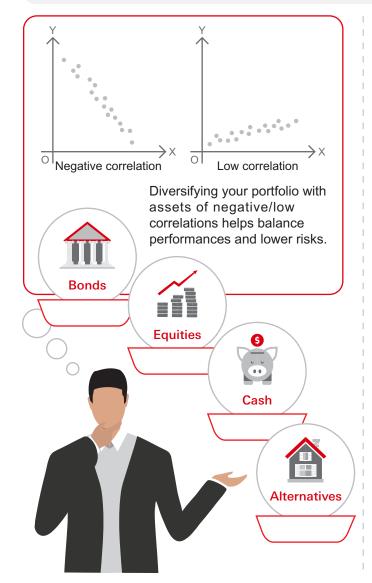
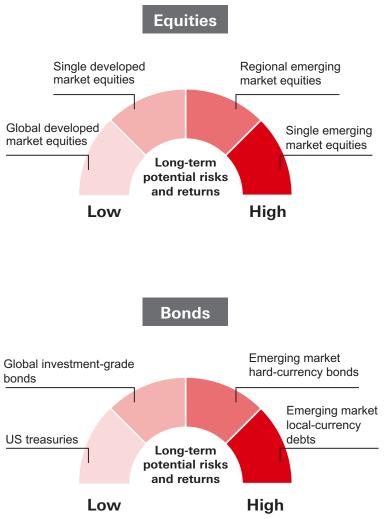


# 1. Lower portfolio volatilities through diversification

Diversifying your portfolio with assets of different attributes helps lower the overall volatility of your investments and balance performances. Diversification within the same asset class is possible too. They key is to understand the different risk attributes of different assets with regard to the industries and regions they belong to.





## 2. Create compounding effects with long-term investment

A lot of investors make frequent trades in the market with the principle of "buy low, sell high." But the method often turns out to be counterproductive and results in increased transaction costs. A better suggested approach is to use the dollar cost averaging, meaning to enter the market in sequence and reinvest all stock dividends. The results? Effects of accrued compound interest.

## The benefits of the average cost method

Invest \$6,000 on 300 shares in one go = \$20 per share on average



Invest \$1,000 monthly on 339 shares = \$17.7 per share on average

The data above is hypothetical and for illustrative purposes only. They do not represent future performance.

## Dos versus Don'ts

Reap the compounding effects from continuous investment



Adopt the dollar cost averaging or buy shares in sequence



Enter and exit the market too frequently



X Try to time the market

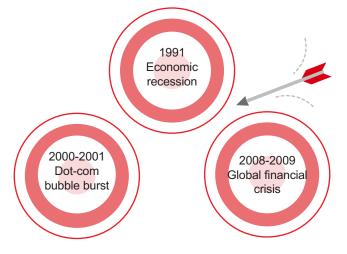


## 3. Place emphasis on quality during market downturn

Amid market volatility, companies with robust financials can generally maintain cashflow and dividend payout, which helps stabilise their share prices. Same for bond issuers. Those with better credit quality have relatively low default risks even when operation conditions worsen.

# High-yield bonds have relatively high default risks

The default rates of US high-yield bonds have shot above 10% for three times in the last three decades:



Source: S&P Global, as of March 20, 2020

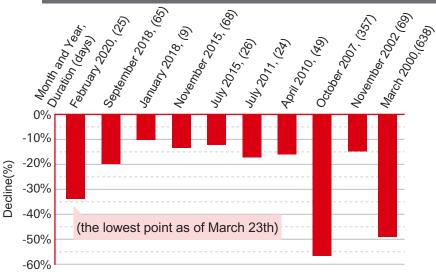
High-quality bonds continue to perform well during market downturns

	2000 Dot-com bubble burst	2008 Global financial crisis	2011 Euro debt crisis
Investment- grade corporate bonds	+9%	-5%	+8%
High-yield bonds	-6%	-26%	+5%

Source: Bloomberg; Investment-grade bonds: Bloomberg Barclays US Aggregate Bond Index; High-yield bonds: Bloomberg Barclays US Corporate High-yield Total Return Index. The figures above refer to the annual performance of the asset. Past performance is not indicative of future performance.

US stock markets have tumbled over 10% from a 52-week high for 10 times in the last 20 years. Market correction is actually not fearful. On the contrary, it could make valuations more attractive and creates buying opportunities.

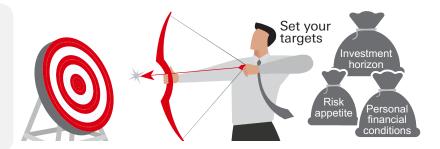
## Over 10% decline from heights in the last 20 years



Source: Bloomberg, as of March 2020

Stick to investment goals and don't bite off 5. more than you can chew

Don't let short-term volatility disrupt your investment plans. Neither should you buy individual stocks just because their prices drop a lot. You should try to understand your risk appetite and financial conditions, avoid biting off more than you can chew.



## Pay attention to disruptors in the markets

While dealing with market volatilities, always pay attention to market changes, especially long-term trends that could potentially disrupt the global economy. Only through active preparation for the next economic cycle can one seize opportunities unanticipated by others.



#### **Demographics**

Economic impacts of aging population or rising life expectancy



### **Technological** development

The rise of artificial intelligence and its impacts on labour intensive industries



#### **Government policy**

The political situations and policies of different countries, international relations and trade tensions



#### **External risks**

Potential problems in the financial market and other geopolitical challenges



6.

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