

# SFP

## Quarterly



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### CEO's Message

Recently, I have been in close contact with a few key fund managers and they are showing evidence that the worst of the recession is over and markets around the world are starting to move upwards from the sharp decline a year ago.

Most indices have already surged with double digit growth in the last couple of months, driven by expectations of an imminent recovery and high investor confidence. However, charting these impressive gains over such a short period may end up stretching the valuations and a possibility of a market correction over a near to medium-term. Currently, Governments are cautious to keep monetary policy accommodative with sufficient liquidity until the recovery is well-established and unemployment starts to retreat.

Standard Financial Planner's (SFP) latest client seminar 'Rebuilding Wealth' highlights opportunities that will arise from economic recovery whilst also detailing effective strategies available to protect clients' assets and income. If you are interested in rebuilding wealth or would like to learn more about the topic, talk to a SFP representative today.

Today, licensed financial planners are able to help clients organize their Unit Trust (UT) investments through wrap accounts. A wrap account is a service that 'wraps' all UT investments into a single account to provide efficiency of investing into multiple fund houses through a single account. Through wrap accounts, clients are able to view a consolidated statement of all their UT investments online under one concise version and buying, selling and unlimited switching of funds can be conducted conveniently online. For more information and consultation, please contact your local SFP adviser.

*Alfred Sek, CEO  
Standard Financial Planner*



## Secrets of Successful Investing

**With all the turmoil in investment markets over the past 18 months, many investors will be asking if they have done the right thing by investing in shares, property or managed funds. Let's revisit four fundamentals of investing.**

### Understand investment cycles

Investment markets move in cycles. They go up, they go down and they may run flat for a period of time. However, if we look at the long-term performance of investment markets, they have historically trended up.

One secret to successful investing is to adopt a 'counter-cyclical' approach.

Traditionally, human nature tells us to invest when markets are going up and to sell when markets are in decline. However, we need to change our mindset and invest when everyone else is selling (we pick up bargains that way) and sell when everyone else is buying. Alternatively and for longer term investments, we should be buying when markets are down and hold on to our investments for the long-term.

### Time in, not timing

Long-term investing doesn't involve chasing the latest investment trends. It involves making good sound investment decisions with the aid of professional advice and then sticking to the plan, not jumping in and out of the market every time there is a change.

Everybody has heard of the 1997 Asian Financial Crisis. Our local index, KLCI, went on a sharp dip from around 1,200 points to a little over 200 points. That is a whopping 83% plunge on the index. Many were devastated by such a dramatic fall in the value of their investment and they sold out at the bottom of the market, thereby crystallising their loss. However, if they remained invested, they would have recovered most of their loss in the next

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two years (about a 500% hike from the lowest point). Had they continued to remain invested for the next eight years, their portfolio would have made a 750% gain.

## Don't let emotion rule your investment strategy

Successful investors are those who stay in control when others panic. Short-term market volatility can create emotional jumps for many investors which would eventually affect their investment decisions. The reasoning behind this fact is due to overconfidence – investors think they know more than what they really do. Daily news and media have the tendency to hype and excite viewers and readers on short-term fluctuations to get investors excited about the markets.

'Experts' and 'pundits' will tout the need to buy into energy companies when the price of oil soars through the roof and warn of an economic meltdown when the share market plummets. That's why it is very important to seek a licensed financial planner to get an honest overview of the markets and to implement a diversified portfolio through a careful selection of asset allocation. This will not only help the investor to sleep better at night but also makes reading of economic volatility and spectacular booms less painful.

## Reviewing and rebalancing your investments

Portfolio rebalancing is an important step of your game plan. It is the process of adjusting your investments to restore the original asset allocation mix. At least once a year you should sit down with your licensed financial planner to review your investments and re-assess your risk tolerance, time horizon and financial goals to make sure it's inline with your life objectives.

For more advice on how to invest successfully, contact a Standard Financial Planner representative.

Source | Professional Investment Services

# Economic Update



## The end of the third quarter of 2009 marked another significant performance in most of the stock markets, especially markets within the Asia region.

Indonesia and India were the top performing markets during the third quarter of 2009. Indonesia went up by 105.9%, contributed by its resiliency to withstand the global recession, favorable political environment after a peaceful presidential election as well as a come-back of foreign investors into Indonesian equity market. Meanwhile, the Indian market rose by 80.0% on a year-to-date basis. Three major factors have led to this extremely positive performance in the Indian equity market, namely the decisive and huge election victory of the Congress party and the United Progressive Alliance in May 2009, the USD30 million stimulus package which shielded effects of the crisis and fostered the economic growth, as well as vast improvement in economic data emerging from India.

The US market was one the worst performing markets as at end of third quarter of 2009. The US market (as represented by the S&P 500) gained just 17.3% in the first three quarters of 2009. While the US has yet to record economic growth in this downturn, signs of recovery have already started to emerge from the world's largest economy, with production numbers looking up and the housing market finally showing signs of stabilisation.

Both ISM purchasing manager indices have both risen above the 50 level which generally indicates expansion, a stark improvement from depressed levels in months earlier. While existing home sales were marginally lower month-on-month in August, this was largely due to the huge spike in July. Sentiment in the housing market has improved, and home prices have ticked upwards for three straight months. Rising unemployment is the key worrisome

statistic, but has historically been a lagging indicator, sometimes peaking months after a recession ends.

Many economies walked out of recession in the second quarter and consensus estimates for economic growth have since been revised upwards. Malaysia was one of them. It posted a positive GDP growth of 4.8% quarter-on-quarter after a two-consecutive negative growth in fourth quarter of 2008 and first quarter of 2009.

We believe that the implementation of the fiscal measures, lower inflation, continued access to financing, and the accommodative monetary environment will provide further support to the economy. The stabilisation of the global economy is also expected to contribute to the improvement in the country.

The extraordinary strong performance in some of the markets is due to the low base after the massive selloff in late 2008. We believe that after the strong rebound in the first three quarters, investors' expectations towards equity market returns should be moderated. However, along with the economic recovery, corporate earnings are also expected to grow. Analysts have been revising up earnings forecasts for companies since April and markets have responded positively by rallying. We believe that sales figures for companies will improve with the economic recovery and working on leaner cost structures mean that corporate earnings are likely to be revised upwards further in coming months. This should send equity markets to even greater heights.

2009 is going to end very soon. Earnings growth and valuations for 2009 will become less relevant in the next few months. To capture the long-term capital growth, investors have to shift their focus to the earnings growth and valuations in 2010 and 2011.

Source | iFast Capital Sdn Bhd

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