

Invest Regularly

The only way to build your personal retirement fund is by mobilizing your savings to work for you. When the initial invested amount is small (for instance RM39k), it will not make much different whether the return is 5% or 20%. However, the real impact can only be felt when the investment has built up to a sizeable amount (such as RM300k). By then a 10% return on investment will be much more significant than a 20% return.

Recently a financial planner congratulated one of his clients for participating in our share investment scheme using his EPF savings. The client made a single withdrawal of RM39,000 in the middle of year 2009 and since then his portfolio under our management had doubled over the past four years to RM79,191 (See Fig 1).

Over the past four years, the initial investment of the client has appreciated by 103% but during the same period, FBM KLCI only gained by 45%.

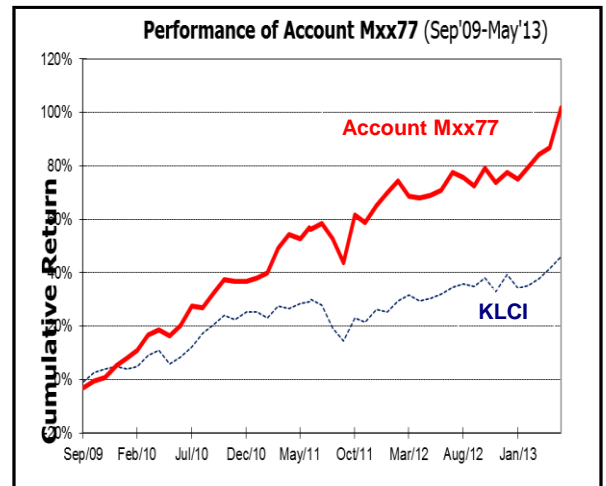
If an investor believes that the stock market can provide a higher return under proper investment strategy, then he should make his withdrawal regularly, as allowed by the EPF.

Based on our analysis, the computation shows that if the client had made withdrawals quarterly for the last four years, his total capital injection would be RM188,137 and his overall investment would have ballooned by 66% to RM314,740 (see Fig 2).

Therefore, if the client had made regular withdrawals, he is now ready to build his retirement fund as a higher base amount of RM314,740 will grow faster than a small base of RM79,191 that he has accumulated thus far.

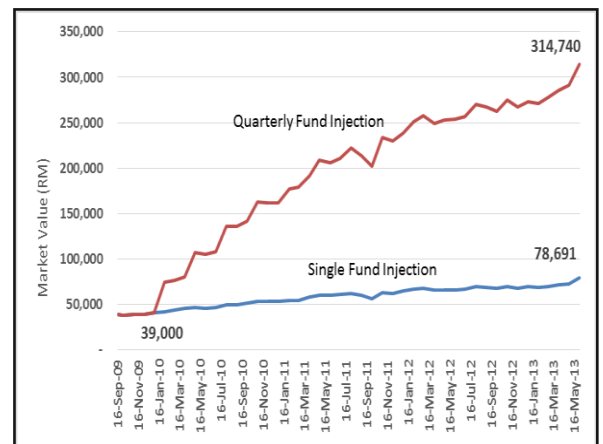
Although a yearly return of about 20+% for the past four years may seem promising to our investors, we believe that this is not sustainable as the client came in at the bottom of the market which was after the Lehman Brother crisis. Hence, our internal target is to achieve a 10% net return per annum over a complete bull and bear cycle.

Figure 1: Account Mxx77 vs KLCI



Source: PCM

Figure 2: Account Mxx77 – Growth of Asset



Source: PCM.

Actual value of A/c Mxx77 compared with simulated value based on quarterly fund injection growing at actual monthly performance of the fund.

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For Phillip Capital Management Sdn Bhd

Nona Salleh
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