

**CPF INVESTMENT SCHEME (CPFIS)  
PROFITS/LOSSES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011**

**INTRODUCTION**

This report captures the performance of investments held under CPFIS for the financial year ended **30 September 2011** (FY 2011). It is divided into 2 sections:

- (I) The realised profits/losses for investments held under CPFIS-OA; and
- (II) The unrealised profits/losses for all investments held under the CPFIS.

**SECTION (I): THE REALISED PROFITS/LOSSES FOR INVESTMENTS HELD UNDER CPFIS-OA**

**Summary**

Realised profits/losses are profits and losses of CPF investors who have sold their CPFIS-OA investments during the reporting period. CPFIS-OA investors had performed better in FY 2011 relative to FY 2010. The total number of CPFIS-OA investors who realised profits or losses in FY 2011 increased slightly to 896,100 from 894,300 in FY 2010.

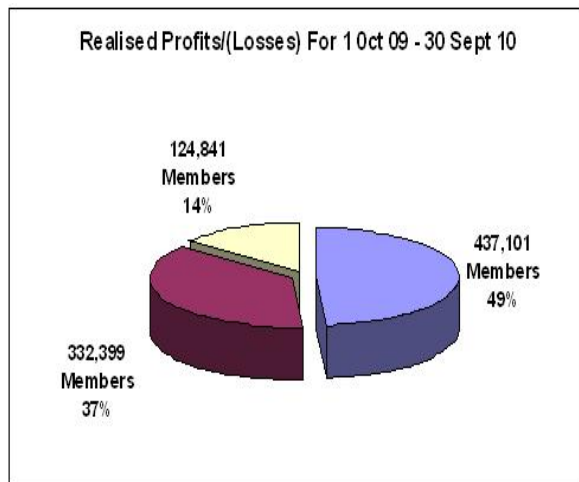
For FY 2011, about 152,100 members (17% of the total CPFIS-OA investors in FY 2011) made net realised profits<sup>1</sup> in excess of the OA interest rate of 2.5%<sup>2</sup>. This is a rise of 3 percentage point from 124,800 members (14% of total CPFIS-OA investors in FY 2010) who netted profits in FY 2010.

The number of members who made realised profits equal to or less than OA rate increased to 344,300 members in FY 2011 (38% of total CPFIS-OA investors) from 332,400 members (37%) in FY 2010.

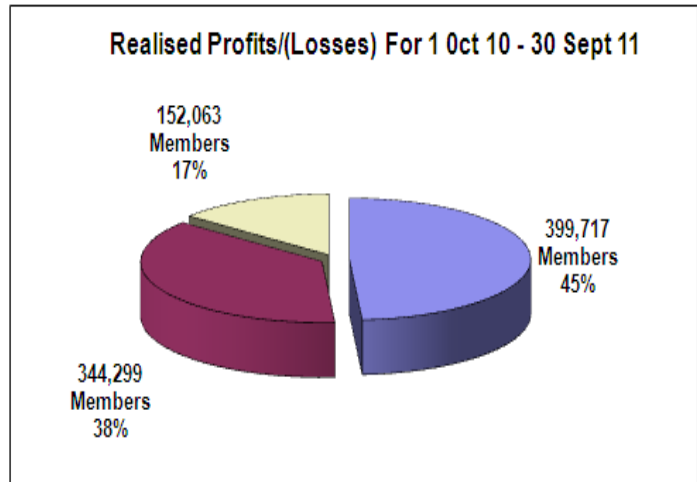
About 399,700 members in FY 2011 (45% of total CPFIS-OA investors) made realised losses. This is a 4 percentage points improvement in comparison to about 437,100 members (49% of total CPFIS-OA investors) making realised losses in FY 2010.

The details are summarized in the pie charts below:

**Chart 1**



**Chart 2**



- Members with losses [ie. <0%]
- Members with profits of less than or equal to 2.5% [ie. 0% to 2.5%]
- Members with profits of more than 2.5% [ie. >2.5%]

<sup>1</sup> The realised profit figure is after expenses such as investment transaction charges and agent banks' service charges.

<sup>2</sup> The prevailing CPF interest rate of 2.5%, which is computed monthly and compounded annually, is applied to the net amount of CPF savings withdrawn for investments, which includes investment instruments which were still being held as at 30 September 2011 (eg. insurance policies and bank deposits which have not reached maturity, and shares and unit trusts which have not been sold).

## **SECTION (II): THE UNREALISED PROFITS/LOSSES FOR ALL INVESTMENTS HELD UNDER CPFIS**

### **Summary**

The unrealised profits/losses report gives the indicative profits/losses if all investments held under the CPFIS-Ordinary Account (CPFIS-OA) and CPFIS-Special Account (CPFIS-SA) at the end of the reporting period were sold off at the prevailing market prices. They are unrealised because the CPFIS investors have not sold their investments. The details are set out in **Table 1** below. A glossary of the terms used and some explanatory notes are given at the end of the report.

The commentary below captures the salient points observed in members' investment preferences and the market value movements of the CPFIS instruments in FY2011.

### **A. Change in Number of Members**

During the year ended 30 September 2011, fewer CPF members invested in insurance products comprising endowment policies, annuities and investment-linked insurance products (ILPs). There was a net decrease of about 21,400 members (-5.0%) and 28,400 members (-6.7%) for CPFIS-OA and CPFIS-SA respectively. Unit trusts also registered a drop in the number of members investing in them, decreasing by 10,200 members (-6.3%) and 8,100 members (-7.4%) for CPFIS-OA and CPFIS-SA respectively. There was decrease in the number of members investing in shares (-1.1%) and bonds (-3.4%) under CPFIS-OA.

On the other hand, there was an increase in about 1,100 (+4.9%) members who invested in property funds; about 200 (+10.6%) members who invested in exchange traded funds and about 300 (+14.9%) members who invested in gold as compared to the previous year.

### **B. Change in Amount Invested**

The total amount invested under CPFIS-OA and CPFIS-SA as at 30 September 2011 was \$24.2 billion and \$6.7 billion respectively and decreased by about 1.2 billion (-4.7%) and \$0.6 billion (-8.2%) respectively compared to \$25.4 billion and \$7.3 billion one year ago.

During the year, the amount invested in insurance products also saw a decrease of about \$905.9 million (-5.6%) and \$477.3 million (-8.2%) under CPFIS-OA and CPFIS-SA respectively. The amount invested in unit trusts under CPFIS-OA and CPFIS-SA decreased by about \$307.6 million (-6.7%) and \$128.0 million (-9.0%) respectively. Outflow of funds from shares and bonds from CPFIS-OA was about \$31.4 million (-0.7%) and \$1.3 million (-7.5%) respectively.

On the other hand, there was an increase in the amount invested in property funds, exchange traded fund and gold under CPFIS-OA by \$17.2 million (+12.2%), \$8.0 million (+24.6%) and \$3.3 million (+20.6%).

### **C. Market Value Movements**

Uncertainty and volatility of the market caused investors to be jittery during the year. The trio of worsening sovereign debt crisis in the Euro-zone, concern on the US economy and the heightened possibility of a global economic slowdown had taken a toll on the investor sentiment and triggered a shift from risk taking behavior. Over the past year, equity indices such as MSCI World index and MSCI Asia ex-Japan Index suffered their steepest quarterly drop in this quarter (i.e. - 11.38% and - 15.88% respectively), rendering their one-year performance in the red at -4.73% and -15.13% respectively. Straits Times Index (i.e. the Singapore Equity Index) was not spared and dropped by 13.64% for the year ended 30 September 2011. On the other hand, safe-haven assets gained favor in investors' eyes. Gold prices reached all-time high in early September. Fixed income indices such as Citigroup WGBI gaining 3.63% and UOB Singapore Government Securities All 1+ Years gaining 4.42% over the year pointed towards risk aversion. Charts 3 and 4 show the unrealised profits/losses (%) of the various instruments under CPFIS-OA and CPFIS-SA.

Chart 3: CPFIS-OA

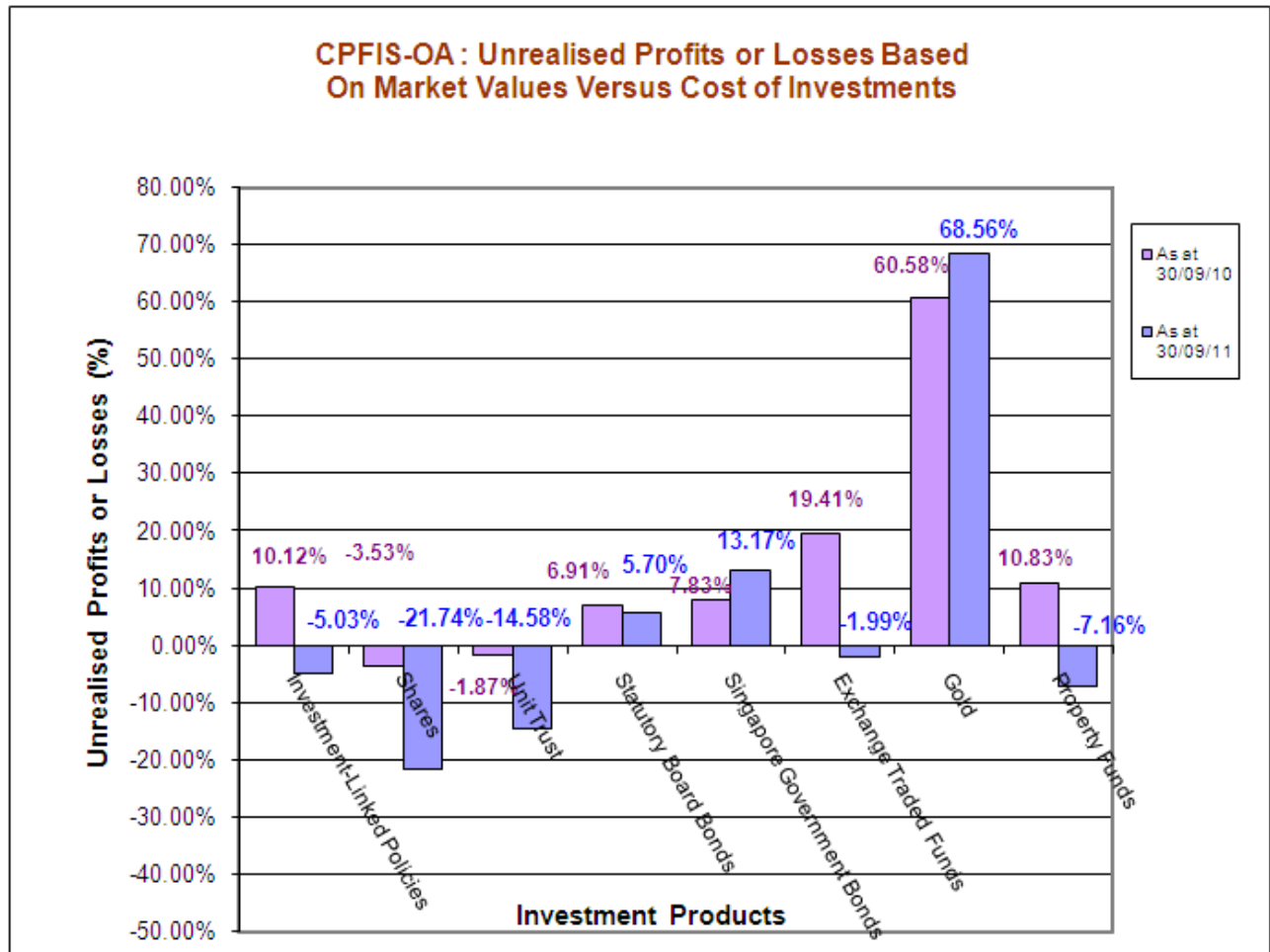
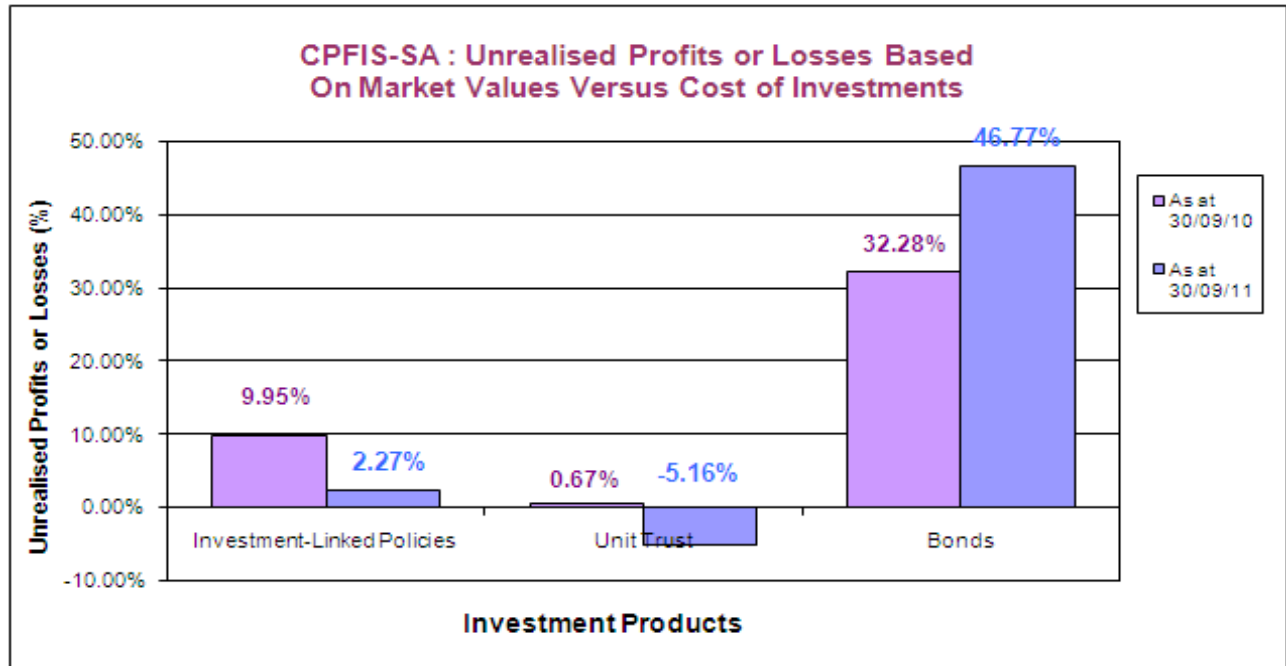


Chart 4: CPFIS-SA



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**Table 1: Indicative Market Value and Unrealised Profits & Losses of Investments held under CPFIS-OA/SA For The Year Ended 30 September 2011**

CPFIS - Ordinary Account (as at 30.09.2011)	Total No. of Members			Total Cost of Investment			Total Market Value			Total Unrealised Profits/Losses				
	Current Year (no. of members)	Change for the Year		Current Year \$million	Change for the Year		Current Year \$million	Change for the Year		Current Year \$ million	Change for the Year \$ million	Previous Year %	Current Year %	Change %
		No. of members	%		\$ million	%		\$ million	%					
Insurance	406,900	(21,400)	(5.00%)	15,290.23	(905.92)	(5.59%)	NA	NA	NA	NA	NA	NA	NA	NA
Endowment policies	♦	♦	♦	6,722.27	(583.54)	(7.99%)	NA	NA	NA	NA	NA	NA	NA	NA
Annuities	♦	♦	♦	167.78	6.15	3.81%	NA	NA	NA	NA	NA	NA	NA	NA
Investment Linked Policies	♦	♦	♦	8,400.18	(328.53)	(3.76%)	7,977.27	(1,634.68)	(17.01%)	(422.92)	(1,306.15)	10.12%	(5.03%)	(15.15%)
Shares	228,100	(2,600)	(1.13%)	4,372.50	(31.38)	(0.71%)	3,421.74	(826.60)	(19.46%)	(950.76)	(795.22)	(3.53%)	(21.74%)	(18.21%)
Unit Trusts	151,500	(10,200)	(6.33%)	4,267.03	(307.64)	(6.72%)	3,644.78	(844.33)	(18.81%)	(622.25)	(536.68)	(1.87%)	(14.58%)	(12.71%)
Fixed Deposits	500	♦♦	(3.32%)	6.17	(0.62)	(9.06%)	NA	NA	NA	NA	NA	NA	NA	NA
Bonds	600	♦♦	(3.44%)	16.21	(1.32)	(7.53%)	17.49	(1.31)	(6.97%)	1.28	0.01	7.23%	7.88%	0.65%
Statutory Board Bonds	500	♦♦	(2.61%)	11.48	0.04	0.40%	12.13	(0.10)	(0.75%)	0.65	(0.14)	6.91%	5.70%	(1.22%)
Singapore Government Bonds	100	♦♦	(7.14%)	4.73	(1.37)	(22.40%)	5.36	(1.22)	(18.55%)	0.63	0.15	7.83%	13.17%	5.34%
Exchange Traded Funds	1,600	200	10.58%	40.26	7.94	24.59%	39.46	0.87	2.25%	(0.80)	(7.08)	19.41%	(1.99%)	(21.41%)
Gold	2,400	300	14.86%	19.31	3.30	20.59%	32.56	6.84	26.58%	13.25	3.55	60.58%	68.56%	7.98%
Property Funds	23,800	1,100	4.85%	158.63	17.24	12.19%	147.28	(9.42)	(6.02%)	(11.35)	(26.67)	10.83%	(7.16%)	(17.99%)
<b>CPFIS - Special Account (as at 30.09.2011)</b>														
Insurance	394,700	(28,400)	(6.71%)	5,377.84	(477.28)	(8.15%)	NA	NA	NA	NA	NA	NA	NA	NA
Endowment	♦	♦	♦	849.98	(197.60)	(18.86%)	NA	NA	NA	NA	NA	NA	NA	NA
Annuities	♦	♦	♦	8.65	0.91	11.66%	NA	NA	NA	NA	NA	NA	NA	NA
Investment Linked Policies	♦	♦	♦	4,519.21	(280.59)	(5.85%)	4,621.94	(655.64)	(12.42%)	102.73	(375.04)	9.95%	2.27%	(7.68%)
Unit Trusts	100,600	(8,100)	(7.42%)	1,296.94	(128.01)	(8.98%)	1,230.05	(204.39)	(14.25%)	(66.89)	(76.38)	0.67%	(5.16%)	(5.82%)
Bonds	♦♦	♦♦	0.00%	0.02	(0.01)	(4.16%)	0.04	0.00	6.34%	0.02	0.00	32.28%	46.77%	14.49%

## Glossary

### *Definitions to terms used:*

1. **Amount Invested** – the amount invested in investments that are still held by members as at 30 September 2011. The investment could be made anytime on or before 30 September 2011.
2. **Endowment policies** – life insurance policies that pays a benefit on total and permanent disability (TPD) and/or death during a defined period, or on survival at maturity date, at the end of the policy period, or at earlier dates before maturity of the policy.
3. **Annuities** – policies that guarantee payment of regular periodic installments after a deferment period or at the next payment interval after purchase.
4. **Investment-linked policies** – life insurance policies that pay a benefit only on TPD or death and has a cash value based on the price of the underlying assets credited to the policy.
5. **Bonds** – debt instruments issued for a period of more than one year with the purpose of raising capital by borrowing. When an investor buys a bond, he becomes a creditor of the issuer.
6. **Exchange Traded Funds** – funds that track an index but can be traded like a stock on the Singapore Exchange.
7. **Gold** – includes gold certificates, gold saving accounts, physical gold held by the Agent Banks and gold exchange traded fund.
8. **Property Funds** – a corporation or trust that uses the pooled capital of many investors to purchase and manage income property. Also known as Real Estate Investment Trusts, or REITs. REITs included under the CPFIS-OA are traded on the Singapore Exchange just like shares.

### Explanatory Notes on Tables 1:

- a. ◆ The actual breakdown of the number of members by insurance products is not available. The breakdown of the amount invested presented in the table for insurance under CPFIS-OA is obtained by assuming that the amount invested for endowment policies, annuities and ILPs are in proportion to the premiums paid as reported by insurers.
- b. For endowment, annuity policies and fixed deposits, market value is not applicable (N.A) as members would tend to hold these investments to maturity.
- c. The number of members that invested in each of the instruments is rounded to the nearest hundred. ◆◆ denotes less than 100 members. As some members have invested in more than one investment instrument, the total number of members that have invested under the CPFIS-OA or CPFIS-SA respectively are not the same as the total number of members that have invested in each type of instrument.
- d. For CPFIS-OA, the computation of the unrealised profits/losses does not take into account dividends, interest, coupon payments and other payouts, as well as costs like agent bank charges.
- e. In computing the unrealised profit in percentage term for statutory board bond and Singapore Government Bond under CPFIS-SA, interest income received was offset against the cost of investment.
- f. Figures in the table are rounded to the nearest million (2 decimal places). The figures may not add up to the totals shown because of rounding differences.

## RETURNS FOR MAJOR INDICES FOR THE YEAR ENDED 30 SEPTEMBER 2011

Indices	Proxy for	Return (%)
STI INDEX	Shares and Exchange Traded Fund	-13.64%
FTSE ST REAL ESTATE INVESTMENT TRUSTS INDEX	Property Funds	-14.22%
SINGAPORE GOVT BOND INDEX	Singapore Government Bonds	4.54%
MSCI WORLD INDEX	World Equities	-4.73%
CITIGROUP WGBI INDEX	World Bonds	3.63%

### Market Indices

A market index is a method of tracking the price movements of a group of financial securities. For example, there are various stock market indices, bond market indices and commodity market indices. A particular index may be broad in scope (e.g. tracking a large group of stocks across different countries) or narrow (e.g. tracking selected stocks in a particular industry).

Market indices are typically used:

- To determine trading trends. As a stock market index is a proxy (or substitute) for the total price changes of all the stocks in that index, it acts as an indicator of the performance of that particular market. Indices that are updated throughout the trading day allow investors to track the trends in market price movements. Generally, investors are able to discern how the market is faring by looking at the index.
- As a performance benchmark (or measuring stick). An index can act as a point of reference by which the relative performance of a particular investment can be determined. E.g. if you achieved a 10 percent return on an investment but a benchmark has achieved 15 percent, it means that you have under-performed your benchmark by 5 percentage points. Many investors however are more concerned with absolute returns rather than relative returns – it is little consolation to make a smaller loss than the loss suffered by a benchmark!