The DOs and DON'Ts in Strategising Your Unit Trust Investment

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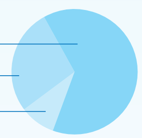
DOs

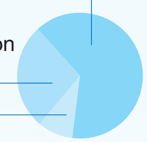
Diversification across asset classes

Allocate the investment into the appropriate combination of asset classes according to an individual's goals, risk tolerance and investment horizon.



Diversification across markets

Spread your investment across various markets to reduce the overall volatility of the portfolio.



Invest for the long term

Investments take time to grow and adopting a long-term investment horizon helps mitigate the influence of short-term volatility in the financial markets.

Ringgit Cost Averaging (RCA)

RCA is an investment technique in which investors invest a fixed amount of money on a regular basis.

It helps to:

– Inculcate a consistent savings habit.
– Invest without having to time the market.
– Ride out the ups and downs of the stock market over the long run.
– Reduce the risks associated with a single large-sum investment.

DON'Ts

Don't put all your eggs in one basket

If there is only one or two funds in the portfolio, a potential decline in the performance of a particular fund will have a substantial impact on the overall portfolio's return.

You should:

Diversify your investments across different asset classes, markets and sectors.

Don't try to time the market

It is impossible to consistently time the market's tops and bottoms. Therefore, investors should not attempt to do so through frequent buying and selling of funds.

You should:

– Focus on your long-term goals.
– Stay invested for the long term despite the short-term market volatilities.
– Invest at regular intervals to average out your cost price.

Don't perform frequent switchings

Frequent emotional switchings may negatively impact the portfolio's returns; not only via the switching costs, but also with opportunity costs when you miss out on market uptrends.

You should:

Hold a well-diversified portfolio to help weather near-term market volatility in pursuit of capital growth over the long term.

Don't make emotional decisions

Fear and greed often fuel irrational decisions, leading investors to engage in frantic buying and selling amid market fluctuations.

You should:

Invest via the Direct Debit Authorisation (DDA) facility to automate your investments and remove the emotional component from investing.

About Public Mutual

Industry Leader

– No.1* in unit trusts and the Private Retirement Scheme (PRS).
– Trusted by approximately 5 million accountholders nationwide.
– Has a wealth of more than 40 years of fund management experience.
– Strong and stable, a wholly-owned subsidiary of Public Bank.

* In terms of total retail fund size managed amongst private unit trust companies and Private Retirement Scheme (PRS) providers in Malaysia. Source: The Edge-Lipper, 15 April 2024.

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