INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

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FOREWORD

Dear Members,

It was an incredibly busy first half of 2024 for IMAS. The year started with a bang as members, through the IMAS Investment Managers' Outlook Survey (IMOS), shared their outlook that the year will be a volatile one filled with elections concerns and geopolitical uncertainties. Led by our Development Committee, the IMOS takes the pulse of the investment industry through survey responses of over 80 respondents, comprising of CEOs, CIOs, HODs and Portfolio Managers. We sought to address these issues during our IMAS Investment Conference & Masterclass 2024 where we spotlighted key developments on Generative AI, Blockchain, ETFs, Asset Allocation, and Democratisation of Wealth, that would help our industry prepare for the future. We are grateful to our Conference Organising Committee, sponsors, members and partners, for their support in pulling this event together.

To ensure that our members remain connected to the digital solutions that would help their business grow, we launched the IMAS Fintech Directory after many months of hard work by our Digital Innovation Committee during the IMAS Investment Conference & Masterclass 2024. Led by our Human Capital Committee, we continue to support upskilling of our members with the introduction of the IMAS iLearn Sustainable Finance Suite with inputs from our ESG Working Group, and the new Core CPD module on Best Practice and Ethical Standards in Performance Measures (GIPS), which was curated by our Risk & Performance Committee. These initiatives align seamlessly with the IBF-MAS developed Sustainable Finance Technical Skills and Competencies (SF TSCs), which IMAS continues to support in our capacity as co-lead for the Capabilities and Training Working Group (C&T WG) in the Singapore Funds Industry Group (SFIG), and as a member of the IBF Asset Management Working Group. We strongly encourage our member firms to engage with these IBF-accredited courses to stay future-ready.

We have also intensified our efforts to foster networking among our members. In addition to our Fintech Networking Events and festive networking events, IMAS has prepared a series of intimate gatherings designed to facilitate deeper connections and better understand your evolving needs. We already started off our 1st Members Networking Event in April, and the next session will be coming in June.

Looking ahead, we are excited about the initiatives and events on the horizon. Committed to keeping our members informed and inspired, IMAS will continue to drive forward with resilience, innovation, and a positive impact on our industry.

CARMEN WEE
IMAS CEO

A WARM WELCOME TO OUR NEW MEMBERS

REGULAR MEMBERS:

- M&G Investments (Singapore) Pte. Ltd.
- Nanyang Technological University

ASSOCIATE MEMBERS:

- Toronto Dominion (SEA)
- MooMoo Financials (Singapore) Pte Ltd

ASSOCIATE FINTECH MEMBERS:

- Gaialens

CALENDAR OF EVENTS IN Q1 2024

JANUARY

4 JAN 2024
IMAS Development Committee
IMAS MEDIA ROUNDTABLE 2024

9 JAN 2024
IMAS Risk & Performance Committee
LAUNCH OF IMAS ILEARN CORE CPD GIPS MODULE

24 JAN 2024
IMAS JOINS SINGAPORE SUSTAINABLE FINANCE ASSOCIATION (SSFA) AS AN OFFICIAL PARTNER

FEBRUARY

29 FEB 2024
IMAS BUDGET TALK & NETWORKING

MARCH

27 MAR 2024
IMAS INVESTMENT CONFERENCE & MASTERCLASS 2024

APRIL

17 APR 2024
IMAS Human Capital Committee
LAUNCH OF IMAS ILEARN SUSTAINABLE FINANCE SUITE

18 APR 2024
IMAS 1ST MEMBERS NETWORKING EVENT

UPCOMING EVENTS

MAY

7 MAY 2024
IMAS Regulatory Committee
IMAS FCA ROUNDTABLE

JUNE

TBC
IMAS Development Committee
CYBER SECURITY EVENT

12 JUN 2024
IMAS Risk & Performance Committee
IMAS LUNCHTIME EVENT: NAVIGATING DATA-DRIVEN INVESTMENT STRATEGIES AND ANALYSIS OF RISK & PERFORMANCE SURVEY 2024

19 JUN 2024
IMAS 2ND MEMBERS NETWORKING EVENT

27 JUN 2024
IMAS TRADEWEB MASTERCLASS: THE RISE OF ETF TRADING IN APAC AND THE AUTOMATED TRADE EXECUTION TO OPTIMISE PORTFOLIO ALPHA

JULY

27 JULY 2024
IMAS Regulatory Committee
IMAS 10TH REGULATORY FORUM

CONTACT THE IMAS SECRETARIAT AT ENQUIRIES@IMAS.ORG.SG IF YOU ARE INTERESTED IN ATTENDING ANY OF THESE EVENTS.

IN CASE YOU MISSED IT

IMAS Budget Talk & Networking

29 February 2024

IMAS invited members to leap into the new dragon year with a sharing on The Singapore Budget 2024 and a networking event after. Together with our presenters from PwC, key highlights on Budget updates for Corporates, Individuals, and the Asset & Wealth Management Sector were shared, following Deputy Prime Minister, Minister for Finance, Mr Lawrence Wong's delivery of the FY2024 Budget Statement on 16 February.

The networking session after provided an opportunity for member firms to forge valuable connections. Graduating students from Nanyang Business School (NBS) were invited as part of our ongoing collaboration with our local universities for a mentorship session with key stakeholders from the industry.

Featuring:

- **Tan Hui Cheng**, Partner, PwC Singapore

MATERIALS AND THE FULL RECORDING OF THE EVENT IS AVAILABLE ON OUR WEBSITE.

Key Takeaways

Some key takeaways from the event include:

TAKEAWAY 1:

Top up of the Financial Sector Development Fund by S$2 billion to provide the MAS more resources to extend Singapore's lead in the financial services sector. Enhancement of tax concessions for the asset and wealth management sector, including the extension of existing schemes (S13D, 13O, 13U). More details on the enhancements will be provided by Q3 2024.

TAKEAWAY 2:

Implementation of two components of Pillar Two – the Income Inclusion Rule (IIR) and Domestic Top-up Tax (DTT) for in-scope businesses from their financial years (FYs) starting on or after 1 January 2025.

TAKEAWAY 3:

Introduction of new tax provisions like Section 10L affecting gains from sale of foreign assets received in Singapore. This is to align the tax treatment of gains from sale of foreign assets to the EU Code of Conduct Group guidance which aims to address international tax avoidance risks.

Reshaping today's portfolios with ETFs for optimal returns tomorrow

Insights by BlackRock

The era of heightened macro and market volatility calls for a new approach to investing and portfolio construction.

Since the beginning of this new regime in 2020, markets have continued to evolve, and clients' business models have changed markedly – leading to one of the most significant investment process transformations seen in a generation. The growing opportunities in index strategies across equities and increasingly in fixed income have been a game changer allowing investors to be nimble, granular, and cost conscious.

There's less conviction about the path ahead: the range of estimates for key macro data, including inflation metrics, has grown wider and it is more than likely that excess returns over cash will be much lower for static exposures as a result.

Gone are the days of fixed, set and forget, regionally-constructed portfolio allocations, where product selection was dominated by building blocks managed in silos – think public vs. private markets, and index vs. active strategies – and where 'more or less every investment choice worked' as equities and bonds often rallied together.

In the past, portfolio builders placed a great deal of emphasis and resources on selecting investment products. This often resulted in a siloed approach to portfolio construction, as investors adhered to false dichotomies such as 'public vs. private markets' and 'passive vs. active strategies.'

For instance, index funds like ETFs were simply viewed by some as passive exposures and cheap beta building blocks, while the term 'active' equated to gaining exposure to alpha-seeking managers who were expected to deliver above-benchmark returns for the entire multi-asset portfolio.

This approach led to inefficiencies in fee budget allocations and shortcomings related to potential unintended tilts between the target and implemented portfolios. However, these inefficiencies were often overlooked due to the decades-long bull market in equities and fixed income, where almost any investment choice was successful.

In the new regime, there is a greater focus on value for money and increased scrutiny of the products used to meet client objectives. Traditional fee structures have become more transparent, and technology has enabled new competition in the form of digital offerings that can provide simple, cost-efficient portfolio solutions.

The adoption of index strategies has increased, as investors have continued to decouple key drivers of portfolio returns and become 'active with their passive', using ETFs to place asset allocation calls.

Investors have increasingly recognised the value of viewing the investment universe through a portfolio lens and expressing long-term market and factor choices through index vehicles, while allocating excess fee budget to acquire alpha excellence from managers skilled in timing exposures and security selection.

An active approach to indexing could allow investors to exploit their skill in timing markets and their ability to consistently pick exposure to the right sectors, regions, and styles.

Fixed income ETFs are a prime example. While most bond ETFs seek to track indices, many — traditional active fixed income managers — have come to realise that bond ETFs can also be used to help generate alpha or for efficiency gains in the following ways:

TACTICAL ALLOCATION

Investors can use bond ETFs to rapidly scale into or out of exposures to take advantage of or hedge against rapidly changing market conditions — far more quickly and efficiently than trading individual bonds.

LIQUIDITY SLEEVE

By using bond ETFs for a portfolio liquidity sleeve, investors can avoid having to sell individual bonds in conditions that can be far more costly — especially in stressed markets.

OPERATIONAL EFFICIENCY

By aggregating hundreds or thousands of line items into a single vehicle, bond ETFs provide a high level of investment efficiency. Investors are relieved of the operational complexity of reinvesting cash flows from individual bonds or rebalancing the exposure to maintain duration targets. Bond ETFs can often be far more cost efficient to trade than individual bonds.

INNOVATION

With over 2,300 bond ETFs globally, investors today have more choices and tools than ever. Newer bond ETFs are slicing the fixed income marketplace into ever more granular exposures that can be blended into highly customizable portfolios.

Trade volumes have exhibited robust growth. In the last five years, annual trading volumes for fixed income ETFs have expanded by 16.3% YoY in the US and UCITS space[1], data compiled by BlackRock shows. In the US, March and October 2023 marked the 2nd and 3rd most heavily traded months on record, underscoring the ETFs liquidity and price discovery credentials especially during periods of heightened volatility and challenging liquidity in underlying corporate bond markets.

The rapidly evolving marketplace and the new investment environment means remaining anchored to the same investment habits of the past might limit an investor's ability to construct efficient multi-asset portfolios.

The growth in the number and variety of ETFs now available means that investors can build portfolios in more innovative ways than ever. ETFs are now providing a wider range of exposures across equities and fixed income, allowing investors to access individual countries, sectors, style factors, themes and structural trends such as the low-carbon transition. This increased breadth and granularity also enables the targeting of specific portfolio outcomes. The precision of ETFs, combined with their liquidity and adaptability across various asset classes, enables an effective expression of portfolio views. This is particularly important in a highly unpredictable environment.

1: Data as of 31 Dec 2023

FULLERTON FUND MANAGEMENT

Fullerton Market Update | March 2024

The changing face of Asian Fixed Income investing

Background

How will the Asian Fixed Income markets reemerge from the shadow of the Chinese property sector meltdown?

Prior to 2020, Chinese properties were a large part of the Asian Fixed Income (AFI) and Asian High Yield (AHY) universe. They dominated the issuance action and drove the wider direction of the AFI markets. As of December 31, 2019, China credits and Chinese property constituted c. 54% and 37% of the JACI Non-Investment Grade Index [1] respectively. Moreover, its high yield nature was appealing to Asian fixed income investors seeking regular and high-income payouts at that point, the concentrated country and sectorial exposure notwithstanding.

All this changed abruptly in 2020 with the rollout of the "three red lines" policy that was intended to address excessive leverage in China's property developers. The heightened regulatory posture was in-line with what would later be known as the government's "common prosperity" drive, and this expanded to other areas like tech and education.

The increased scrutiny led to tightening credit conditions within property developers, mounting liquidity issues, halted construction projects, weaker home pre-sales, mortgage boycotts, delayed home deliveries, and a general weakening of sentiment towards the sector. Reports of rating downgrades, and credit defaults intensified, impacting even the larger property developers and State-owned related names.

Measures were subsequently introduced to stabilise the market, such as reducing mortgage rates and easing of home purchase restrictions, but investor confidence had already eroded. With the onshore and offshore funding channels narrowing or even closed, this sector has since become a smaller part of the wider AFI universe, impacting investors behaviour towards this market in the process.

Today, as of end November 2023, China credits and Chinese property names constitute c. 25% and under 7% of the JACI Non-Investment Grade Index [2] respectively, a significant decline from its heydays.

[1] Source: JP Morgan Asia Credit Index (JACI), December 2019
[2] Source: JP Morgan Asia Credit Index (JACI), November 2023

Implications and lessons learnt from China's property sector consolidation

China's policymakers increased scrutiny on the real estate sector was meant to be a balancing act aimed at managing systemic risk, while also upholding measures to ensure the long-term health of the property market and housing affordability.

While its resolve to execute structural reforms to pivot away from an over-reliance on this credit-intensive sector should not be underestimated, investors may have underappreciated the far-reaching consequences of the prolonged correction in the housing market, on both the wider economy and financial stability. The impact of the correction has extended to related upstream and downstream sectors as well - such as furniture companies and construction entities. This ripple effect has further dampened private sector confidence. Additionally, the negative wealth effect stemming from weak property sales and declining property prices has created a negative feedback loop, weighing on China's domestic consumption and reinforcing deflationary pressures.

Another lesson gleaned from the Chinese property saga is the overdependence on Chinese property developers for yields. The tumultuous period since 2021 underscores the issue of sector index concentration risk, which has accumulated over time. With the downturn and high concentration risk in the sector, this has led to many investors in this space underperforming. The experience from this episode highlights the need for investors to diversify – even amidst a backdrop of ultra-low interest rates, where the inclination to chase higher income and yields were very high.

The home and cultural biases of Asian fixed income investors was also evident, in that investors in this space were to some extent coloured by China's then robust growth figures, which disproportionately directed them to favour Chinese property bonds. This led to significant issues when the sector underwent a downturn.

What's next – how should investors reimagine their investing approach to the AFI and AHY universe?

With Chinese properties no longer being the cornerstone for high-yield bond issuance in the AFI market, we must confront the new reality that the income attraction of this space as a standalone has receded. Investors who used to access this space for its high-income potential may need to reevaluate their approach.

How should one construct an Asian credit portfolio that is still high-income oriented? First, it is critical to recognise that the Asian credit and AHY markets have irretrievably changed. Excluding China property, the AHY index currently has sector concentration in Macau gaming (at 10%) and Indian renewables (at 7%)[3]. Although the weightings are lower than what China Real Estate's weight was during its peak, the current opportunity set is not sufficient to build a sufficiently diversified AHY portfolio

In our view, we need to spread our risks over multiple fixed income segments and functional buckets (organised along their income generation potential capacity) – i.e. one bucket that classifies instruments by their ability to generate consistent and stable income (Income Stabilisers); another that groups income-paying securities by their low correlation traits (Income Diversifiers); and another bucket which comprises of high-conviction income-paying securities (Income Generators). The approach is then to adopt a conscious high income-oriented mindset via allocation across these functional buckets by considering each bucket's income contribution attributes on its own merits, and how it can complement the investor's wider portfolio. This can be executed via a flexible, best ideas, multi-manager, team-based approach. This way, one may potentially build a high-income paying portfolio that is diversified across multiple income streams, and not disproportionately reliant on one sector.

Over a cycle, we believe this approach of diversifying income generation sources, should outperform an investing method that is concentrated in HY assets. This approach has the added benefit of taping into different economic cycles and opportunities. The adoption of a team-based decision-making processes further strengthens and enhances the final outcome. A diverse team provides a variety of perspectives, challenges the status quo and reduces individual biases. This approach leads to more balanced decision-making framework, reducing the impact of overconfidence and heuristic biases. Relative to a concentrated HY approach, global diversification with an Asia core as a focus will be key.

[3] Source: JP Morgan Asia Credit Index (JACI), November 2023

Schroders

Outlook 2024: Private markets in the age of the 3D Reset

Nils Rode, Chief Investment Officer, Schroders

Private market liquidity has shifted dramatically in the past 18 months, and investment strategies that have been successful for a long time may face new headwinds.

We are now entering an era we've labelled the "3D Reset", marked by how the dynamics of decarbonisation, demographics and deglobalisation are altering the investment landscape. In addition, technological advancement – specifically the artificial intelligence (AI) revolution driven by venture capital for now and will completely reshape our lives.

DECARBONISATION

Decarbonisation will happen at different speeds in different places.

Energy and its production are transforming entirely, signalling decades of investment opportunities ahead.

The transition to renewable energy sources involves developing additional renewable energy generation and infrastructure to deliver the energy to the source. The decarbonisation push also fundamentally alters production and consumption patterns, while the value of natural capital in climate change prevention opens up more opportunities.

Focus asset classes for decarbonisation

Infrastructure investments, both **equity and debt**, offer the most direct play on the decarbonisation theme.

Renewables are predominantly contracted assets with a secure income and inflation-linked cash flows. They are generally regulated or under a power purchase agreement (PPA) contract, which renders them highly immune to macroeconomic shocks.

We also see opportunities in adjacent technologies and other infrastructure areas related to digitalisation and other essential infrastructure.

Real estate's shift towards sustainability necessitates increased capital expenditure to comply with regulatory changes and tenant requirements. This growing need for sustainable buildings and banks' rising capital requirements present significant opportunities for private markets to provide sustainable financing alternative.

DEMOGRAPHICS

Demographic trends and the expected effects on investment opportunities vary greatly globally.

Several emerging economies – particularly India – have growing populations, and the younger population will contribute to robust economic growth in the next 20 years. India, the world's most populous nation, with over 1.4 billion people and a median age of 29, boasts demographics promising to spur domestic growth, thanks to its burgeoning middle class.

This contrasts sharply with the ageing demographics of most other large nations, where declining fertility rates and increasing life expectancy lead to a top-heavy age distribution, potentially dampening economic output. However, the anticipated productivity boost from AI could mitigate the effects of an ageing population.

Focus asset class for demographics

Real estate must adapt to diverse life stages and changing demographics. Developed markets have a growing demand for specialised elderly care and housing, whereas other regions grapple with a lack of affordable rental properties.

These living segments deliver contractual or indirect inflation protection and enable the application of operational skills to drive sustainable medium-to-long-term income and value.

Where the average age of a country's population is rising, so too is the anticipated healthcare burden. This creates opportunities in healthcare-related investments across private assets.

DEGLOBALISATION

The Covid-19 pandemic and the recent rise in geopolitical tension have highlighted the importance of supply chain resilience and security. In some key sectors, it has prompted "nearshoring" initiatives that bring supply chains closer to home. We believe this will continue as the world becomes increasingly "multi-polar".

The US has dominated the global share of GDP for over 50 years, but China is close, and we expect India to follow suit and become another economic powerhouse.

Focus asset class for deglobalisation

India's private equity market is rapidly maturing with an expanding ecosystem of local fund managers, a growing startup scene that also benefits non-tech companies, a growing middle class, and diversification from China.

India now ranks third globally, after the US and China, in unicorn creation, with over 100 unicorns. These unicorns span diverse sectors, illustrating the breadth of the Indian private equity opportunity.

Real estate debt. As reshoring, friend-shoring, and nearshoring occur, fiscal spending is dedicated to building new plants and facilities. With debt financing less readily available, this area has strong fundamental support. Deglobalisation may be inflationary, so the higher loan rates associated with the floating-rate debt, alongside the inflation protection real estate can afford, are attractive.

TECHNOLOGY

AI has moved from the conceptual to the practical and is being used in many valuable ways. We believe we are at the cusp of the fifth industrial revolution, marked by machines helping humans with “cognitive” labour.

Where previous industrial revolutions took decades to create large-scale impact, AI-first companies register that impact in months. At this pace, some believe that by 2040-50, the AI boom will culminate in “technological singularity” – where a smartphone will have the same cognitive processing power as all humans on the planet combined.

Focus asset classes for technology

Generative AI is a new frontier technology driving the current wave of AI, with more startups and established companies building on the base technology.

Initially, this is a topic for **venture capital** and **growth capital**, but on the private equity side, this will also become a topic for more mature businesses and buyout investments that adopt AI to change or enhance their business model.

We expect the impacts of AI to have second-order impacts on the **real estate** and **infrastructure markets**, notable reinvigorating demand for data centres due to substantial data processing requirements. Furthermore, AI's vast computing demands will boost the need for substantial energy resources, presenting opportunities for infrastructure investments, especially in renewable energy.

The 3D Reset, AI revolution and higher global interest rates mark a new era for private asset investment. Investors can successfully navigate this new era by focusing on long-term trends, diversifying portfolios, and rethinking past strategies.

Will **Artificial Intelligence** increase economic growth?

AUTHORS: Annalisa USARDI,
Senior Economist,
Amundi Investment Institute

Bastien DRUT,
Head of Thematic Macro Strategy,
CPR Asset Management

SOURCE:

Recent advances in the development of Artificial Intelligence (AI) could lead to potentially disruptive changes across a wide range of industries and impact economic activity through multiple channels. AI is widely seen as significantly different from previous technological innovations. But will it significantly increase aggregate economic growth through its impact on labour markets and increases in productivity? And will it enhance the productivity of labour or displace workers? These are important considerations for the sectors that may attract more investment and for economic policy.

AI and the capital factor: a round of 'creative destruction'?

Capital investments are indeed a key dimension in the implementation of AI. Global investment in AI is rapidly increasing across sectors, from manufacturing to services, with a focus on generative AI, leading to higher output in the sectors most involved. This increase in AI investment is already boosting the output of the sectors most involved, while the higher capital per worker will likely increase future potential growth.

Despite these impressive growth rates, it will take a long time to materially affect the stock of capital in most economies. A rapid pace of innovation and evolution in these new AI technologies could make the depreciation rate (proxying the speed at which existing capital may become obsolete) much higher than in the past, thus requiring increasing levels of investments to keep the capital per worker unchanged, implying a higher cost of capital for a given level of available savings in the economy. As a result, the short-term impact could sharply diverge across sectors. This is sometimes referred to as "creative destruction" popularised by the famous economist Joseph Schumpeter.

The impact of AI on the labour market

The impact of AI on labour displacement is still uncertain, but reskilling workers will become more important, as some skills become obsolete or need to adapt to work with AI. There will be some displaced workers, but there will also be new jobs and new types of jobs. The latest wave of AI is different from past technological innovations, as it affects creative and cognitive jobs as well as physical ones and routine cognitive tasks.

Moreover, AI – while disruptive in the short-term – may also help address the demographic challenge, especially in advanced economies and some of the larger emerging economies. In the Eurozone, for example, the working-age population is falling by more than a million each year. Japan, China, and South Korea are also facing a similar decline. AI could help fill the gap of "missing workers" and, at the same time, raise labour productivity.

AI and the impact on productivity: significant but when?

AI has the potential to significantly increase total factor productivity across the economy, impacting a wide range of industries through multiple channels – such as the labour market, investment and productivity – that may not be fully captured by official statistics.

At Amundi, we expect the adoption of AI to proceed in three phases:

Phase 1

"Limited visibility": a first phase characterised by strong innovation and capital accumulation but with limited visibility on the productivity impact; no widespread adoption, and productivity benefits will be partly offset by losses in some sectors.

Phase 2

"Broader diffusion": a second phase, when the cost of using and investing in new technologies falls, the implementation becomes more widespread and increases in productivity spread across the economy. Divergences may remain, but the benefits are more visible.

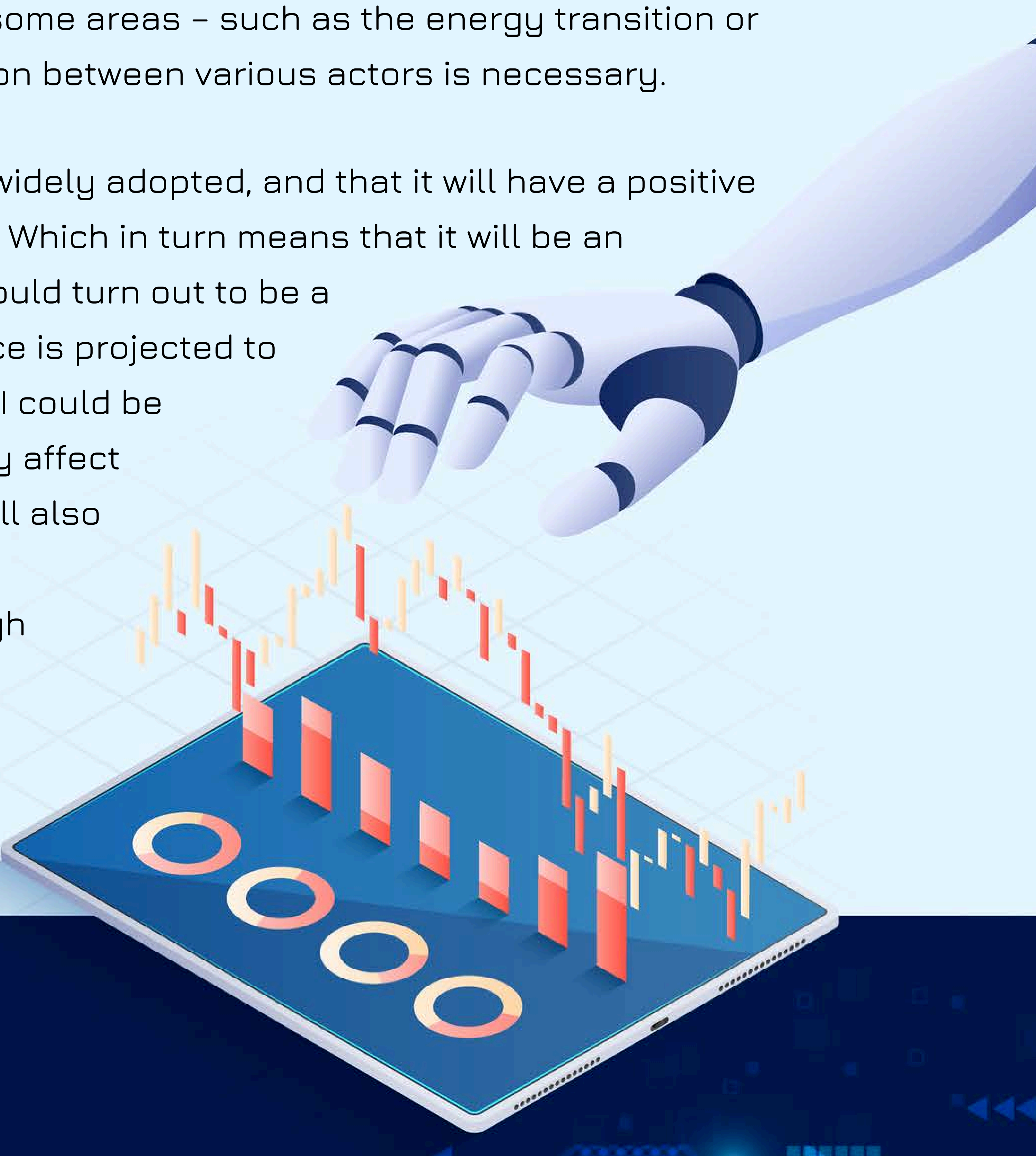
Phase 3

"Normalisation": a third phase, with diminishing marginal returns to further adoption and when the boost to productivity growth tapers off, most likely returning to a longer-term trend.

Estimating the potential impact on productivity is difficult, and the emerging literature on estimating the productivity effects of AI is largely sector-specific. Furthermore, social, political and economic hurdles could also limit the rapid diffusion and fast adoption of AI across countries. A specific barrier is the huge energy intensity of training generative AI models. AI also raises political concerns about the potential misuse of this technology and the need for regulation to limit its potential manipulation.

Public policies to address such barriers (training programmes, facilitating financing, subsidies, the development of infrastructures, etc.) can help accelerate diffusion, but this often requires an alignment of public and private interests. In some areas – such as the energy transition or strategic autonomy, for example – cooperation between various actors is necessary.

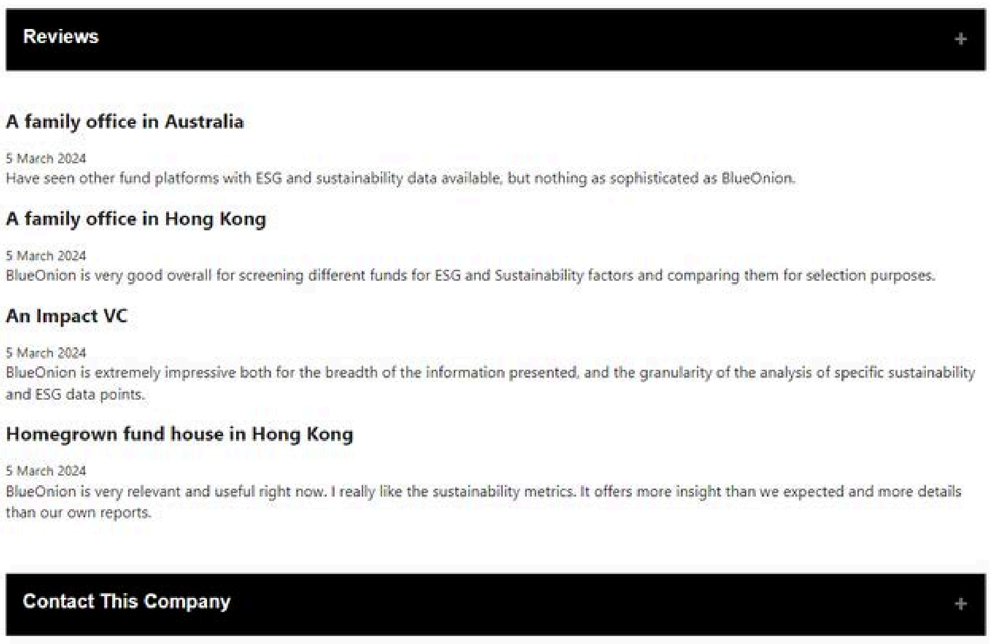
In the long term, it is inevitable the AI will be widely adopted, and that it will have a positive impact on productivity and economic growth. Which in turn means that it will be an important consideration for all investors. It could turn out to be a huge gain for countries where the labour force is projected to decline. However, the flip side of the coin is AI could be disruptive in the short term and will adversely affect profitability and returns in a few sectors. It will also raise challenges for governments on how to deal with displaced labour. Navigating through the short- and medium-term issues that AI raises, to reach the long-term benefits will be a complex, but promising path.

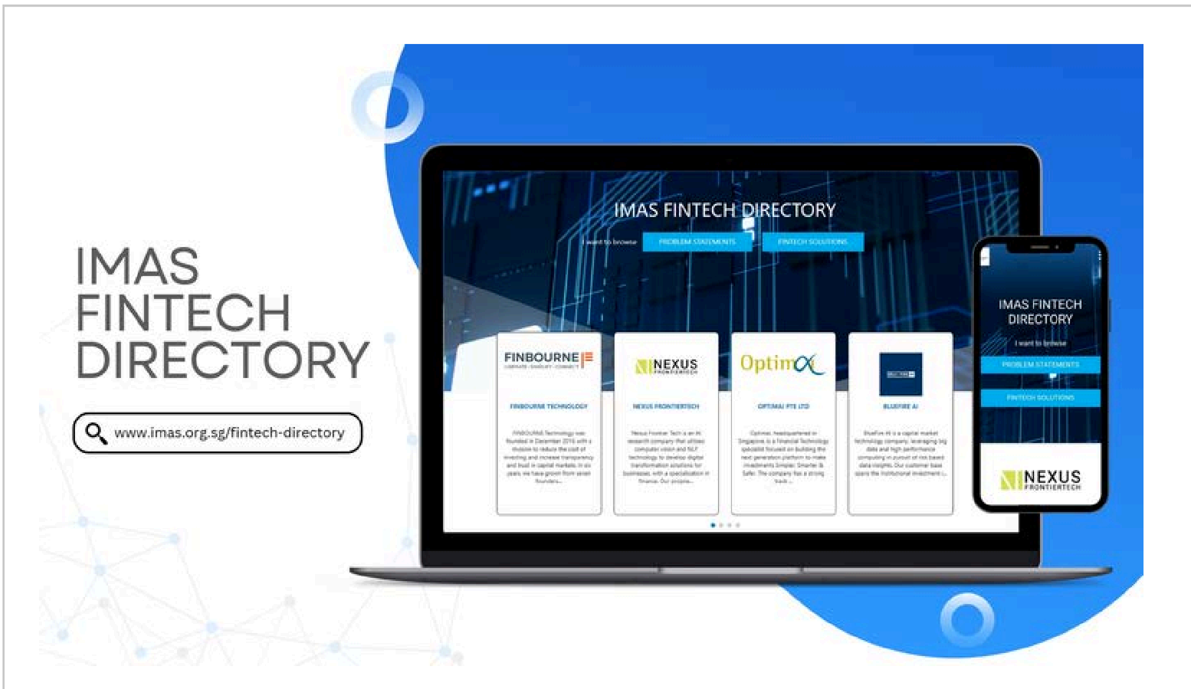


LAUNCH OF THE IMAS FINTECH DIRECTORY

The **IMAS Fintech Directory** was launched with great fanfare at the IMAS Investment Conference & Masterclass 2024 after years of hard work by our Digital Innovation Committee. With problem statements from the industry and proof of concepts from Fintechs, members are invited to search for solutions that will solve gaps in industry through the IMAS Fintech Directory. If you are currently working on the problem, we invite you to submit your problem statements to IMAS at digital@imas.org.sg so that we can work together with the community and stakeholders in the industry.

The aim of the Directory is to provide an easy, direct and transparent platform that will provide our Fintechs greater visibility amongst the asset management community and accelerate the adoption of your solution; at the same time, providing the asset management industry a direct access to the solutions they need. We encourage Fintechs to be part of the community and list your solutions on the IMAS Fintech Directory.





Key features and use cases of the Directory has been summarized below:

For Asset Managers

- Submit industry problem statements
- Search for curated fintech solutions catered for their specific challenges
- Cross comparison between Fintech solutions
- Submit and read reviews from fellow asset managers who have worked with the respective Fintechs

For Fintechs

- Gain visibility in the asset management industry
- Establish connections with fellow Fintechs.
- Browse industry problem statements

Explore more features here: IMAS Fintech Directory

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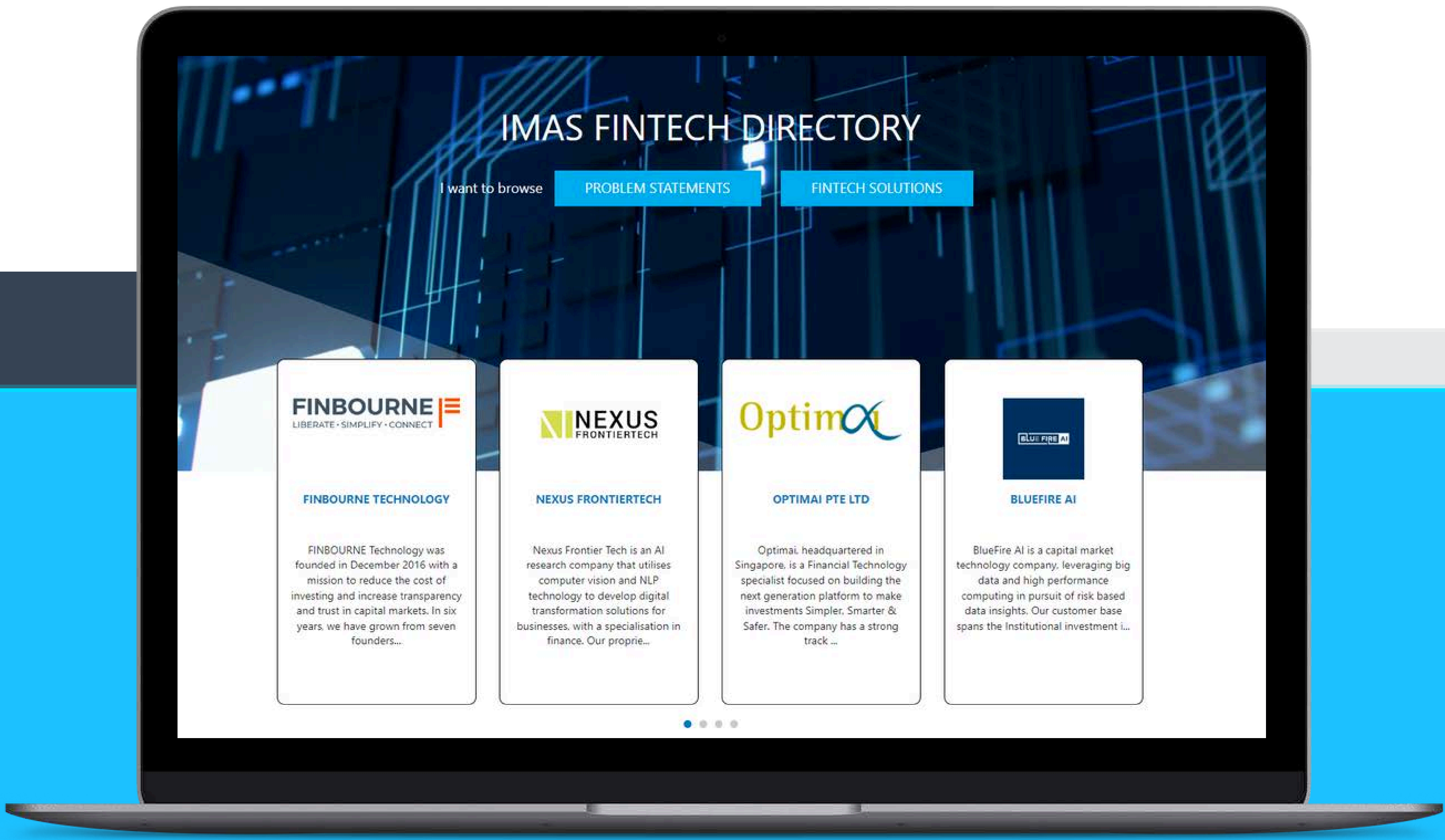
IMAS FINTECH DIRECTORY



Your go-to guide to discover innovative Fintech solutions for the Asset Management Industry

www.imas.org.sg/fintech-directory

Access the IMAS Fintech Directory here

IMAS, through our Digital Accelerator Program and Fintech Directory, has created with the Asset Management community useful and innovative Fintech solution PoCs. Let us know how we can improve the Fintech Directory and support you better in your digitalisation journey through the Feedback form below. If you have an unsolved business challenge, a digitalisation opportunity or have a Fintech to recommend, please share them with us as well!

Like the Fintech Directory?
Leave your feedback!

GLOBAL MACRO INSIGHTS:
RACE TO NET ZERO

ANNA STUPNYTSKA
Global Macro Economist

SALMAN AHMED
Global Head of Macro and Strategic Asset Allocation

EDWARD RAYMENT
Multi Asset Investment Associate

Global temperatures are rising - January 2024 was the hottest January on record globally - and the potential impact of climate change on macroeconomic and financial variables cannot be ignored. Investors will increasingly need deeper, evidence-based analysis to help guide their asset allocation, with greater insight into regional and sectoral winners and losers. This article summarises the key themes we have highlighted in our research, underscoring the importance of integrating climate risks into strategic asset allocation methodologies.

THEME 1:
MAPPING CLIMATE PATHWAYS AND ASSESSING CREDIBILITY

Our first theme revolves around the importance of mapping climate pathways and assessing the credibility of climate targets and commitments. We have based our frameworks on the widely accepted scenario-based framework provided by the Network for Greening the Financial System (NGFS), a global coalition of about 135 central banks and supervisors. The framework is built around six scenarios organised into three categories: orderly transition; disorderly transition; and hot house world.

The world is rapidly approaching the 1.5°C warming target relative to pre-industrial levels, and we believe that a disorderly transition, characterized by delayed or divergent policies to cut greenhouse gas emissions, is currently the most likely scenario. This would limit temperature increases to less than 2°C above pre-industrial levels but comes with high transition risks because required policies would be delayed or divergent across countries and sectors.

THEME 2:

TRACKING NET ZERO PROGRESS AND ADDRESSING REGIONAL DISPARITIES

Our second theme highlights the need for investors to track and monitor net-zero progress. Our framework for tracking progress centres on three ‘key transition enablers’ that have the power to accelerate or slow progress towards net zero - corporate action, technology advancements, and policy implementation.

While some developments have been made on the key transition enablers, regional disparities are evident. Europe and North America lead the way, while Asia Pacific and EMEA / LATAM lag behind. Increased collaboration and international cooperation are necessary to tackle the global climate crisis effectively. Country and regional progress and dispersion require consistent tracking.

We believe carbon pricing and technological advances are among those policy factors that are most likely to move the dial towards net zero compliance in the near term. In the long term, the geopolitics of energy security and the fundamental shifts catalysed by the Russian invasion of Ukraine will be a key driver of the net zero transition.

THEME 3:

INCORPORATING CLIMATE RISKS INTO PORTFOLIOS AND CAPITAL MARKET ASSUMPTIONS

Our third theme emphasises the need for investors to integrate climate risks into their capital market assumptions and long-term asset allocation decisions. Climate change adds uncertainty to the global economy and therefore increases macroeconomic and financial risks, materially impacting risk-return potential. Gross domestic product (GDP) growth potential is lower under all NGFS climate scenarios compared to our climate agnostic baseline, though it is not equally distributed across various regions and climate scenarios.

Over the long term to 2050, GDP growth is less negatively impacted in scenarios in which the world experiences an orderly transition towards net zero relative to a disorderly transition and a hot house world.

Climate risk also influences risk-return characteristics of asset classes differently. Fixed income is less affected by climate change as price impact is typically offset by higher income, although the magnitude of each component can vary. In contrast, equities exhibit greater sensitivity to climate change given their valuation is typically based on discounted future cash flows, which are most punitive under disorderly transition and hot house world scenarios due to higher transition and physical risks, respectively.

The estimated annual reduction in global equity returns between Fidelity's climate-agnostic baseline and the NGFS's hot house world scenarios is 100 basis points, which compounded over 10 years is about 13% - an estimate which is likely to be optimistic given benign key assumptions.

CONCLUSION

Incorporating climate risk into investment strategies is crucial in navigating the challenges of the climate crisis. In our view, failure to adequately consider climate risks may lead to misguided return expectations at best. At worst, investors may fail to recognise the increasing possibility of negative and systemic financial market disruptions as the impact of climate change broadens and intensifies.

Greater dispersion and higher uncertainty at the regional, country, and sector levels due to climate risks may call for more considered and dynamic investment strategies – an area which we are developing currently. The underlying performance drivers when climate risks are integrated into CMAs are also significant. These return components may also change significantly over time. The volatility of certain regions and asset classes is likely to increase if climate risks are integrated into CMAs. Physical and transition risks are interlinked and may follow a highly uncertain path, be irreversible and have fat-tail distributions.

Ongoing research, monitoring, and collaboration are necessary to refine our understanding of climate risks and their implications for the global economy and by extension their implications for asset allocation. Integrating climate risks into investment frameworks is key when it comes to building investment strategies.

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Courses developed under the IBF-MAS SF TSCs

Sustainable Investment Management (3 hours)

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Sustainable Stewardship Development (3 hours)

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Sustainability | International Agreements & Frameworks | Economic & Market Risks

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IMAS Investment Conference & Masterclass 2024

27 March 2024

The **IMAS Investment Conference & Masterclass 2024** has drawn to a close, marking yet another milestone in our journey of fostering innovation and excellence in the investment management industry. With the theme "**Reshaping Tomorrow**," this year's conference brought together a record number of sponsors and over 500 participants, setting the stage for insightful discussions, knowledge sharing, and collaboration.

The conference's theme, "**Reshaping Tomorrow**" reflects the rapid transformation of the business landscape and the need for an adaptive mindset. The sessions explored innovative approaches to asset management, scenario analysis, portfolio optimization, risk management, and the increasing role of artificial intelligence. If you missed our Conference, the following pages shall take you through some key takeaways from the event.

Reflecting on Past Achievements

As we look back on our journey, it's important to acknowledge the strides we've made over the years. Since 2019, IMAS has taken significant steps to promote innovation and digital transformation in the asset management industry. The development of AI-enabled solutions, the launch of the Digital Accelerator Programme, and the collaboration with PWC and Workforce Singapore (WSG) are just a few examples of our commitment to driving change.

In 2022, we had the honor of hosting the now-President Tharman Shanmugaratnam, whose distinguished presence underscored the importance of our work. In 2023, our ESG masterclass received overwhelming support, highlighting the growing interest in sustainable investing and environmental, social, and governance (ESG) integration.

This year, we invited Mr Chia Der Jiun, the new Managing Director of the Monetary Authority of Singapore (MAS) to provide the opening address.

Opening Address by Managing Director, MAS

Titled "Investing in Change: Supporting Asia's Development and Transition," Mr Chia Der Jiun, Managing Director, Monetary Authority of Singapore, gave an opening speech underscoring the transformative role that asset managers play in shaping the future of the investment landscape in Asia and beyond.

In his address, Mr. Chia emphasized three key themes that encapsulate the conference's focus on "Reshaping Tomorrow." First, he noted that Singapore has solidified its position as a gateway to serve Asia's growing investment needs. This growth is driven by the burgeoning middle class, an increase in institutional investments, and the continued rise of Private Equity (PE) and Venture Capital (VC) assets in the region.

Second, Mr. Chia stressed the importance of sustainable investments in supporting Asia's growth and decarbonization efforts. With global ESG assets expected to surpass US$40 trillion by 2030, he encouraged asset managers to lead the way in transparency and governance to build investor confidence in ESG funds. He also outlined steps that MAS has taken to regulate and guide ESG practices.

Finally, Mr. Chia discussed the transformative potential of asset tokenization in the investment management sector. With the ability to streamline processes, reduce costs, and increase liquidity, tokenization represents a significant opportunity for innovation. He shared examples of how Singapore-based initiatives, such as the Global Layer 1 (GL1) initiative and Project Guardian, are paving the way for the tokenization of assets and funds.

As the speech concluded, attendees were left with a clear message: the asset management industry is at a pivotal moment, with opportunities to drive change, foster innovation, and create lasting impact.

Panel Discussion 1: Navigating the New Investment Environment

Our first panel discussion "Navigating the New Investment Environment" dived into the key trends affecting the asset management industry amidst the new investment environment.

The panelists discussed the need to rethink the traditional 60/40 portfolio approach. In light of the higher interest rate environment, disruptive technologies, and rising geo-political tensions, the panelists provided asset managers valuable insights and practical advice to navigate these complex trends and remain relevant.

Speakers:
- **Guillaume Lesage**, Deputy CEO, Chief Operating Officer, Amundi
- **Josh Lewin**, Portfolio Strategist, Bridgewater Associates
- **Neeraj Seth**, CIO and Head of Asia-Pacific Fundamental Fixed Income, BlackRock
- **Reza Yamora Siregar**, Special Advisor to the Coordinating Minister for Economic Affairs, Republic of Indonesia

Moderator:
- **Dr Prakash Kannan**, Chief Economist and Director, Economics & Investment Strategy, GIC Pte Ltd.

Panel Discussion 2: Innovative Approaches to Investment Decision Making

As investment strategies and products become more sophisticated, traditional frameworks are no longer adequate enough to measure the full risk and return. Adding climate change into the mix has complicated decision making further – our esteemed panelists discussed the approaches investors can make use of to deal with this rising complexity in the fields of scenario analysis, portfolio optimization, risk management, sustainable investing and artificial intelligence.

Speakers:
- **Dr Allen Kuo**, Chief Investment Officer, Singlife
- **Dr Hens Steehouwer**, Chief Innovation Officer, Ortec Finance
- **Dr Salman Ahmed**, Global Head of Macro- and Strategic Asset Allocation, Fidelity International
- **Vincent Chan**, CFA, Deputy Chief Investment Officer, Fullerton Fund Management

Moderator:
- **Raisah Rasid**, Global Market Strategist, J.P. Morgan Asset Management

Within and outside of the asset management industry, technology trends like generative AI and tokenization have gained significant traction over the past year. Many asset managers are already investing heavily in the space to create new and groundbreaking solutions for their clients.




Masterclass 1

Navigating the Future of Asset Management: Leveraging Generative AI and Large Language Models (LLMs)

Dr Leslie Teo, Senior Director, AI Products, AI Singapore highlighted the **latest advancements and trends in Generative AI**, including its **increasing capabilities, complexity and hallucinations**. He also shared about the impact of AI in the investment landscape from the areas of customer experience, risk assessment and management, fraud detection, process automation, data privacy and security, and regulatory compliance, among many others.



Lucas Bouziat, Business Development Manager Asia at Amundi Technology and Managing Director of Fund Channel Asia, Amundi, together with Stuart Loy, Solutions Architecture Leader, Global Financial Services and Xan Huang, Senior Solutions Architect, Global Financial Services, Amazon Web Services (AWS), shared transformative use cases covering their development of their **in-house Generative AI tools** to showcase how they integrate AI into investment operations and strategies. Following which, they opened the session for a panel discussion regarding the **controversies of AI**.

To find out more, please refer to the detailed lesson plan provided: Navigating the Future of Asset Management: Leveraging Generative AI and Large Language Models (LLMs)

Masterclass 2

The Brave New World of Tokenisation & Blockchain in Asset Management

Amidst all the excitement over tokenisation and blockchain, asset managers need to be well educated to fully capitalise on these nascent technologies. It is imperative to understand the **severity of regulatory and financial repercussions** if we mismanage these new tools.

Alan Lim, Head of the Fintech Infrastructure Office, Monetary Authority of Singapore (MAS), spoke in Masterclass 2 about the key industry pilots and latest innovations shaping the finance sector. He also delved into the four workstreams of MAS' Project Guardian: Fixed Income, Foreign Exchange, Asset and Wealth Management, and Wholesale Common Network.

Marita McGinley, Head of Digital Asset Strategy, Schroder Investment Management (Singapore) Ltd, and Rehan Ahmed, President, Marketnode followed up to demystify blockchain by uncovering its key features and benefits, and the different blockchain types including **Public vs. Private Chains, Smart Contracts and Smart Solutions**. Through various use cases, Rajeev Tummala, Head of Digital, Asia & MENA, HSBC Securities Services then provided insights into the knowledge of the digital assets spectrum, from **cryptocurrencies** to **central bank digital currencies**, to **tokenisation and its benefits**, and **token standards**.

To close off the session, Stephanie Magnus, Principal, Baker McKenzie Wong & Leow gave an overview regarding the global regulatory trends and developments in digital assets.

Lesson plan: The Brave New World of Tokenization & Blockchain in Asset Management

Masterclass 3

Building better portfolios with ETFs

Asset managers need to be vigilant when dealing with the rapid transformations in market dynamics, technology, regulations, and investor preferences. Contextualising existing tools and skill sets becomes important in order to stay relevant and sustainably deliver value to clients.

With the proliferation of ETFs today, how do we pick the right ones that best complement our portfolio? How should we look at unprecedented structural change when it comes to portfolio allocation? What are the financial planning tools available to us to invest in the long term?

Lesson plan: Building better portfolios with ETFs

In Masterclass 3, senior leaders from BlackRock including Christian Obrist, Head of iShares Asia ex-Japan Institutional Distribution, Ivan Wong, Head of iShares Southeast Asia Institutional Distribution, and Sunita Subramoniam, Head of iShares Sustainable Product Strategy, dived into the key drivers fuelling ETF growth globally, sharing how to select the right ETF with considerations and best practices when using ETFs within the portfolio construction. They shared investor case studies to access particular exposures through ETFs, together with Andy Ng, iShares Investment Strategist, Asia Pacific, and Wee Lynn Low, CFA, FRM Index Fixed Income Strategist, Asia ex-Japan.

Masterclass 4

Through the Lens of a CIO: A Masterclass in Asset Allocation

Dr Chiam Swee Chiang, Head, Total Portfolio Policy & Allocation, Economics & Investment Strategy, GIC Pte Ltd, and Dr Salman Ahmed, Global Head of Macro and Strategic Asset Allocation, Fidelity International provided insights into **GIC's analysis of the macroeconomic landscape** and their **multi horizon asset allocation approach** as well as the fundamentals of **Strategic Asset Allocation (SAA)**, respectively, in Masterclass 4. This was followed by an interactive breakout session where participants were guided on how **top-down scenarios** can be implemented into SAA decisions, and at the same time, learn the techniques to adjust assumptions and gain an understanding of how different assumptions used can impact portfolio outcomes.

Lesson plan: Through the Lens of a CIO: A Masterclass in Asset Allocation

Masterclass 5

One-size-fits-all? Democratising wealth at scale

To bring to light the **importance of financial and retirement planning for Singaporeans**, Evy Wee, Head of Regional Financial Planning & Advisory Solutions, DBS Bank gave insight to **open-banking** and the myriad ways banks are leveraging these industry initiatives to deliver more **personalised financial planning services** in Singapore. From J.P. Morgan Asset Management, Stephen Kaplan, Head of Customized Managed Account Solutions, and Jin Yuejue, Asia Head of Investment Specialist, Multi Asset Solutions, has put an asset management spin to the topic to unravel the **history and evolution of multi-asset model portfolios**, why and how they came to be, and its increasing importance in the age of customisation. Through a case study and panel discussion, participants were able to understand the challenges and opportunities ahead for the asset management industry amid the structural shift towards customisation and digitalisation.

Lesson plan: One-size-fits-all? Democratising wealth at scale

Heartfelt Thanks to Our Sponsors

Collaboration and sponsorship opportunities are now available for the IMAS Investment Conference & Masterclass 2025. For more information, please contact the IMAS Secretariat at enquiries@imas.org.sg.

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Learning Outcomes

- Understand the objectives underlying the GIPS Standards
- Be cognizant of the ethical framework and key principles of the GIPS Standards
- Understand the benefits of compliance and verification
- Obtain an overview of the application of GIPS Standards in the context of Singapore regulations
- Explore illustrative examples and use cases of the GIPS Standards

Course Outline

- Introduction
- Objectives
- Ethic Framework behind the GIPS Standards
- Key Principles of the GIPS Standards
- Benefits of Compliance & Verification
- GIPS Standards in the Singapore Context
- Common Challenges
- Best Practices & Practical Tips
- Assessment A: Case Study
- Assessment B: Quiz

Assessment

There will be two Multiple Choice Questionnaire (MCQ) assessments made available to students after completion of the training module.

Both Assessment A: Case Study and Assessment B: Quiz will have 5 questions each. There will be a total of 10 questions and students are required to obtain the minimum passing grade of 70% for both assessments before they are deemed to have completed the training.

This 1-hour module is accredited by IBF as a Core SFA CPD course and eligible for Financial Training Scheme (FTS) funding support. The FTS is available to eligible entities based on the prevalent funding eligibility, quantum and caps. FTS claims may only be made for recognised programmes with specified validity period. Please refer to www.ibf.org.sg for more information.

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