Benefits Public Mutual Investment

1. Professional Investment Management

A public mutual fund combines the capital of many investors to employ experienced management in purchasing securities of many companies. The management of a public mutual provides diversification of investments and supervision which few investors could individually afford. Investment management is a full time job requiring specialised knowledge and training. It involves the study of a variety of factors.

Some of the factors which have to be examined are:

1. Comparisons of all industries in the economy
2. Relative studies of companies within a promising industry
3. Personal contact with management of promising corporations
4. Evaluating the effect of international events, both monetary and political
5. Determining the results of government policies on each industry

Professional management is also interested in studying less obvious factors such as wage rates, which might affect the economy or the profitability of certain companies or corporations. It requires careful study of individual companies within the industry to determine which of the many companies offer the best prospects for the investors. It requires comparing this company with the best companies in other promising industries. Since all this factors are constantly changing, re-evaluation and study have to be continuous.

2. Diversification

Diversification means spreading one's investments among many securities. It is an important method of reducing risk. It decreases the danger of damaging losses, which can occur through having all of one's eggs in one basket.

Diversification is difficult and expensive for a small investor because the cost of purchasing numbers of shares in many companies at the same time is disproportionately high.

Public mutual investment with their resources are able to make widely diversified investments available to even the smallest investor. Diversification involves the ownership of many different securities. All the securities owned by an individual investor or unit trust fund are referred to as an investment portfolio.

3. **Liquidity**

An investor can sell his purchased units, wholly or partially, at the following trading day's unit buying price. Units have a high liquidity, that is, they can be readily converted into cash.

It has to be remembered, however, that public mutual investment's units will be redeemed at the prevailing buying price on the following day after receipt of the repurchase form. The unit price may be higher or lower than the price at which the investor started the plan. Public mutual investment should be regarded as a long term, rather than short term investment. It should look into case by case basis.

4. **Advantages of Compounding**

Many public mutual funds provide facilities for investors to reinvest their distributions. For those who opted for distribution reinvestment, the fund will automatically credit the distributions into the account, rather than sending distribution warrants.

This process of reinvesting the income from the original investment and also of reinvesting the return on the total accumulating investments is called compounding.

As an illustration, if at 25, you invested RM100 at the beginning of every month at an interest growth of 10% per annum until age 65, your investment would have grown to RM638,000 ! The key element to compounding is time. The longer the period of time, the greater the growth.

5. **Regularity of Investing**

Many people do not have substantial sums of cash available to invest, but they can develop an investment account, investing smaller sums regularly in a unit trust.

Most public mutual funds have plans available to make it possible for smaller investors to invest relatively small amounts monthly. It is easy and inexpensive for an individual to acquire units through deposits of RM100 or more a month in a public mutual fund.

6. <u>Fund Administration – The Convenient Factor</u>

Few people have the experience, time or facility to properly set up an investment programme, much less to supervise it constantly. Unit trust managers have emerged as professional organisation devoted to solving the investment problems of people from all walks of life.

Public Mutual investment relieves their investors of the need to handle their own securities transactions. Investors in public mutual funds are not obliged to concern themselves with matters such as:

1. Obtaining quotations on securities being bought and sold
2. Delivery and payment for the securities involved in each transaction
3. Safekeeping of cash and securities
4. Accounting and bookkeeping procedures, etc

Investors of public mutual funds will receive semi annual and annual reports which describe:

a. The portfolio of the funds
b. Investment changes made in the period
c. Distributions paid, if any
d. Fund manager’s opinion on the economic and market outlook