

Selected distributors:

Banks:

Bank SinoPac
Tel: 2801 2880

Dah Sing Bank
Tel: 2828 8001

MEVAS Bank
Tel: 3101 3838

Standard Chartered Bank
(Hong Kong) Limited
Tel: 2886 8868

The Bank of East Asia, Limited
Tel: 2211 1311

Insurance Companies:

American International
Assurance Company (Bermuda)
Limited
Tel: 2232 8888

Aviva Life Insurance Co Ltd
Tel: 3550 9888

AXA Wealth Management (HK)
Limited
Tel: 2802 2812

Friends Provident International
Ltd
Tel: 2524 2027

New York Life Insurance
Worldwide Ltd
Tel: 2894 9833

Standard Life (Asia) Ltd
Tel: 2169 2600

Zurich International Life Limited
Tel: 3405 7150

IFA:

Altruist Financial Group Ltd
Tel: 2892 1818

Centaline Wealth
Management Ltd
Tel: 2501 0888

Convoy Asset
Management Ltd
Tel: 3601 3850

Elite Financial Services Ltd
Tel: 2721 3828

Galaxy Asset Management
(HK) Ltd
Tel: 2530 0855

Hantec Investment
Consultant Ltd
Tel: 2235 7633

ICS Investements Ltd
Tel: 2854 4544

ING Financial Planning Ltd
Tel: 2850 3499

IPP Financial Advisers Ltd
Tel: 3713 7188

Karl Thomson Investment
Consultants Ltd
Tel: 3110 2338

KGI Asia Ltd
Tel: 2878 5555

Noble Apex Advisors Ltd
Tel: 2230 1000

Patterson Financial
Services Ltd
Tel: 2262 3333

Pegasus Fund Managers Ltd
Tel: 2598 4000

Phillip Securities (HK) Ltd
Tel: 2277 6777

Reliance International
Financial Planners Ltd
Tel: 2317 7330

Sun Hung Kai Financial
Tel: 2822 5001

Taifook Lexton Consultants
Limited
Tel: 2504 2881

T G Holborn (HK) Ltd
Tel: 2805 1338

Thornton Global Wealth
Management Ltd
Tel: 2111 2168

TTG (HK) Ltd - Wealth
Management
Tel: 2869 0801

Others:

iFAST Financial (HK) Ltd
Tel: 3766 4399

FundsUPERMART.com
Tel: 3766 4321

The financial world is a confusing place at the best of times. But with the current uncertainty in markets there may be a particular need for clear thinking. The difficulty with bear markets is that by the time one realises one is underway, it can be too late to sell.

Yet the natural reaction at times like these is to raise cash and put it under the mattress, for fear that the world is about to fall apart. But the world never really falls apart, and the best course of action can be to stand firm and be brave. To help you in this endeavour, here are some simple thoughts about investing.



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Eight pearls of
investment wisdom
for these volatile times



Volatility is not something to fear, but something to embrace

Why do we fear stock market volatility so much? As an airplane's wings must bend during turbulence to prevent them from snapping, so too must shares fluctuate, sometimes gently, other times wildly. Of course, severe turbulence during a flight can be an uncomfortable experience but we have no choice but to sit tight, knowing deep down that we'll reach our destination. But in the world of investing there is little to stop us bailing out at the slightest wobble as our emotions get the better of us. Try then to welcome volatility. Shares do not go up without it.

Know the difference between gambling and investing

We all like to have fun once in awhile. A trip to the casino is an excuse for a good time, but approach the stock market in the same way and you'll quickly find yourself in trouble. Successful investing is hard and often dull, requiring discipline and lots of study. For that adrenaline rush, few things beat watching the roulette wheel spinning. When it comes to making good investment returns, however, owning the casino itself tends to be more profitable than entering it. Think about it.

Be contrarian

We have a tendency to do or believe something just because others do. It makes us feel normal, part of the group. Occasionally, however, such behaviour is counterproductive and even dangerous. Rush for the exit in a crowded market with everyone else and you risk getting trampled. The same applies to behaviour in the stock market. Selling – or buying – behind everyone else is a sure formula for poor investment performance. Warren Buffett teaches us to "be fearful when others are greedy and greedy only when others are fearful."¹

Consider the difference between price and value

In the real world, the distinction between price and value is frequently apparent. Given the choice between a \$10,000 car and a \$10,000 tee shirt, it's pretty clear that the car is better value. In the investing world however, it is much harder to discern the difference. Unlike a car, whose economic utility is something we can understand and even evaluate, the value of a company is somewhat intangible and thus a tricky concept to grasp. Guru stock picker Philip Fisher noted that the stock market is filled with individuals who know the price of everything, but the value of nothing.²

Be humble, the stock market is smarter than you

Overconfidence might help to secure a job promotion or the attention of others at a nightclub, but in the investing world, an over-inflated opinion of yourself can be disastrous. You may think that you are in a position to predict the direction of the market or a particular stock over the next few months but remember that there are millions of others doing the same thing. Apply a little humility and ask yourself honestly whether you are really smarter than all of them. As the father of modern economics and successful investor John Maynard Keynes noted, "Successful investing is anticipating the anticipations of others."³

Avoid things you do not understand

The world is an increasingly complex place and one often finds oneself blinded by science or confused by complicated arguments. With investing, it is important to understand precisely what you are buying, at least so that you can sleep soundly at night. Think about shares as you would a book: if you don't understand it, put it down. Peter Lynch recommended that if you cannot summarise in just a few sentences why you're investing in a company, then you're probably looking at too much information.⁴

And finally...

If you place bets proportional to their market odds on every horse in a race, you'll come out slightly down, after the track's take. This is a pointless strategy, particularly if you know more than others about horses. It is important to understand where you have an edge and, when you have one, to use it to your full advantage. We never forget Buffett's tip, "Wide diversification is only required when investors do not understand what they are doing."⁵

Try to do more than just accept volatility, learn to love it. Shares do not go up without it.



¹ Warren Buffett, Chairman's letter (2004) to shareholders
² Philip A. Fisher, *Common Stocks and Uncommon Profits* (1958)
³ Isms (2006) by Gregory Bergman
⁴ Morgan Housel, *Keep It Simple, Fool* (2008)
⁵ James Altucher, *Trade Like Warren Buffett* (2005)