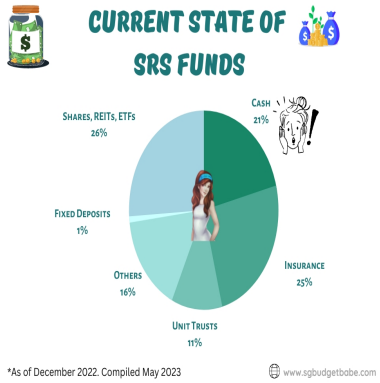


How to Invest Your SRS Funds Easily Through ETFs

Description

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Still sleeping on your SRS funds? This is your wake-up call to do something with them, or slowly watch its value erode especially in todayâ??s high-interest rate environment. If you need to take a reference from what others have already done, hereâ??s what other Singaporeans are investing their SRS in.

Psst, if you didnâ??t already know, the funds in your Supplementary Retirement Scheme (SRS) are only earning 0.05% p.a.

And no, **even though most banks have raised their interest rates over the last 2 years, this does not apply to your SRS account**. Go ahead and check â?? **youâ??re still only earning 50 cents for every $1,000 saved.** If you had maximized your SRS contributions to reduce your income tax, thatâ??s only $7.65 on every $15,300.

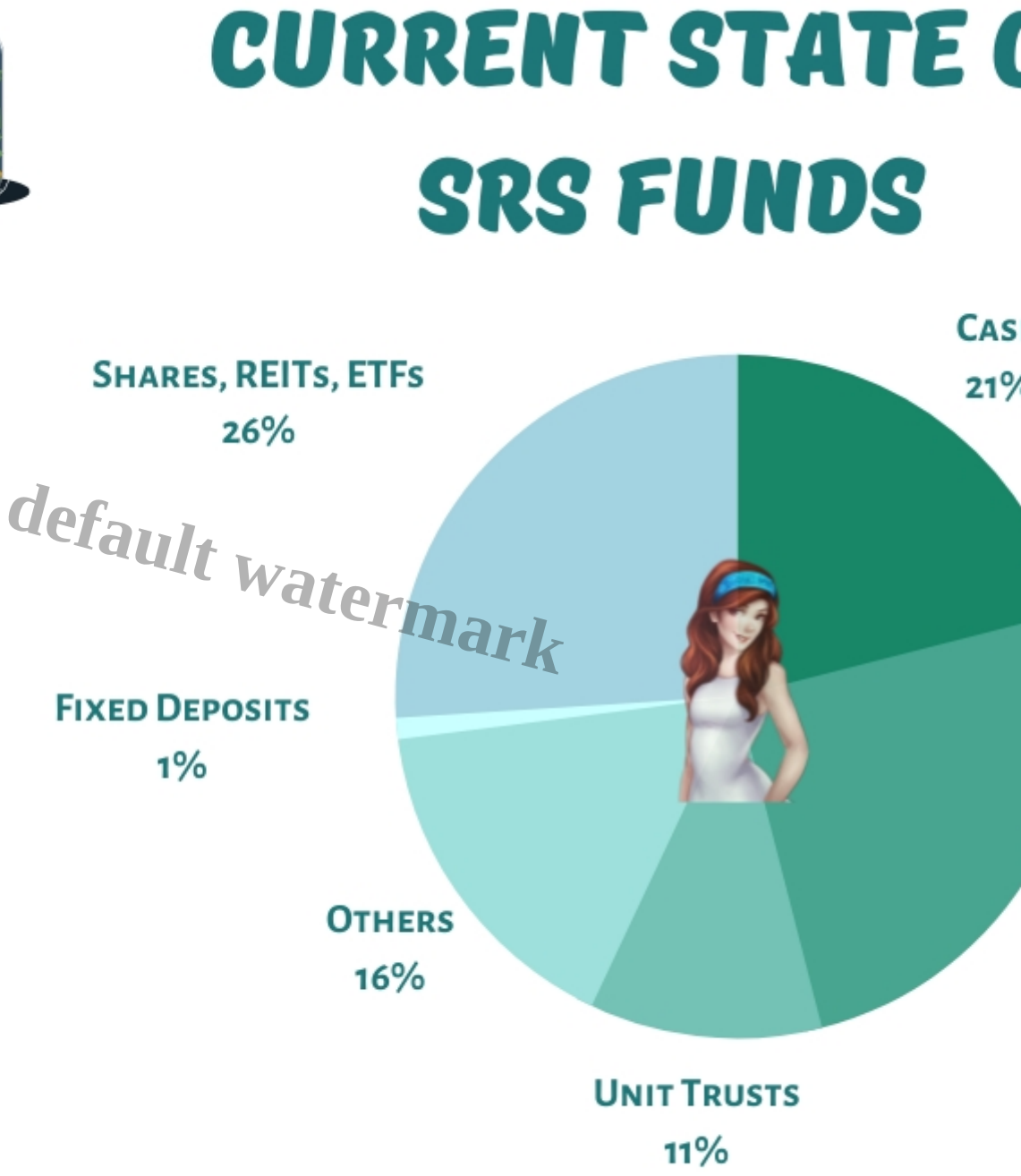
The state of SRS funds today

If youâ??ve been sleeping on your SRS funds, this is a wake-up call to do something with them.

SRS statistics â?? *the latest released by the Ministry of Finance (MOF) just 7 months ago in December 2022* â?? show that the most popular tool among SRS investors are shares, REITS and exchange-traded funds (ETFs), followed by insurance products and unit trusts. **SRS cash inflows into local ETFs have also more than doubled in recent years.** Whatâ??s more, the number of SRS account holders has almost doubled in the last 3 years alone.

However, about 1 in 5 continue to leave their cash sitting idle in their SRS accounts â?? which can be unfortunate because youâ??re only earning 0.05% p.a. interest. If youâ??re among that 21%, this essentially means that your money is losing purchasing power â?? especially in todayâ??s climate where inflation has steadily climbed to more than 5%.





Source: Authorâ??s own, with data referenced from the Ministry of Finance SRS statistics in Dec 2022

ETFs continue to be popular for many SRS investors, and it is easy to see why. Since your SRS funds are likely being parked away for the long run, this also makes it a fuss-free way to get potentially more than what the banks will pay you on your SRS account.

Investing your SRS funds in SGX-listed ETFs

If you donâ??t have the time to do extensive research on individual stocks, then investing in ETFs and unit trusts could be an easier approach.

Between the two, most unit trusts tend to be actively managed, where the fund manager seeks to outperform the index instead of just replicating its performance. As a result, most **unit trusts tend to charge higher** fees, and you can often only buy them through the banks or financial advisors â?? which typically incurs a one-off sales charge and/or redemption charges as high as 5%.

Note: With the rise of disruptive robo-advisory platforms such as MoneyOwl or EndowUs, we now have access to lower cost unit trusts.

On the other hand, ETFs generally tend to track a passive index and are hence able to charge lower fees. For instance, reputable ETF managers â?? such as Nikko Asset Management â?? usually charge fees below 1% p.a.

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As a result, investors seeking a lower-cost approach can consider ETFs over Unit Trusts.

What are the most popular ETFs among SRS investors?



The top traded ETFs by SRS investors YTD.

S/N	Asset Class	Geographical Coverage	Fund Name	SGD Ticker
1	Equity	Singapore	SPDR® Straits Times Index ETF	ES3
2	Equity	China	Lion-OCBC Securities Hang Seng Tech ETF	HST
3	Equity	USA	SPDR® S&P 500 ETF Trust	
4	REIT	Singapore	Lion-Phillip S-REIT ETF	CLR
5	Gold	USA	SPDR® Gold Shares	GSD
6	Equity	Singapore	Nikko AM Singapore STI ETF	G3B
7	REIT	Asia	NikkoAM-StraitsTrading Asia ex Japan REIT ETF	CFA
8	Equity	China	Lion-OCBC Securities China Leaders ETF	YYY
9	Fixed Income	Singapore	ABF Singapore Bond Index ETF	A35
10	Fixed Income	Singapore	Nikko AM SGD Investment Grade Corporate Bond ETF	MBH

As of 25 Nov 2022, SGX Group

https://www.sgx.com/campaign/etf-investing-srs

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Image Credits: SGX

Among the top 10 ETFs traded by SRS investors, 4 of them are managed by Nikko Asset Management, so hereâ??s a closer look:

ETF	Total Expense Ratio (p.a.)
ABF Singapore Bond Index Fund	0.24%
Nikko AM Singapore STI ETF	0.30%
Nikko AM SGD Investment Grade Corporate Bond ETF	0.26%
NikkoAM-StraitsTrading Asia ex Japan REIT ETF (SGD Class)	0.58%

ABF Singapore Bond Index Fund (SGX:A35)

With $1 billion of total assets under management, the ABF Singapore Bond Index Fund is among the largest local bond ETFs since its launch 18 years ago.

Total expense ratio	0.24% p.a.
Underlying benchmark	iBoxx ABF Singapore Bond Index
What it tracks	Singapore dollar bonds issued by the Singapore Government or Singapore Government-linked entities (e.g. Housing Development Board, Temasek, and Land Transport Authority)[1]. The index may also include SGD bonds issued by supranational financial institutions or any other Asian government or quasi-government entities (e.g. Export-Import Bank of Korea)[1].
Distribution Frequency#	Semi-annually (twice a year)

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About 80% of the ABF Singapore Bond Index Fund is invested in bonds issued by the government of Singapore. The other 20% is spread across bonds issued by government linked entities (e.g. HDB, LTA, Temasek and SP Power Assets.)

Read more about how the ABF Singapore Bond Index Fund works here.

Nikko AM Singapore STI ETF (SGX:G3B)

The Nikko AM Singapore STI ETF is another top pick by many SRS investors, as it tracks the return of the top 30 Singapore-listed companies and has been around for 14 years.

Total expense ratio	0.30% p.a.
Underlying benchmark	The Straits Times Index (STI)
What it tracks	The top 30 companies listed on the SGX-ST Mainboard, ranked by full market capitalisation.

Distribution Frequency^	Semi-annually (twice a year)

The STI Index also has one of the highest dividend yields when compared with other global market indices based on the average dividend yield across the last 10 years[2]. It is thus no wonder that this appeals to investors who wish to invest in familiar grounds (Singapore) and yet achieve diversification.

Read more about how the Nikko AM Singapore STI ETF works here.

Nikko AM SGD Investment Grade Corporate Bond ETF (SGX:MBH)

Iâ??d previously reviewed the Nikko AM SGD Investment Grade Corporate Bond ETF a few years ago here on my blog when it was first launched. What makes it attractive is that investors can use it to access investment-grade corporate bonds for as low as S$1*, whereas it would otherwise cost them a minimum of $250,000 just for a single bond issue.

** The Nikko AM SGD Investment Grade Corporate Bond ETF trades in minimum lot sizes of 1 unit, which means that you can get access to the ETF with just approximately S$1 at todayâ??s prices (30 May 2023.) Please note that this is excluding any trading or transaction costs.*

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Total expense ratio	0.26% p.a.
Underlying benchmark	iBoxx SGD Non-Sovereigns Large Cap Investment Grade Index
What it tracks	The performance of SGD denominated investment grade bonds, excluding Singapore Government Securities.
Distribution Frequency^	Semi-annually (twice a year)

The Index comprises of bonds issued by recognizable institutions such as DBS Group, HDB, PUB, HSBC, NTUC Income, Temasek, Lendlease, Singtel[2] and more. Hence, for those looking to get exposure to the corporate bond market without the high sums or higher risk, this might be more accessible.

Read more about how the Nikko AM SGD Investment Grade Corporate Bond ETF works here.

NikkoAM-StraitsTrading Asia ex Japan REIT ETF (SGX:CFA)

As the largest REIT ETF listed on the SGX by fund size, it is no wonder why this is another popular choice among SRS investors.

Total expense ratio	0.58% p.a.
Underlying benchmark	FTSE EPRA Nareit Asia ex Japan REITs 10% Capped Index

What it tracks	The index performance of qualifying REITS (or REIT-type securities) from China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand.
Distribution Frequency^	Quarterly

More people are also investing in REIT ETFs, which has resulted in the total combined assets under management (AUM) more than doubling within the last 3 years alone, with retail investor ownership overtaking institutional investors. *This notable trend was first reported in The Business Times on 31 March 2023.*

Read more about how the NikkoAM-StraitsTrading Asia ex Japan REIT ETF (SGD Class) works here.

What if I donâ??t have an SRS account?

Of course, if you havenâ??t opened an SRS account because you donâ??t have the need for one yet, you can also invest in the above funds directly as they are tradable on the Singapore Exchange.

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Whatâ??s more, Singaporeans can also invest using your CPF funds, as the above funds are CPFIS-included investments.

Check out the full list of investments included under the CPFIS here.

Conclusion

Even as we work to increase our take-home salaries, I believe that more Singaporeans should consider using the SRS as a way to legitimately reduce their taxes.

However, with about 1 in 5 people simply leaving their cash idle in the SRS account, this is not idealâ?¦especially in todayâ??s environment of rising interest rates.

If youâ??re among that 21%, please start to look into your various investment options and explore what would be suitable for you. For more details on what you can invest your SRS funds in (and my preferred SRS investment choices), check out this article.

Thinking of investing your SRS funds? As a reputable asset manager in Asia, Nikko Asset Management offers a wide variety of ETFs for retail investors to choose from with a low fee to help you keep your investment costs low.

Sponsored Message

Find out more about how to invest in Nikko Asset Management ETFs using your SRS here.

More details on the ETFs covered in this article can be found here:

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Disclosure: This post is brought to you in collaboration with Nikko Asset Management. *All research and opinions are that of my own. I highly recommend that you use this as a starting point to understand more about the various ETFs offered by NikkoAM which you can use for SRS and CPF investing, and then click into the respective links above to retrieve the fund prospectus and performance so as to help you decide whether it fits into your investment objectives.*

The Central Provident Fund (â??CPFâ?•) Ordinary Account (â??OAâ?•
) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks' interest rates, whiche
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) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is hi
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). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest r

Distributions are not guaranteed and are at the absolute discretion of the Manager. Any distribution is expected to result
^Distributions are not guaranteed and are at the absolute discretion of the Manager. Any distribution is expected to result i

1
Reference to individual securities are for illustrative purposes only and does not guarantee their continued inclusion in th

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Source: Bloomberg as of 28 February 2023. The global indices mentioned here are Hang Seng Index, Topix Index, S&P 500 Index,

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