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From The Desk of CIO

~ Ang Kok Heng

Equity Provides Better Returns

According to data from Lipper FundMarket, the average compound return of equity funds in Malaysia over the past 10 years was 9.0%, mixed assets class was 7.5% and of that bond funds was 4.8%. As expected, equity funds provide higher returns than bond funds over the long term.

Recently, winners of the *Edge-Lipper Malaysia Fund Awards 2012* were announced.

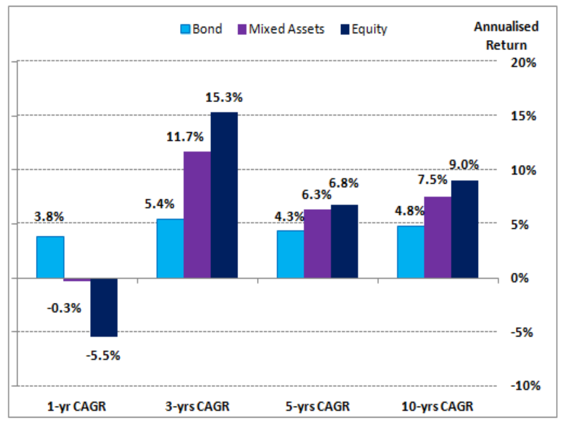
Although equity funds did not fare well last year (-5.5% on average), the performance of equity funds was better than that of bond funds in the longer term. The main advantage of investing in bond funds is that the return is more stable. Last year, bond funds yielded 3.79% on average and more importantly they rarely lose money over the years which are in contrast to equity funds which may suffer losses from time to time.

On individual segment champions, CIMB Principle Equity fund gained the most with a return of 26.7% p.a. over the past 3 years. In terms of risk-adjusted return, Kenanga Syariah Growth's 25.5% return against standard deviation (SD) of merely 8.7% was probably the best over the 3-year period, if efficient frontier is incorporated. Overseas funds, on the other hand, had a garnered lower return.

On a risk-adjusted (return/SD) comparison, bond funds were ahead of equity funds due to their low SD. Nevertheless for investors who can tolerate some level of risks, equity is still the best form of investment.

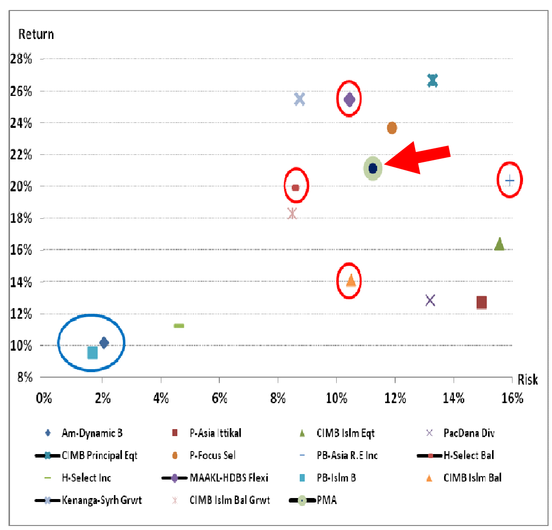
For comparison purposes, we have also incorporated our Phillip Master Equity Growth Fund (PMA) into the chart. It did pretty well with an annualised return of 21.2% with SD of 11.2% over the past 3 years.

Chart 1: Performance of Fund groups as at Dec 30, 2011



Source: Lipper FundMarket Insight Report, December 2011, PCM

Chart 2: Champion Funds (3-yrs)



For Phillip Capital Management Sdn Bhd

Nona Salleh
Executive Chairperson