"Consistency in performance is more important than winning awards."

everything into a single basket. If this country or sector doesn't do well, you are likely to suffer a loss. The advantage of a global balanced fund is that it is invested in different countries and regions—if one country is not doing well, another may do well, this creates an offset effect.

EI: **Can we expect quick returns from Unit Trust? In year 2003 Unit Trust provided returns as high as 40 per cent in 6 months, is this something we can expect?**

Dennis: I feel that such high returns of 40 per cent return in six months is the exception rather than the norm. We should invest for the long term. The third thing to note is that every time you decide to sell a unit trust and replace it with another, you incur additional costs—initial sales fee for the new fund, switching fees from the old fund and so on. The best way to build your wealth is to sit out your investment for the next five to 10 years. If you check your performance against a friend who constantly buys and sells, you might discover that you do better than the other more "active" guy. Another way to reduce cost is to invest with a provider that allows you to switch from one fund manager to another for FREE without you paying all these charges.

EI: **Every month, there are new funds being launched; is it a good strategy to invest in many funds example, five or even 10 funds?**

Dennis: Yes, it may be amusing but some people invest in Unit Trusts like they are collecting the latest "hot item" such as Pokemon or Hello Kitty. The point is not to buy every single type of unit trust in the market, but try to invest in the fewest number possible that would give you a diversified portfolio. That is, there is no point of buying two or three Asia funds as they give you the same exposure.

EI: **There are some awards given to funds that did well. Is buying a fund which just won an award a good way of selecting a fund?**

Dennis: A thing you always read in a fund's prospectus is that past performance is no indicator of future results. Just because a fund won an award last year doesn't mean this year its performance is going to be good. If we just buy funds that win awards, it's like buying a music disc of a pop star because they won an award. We must remember that just like pop stars, hot funds come and go. Thus, the fifth thing to note is that "Consistency in performance is more important than winning awards."

EI: **Different funds charge different fund management fees. Does it mean that a fund with higher management fee is better?**

Dennis: It might not necessarily mean that a fund that charges a higher management fee is better. If you arrive at a selection of unit trusts that seem equally good, go for the one with the lowest costs. Unit trusts that charge less will earn more for you over time, because less money is deducted.

EI: **We notice that when funds are launched they are launched at $1. Does this $1 mean anything at all?**

Dennis: No, the $1 price when a fund is launched does not mean anything at all. Unlike the IPO price for shares, the S$1 nominal value attached to newly launched funds means nothing at all. The value of the fund may drop below S$1 if after the fund started, the fund manager bought into shares that drop in price rather than rise. That's why typically after a fund is launched, you see the price either dropping below $1 or going above; it rarely stays at $1.

EI: **A friend was told by a financial advisor that investing in bonds has a much lower risk than a unit trust that invests in shares. Is it true?**

Dennis: When you invest in a bond, you are actually lending money to the bond issuer; typically the bond issuer can be a country or a company. Thus, there are risks. One of the main risks is credit risk—if the bond issuer can't pay you back. Another risk is interest rate risk. Bond prices