligently. Besides old art, the advent of technology also brings about a new form of art - digital art. Technology also complements and influences digital art through social media, which gives budding artists a platform to shine in an ever-saturated economy of high-profile art graduates. Although such art pieces do not have the big names behind them, art enthusiasts do recognise the unique quality and value these pieces hold, and it is the sheer volume of transactions in this infant market which appeals to them.

Departing from traditional contemporary art, some artists may choose to instead focus in a niche area of their own and excel in it. A famous example would be Banksy, a street artist who is famous for his sometimes political artworks, which are almost always able to capture the attention of both admirers and critics. Banksy, however, is more famous for his recent self-shredding stencil of a girl letting go of a heart-shaped red balloon, which shredded itself after it was auctioned off. Some may call the work of art destroyed; others say that it is now invaluable. Observers and sceptics may be right or wrong, but Banksy was definitely right in showing that the art economy is indeed one which does not follow traditional economics.

RED FLAGS

The uniqueness of the art economy does not spare it from being plagued by numerous problems and risks for investors. Currently a fragmented and opaque marketplace, art fraud and illegal lending practices can contribute to and enable art crime. Ironically, a globalised market also increases the lack of trust between buyers and sellers. Art investors should also be weary of oversea lenders or investment houses as they may misinform and fuel high risk borrowing behaviour.

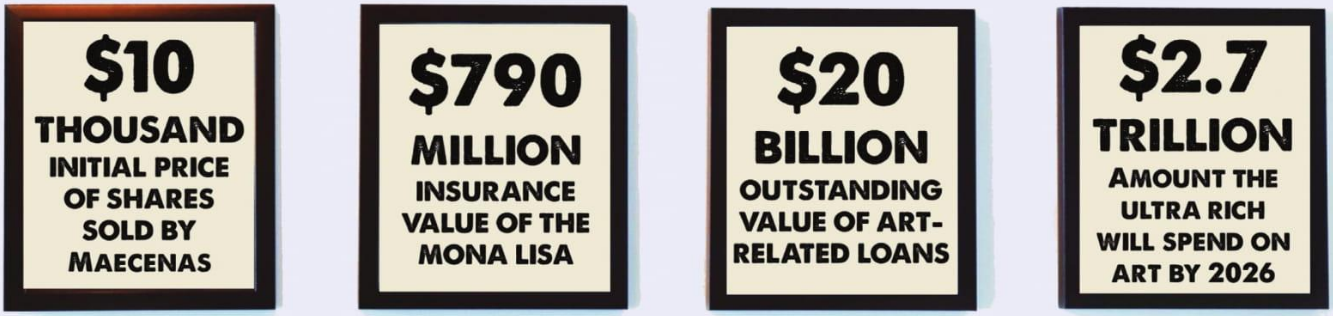
On the micro level, auction houses also skew the economics of art. By engaging third-party investors - guarantors who agree to buy an artwork at a certain price if it fails to sell - both parties would stand to gain from the private sale. In some extreme cases, certain valuable artworks may have also been snapped by guarantors prior to an auction - sealing its value without being subjected to market conditions. Such opaque arrangements blur the boundaries between private and public sales.

The introduction of digital artworks also opens a whole new can of worms in the already problematic industry; as they are essentially computer files, they can be easily reproduced and redistributed indefinitely. This raises even more questions regarding the valuation of such art, and is one of the reasons why there are not many institutional investment houses offering art advisory services. Nevertheless, the art market is still somewhat fair despite all its shortcomings - it is possible for newbie investors without deep pockets to buy and own affordable works which turn out to be good investments in the end.

GOLDEN OPPORTUNITIES

It is an exciting time to be investing in art. Not only is the industry seeing positive growth in its consumer base, institutions are also increasingly interested in entering and transforming the industry. A Singapore-based industry, Maecenas, has recently launched a blockchain trading platform for art. By splitting the value of artworks into shares, the company offers art investors a direct avenue to investing, rather than through loans.

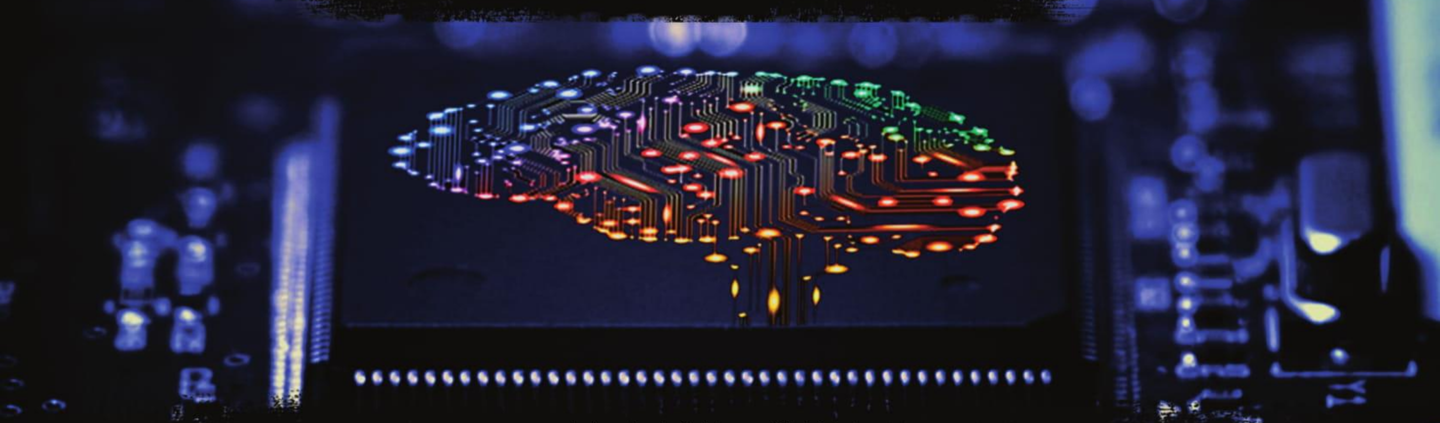
Similarly, another institution, Athena Art Finance, is considering securitising loans - a means of solving the guarantor problem by eliminating private sales of artworks. Rare Art Labs, a company building a cryptocurrency art sales platform, cites the high level of security of blockchain databases - which are accessible via security keys - as a means of increasing transparency, leading to greater trust among transactors and eventually a stronger market, economically and digitally. Art enthusiasts may not only use blockchain for storage purposes - such as to store insurance, legal and ownership documents - but also as a means of increasing the liquidity of their collection through tokenisation or trading through blockchain.



Besides actions undertaken by private institutions, governments have also acted to reduce the risks associated with investing in art. While the solutions may not comprise of futuristic, state-of-the-art recommendations by the private sector, the public sector's move to tighten regulations in the art industry is a definite step in the right direction. Both the European Union and United States - the two largest markets for art - have imposed new regulations encompassing a greater variety of works, making the art economy safer for all traders.

With the increasing interest in art as a form of investment, it is not surprising that the art economy will continue to grow. Future investors should not discount the potential of something seemingly unknown today; it would be unwise to shy away from a possibility for making profit just because the means may seem out of the ordinary to many. Even if one holds no interest in art investing, it is worthwhile to note the job prospects available in the industry as it undergoes financialisation. While traditional investment bankers have mathematical or economicqualifications, financial institutions today may also look for graduates with experience as art collection curators to join their private subsidiaries. Looking at the bigger picture, there is something in the art industry for all. Art itself serves as a prime investment as it offers not just positive returns, but also aesthetic returns - which to some, may be priceless.

THE AUTOMATION AGE: AI + 5G



Words | Art Lee Shi Hui

Do we have an expiration date?
Genuinely impactful innovations transpire merely once every few generations - ideas and actions that translate into long-lasting, globally significant consequences, and shape history. Could artificial intelligence, coupled with fifth generation networks, replace us all?

Mankind has seen an unprecedented, exponential technological growth. By-products of said growth include many benefits, most notably an increased standard of living. Conversely, downsides such as the fear that technological change would bring forth mass unemployment is ever-present. In 1811, textile workers who decried automation attacked and committed arson to factories, fearing that 'unskilled machine operators were robbing them of their livelihood'. The worry of being bested, then ousted by machines is not new, but recurrent.

ARTIFICIAL INTELLIGENCE (AI)

The concept of AI is an antiquity, having been dated as far back to Greek mythology, with stories of artificial beings endowed with consciousness and intelligence. Fast forward to the modern day, AI has made leaps and bounds. For instance, Sophia the AI robot was recently granted citizenship by Saudi Arabia. AI is also ever-present in various degrees of our everyday lives. From smartphones or household AI assistants, to revolutionised workplaces, AI has most certainly made its mark on humanity's story, and will definitely continue to do so.

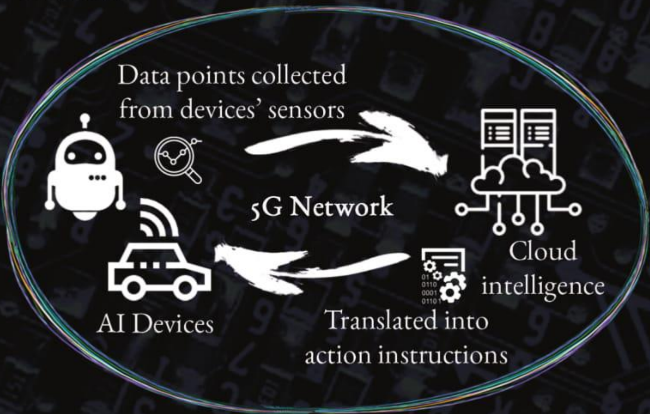
FIFTH GENERATION (5G) NETWORKS

Alongside the recent boom in the AI field, cellular mobile communication networks have too enjoyed an accelerated rate of growth. Since the introduction of 1G networks in 1979, the mobile communications scene has come a long way, with 5G networks currently being explored, developed, and soon to be implemented globally. Despite still being in development, 5G networks are already being held in high regard and prospects. This next generation of communication networks will deliver better coverage, enhanced signalling efficiency and pave forward the way to endless utilisation opportunities for corporations and consumers alike. Concisely put: faster, more efficient, better.

AI + 5G'S UNION

Even if held in separate regard, AI and 5G networks already represent incredible feats of innovation and progress. Naturally, when the two converge, their by-product lies on the cusp of something huge; holding the potential to shape the future. After all, each complements and drives the other. Their merger will, in due course, impact our lifestyles and a diverse range of sectors such as manufacturing, engineering, finance, customer service, healthcare, and more. AI and 5G's union is already manifesting in all sorts of futuristic applications such as drone delivery bots, driverless cars, the next generation of video surveillance, and more. The increasing variants of possibilities being realised were only not too long ago the stuff of futuristic dreams.

WHY AI AND 5G COMPLEMENT EACH OTHER



At present, the time taken for data to be transmitted to the cloud and back is simply too slow. Devices have to make 'judgement' calls in split seconds so turnaround time between sensing and action must be tremendously miniscule.

A condensed version of an intricate solution to the problem is this: use 5G to bridge the cloud and devices. 5G is able to facilitate an extremely efficient link between the cloud and devices, enabling the scale up for the trillions of devices that the industry is envisioning. It also offers superior speed, with multi-gigabit connections, 10 times quicker than 4G.

As with most things, a duality is present in the consequences of AI and 5G's advancement. Their union most certainly constitutes as a disruptive technology, breaking precedent. Yet, curiously enough, through invoking change, it is opening new frontiers, paving the way for a new generation of jobs. The following are two such instances.

CASE 1: DRIVERLESS VEHICLES

Autonomous vehicles have already begun to materialise, arguably the epitome of the harmonisation of AI & 5G. No doubt, this feat of technology, able to mimic the instantaneous reaction time of a person thanks to AI and 5G, will eventually be integrated into our everyday lives. Prominent companies such as Uber and Tesla are already well invested into realizing this as quickly as realistically possible.

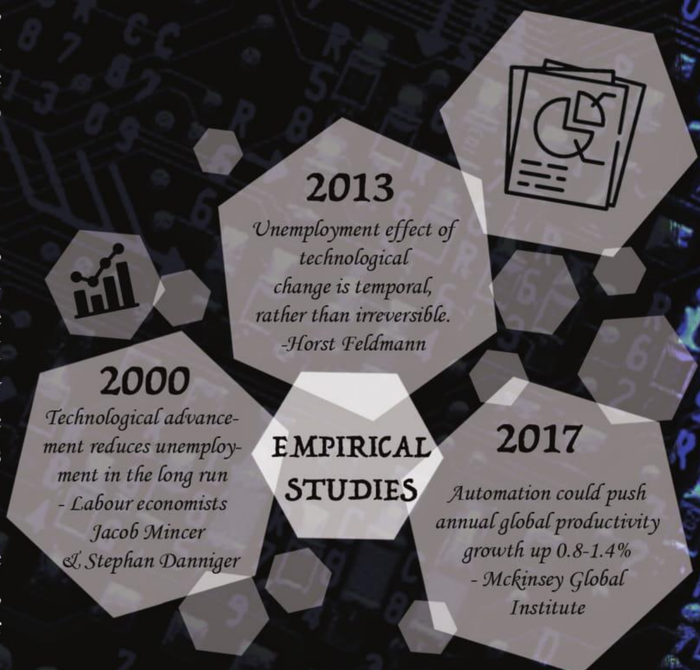
Of course, this social disruption threatens the livelihoods of truck and taxi drivers. That being said, new positions such as 'remote vehicle operators or programmers may emerge, offsetting the initial loss in jobs. However, the question now begged is this: how can current livelihoods be protected while new fields of economic pursuit are opened concurrently?

CASE 2: REMOTE ROBOTIC SURGERY

There is immense potential in the diverse applications of AI and 5G in healthcare robotics. For instance, robots could be used to ferry equipment and whatnot from point A to point B, thereby eliminating the need for human labour for a mundane task. On a more advanced footing - tele-surgery. In the future, local operating theatres could be populated by robots and surgeons from numerous locations around the globe in real time, thus increasing the pool of expertise available. As medical robotics progress, virtual reality (VR) could even be a viable possibility. Aided by AI and 5G, an imaging scan could be converted into a virtual, 3-dimensional model of a patient. Then, as a surgeon performs the complex procedure on the 'digital clone', a robot would perform it locally. The full extent of medical robotics is yet to be realized. Surely, mankind's only limitation is its creative threshold.

Both cases put forward a commonality: a showcase of unprecedented economic and technological potential, and the displacement of menial labour – the most prominent pro and con. How then does one weigh the said potential against the livelihood of millions?

Intuitively, anyone could say, "Of course the robots will steal all our jobs!" This is why it is imperative to take a step back and see what empirical evidences truly show.

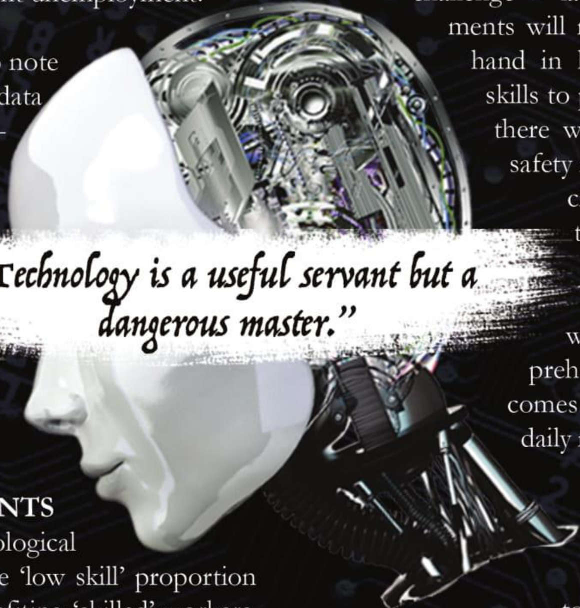


PERSPECTIVES VERSUS FACTS

Neoclassical economists have predicted that technological change would not spawn long term unemployment due to the adaptive nature of people. This has proven to be generally factual. As such, the concern to be observed is not the change in unemployment rates, but rather, the period of adjustment.

Academics and researchers agree that technological innovation generally leads to temporary job losses. Similarly, there is no dispute that innovation sometimes has a positive effect on workers. However, while levels of unemployment can be quantified, the underlying causes are not that clear cut. The debate therein lies in isolating the effect contributing to the persistent unemployment.

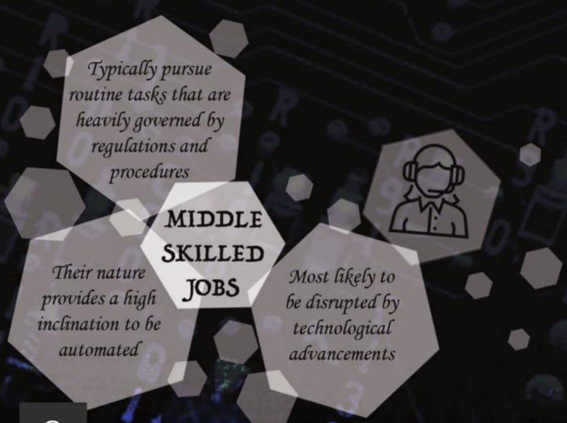
That being said, it is important to note that one cannot conclusively use data extrapolated from the past to predict the future. After all, this time technological change could be unique. Nonetheless, despite the accelerated technological growth, there are no red flags insinuating a massive spike in unemployment, at least over the next few decades.



"Technology is a useful servant but a dangerous master."

PROFESSIONAL SENTIMENTS

Many hold the notion that technological advancements primarily harm the 'low skill' proportion of the labour market, while benefiting 'skilled' workers. However, this might not necessarily be true. Curiously enough, some unskilled work has been replaced, but in general, low skilled occupations seem resistant to automation. On the other hand, white collar work is increasingly being taken over by sophisticated programs. Recent studies by academics and economists have collectively found that the impact of innovation is escalating the pay of higher skilled workers, whilst leaving a negative impact on low- to medium-skilled workers, disrupting mostly middle-skilled jobs.



MOVING FORWARD

The onset and progression of AI + 5G is irrefutably inevitable; albeit not instantaneous. Nonetheless, it will seem significantly quicker from the perspective of an individual worker whose work has been outsourced to machines.

Hence, moving forward, it is quintessential for one to be actively conscious of the technological landscape in order to stay relevant and employable.

Firstly, one must be aware of how policy makers address technological growth's major accompanying societal challenge – labour redeployment. Governments will most likely accept technology hand in hand with measures to raise skills to promote job creation. Perhaps there will be modifications to social safety nets and incomes, or new policies to help workers and institutions access new education and training avenues. Secondly, individuals will be engaging with machines on a more comprehensive scale as technology becomes more incorporated into our daily routines. Hence, acquiring new skills that are in demand in this new automation age is extremely important. In a time where all jobs are likely to change to some degree, we must remain resilient, flexible, and be attentive to the factors driving automation in respective sectors. We must work alongside automation – embracing it rather than decrying it. Only working harmoniously with technology will be sufficient to keep us relavant.

In conclusion, AI and 5G will present their merger as an unprecedented frontier for opportunity, but humanity must be responsible in handling its accompanying side effects. As time progresses, human labour will have more time to focus on what makes us innately human; doing away with menial tasks. A greater emphasis will be placed on logical thinking and problem solving, social and emotional capabilities, creativity and whatnot - intrinsically human characteristics that machines cannot yet replicate. These skills will surely be valued at an increasing premium as AI and 5G advance.

Automation could, in fact, make us all more human.

"ROBOTS" IN GLOBAL CAPITAL MARKETS

Words | Chanraj Singh
Art | Jessica Cheng

From the primitive conduct of barter trade, Man has always sought ways to improve financing. Beginning from seashells, precious metals, paper guarantees of these precious metals, to fiat money, and sophisticated instruments such as equities, forward contracts, and derivatives.

With the advent of technology, Big Data, and consequently the development of data analytics, the use of Artificial Intelligence (AI) in global capital markets seems almost inevitable in man's quest for advancement. The widespread adoption of Big Data and the development of powerful tools for data collection, and analytics have revolutionised how we view the world. Consequently, the financial industry, is the perfect adoption ground for such data frameworks because of its highly quantitative nature.

Financial analysts across most spectrums - from asset allocation to fraud detection - rely on historical quantitative data, to identify trends, correlations, and actionable recommendations. This coincides with the very foundation of machine learning, which is through the analysis of and learning from past data. Let us explore two well-known applications of AI in finance - Algorithmic trading and Robo-Advisors.

A BRIEF HISTORY OF THE "ROBOTS"

Algorithmic trading has been around since the 1980s and started to see more frequent use in the finance industry since the early 2000s. However, it was only during the 2008 financial crisis that robo-advisors were introduced to the public as a means of better investing their money.

These "Robots" have inbuilt processes to scan past data to draw statistical analysis and conclusions from it. Now let us take a look at two of such robots.

ROBO-TRADERS

Simply put, robo-traders (also known as algorithmic traders) use mathematical rules or algorithms, and trading strategies. These strategies used would often take advantage of any of the following: macroeconomic news, fundamental analysis, statistical analysis, technical analysis, and market microstructure. The analysis from the trading data would then determine the best possible trades to meet the needs of the user at that point of time. Robo-traders are able to conduct a myriad of trades at blistering speeds. They are used mainly by various financial institutions such as hedge funds, and even more so, quant funds that have a need for such high frequency trading, though it slowly is finding its way into the retail investor market.

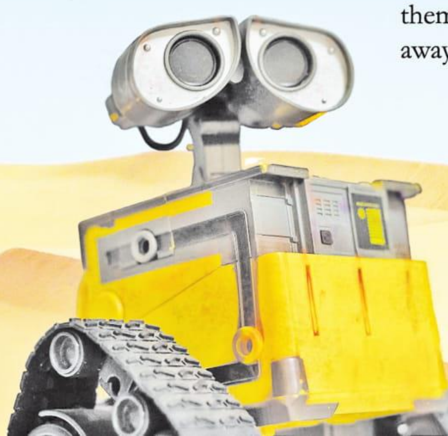
ROBO-ADVISORS

Robo-advisors give advice about the efficient allocation of an investor's assets to achieve his investing goals, while taking the individual's risk tolerance into consideration. This service is more commonly used by the general public, also known as retail investors, to grow their wealth or plan future cash flow needs, such as a mortgage payment or retirement.

The popularity of robo-advisors leaped in 2010, with the launch of betterment.com, an online financial advisor service in the United States that uses robo-advisors to help people invest their money. Robo-advisors have since seen phenomenal adoption across more "traditional" asset managers, with Vanguard, Schwab, and Fidelity offering such advisory services to its clients.

The main difference between them and traditional wealth managers would be how you invest your money with them. When dealing with a traditional wealth manager, the most common form of investing would be to put your money in a unit trust and then from there, analysts within the company would decide what would be the best investment for the trust. However, you personally would not know where your money is being invested in. Robo-advisors solve this problem by informing you exactly which asset classes they plan to invest your money in, depending on your risk portfolio.

They are often seen as a replacement to conventional wealth managers, having a particular large appeal to millennials who do not require a human advisor to feel comfortable investing, and value convenience above all. However, majority of the people still do prefer having the human touch when it comes to investing, to help them feel more comfortable when giving their money away to invest.



THE INFALIBILITY OF MACHINES

We would like to think that the machines around us with all their complex codes and algorithms are perfect and incapable of making mistakes or having errors; but anyone who has used a computer or mobile phone would know that machines are anything but perfect.

Take for instance Knight Capital Group - a leading high frequency trading firm. It was only natural that the company, known for high frequency trading, used algorithmic trading. Unfortunately for them, a glitch in their robo-trading software led to them racking a loss of $440 million in less than an hour.

Even when they do not make losses, it still does not mean that they are better than traditional traders. Take Getco for example, another big high-frequency trading firm saw its profits drop from US$430 million in 2008 to US$16 million in 2012.

Furthermore, as is the case with most technology and online services, they are susceptible to cyber-attacks. As they grow in popularity, so does their attractiveness as a targets.

Despite the common perception that these automated functions are - as their descriptions suggest - autonomous, they ultimately require human input into defined parameters as a basis for execution, making them susceptible to human error. There is no single solution to counteract the fallibility of humans, making the compliance's role in quick error-detection and resolution paramount in ensuring that such errors are contained. It seems however, that the pros still outweigh the cons when it comes to banging the gavel on AI applications, as majority of the financial institutions that engage in trading activities use algorithmic trading to some degree and at an increasing rate. As with any other type of technology, it is constantly improving. Especially since it is built on AI technology, the longer it is used, the more it learns, and the better it becomes. Similarly, as time passes, it has more reference points making its analysis even more accurate. Thus, we can see why its popularity is constantly increasing.

As of October 2017, robo-advisors have US$224 billion in assets under management worldwide. This number is poised to rise with major financial institutions such as JP Morgan and Wells Fargo wanting in on the robo game.

CONCLUSION

A simple Google search will reveal a whole range of websites that allow you to use their robo-advisors or trading services. Most services will charge you a management fee depending on how much capital you invest with them.

The algorithmic trading revolution is a step forward in the right direction helping even out the playing field slightly to help the layperson get a better means of investing his money. As for financial institutions, such as wealth management and hedge funds, it has definitely lessened the burden on human traders within their firms, and has helped them streamline their operations for the better.

Using AI in trading seems like the best thing to do. By using AI technology to create algorithmic traders, the fatigue associated with trading long hours is removed. These robots do not have emotions or "gut-feelings" to make impulse trades, thus they would always follow their coding and hence, always make the best possible choices. However, they are far from perfect and would ultimately still require human inputs to work competently. While AI may one day take over human traders with better data collection and processing methods, that day is not approaching anytime soon.

CREATING YOUR FIRST INVESTMENT PORTFOLIO

Words | Art James Ng

"Invest young, start early" is an old adage that has been spoken by many financial experts and advisors. Most people would love to achieve financial stability by doing just that. However, many are left scratching their heads on how to take this first step. With a whole slew of financial products available on the market, deciding on an appropriate investment portfolio or vehicle is challenging, to say the least.

As a young and budding individual with only a few paychecks and savings to our name, it is imperative for us to understand that leaving money in the bank only awards us with a miniscule amount of interest. As such, it is better for us to take some risk and earn higher returns on our savings instead.

Nonetheless, investing is no easy feat. I get it, when you are relatively new to the world of investing, you have absolutely no clue on when and how to begin. But fret not, for this article aims to inform you about how you can invest and what you can invest in. As with anything in this world, there is no such thing as a free lunch and what that means is that there must be a proper trade-off between risk and reward. With different financial products that are available on the market, it is crucial to recognize the different characteristics and more importantly, the risk associated with the product you are placing your money in. Here, we will be looking at the more commonly invested products in Singapore.

BONDS

Bonds are debt instruments issued where an investor loans his money to an entity. In simple terms, bonds are IOUs issued to lenders by the borrowers, promising payment with interest in the form of coupons that occurs annually or semi-annually. Entities that issue bonds are governments and companies which usually do so to raise funds to finance their projects. As such, investors get to enjoy a fixed income till the maturity of the bond.

T-BILLS

T-bills are short-term bonds, with maturity of one year, issued by the Monetary Authority of Singapore (MAS). Due to their shorter term to maturity, T-bills do not pay out coupons but are instead sold at a discount to the par (face value). As T-bills are widely considered to be a risk-free asset, they thus offer investors relatively lower returns. These bills are sold at a minimum value of $1000.

SINGAPORE SAVINGS BOND

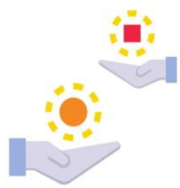
Singapore Savings Bond (SSB) is a bond issued by the Singapore government with maturity of up to 10 years. As it is backed by the government, it is considered as a risk-free asset. Hence, it gives lower returns, although longer term bonds provide higher returns. SSB does have an extra perk where every year, returns on the bond will increase year on year, provided the owner does not withdraw from the bond.

CORPORATE BONDS

Bonds not issued by governments are usually known as corporate bonds. Compared to government bonds, corporate bonds have tiers given by rating agencies such as Standard & Poor's and Moody's & Fitch, which determines their yield. Bonds with higher ratings, such as AAA, have lower returns than junk bonds due to their lower risks of defaulting. There are only a few corporate bonds tradable on the market for non-accredited investors and institutions.

	T-BILLS	SINGAPORE SAVINGS BONDS	CORPORATE BONDS
ISSUER	SINGAPORE GOVERNMENT	SINGAPORE GOVERNMENT	VARIOUS COMPANIES
TENOR	1 YEAR	UP TO 10 YEARS	1, 2, 5, 10, 15, 20 AND 30 YEARS
INTEREST RATE	DISCOUNT	FIXED COUPON	FIXED COUPON
COUPON PAYMENT	N/A	ANNUAL	ANNUAL / SEMI-ANNUAL
MINIMUM DENOMINATION	S$1,000	S$500	VARIES

MUTUAL FUNDS



Ever thought of investing in multiple securities or assets not available to the general public? Mutual funds consist of a portfolio of securities, professionally managed by companies or fund-managers which pool your money together with other investors so that the fund will gain the benefit from diversification at a low price that won't be possible doing alone. Investors have to pay a management fee but stand to gain from the reduced risk and access to foreign markets. They are sold in units which price is determined by the net asset value (NAV) of the fund. If you are interested in getting into a mutual fund, find out more about its prospects from fund managers.

EXCHANGE-TRADED FUNDS

Similar to a unit trust, exchange-traded funds (ETFs) are index funds where money pooled together by investors is used to invest in an underlying asset. ETFs track the performance of a basket of assets, such as the S&P500, DOW30, and the energy sector, replicating its performance instead of outperforming it. They are a popular class of assets as they offer the benefits of low-cost diversification, and can be traded like stocks, making them highly liquid.

Examples: STI ETF, IDWA ETF, NIKKO ETF

STOCKS

A stock is a financial security that represents ownership of a company. By purchasing a stock of a company, you become a shareholder of company, taking part in the profits and losses it makes. As such, the reason you should buy into a company should be based on the belief that it will do well in the future. The returns through stock ownership investors get are capital gains and dividend yield, though some companies may choose not to pay out dividends.

<u>BLUE CHIPS</u>

Stocks from companies that command a high price tag are known as blue chips, lending the name from the highest denominated blue chips in poker. Now a days, they are firms that are financially stable selling sought after products and services. Even though companies such as Coca-Cola and International Business Machines (IBM) have been around for decades, companies such as Google and Apple have surfaced only recently. Being well-established firms, they provide consistent returns in the face of any economic situation with low volatility.

Examples: SIA, Singtel, OCBC, Starhub, M1

<u>INCOME STOCKS</u>

Income stocks are equities that pay out regular dividends that usually grow over time. Investors include income stocks in their portfolios to increase their fixed income with dividend yields that exceed that of other fixed-income assets. It is key to pick stocks from companies that have a history of paying out dividends over the years, as this shows that such companies are dedicated to maintain this policy, and are able to generate consistent profits.

Examples: Valuetronics, Yangzijiang Shipbuilding Holdings Ltd, Challenger Technologies

<u>CYCLICAL STOCKS</u>

Cyclical stocks often belong to companies which stock prices follow the flow of the market, trading higher when the economy is booming and vice versa. Investors value cyclical stocks as they often outperform the market during periods of economic growth, as such, they can help to bolster returns of a portfolio made up of less risky assets. As their prices move along with the market, speculators can time the market, buying in anticipation that their prices will appreciate and selling them off for the capital gain.

Examples: City Developments Ltd, DBS Group

<u>DEFENSIVE STOCKS</u>

In contrast to cyclical stocks, defensive stocks belong to companies selling staple goods which are always in demand. Their stock prices do not rise much during a booming economy, but they do not depreciate as much during a recession as consumers would continue to purchase their goods regardless of the state of the economy.

Examples: ShengShiong, Thai Beverage Company

A CLOSER LOOK

A prospectus is a legal document containing information investors would be keen to know before making an investment.

PROSPECTUS FOR BONDS AND STOCKS	PROSPECTUS FOR MUTUAL FUNDS AND ETFS
-Details about the company	-Fund objectives
-Business model	-Investment strategies
-Objectives	-Risk factors
-Number and classes of shares	-Performance
-company financial data	-Distribution policy
-Dividend policies	-Management
-Risk factors	-Expenses

Hopefully through this article, a better understanding of the financial markets is achieved. As this is just a brief outlook of each individual asset class, I cannot emphasise enough the importance of doing your own research. Learning comes with experience so do not hesitate to get started as soon as possible when there is an extensive amount of financial resources available online. Your first step would be creating your Central Depository (CDP) account, a requirement by the Monetary Authority of Singapore (MAS) to trade Singapore Exchange (SGX) securities. Leaving with a quote from Warren Buffet - "Risk comes from not knowing what you are doing".

Millennials Are Bad With Money But Is It Really Their Fault?

Words | Art Natanael Hans Effendy

Millennials. Spoiled, lazy, narcissistic - the list of bad adjectives to describe them goes on. However, are these comments factually accurate? In a society of growing global growth and technology, are millennials the group of people we should be thankful for giving countless of innovations, or are they the ones who we should blame for their lack of 'diligence', as some would say? Unfortunately, most criticise the way millennials behave without seeing the bigger picture.

The question arises: Why is it that today's generation, the millennials - also known as the Generation Y (Gen Y) - are criticised for their bad money management skills? Answering this question is not simple, although this topic has been popularly debated over for the past several years.

Before identifying the financial problems faced by millennials, we should have a strong understanding of why millennials are criticised for their 'bad habits', and why it is not really their fault.

THE 'BAD' HABITS OF MILLENNIALS

SPENDING ON UNNECESSARY THINGS

Unsurprisingly, it is true that millennials spend their money buying unnecessary things. A report by Charles Schwab reveals an alarming pattern of spending among the Gen Y. Nowadays, the young generation has even taken over their parents and seniors in terms of having exorbitant expenditures. Indeed, majority of millennials tend to spend unnecessarily on things like a cup of Starbucks coffee - priced at about $7 in Singapore - taxi or private hire rides, or even a new iPhone when their current phone is working just fine.

However, spending unnecessarily may not be the root cause of financial problems for the Gen Y. Rather than bad money management, the young generation is actually excelling in saving their money for their future spending or retirement. About 71% of millennials in the United States (US) are already saving for retirement. Even more surprising is that they start saving their money at about the age of 22, which is way younger than the Generation X who start at 30 years old. Singaporean millennials are also excellent in saving money; a recent poll suggested that 65% of them would cut their spending to save instead.

An example of bad money management can be illustrated by how millennials tend to manage their savings. When data is compared with previous generations, the results are stunning. Millennials invest 25% of their assets in risk-free financial instruments, such as fixed deposits, while other generations would invest about 19%. This shows how their views on investment have changed due to the financial crisis. However, their choice to be more risk-averse might not be beneficial for them, as the returns from these investments are not able to beat inflation. However, their choice to be more risk-averse might not be beneficial for them, as the returns from these investments are not able to beat inflation, especially when compared to other asset classes which potentially give higher returns. Even if the Gen Y had the ability to save, they might not have the skills to make their savings grow.

PERCEIVED AS "THE LAZY ONES"

How is it that the millennials are categorised as the lazy workers? This could have arised from observations where they get bored easily from doing repetitive work.

A task without a challenge would mean nothing much for them, and this could result in the completion of an assignment for just the sake of it.

Millennials are generally perceived as lazy and distracted by the older generation. However, this perception might not necessarily be true. Given the progression of technology, information is now more readily accessible to the younger generation at their fingertips. This also means that perhaps, the younger generation is more efficient than the older generation when given a comparable task set. This lack of challenge could constitute to them feeling unmotivated in their work. Then, given the excess of time after finishing repetitive tasks, millennials are frequently seen to be on their gadgets or other forms of entertainment. According to Joshua Hebert, CEO of Magellan Jets, millennials tend to respond to boring tasks with boring results, but establish outstanding results when they are given a share in the idea.

Hence, it is easy to see why people would extrapolate the above characteristics to conclude that millennials have poor financial management. Therefore, to counter this bias, people need to delve deeper into analysing the crucial issues millennials are facing nowadays - issues that are preventing them from being able to achieve their financial independence. People can start by taking note of the current situation of the new society and economy that they are in today. By doing so, a more comprehensive and, hopefully, more positive outlook towards millennials can be obtained.

That being said, some of the challenges are as follows. From the rising prices of houses to the stagnation of salaries, today's economy is developing to be more challenging than ever before. Buying big-ticket items or financing daily expenses are becoming harder than they previously were, and there are several reasons why.

Millennials 1977-1997	Gen X 1956-1976	Baby Boomers 1946-1955
Lazy	Independent	Materialistic
Narcissistic	Pragmatic	Team player
Open-minded	Likes flexibility	Workaholic

Millennials' Facts

Millions of millennials spend more on coffee compared to savings for their retirement.

The number 1 most used application is Amazon. This makes millennials' turn into e-commerce for easier purchases of new products.

Most millennials tend to invest in investments that would be socially beneficial (Impact Investing).

CHANGES IN THE WORLD TODAY

<u>RISING HOME AND LAND PRICES</u>

Nowadays, an increasing number of young citizens are unable to afford new homes or even small plots of land due to the rising home and land prices. This is due to the fact that the rise in prices is not accompanied by the right proportion of increase in income. It is shocking at how the recent prices of land and homes differ as compared to those several years ago. For example, the average land price in Hong Kong in 2003 would cost about HK$2,500 per square feet (psf), while the price in 2018 can go above HK$13,000 psf, which is a total of about 420% increase in the price of land. On the other hand, Hong Kong's average annual salary has only increased by about 50% from HK$127,000 a year in 2003, to HK$190,000 a year in 2018. From the example above, it can be seen how the significant increase in the price of land is not compensated with the rise of income, and this leads to land becoming increasingly unaffordable for the Hong Kong citizens.

Another example is how the median sales price of homes sold in the US increased by about 88%. In 2000, it was about US$170,000 but it reached the price of about US$320,000 in 2018. Similarly to Hong Kong, the income did not increase significantly. Median household income has only increased by 4.3% from about

US$58,500 in 2000 to about US$61,000 in 2018. As a result, the rise in income does not compensate the home prices too.

Such are examples of the financial struggles faced by young individuals today; millennials are forced to pay inflated amounts that were not as prevalent in the past. Unfortunately, their efforts taken to generate more income for a comfortable life is nullified by the ever-increasing property and land prices.

CONSUMERISM

The Cambridge dictionary defines consumerism in two ways: (In the term of Politics) the state of an advanced industrial society in which a lot of goods are bought and sold, and (Disapproving) the situation in which too much attention is given to buying and owning things. The former refers to the strong economy, while the latter refers to the drawbacks consumerism may bring to the society.

These days, retailers, supermarkets, and clothing stores all have their own strategies to encourage customers to spend more on their products or services. For example, Ikea stores are built in a maze-like design. By doing so, exiting the store seems to be much harder, resulting in a customer buying one or two things that they found interesting along the way, which they did not intend to buy in the first place.

In addition, such behaviour can be observed in Nike. Donning well-known athletes such as Lebron James, Tiger Woods, and Cristiano Ronaldo in their sportswear helps to boost their sales. As a result, consumers who are inspired to follow their footsteps would also purchase every product endorsed by such influential figures. Due to the countless advertisements, Nike has transformed their identity into eye-catching products every athlete must have.

Given the prominent landscape promoting consumerism, it is not hard to see why one would fall into the trap of unnecessary spending. However, millennials should be accountable for themselves in terms of their spending habits. That is, taking charge of one's personal finances and consciously being proactive in managing it.

TIPS FOR MILLENNIALS

To embark on the road of financial independence, here are several tips that millennials can start with. Firstly, millennials can acquire the habit and know-how of managing money smartly. These habits can be gradually developed by taking on financial literacy courses, listing out expenses and finding out the sources of opportunities for passive income.

Secondly, millennials should always remain realistic regarding their finances. They should not merely assume that life is a bed of roses and money will continuously flood in. Therefore, millennials should take a good look at their finances, carry out a thorough check on the mortgage rates and examine their living costs and opportunity costs.

Lastly, millennials can also look into other asset classes in the market such as stocks which allow them to potentially secure a higher rate of return to beat inflation. Before beginning their journey on investing, it is pivotal that millennials are fully equipped with the necessary skills by undergoing investment courses and comparing the possible gains between the rise in the value of stocks and bonds and understanding the risk and reward ratio.

Furthermore, just as the saying goes, "Rome was not built in a day"; millennials should possess the persistence and patience to hold on their investments for the long run and not easily succumb to the volatility of the market pressure.

At the end of the day, critics of millennials might falsely accuse them of their poor life decisions. While it is possible that millennials are responsible for the fragile economy, we should also take into account the underlying reasoning behind their behaviours. After all, the future lies in the hands of the millennials.

> "They're good at getting our time, money, and attention and they're getting better. And because of that, we don't truly get to live according to our own preferences."
>
> *- Dan Ariely*
>
> *James B. Duke Professor of Psychology and Behavioral Economics*

Coffee with the Management Consultant

Words | Art **Wilson Tan**

Curious to know what the future holds for a Singapore Institute of Management (SIM) graduate? How does one transition from being a student to a fresh hire? Wilson Tan sits in with Jerwin Antony, a former student of the University of London (UOL) to find out more about this consultant's leap from undergraduate to overachiever.

WT: TELL US MORE ABOUT YOUR CURRENT ROLE AND WHAT YOUR TYPICAL DAY LOOKS LIKE.

JA: I am currently part of PricewaterhouseCoopers's (PWC) South-East Asia consulting practice. As a consultant, we work on a project basis, which means we're usually doing something different every day. Depending on what the day is like, a typical day would be getting in to work by 9am. Some days might start with a meeting directly at a clients' office, and this meeting could be with project stakeholders from managerial level to C-Suite level. Then it's back to the office, where you will probably be working on some deliverables. Deliverables can be in the form of slides, excel sheets, or other data visualisation software. There would also be internal meetings with your teams to ensure that everyone is up to speed. At junior staff level, you're usually working fully on one project, whilst senior staff could be working on multiple projects at once. A typical day could be just 9 to 6, or it could be a 16 hour work day. Ultimately, it really depends on what project you are working on and what phase of the project you are at.

WT: IF YOU COULD RECOMMEND SOME BOOKS THAT ALL PROSPECTIVE MANAGEMENT CONSULTANTS SHOULD READ, WHAT WOULD THOSE BE?

JA: I'm sure we've all heard of the top ten books to read for consultants; The Lords of Strategy, The Trusted Advisor et cetera. But I feel that if you really want to know about consulting, start by talking to people who have done it so that they can give you an understanding. Secondly, browse the websites of all the consulting companies and understand what they do and where you want to fit in. And if you decide that consulting is the career for you, there are a lot of case interview websites and resources online. I think Victor Cheng's caseinterview.com is a good place to start. There are also a lot of forums where consultants discuss their experience in different firms and at different levels of seniority. I think that a combination of these platforms would give you a good understanding and prepare you for a career in consulting.

Grades are important as it is the first factor that sets you apart from the sea of graduates every year. However, grades alone are not enough. There are so many candidates out there with good grades, you have to take it a step further and distinguish yourself.

WT: WHAT DO YOU THINK ARE THE BIGGEST MISPERCEPTIONS THAT APPLICANTS HAVE ABOUT CONSULTING?

JA: Undergraduates sometimes tend to have a misconception that all consulting is strategy consulting. Consulting is a diverse industry with many service offerings. Strategy consulting focuses on developing corporate and organisational strategy to fulfil the needs of the client. There are also operational and technology consultants who bring said strategy to life. There are many further specialisations within consulting and I would advise applicants to know what exactly they want. Interacting with professionals in the industry is a great way to get a deeper understanding about consulting.

WT: HOW IMPORTANT DO YOU THINK GRADES ARE?

JA: Grades are important as it is the first factor that sets you apart from the sea of graduates every year. However, grades alone are not enough. There are so many candidates out there with good grades, you have to take it a step further and distinguish yourself. For example, if you want a client-facing job, you need to first show your employers that you have the academic capabilities, show that you're able to interact with and lead people effectively, so that they have the confidence to put you in front of clients at an early stage in your career. Also, because many firms fill up their available roles mainly through internships, you should work towards internships in industries that you're interested in. Ultimately, you have to show that you're a holistic, all-rounded individual.

WT: WHAT ARE SOME THINGS THAT YOU WISH YOU HAD LEARNT BACK IN YOUR UNIVERSITY DAYS, THAT WOULD HAVE BETTER PREPARED YOU FOR YOUR JOB TODAY?

JA: It might sound simple, but gaining competence in basic software such as Microsoft Office would make a big difference at the start of your career. Many of us think that we know Excel and PowerPoint, but there are so many functionalities that we might not know about. If you're good at Excel, you might be entrusted with more important data analysis and modelling work, which is a great learning opportunity. Similarly, there is more to PowerPoint than you think. If you compare corporate slides to those that we made as students, you can see the stark difference. There are higher expectations in a corporate environment and being able to make good slides will make you stand out. I would recommend brushing up on these areas before starting work.

Also, learn more about the industry that you're interested in. Most applicants seem to only have surface level knowledge and it sets them back. Not many applicants think beyond that and understand what goes on into the work that we do. Working in client facing roles might sound glamorous, but it is definitely not for everyone. Think clearly, think deeply, and ask the right questions to the right people, so that you get a clear picture.

WT: HOW CAN ONE STAND OUT FROM THE CROWD IN SINGAPORE'S INCREASINGLY COMPETITIVE JOB ENVIRONMENT?

JA: In my opinion, employers are looking for all-rounded individuals. You need to excel in your studies, CCAs and internships to set yourself on the path to your dream career. To truly set yourself apart, you need to go one step further in areas that you are passionate about. You can start a club, do projects, write articles or run your own blog et cetera. Delve deeper in your area of interest to make youself stand out and show that you are truly passionate in your field of work.

WT: WHAT IS ONE SKILL YOU BELIEVE ALL STUDENTS SHOULD HAVE THAT WOULD BE HELPFUL IN A CORPORATE ENVIORNMENT?

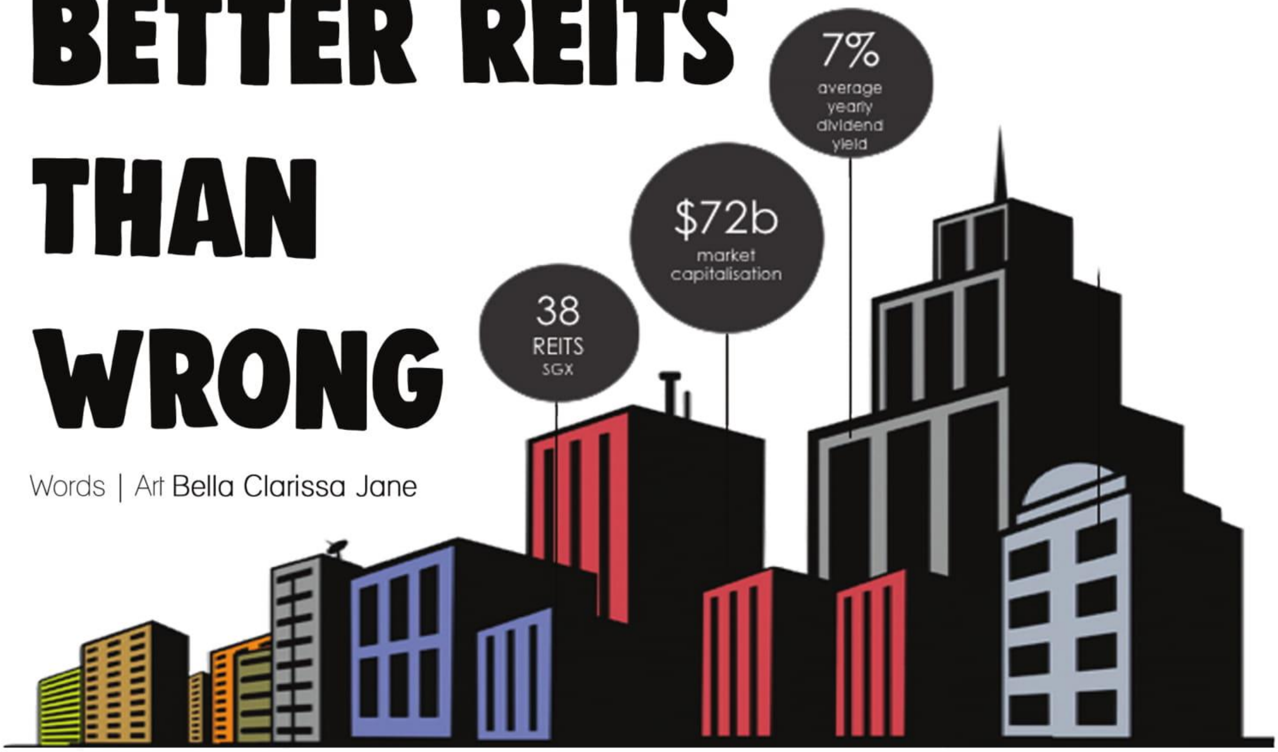
JA: I would like to highlight two skills. The first and most important being interpersonal skills. Most people understand that a strong work ethic is crucial to success. However, many overlook the importance of interpersonal skills. How you interact with others will shape their perception of you, which will define your relationships at work and have an impact on your career. So, build strong working relationships and be a great colleague to work with.

The second would be public speaking. Most people can get up on stage and talk. But only a select few are able to command everyone's attention and leave an impact on their audience. This takes years to master, but being a great speaker and presenter will make a huge difference in your career. This also builds your confidence to interact well with clients. In consulting, you're expected to be able to have meaningful conversations with senior client stakeholders. Talking to directors and C-suite executives, when you're an associate with less than two years of experience can be intimidating. Developing your confidence and building your knowledge base are fundamental to being an effective consultant.

WT: ADVICE FOR STUDENTS CURRENTLY IN SIM?

JA: In SIM, it's really easy to just wake up at 7am, go to your 8.30am class, leave at 11.30am and have the rest of the day to yourself. I've been in morning classes and I've seen many students do that. I would say, stay and involve yourself in the vibrant student life in SIM. There are more than 70 student clubs with like-minded students who share the same goals and motivations. Wanting to focus on studies is important, but focusing only on studies will not always work. Focus on your internships and CCAs as well and you will be on your way to establishing your dream career.

BETTER REITS THAN WRONG



Words | Art Bella Clarissa Jane

On 14 September 1960, President Dwight D Eisenhower signed a legislation that created a new approach to income-producing real estate investment, in which the best attributes of real estate and stock-based investments are combined. For the first time, Real Estate Investment Trusts (REITs) brought the benefits of commercial real estate and stock-based investments to all investors, which had previously only been available to large financial intermediaries and wealthy individuals.

INTO A WORLD OF REITS

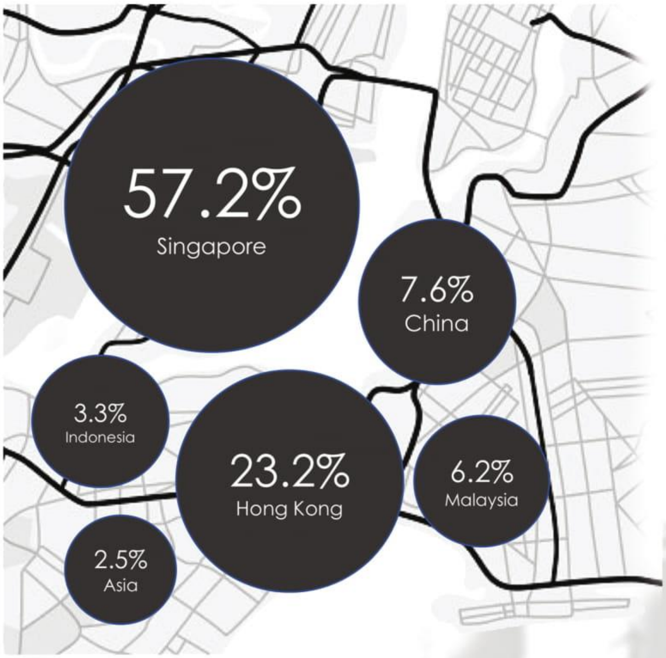
REITs are collective investment schemes that invest in a portfolio of income generating real estate assets such as shopping malls, offices, hotels, or service apartments. REITs are a hybrid between bonds and listed equities as they offer both potential long-term capital appreciation and a regular income stream. These funds raise capital to buy real estate assets such as malls, hotels, and office buildings. Rental income from these properties then generates dividends for investors.

Crippled by the 2008 global financial crisis, they have since emerged on the upside. In 2017 alone, REITs own a share of more than $3 trillion in gross real estate assets including, more than $2 trillion of public listed and non-listed REITs, and the remainder from privately held REITs. Since their inception in 1960, REITs have expanded in global size, impact, and general market acceptance as seen through its leading industry classification standards.

WEIGHING IN THE BOONS AND BANES

There are several key advantages in investing in REITs. Firstly, REITs have predictable cash flow and dividends. In Singapore, REITs are required to distribute 90% of their income as dividends, but this can be a double edged sword. On one hand, investors should be reasonably certain of consistent dividends as long as the REIT continues to be profitable. On the other hand, because of this same nature, there is a possibility of growth stagnating. Next, the long-term nature of leases with their tenants also allow investors to predict the long-term revenue of a REIT accurately. Furthermore, REITs have had a history of outperforming the market indexes. In previous years, Singapore REITs as a whole have returned more than the Straits Times Index (SGX: STI). However, there are downsides as well. REITs are typically highly leveraged investment vehicles. Though leveraging allows REITs to purchase more assets than they hold in their unit holder's equity, there is the risk of non-payment of debts in difficult times.

REITS MARKET SHARE IN ASIA



Singapore

1. Favourable tax policies
2. Robust regulatory framework
3. Unitholders to enjoy stable and consistent reinvestment schemes

PICKING THE OPTIMAL REITS

Like any stock, picking the right REIT to invest in is important, especially if you are looking for capital gains. One way to do this is to look at the financial statements of the REIT you are interested in. Delving into its balance sheets and income statements, you can catch a glimpse of the fundamentals of the REIT in question. If there has been a fall in revenue or increase in operating costs, but the dividends have not been adversely affected, this strongly says something about the underlying foundation of the REIT. Also, it is crucial to be aware of possible accounting malpractice. For example, actions such as incorporating income support from sponsors, capital gains, and management fees in units into income statements may result in higher than actual dividend yields. This is misleading as it provides an inflated dividend yield, with respect to risk, which does not correctly reflect the fundamentals of the REIT.

METRICS FOR PICKING REITS

ECONOMIC SCALE

REITs are highly leveraged by nature, as reflected in their gearing ratio and close relationship with the financing of debt. Due to their high gearing ratio, they cannot stand high interest rates. As a result, rising interest rates reduces the eventual cash flow available to pay the REIT shareholders. Similarly, as REITs compete with risk-free government bonds, stocks, properties, corporate bonds and insurance plans, rising interest rates increases the interest yield on risk free bonds and hence, reduces the attractiveness of REITs when risk is taken into consideration.

MANAGERS STANDARD

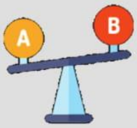
It is also pivotal to pick good managers efficiently to avoid the constant worry of managers making self-beneficial decisions. Some managers would tamper with the reporting of cash flows. To pay dividends, the key underlying property that a REIT possesses, this requires it to earn sufficient rental cash flow in order to cover the expected dividend payouts. However, this is not easily accomplished. Hence, some managers may tend to find loopholes to artificially boost the net cash flow.

Strengthening US dollars creates an upward pressure on the Singapore Inter-Bank Offered Rate (SIBOR) and Swap Offer Rate (SOR), to counter the weakening SG dollars. As a result, mortgage loans become more expensive, thus reducing the REITs cash flow.

One way is through the inclusion of payment of management fees in units instead of cash to increase cash flow while simultaneously increasing the amount of units of the trust. This dilutes the future earnings or cash flow per share. To determine the quality of a manager, investors can review the dividend per unit (DPU) change year on year against the initial public offering (IPO) and rights issue.

RED FLAGS

Knowing a little more on the fundamentals of REITs, here's a word of caution: numerous risks - the three below in particular - should be taken into consideration.



Prior to purchasing REITs, one can analyse ratios similar to stock picking: Return On Equity (ROE), Price to Book Ratio (P/B), Price to Earnings Ratio (P/E). However, there are additional ratios to take note of while valuing REITs: Distribution Per Unit (DPU), Occupancy Ratio, Gearing Ratio, Funds For Operation (FFO), Expiry and Interest Coverage.

VOLATILITY RISK

As with any investment, risks are always involved. Despite the general sentiment that REITs are stable in both price and dividend distributions, investors should take note of the possible risks involved in the REITs market. In June 2013, when the Federal Reserve indicated that quantitative easing would be scaled back, government bond yields jumped by over a percent as bond holders unloaded assets - investment-grade bonds, high-yield bonds, emerging market bonds, and high-dividend equities. The REITs market was not spared from this as well. AIMSAMP Cap REIT suffered a close to 30% drop in its stock price as a result of the volatile situation.

Statement of Total Return	**S$'000**
Manager's base fee	(1,549)
Manager's performance fee	(312)
Distribution Statement	**1/1/17 to 31/3/17**
Manager's fees paid/payable in units	1,396

Total manager fees → $1.8 mil
Manager's fees in units → $1.4 (**9%** of the income available for distribution)

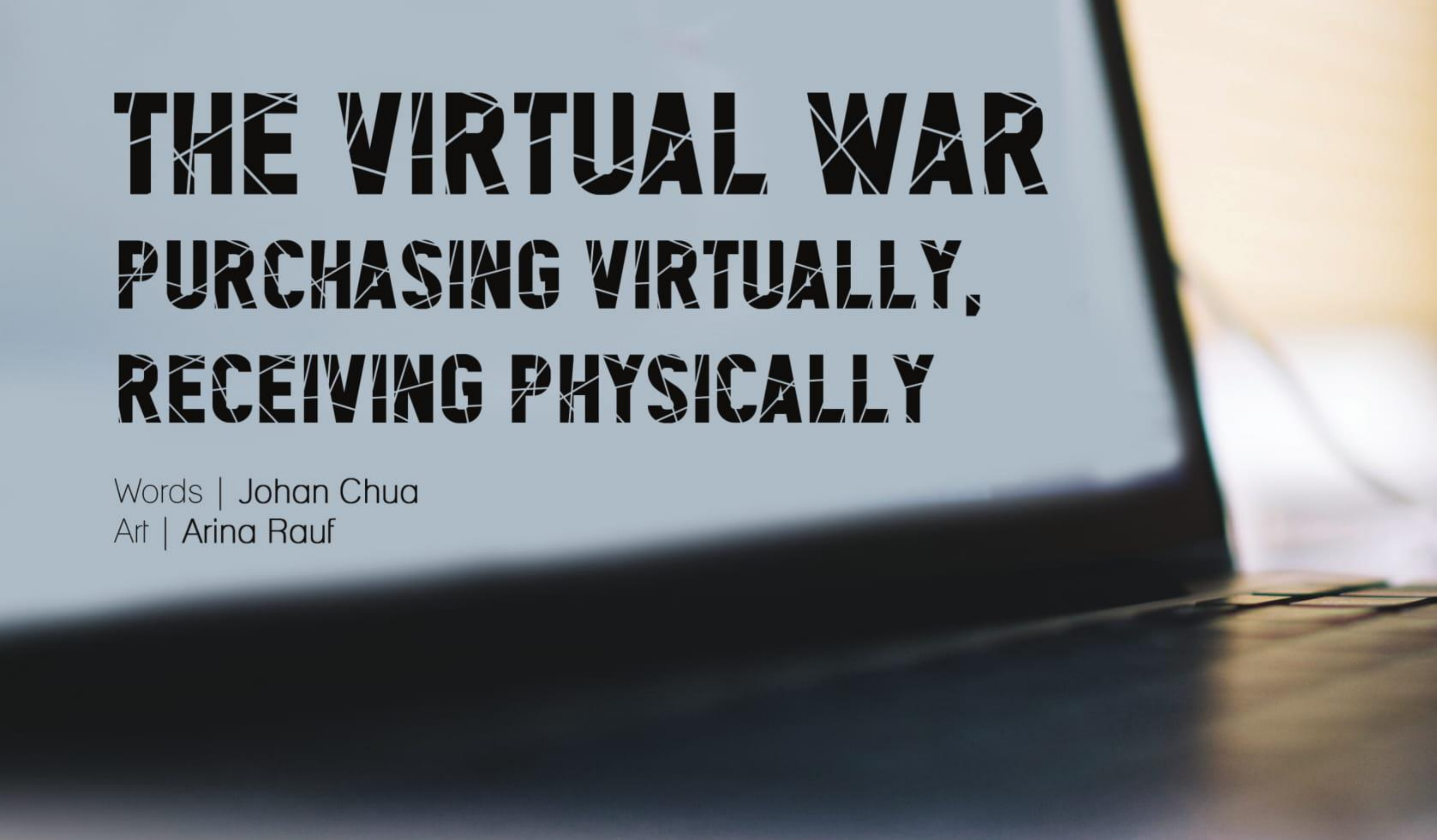
DEBT RISK

Singapore has undertaken measures to protect the interests of REIT-holders in Singapore through the implementation of a maximum aggregate leverage of 45%. Despite this, investors should take extra caution of the effects on the balance sheet. When a REIT uses debt to finance acquisitions, it runs the risk of liquidating its assets and properties to pay off the loan. Hence, it is pivotal that investors review the debt maturity profile in their quarterly results thoroughly.

CONCENTRATION RISK

Additionally, investors should take note of the valuation of REITs. For example, when a REIT derives most of its value from a few assets or properties, an investor runs the risk of capital loss should anything happen to the property resulting in a major crash of the REIT valuation. Furthermore, should a REIT derive rental income from only one major tenant, investors should take note if there are tenancy changes which may affect the rental income. Should a tenant decide to switch out from one property to another, the DPU may also be negatively affected, resulting in losses for investors. Hence, it is imperative that investors are prudent in checking these details in any REIT valuation.

To conclude, REITs are a double-edged sword. When the right metrics and valuations are properly incorporated, REITs enable one to achieve high dividends and capital gains. However, it is crucial that investors factor in the various risks before deciding the type of REITs to invest in.



THE VIRTUAL WAR

PURCHASING VIRTUALLY, RECEIVING PHYSICALLY

Words | Johan Chua
Art | Arina Rauf

If someone said a decade ago that it was possible to shop for your groceries online and have them delivered in under 45 minutes, they would have been ridiculed. However, this is the world we live in today, and it is all made possible with the invention of electronic commerce (e-commerce).

E-commerce refers to the act of buying or selling product or services through the Internet. This includes mobile commerce as well as voice commerce, where transactions are made through the Internet with the use of devices such as smartphones and smart speakers. In this article, we will be focusing on the impacts of e-commerce and how it affects jobs, businesses, and industries.

E-commerce traditionally builds on the direct sales model, linking producers directly to consumers, removing the need for middlemen. This affords sellers the ability to offer lower prices to consumers, and at the same time, provide a more transparent pricing model as prices are reflected online.

THE WORLD DREAM

"E-commerce is the future" - Jack Ma

In 2017 alone, US$2.3 trillion was transacted through e-commerce, amounting to sales larger than Brazil's Gross Domestic Product (GDP), the eighth highest globally. By 2021, this amount is projected to double, amounting to sales higher than Japan's GDP, the third highest globally.

Over the years, e-commerce has been integrated with the developments in information technology (IT). Blockchain is now used to automate the management of inventory control, while data analytics and artificial intelligence are used to understand customers' tastes and preferences to provide appropriate recommendations.

WITHIN DIFFICULTY LIES OPPORTUNITY

Contrary to popular belief, the advent of e-commerce has benefited small and medium-sized enterprises (SMEs) more than large multinational corporations (MNCs). This may sound improbable at first, but without leveraging on e-commerce, businesses like FoodPanda, Carousell, and Grab stand little chance of competing with existing larger firms.

For example, Grab, a ride-hailing transportation services company utilises e-commerce to provide convenient, affordable, and transparent ride pricing. This has allowed them to compete with traditional transport companies like ComfortDelGro. Within 5 years since its inception, Grab managed to expand across multiple countries, and reportedly holds 95% market share of taxi-hailing services in Southeast Asia.

Without the development of e-commerce, ride-hailing transportation services might not even exist today. E-commerce has lowered barriers to entry, enabling small businesses and new start-ups to source for goods and connect to their customers globally. With the power of e-commerce, small companies are given the opportunity to compete, buy, sell, and deliver globally, equipping businesses with the capability to target a highly-niche
businesses with the capability to target a highly-niche
market.

AN ERA OF CHANGE

Although e-commerce brings about plenty of benefits, the costs associated with it are equally impactful and worrying. The most obvious concern is an increase in competition - creating major problems such as unemployment, as large retail chains close down. The rise of e-commerce has drastically changed customers' purchasing habits, giving rise to the "retail apocalypse" that we witness today. This is more pronounced in the United States where many large retail chains have been unable to escape the retail apocalypse. To illustrate, Sears closed down around 1,000 stores in a short span of 5 years while Toys 'R' Us shut down 735 outlets. This ended with Sears filing for bankruptcy and Toys 'R' Us closing all its British and American stores.

However, is it fair to solely put the blame on e-commerce for the demise of retail businesses? Walmart, one of the world's most renowned brick and mortar retailers, faced similar challenges in declining sales and popularity. However, what set them apart was the way they responded to this change. Instead of rejecting e-commerce and thinking that they were infallible, they embraced and incorporated the use of e-commerce into their business model to provide better services to their customers. By riding on the wave of e-commerce, they had instead experienced a growth in sales, propelling them forward to compete head-to-head with e-commerce giants.

On an interesting - albeit surprising - note, e-commerce giants such as Alibaba and Amazon, which are partly responsible for the fall of the brick and mortar (B&M)

industry, are attempting to expand into the very same industry they are currently toppling. This expansionary move by e-commerce businesses signifies the potential and importance of traditional retail stores. With this expansion, companies in the e-commerce industry are better able to facilitate their businesses online - effectively addressing previous limitations such as the lack of human interaction and physical touch.

Having physical stores hence complements their online presence by reducing delivery time and facilitating ease of purchase returns due to reduced costs. Additionally, this development could help e-commerce businesses expand their market share, which is at present, slightly above 10% of total retail sales. Furthermore, consumers prefer to purchase some products in person instead, especially luxury goods like designer handbags and high-end watches.

PROBLEM CHILD OR JUST MISUNDERSTOOD?

As the retail industry is transitioning from a pure B&M into a hybrid retail industry, it raises the issue of job stability in traditional retail business. It is estimated that over hundreds of thousands of jobs have been rendered obsolete by e-commerce. Numerous retail businesses ranging from department stores to mom-and-pop stores have been forced to downsize or close down. As a result, a large number of people have lost their jobs. However, does this hold true from a global perspective?

Due to the steady number of headlines highlighting the fall of retail stores, this has created the illusion that e-commerce is the culprit of the large amount of job loss. However, a study has reflected that the number of jobs being created in the e-commerce sector surpasses those jobs that were lost, with Alibaba creating more than 26.8 million jobs in 2017 alone. Jobs created by e-commerce tend to spring up from commerce support industries such as warehousing, delivering, online sales support, as well as websites and application-related advertising, design, and customer support.

Not only this, but employees in the e-commerce sector also earn a higher annual average pay than the retail sector. The average annual pay for a retail store manager is S$40,807, whereas a mid-career e-commerce manager currently commands an average annual salary of S$82,800. With the rapid development in the e-commerce industry, there is bound to be volatility in employability. What can you do to lower the risk of retrenchment?

EQUIPPING YOURSELF

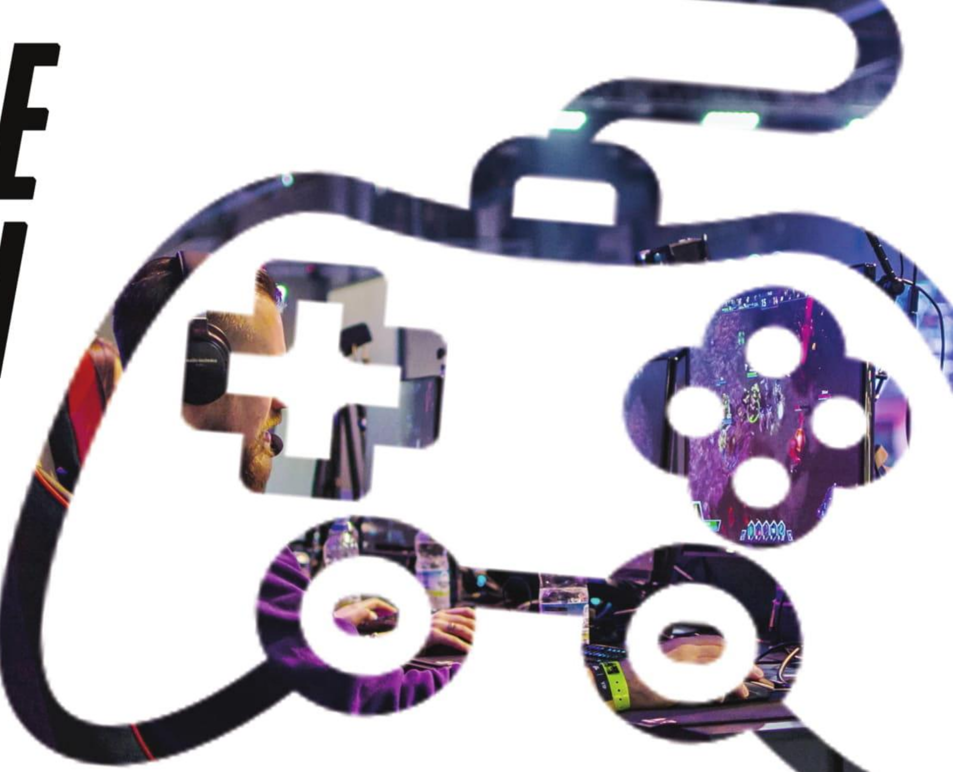
With technological advancement in the commerce industry, it raises the need for proficiency of skills required for employment. As such, our government has put in place multiple initiatives such as SkillsFuture and ePrep to allow members of the public to upgrade themselves.

As technology expands into places such as blockchain, big data analytics, artificial intelligence, and machine learning, it drives home the need for better IT skills as the e-commerce industry incorporates such innovations into their business processes. Employers seek out employees who are highly skilled in various aspects, such as finance knowledge, IT familiarity, digital media, programming, and data analytics.

CONCLUSION

E-commerce has made a significant impact on the industry, and on our lifestyles. E-commerce is an advocate for change, affecting the prerequisites for jobs, and changes in skill set requirements by employers, according to the nature of technological innovation. Lifestyles are changed as spending habits and decisions are highly dependent on price, convenience, and services provided. E-commerce has affected us profoundly and has deeply ingrained itself into our lives, serving as a constant reminder to keep up with the change. If not now, then when?

MORE THAN JUST A GAME



Words | Art Chee Guan Jia

In the world of investing, spotting a fundamental change in any industry and getting in on the ground floor is the perfect way for one to make money. However, with so many industries emerging at the moment, it has become extremely difficult for investors to predict the next big thing. Instead of peering too far, perhaps we should be looking at the things that are evolving in the world of millennials like you and I.

LEVELLING UP

One of the biggest changes happening around us is the soaring popularity of video games. Video gaming is now the world's most popular form of entertainment - not just for the young, but for people of all ages; generating more revenue last year than television, movies and music did. There are over 2 billion active gamers worldwide, which is equivalent to about 30% of the world's population. While China and North America make up most of the market, developing countries are also steadily becoming primary drivers for the growth of the video gaming industry. Due to greater access to foreign exports and broadband services, emerging markets such as Latin America, Southeast Asia and the Middle East are now gaining more exposure to video games.

According to leading video gaming and electronic sports analytics research company Newzoo, the global games market is expected to grow to US$181.1billion by 2020. Coupled with new trends extending to mobile gaming, esports and video streaming, there seems to be limitless potential for this booming industry.

EVOLUTION OF MOBILE GAMING

The proliferation of smartphones and tablets over the last decade has been a boon to the video gaming business. From being the smallest segment in the market just a few years ago, mobile games have now grown to be the biggest revenue driver for the industry - accounting for more than 50% of market share. Just about anyone who owns a smartphone or tablet has played a game one time or another, simply because there is little reason to be put off by it. Mobile gaming is accessible, low cost, and innovative. It is something that people can easily pick up, learn quickly and play on the go, making it appealing to many potential gamers. While the sight of senior citizens playing video games on public transportation might have turned heads a few years ago, it is now almost routine to see at least a couple of them being absorbed in their mobile games during our daily commute.

Did you know that the average person will spend more than 1 year of their life playing mobile games?

Successes in mobile gaming have since invited the attention of game developers, content creators, influencers, as well as an influx of advertisements from brands seeking to reach the global gaming audience. At present, mobile gaming applications are responsible for over 80% of app revenue from Apple iOS and Google Play stores. Needless to say, gaming companies all around the world are now competing with one another for a slice of the pie in this thriving market. Besides releasing popular mobile gaming titles such as Pokémon Go and Fallout Shelter, prominent developers like Take-Two Interactive and Capcom have also begun to port over successful gaming franchises from their PC and console counterparts to the mobile games market.

With more technological advancements to come, a whole new era for mobile gaming is on the rise. We have reached a point whereby flagship smartphones are now capable of emulating full gaming experiences in pocket form. Boasting quicker processing speeds and state of the art graphics, the "gamer phone" is no longer a gimmick but a reality. To cater to the demands of mobile gamers, renowned brands in the gaming universe such as Razer and Asus have since introduced smartphones that are specifically designed for gaming. Likewise, traditional hardware and electronic companies have also started to leverage on the massive influence of mobile games. Take Samsung for instance, which strategically partnered with Epic Games to boost the image of its latest Galaxy Note 9 smartphone - where Fortnite was released exclusively on for the first few days after the phone's launch.

FASTEST GROWING SPORT IN THE WORLD

Electronic sports, also known as esports, are competitive video game matches between individuals or teams. Similar to traditional sports, fans follow teams, watch matches and even attend cup finals to cheer on their favourite stars from all around the world. At the moment, there are approximately 380 million people tuned in on esports and the number of viewers is projected to increase to 600 million by the end of 2020. In the past, playing video games for a living would have sounded too good to be true. But now, premier esports tournaments are being held all over the globe in big arenas with large crowds, rewarding expert video game players with both money and glory.

According to Forbes, the world's most valuable esports company, Cloud 9, is currently worth a whopping US$310 million! (2018 estimate)

While not widely considered to be a real sport, competitive video gaming has nonetheless managed many groundbreaking achievements. Having been featured as a demonstration sport at the 2018 Asian Games, electronic sports is now set to make its debut as an official medal event for the upcoming 2019 South East Asian (SEA) Games. With the International Olympic Committee (IOC) also exploring the idea of introducing esports for the 2024 Olympics Games, professional gamers are working harder than ever to achieve their goals, for the stakes are high and will only keep getting higher.

Top Esports Prize Pools 2018

Total Tournaments: 3,023
Average Tournament Prize Pool: $45,426
** As of 1st December 2018*

The meteoric rise witnessed in electronic sports is also beginning to attract investments closer to home. Telecommunications giant Singtel recently signed a memorandum of understanding (MOU) with its wholly owned subsidiary, Optus, and its regional associates to grow the gaming and esports ecosystem in Southeast Asia, Australia and India. The MOU was signed during the 2018 PVP Esports Championship, which was Singtel's inaugural multi-title esports league in Singapore.

"The esports scene is one of the hottest trends in video and is rapidly attaracting the core 18-34 male demographic in greater numbers than any other medium or category."

– Jim Lanzone, President of CBS Interactive

ENTERTAINMENT REDEFINED

Live video game streaming is yet another new phenomenon that has exploded in recent years. Drawing millions of unique viewers daily, people from all over the world are now tuning in to live gaming broadcasts for a variety of reasons - be it for their desire to pick up new gaming strategies, the interactive value it offers, or simply for entertainment purposes. Video game streaming provides a platform for audiences to connect with their favourite personalities as well as with the esports community. In fact, both esports and streaming services can be said to be heavily dependent on one another - without either one, neither market would have been able to flourish as quickly as they did.

The next generation of pop stars are no longer found in television or music but instead in the world of online video. Streaming Fortnite out of his bedroom, 27-year -old Tyler "Ninja" Blevins' unprecedented rise to stardom has made him one of the biggest names on the Internet. With over 12 million followers on the world's leading video streaming platform, Twitch, and 20 million subscribers on YouTube, Blevins is reportedly pulling in half a million US dollars each month from just streaming alone.

Through affiliate and partnership programmes, both Twitch and its 2 million unique monthly broadcasters are able to monetise viewership by the means of advertisements, paid channel subscriptions, merchandise and donations – making it a win-win situation for the two parties. This has enabled the top 10 streamers on Twitch to earn over US$20 million a year, which is about 300 times more than what an average Singaporean makes annually.

Although video game streams are completely free now, it would not come as a surprise if streaming companies start charging viewers a fixed fee in the future - similar to how subscription-based video services like Netflix and Hulu are currently being run.

A study conducted by SuperData found that the game streaming audience numbered at 665 million viewers in 2017, dwarfing the viewership of traditional media platforms such as Netflix, HBO and ESPN combined.

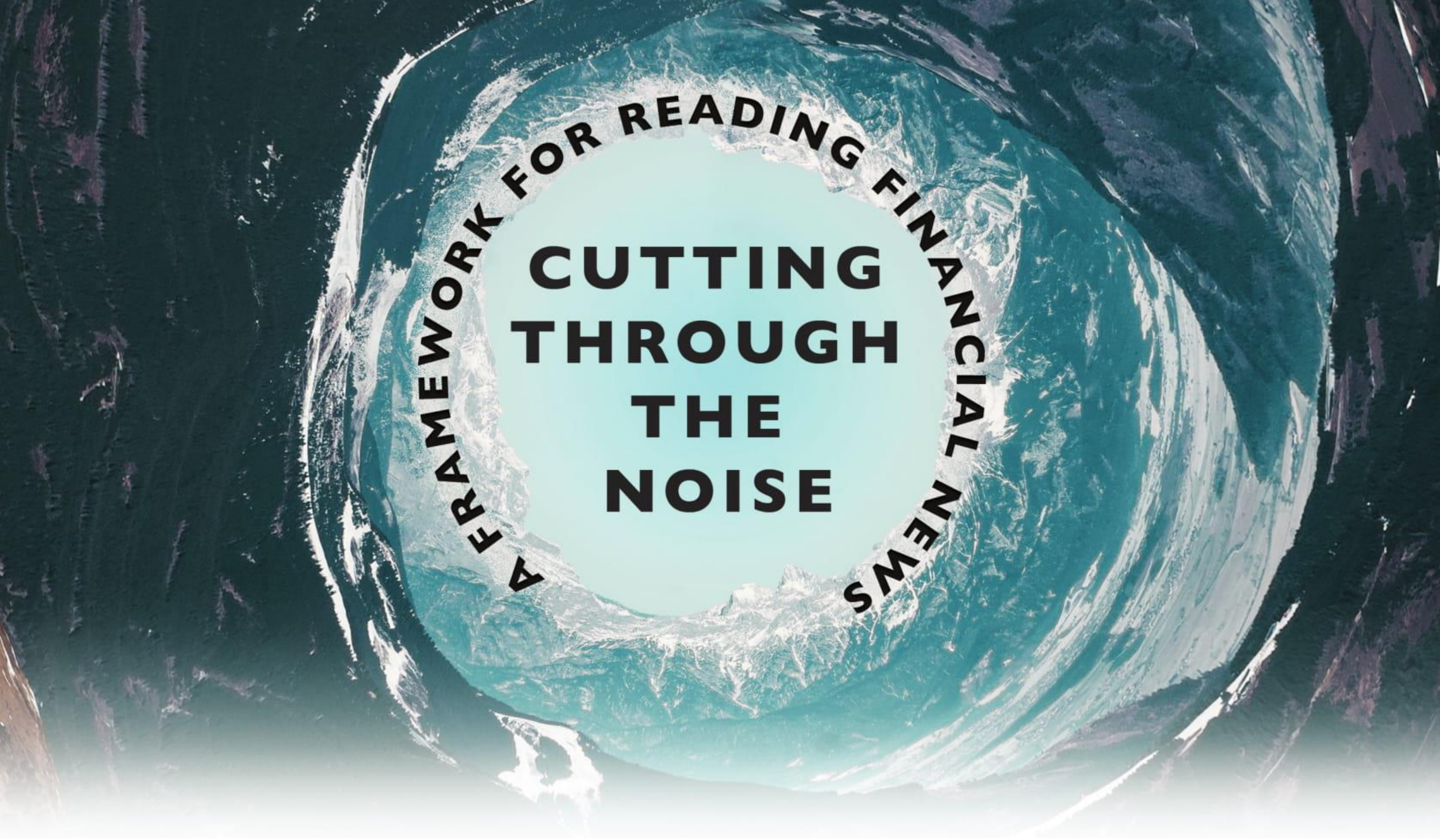
GREATEST OBSTACLE

In the wake of tragic events such as the 2018 Madden esports tournament shooting in Florida, video gaming has once again been labelled as the culprit for motivating violent crimes and behaviours. Critics have argued that violent video games desensitise players to violence, increase aggressive thoughts and actions, and reduce empathy. As a result, countries all over the globe have been heavily pressured to address the negative impacts arising from gaming. Citing overly violent content, regulators in Beijing have recently stopped Tencent Holdings Ltd from selling a blockbuster video game, "Monster Hunter: World", on its distribution platform. The association between video games and violence is hence posing a clear and grave threat to the growth of the industry.

However, blaming violence on video games over-simplifies a deeply complex issue. There has been no concrete evidence linking video gaming to violent tendencies and many studies fail to consider other factors that may also contribute to violent behaviour - such as family history and mental health. Whatever the truth may be, companies in the business have since taken precautionary measures to mitigate potential risks by diversifying their revenue streams. A single video game title is now capable of generating cash flows over several years through in-game add-ons, merchandise, licensing and advertising. Thus, even if authorities were to start cracking down on video game launches, game developers and publishers need not be too worried as they can rely on additional revenue earned from existing titles.

ENDGAME

The video gaming trend will only continue to accelerate as its ecosystem grows and evolves year after year. More than just a recreational activity, video games have also opened the doors to many potential investment activities today - forging unlikely partnerships and creating new industries. A diverse range of video gaming companies worldwide have since gone public, with copious others planning to do the same. Likewise, numerous video gaming exchange traded funds (ETFs) are also emerging on the market, allowing public investors like you and I to take up a stake in this burgeoning business. With little to no barriers to entry, only one question remains: are you game?



CUTTING THROUGH THE NOISE

A FRAMEWORK FOR READING FINANCIAL NEWS

Words | Stuart Tan
Art | Grace Lim

"Globalisation has created this interlocking fragility. At no time in the history of the universe has the cancellation of a Christmas order in New York meant layoffs in China."
– Nassim Taleb, author of Black Swan

The above quote from Taleb, one of the world's top intellectuals, simply means that globalisation has made us all more interconnected than ever. Events that are thousands of miles away with seemingly no relation to our daily lives can actually have a profound impact on us. Reading the news used to be simple - all that changed with the advent of the Internet. Blog posts, news reports, market opinions; we can now access these with the click of a button, anytime, anywhere.

Cultivating the habit of reading financial news is an important part of learning, and gives you a bigger picture of the financial markets. However, simply reading whatever is fit to print is hardly a good idea. The media overloads us with a myriad of information - churning out a whole slew of news reports every single day. 21st-century infotainment pundits now shout at us via every medium. In addition, the news usually reports a tremendous amount of something when nothing really needs to be said.

This article is focused on helping the astute reader detect what is irrelevant and move on. Keep in mind that this is merely a tool to help you approach the daunting task of reading financial news. Time and effort have to be spent actually understanding the context and underlying meaning of these financial articles.

TREAT OLD NEWS AS A GUIDE ON HOW TO READ CURRENT NEWS

"History doesn't repeat itself, but it rhymes."
- Mark Twain

Financial news is filled with analyst predictions and forecasts, but the fact is that months down the road, no one even remembers them. These analysts can say whatever they want, taking credit when their predictions come true but face no repercussions when their predictions prove to be wrong.

A simple example would be a headline, "Morgan Stanley expects stocks to rally for the next quarter". These large financial firms have so many analysts and strategists that it would not be a shock for them to put out a report three weeks later that completely contradicts their stance.

Here is another example, from an article that was first published in August 2011, "Dow falls 512 in the biggest decline since '08 crisis". At first glance, this looks like big news. But 11 months down the road, no one cared, nor was this information of any importance.

When you read enough of old news, two realisations dawn on you: Most forecasts do not actualise in reality, and what seemed so important when you first laid eyes on it turns out to be ultimately irrelevant. A simple solution might be to ask yourself, whether the information would be relevant to you in the future, or is it just junk that should be erased from your mind.

READ NEWS WITH ALTERNATIVE VIEWS FROM YOURS

Everyone has an opinion. In fact, numerous people have opinions about many things. Bullish on Tesla? Millions of people will agree. Think 9/11 was an inside job? Thousands more think the same. Opinions are like elbows, all of us have one, most of us even have two. But when you start to form a strong opinion about a subject matter, you run the risk of falling into the trap of confirmation bias.

Confirmation bias is a type of cognitive bias, and the term means that we have a tendency to search for, interpret, favour or recall information that confirms our existing views or beliefs. We should be reading to find the consensus, and not to drive our own opinions. This is because as you dig deeper and deeper, and find more and more people who agree with you, you start to think that the only possible reason this is happening is that you must be right. This is not true - you can find someone who will agree with you on almost anything.

Berkshire Hathaway's Vice Chairman, Charlie Munger, constantly tries to disprove his own theories so as to not get ahead of himself. He says, "Fools try to prove that they are right. Wise men try to find when they are wrong". Looking for contradicting stances is not something that comes naturally to us as it is hard for humans to admit we are wrong. We need to force ourselves into this mindset.

Now that you know these things, how would you sidestep this common fallacy? Simple. If you are convinced of a theory, take the time to read financial news written by others with a differing view from yours. At worst, you still disagree, at best, you gain a new perspective on the subject matter.

At the same time, it is important that note that different people play different games. There is a saying that goes, "A long-term investor catches a glimpse of a headline about selling stocks before dividends, and starts shaking his head in disbelief. A trader picks up an article about value investing for the long run and thinks people are ignorant. Contrarian investors think both of them are oblivious. Bond investors think all three are nuts." Do you see how contradictory this is? Who is right here? The answer: all of them.

A perspective that may be highly relevant to one might be extraneous to another if they each have different investing time horizons and goals. If you find yourself having a differing opinion on something, ask yourself if you are just playing a different game than the writer of the financial piece.

SHAKE UP YOUR READING WITH BOTH PROFESSIONAL AND AMATEUR CONTENT

Professional writers of news articles tend to have better factual references, from their years of experience, a wealth of contacts and reach of their organisation. These writers are more likely to report news with accurate data neatly organised in tables or graphs. In contrast to amateur writers, you can quickly observe the difference in their access to information (unless the amateur happens to have a Bloomberg Terminal lying around).

However, these professional writers, such as journalists, may turn non-news into something that sounds important but really is not. Take for example this headline, "Dow up 1.03 on lower interest rates". Financial markets move up and down all the time, no one has a clue why stocks rise or fall in a single day, the simple fact being the market is over 50% on some trading days and under 50% on others.

Journalism has become 'first simplify, then exaggerate'. Be wary of news articles claiming to know the reason for a market move, these journalists often try to fit facts available to them with market behaviour. In this case, a move of 1.03 with the Dow Jones Industrial Average (DJIA) at 11,000 constitutes less than a 0.01% move. This does not warrant an explanation. Journalists are paid to provide explanations for market behavior and will do so happily.

Since this is the case, a way to balance out your reading would be to read amateur writing as well, such as from online blogs, personal websites, or retired news writers. These writers are not paid for their content and tend to only write when there is something significant or meaningful to write about. Reading a good mix of both professional and amateur content will help to broaden your perspective.

UNDERSTAND THAT ACTIONABLE NEWS SHOULD BE RARE

We are constantly bombarded with financial news of all sorts daily. Countless articles are published every day, but few should actually spur us into action. For example, news about a company's quarterly earnings is rarely consequential or substantial enough to make us buy or sell a stock.

In terms of Forex trading, major macroeconomic indicators, such as GDP Growth, ISM PMI Reports, and Central Bank Policy Rate, have the power to change price direction, therefore it is essential to pay attention to them. However, the truth is that most "important" news reported ends up as noise that has little impact on price in the long run. We should take the financial news as something to help us understand and view the story as a whole, and not take action based on bits and pieces of information we come across.

SUMMING IT ALL UP

News contains a vault of knowledge, and is reported for a multitude of reasons to readers of varying interests. To read the news is to know what took place, to understand how the world works is to analyse beyond what is reported. Hopefully, reading beyond what is available can provide us a glimpse into the future.

FROM BLANK TO BANK

CHANGE YOUR THINKING, CHANGE YOUR LIFE

Words | Johan Chua
Art | Arina Rauf

What does it take to build a successful career? It requires more than just academic qualifications. Johan Chua sits in with former HSBC Bank Chief Operating Officer, Dr Jeremy Gwee, as he shares how he capitalised on every opportunity that came his way and created his own success.

JC: YOUR FORMAL QUALIFICATIONS LIE IN ECONOMICS AND POLITICS. DOES IT MEAN THAT ONE'S EDUCATION NEED NOT BE IN THE SAME FIELD AS WHAT HE INTENDS TO PURSUE IN THE FUTURE?

JG: It does not. Also, your first job is not the only job in your life, it is just a starting point. You need to look beyond your first job. But my advice to is you this: In life, you have to start somewhere. Don't kid yourself that investment banking is what you want to do because you know next to nothing about investment banking. If you want to be a banker, then be a banker and learn everything there is about banking. As a newcomer, set your expectations right.

I have many people from the University of London (UOL) working with me at HSBC in operations where they became superstars. They did not kid themselves about being analysts in investment banking. Rather, they took on jobs that nobody else wanted and through their hard work, they proved their capabilities. Ultimately, the credentials earned from hard work and experience brought them to greater heights. This is character building. I bet you they can survive life and end up well.

JC: YOU HAVE ACHIEVED A LOT IN YOUR CAREER. IS THERE ANYONE WHO INSPIRED YOU IN LIFE?

JG: In all honesty, nobody. No one has inspired me for what I have achieved so far. When we talk about inspiring, we always talk about somebody that has done something that catches your eye. In my case, inspiration is all the mistakes and undesired behaviours that people had. I often tell myself that I will not be like them, and to me, that is my inspiration. Some people and bosses are not good to work with, and I tell myself if I were to be in that position, I would be better than them.

JC: IF YOU CAN GO BACK IN TIME, WHAT IS ONE MISTAKE YOU WOULD LIKE TO CHANGE?

JG: I am a man who lives without regrets. I have made mistakes before, but I choose to live with it. I am where I am because of my decisions.

JC: SO HOW DID YOU ACHIEVE ALL THAT YOU HAVE OVER THE YEARS?

JG: Effort. You need to work very hard. You need to be flexible in the way you think, you need to take risks! General knowledge is also important, and you must have a point of view on issues and be competent in holding a conversation with anyone. You must not be afraid to speak up.

JC: YOU MENTIONED THAT BEING VOCAL IS IMPORTANT, BUT HOW DO PEOPLE GET STARTED DOING SO?

JG: Self-talk. It is a technique where you go through your conversations repeatedly, record your errors, determine what you are not comfortable with, and adjust them. Back when I first moved from a local bank to a foreign bank, I was wondering how I was going to survive out there. I came from the University of Singapore, while others came from Ivy Leagues such as Oxford, Cambridge, Harvard. I felt bullied and threatened. I did not have all kinds of training available today, so I started by listening to how they talk and what they talk about, and I modelled them. I prepared for meetings and read the minutes prior to them and participated intelligently.

JC: DOES IT SCARE YOU WHEN YOU GET THE OPPORTUNITY TO WORK IN A NEW FIELD OR POSITION?

JG: No, what is the worst that could happen - other than failing? Go ahead and try! The fact that they hired me shows that they have confidence in me. Therefore, I need to figure out how to do what I am supposed to do. After I figure out how to do so, I know that I am not going to do it alone - there will be people to help me. To be successful is not to be a lone ranger - it is your ability to bring everyone around you and charge. I came across a recent quote by Richard Branson that is aligned to my belief: "If somebody offers you an amazing opportunity but you are not sure you can do it, say yes – then learn how to do it later!"

JC: WHEN YOU GO OVERSEAS, HOW DO YOU GET FOREIGNERS TO SEE YOU AS SOMEONE THAT CAN LEAD THEM?

JG: You cannot be kiasu (translation note: scared to lose out). You must be someone that they rely on so that they know they can do things because of you. If you have a problem, you must be able to escalate it. Personally, when there is a problem, everyone knows that they can look for me. I spend every night with different teams. When you socialise and have fun with your team, it builds the basis for friendship and trust.

JC: WHAT ABOUT PROSPECTIVE EMPLOYERS, THEN? WHAT ARE SOME OF THE MOST ATTRACTIVE SKILLS THAT EMPLOYERS LOOK OUT FOR AND HOW DO YOU SHOWCASE THOSE ATTRIBUTES?

JG: Most employers do not have an idea of what they are looking for - it all boils down to whether you have chemistry during the interview. You could go for an aptitude test to assess your attributes such as quantitative skills, and so on. However, you will still be unable to determine if your job will fit your strengths.

JC: GIVEN YOUR GLOBAL EXPOSURE, EXPERIENCE AND KNOWLEDGE, WHAT ARE YOUR THOUGHTS ON FINTECH?

JG: Fintech will take over probably 80-90% of banking, specifically retail banking and some parts of Small to Medium Enterprise (SME) banking. In the area of transactional banking, Fintech could take over as they are able to conduct the business-to-business (B2B) transfer which means that there will no longer be Letter of Credit (LC) businesses. For example, shipment of machineries requires a million dollars, which requires a letter of credit from the buyer to the seller to guarantee the payment. However, that is not required now. For example, with Alibaba, there is no need for the bank.

JC: SO WHAT WILL NOT BE AT RISK?

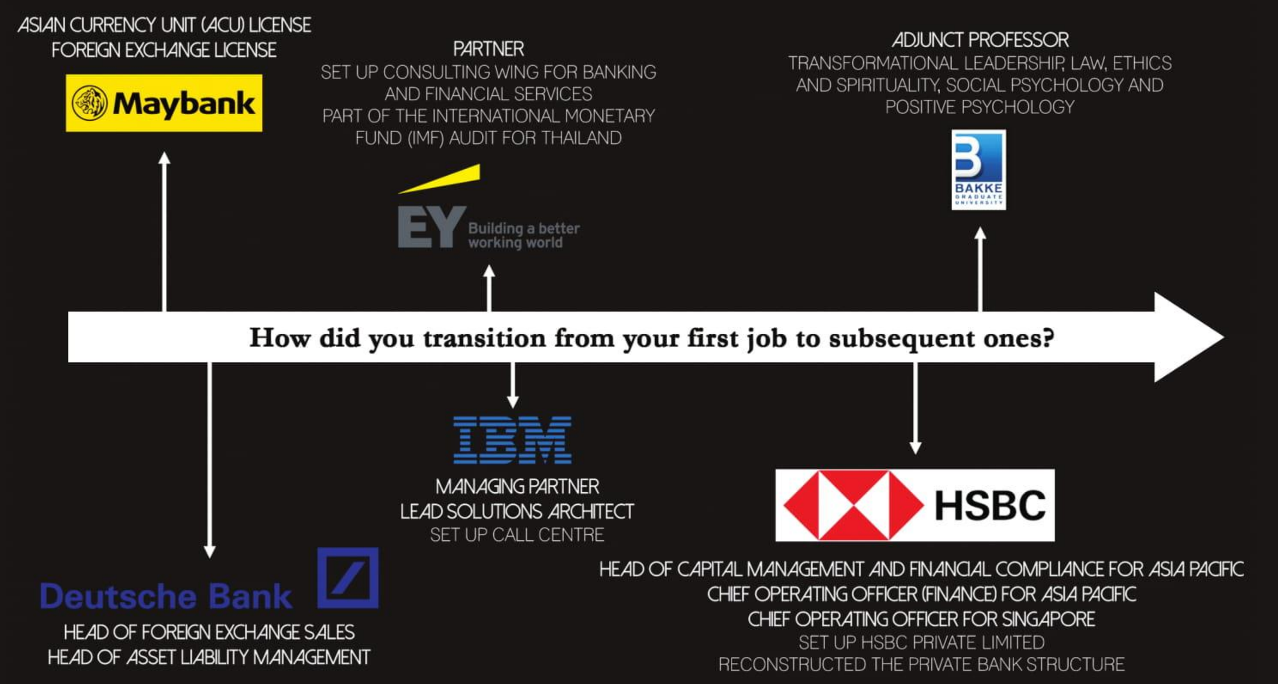
JG: Regulations for Fintech are still not comprehensive enough for people to put their faith in. Therefore, when there is a financial crisis, people will still turn to banks. The emergence of virtual currencies such as Bitcoin has caught people's attention and some even suggested that it might be the new medium of exchange. However, we need to understand that it is something that defies economic thinking and not backed by any reserves. Therefore, it is unlikely to replace the standard legal tender. Perhaps we need another crisis to wake everyone from their dreams!

JC: HOW CAN WE OVERCOME THE PROBLEM OF FINTECH REPLACING OUR JOBS?

JG: Fintech does not necessarily result in job losses, it creates more job opportunities. Instead of joining a bank, why not join a Fintech company and be part of the revolution? There is a possibility that there might be some disruptions for job positions in Fintech companies when regulations are in place. But looking from another angle, by working in a Fintech company, it opens so many more job opportunities because you have the experience of working in such a company. Jobs will be lost, and new jobs will be created. This has happened throughout history. People are worried because they got mortgages to pay and lifestyles to keep but too lazy to upskill and keep up with the trend. So if you are complacent, happy to work nine to five, pick up your kids from child care and go home for dinner then you have set yourself up as a target. Read! "Who Moved My Cheese?"

JC: A LOT OF STUDENTS ARE NOT SURE WHAT THEIR PASSIONS ARE, WHAT ADVICE WOULD YOU OFFER THEM?

JG: There is no harm in not knowing what you want. Like what Steve Jobs mentioned, "Stay Hungry, Stay Foolish". Try anything and everything enthusiastically. In



all of us, there should be only one passion and that is to make sure we put food on the table for our families. No point pursuing your passion when you cannot feed your family.

When there is an opportunity to do something, take it up and try it. By doing so, it adds to your curriculum vitae (CV). I once met a Singapore Institute of Management (SIM) student many years ago in Hong Kong by chance, and similarly he asked me what his first job should be. My advice back then was to take anything that anybody offered. Similarly, when I first joined Maybank, I never intended to do so.

So, the student went ahead with my advice, taking up the first job that he was offered, a call centre job. Despite a low salary and hectic working hours, he discovered that he enjoyed the job due to the people working there and became supervisor within a year. You will not know if you like the job until you take it because all you have is the impression of whether you will like it. Today, I understand that he runs a global virtual call centre. He would not be able to achieve his success today, if he was doubtful and concerned over what his friends would think of him as a call centre agent. Had he pursued being an investment banker he would probably not be as happy as he is today.

JC: WHAT IF OUR JOB DIFFERS FROM OUR AREA OF SPECIALISATION, WILL YOU RISK BEING STUCK IN THE SAME JOB?

JG: I believe that except for doctors all others are generalists. Most of the syllabus in the universities cannot keep up with the market. The reality is that your degree is just a piece of paper and an entry point for jobs that require a university degree. Once you are in the job, you must make sure that you learn as much from it. Nowadays, there is no need to be loyal to any employer because they are not loyal to you either. Everything is transactional. Be the best you can be and if the company does not recognise you, move on! The risk of being stuck is your problem. Your destiny is in your hands! I once had a student who worked as a car salesman and wanted a job change but was not sure what he had learnt from his job. I told him that as a car salesman, he learned selling skills. And when you can sell cars, you can sell anything! Even sand to the Arabs! Such skills are fungible!

JC: WHAT SKILLS OR CERTIFICATIONS WOULD YOUR ADVICE STUDENTS GRADUATING SOON TO PICK UP?

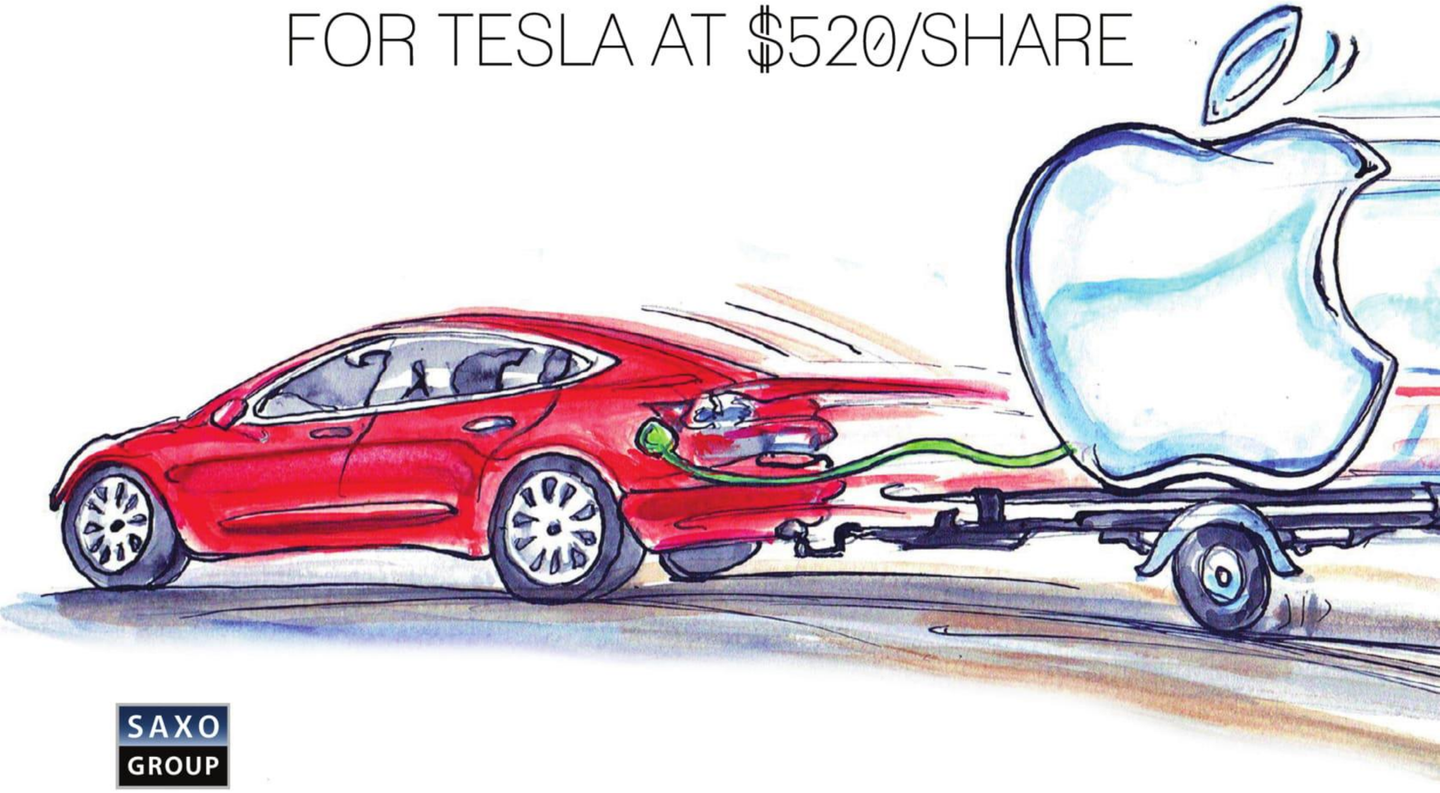
JG: My advice is to pick up accounting skills if you have not covered it in your degree, be observant as to what you can learn from the job and do not have expectations. When you take up a job, the job becomes difficult if you are unable to make friends. When you have friends, the job is secondary. It is not about the job, it is the friends at work that makes you want to come to work. Similarly, it is the people that make you leave, not the job. I always have this philosophy that even when you leave the company, you bring your friends along. Many years ago I met Shiv Khera, now a renowned coach, who shared with me this quote that guided me all my career: Winners don't do different things. They do things differently.

OUTRAGEOUS PREDICTIONS

2019 / By #**SAXO**STRATS

Saxo's outrageous predictions take a light-hearted look at unlikely events that would have a tremendous market impact, if they come into fruition.

OUTRAGEOUS PREDICTIONS 2019: APPLE "SECURES FUNDING" FOR TESLA AT $520/SHARE



SAXO GROUP

Peter Garnry / Head of Equity Strategy

What will Apple do next with its $237 billion cash-and-equivalents hoard and its important iPhone product line that is incapable of further volume growth? It's either the boring financial engineering of dividends or share buybacks or it's a bold move beyond the confines of smartphones, laptops, and their associated services and accessories.

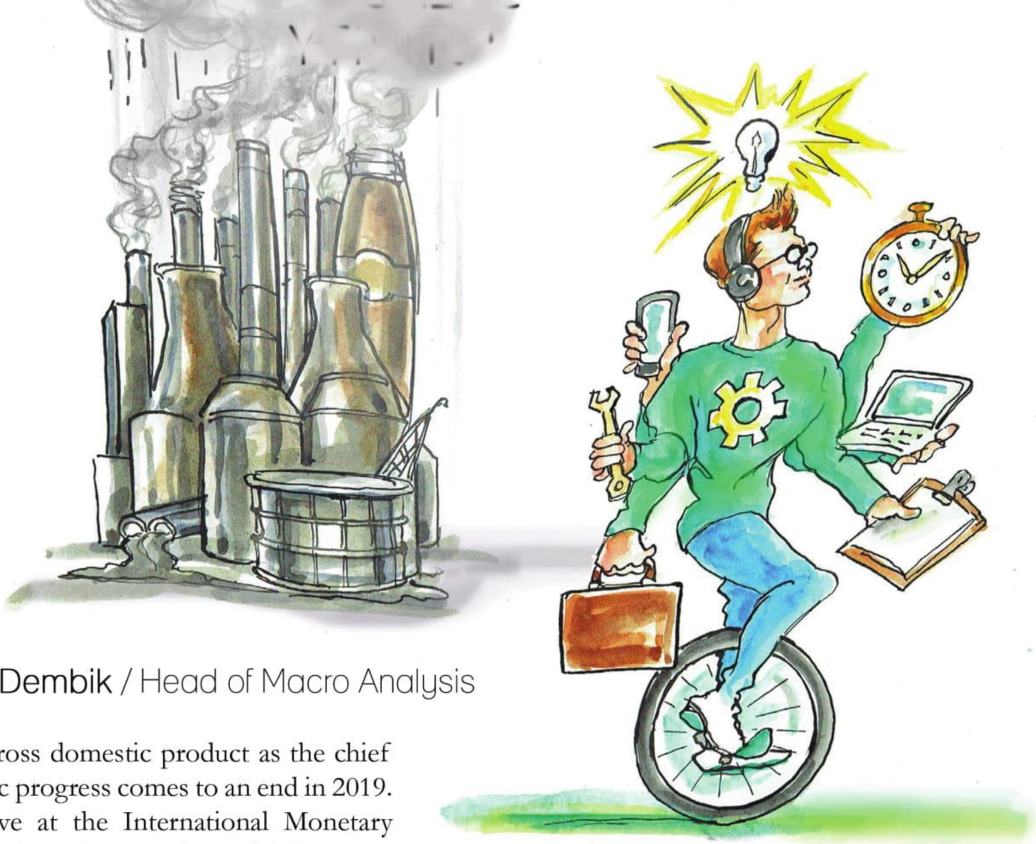
Apple realises that if it wants to deepen its reach into the lives of its user base, the next frontier is the automobile as cars become more digitally connected. After all, the late Steve Jobs showed that a company needs to bet big and bet wild to avoid complacency and irrelevance.

Acknowledging that Tesla needs more financial power and Apple needs to expand its ecosystem to the car in a more profound way than that represented by the current Apple CarPlay software, Apple goes after Tesla. It secures funding for the deal at a 40% premium of $520 per share – acquiring the company at $100/share more than Elon Musk's errant "funding secured" tweet.

The acquisition makes perfect sense. It's small enough to be an all-cash deal and it only represents 12 months of Apple's free cash flow. The two companies are both focused on engineering and design in hardware coupled with vertically integrated distribution models in high-fashion areas. Apple has the financial strength to fulfill Elon Musk's wildest dreams, ensuring that Tesla does not have to balance capital expenditures to cash flow generation in the short term.

The acquisition allows Tesla to build several new Gigafactories and production facilities in Europe and China to stay ahead of the competition and dominate the future of the car industry.

OUTRAGEOUS PREDICTIONS 2019: IMF AND WORLD BANK ANNOUNCE INTENT TO STOP MEASURING GDP, FOCUS INSTEAD ON PRODUCTIVITY



Christopher Dembik / Head of Macro Analysis

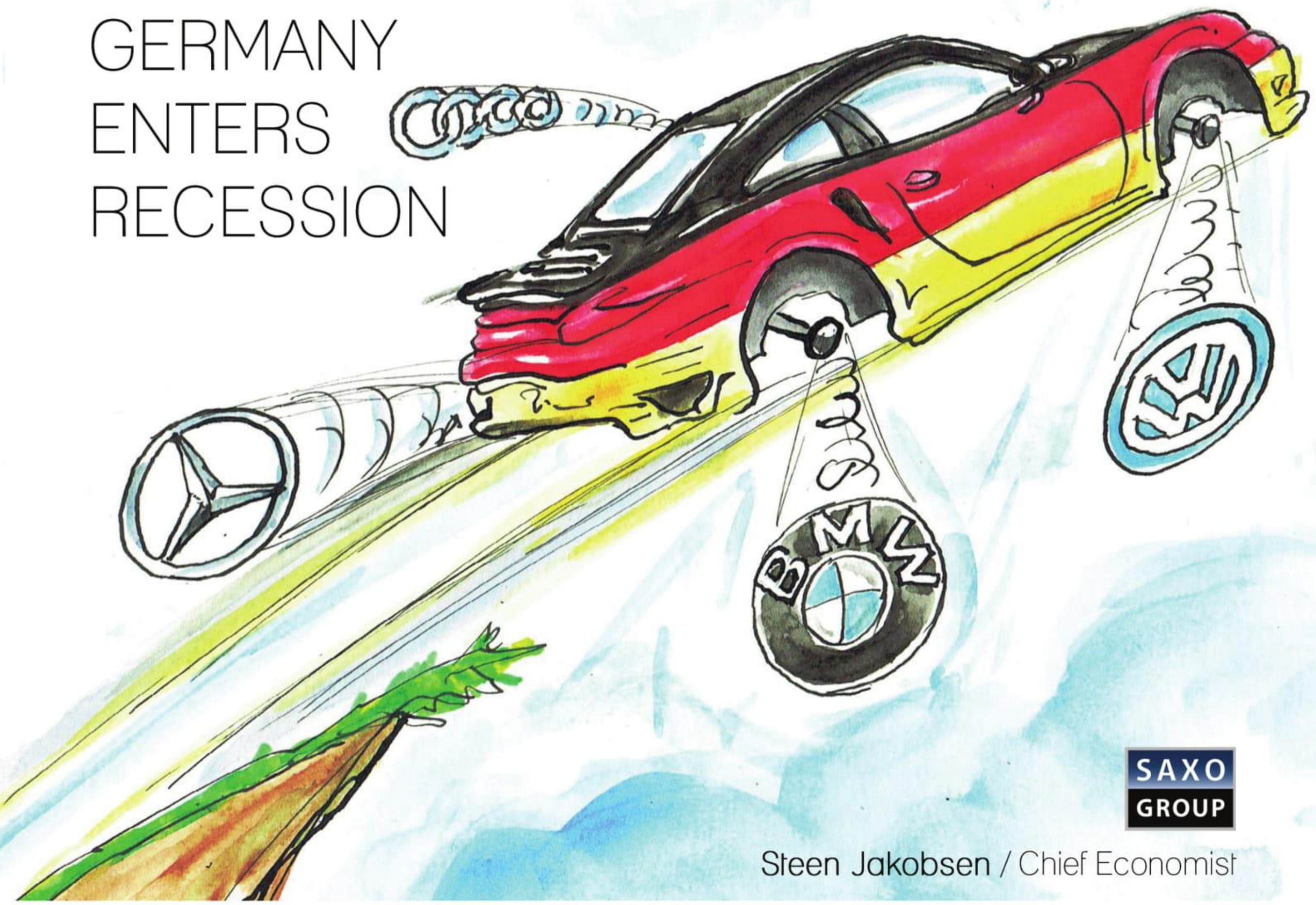
The long reign of gross domestic product as the chief measure of economic progress comes to an end in 2019. In a surprising move at the International Monetary Fund and World Bank spring meetings, chief economists Pinelopi Goldberg and Gita Gopinath announce their intent to stop measuring GDP. They argue that GDP has failed to capture the real impact of low-cost, technology-based services and has been unable to account for environmental issues, as attested by the gruesome effects from pollution on human health and the environment in India and elsewhere around the world.

Indeed, GDP fetishism has generally promoted economic policies that don't consider the full-cycle consequences of damage to environmental and human capital resources. Instead, the IMF and World Bank propose a focus on productivity which provides a better gauge to assess change in an economy's productive capacity over time. As Nobel Prize winner Paul Krugman wrote in 1994: "productivity isn't everything, but in the long run, it is almost everything".

Productivity is certainly one of the most popular, and yet least understood, terms in economics. Simply defined, it refers to output per hour worked. In the real world, however, productivity is a much more complex notion. In fact, it can be considered as the greatest determinant of the standard of living over time.

If a country is looking to improve people's happiness and health, it needs to produce more per worker than it did in the past. Since the Industrial Revolution that began in the 18th century, higher productivity has been the main driver of higher per capita GDP, ultimately improving our standards of living. This unprecedented decision by the IMF and the World Bank also symbolises the transition away from the central bank-dominated era that has been associated with the collapse in global productivity since the global financial crisis.

OUTRAGEOUS PREDICTIONS 2019: GERMANY ENTERS RECESSION



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Steen Jakobsen / Chief Economist

Auf wiedersehen, Mutti! Tariffs on German cars and a lack of digitalisation leaves Germany limping into a recession before the end of 2019. As well, Merkel declines to run for chancellor again, setting up a power struggle in German politics at a time when the country needs stability and a major transformation of Europe's most powerful economy.

A global leader for decades, Germany is struggling to upgrade its leveraging of modern technology. A 2017 study by the Organisation for Economic Co-operation and Development, for example, ranks Germany 29th out of 34 developed economies for high speed internet!

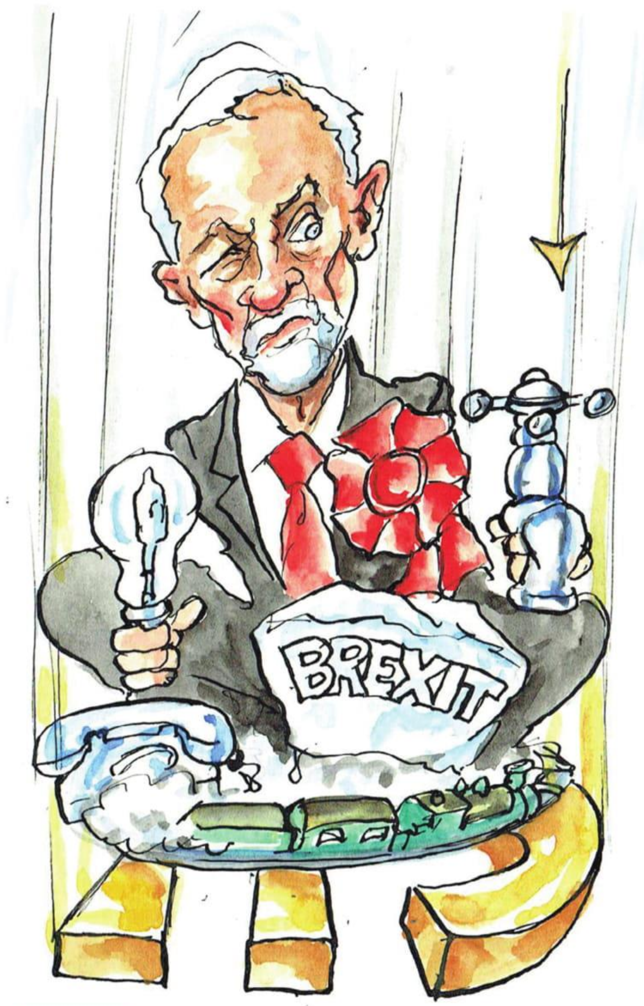
The crown jewel of the German economy, representing a cool 14% of GDP, is its car industry. The German automotive world, however, is far behind in terms of its conversion to electric vehicles and the use of big data. When Merkel was in China in May, she was so stunned at the country's production facilities that she asked for Chinese help to speed up German adaption of this critical export commodity.

Maybe that's why German car giants like Volkswagen and Daimler currently trade at a recession-like price-to-earnings ratio of six? The global car industry was supposed to be a growth juggernaut, registering 100 million cars sold in 2018. In the end, it only managed to unload 81 million cars, a mere 2% more than 2017 and well down from the 5-10% yearly growth rates that characterised the 2000s.

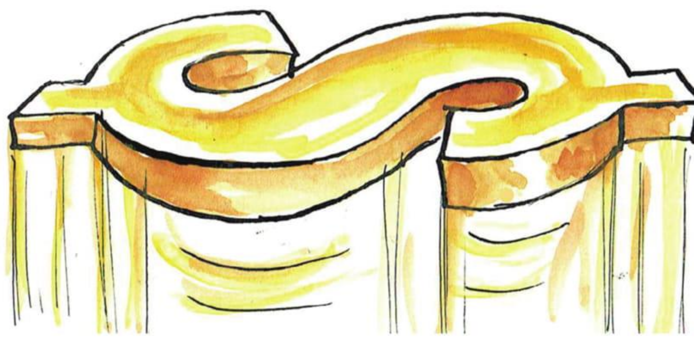
By 2040, 55% of all new global car sales and 33% of the stock will be electric vehicles (EVs). But Germany is only just starting the transformation to EV and is years behind, and stiffer US tariffs won't make things any better for German supply chains or exports.

2019 will be the peak of anti-globalisation sentiment and will create a laser-like focus on costs, domestic markets and production, and the further use of big data and reduced pollution footprint – the exact opposite of the trends that have benefitted Germany since the 1980s.

As such, we see a recession arriving as early as Q3'19.



OUTRAGEOUS PREDICTIONS 2019: PRIME MINISTER CORBYN SENDS GBPUSD TO PARITY



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Kay Van-Petersen / Global Macro Strategist

After serving in the most challenging and thankless prime ministerial role since Winston Churchill, Theresa "The Cat" May finally runs out of her proverbial nine lives and her Frankenstein of a Brexit deal is dead on arrival in the UK parliament as the March 29 Brexit deadline rolls into view.

This forces a delay of the Article 50 expiration date and snap UK elections. The Conservative party splits down the middle over Brexit with a third of their number mounting a doomed charge of the "Sovereignty or Death" brigade. Labour sweeps to a resounding victory and names Jeremy Corbyn as prime minister on the promise of comprehensive progressive reform and a second referendum on a "to-be defined" Brexit deal.

With a popular mandate and strong majority in Parliament, the Corbyn Labour government embarks on a mid-20th century-style socialist scorched earth campaign to even out the UK's gross inequalities. New tax revenue streams are tapped into as Corbyn brings the UK's first steeply progressive property tax into being to soak the wealthy and demands the Bank of England help finance a new "People's quantitative easing", or universal basic income.

Utilities and the rail networks are re-nationalised and fiscal expansion sees deficits yawn wider to the tune of 5% of GDP. Inflation rises steeply, business investment languishes, and non-domiciled foreign residents run for cover, taking their vast wealth with them.

Sterling is crushed on the double trouble of ugly twin deficits and lack of business investment on the still-unresolved Brexit issue. Cable goes from the 1.30 area where it spent most of the second half of 2018 and all the way down to parity at 1.00, a move of over 20% - with one dollar being equal to one pound for the first time ever.

An investment in knowledge pays the best interest.

- Benjamin Franklin

Was anything missed out?

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