



Wealth Insights 2020: Milestones, Investor Behaviour, Covid-19, CPF, and more

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Endowus

Foreword by Greg & Sam

Since our public launch in October 2019, Endowus has been hard at work, racing toward a better wealth and investment experience for everyone. We are committed to building solutions to help people invest better, so they can live easier today, and better tomorrow.

Today, Endowus is proud to be the first and only digital advisor for Singapore's Central Provident Fund (CPF), Supplementary Retirement Scheme (SRS), and cash savings—helping everyone invest intelligently, conveniently, and holistically—at a low and fair cost.

It has been an eventful year with some major milestones for our community and our firm. Here are some highlights:

- Standing behind our clients during **a global pandemic**—through unprecedented market turbulence, employment insecurity, and economic slowdown—with our unwavering, evidence-based investment philosophy
- Introducing and providing exclusive, first and only access to **Vanguard-managed passive index funds for CPF** at the lowest achievable cost
- Launching **Cash Smart**, our innovative cash management solution that helps our clients manage their cash with higher yields, no lock-ups, and no limits
- Unveiling **Fund Smart**, a new way for clients to build their own customised portfolios using top fund managers—such as PIMCO, Dimensional, and Vanguard
- Providing **100% trailer fee rebates** (rebating product provider kickback commissions) to lower clients' costs further—an industry-first innovation
- Structuring our business in a way that ensures the **safety and security** of client assets
- Releasing a long-awaited **mobile app** to match the ease and usability of our popular web interface
- Promoting financial literacy and providing investor education through a range of offerings, including: **Endowus Live, Insights, and Investing 101**

There is much more to do, but we are excited to share some insights from the past year, touching on the following:

- Our unwavering, **evidence-based investment philosophy**
- Investor behaviour during **Covid-19 market volatility**
- The **safety and security** of client assets
- **Client insights**: an analysis of the investor
- Enhancing the **investment experience** for everyone
- Our **education-first approach** to wealth

Sincerely,

A handwritten signature in dark ink, appearing to read 'Greg', with a stylized, flowing script.

Gregory Van
Founding Partner

A handwritten signature in dark ink, appearing to read 'Sam', with a horizontal line underneath.

Samuel Rhee
Chairman & Chief Investment Officer

An unwavering, evidence-based investment philosophy

2020 has experienced unprecedented market volatility: in the first half alone, we saw the global stock market swing by more than 30% either way while the world economy came to a standstill. In the midst of this volatility and disruption to people's daily lives, Endowus has remained steadfast in its investment philosophy to help clients grow wealth for the long-term towards their goals. More importantly, Endowus clients stayed the course as well, not reacting to short term market fluctuations, and ultimately being rewarded for it.

Despite the tumultuous market conditions, in the past 12 months we experienced an **over 20x increase in the number of clients investing with Endowus** and an **over 7x increase in assets under advice**—a testament to our clients' understanding of, and belief in, Endowus' evidence-based investment philosophy.



We have also made meaningful enhancements to our CPF and Cash/SRS portfolios. The rationale behind these recommended changes was not to time the market or make bets on different asset classes—all evidence shows that this is not possible to do consistently with a high probability of success, and the markets in 2020 have proven this point again.

Instead, we continuously screen suitable funds that are efficient in offering you diversified exposure at a lower cost, with improved risk-adjusted returns, thus allowing you to remain globally diversified while staying true to a consistent global equities and fixed income allocation suitable for your long-term goals.

Some funds that have been launched in our model portfolios in 2020:

Vanguard-managed Infinity

Global Stock Index Fund
S&P 500 Stock Index Fund

*Endowus is the **exclusive distributor** of
these funds for CPF monies*

Dimensional

Pacific Basin Small Companies

Dimensional

Emerging Markets Large-cap Core Equity

Dimensional

Global Core Fixed Income Fund

PIMCO

GIS Income Fund Institutional Share-Class SGD-Hedged



Vanguard®



Dimensional

PIMCO®

As a digital-first investment advisor, we can systematically propose recommended changes to you, while giving you full control over whether you would like to accept our recommendations. This differs from many robo-advisors in the industry today that actively manage and alter your asset allocation, attempting to time the market at their own discretion.

Endowus portfolios are made up of products that are **suitably diversified, optimised for estate tax risks, currency and currency-hedging efficient, and dividend withholding tax efficient**. We will continue giving you access to the best investment products so you can safely get the most return out of the compensated risk you take.

We are here to cut through the clutter for you, so you can live easier today, and be better prepared for the future.

“We embarked on a mission to simplify the complex problem of investing and take away the heavy burden of worrying about long-term financial planning.”

“We want you to be able to design and live the life you want by achieving your financial goals through Endowus.”

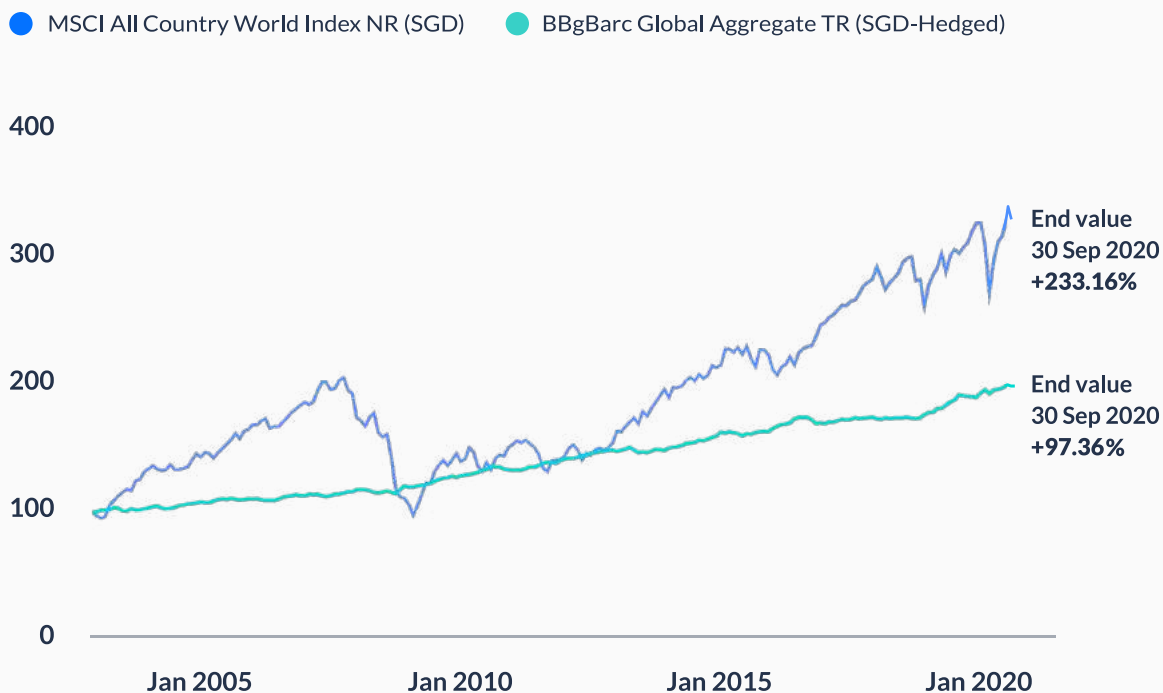
— SAMUEL RHEE
CHAIRMAN & CHIEF INVESTMENT OFFICER OF
ENDOWUS

Investor behaviour during Covid-19 market volatility

February to March 2020 saw the biggest correction in global capital markets since the 2008-2009 global financial crisis. It was also the shortest bear market in history. The sharp volatility created major dislocations in markets and impacted short-term performance. Like Singapore as a whole, Endowus was tested during this difficult time. But thanks to our clients' trust in our investment philosophy, their financial security (and our firm) have emerged stronger.

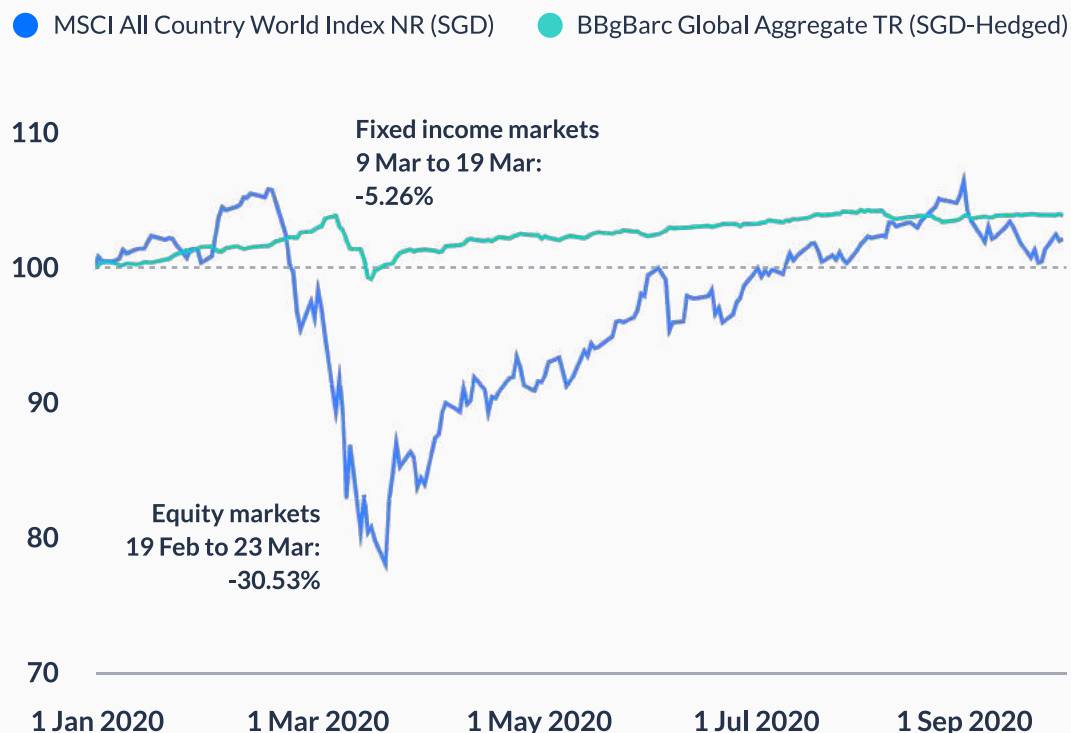


Global Equity and Fixed Income Markets (Jan 2003 - Sep 2020)



Source: Morningstar

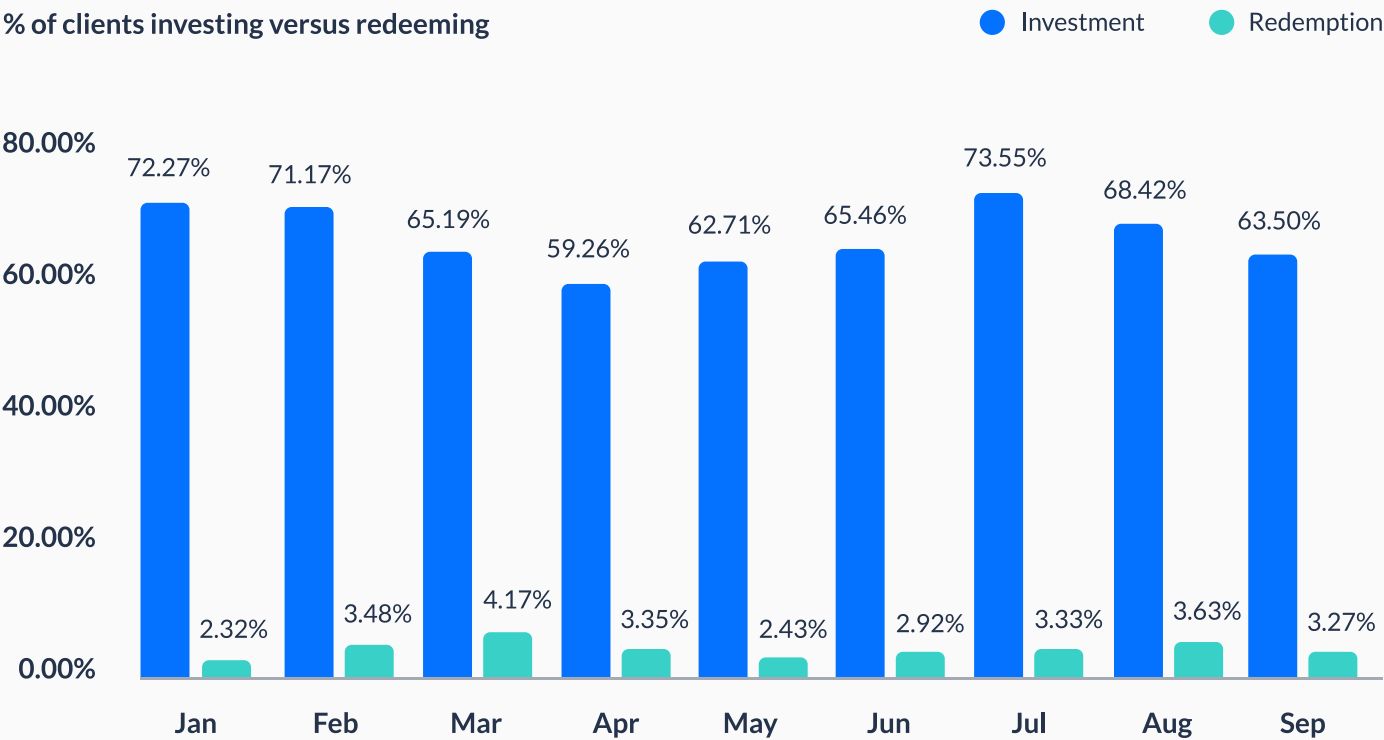
Global Equity and Fixed Income Markets (Jan 2020 - Sep 2020)



Source: Morningstar

Yet during this unprecedented time, we saw little change in client activity and behaviour. This suggests that clients kept to their goals and did not modify their risk allocation because of market volatility, fear, or greed. As a long-term and goal-based investment platform, we view this as a great achievement for both our clients and our firm. Here is what we observed:

Investment behaviour: Asset flows (Jan 2020 - Sep 2020)



Source: Endowus

Observation

The percentages of clients making investments versus redemptions among all clients showed only mild fluctuations through the market volatility.

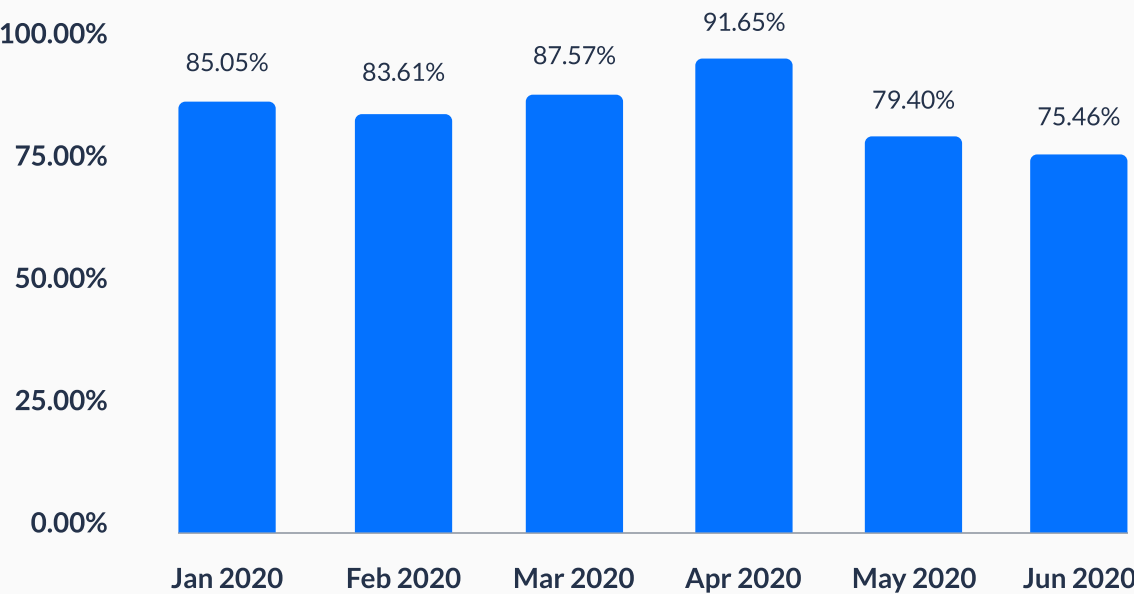
Investments remained consistently high and redemptions remained consistently low, with relatively little change over the period.

Conclusion

Clients were mostly unfazed and remained steadfast in their investment plans during Covid-19 induced market volatility.

Investment behaviour: Login frequency (Jan 2020 - Jun 2020)

% of clients who log in 10 times or less per month



Source: Endowus

This graph omits third quarter data to control for our mobile app launch which skews the log in figures during that time

Observation

A large majority of clients log in fewer than 10 times per month, and this continued through the height of the Covid-19 volatility.

Conclusion

Clients were not overly concerned with the market volatility and downturn, but instead recognized that a sound investment strategy can help them ride out the turbulence in the long run.

The safety and security of client assets

In March this year, Smartly, one of the first robo-advisors in Singapore exited the market. Their clients had to liquidate their holdings within a certain period of time before the company and its related business entities ceased operations. Understanding the way your assets are held and how your wealth advisor works with their partner broker is extremely important.

With that, we want to reassure you that every Endowus account has a separate account created in the client's own name at UOB Kay Hian, Singapore's largest broker. This is a commitment to our clients despite the incremental costs and reconciliation efforts we bear to keep client accounts segregated.

In this double ledger system, your assets and transactions are recorded by Endowus and UOB Kay Hian in your own name.



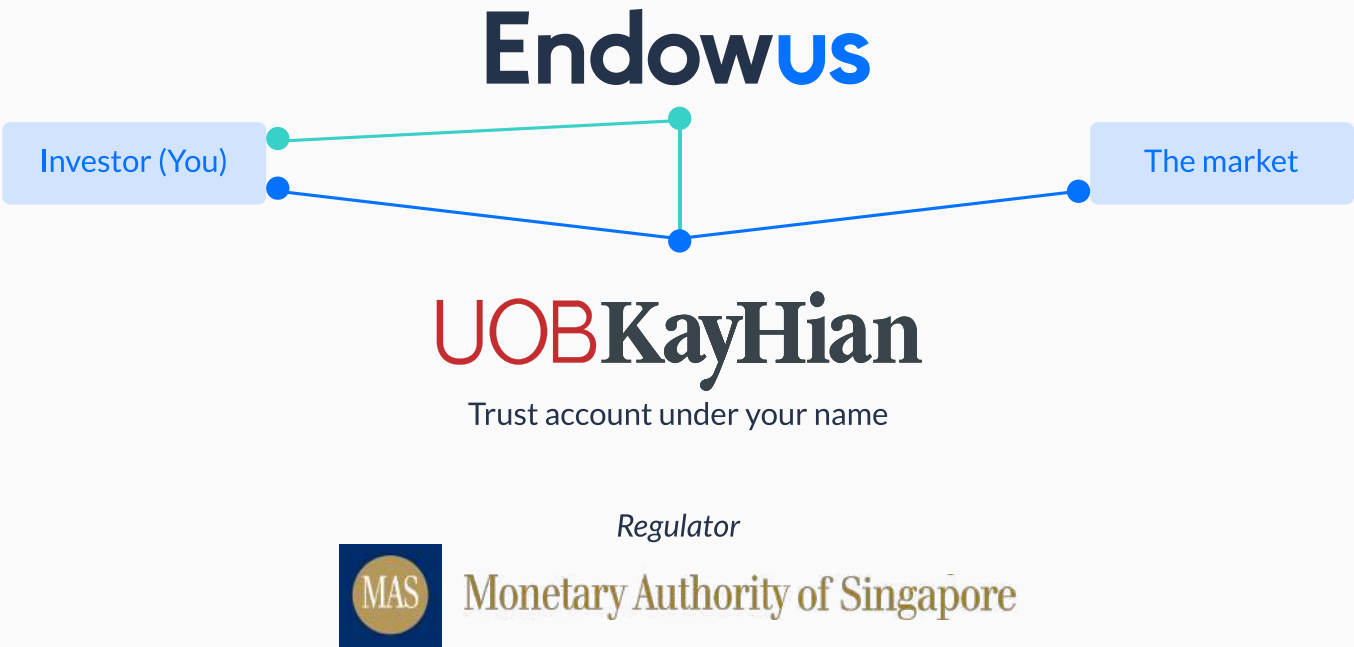
As such, in the unlikely event that Endowus ceases to operate, you will maintain full access to your UOB Kay Hian account. You can keep your UOB Kay Hian account for as long as you want, and redeem your investment holdings at any time you choose.

Endowus and UOB Kay Hian are both licensed entities by the Monetary Authority of Singapore.

How we keep your assets secure: Endowus never touches your money

Endowus x UOB Kay Hian Double Ledger System: Money and information flow

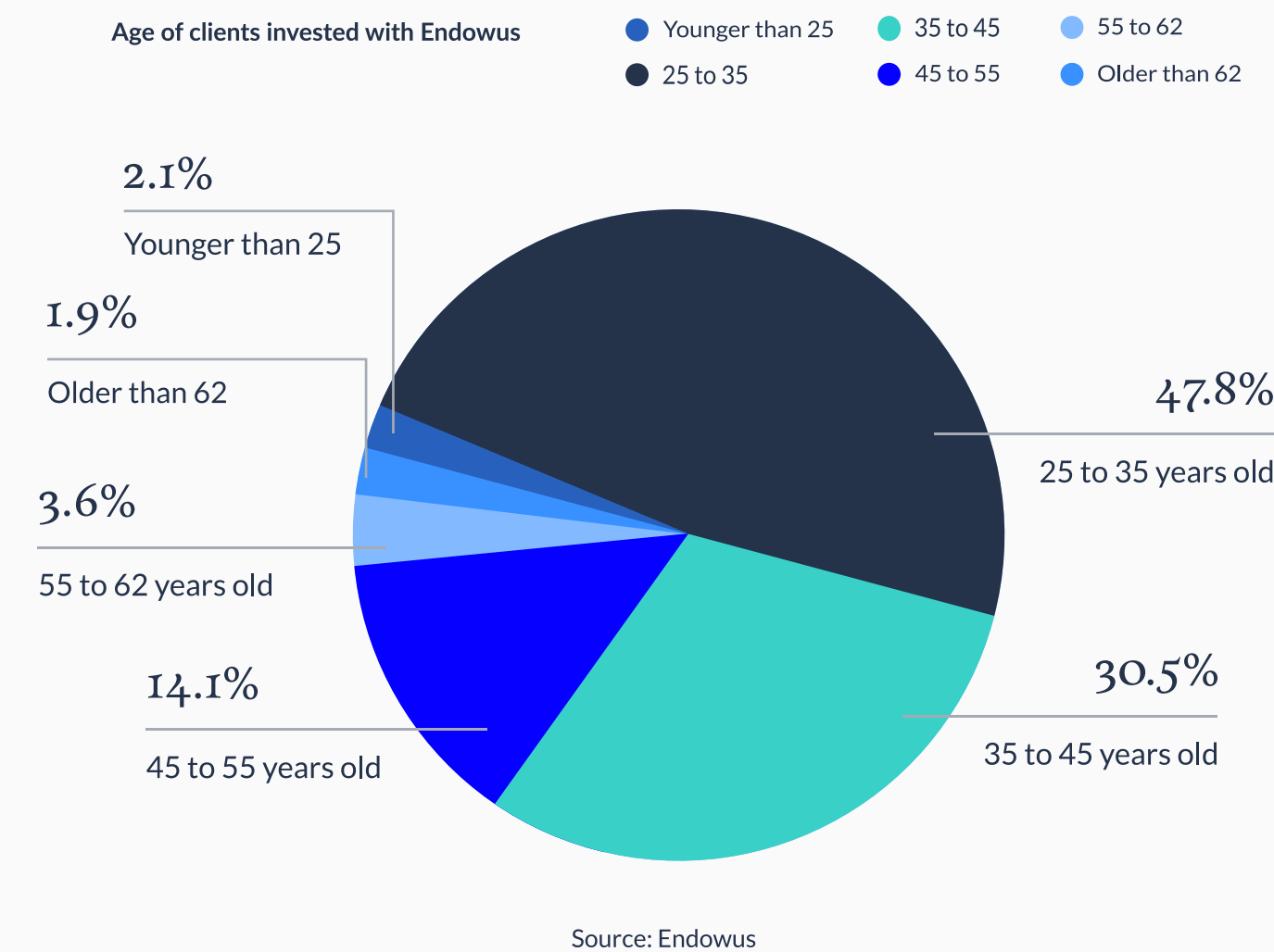
● Money Flow ● Information Flow



Source: Endowus

Client insights: an analysis of the investor

A wealth solution that caters to all ages



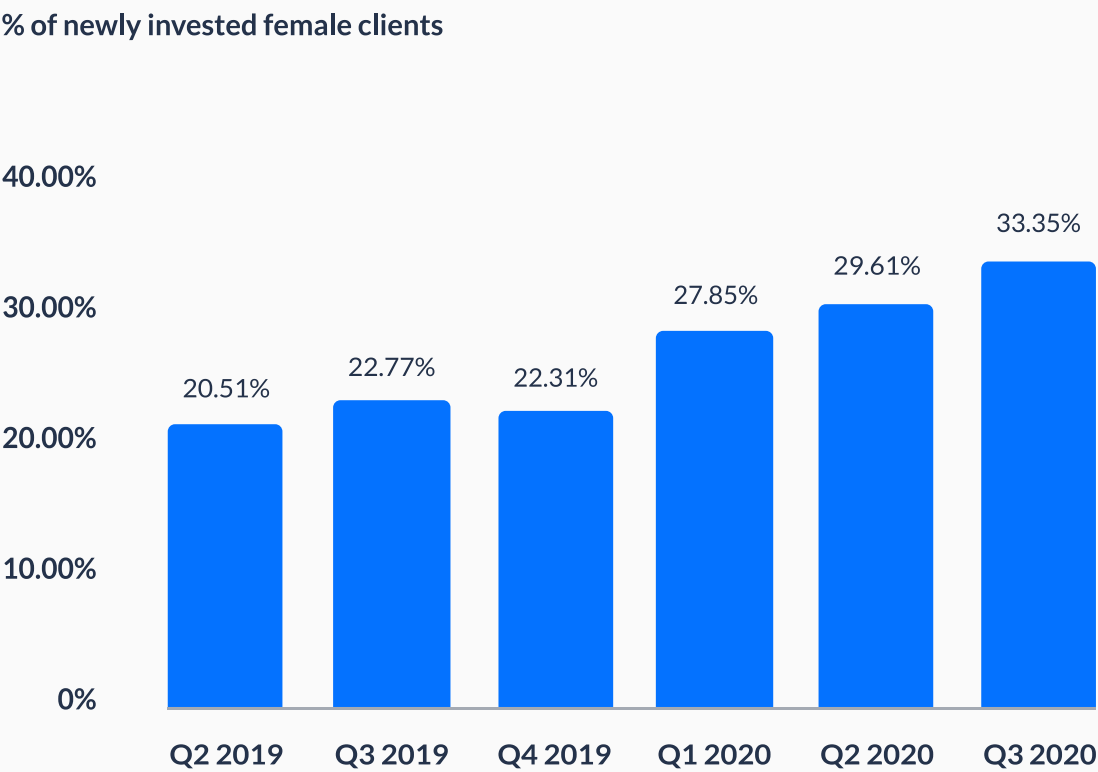
Observation

Client ages are wide-ranging, evenly split above and below 35 years old

Conclusion

Adoption of a digital-first investment and advisory platform like Endowus is highly applicable for all ages

Growing interest towards investing among female clients



Source: Endowus

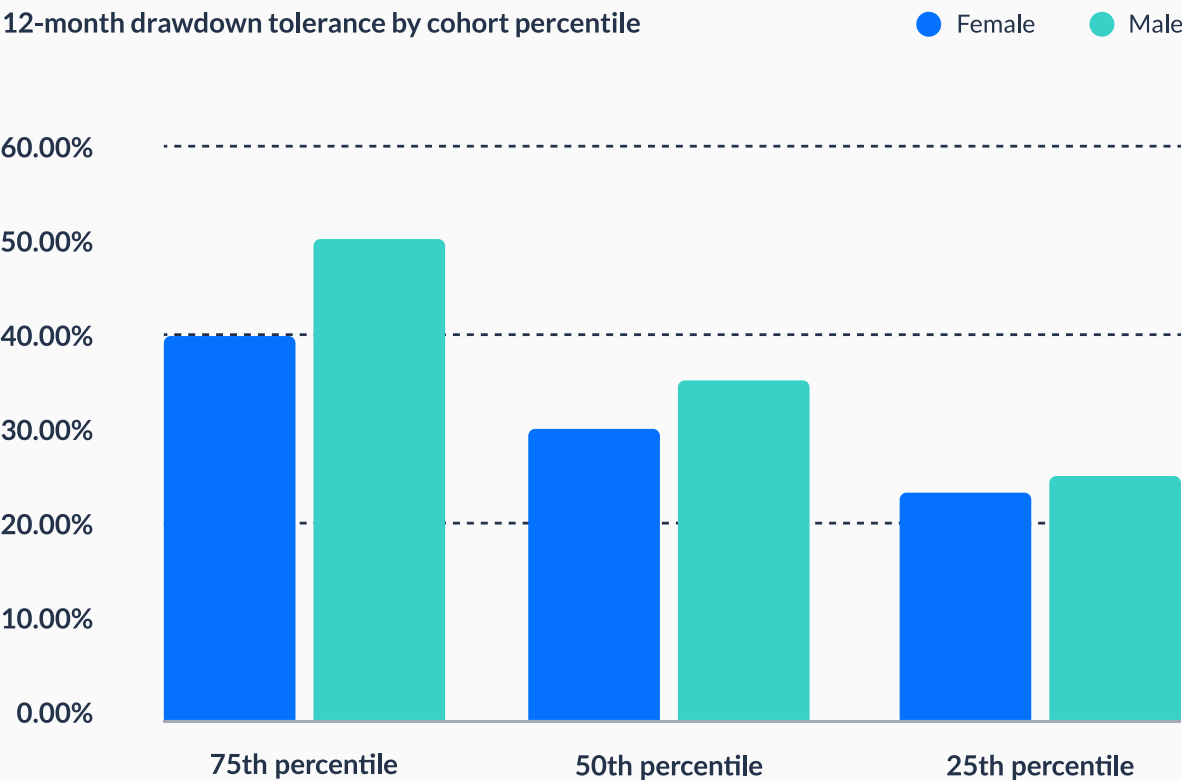
Observation

The percentage of newly invested female clients is steadily increasing over time.

Conclusion

Though there are signs of greater participation, more must be done to increase the number of females participating in long-term wealth management.

Loss tolerance difference between men and women across the platform



Source: Endowus

Observation

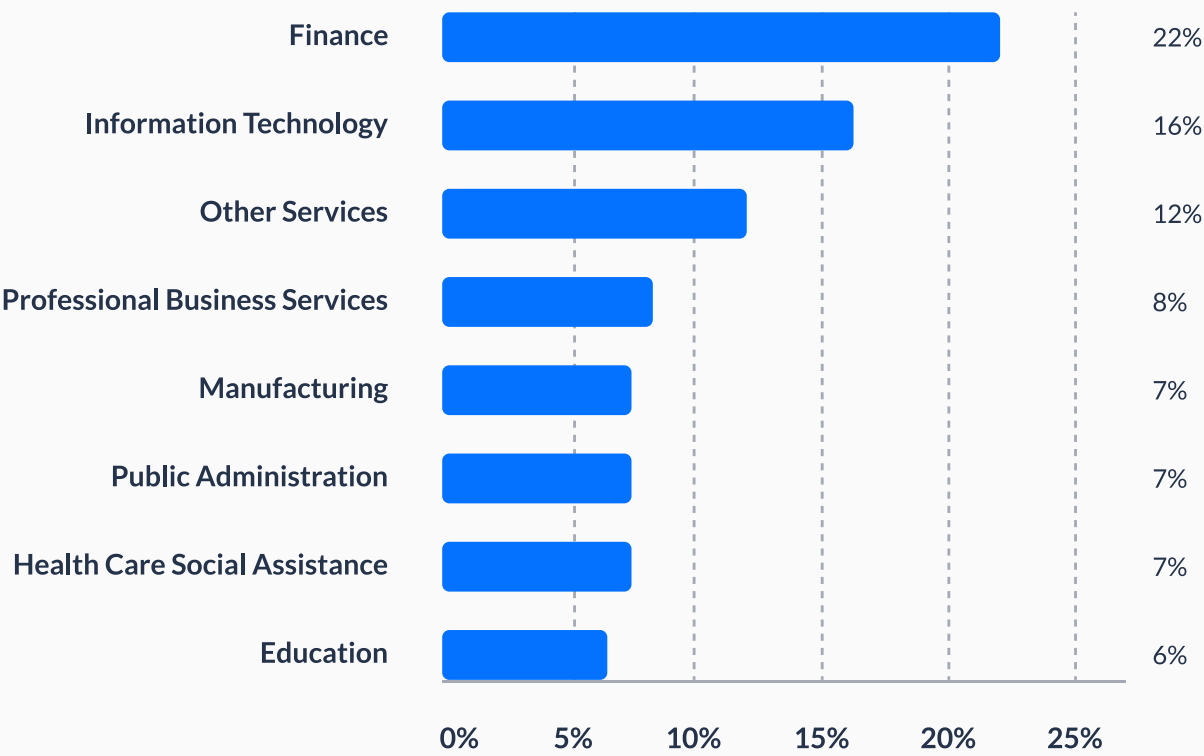
Men are willing to accept higher drawdown ranges across the platform.

Conclusion

Female investors are slightly more conservative than male investors.

Awareness and education are key to approaching a wider population

% of clients across various industries



Source: Endowus

This graph omits industries representing less than 5% of clients

Observation

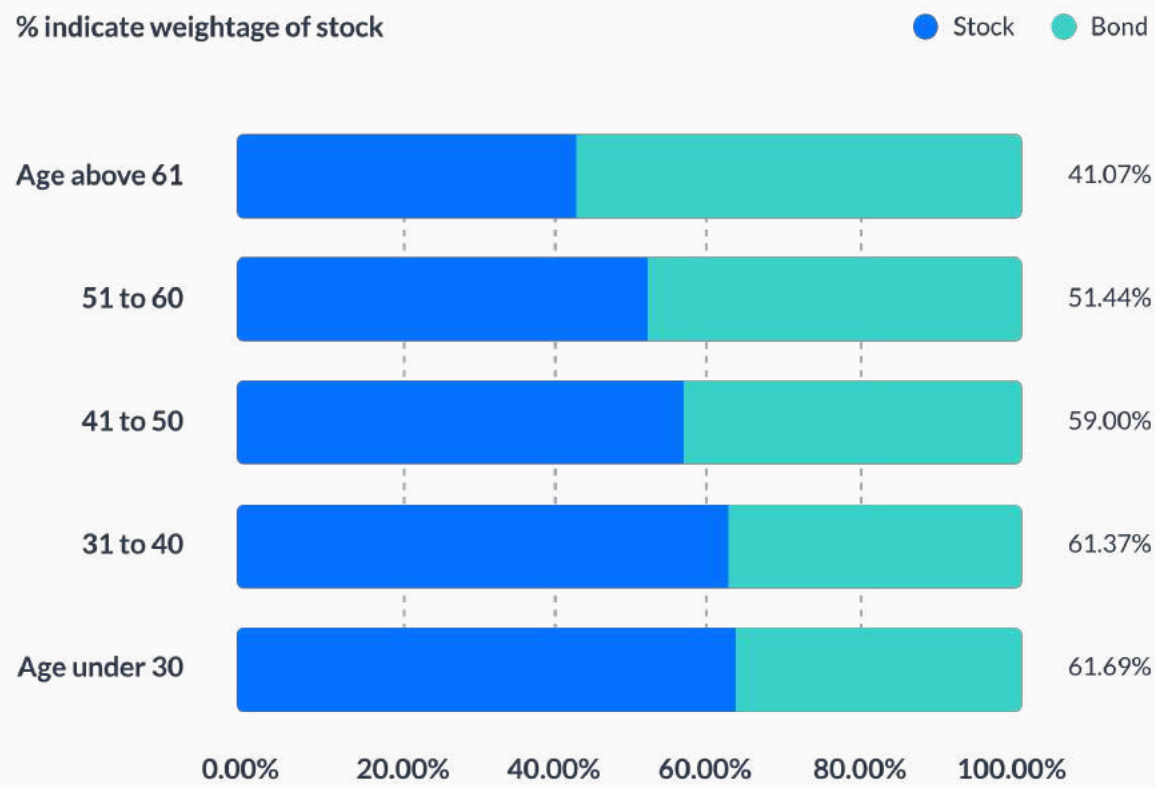
50% of clients work in finance, information technology, professional services, or government.

Conclusion

Early penetration of Endowus investing is skewed towards highly educated and highly paid professionals.

More must be done to increase wealth management penetration across all professions and income levels.

Younger generations tend to be more aggressive in terms of risk appetite:
Stock ratio of clients across age groups



Source: Endowus

Observation

Younger clients have a higher tolerance for volatility and therefore maintain higher stock ratios than older clients. This is consistent with the advice Endowus provides to clients.

Conclusion

Clients of all ages are generally conservative across the platform. Clients under age 40 can afford to take on more volatility to target higher expected returns, assuming they are investing long-term.

Long-term investors can take on more equity risk given the remaining decades they have to manage, invest, grow, and use their wealth.

Enhancing the investment experience for everyone

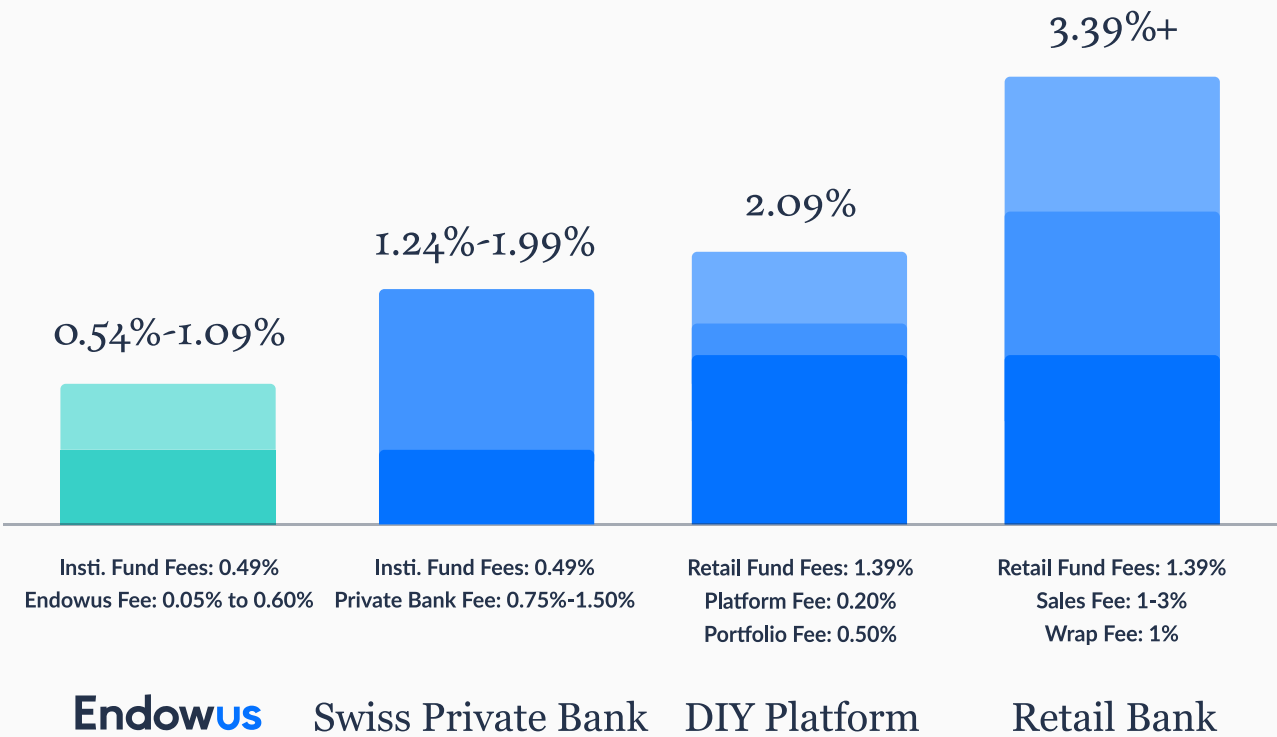
Alignment and transparency are critical to any good relationship—especially one with your wealth manager.

Systematically aligning interests: innovating 100% trailer fee rebates

Endowus can only be paid by its clients. This means Endowus is not paid on transactions in the form of sales fees, and is not paid by product providers in the form of trailer fee kickbacks.

Most online fund platforms, wealth managers, banks, and brokers primarily make their money through the fund managers. This systematically misaligns their interests from that of their clients as they are incentivised to push the products that pay them the most in kickbacks, rather than what is most suitable for you.

Accessing the institutional clean share-class of funds and 100% trailer fee rebates dramatically lowers the cost of investment for Endowus clients



Source: Endowus

Endowus tries to access the institutional clean share-class of funds that inherently has lower fees. For example, for the PIMCO Income Fund, the retail share-class has a fund level fee of 1.45%, and the institutional clean share-class of the same fund has a fund level fee of 0.55%. Endowus accesses the 0.55% institutional share-class for instant savings for our clients. This is unlike the typical distribution cycle, in which much of the fee difference from the retail to institutional clean share-class is provided as a kickback to the fund distributor (i.e., fund platform, bank, financial advisor, etc.).

The client is the one who ultimately pays these extra hidden fees and we believe this is wrong.

There are also times when the institutional clean share-class is not readily available, as in the case of many of the funds included in the CPFIS. In this case, Endowus rebates 100% of the trailer fees it receives, so we can maintain independence and impartiality in only servicing clients without being swayed by kickbacks.

Fees are incredibly important to your returns, exacerbated by the power of compounding over time.

Just **1%** saved per year in fees over 30 years, assuming an average stock market return of 8%, will amount to a difference of over **240%** to your wealth.

This is simply 30 years of compounding at 8% to give you **10X** your money, versus 7% to give you **7.6x**

We hope that efforts like these will move the needle not only for our clients, but also push the industry to serve more transparently and in alignment with client interests.

Transparency, with nothing to hide

A clearer understanding of performance, as well as fees, is a clearer understanding of your investment portfolio and how it is tracking towards your goals. With Endowus, you can see the historical returns of our model asset allocations, with no misleading back-testing that would require us to time and execute asset allocation shifts and trades before we existed. This transparency extends to clients' actual investment experience, with Endowus helping clients understand returns net of all fees in a clear and precise way. This leads to smarter investing and better outcomes.

To facilitate this, we show returns calculated in four ways—simple return, Modified Dietz rate of return, time-weighted rate of return, and annualised internal rate of return. You can filter this performance by various goals, accounts, and time periods on the Endowus platform. We also show you all the fees you have paid to Endowus (and the only fees Endowus collects) in your lifetime as a client.

A seamless technology platform for all your wealth

Rapid enhancements are made to the platform week by week. We are proud to have assembled an in-house team of over 18 technology, product and design professionals from top companies around the world to build the optimal wealth management experience at your fingertips.

Notably, at the beginning of 2020, Junxu (Jx) Lye joined Endowus as Chief Product Officer.

Jx began his career at the Singapore Economic Development Board (EDB) where he advised global technology companies to invest and grow their operations in Singapore. Keen to delve deeper into the tech industry, he moved to Silicon Valley, working at Dropbox and Lyft as a Product Manager. He subsequently moved to Bytedance (the company behind TikTok) in Shanghai where he helped to set up a team to launch Resso, a music streaming service to compete against the likes of Spotify and Apple Music.

Jx graduated summa cum laude with a BS in Engineering and a BS in Economics from the University of Pennsylvania School of Engineering and Wharton, respectively. He also holds an MS in Engineering from Stanford.

“After spending the past few years building products at world class tech companies in the US and China, I returned to Singapore looking to solve big problems with technology. Endowus' team and mission are second to none.”

“Investing for retirement is one of the toughest problems to tackle, but its importance to the future of Asian societies cannot be overstated enough. We are at the cutting edge of wealth-tech, and we are just getting started.”

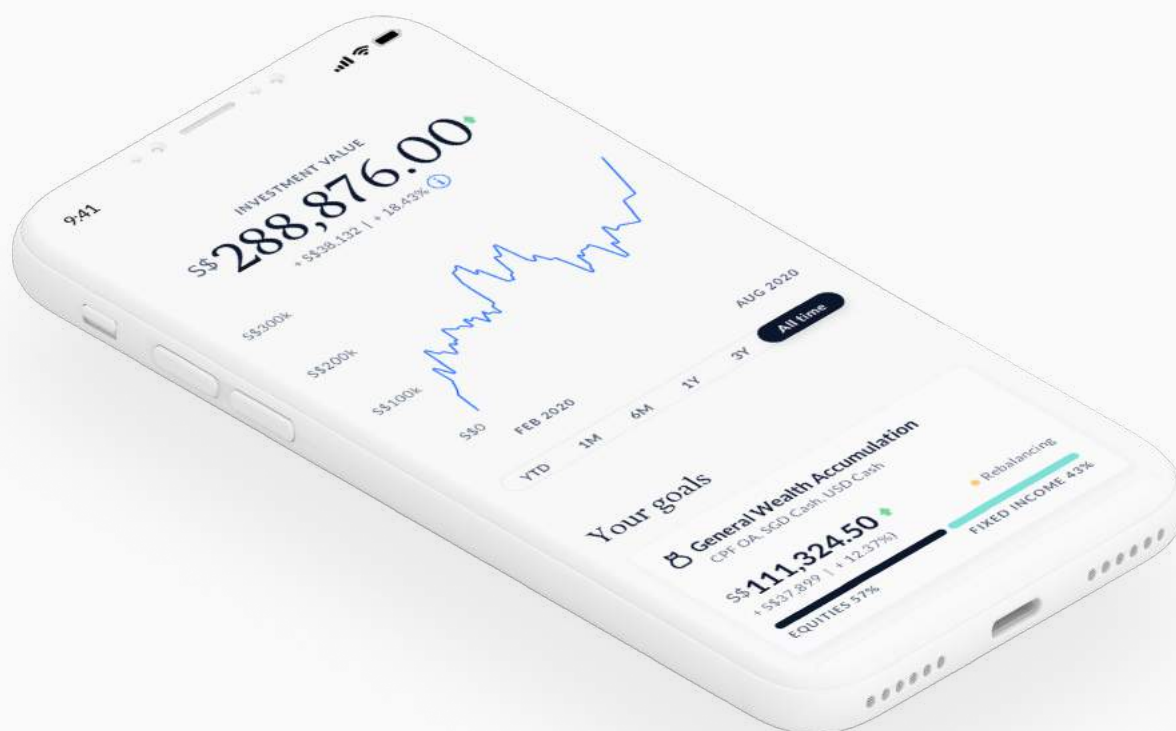
— JUNXU LYE
CHIEF PRODUCT OFFICER OF ENDOWUS

Better investment tools

Endowus' new mobile app: Manage your wealth on-the-go

With the tall order of improving all aspects of investing, an area of constant focus is enhancing the user experience. Up until recently, we have used the latest technologies to develop a fully responsive web platform that works across all mobile devices and browsers. But in response to overwhelming client demand, we have also developed a native mobile app to bring clients closer to managing their wealth on-the-go.

To do this, we assembled a team of experts in Flutter, Google's latest toolkit for building beautiful, natively compiled applications for iOS and Android. Clients have been invited to use the Endowus native mobile app, and they can expect frequent and rapid enhancements from the team.



Now available on



Better investment solutions

Endowus Cash Smart: Save smarter and earn up to 1.9% projected yield p.a.

One calling from our clients was to have a low volatility, high-yield cash management solution for short-term liquidity needs in Singapore's new low interest rate environment. In a March 2020 survey, we found that 85% of Singaporeans were keen to explore cash equivalent options with a higher yield. They wanted a solution that is high yielding, flexible, and liquid—with no convoluted terms.

In response, we launched Endowus Cash Smart, with target yields of up to 1.9%, built on the best cash, money market, and short-duration high-quality fixed income funds available in Singapore, with no lock-ups and no limits, so assets can be withdrawn at any time.

Endowus Fund Smart: Invest your way, with greater flexibility — at the same low fees

This year we also saw first-hand that individual investment needs often go beyond simple risk tolerance and profile; as individuals, we have varying needs, personal circumstances, and goals requiring different levels of customisation. This was validated by the 700 respondents of a separate survey, who all indicated a preference for flexibility in customising investment portfolios, with exposure to specific geographies or sectors (75%) and lower costs (84%).

With this in mind, we developed a way to create such customised portfolios using Endowus Fund Smart, an investment solution that allows clients to build their own portfolio using a list of best-in-class funds, guided and advised by our platform. We are proud to be the first in Asia to provide this innovative advisory service that's fully customisable at the lowest achievable fees.

Following a much lauded launch, we will continue improving the Fund Smart interface and expanding the funds available. As we source, down-select, and negotiate for new and better products from the fund managers, clients can remain assured that we will always be acting in their best interest as a fee-only advisor—with no misaligned incentives.



Our education-first approach to wealth



Without the right foundation in place, Endowus' benefits of advice, access, and lower cost would be unhelpful in times of volatility and uncertainty. Endowus therefore places great emphasis on empowering clients to boost their probability of wealth success—through education.

To execute, our branding, communications, and content team has grown significantly in the first half of 2020. Notably, Jason Huan joined as our Chief Marketing Officer (CMO). Jason is a marketing veteran with close to 14 years of experience spanning financial and consumer technology marketing. He has spent time at UOB and more recently was the CMO of Alibaba-acquired Lazada in Singapore, then the Philippines.

“We do not want to merely be a platform that generates wealth for clients. Endowus seeks to help people take more ownership of their finances.”

“Through developing educational content and highlighting the different wealth verticals that we as Singaporeans should all proactively understand, Endowus aims to secure a better financial future for everyone.”

— JASON HUAN

CHIEF MARKETING OFFICER OF ENDOWUS

Endowus Insights: Helping everyone invest better

Other than solving the pain points around open access and fair fees, we also recognize that investing well and staying invested is a challenge for many of us. We believe that producing educational content that is bite-sized, relatable and easily accessible is the best way to improve financial literacy.

We began publishing Endowus Insights in 2017. Since then we have

written more than
180 articles
around personal finance and investing

...reaching more than
1 million views
in the past year alone

Some are more light-hearted, such as **“How to Marie Kondo our finances”**, while others are more rigorous, such as **“What would the worst investor in the world do right now?”** and **“Why investing your CPF is important”**. Some of these articles have been adapted and reposted on mainstream media like The Business Times, The Straits Times, and TheEdge, as well as on digital platforms like DollarsandSense, Yahoo! Finance, and AsiaOne.

Endowus has also been contributing regularly to The Business Times in a monthly column called “The Science of Wealth” that aims to provide actionable tips to the wealth-conscious investor.

Endowus Live: Webinars and events

To broaden the reach of our education efforts about wealth and personal finance, in March 2020 we started Endowus Live streams across YouTube and Facebook, as well as smaller and more interactive sessions on Zoom.

Since March, our webinars have

reached more than
72,000 views

...watched over
18,700 hours

A suite of guest presenters have joined Endowus Live, from influencers such as The Woke Salaryman's co-founder He Ruiming, the 1M65 movement's founder Loo Cheng Chuan, SG Budget Babe's founder Dawn Cher, Dr Wealth's founder & CEO Alvin Chow, and more.

Endowus has also brought on fund management partners such as Dimensional Fund Advisors and PIMCO to discuss their investment strategies and implementation expertise.

Reaching out to a broader audience

We believe that investing should be for everyone. And in our endeavour to achieve this mission, we have been actively engaging the public with financial content through various channels.

In just over the span of a year, we have done English and Chinese interviews and podcasts with top radio stations such as MoneyFM and CNA, contributed extensively to top-tier business editorials such as Business Times and CNBC, conducted educational webinars for communities and corporates, and engaged fervently with top tier media titles—to help people understand the importance of planning their wealth across their CPF, SRS, and cash savings.

Looking ahead

2020 has been a year of unprecedented global events, and also a humbling one for us, as we continue to power forth to enhance the investment experience of our clients.

We expect 2021 to be nothing short of stellar, as we maintain client-centricity as our core pillar of excellence, and innovative and build toward a holistic wealth management platform for everyone.

While it's clear that retirement persists as a generational challenge for mature economies, awareness is also increasing in emerging economies. In the year ahead we will seek to enhance our offerings and geographical footprint to help more people with this near-universal financial objective.

Safety and security will remain paramount to the business of money management, and we will work tirelessly to improve our technology and networks.

Finally, as client engagement and experience is an evergreen focus, we will look to the advocates of our platform to help us improve our offerings to provide a better investing experience for everyone.

Thank you

To our custodian, UOB Kay Hian, and our fund management partners: thank you for partnership and faith in this new way forward for wealth management.

And most importantly, to our clients: Endowus exists for you. Thank you for your trust. As your wealth partner, we hope to empower you to invest better, so you can live easier today, and better tomorrow.

Endowus

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