

# INVEST TALK



A quarterly newsletter by The Investment Services Division M I T A ( P ) 0 9 2 / 0 7 / 9 9

## Investing in UNCERTAIN Times



What should you do now to weather market volatility given the uncertain economic environment?

If you have savings sitting in various investments and are worried about the current market uncertainty, you may be pondering – should I sell now, hold on or stay invested?

### Crises and Equity Markets

We can gain insight into how the equity markets may respond by looking at past crisis. The table below shows the impact of the crises had on Dow Jones Industrial Index (DJIA) since 1950 which suggests a general pattern:

- There is an initial flight to safety, which sees a sharp drop in the equity market. This is essentially short term in nature and lasts anywhere between 1 day to several weeks;
- Thereafter (and often after a period of uncertainty and volatility at the bottom) the market tends to recover with often strong gains after 6 months.

Event	Reaction	% change in DJIA			
		Between reaction dates	Trading days after reaction dates		
			22 days	63 days	126 days
Korean War	23 Jun – 13 Jul 1950	-12.0	9.1	15.3	19.2
Cuban Missile Crisis	19 Oct – 27 Oct 1962	1.1	12.1	17.1	24.2
Financial Panic'87 (Black Monday)	02 Oct – 19 Oct 1987	-34.2	11.5	11.4	15.0
Gulf War Ultimatum	24 Dec 1990 – 16 Jan 1991	-4.3	17.0	19.8	18.7

Source: an extract from Ned Davis Research Inc.

### Dollar-Cost-Averaging, a Systematic Approach

To weather short-term volatility, investors could focus on long term goals and capitalize on investment opportunities. Dollar-Cost-Averaging (DCA) is a systematic approach you can consider to take advantage of in such uncertain times by buying more units regularly when prices are relatively low, thereby reducing your average unit cost.

Month	Jan	Feb	Mar	Apr	May	Jun	Total
Unit Price (\$)	2.00	1.50	1.25	1.75	1.80	2.00	
Monthly (\$) Invested	100	100	100	100	100	100	600
No. of Units Purchased each month	50	66.67	80	57.14	55.55	50	425.64
Average unit price during six months	=	\$1.72	(\$10.30 / 6 months)				
Average cost per unit	=	\$1.41	(\$600 / 425.64 units)				

Note: This is a hypothetical example. Your actual results may vary. Dollar Cost Averaging is a systematic approach but does not ensure profit or protect against loss.

### Today's fears, tomorrow's cheers

History has proved that the market is more powerful than any single event. Consider taking advantage of down periods as prime investment opportunities. And stay focused on your long-term investment objectives.

## Inside

### Feature Story:

Diversify into more stable returns

### Fund Feature:

Banking on Healthcare

### Market Bulls and Bears:

Global Overview and Outlook

### Product Highlights



## Editor's Note

The recent events in the United States have cast an element of uncertainty on the global investment horizon.

Perhaps it was the magnitude and unprecedented nature of the episode, or the protagonists concerned. Certainly, the emotional response from the public has been nothing short of intense from all sides, as witnessed in the forum pages on the Internet and in the media. For many, the ensuing turmoil was also a moment for reflection and soul searching. Some look for solace and meaning, while others look for signs on how we could have possibly foreseen or prevented such an occurrence.

While comparing with past crises does not offer any clear answers, markets are likely to undergo a period of weakness, notably since political ramifications remain unknown. A rebound may still be on the cards once the initial overreaction dissipates, though a more sustainable recovery is possible only when there is an effective resolution of the issue.

Investors should stay focused on their longer-term objectives and review their personal finances before making an investment decision. Dollar-cost-averaging through a regular savings plan could also be considered to weather market volatility.

For now, let us trust that reason and logic will prevail, and in our quiet moments, spare a thought for the innocents from all races and creed that have been caught in the whiplash.

Yours truly,  
**Kenneth Koh Chi Kian**  
Vice President  
Head, Investment Services Division  
Personal Financial Services Sector



# Global OVERVIEW & OUTLOOK

The US markets plummeted in the aftermath of the terrorist attacks in US. The Dow closed 7% (685 points) down and Nasdaq was down 6.8% (115 points) after the markets re-opened on the 17th of September. Despite the markets' dramatic fall, the decline was within expectations and there was no widespread panic selling as originally feared.

### Crises and the Market

Measures had been taken to increase liquidity and support for the equity markets. The Securities and Exchange Commission relaxed its rules on corporate share buybacks, which allowed companies to purchase their own shares without going through the usual statutory requirement and disclosure. The Federal Reserve's decision to add an unusually large \$38.3 billion in temporary reserves to the U.S. banking system and cut interest rate by 50 basis points (0.5%) also helped to add much needed liquidity to the financial markets and economy.

The view that the US markets' fallout was contained and had stabilised is supported by the European and Asian markets, which reacted positively to the re-opening of the US markets. The markets were also supported by the interest rate cuts by the ECB, other European Central Banks and Asian Central Banks, which was seen as a co-ordinated effort to support the Federal Reserve and the global economy.

However, this is not to say a sustained recovery in the global equity markets is on the cards. A short-term period of weakness



and wild swings in the global equity markets is expected.

### Impact of the terrorist attacks on the US economy

The key considerations are the impact on US consumer confidence, the easing of fiscal and monetary policies and the extent of the political fallout. A significant drop in consumer confidence and spending is likely to drag the US economy into recession. Likewise, a protracted or escalated conflict with the terrorists would be detrimental to the economy. On the other hand, further rate cuts and increased government spending would help to jumpstart the economy.

In fact, a \$40 billion fiscal stimulus package had been approved by Congress, which

would offer a much needed investment to the ailing economy. Also, companies affected by the attacks are likely to increase capital spending in order to re-build their capabilities and this would further spur the economy and increase the chances for an economic recovery.

Overall, weak sentiments should continue to plague the global equity markets over the near term given the uncertainty surrounding the US economy and the political arena. However, falling interest rates and easing monetary conditions world-wide should continue to support the global equity markets. Investors with longer investment horizons would be wise to capitalise on the depressed valuations of the equity markets.

Stock Market Indices	Value as at 24 Sep 2001	From previous quarter		Year to date			
		Chng	%Chng	Net Chng	%Chng	High	Low
DJIA	8,603.86	-2,000.64	-18.9	-2,182.94	-20.24	11,337.92	8,235.81
Nasdaq CI	1,499.40	-535.44	-26.3	-971.12	-39.31	2,859.15	1,423.19
FTSE-100	4,613.90	-1,051.80	-18.6	-1,608.60	-25.85	6,334.50	4,433.70
DJ Euro Stoxx 50	3,068.05	-1,126.91	-26.9	-1,704.34	-35.71	4,787.45	2,877.68
Aust All Ord	2,867.40	-497.30	-14.8	-287.30	-9.11	3,370.70	2,867.40
Nikkei 225	9,554.99*	-3,489.62	-26.8	-4,230.70	-30.69	14,529.41	9,504.41
STI	1,284.68	-432.20	-25.2	-642.15	-33.33	1,991.29	1,241.29
KLSE CI	605.44	17.55	3.0	-74.20	-10.92	736.34	553.34
Hang Seng I	9,284.50	-3,889.52	-29.5	-5,811.03	-38.50	16,163.99	8,934.20
Taiwan WI	3,533.51	-1,370.83	-28.0	-1,205.58	-25.44	6,104.24	3,533.51
Korea CI	482.19	-116.89	-19.5	-22.43	-4.44	632.05	468.76

Source: Bloomberg. \* Valued as at 21 Sep 2001.



Diversify into more

STABLE  
RETURNS,

invest in Bonds

In this issue, we introduce you to investing in Singapore Government Bonds (SGB) - most suitable for investors who are looking for stable returns, receiving dependable interest income and preserving their capital.

These bonds pay out interest semi-annually at a fixed coupon rate and the interest payment is guaranteed throughout the life of the bond. Your investment is fully sound as it is issued by the Monetary Authority of Singapore (MAS) on behalf of the Singapore Government.

Currently, the 10-year Singapore Government Bonds give you a return of 3.42% p.a. (as at 24 Sep 2001) which is relatively attractive as compared to the current 2.5% payable on your CPF savings in your Ordinary Account. Take your first step to invest in the Singapore Government Bonds for as little as \$1,000.

What Returns do you Earn from your Bond?

The following illustration provides a comparative analysis for investing in Long Term Bonds and Short Term Fixed Deposit.

Long Term Bonds	Short Term Fixed Deposit
A 10-year Singapore Government Bond with \$10,000 face value and a coupon of 3.625% p.a.	A \$10,000-00, 6-month fixed deposit at 2% p.a. interest rate.
<ul style="list-style-type: none"><li>Investor will receive: <b>\$181.25<sup>#</sup> interest income every 6 months till maturity and, \$10,000 principal</b> upon maturity on 1 July 2011.</li><li>Returns are <b>guaranteed till the bond matures on 1 July 2011 and payable every 6 months.</b></li></ul>	<ul style="list-style-type: none"><li>Investor will receive: <b>\$99.17<sup>#</sup> interest and \$10,000 principal</b> on maturity on 14 March 2002.</li><li>On maturity, <b>Investor will be exposed to the uncertainty of the market, depending on whether the interest rate is uptrend or downtrend.</b></li></ul>
<sup>#</sup> (\$10,000 x 3.625/100 x 1/2)	<sup>#</sup> (\$10,000 x 2/100 x 181/365)

**Note:**  
1 Interest is payable semi-annually and is calculated on an actual/actual basis. In this illustration, accrued interest is payable from 2 July 2001 to 14 September 2001 (74 days out of 184 day count). However, the bond investor will receive interest of \$180.26 (from the issue date of the bond, which is on 2 July 2001 to the next couponpayment date - 1 January 2002) on 2 January 2002 since 1 January 2002 is a holiday.  
2 Accrued interest is payable by the buyer of the bond to the seller in the trade. However, the buyer of the bond will receive the entire interest for the half year period when the next coupon is paid by MAS to the holder of the bond.  
3 The Bond is maturing on 1 July 2011, price of 101.44, yield to maturity at 3.45% p.a.  
Principal amount payable on the bond = \$10,000 x 101.44/100 = \$10,144.00  
Accrued interest payable\*\* = \$10,000 x 3.625/100 x 1/2\* x 74/184\* = \$72.89\*  
Total proceeds payable by the bond investor = \$10,216.89  
4 Assume Investment on 12 September 2001.

Please call 1800 22 22 121 for more information or visit any of our UOB Group Branch or Invest Shop today.

CPF

Investment Scheme

CPF Investors can withdraw profit from late October 2001

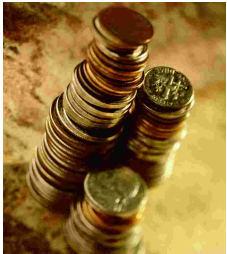
The withdrawal of profits for CPFIS-Ordinary Account (OA) will be phased out from October 2001. Profits that are not withdrawn will be brought forward to the next financial year and be accumulated with future realised profits or losses.

For the next financial year ending 30 September 2002, only 50% of net realised profits can be withdrawn and after 30 September 2003, members will not be allowed to withdraw their CPF profits.

For withdrawal of profits, simply complete the Profit Withdrawal Form or submit the request using our ATM, Phonebanking or Personal Unibanking Services.

Net Realised Profits For Financial Year Ending	Percentage Of Profits Withdrawal Allowed	Profit Withdrawal Period
30 Sep 2001	100%	From 1 Oct 2001 – 30 Sep 2002
30 Sep 2002	50%	From 1 Oct 2002 – 30 Sep 2003
30 Sep 2003	Nil	Not applicable

For more information, call our UOB CPF Investment Hotline at 1800 538 8011 or 1800 538 8022.







# Banking on HEALTHCARE

The key observations for the healthcare sector encompasses:

- Growing demand for healthcare services and out performance in the health care sector over the past years.
- Fund managers' outlook remain positive for the industry and most healthcare companies have reported better-than-expected earnings, which compared favourably with other companies such as telecommunication companies.
- The health care sector would be a defensive play in this uncertain environment as the industry should be able to weather current market weakness.
- One of the major concerns for the sector is the US Government's intervention in the sale and distribution of drugs and treatment. With the government controlling prices and repealing patents, the end result will be that the overall profitability of the healthcare companies will be reduced.

Pick Of The Crop

**Our Pick: The United Global Healthcare Fund.** The fund has outperformed and achieved commendable returns of 26.3%, amid the extremely difficult investment conditions since its inception in August last year. Apart from achieving higher returns, the fund's volatility is also the lowest.

Comparison of Healthcare Funds Distributed by UOB

(Performance as at 31st July 2001)

Funds	Since Launch (%)	Year to Date (%)	3 months (%)	6 months (%)	Risk Adj Returns (%)	Volatility	Expense Ratio <sup>3</sup>	Fund Start Date
ACMIF Int Health Care A*	12.8	-14.4	-1.2	-5.5	0.2	14.6	2.6%	12.02.1999
Franklin Templeton F-Lif Sci*	-26.0	-21.8	-6.7	-16.6	-0.7	36.8	3.1%	30.06.2000
INVESCO GT Healthcare <sup>2</sup>	-0.3	-0.3	1.6	N.A	-0.2	24.4	2.4%	23.02.2001
UOB United Global Healthcare*	26.3	8.1	5.3	7.1	2.6	10.5	2.3%	18.08.2000
Mean	3.2	-7.1	-0.3	-5.0	0.5	21.6		



Source: Micropal, Standard & Poor's, Bid-Bid, SGD, Net Inc, as at 31 July 2001.

1 NB: The list of criteria used to rank the funds extends beyond the ones listed in the table.

2 The fund is not included in the ranking exercise as track record limited.

3 Based on William Mercer, "Performance and Risk Monitoring Report for Unit Trusts that are included under the CPFIS as of 30 June 2001". Expense ratio for the INVESCO GT Healthcare Fund provided by Fund Manager.

\* Available for CPFIS-OA Investments.



# Living the Golden Years SEMINAR



With more people realising the importance of good financial planning in order to achieve their retirement goals, our 'Living The Golden Years' seminar, held at the Westin Stamford on the 21 July 2001 could not have been more timely. The Supplementary Retirement Scheme (SRS) seminar, organised by Personal Financial Services (PFS) – Investment Services, attracted more than 1,000 participants.

The seminar kicked off with a lively opening address by VP Kenneth Koh of PFS – Investment Services. Speakers with the likes of tax expert Juliana Ng, Head of Arthur Andersen Private Client Services; Glenn Lee, Head of Marketing & Business Development at UOB Asset Management; Associate Director, Michael Lim and Market Specialist, Andrew Lee from UOB-Kay Hian Holdings; and David Beynon, President & CEO of John Hancock, shared their expertise at the seminar.

The afternoon ended with an exciting lucky draw for the participants. The lucky winner was Mr Pang Ah Nyau who walked away with S\$1,000 worth of unit trusts – a prize that definitely gave him a head start to Living The Golden Years!



# Get an extra 9% interest\* on your Fixed Deposit and a Free Getaway\*

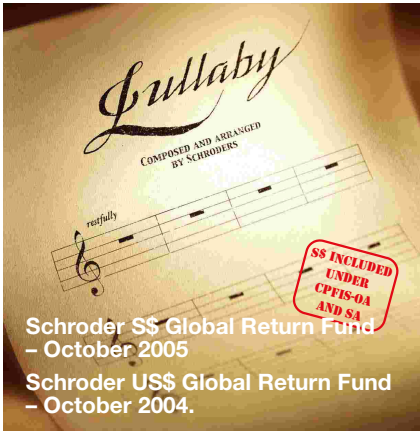
From now till 31 October, placing S\$5,000 in our joint UOB Fixed Deposit and Unit Trust promotional package, earns you **extra interest\* on your Fixed Deposit, or higher discounts\*\*** on our comprehensive range of unit trusts funds. And if you invest S\$20,000 or more, a **FREE getaway is guaranteed** – and this is on top of higher interests or discounts!

Invest early using Cash, CPF savings from your Ordinary Account or Special Account or contributions from UOB-SRS account.

\* Terms and conditions apply  
\*\* Discounts in the form of Bonus units and not applicable for promotional funds.



Investment Amount (Unit Trust & Fixed Deposit)	Unit Trust Discount	Extra Fixed Deposit Interest		
		3 mths	6 mths	12 mths
\$5,000 – \$99,999	up to 2.25%	4.4%	2.2%	1.10%
\$100,000 – \$199,999		5.0%	2.5%	1.25%
\$200,000 – \$399,999		7.0%	3.5%	1.75%
\$400,000 & Above		9.0%	4.5%	2.25%



# REAP PROFITS from Global Opportunities

With the recent market uncertainty, you would want to invest prudently and reap the returns of any economic upturn. With the Schroder S\$ Global Return Fund – October 2005 and the Schroder US\$ Global Return – October 2004, you can. The **Funds offer 100% capital protection\*, plus minimum returns of 5% or 7.5% for the S\$ and US\$ Fund respectively.**

Together with this, you also stand to gain extra potential returns from investments in the Schroder – ISF Global Equity\*\*, which will capitalise on the expected recovery of the major stock markets.

Distributed by:  UNITED OVERSEAS BANK Managed by:  Schroders

That's not all. You'll also enjoy free life insurance\*\*\*, and you need only a minimum of S\$5,000 or US\$ 5,000 to invest. So act now. Subscription closes on 19 October 2001.

**Important Notes**  
\* The protection covers 100% of the capital investment, less any sales charge. Investors must hold Fund units to the respective Maturity Dates to benefit from the capital protection. The protection is provided by bonds to be issued by financial institutions rated 'AA' or better by Standard & Poor's or equivalent and is subject to issuer risks.  
\*\* Participation in the average quarterly growth of Schroder ISF – Global Equity is approximately 33 – 53% for the S\$ Fund and 40 – 60% for the US\$ Fund. The actual participation rates will be determined when the investments are made after the close of the Offer Period and will depend on prevailing market conditions.  
\*\*\* Terms and Conditions apply.  
Past performance and forecasts are not necessarily indicative of the future or likely performance of the Funds. The value of units may fall as well as rise. Such capital protection for units held till the respective maturity dates is provided by bonds and not by a guarantee. The Funds are subject to investment risks. All applications for units must be made on the form accompanying the prospectus. Investors should read the prospectus for more details. The Central Provident Fund Board currently pays a legislated minimum interest rate of 2.5% on the Ordinary Account and a guaranteed rate of 4% on the Special Account. CPF interest rate is based on the 12-month fixed deposit and month-end savings rates of the four major local banks and it is revised quarterly.

# Shop for FREE\* with UOB Life Assurance

From now till 31 October 2001, enjoy FREE Takashimaya shopping vouchers when you invest in any of the 4 new insurance products offered by UOB Life Assurance. Start with an amount you are comfortable using Cash, CPF savings from your Ordinary Account, Special Account or contributions from UOB-SRS account. Invest and be insured today.

Product	Type/CPF Category	Premiums	Takashimaya Vouchers
Fund of Funds	Investment Linked Products (ILPs)	Every \$10,000	\$40
Maxi-Dollar Plan	Endowment	Every \$10,000	\$40
Guaranteed Cash Plan	Endowment	Every \$5,000	\$20
Guaranteed Rewards Plan	Endowment	Every \$5,000	\$10

\* Terms and conditions apply.

For more information, call 1800 22 22 121 or visit any UOB Group Branch or Invest Shop.



# 投资于不稳定的时期



在目前不稳定的经济环境中，应该怎样渡过市场波动期？

如果您现在手中有不同的投资组合，面对目前市场的动荡不定而感到忧虑，您也许在想 – 是现在卖掉还是持守或继续投资？

事件	反应期	道琼斯工业指数变化%			
		反应期内	反应期后的交易日		
			22天	63天	126天
朝鲜战争	1950年6月23日至7月13日	-12.0	9.1	15.3	19.2
古巴导弹危机	1962年10月19日至10月27日	1.1	12.1	17.1	24.2
1987年金融恐慌 (黑色星期一)	1987年10月2日至10月19日	-34.2	11.5	11.4	15.0
海湾战争的美敦书	1990年12月24日至1991年1月16日	-4.3	17.0	19.8	18.7

资料来源: 摘自Ned Davis Research Inc.

## 危机与股市

对以往危机事件的回顾，也许有助于增强我们对股市反应的认识。下表显示了自1950年以来一些危机事件对道琼斯工业指数产生的冲击，从而提供了一个基本模型：

- 在经历最初的上升到达安全线后，股市有一个急剧的下跌。这基本上是非常短期的行为，持续1天到数周之间；
- 之后（通常是在一个时期的不稳定和在谷底波动后）市场趋向于在6个月过后的强力回弹。

## 资金成本平均，一个系统化投资方针

要渡过短期波动，投资者可以关注长期目标并利用投资机会。资金成本平均(DCA)是一 您可以考虑的系统化投资方针，利用目前这样的不稳定时期，在价格较低时买入多些单位，从而减少您的平均单位成本。

月	1月	2月	3月	4月	5月	6月	共计
单位价格 (\$)	2.00	1.50	1.25	1.75	1.80	2.00	
每月投资 (\$)	100	100	100	100	100	100	600
每月买入单位数量	50	66.67	80	57.14	55.55	50	425.64
六个月平均单位价格	=	\$1.72	(\$10.30/6个月)				
平均单位成本	=	\$1.41	(\$600/425.64单位)				

注: 这是一个假设的例子。实际情况可能有所变化。资金-成本-平均是一个系统化投资方针，但并不确保盈利或防止亏损。

## 今天的恐惧，明天的喜悦

历史证明，市场比任何单一的事件都更强有力。考虑利用低落时期作为黄金投资机会并关注您的长期投资目标。

## INVEST TALK

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