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How to pick the right unit trust

PEOPLE who have had bad experiences with unit trusts, usually end up feeling disillusioned because they had picked the wrong funds. With a few hundred funds registered here, picking the right unit trusts may be a challenge for average investors.

The difference between picking the right fund and the wrong one can be significant.

Take the example of Asia ex-Japan equity funds registered here. Data from Standard & Poor's (see table) shows that the disparity in performance between the best-performing fund and the worst-performing fund over a one-year and three-year period was large.

The best-performing fund registered a 17.32-per-cent return over a one-year period to end-April this year, while the worst performer posted a corresponding decline of almost one per cent.

Over a three-year period, the best-performing fund posted an annualised return of nearly 16 per cent while the worst performing fund recorded a gain of only about one per cent.

The same pattern comes through when we look at the universe of global

| BEST vs WORST PERFORMING FUNDS | | |
|-----------------------------------|---------|---------|
| | 1-YEAR* | 3-YEAR* |
| Asia ex-Japan Equity Funds | | |
| Best-performing Fund | 17.32% | 15.90% |
| Worst-performing Fund | -0.95% | 1.24% |
| Average Performance | 9.00% | 7.64% |
| Global Equity Funds | | |
| Best-performing Fund | 19.13% | 26.94% |
| Worst-performing Fund | -11.37% | -14.74% |
| Average Performance | 3.36% | 3.49% |

*Annualised return up to end-April 2005

SOURCE: S&P AIM

equity funds.

For the corresponding one-year period, the best-performing fund returned 19.13 per cent, while the worst-performing fund recorded an 11.37 per cent decline.

And over a three-year period, the best performing global equity fund posted a annualised return of 26.94 per cent while the worst performer posted a 14.74 per cent loss.

These examples illustrate that once you have decided on a particular area that you want to invest in, picking the right fund in that area is critical for success.

But how do you go about picking the right unit trusts for your portfolio?

Start by assessing your risk appetite. If you are someone who cannot stomach volatility, then steer clear of volatile funds such as single-country funds and technology funds, *et cetera*. If you have to invest in them, be sure that you do not over-invest.

The next step is to determine the allocation of your investments. You have to decide how much you want to put into equities, bonds and other assets, as well as the regions and sectors in which you wish to invest.

You may want to seek professional help if you are not sure how to go about spreading your bets.

Once you have decided the allocation among asset classes, regions and sectors, then the next step is pick the right funds in each of these areas.

When picking unit trusts, it is important to look at things such as the fund manager's track record, the consistency of performance, the volatility of the fund, its size (which has a bearing on the fund's expense ratio), and the value-add which the fund manager brings to the table.

Average investors with limited access to fund managers, can turn to independent consultants such as Mercer, which rates funds registered here. These ratings and Mercer's evaluation of funds can be found on its website, www.mercerfundwatch.com.

Additional information on funds, their track record and expense ratios can also be found on the website, www.fundsingapore.com.

Next week we will look at deposits and offer some tips on how you can put them to harder work.

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Raffles City to develop basement into trendy marketplace

RAFFLES City will extend its basement area by 50,000 sq ft as part of a major revamp of its retail space.

The basement, currently anchored by Jason's Marketplace and home to a number of food and beverage (F&B) outlets, will be developed into "The Raffles Marketplace" — a fusion of fashion, food, music, books and lifestyle offerings.

Din Tai Fung, Jason's Marketplace, Kuriya Market & Restaurant, MPH Bookstore and That CD Shop, together with up to 50 new retail and F&B offerings are expected to take up units in the revamped area.

"Through this initiative we will be able to realise the full potential of The Raffles Market-



place, broadening the breadth and depth of the tenancy mix and providing a trendy, chic and happening environment for our customers to shop, indulge and have fun, said Tinsel Properties general manager Anthony Yip.

"As a key player in Singapore's retail scene, we understand our consumer audience is

savvy, and we strive to remain top of mind by offering a differentiated retail and F&B environment."

The extension, which is expected to draw an anticipated 15 to 20 per cent increase from the current 2.2 million monthly volume of shoppers, is conceptualised as a distinctive marketplace, with a contemporary touch where consumers can browse through the various retail offerings in an interactive fashion.

F&B outlets will have open display kitchens to engage and entice consumers while two new state-of-the-art water features illuminated by natural light during the day and architectural lighting by night, will complete the ambience.

"With the upcoming SMU campus, National Library and vibrant atmosphere generated by nearby cultural institutions, Raffles City is a perfect complement to Din Tai Fung's brand positioning that conveys an appreciation of artistic and culinary culture," said Dr George Quek (picture), group managing director of BreadTalk Group.

Added Mr Choo Peng Chee, chief executive officer of Cold Storage Supermarkets: "The new expansion plans at Raffles City are very positive and I anticipate that the new tenant mix will bring exciting changes to the shopping landscape at the centre along with greater business opportunities for us all."

CAAS to lease site for airport hotel

THE Civil Aviation Authority of Singapore (CAAS) is inviting investors to lease a site at the upcoming Terminal 3 for the development of an airport hotel.

The 60-year leasehold site can accommodate a hotel of up to 400 guest rooms.

CAAS has appointed DTZ Debenham Tie Leung and HVS International as consultants to source for suitable investors.

Terminal 3 is expected to be operational in early 2008. It is designed to handle up to 20 million passengers a year while Terminals 1 and 2 have a combined handling capacity of 44 million passengers annually.

The proposed airport hotel will offer travellers arriving at Changi Airport immediate access to hotel accommodation after clearing customs.

Air travellers with short layovers, as well as travellers engaging in business activities in the eastern part of Singapore are expected to benefit from the hotel development.

Changi Airport is one of the busiest airports in the region with 79 scheduled airlines operating more than 3,900 flights weekly to more than 170 cities in 50 countries.

Interested parties have been invited to submit their applications by Aug 18.

— Channel NewsAsia

ACCS allowed till Aug 31 to issue its 2004 earnings, hold AGM

ACCORD Customer Care Solutions (ACCS) has received regulatory approval for a four-month extension to finalise its financial accounts for the year ended Dec 31, 2004, following a profit overstatement announcement in May.

The Accounting & Corporate Regula-

tory Authority, or Acra, has given ACCS till Aug 31 to issue its earnings for last year, the company said yesterday.

It was also granted a two-month delay to Aug 31 to hold its annual general meeting.

In May, ACCS said that it overstated its profit before tax for 2004 and 2003 by

\$73 million and will be making additional provisions of \$81 million against the carrying value of some of its assets.

It added at the time that it had sufficient working capital to meet its requirements and to carry on as a going concern. — Dow Jones