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Greater Insights With **Phillip Capital Management**

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Being Nimble With Innovative Cash Management Solutions

Uncertainties can create investment challenges in the market. In face of that, sometimes investors may choose to stay on the side-lines. However, sitting on cash every now and then would not be the most optimal thing to do over the long term. Innovative cash management solutions can help investors stay nimble with their funds while still optimising yield pick-up.

The Conundrum...

In periods of high volatility and uncertainties, investors tend to build up a surplus of funds in their banks' savings accounts or fixed time deposits. Generally, traditional savings accounts offer extremely low interest rates and though fixed time deposits offer slightly higher interest rates, the drawback is the lock-in period and early redemption penalties.

Since market dynamics are fluid, the ability to capitalise on opportunities are denoted by an individual's liquidity. "Paradoxically, excess funds in fixed deposit accounts actually lose their main shine. Another problem with fixed deposits is the auto-rollover feature. If an individual so happens to forget the maturity date, the lock-in period will automatically be extended," said Ms. Ellain Tan, Financial Services Director at Quantum Planners.

Taking the savings accounts option to maintain liquidity may not be the most ideal as well. Due to the generally low interest rates they offer, inflation has a wider negative effect on reducing the value of savings. For example, investors tend to set aside funds in their savings accounts for transferring to their trading accounts when there are investment opportunities. When savings accounts only offer about an average of 0.16% interest per annum¹ ("p.a.") while the domestic Consumer Price Index ("CPI") rose 0.6% in 2019, the CPI in 2019 alone outweighs the savings account interest rates by more than 3 times.²

As a result, the analogy calls for investors to make a reassessment on how they manage their cash and surplus funds.

Innovative Cash Management Solutions

Since joining Phillip Securities in 2002, Ms. Ellain Tan has been helping her clients achieve their financial goals of growing multiple income streams via advisory products. "My client base is made up of traders/investors with the majority of them being above 40 years old. Most have grown savvy in their own ways in building their wealth," she explained.

One of products that have helped her clients tremendously was the Phillip Money Market Fund ("PMMF" or "the Fund"), incepted in 2001 by Phillip Capital Management ("PCM").

¹ Monetary Authority of Singapore: Interest Rates of Banks and Finance Companies; Bank Saving Deposits, average 0.16% p.a. in 2019;

² Department of Statistics Singapore: Consumer Price Index

“When PMMF was first launched, the challenge was that clients were initially sceptical, as all savvy investors should be. As a financial advisor, the goal was to educate them, and I found great comfort in introducing clients to the product after learning what constitutes PMMF, its performance and the prudence of the fund manager.

Now, if we are to look at PMMF objectively, the Fund is primarily invested in fixed time deposits and short duration[^], high quality* money market securities issued by established institutions or corporations. This makes it highly defensive and stable,” she added.

Further elaborating, Ms. Tan believes that PMMF is beneficial for investors when it comes to enhancing the efficiency of cash management. “Instead of savings accounts, investors can let their side-lined funds sit on PMMF as a parking facility. Due to the size of PMMF, the fund manager can do private placements to institutions for slightly higher interest rates (compared to individuals) and further ladder maturities to enhance stability. The solution offers potential yield pickup and improve returns over cash. Over the long haul, it actually makes quite a big difference,” said Ms. Tan.

Phillip Money Market Fund

Portfolio Metrics As of 29 May 2020

Weighted Average Maturity: **40.2 days[^]**

Average credit rating: **A**

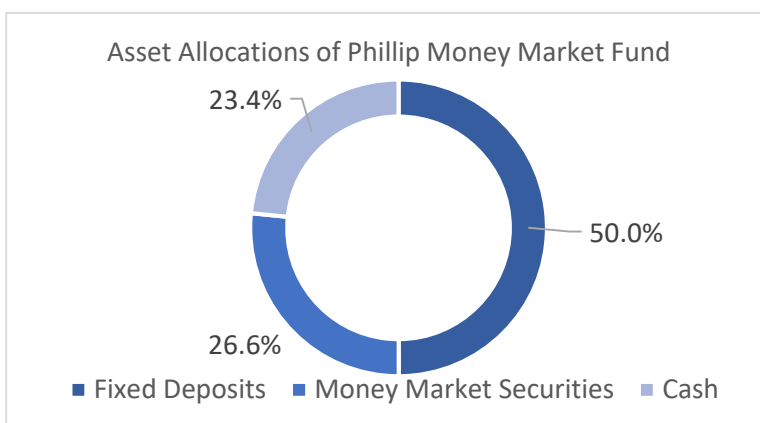
Asset Allocation

Fixed Deposits: 50.0%

Money Market Securities: 26.6%

Cash: 23.4%

Fixed deposits & cash: 73.4%



Key Features Benefits

- Enhances yield for excess funds
- Offers flexibility to switch out without cost
- No lock-in period; T+0 redemption period for requests received before 11.30 a.m.[#]
- Complements client’s cash flow management and enhances efficiency of excess monies
- The gradual appreciation in NAV value to factor in the interest. i.e. Interest accrue daily.

About Ms. Ellain Tan Man Nee (CFP, CFA, CMT)



Ms. Ellain Tan Man Nee joined Phillip Securities as a financial advisor-cum-trading representative in 2002. Fast forward to date, she has helped built Quantum Planners, a Financial Advisory Agency, with like-minded, talented and capable TRs/Advisors. She finds great pride in helping clients to achieve their financial goals via financial products such as Insurances and Unit Trusts, and providing counsel to her clients and families in difficult times.

She has been accredited multiple awards by Phillip Securities Pte Ltd since 2010, including *Top in Money Market Fund, Securities and Contract-For-Difference, Asset Under Custody, Financial Advisor & Trading Representative, Overall Top Team Manager*. She was also awarded as one of the *Top Finalists in FPAS Financial Planner Awards 2019* – a nation-wide competition with other financial advisory firms.

* “high quality” as defined in the Appendix 2 of the Code on Collective Investment Schemes (last revised on 16 April 2020).

For direct clients only. Redemptions via other distribution channels will be subjected to redemption policies set by other distributors.

[^] “Short duration” refers to maturity period less than 397 days or less.

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