UNIT TRU$TS

By Dennis Ng

Executive Inc. contacted Dennis Ng, a Certified Financial Planner^{CM} Practitioner to seek his views on how to choose a unit trust.

EI: Investing through Mutual Funds or Unit Trusts as known in Singapore have become a popular way to invest. However, the problem is the total number of unit trusts in Singapore is more than 500 and is increasing every year as more funds are launched. So, what are the factors a consumer needs to consider before putting their savings into a Unit Trust?

Dennis: Investing in Unit Trusts can be analogous to letting someone drive instead of us getting behind the wheels ourselves. Similarly, before we let someone drive our car, there're things we need to consider. For instance, is the driver good at driving or very reckless ... similarly, before choosing a Unit Trust to invest in, there are things one needs to consider? I've come up with a checklist of nine things that you need to consider before investing in Unit Trusts.

The first and most important thing a person to need to do is to work out your annual cash outlay and ask yourself how much money you need and by when, as well as how much you can afford to lose. Make sure you have on standby cash to meet at least six months of your expenses. This money should be kept in the bank and not invested. Only invest any excess money you have.

EI: What's the next thing a person need to consider?

Dennis: Although unit trusts are considered to be less risky than stocks, you can still lose quite a bit if you pick the wrong unit trust. Make sure you know things such as: What is a Balanced Fund? What is a sector fund? Understand the pros and cons of investing in a single country, single industry funds vs Global Funds and so on.

EI: Last year single country funds like India did very well. What are the pros and cons of investing in single country or single sector fund?

Dennis: The advantage is that if the country or the sector you invested in did well, you can reap a higher returns. The disadvantage is that you're putting