WEALTH VANTAGE

Have a plan – Get advice that's personal

CLIENT COMMUNICATION ON INVESTMENTS

Dear Client,

I hope you're staying safe whether you're working from home or braving the world as a frontliner/essential service. Overall we are seeing a trend of recovered > new cases & a flattening trend hopefully leading towards a flattening of the curve.

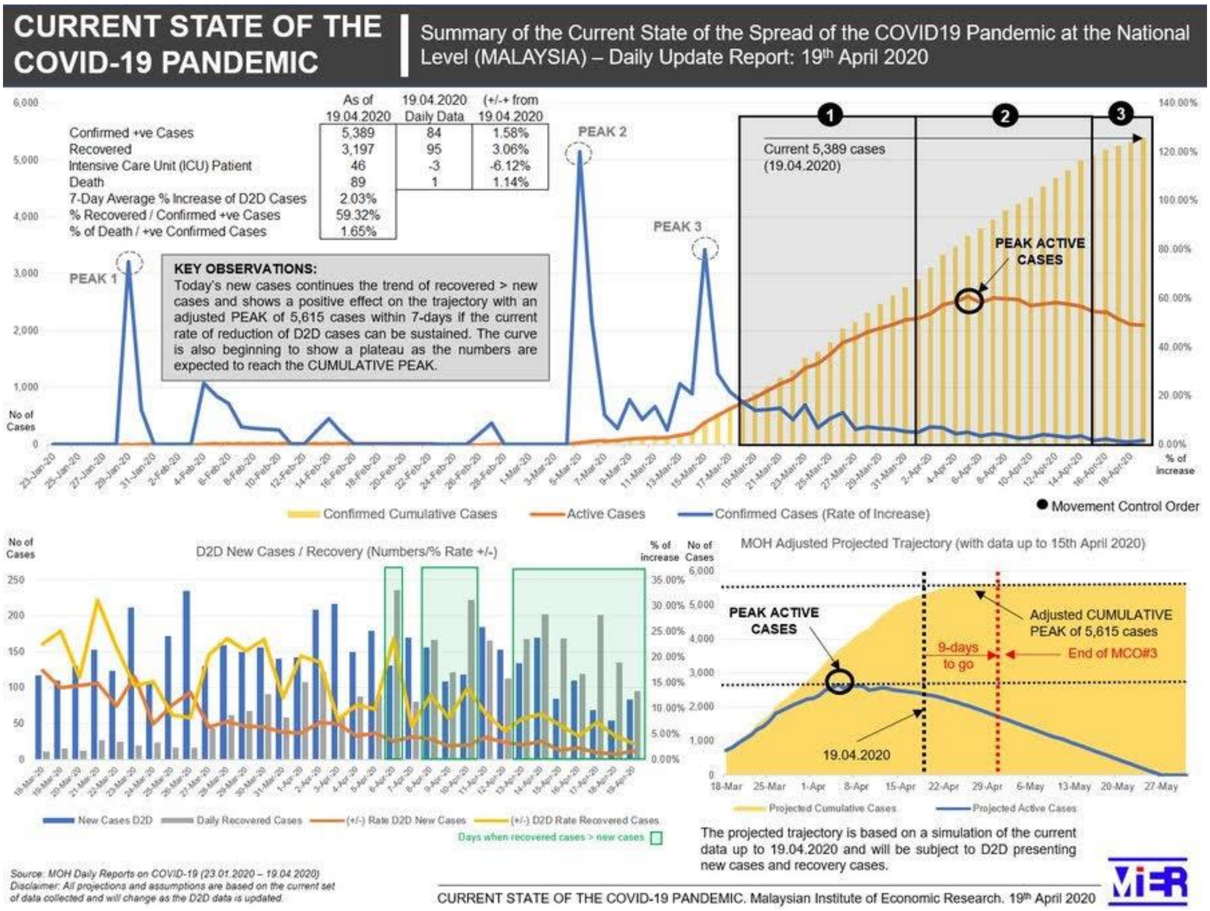

Illustration: Covid-19 Malaysia recovery & containment rates (source: MIER)

As in our last month's communication, you should have your emergency savings & cashflow in place. Do take advantage of any loan deferments if you need them & stimulus funds.

The next question for many is whether you should be investing now with many asset classes having dipped in the market correction.

First, an update on existing investments in relation to the market correction. Equities and bonds moved downwards with the market correction in late Feb/early Mar as investors ran towards holding liquid cash (ie USD) & automated trading triggered further sell offs. For managed portfolios for retirement, the portfolio was switched to money market funds early in the sell off, and as the market bottomed it was switched back to equities & bonds. For cash managed portfolios, the portfolio dipped as well but much lower with a diversified asset class & sectors especially with allocation in more resilient sectors such as healthcare.

If you have funds ready to invest, it is a good time to dollar cost average into the market to take advantage of lower asset prices while being careful of a possible further market downturn. Dollar cost averaging in will allow for significantly better performance as you:

- Avoid trying to time the market.
- Automatically accumulate more when prices are low.
- Build a long term automated investment habit that compounds towards meeting your financial goals.

Below is an example showing the positive gains from compounding.

Starting Amount ($)	20000.00	Monthly Investment ($)	500
Final Value of Portfolio ($)	332189.24	Annualized Return (XIRR - %)	7.019
Total Invested (Cost Basis - $)	140000	Value After Capital Gains Tax ($)	309519.59

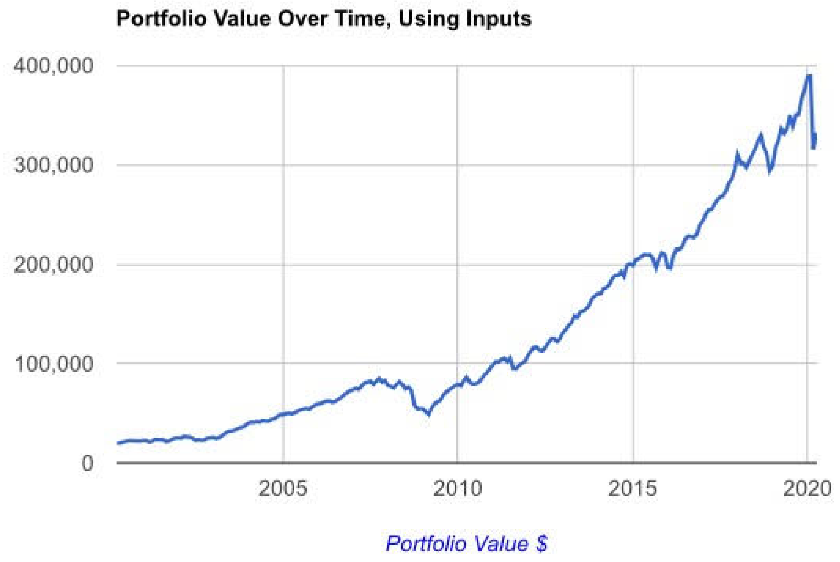

Illustration: Using the S&P500 as an example over the past 20 years including the 1998 Global Financial Crisis AND the market correction (so far) in 2020, your compounding returns would have been 4.7% if you invested lump sum BUT if you had dollar cost averaged in, you returns rate would have been at 7.0%! (Source: DQYDJ S&P500 Dollar Cost Averaging calculator)

For those looking at Bursa shares investing, we are pleased to introduce a managed portfolio for shares. The minimum initial investment capital has been reduced from 50k to 20k until Jun 30, 2020. Talk to your advisor if interested which includes different shares portfolios such as opportunity, dividend, 4% yield & blue chip.

For those looking at investing in bonds and/or lower risk investments with better returns than in a savings account or fixed deposit, you may want to consider our newly launched income portfolio which is available for both conventional and Islamic investing. Again, talk to your advisor if you want to explore a low-risk investment with decent returns.

When you add in the magic of asset allocation, you are looking at even better portfolio performance! An optimum asset allocation which weighs in factors such as your age & investor risk profile will reduce your portfolio volatility by 90% & account for 40% of your overall returns. This is the reason why asset allocation & diversified investing is such an important part of your investment journey!

Illustration: Asset allocation showing different asset classes different performance every year (Source: NovelInvestor and Wealth Vantage Advisory)

For those who have invested in gold as part of our alternate asset allocation strategy, you would likely have already realised healthy gains that helped increase your portfolio returns & reduced volatility (1y:33% returns!). While gold prices are near a 10-year high & there's a pricing premium for accumulating physical gold, it remains a good alternate investment & integral part of asset allocation and diversification.

For those considering investing in property, you may be expecting a housing price dip ahead. The quantum of drop will depend on supply vs demand & only be able to be seen after the 6-month loan moratorium ends. It will also depend on factors such as the type of property & location. For the primary market, developers may lower prices if urgent cashflow needs to be raised including accounting for unbilled units sold. The secondary market will likely be more affected depending on how desperate sellers are in this buyers' market.

Stay healthy, stay safe, & stay invested.