

## Market Review July 2019

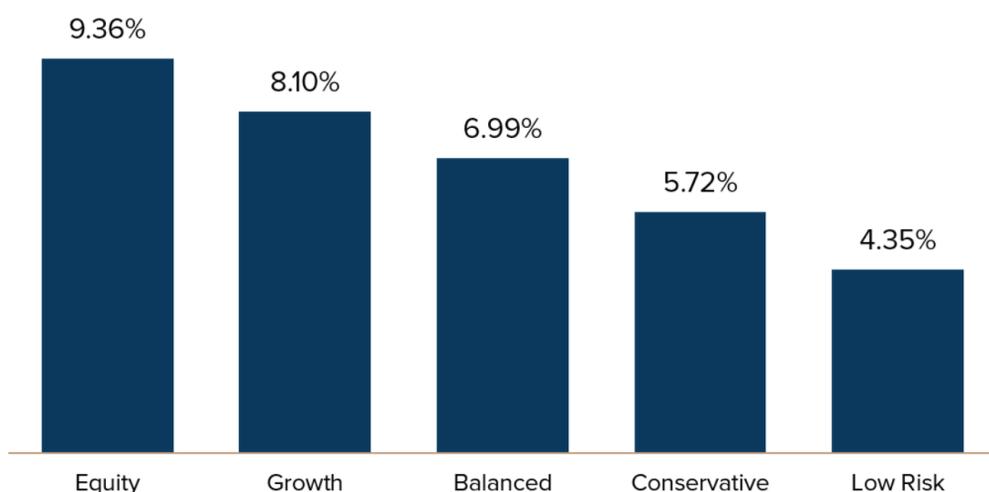
The start of August marks an important milestone for Providend, as it has been 3 years since we started incorporating evidence-based funds from Dimensional, and index funds from Vanguard into our portfolios.

It was the last step of a year long shift that began with us creating portfolios from index tracking exchange traded funds, as we sought to align our investment portfolios with our investment philosophy of trusting in market prices (i.e. not market timing), staying invested for the long term and focusing on financial goals, not on investment returns.

Instead of spending our energy adjusting our portfolios' asset allocation, or constantly selecting new fund managers to add to the portfolio, we focused on keeping clients in their seats during the bumpy periods in the market. Instead of selling when the market fell, we encouraged clients to add to their investments when lower prices offered higher expected returns. It might seem like we have done nothing with our portfolios, but we have been focused on doing the right things for you.

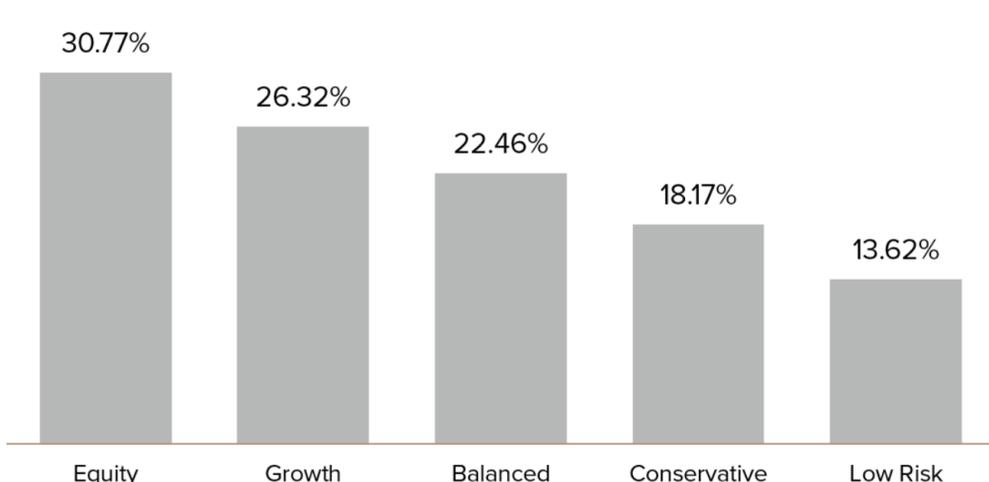
How have the portfolios done in these three years of "not trying to act busy"?

### Annualised Return 1 Aug 2016 - 31 Jul 2019, returns in SGD



Data from Dimensional Fund Advisers. For illustrative purposes only. Gross of adviser and platform fees.

### Total Cumulative Return 1 Aug 2016 - 31 Jul 2019, returns in SGD



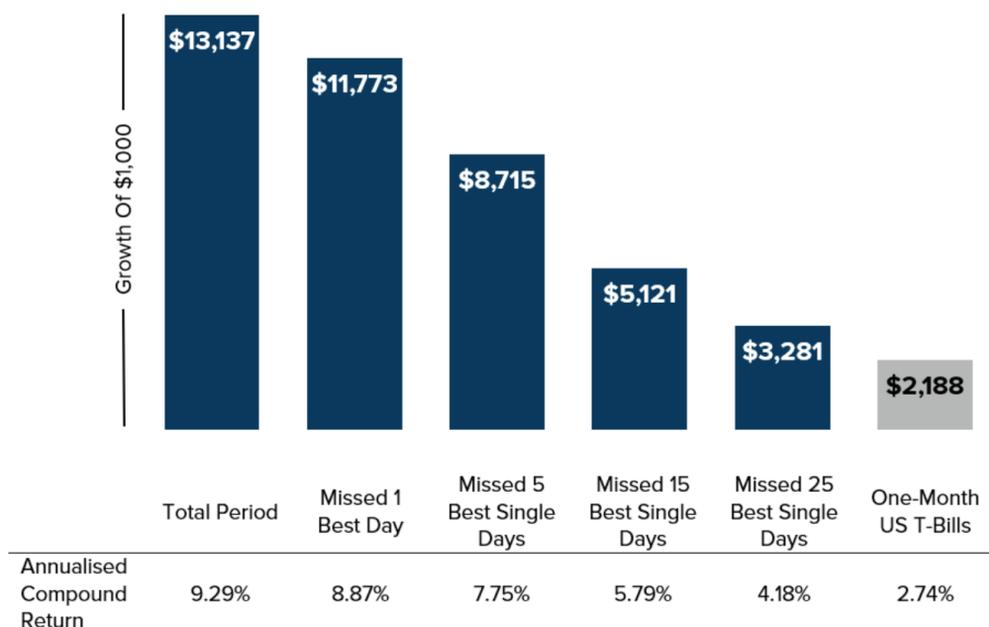
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It has not been a smooth ride for the past 3 years. In fact, it is never really a smooth ride in the markets. We experienced an almost 20% drop in US equities in late 2018, emerging markets have had a challenging time ever since the trade war started, and in 2019 we have already had a -6% month for equities in May.

July was also a mixed month, with global equities giving up most of their gains in the last day of the month after the Fed signalled that more rate cuts were not on the way after delivering a 25bps cut. Emerging markets were down for the month, while fixed income remained the only bright spot. Yet in between, the S&P 500 managed to hit a new historical high of 3025.86 on the 26th of July.

While it can be tempting to try to react to the market news, it is difficult to make the right calls consistently. Our portfolios delivered these returns because we did not focus on reacting to the market, but instead trusted in the long-term return premiums from investing in the asset classes. Research shows that missing out on just the 5 best performing days in the market can lead to a substantial difference in returns (see exhibit 2 below).

### Performance Of The S&P 500 Index, 1900 - 2018



In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T-Bills" is the IA SBBI US 30 Day TBILL TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

As always, we would like to continue to encourage clients to keep their financial goals in mind and focus on the long-term picture to get the best investment experience possible. Our advisers are always available should you have any concerns, and will do their best to keep you invested as they have done through the various rocky periods in the past 3 years, so that we can help you get closer to achieving your financial goals.

All of us at Providend would like to wish you a very Happy National Day!

If you have any questions about your financial plan or current investment situation, you can always contact us for a non-obligatory discussion.

[Make An Enquiry](#)

Warmest Regards,  
Investment Team



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