HELPFUL TIPS FOR A SUCCESSFUL UNIT TRUST INVESTMENT

PUBLIC MUTUAL
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

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You don't need to be a rocket scientist. Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ. - Warren Buffett

Some say that luck plays a role in investing and several things need to happen for an investor to make money: correct stock pick, market movement and timing.

But is it necessary to be lucky? That depends if you choose to be:

A Speculator	OR	**An Investor**
Focus on making quick money by timing the market		Understand the features and risks of the products before investing
Ignore the risks of the products		Take a long-term view
Impatient		Not affected by market movements
		Focus on accumulating wealth over the long term
		Invest regularly
If you are a speculator, you need LUCK		If you are an investor, you need STRATEGY

Here are the DOs and DON'Ts in strategising your unit trust investment:

DO'S

1. Asset allocation

Apportion the investment among various asset classes according to an individual's goals, risk tolerance and investment horizon.

- Equity funds
- Bond funds
- Money market funds

How much should you allocate towards equities?

General Rule of thumb: Asset allocation of equities and bonds/money market by age

100 – AGE = % of exposure in EQUITIES

Example:
If your age is 30, you can invest 70% of your investment in equities, with the rest in bonds and/or money markets.

2. Diversification

Spread the investment into various funds within each asset class to reduce the portfolio overall volatility.

- Equity
  - Equity Fund A
  - Equity Fund B
  - Equity Fund C
- Bond
  - Bond Fund A
  - Bond Fund B
- Money market
  - MM Fund A
  - MM Fund B

How do you diversify?

Funds with different mandates:

- Domestic/regional/global/ country funds
- Funds investing in big cap/ medium cap/small cap
- Sectorial funds

3. Ringgit Cost Averaging (RCA)

RCA is an investment technique in which investors invest a fixed amount of money on a regular basis. RCA brings you these benefits:

- Inculcate consistent saving habits
- Ride out the ups and downs of the stock market in the long run
- Invest without having to time the market
- Reduce the risk associated with a single large sum investment

How to apply RCA?

Sign up for Direct Debit Authorisation (DDA) via our online facility, Public Mutual Online (PMO).

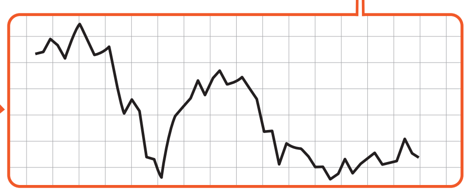
4. Invest for the long term

The stock market tends to reflect the overall growth of the economy in the long run. Though it seems volatile in the short term, staying invested in the market over the long term has historically paid off.

Bursa Malaysia KLCI Index (2000 – Mar 2019)[1]

The Malaysian stock market has been growing gradually for the past 20 years.

If you zoom in on the chart, market movement is volatile in the short term. (April 2018 – Mar 2019)



DON'T ✕

1. Don't put all your eggs in one basket

If an investor invests in only a fund or two, and they are from the same fund category (e.g. domestic equity fund only), a potential decline in the performance of that fund(s) will have a substantial impact on the overall portfolio.

What can you do?

Diversify your investment by selecting various funds that are invested across different markets and sectors.

For beginners who have limited resources, consider investing in balanced funds to achieve a similar objective.

2. Don't try to time the market

Timing the market is difficult even for investment Gurus. So investors should not attempt to do so through frequent buying and selling of funds.

What can you do?

Hold your unit trust funds for a longer horizon of 5 years or more to allow time for your investment to grow.

Focus on your long term goals, stay invested despite the short-term market volatility and invest regularly.

3. Don't perform frequent switching

Investors often switch between funds in an attempt to improve their returns. However, frequent and emotional switching may cause negative effects to the portfolio's returns, not only because there are costs involved, but timing the market is extremely difficult too.

What can you do?

Practise asset allocation and diversification. A well-diversified portfolio helps weather a market downturn.

4. Don't make emotional decisions

Fear and greed are often two major emotional drivers in making irrational decisions, where investors engage in frantic buying and selling during the ups and downs of the market cycle.

What can you do?

Practise Ringgit-Cost Averaging (RCA) via our Direct Debit Authorisation (DDA) and Regular Investment Authorisation (RIA) facilities to ride out market fluctuations.

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