



“Saving on a monthly basis provides the potential for capital growth and can be more effective than lump sum investments thanks to dollar cost averaging.”

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MONTHLY INVESTMENT PLAN FOR INVESTORS

A monthly investment plan 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 losing our job 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. But there is one thing that you can be absolutely certain of: this bear market, like all others before it, will end.

And 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. But missing out on

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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.

Which is where the MIP (Monthly Investment Plan) comes in.

By feeding money into the market at monthly intervals the MIP allows one to build positions gradually. If markets stay soft, well, 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 MIP 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 any time. It's not a magic solution but it can help you avoid a lot of the investment mistakes that we are all prone to. Now read on...!

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

Dollar cost averaging

Broadly speaking, there are two types of investing: systematic and non-systematic. The first is a methodical approach and does not rely on one's emotions or gut feelings. You put a fixed amount into the fund every month, regardless of market behaviour and the price of units.

If the price of the fund goes down, you buy more units; if it goes up, you buy fewer units.

This approach is called 'dollar cost averaging'. Simply it means that your average unit cost will be less than if you made an equivalent lump sum investment at its unit cost. Put another way, as prices fluctuate, you get more units.

The statistical effect becomes more obvious over time, especially in volatile markets, as the illustration below shows.

Lump sum investment approach			Dollar cost averaging approach		
Value (\$)	Unit cost (\$)	No. of units	Monthly Value (\$)	Unit cost (\$)	No. of units
1,000	1.00	1,000	250	1.00	250
			250	0.50	500
			250	1.00	250
			250	2.00	125
Total sum	Unit cost	Total no. of units	Total sum	Average unit cost	Total no. of units
1,000	1.00	1,000	1,000	0.89	1,125

*The above figures used are for illustrative purposes only.

When emotion rules

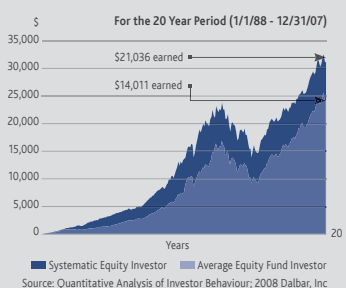
Each year Dalbar, Inc. publishes an analysis of the effect on performance of investors' buying and selling of US mutual funds. Although the numbers vary from year to year the message remains the same: the average investor earns significantly less than mutual fund performance would suggest.

Why is this? The answer lies in market timing. We all flatter ourselves that we can spot the right moment to enter or exit the market. In practice luck, mostly bad, plays as much a part as skill. Indeed, while the age-old advice to buy low and sell high is simple and obvious, our very unsystematic behaviour leads many of us to do the opposite.

Dalbar shows that over the 20 years ended 31 December 2007, the average equity fund investor would have earned an annualised return of just 4.5%, underperforming the S&P 500 by more than seven percentage points per year! Furthermore, \$10,000 invested in equity

funds in proportion to *actual* flows would have earned just \$14,011, compared to \$21,036 from a systematic approach that spread the \$10,000 investment evenly over the 240 months (see chart).

So your best course of action is to invest regularly and stay invested.



Build Your Portfolio Painlessly – Month by Month.



Are current market conditions disrupting your investment goals?

If so, that's understandable given the severity of the bear market. But like many investors before you, you could miss out on the first phase of the stock market recovery, a phase that is usually both swift and substantial.

By establishing a Monthly Investment Plan (MIP), you can manage market volatility and maintain some stock market exposure in a disciplined, relatively stress-free way.

Speak to any of our distributors to find out more.

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FEATURES OF A MONTHLY INVESTMENT PLAN (MIP)

- The monthly investment sum can be deducted by direct debit from your bank account
- Unit trusts are uniquely suitable for MIPs as they can be bought with fixed amounts, and at pre-determined intervals
- You can decide when to start, or end* your MIP
- Amounts are determined individually depending on your personal financial situation and goals
- MIPs bring discipline to your investing

*The minimum initial investment and holding period 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 adviser can help.

A good investment plan should consider both the external and internal aspects of investing, ie the different types of investment 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.

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.

With an MIP there is an argument for weighting your MIP 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 MIP across several funds; indeed, this

may be sensible risk diversification.

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

The take-up of MIPs varies across Asia. In Korea millions of workers have installment plans which make up significant net flows into the stock market. In Australia, Malaysia and latterly Hong Kong, which have payroll-deducted pension schemes, contributions in effect behave like MIPs; 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 an MIP still stands. For unlike the west, where the welfare state is well-established, Asia does not have deep coverage hence savings rates tend to be higher. But these are not always well used. An MIP helps nudge you in the direction of growing those savings in an affordable way.

MIPs have become popular as a means of meeting pre-determined long-term needs.



Cash is king?

Recently you may have heard "cash is king", an expression that refers to the fact that holding cash is the best thing to do when risky assets are falling in value, as they have been during the recent bear market.

It may be true that cash has been the safest place to keep one's savings in recent months. But with everyone wanting to reduce expenditure and hold cash, deposit rates have fallen to close to zero. So you're hardly getting any return any more for holding cash – in fact, after taking account

of inflation, returns might even be negative.

At the same time, the price of risky assets such as corporate bonds and equities has fallen, and they now offer attractive yields – much more attractive than the yield on cash deposits. True, the price of risky assets can fall further in the short term, and if companies cut their dividends the yield on their shares will not be as high as was thought. But we are getting closer to the point when holding risky assets may be more rewarding than cash in the bank.

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?

To start a monthly investment plan, please contact any of our distributors.

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Before making an investment, investors should refer to the relevant offering documents and in particular to the investment policies and the risk factors. Investors should ensure that they fully understand the risks associated with the investment products and should also consider their own investment objective and risk tolerance level. Investors are reminded that they are responsible for their investment decision and should not invest unless the intermediary who offers or sells the investment products to them has advised them that the investment products are suitable for them and has explained why, including how buying the products would be consistent with their investment objectives. If in doubt, please seek independent financial and professional advice.

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