

SFP

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CEO's Message

Here for a good time...

..... and a long time

There is an expression that is common amongst many "thrill seeking" younger people... "I am here for a good time, not a long time".

However as we grow and assume more responsibilities, we realise that we can not only enjoy life, but enjoy it well into old age. Thirty years ago, a 65 year old was an "old person". Today, 65 year-olds boast that 65 is "the new 50" and they are probably right! Nonetheless, living longer, healthier, more active lives introduces us to "longevity risk" – the risk of outliving our money.

With the fallout from the recent economic downturn and global financial crisis, many people experienced a decline in their retirement savings. As people become more aware of the actual costs of living a long and satisfying retirement we will see a shift to people remaining engaged in the workforce for longer periods.

The options for people to remain engaged in the workforce and generate additional income to support their lifestyle are numerous. Some may decide to remain working on a full-time basis, others may transition in to retirement by moving from full-time to part-time work, some who have already retired may seek to re-enter the workforce, while others may look to start their own business.

Planning for a successful retirement requires research, discipline and time. A financial planner can prove to be a very powerful ally when preparing for retirement. The earlier we start preparing, the more likely we are to achieve the sort of lifestyle we have always dreamed of.

Paul Khoo, CEO
Standard Financial Planner

Regular Investing Plan for Investors



A Regular Investment Plan (RIP) may just be the investment strategy investors need to benefit from a turbulent market.

With stock markets plummeting over the last year and a half and the fear of potentially losing our jobs hanging over us, how is it possible to think about investing right now? Equity markets have more than halved. What is to stop them halving again?

There is no doubt that we are experiencing one of the worst bear markets in history and it may well continue for a little longer. However, there is one thing that you can be absolutely certain of: this bear market, like all others before it, will end.

When it ends, you will not want all your savings to be in the bank. Like many investors before you, you could end up missing the first phase of the stock market recovery, a phase that is usually both swift and substantial.

You may tell yourself that you're happy to wait, and that's a natural reaction given the severity of this bear market which has sent us all running for cover. Missing out on this phase could significantly affect your long-term investment returns.

The trick is to ignore market volatility and maintain some stock market exposure in a disciplined, relatively stress-free way. This is where the RIP comes in. By feeding money into the market at regular intervals, for example every month, the RIP allows you to build positions gradually. If markets stay soft, the more your money will buy at any given time; and if they go up, then your purchasing power goes down but the overall value of your portfolio increases.

The great thing about an RIP is the control it offers. You fix the amount you want to invest, you decide where you want to invest and you can stop and re-start the plan at anytime. It's not a magic solution but it can help you avoid a lot of the investment mistakes that we are all prone to.

Features of a RIP

- No minimum initial investment amount* required
- The regular investment sum can be deducted by direct debit from your bank or EPF account(s)
- Unit trusts are uniquely suitable for RIPs as they can be bought with fixed amounts and at predetermined intervals
- You can decide when to start or end your RIP and there are usually no penalties incurred
- Amounts are determined individually depending on your personal financial situation and goals
- RIPs bring discipline to your investing

**The minimum initial investment and minimum holding may differ with each distributor*

Setting up your investment plan

Before you make any investment, it is always worth asking what your objectives are and whether they are suitable. A financial advisor can help.

A good investment plan should consider both the external and internal aspects of investing, i.e. the different types of investments that are available and your attitude to risk. The biggest problem nearly every investor encounters is a mismatch between his return expectations and risk tolerance.

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Risk and return are generally correlated and the longer you hold an investment the more apparent this should become. Broadly speaking, equity funds are more volatile than bond funds and single country funds more volatile than regional or global funds. Money market funds are safer than either but they aim only for cash-plus returns.

There is an argument for weighting your RIP more to higher risk asset classes because of the smoothing effect of dollar cost averaging, with your investments going into the market over time. That does not mean however that you should confine your investments to only one or two funds. There is nothing to prevent you from spreading your RIP across several funds, indeed, this may be sensible risk diversification.

Because of their systematic nature, RIPs have become popular as a means of planning for specific events like retirement or your children's school fees. In fact RIPs may be appropriate for any kind of long-term contingency. Other examples could include medical or parent care expenses.

The take-up of RIPs varies across Asia. In Korea millions of workers have instalment plans which make up significant net flows into the stock market. In Australia, Malaysia and Hong Kong, which have payroll-deducted pension schemes, contributions in effect behave like RIPs; whether self-selected or managed by a third party, they get funnelled into the market on a regular basis.

Even if you do make payments into a pension scheme, the case for investing in a RIP still stands. Unlike the west, where the welfare state is well-established, Asia does not have deep coverage hence savings rates tend to be higher. These are not always well used. A RIP helps nudge you in the direction of growing those savings in an affordable way.

A Checklist

What should you consider when investing? Some internal aspects to cover when establishing an investment plan:

- What are your investment goals and needs?
- How old are you?
- How strong is your financial position?
- How high is your tolerance for short-term volatility?
- To what extent do you need to be able to convert your investments into cash at any time?
- When will you need the money you have invested?
- How much diversification should you seek?
- What sort of investment style are you looking for?

Source: Professional Investment Advisory Services | Aberdeen Asset Management Asia Limited



Economic Update

We believe global equities continue to offer value. However, with valuations close to average in many cases, the upside appears limited. Meanwhile, worries over sovereign default risk and aggressive central banks' policy tightening have dented market sentiment. Until a clearer picture emerges on these fronts, volatility looks set to remain a feature of equity markets.

GREATER CHINA

- China shares fell in January on concerns that the country will escalate efforts to tighten policy to prevent overheating. The financial sector felt the declines along with material and consumer discretionary stocks. Healthcare and telecommunications services outperformed.
- The People's Bank of China unexpectedly raised the bank's reserve requirement ration by 50 basis points from 18 January. China's gross domestic product (GDP) grew a stronger-than-expected 10.7% year-on-year in the fourth quarter. We remain positive on the long-term outlook of China stocks.
- The MSCI Hong Kong index declined in January but domestic macroeconomic numbers were generally positive. In December 2009, the unemployment rate fell, trade activities improved and retail sales increased.
- Taiwan's shares declined in January in contrast to previous month's gains. The telecoms sector outperformed the most. Macroeconomic data for December 2009 showed solid economic upturn. We have a neutral view on the Taiwan market in the near term.

INDIA

- India's stock market plunged in January. All sectors posted negative returns led by materials, utilities and industrials. Third-quarter corporate results revealed a mixed trend.
- The Reserve Bank of India announced a higher than expected 75 basis points rise in the cash reserve ratio (the proportion of deposits banks must keep with the central bank, effective from February to soak up excess liquidity). However, the central bank left policy rates untouched for now.
- The Government's stimulus package seems to have achieved its purpose and may be withdrawn soon however, the country's inflation has been on the raise lately.

SOUTH EAST ASIA

- Most South East Asian markets fell in January as investors' risk appetite waned after China kicked off its tightening cycle earlier than expected.
- Aside from China, most of the South East Asian countries are grappling with rising inflationary pressure as a result of the abnormally loose monetary policy. None of the central banks in the region however, followed Australia and Vietnam in raising borrowing costs.
- In terms of valuation, Philippines equities are in line with the historical average relative to its Asian peers. Thailand's valuation remains attractive relative to other emerging markets but Singapore is no longer attractive, in our opinion.

Source: Pru Briefing February, Prudential Fund Management Bhd | the article made reference to standard sources i.e. Bloomberg, Reuters's website, Financial Times and out in-house country reports as of January/February 2010

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