

PREFACE

POWER CONCEPT\$ 2 - POSITIONING: Turning Fear Into Profits is all about winning. The route to success is usually not a smooth ride but the destination can still be reached – all it takes is a good effort to learn about the rudiments of investing, create a game plan and adopt some strategies to ensure that the journey is complete in spite of the many bumps along the way and finally objectives attained. Ask any great sportsman, Roger Federer or Rafael Nadal (tennis), Tiger Woods (golf), just to name a few. They are not great champions if they have not made great efforts to train hard and work closely with their trainers to achieve one goal – to be the world number 1. It is the sheer determination to win that makes it happen. In short, they play to win otherwise “why play at all?”

Investing is no different. You need to learn and constantly learn if you are to do well in investments and work closely with your adviser who can also educate you about the finer points of investing and help you to manage your financial affairs. You cannot win if you do not understand what you are doing and is hoping that Lady Luck is kind to you. Unfortunately, the real world we live in is not always kind. First, the investment environment is full of uncertainties and secondly, there is always risk when investing. Therefore, Lady Luck can be very cruel at times and you can lose all your capital if you are not careful or are greedy when you do not quit when it is time to do so.

This book hopes to widen your thoughts about the investment environment and why it is important for you to understand what is going on in the global economies, prevailing market conditions and economic indicators such as interest rate, GDP growth, inflation, business cycle and so on. You may not become an expert knowing all these matters, yet it is necessary for you to be conversant of such issues so that you can communicate well with your investment adviser when it comes to planning. The common mistake of most investors is that they tend to leave their investment decision with their adviser and play none or little role in the decision making process. This leads to an over dependence on the experience and skill of the adviser and luck. If both are not present, the consequence can be disastrous.

Chapter 1 helps you to understand that investment products such as unit trusts or insurance are intangible, meaning that you cannot touch, feel or try them unlike tangible products like clothing, food items or household appliances. In addition, you have to purchase them first before you know whether they suit your purpose. Once bought, they cannot be returned nor are there any warranties if you are not happy with them. Hence, the decision to commit becomes more critical than buying a tangible product.

Chapter 2 explains that unit trust as an investment is not as simple as it seems to be. As the pool of money in the fund invests in the stock market, there are risks attached to all the stocks (the unit trust portfolio) that the fund purchased. Hence, the skills of the fund manager is critical to ensure that the portfolio does well in order to fulfil the investment objectives as spelled out in the fund's prospectus. I have used the marketing matrix created by the Boston Consulting Group for strategic marketing planning to help you understand the different types of business or industry growth and market share leading to their designation of what a "star" or "cash cow" or "problem child" or "sleeping dogs" is. Generally, all stocks fall into one of this category and it is the skills of the fund manager and research analyst to find the right ones to include in their portfolio. Long- and short-term strategies and their applications are important parts of the investment plan.

Chapter 3 talks about the Life Cycle Plan which addresses all the four phases of a person's investment needs for different objectives starting from the accumulation phase, consolidation phase, spending phase and finally the gifting or distribution phase. To ensure that all goes well, the author encourages all young graduates to start saving and investing as soon as capable to allow the rule of compounding to take place early in order to reap the highest rewards. To inculcate discipline in savings before spending, the author strongly advocate the use of a budget to manage one's finances well and to roll over the budget on a periodical basis which can be quarterly or yearly to see the longer term picture. The net worth concept is illustrated to emphasize that total assets value should be greater than total liabilities which is then reflected in a person's wealth accumulated gradually over the years.

Chapter 4 emphasizes that an investment plan is necessary to ensure that your investment objectives are attained. The five attributes of a good investment plan is explained in detail – investment objectives, funding, time horizon, risk taking and investment methodology. All these attributes will help you to stay focus on your objectives even when faced with an environment which is full of volatility. The dollar cost average concept is illustrated fully to let you see how markets are formed over time which can be up or sideways or down. Understanding the pattern will help you to position well by using the methodology to your advantage.

Chapter 5 explores some of the basic but very important economic indicators such as GDP growth, Interest rate cycle, Recession and Inflation factors, the Baltic Dry Index and the Fear Index (VIX) which are also illustrated with charts. These indicators can influence the market performance which in turn can affect the performance of your investments in equities and unit trusts. The economic cycle is also illustrated to explain the four different phases of boom,

decline, recession and recovery and together with other economic indicators mentioned earlier will help you to position early to seize opportunities when they come.

Chapter 6 argues that a unit trust fund portfolio is not static and should be reviewed from time to time because the market conditions have changed. If not, investors may lose or give back whatever profits they have gain from holding their investments for many years. Re-balancing a unit trust portfolio is therefore necessary and important to ensure that capital is preserved and growth is ascertained. The concepts of “What, When and Why and How” of re-balancing is illustrated to convince you that a “buy and hold” strategy is no longer beneficial in the long term.

Chapter 7 makes you realise that it is very important to talk to the right professional concerning to your investment needs be it equities, unit trusts or properties. Talking to the wrong person can get you in trouble. Some stories of people suffering from losses arising from the sub-prime and financial melt down in the US are mentioned to emphasise that one should be careful and should not invest in any products that one does not understand. The various professionals who are licensed to provide financial advisory services are listed to help you identify the right person who can actually look after your investment needs.

Last but not least, this book will instil great confidence in you so that you no longer fear a pending recession or market slow down to avoid investing altogether. Instead, you will enjoy investing more using some of the methodologies and strategies recommended to plan your investments according to your affordability and needs. “Positioning” yourself is about getting ready to grab opportunities as they come along and actually make your cash “king” by buying things cheap. If you don’t and miss the boat, the next one won’t come for a long time. So, don’t let this bad habit of indecisiveness gets into you. **Taking some risk is always a necessity, no more an option**, if you want to accumulate wealth. As all good and bad things come in rotation, planning and positioning well will usually get you what you want.

Mike Lee

Certified Financial Planner (CFP)

Registered Financial Planner (RFP)

Chartered Marketer (MCIM)

Chartered Secretary (FCIS)