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Pick the Star-rated Funds

To Enjoy Steady Long-term Return

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Before getting into portfolio management, the investor should first have a good understanding of "return". Return can be categorized into two types: 1.) "Total Return" is the return that includes dividends and 2.) "Price Return", which excludes dividends. Therefore, price return will be lower than total return if the fund pays dividends. However, both types of return will be equal if the fund does not pay dividends.

In terms of the return of "equity funds" with the policy "to pay a dividend" and "not to pay a dividend", although the NAV of each fund may look different, facts from historical data reveals that the "return" and "risk" of both funds are very similar. Most investors usually "misunderstand" that the funds that pay dividends will yield the better return. In fact, both types are under similar management. The only difference is that one type brings a return to pay a dividend to the investor.

"So, the investor should not be confused with this point. Funds that pay dividends may be suitable for the investor who needs to reap benefits along the way. However, they must remember that they have to pay tax for the dividend earned too."

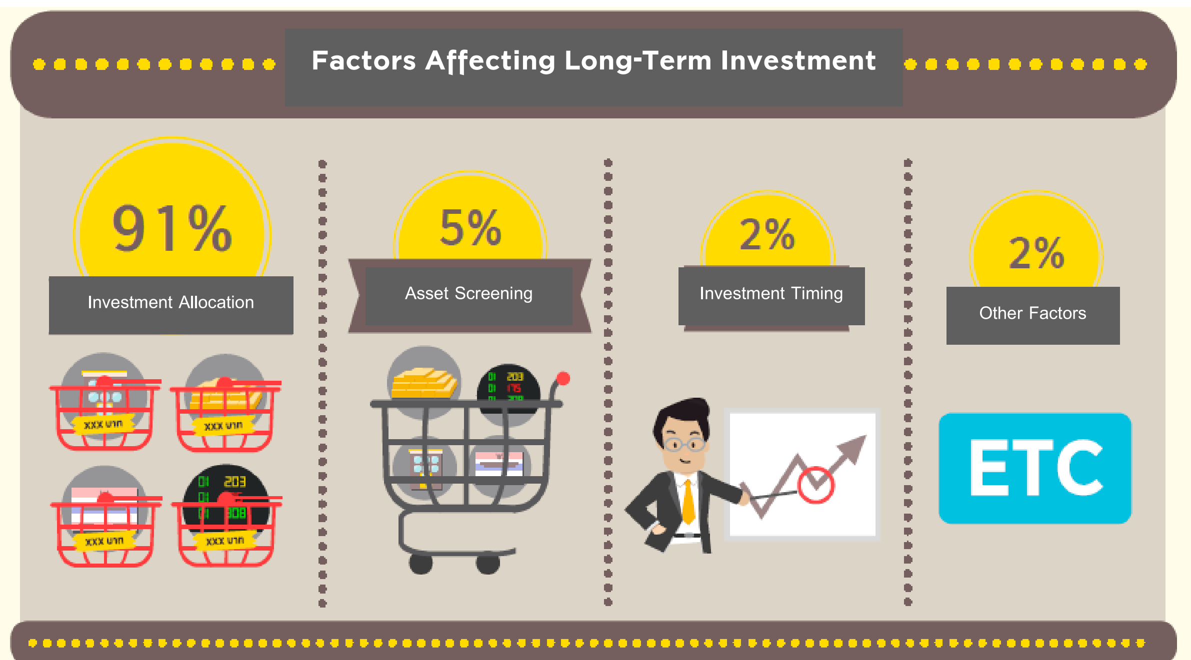
Additionally, the investor should have a grip on risks as well. The risk and return of the same asset class move in the same direction. On the other hand, the risk and return of different asset classes may move in an opposite direction. For instance, when the stocks do not generate a high return, bonds may do so. As a result, with a good understanding of risk and return, the investor can combine these assets in the right proportion, bring a steady return, and mitigate risks.

Managing the portfolio to reach the stars

Currently, the investor **"should not"** put his/her money in only one asset class because each has its **"pros"** and **"cons"** and no asset generates the highest return every year. The return can go **"up"** and **"down"** depending on the economic conditions during each period. Therefore, managing the portfolio by looking at **"total return"** is another suitable strategy for the investor.

"Instead, the investor should combine different asset classes in the portfolio to fit their characteristic. For example, if there are only two assets to invest in, "bonds" and "stocks", instead of putting all the money in bonds only, which is "low risk", the investor can add "stocks", which are high-risk assets, into the portfolio and have a chance to earn a higher return. This process to select the right proportion of assets is commonly done by most "institute investors"."

Therefore, the investor should allocate his/her investment in different assets to increase his/her return on investment. That is because 91% of long-term return largely comes from proper "asset allocation" in different asset classes. The historical data reveals that the average return on "stock" investment (2002 – 2014) was 17.7% per year, 9.5% per year on "gold" (2002 – 2014), 4.8% per year on "government bonds" (2002 – 2014) and 2.2% per year on "deposit and treasury bills" (2002 – 2014). The average inflation rate was 3.0 – 4.0%.



"So, the investor should properly diversify their investment in different asset classes based on his/her risk appetite to seek a good return. The investor should never invest in only one asset class."

If you are not good at portfolio management, the good funds can help you out.

Many investors always face a common problem. After allocating their investment, they did not have time to rebalance the portfolio or take care of their investment to see if the return deviates from their goal. The fact that they do not monitor the return may unconsciously pose a risk to their portfolio. For instance, if stocks are doing well this year, its proportion in the portfolio will naturally increase. If the same stocks drastically decline the next year, the portfolio with a large proportion of stocks will, of course, face a big loss. When the investor grows older, but still hold too large a proportion of stocks or high-risk assets, whose value happens to decrease, the investor may not be able to spend the money as planned.

To help the investor see the picture and realize the importance of proper investment allocation in his/her portfolio, we would like to give an example of "Krungsri Life Stage Plus" open-ended fund managed by "KSAM". It applies the portfolio management strategy based on life stages to better serve the needs of investors in each life stage. This will help the investor to invest more easily because it already comes up with the right "mix" for the investor in each life stage. The investor simply chooses the suitable option for them. The fund is divided into three categories, as described below.

1. Krungsri Life Stage 20 Plus Fund (KFLS20PLUS)

This fund is suitable for investors aged between 21 and 30. At this age, they have just started working and do not bear much burden. The investment goal is to build up a fortune starting by investing regularly, and they can invest in high-risk assets to gain high return in a long run. The investment consists of 20% bonds, 70% stocks and 10% foreign investment funds (FIF) investing in gold. It is the fund's policy to invest in stocks no less than 65% of NAV, on average, per accounting period and no greater than 70% of NAV over a certain period.

2. **Krungsri Life Stage 30 Plus Fund (KFLS30PLUS)"**

This fund is suitable for investors aged between 31 and 54. At this age, they have higher earnings as well as higher expenses. Therefore, they need to diversify their investments and mitigate risks by allocating 40% of their capital in bonds, 50% in stocks and 10% in FIF investing in gold. It is the fund's policy to invest in stocks no greater than 50% of NAV by focusing on the stocks that tend to pay high dividends.

3. Krungsri Life Stage 55 Plus Fund (KFLS55PLUS)

This fund is suitable for investors aged 55 or more. At the retirement age, their goal is to manage the income for their daily expense because they do not earn regular income. Therefore, they must focus on low-risk investments that yield a steady return. The fund invests 70% of capital in bond, 20% in stocks and 10% in FIF investing in gold. It is the fund's policy to invest in stocks no greater than 20% of NAV.

Disclaimer

1. The investment is subject to risk and the investor should study the products' features, conditions, return and risk before making an investment decision.
2. KFLS20PLUS, KFLS30PLUS and KFLS55PLUS invest in foreign countries; therefore, they face risks associated with economic, social and political changes in the countries where these funds invest.
3. Funds will not use any tool to prevent risks from currency exchange, which may result in a loss or profit for the investor due to the exchange rate and/or cause the investor to receive less money than the initial investment in the future. A sales contract can be prepared to prevent risks from currency exchange, which is at the discretion of the asset management company. It may incur a transaction cost, and this increasing cost will reduce the fund's overall return.
4. For Foreign Investment Fund called SPDR Gold Trust traded in the Singapore Exchange, where the asset management company calculates the fund's unit trusts with the closing price of SPDR Gold Trust traded in Singapore Exchange. This closing price in Singapore Exchange may differ from the price of gold or SPDR Gold Trust traded in other stock exchange.
5. The fund is not limited to only the investors whose age is indicated above.

The idea of mixing assets in the portfolio has been done by **"institute investors"** for a long time. They select **"assets"** with a low **"correlation value"** or, in other words, relation. For example, the value of one asset increases but the other asset does not decrease or increase much. These assets will be mixed in the portfolio to **"mitigate the risk"** while maintaining the desired **"return."**

This is not hard to understand. For instance, asset A has a **"high risk"** and a **"high return"**. If the investor puts all of his/her money in this asset only, the risk will go up but he/she has a chance to earn a high return. However, when the investor puts some money, supposedly 50% of the total capital, in asset B, with lower a "risk" and "return", it will lessen the risk of the portfolio rather than investing in asset A only. Moreover, the return level will be in the middle between those of asset A and B.

"If the investor invests in asset A only, the risk may be too high. On the other hand, if the investor invests in asset B only, the return may be too low. When both of them are mixed in the portfolio, the **"return"** and **"risk"** will be averaged out according to the proportion of asset A and B."

For the concept of **"asset allocation"**, if the investors have **"time"** and **"understanding"**, they can apply this concept to manage their own portfolio. Currently, **"mutual funds"** offered to the investor by **"Krungsri Asset Management"** are comprehensive and the investor can manage his/her own portfolio. If investors **"neither have time nor understanding"**, they can choose **"ready-to-invest funds"** like **"Krungsri Life Stage Plus"** as well.

"As the key **"highlight"** of **"Krungsri Life Stage Plus"**, the team of fund managers **"rebalances"** the portfolio **"monthly"** to make sure that the investment ratio follows the planned structure and is suitable for each life stage. However, the team does not focus on **"market direction"** that much. This is to ensure that the **"return"** and **"risk"** of portfolio achieve the goal that was **"clearly"** set at the beginning."

Suppose that the stock market improves while the bond and gold markets are stable. This causes the ratio of stocks to increase at the end of month. The fund manager will then reallocate the weight of the assets to meet the planned ratio by selling the stocks to buy more bonds and gold to maintain the investment ratio.

In the opposite case, if the stock market goes down while the bond and gold markets are stable, causing the stock ratio in the portfolio to decrease at the end of month, the fund manager will sell the bonds and gold to buy more stocks. This will ensure that the investment ratio meets the structure he or she planned at first.

The fund manager is responsible for stock trading to ensure that the investment ratio meets the structure he or she initially planned.

Regularly rebalancing the portfolio every month is another "highlight" of the fund because the risk will stay at the same level the investor chooses at the start. "Without readjusting the weight", the risk of the investor's portfolio may deviate from what he/she planned. This will also pose "more" or "less" risk if changes in the markets impact the investment structure but the investor does not rebalance the portfolio to follow the previous structure.

"Krungsri Life Stage Plus ... will make an investment easier because investors do not have to allocate the assets themselves. Most Thai investors still think that they can allocate the investment themselves. That is why they take this matter into their own hands. It will be nice if they can do it themselves. However, if it is inconvenient or they do not have enough time, the mutual funds will be another interesting option for the investors."

Viewing the portfolio in a big picture to find the mean of positive **"return"** in the long- term is one of the investment strategies adopted some time ago by the **"institute investors"** in looking at the **"total return"**. It is therefore, a good thing and opportunity for **"individual investors"** like us to apply this concept via the investment strategy of **"mutual funds"** too.

Investors or interested parties who wish to receive a prospectus, or want more information on funds, please contact

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