What do I need to know about Unit Trust investments ?

The Basics

Introduction to Unit Trust - What is a Unit Trust ?

A unit trust fund is a collective investment scheme, which pools the savings of investors with similar investment objectives in a special “trust” fund managed by professional fund managers. The fund will then be invested in a diversified portfolio of equities, fixed income securities and other assets in accordance with the fund’s investment objectives and as permitted under the Securities Commission’s Guidelines on Unit Trust Funds. The fund aims to secure high returns for its unitholders over the medium to long term period.

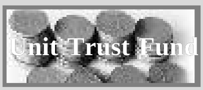
The organisation of a unit trust is a tripartite relationship between the manager, the trustee and the unitholders. The obligations and rights of each of the three parties are specified in the Trust Deed, a legal document drawn up by the Manager and registered with the Securities Commission. The Trust Deed is designed to govern the operations of the trust fund and protect the unitholders’ interest. The Manager is responsible for the management and operations of the trust fund whilst the trustee holds all the assets of the fund.

Mode of Operation

(Governed By Trust Deed)

Unitholders
to invest in the fund

Trustee
to safeguard the assets of the fund



Manager
to administer the operations of the fund

Invest
(Permitted Investments)

- Malaysia Government Securities, Government Investment Certificates, Treasury Bills
- Securities listed on the local/foreign stock exchanges
- Cagamas Bonds, Bankers’ Acceptances, Unlisted Loan Stocks, Corporate Bonds
- Negotiable Certificates of Deposits, money at call, deposits with financial institutions
- Any other investments as approved by the Securities Commission

Possible Capital Gains & Dividends

Regulatory Framework

The Securities Commission is responsible for regulating all matters relating to unit trusts. It has, with the approval of the Minister of Finance, issued the Securities Commission (Unit Trust Scheme) Regulations, 1996 (the "Regulations") and formulated the Guidelines on Unit Trust Funds (the "Guidelines") to govern the operation and administration of unit trust schemes. The Regulations and the Guidelines have been established with the objective of providing a regulatory environment that would protect the interests of the investing public and facilitate the orderly development of the unit trust industry. All parties involved in unit trust schemes must comply with the Regulations and Guidelines including all relevant legislation.

The appointment of the Management Company, its Directors, Chief Executive Officer, Investment Committee members, Shariah Adviser, the Trustee and any delegates must be approved by the Securities Commission.

The Benefits

How can I benefit from investing in Unit Trusts?

Unit trusts provide Unitholders a simple, convenient and less time-consuming method of investing in securities as compared to investing directly in the stock market. Moreover, Unitholders are able to benefit from the expertise of full-time professional fund managers and accordingly need not have to worry about what stocks to buy and when to get in and out of the market. By investing in unit trusts, investors have the opportunity to spread their money over a diversified portfolio of assets which otherwise may not be possible on their own. There are also potential risks involved and these are itemised on page 10.

Why would I want to invest in Unit Trusts?

Professional Investment Services

1

You have full-time professional fund managers to manage your investments for you. Investment decisions are backed by extensive research, market analysis and vigilant monitoring of the economic and market environments. Investing on your own, you could spend unlimited time on research that professional management would have a better insight on.

Diversification Opportunities

2

By investing in unit trusts, you have the opportunity to spread your money over a diversified portfolio of assets which otherwise may not be possible on your own.

Minimised Risks

3

Unit trust funds provide you with an alternative investment option with lesser risks than investing directly in the stock market.

Possible Protection Against Inflation

4

It is not how much you earn but how much you save that determines your ability to accumulate wealth. By investing your savings regularly in unit trust funds, you may achieve a measure of protection against inflation through the capital appreciation of your investment, if any.

Affordable

5

As the Minimum Initial Investment amount in most unit trusts is relatively low, they are affordable as compared to direct investment in securities.

Convenience

6

You can rid yourself of the unnecessary stress and paperwork that comes with managing your own stocks and shares portfolio, keeping track of your contract notes, share certificates, rights and bonus issues and so on. It is very easy to purchase or sell back your units at any of the Manager's offices or agent's offices. On top of this, the manager will send the Fund's interim and annual reports to keep you informed on the performance of the Fund.

Liquidity

7

Unlike your investments in fixed assets such as land and properties, you may sell all or part of your unit holdings to the Manager on any Business Day making it easy to withdraw your money.

What kind of risks am I taking?

Any investment carries with it an element of risk. With unit trust funds the potential risks can be analysed as follows:

a) Market Risks

Any purchase of equities must represent a risk investment as unit trust fund principally invests in listed stocks, therefore, as market conditions change, the price of units may fall as well as rise, and income produced by the fund may also fluctuate. Accordingly, the manager cannot guarantee any dividend or investment returns to the unitholders. However, by investing in a wide range of shares, the manager attempts to balance this risk with the investment rewards that can be made.

b) Particular Stock Risks

Any irregular fluctuation of a particular stock invested by the Fund may affect the unit price. This impact is however minimised because the fund invests in a wide portfolio of investments, thus spreading the element of risk.

c) Returns Not Guaranteed

As a result of the above risks, the manager is not able to guarantee the dividends and capital appreciation of the fund.

d) Loan Financing Risk

If you obtain a loan to finance your purchase of units, you need to understand that:

- borrowing increases the possibility for gains as well as losses;
- if the value of your investment falls below a certain level, you may be asked by the financial institution to top up the collateral or reduce the outstanding loan amount to the required level;
- your ability to pay your loan instalments may be affected by unforeseen circumstances in the future such as loss of employment

(please refer to Unit Trust Loan Financing Risk Disclosure Statement in Appendix 1)

e) Currency Fluctuation Risk

If a percentage of the value of the fund is invested overseas, the fund's assets and income will be denominated in a number of different currencies other than Ringgit Malaysia and thus fluctuations in currency exchange rates which are unpredictable, may have an impact on the income and the variation of the assets of the fund.

f) Manager's Risk

The performance of any unit trust fund also depends on the experience, knowledge, expertise and investment techniques adopted by the investment manager.

Managing Risks

The manager will take reasonable steps to ensure that the above potential risks are managed by:

- compounding the returns on investments over the long term period and capitalising on the market cycles to manage short term fluctuations;
- constructing an efficient portfolio of assets as diversification reduces the risk significantly in comparison with investing in one or two counters only.
- The investment manager will seek to reduce these risks by virtue of its experience, the analytical process adopted by its fund managers and by structuring a broadly diversified investment pool.