

# MERGE



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## Investing in Gold with the Midas Touch

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The past few months has indeed been an interesting – and challenging – time for Malaysia, and the world.

The world has been hit by the dire uncertainties caused by the Covid-19 pandemic and Movement Control Order. As a result, we're now seeing The New Normal in the economy and our daily lives. This may seem confusing or intimidating at first, but we believe through understanding the key to preserving your wealth, you'll find renewed confidence. As your bank, we are proud to stand by you and offer our support whenever you need us.

In this issue of MERGE, it's all about The New Normal. Within these pages, you'll find some valuable insights on how to make the most of your investments through diversification and prudent wealth management. We look to investment gurus and find out what makes them tick, and highlight life insurance as a solution for wealth preservation. Gold has been in the spotlight as the commodity to watch, and as a valued RHB Premier customer, you will be at the forefront of all the action.

In my time serving you as Head of Group Retail Banking, I've learned what it truly means to be Malaysian. It is with the united spirit of "Malaysia Boleh" that we will weather this storm together and provide you with the services and support that we have built our identity on. As one community, one nation – Together We Progress!

Stay safe, stay invested and stay diversified.

Enjoy the read.



**Rakesh Kaul**

Head of Group Retail Banking  
Malaysia and ASEAN



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# Investing in Gold with the Midas Touch

In Greek mythology, King Midas, one of the last three members of the royal house of Phrygia, is remembered for his ability to turn everything he touched into gold.

That's a myth, of course, but isn't every legend based on some fact? Even back in Ancient Greek times, gold was so valued that Midas wished for the golden touch.

Things haven't changed much today, in that aspect. Intraday prices of gold have touched record-high levels over the past few weeks, evidence of investors rushing to place their money in what is traditionally a safe haven. The second wave of Covid-19 cases and expensive stock valuations, along with near-zero interest rates and forecasts of increased inflation in the near term have further bolstered gold's valuation against the dollar this year.

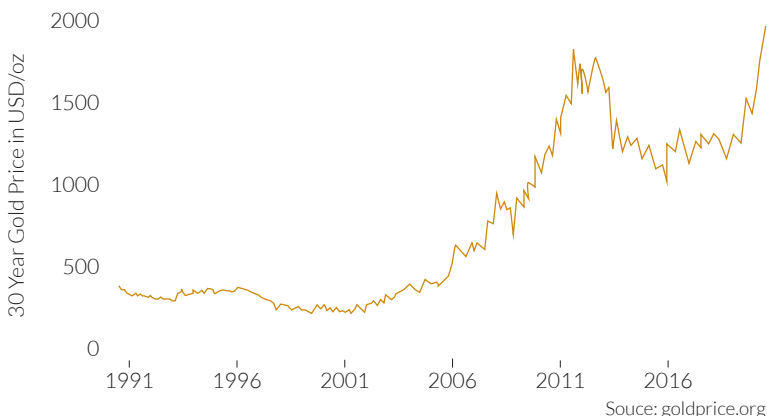
What's been pushing the performance of gold? The main driver behind gold's rally has been falling returns on US government bonds, which reflect the likelihood that the Federal Reserve will have to keep interest rates lower for longer to support the economic recovery. This situation is mirrored in almost every other economy, including Malaysia.

While it may seem counter-intuitive to buy gold when it is relatively expensive, there are many underlying reasons why you should do exactly that.





### Gold Price Over 30 Years as at August 26, 2020



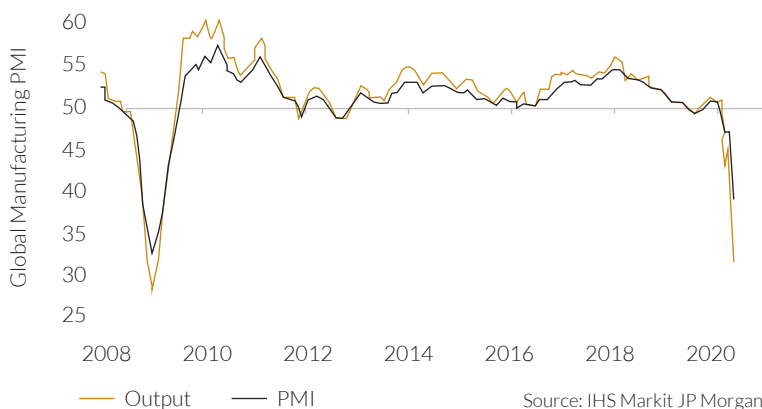
Gold is an ideal medium as investors won't have to worry about not getting interest on their holdings, compared with traditional interest-bearing products.

Gold prices are expected to rise even further as uncertainty in markets increases, said Mark Mobius on an interview with Bloomberg TV<sup>1</sup>, recently. Mobius is co-founder of asset manager Mobius Capital Partners.

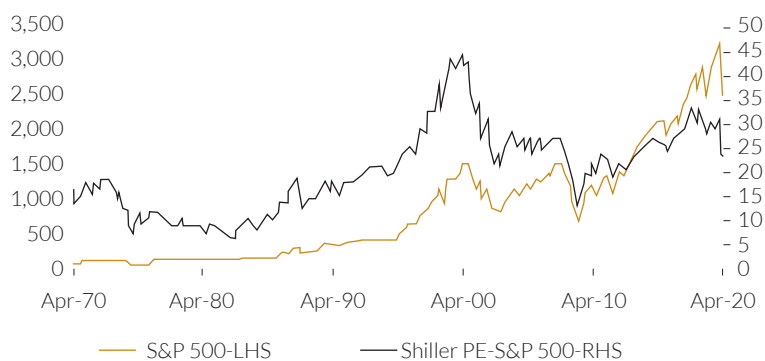
Year to date, gold prices have increased 25%, compared with the same period last year. Bank of America forecasted in April that prices could almost double to USD3,000 by the end of 2020.<sup>2</sup>

According to the World Gold Council, many of the global dynamics seeded over the past few years will remain generally supportive for gold in 2020<sup>3</sup>. Entry points for equities have become expensive, with little room for further growth, making them less attractive. As a result, demand for the precious metal will likely only grow as investors look to diversify their risk away from other asset classes.

### Global Manufacturing



### Equity Markets Are at All-time Highs





## Dollar down, gold up

If things continue the way they are now, the dollar could soon be making way for the gold-backed super yuan.

In its attempt to oust the US from its current dominant trade position, China will need to build up its yuan and its best bet is to back its economy with gold instead of bonds.

In April, the president of the Shanghai Gold Exchange (SGE), predicting a decline in the US dollar<sup>4</sup>, called for a new super sovereign currency to offset its global dominance. China's push for recovery after Covid-19 will lead to an increase in demand for resources, adding to the incentive of pricing in a currency other than the dollar.

The dollar is currently used in 88% of all currency trades and accounts for about 62% of the world's foreign exchange reserves.

In July, Goldman Sachs wrote that the US dollar may soon lose its status as the world's reserve currency<sup>5</sup>. Goldman Sachs' strategists wrote: "Real concerns around the longevity of the US dollar as a reserve currency have started to emerge."

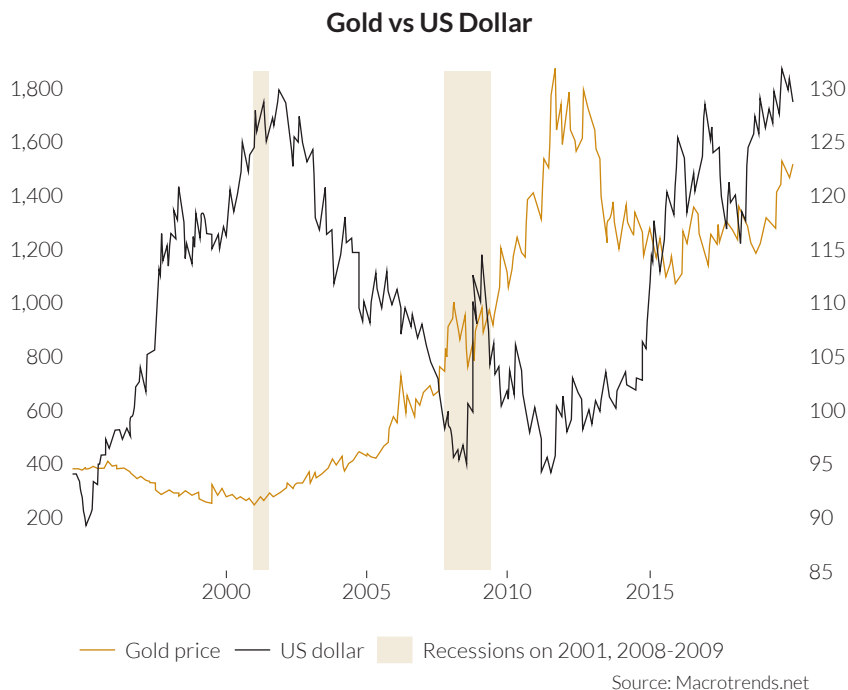
Debt levels in the US have exceeded 80% of the country's GDP, leaving room for inflation to rise above the Federal Reserve's 2% target.

As at Aug 5, 2020, approximately USD1.95 trillion worth of Federal notes is in circulation<sup>6</sup>, up from USD1.8 trillion in December 2019. The current Trump administration is showing little concern in this area and as a reaction, investors are taking up gold futures. In August, gold prices breached the USD2,000 mark.

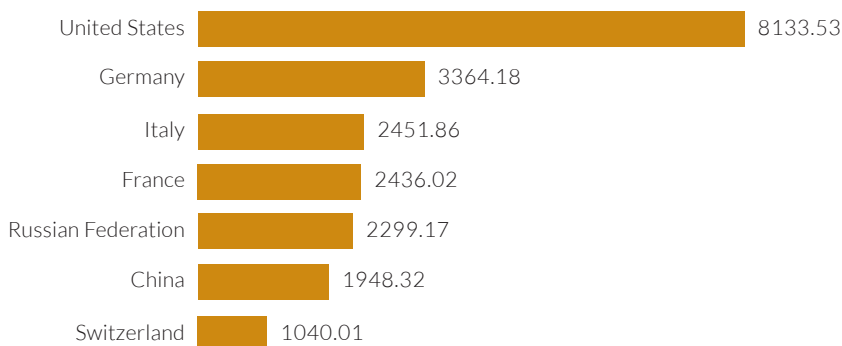
“Real concerns around the longevity of the US dollar as a reserve currency have started to emerge.”

Goldman Sachs





### Gold Reserves of Largest Gold Holding Countries as of March 2020 (in metric tonnes)



Source: [www.statista.com/statistics/267998/countries-with-the-largest-gold-reserves](http://www.statista.com/statistics/267998/countries-with-the-largest-gold-reserves)

The explanation is simple: a monetary response which leads to inflation creates a surplus of dollars. A surplus of dollars leads to a depreciation of the currency. A depreciation of the dollar leads to an appreciation in the value of gold.

This understanding can be placed in a Malaysian context: interest rates are at an all-time low, flushing more liquidity into the economy as debt is increased. The government's debt levels<sup>7</sup> as at Q2 2020 stand at RM1.26 trillion. In Q2 2020, Malaysia saw a GDP contraction of 17.1%, the worst since the 1998 crisis.

Choppy waters are expected ahead, but gold has always proven itself to be a strong performer in the past. When the going gets tough, the tough buy gold. Here's proof on the top right.

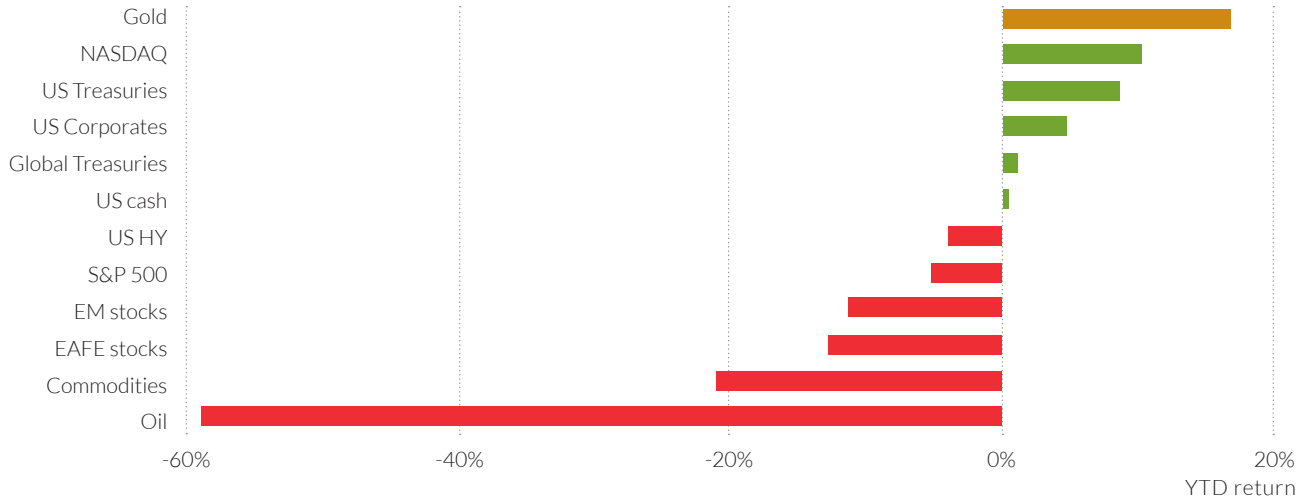
Based on the charts we can see that gold, which is priced in US dollars, has an inverse relationship to the currency and is a strong hedge during times of economic crisis. With this in mind, some of the world's largest economies have been stockpiling gold in anticipation of the tough times ahead. The US is having a harder time keeping the virus in check, which will lead to its economy under-performing and unemployment levels increasing.

The vaccine for Covid-19 is still in development and there are doubts over how successful it will be as the virus mutates and newer strains become resistant. The country is the largest holder of gold reserves, at 8,133.53 metric tonnes as of March 2020. Germany, a key economy in the European Union, is second with 3,364.18 metric tonnes of gold in its reserves.

## Gold is outperforming other asset types

Gold has maintained its position as a safe investment vehicle, even through market dips, compared with other forms of investment. Year-to-date, it has outperformed other traditionally “safer” investments such as government bonds, yielding returns in the high teens.

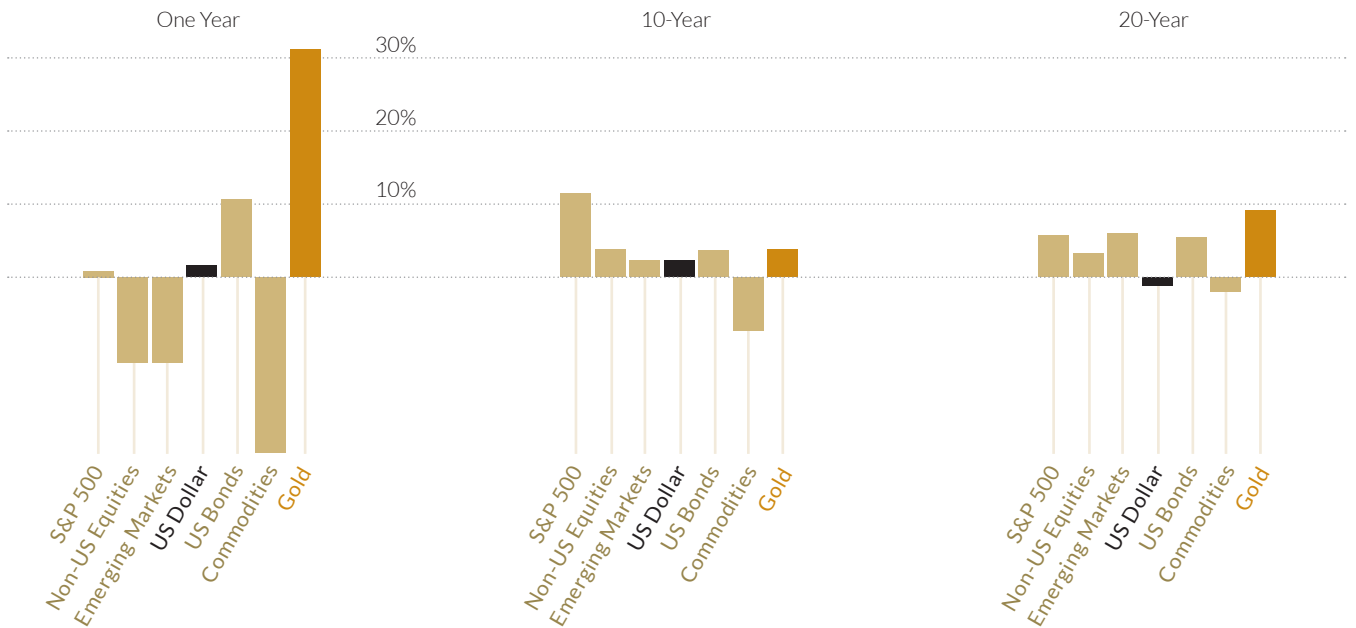
**Gold Outperformed All Major Assets in H1 2020**



Source: [www.gold.org/goldhub/research/gold-outlook-2020-mid-year](http://www.gold.org/goldhub/research/gold-outlook-2020-mid-year)

We can also see gold’s strength as a longer-term investment over 20 years, outperforming commodities and emerging markets.

**Annualised Returns of Gold vs Other Assets**



As of April 30, 2020

Performance is based on the S&P 500 Index. MSCI EAFE Index. MSCI Emerging Markets. US Dollar Index. Barclays US Aggregate Bond Index. Bloomberg Commodity Index and Spot Gold Price



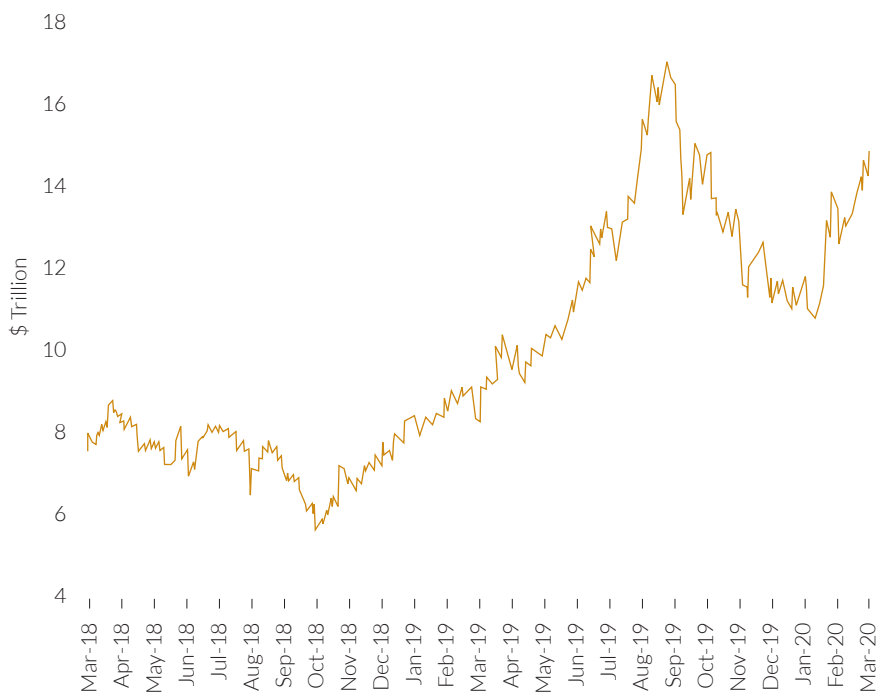
### Government Bond Yields (%)

|               | 6 month | 1 year | 2 years | 3 years | 4 years | 5 years | 6 years | 7 years | 8 years | 9 years | 10 years | 15 years | 20 years | 30 years |
|---------------|---------|--------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|
| Switzerland   | -0.80   | -0.63  | -0.81   | -0.77   | -0.70   | -0.61   | -0.55   | -0.47   | -0.42   | -0.35   | -0.32    | -0.22    | -0.16    | -0.23    |
| Germany       | -0.68   | -0.70  | -0.66   | -0.65   | -0.59   | -0.53   | -0.51   | -0.49   | -0.45   | -0.40   | -0.35    | -0.31    | -0.19    | 0.02     |
| Netherlands   | -0.60   | 0.00   | -0.55   | -0.51   | -0.43   | -0.38   | -0.28   | -0.23   | -0.17   | -0.13   | -0.10    | -0.04    | 0.11     | 0.15     |
| Japan         | -0.34   | -0.23  | -0.22   | -0.19   | -0.14   | -0.10   | -0.13   | -0.11   | -0.06   | 0.01    | 0.05     | 0.28     | 0.32     | 0.44     |
| Austria       | 0.00    | -0.51  | -0.41   | -0.31   | -0.24   | -0.08   | 0.03    | 0.00    | 0.05    | 0.07    | 0.11     | 0.25     | 0.30     | 0.44     |
| France        | -0.52   | -0.50  | -0.48   | -0.37   | -0.29   | -0.18   | -0.05   | 0.02    | 0.05    | 0.12    | 0.16     | 0.40     | 0.59     | 0.82     |
| Belgium       | -0.58   | -0.56  | -0.47   | -0.34   | -0.22   | -0.10   | -0.04   | 0.06    | 0.06    | 0.15    | 0.21     | 0.41     | 0.65     | 0.00     |
| Slovakia      | 0.00    | 5.69   | 0.00    | 0.00    | 0.00    | -0.06   | 0.25    | 0.00    | 0.24    | 0.26    | 0.26     | 0.00     | 0.00     | 0.83     |
| Ireland       | -0.36   | -0.40  | 0.00    | -0.23   | -0.07   | 0.05    | 0.11    | -0.31   | 0.00    | -0.19   | 0.29     | 0.57     | 0.64     | 0.91     |
| Slovenia      | 0.00    | -0.43  | -0.63   | -0.63   | 0.00    | 0.06    | 0.00    | 0.27    | 0.44    | 0.00    | 0.54     | 0.78     | 1.02     | 0.00     |
| Spain         | -0.34   | -0.29  | -0.17   | -0.17   | 0.06    | 0.31    | 0.50    | 0.65    | 0.71    | 0.78    | 0.85     | 1.16     | 1.30     | 1.56     |
| Portugal      | -0.23   | -0.22  | -0.02   | 0.14    | 0.26    | 0.55    | 0.65    | 0.75    | 0.91    | 0.97    | 1.01     | 1.26     | 1.41     | 1.74     |
| Malta         | -0.24   | -0.22  | 0.00    | -0.07   | 0.00    | 0.09    | 0.00    | 0.00    | 0.00    | 0.00    | 0.53     | 0.00     | 0.93     | 0.00     |
| Bulgaria      | 0.00    | -0.16  | 0.00    | -0.26   | 0.00    | -0.21   | 0.00    | 0.03    | 0.00    | 0.00    | 0.22     | 0.00     | 0.00     | 0.00     |
| Italy         | 0.33    | 0.38   | 0.49    | 0.54    | 0.79    | 0.95    | 1.14    | 1.22    | 1.34    | 1.49    | 1.58     | 1.92     | 2.11     | 2.44     |
| United States | 0.11    | 0.21   | 0.36    | 0.40    | 0.00    | 0.48    | 0.00    | 0.72    | 0.00    | 0.00    | 0.83     | 0.00     | 0.00     | 1.40     |

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

### Assets in Negatively Yielding Debt

Global Negative Yielding Debt, Market Value \$ trillion



In the past during recessions and wars, currencies would decline in value and gold became the primary form of hedging. The current US-China tensions paint a slightly different picture – in the sense that it is an economic cold war – but the outcome is expected to be the same, with demand in gold as a safe haven increasing.

## How to include gold in your portfolio

Gold is a unique asset, highly liquid, but scarce and limited. It is a luxury good and can be considered an investment opportunity, carrying little to no currency risk while being highly liquid. Stocks benefit from economic growth and stability while gold benefits from economic distress and crisis. During periods of market stress, gold is able to reduce portfolio losses by outperforming most other assets. It is also able to protect investors' purchasing power through its ability to hedge against high inflation and currency devaluation.

During the 2008-2009 global financial crisis, the Standard & Poor 500's capitalisation declined by 56.8%, while gold performed well, increasing 25.5%. Although the value of gold dropped initially in early 2008, this in fact created a buying opportunity and eventually pushed its value upwards.

You can either buy physical gold and keep it, or invest in "paper gold" to diversify your portfolio. What's the major difference? The value of gold goes up and down and changes with the market but is never worth nothing. You'll have a tangible asset. Physical gold is just that: gold in the form of coins, bars or jewellery. With paper gold, you don't own the gold; you own a promise to receive physical gold. You are a creditor of the corporation issuing the paper gold certificate.

There isn't one "best" way to hold gold. It all depends on your goals and strategy. Your portfolio should be structured in a way that helps you reach your long-term goals. Gold should be part of that portfolio, with the amount held depending on your risk profile.

RHB offers you the opportunity to diversify your portfolio and invest in gold in a paper statement form via the RHB MCA (Multi Currency Account) Gold Investment facility. With this facility, you can benefit from the potential increase in gold prices without having to buy and sell physical gold. You can also invest in up to 17 foreign currencies under the same account, offering the best overall hedge against inflation.

| Dates of S&P 500's Biggest Declines | S&P 500 | Gold   | Silver |
|-------------------------------------|---------|--------|--------|
| Sep 21, 1976 - Mar 6, 1978          | -19.4%  | 53.8%  | 15.2%  |
| Nov 28, 1980 - Aug 12, 1982         | -27.1%  | -46.0% | -66.1% |
| Aug 25, 1987 - Dec 4, 1987          | -33.5%  | 6.2%   | -11.8% |
| Jul 16, 1990 - Oct 11, 1990         | -19.9%  | 6.8%   | -10.8% |
| Jul 17, 1998 - Aug 31, 1998         | -19.3%  | -5.0%  | -9.5%  |
| Mar 27, 2000 - Oct 9, 2002          | -49.0%  | 12.4%  | -14.4% |
| Oct 9, 2007 - Mar 9, 2009           | -56.8%  | 25.5%  | 1.1%   |
| May 10, 2011 - Oct 3, 2011          | -19.0%  | 9.4%   | -19.1% |

Source: [www.goldsilver.com/blog/if-stock-market-crashes-what-happens-to-gold-and-silver](http://www.goldsilver.com/blog/if-stock-market-crashes-what-happens-to-gold-and-silver)

During periods of market stress,  
gold is able to reduce  
portfolio losses  
by outperforming most other assets.



Demand for gold is increasing, pushing mining companies to ramp up production of a resource that is becoming rarer and more difficult to mine. As gold prices go up, profit margins for mining companies will increase. This opens up opportunities to invest in mining companies, which you can do through the RHB Gold and General Fund. This fund allows you to invest in selected mining companies that not only mine gold, but other precious metals and base materials.

While there is no surefire way of predicting how the markets will behave, it's always a smart move to have at least a little bit of gold in your portfolio.

Contact your nearest RHB branch and our advisers will be happy to help you decide which investment best suits your needs.

### Gold Producers' Q1'20 All-in Sustaining Cost Margin, Valuation Multiples

| Company                       | Q1'20 all-in sustaining cost (US\$/oz) | Change from prior quarter (%) | Q1'20 average price realised (US\$/oz) | Q1'20 profit margin (%) | Enterprise value/ LTM EBITDA as of 03/31/20 (X) |
|-------------------------------|--|-------------------------------|--|-------------------------|---|
| Evolution Mining Ltd.         | 652                                    | -10.7                         | 1,558                                  | 58.1                    | 7.9   |
| Centerra Gold Inc.            | 712                                    | -10.9                         | 1,487                                  | 52.1                    | 4.4   |
| B2Gold Corp.                  | 721                                    | -18.3                         | 1,588                                  | 54.6                    | 5.3   |
| Kirkland Lake Gold Ltd.       | 776                                    | 51.6                          | 1,586                                  | 51.1                    | 7.5   |
| Newcrest Mining Ltd.          | 827                                    | -4.3                          | 1,569                                  | 47.3                    | 7.0   |
| Endeavour Mining Corp.        | 899                                    | 9.8                           | 1,546                                  | 41.8                    | 6.2   |
| Barrick Gold Corp.            | 954                                    | 3.4                           | 1,589                                  | 40.0                    | 9.1   |
| Pan American Silver Corp.     | 969                                    | 7.5                           | 1,580                                  | 38.7                    | 7.2   |
| Gold Fields Ltd.              | 975                                    | 12.8                          | 1,561                                  | 37.5                    | 4.8   |
| Kinross Gold Corp.            | 982                                    | -5.7                          | 1,581                                  | 37.9                    | 4.7   |
| Newmont Corp.                 | 1,030                                  | 8.9                           | 1,587                                  | 35.1                    | 11.1  |
| Yamana Gold Inc.              | 1,032                                  | 2.0                           | 1,589                                  | 35.1                    | 5.3   |
| Northern Star Resources Ltd.  | 1,047                                  | 7.8                           | 1,435                                  | 27.0                    | 12.0  |
| AngloGold Ashanti Ltd.        | 1,047                                  | 9.4                           | 1,576                                  | 33.6                    | 6.6   |
| Agnico Eagle Mines Ltd.       | 1,099                                  | 5.8                           | 1,579                                  | 30.4                    | 10.7  |
| IAMGOLD Corp.                 | 1,230                                  | 5.9                           | 1,603                                  | 23.3                    | 5.5   |
| Sibanye-Stillwater Ltd.       | 1,500                                  | 14.2                          | 1,617                                  | 7.2                     | 5.3   |
| <b>Median</b>                 | <b>975</b>                             | <b>5.9</b>                    | <b>1,580</b>                           | <b>37.9</b>             | <b>6.6</b>                                      |
| <b>Weighted-average mean*</b> | <b>979</b>                             | <b>4.5</b>                    | <b>1,575</b>                           | <b>37.9</b>             | <b>8.6</b>                                      |

Data compiled May 22, 2020.

AISC = All-in Sustaining Cost

\* Weighted-average mean calculated for AISC, average price realized and AISC margin based on respective quarter's gold production.

The weighted-average mean for enterprise value multiples is based on enterprise values as of March 31, 2020.

Production based on as-reported attributable figures and adjusted to an attributable basis when necessary.

Only includes public companies classified by S&P Global Market Intelligence as precious metals companies that reported a first-quarter 2020 AISC and that reported 2019 attributable production greater than 500,000 oz.

Source: S&P Global Market Intelligence



## Why is gold attractive?

### Central bank reserves

As central banks diversify their monetary reserves – away from the paper currencies that they've accumulated and into gold – the price of gold typically rises. Global central banks are now increasing their gold reserves.

### Hedge against US dollar

The price of gold is inversely related to the value of the US dollar. A weaker dollar is likely to push up the price of gold.

### Jewellery and industrial demand

Gold prices can be affected by the basic theory of supply and demand; as demand for consumer goods such as jewellery and electronics increases, the cost of gold can rise. Gold is an essential metal in the production of electronic components. The US, India and China contributed to half of gold demand in 2019, or 4,400 tonnes.

### Wealth protection

When the expected or actual returns on bonds, equities, and real estate fall, the interest in gold investing can increase, driving up its price. Gold can be used as a hedge to protect against economic events like currency devaluation or inflation. In addition, gold is viewed as providing protection during periods of political instability as well.

### Investment demand

Gold also sees demand from exchange traded funds that hold the metal and issue shares that investors can buy and sell.

### Gold mining

Gold is becoming increasingly difficult to mine, as “easy” sources are depleted. It costs more to get gold, which increases its value.

Gold can be used as a hedge to protect against economic events like currency devaluation or inflation.

**Sources:** **1** Business Insider: Legendary investor Mark Mobius says keep buying gold even as it approaches record highs, Ben Winck, July 24, 2020. **2** Bloomberg: Gold to reach \$3,000 – 50% above its record, Bank of America says, Elena Mazneva, April 21, 2020. **3** GoldHub: Gold mid-year outlook 2020, July 14, 2020. **4** Kitco: Gold futures in blue sky territory as china rolls out the e-RMB, David Erfle, August 14, 2020. **5** Bloomberg: Goldman warns dollar's role as reserve currency is at risk, John Ainger, July 28, 2020. **6** Board of Governors of the Federal Reserve System. **7** The Edge Markets: The state of the nation: More flexibility as statutory debt threshold raised to 60%, Cindy Yeap, August 17, 2020



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*Old is Gold -*

# Timeless Investment Principles

from the Greatest Investors  
of Our Time

2020 will be a year for the history books. We are facing our first pandemic in a century, and economic headwinds not seen in generations. However, amid all these uncertainties, there are opportunities. Who has heard of Zoom before the pandemic? Now it has become part of our everyday life. Malaysian glove manufacturers are reporting incredible growth and on-line businesses and delivery services are booming.

As for stock investors, Mr Market has taken them on a roller coaster ride. What is in store for us in the coming few months? No one knows. What should we do if we have some money to invest? We can look to some of the greatest investors of our time for some guidance.



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## Investing vs Speculating

Investing usually refers to lower risk investments based on fundamental analysis with a long term investment horizon. Speculating seeks to make high returns by making short-term, highly leveraged bets. However, speculating isn't exactly gambling as speculators make their bets based on hypotheses arising from their research.

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# Benjamin Graham

(Value investor)

Benjamin Graham is known as the Father of Value Investing and wrote the investment classic *The Intelligent Investor*. He was Warren Buffett's mentor. As a fund manager, he experienced the great market crash of 1929. Before the crash, the fund he was managing was outperforming the Dow Jones return from 1926 to 1928. After the crash, his value investment philosophy continued to help him beat the market's performance by 10% from 1929 to 1932. Unfortunately, this was nothing to celebrate as his fund lost 70% of its value versus the Dow Jones loss of 80%<sup>1</sup>.

His mistake was becoming complacent and overconfident in the wake of the prolonged bull market from 1924 to 1929. He was highly-leveraged, believing that such a strategy would continue to be successful as long as he invested in value stocks that would recover their value.

He learned his lesson and would become a very conservative investor, eschewing debt and advocating for a margin of safety when investing. However, by sticking to the principles of value investing - maintaining consistency and discipline, and taking a long term view, he recovered the value of his investor's investments by 1935. He continued on to an illustrious career, chalking up an average performance return of 20% versus the market's average annualised return of 12.2% from 1936 to 1956<sup>2</sup>, cementing his status as an investment legend.

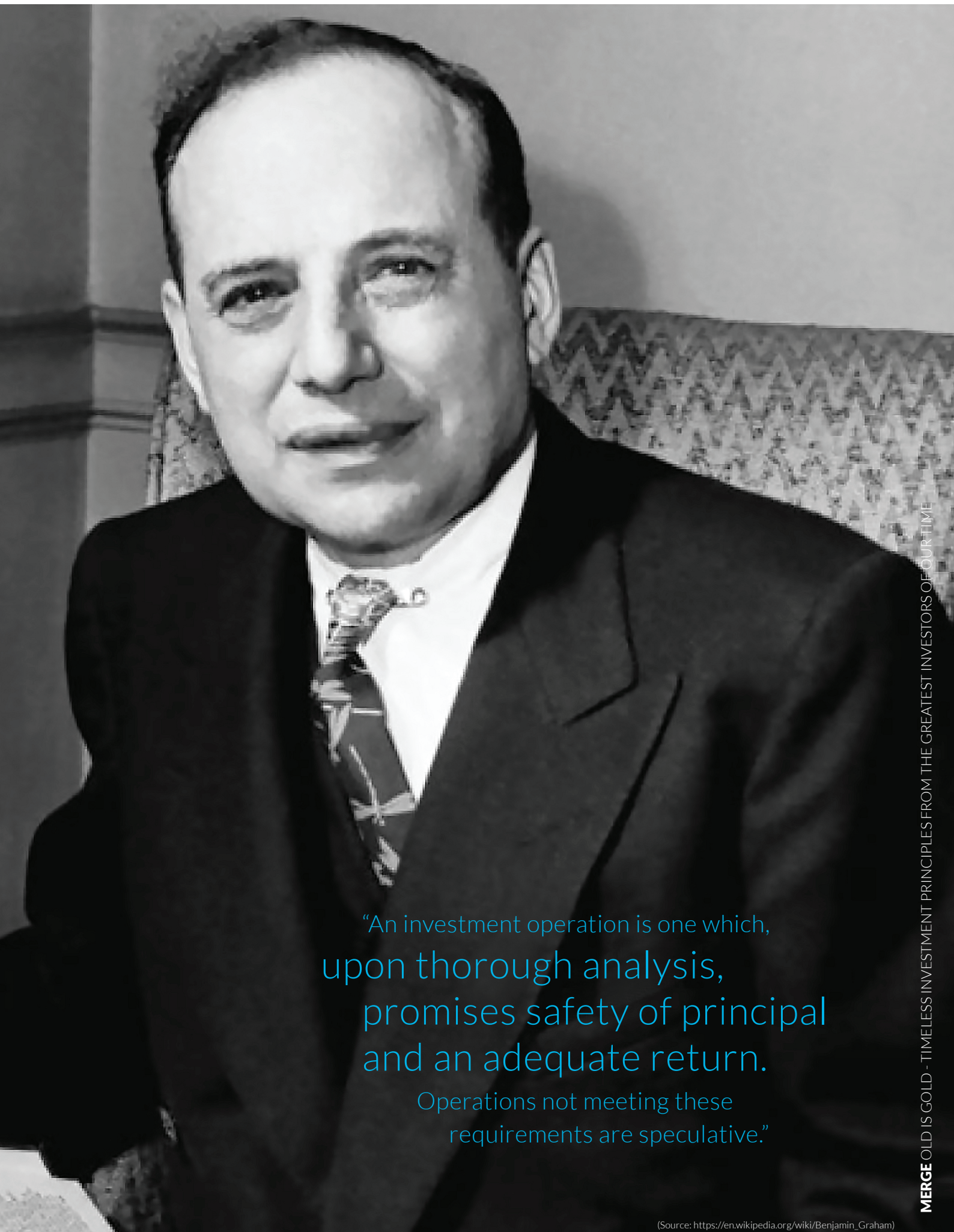
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## Value Investing vs Growth Investing

Value investing is a strategy for picking stocks that are trading significantly below their intrinsic value. These stocks must have good fundamentals which will eventually be recognised by the market, driving prices up. Growth investing is a stock-picking strategy that focuses on searching for companies with high growth potential. Growth investors are not as concerned with buying stocks below intrinsic value. Instead, they focus on future increases in value.

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“An investment operation is one which,  
upon thorough analysis,  
promises safety of principal  
and an adequate return.

Operations not meeting these  
requirements are speculative.”

(Source: [https://en.wikipedia.org/wiki/Benjamin\\_Graham](https://en.wikipedia.org/wiki/Benjamin_Graham))



“Bad news is an investor’s best friend.  
It lets you buy a slice of  
America’s future at  
a marked-down price.”



# Warren Buffett and Charlie Munger at Berkshire Hathaway

*(Hybrid Value and Growth investor)*

Warren Buffett is possibly the most famous investor of our time. Lesser known is his partner Charlie Munger. Together at Berkshire Hathaway, they combined the best of Benjamin Graham's value investing philosophy and Philip Fisher's growth investing philosophy to achieve their legendary investment results. If you had invested USD1,000 with Warren Buffett in 1965, it would be worth more than USD27 million today. The same amount invested in the S&P 500 in 1965 would yield roughly USD200,000<sup>3</sup>.

At Berkshire Hathaway, Buffett and Munger look for businesses with great fundamentals and buy them at bargain prices. They only buy into businesses they understand well (what they call their circle of competence).

Like Graham, they take a disciplined approach, willing to do nothing until an investment that meets their criteria comes along.

If you look into Berkshire Hathaway's actions over the past three big market crashes in 1987, 1999-2000, and 2008, you will see incredible discipline in action. Berkshire Hathaway did not do anything during the 1987 crash because there were no good buys, missed out on the dot-com bubble because technology stocks were outside their circle of competence and entered the market in 2008 when everyone was fleeing. Now in this crisis, they are sitting on record levels of cash while watching the situation unfold.

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## Mutual Fund vs Hedge fund

Mutual funds or unit trust funds are regulated investment products offered to the public. Mutual funds can be actively or passively managed. Hedge funds are private investments that are only available to high net worth and accredited investors. Hedge funds use higher-risk strategies to achieve higher returns for their investors.

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# George Soros

(Speculator)

“Start by assuming the market is always wrong, so if you copy everybody else on Wall Street, you’re doomed to do poorly.”

Unlike the other great investors we have mentioned, George Soros is a short-term speculator who places little importance on a company’s fundamentals. He founded the hedge fund Quantum Fund, known for a philosophy centred around making huge bets on the movements of currency rates, commodity prices, stocks, bonds, derivatives, and other assets. These bets are based on macroeconomic analysis and Soros’ theory of reflexivity - that market participants are not rational and directly influence market fundamentals leading to booms and busts that present investment opportunities.

He is most famous for a 1992 trade, where he bet that the British Pound would significantly depreciate over a single trading day. His bet paid off to the tune of more than USD1 billion<sup>4</sup> and earned him the moniker “The Man Who Broke the Bank of England.” Despite his great successes, not every bet George Soros made has worked in his favour. In 1987,

he predicted that the U.S. markets would continue to rise. His fund lost \$300 million during the crash. He also lost \$700 million in 1999 during the tech bubble when he bet on a decline<sup>5</sup>.

Despite some of his big publicised losses, George Soros’ Quantum Fund has returned almost 20% annually from 1973-2011<sup>6</sup>. How has he been so successful at speculating where so many others have failed? There is a method to his madness. According to Stan Druckenmiller, who worked with him at the Quantum Fund, the most important thing he learned from Soros was that it’s not important whether you’re right or wrong. It’s how much you make when you’re right, and how much you lose when you’re wrong. Thus, Soros believes in betting big when he believes he’s right. However, contingency plans are always in place, and Soros is willing to walk away when he is wrong. Soros himself says “I’m only rich because I know when I’m wrong... I basically have survived by recognising my mistakes.”



(Source: <https://fosm.mk/en/george-soros-and-the-fall-of-communism-in-europe/>)



# Takeaways for our own investments



Despite all the difference in their investing styles and philosophies, there are some philosophies that all the great investors share. Let's look at the investing principles that have stood the test of time, and start applying them as we go on our own investing journey.

## Take a long term view

All the above investors, except George Soros, take a long term view. If you believe in the long term growth of a business, or a country or a sector, then you shouldn't be distracted by short term declines in prices. As investors, we should aim for at least a 3 to 5-year horizon for our investments to bear fruit.

## Don't follow the crowd

All the investors, without exception, are willing to be contrarians. They have their own points of view based on their research. Warren Buffett weathered doubt and criticism when Berkshire Hathaway missed out on the dot-com boom. But he stuck to his guns and have proven his critics wrong.

## Don't lose sight of your investment goals

Be very clear about your investment goals. If you are clear about what you want to achieve, and the time frame you need to do so, you will not be distracted by the market.

## Don't risk more than you can afford

It may be tempting to invest all you have or borrow to invest. However, even the best investors pay the price of high leverage as evidenced by Benjamin Graham's big losses after the 1929 market crash. You don't want to be in a desperate position when the market turns on you.

## Admit to mistakes and move on

It is human nature not to want to lose money. The pain of a loss is more than the joy of a gain. However, whether you are trading, speculating or investing, you need to know when to cut your losses when you get things wrong. Aim to lose less when you are wrong and make more when you are right.

## Learn to be disciplined

Know your long term goals, your risk appetite and your criteria for investing. If no investments are meeting your criteria, it is perfectly fine to do nothing. What the great investors have in common is knowing that sometimes the best thing to do is to do nothing.

## Know your circle of competence

Don't invest in what you don't understand. For some, it may be technology stocks. For others, it may be currencies or cryptocurrencies, and for others still, it may be individual stocks. Know yourself, know your strengths and limitations and build your investment strategy around them.

## Keep some cash on hand

Warren Buffett always keeps a bit of cash on hand, giving him opportunities to swoop in on bargains when the market crashes, such as in 2008. Berkshire Hathaway is now sitting on a record USD137 billion as at March 2020<sup>7</sup>, no doubt waiting for bargain buys to come onto the market.

Now that we've distilled the investment principles of these investing greats, it is time to look at your investment needs. As a member of RHB Premier, you have the services of a dedicated Relationship Manager focused on growing your wealth and financial success. RHB Premier Wealth Management gives you access to award winning unit trust funds, structured investments, share trading and life protection plans to grow your wealth. Make an appointment with your Relationship Manager today to make the most of the investment opportunities arising in these interesting times.

**Sources:** **1** Novel Investor, The Rise and Fall and Rise of Benjamin Graham, 20 July 2020. **2** Forbes, Ben Graham's 60-Year-Old Strategy Still Winning Big, 18 December 2012. **3** Barron's, Breaking Down the Buffett Formula: Berkshire Hathaway's Returns by the Numbers, 25 February 2020. **4** Investopedia, George Soros, 29 May 2018. **5** Investopedia, George Soros : The Philosophy of an Elite Investor, 14 August 2019. **6** Investopedia, Buffett vs. Soros: Investment Strategies, 13 February 2020. **7** CNBC, Warren Buffett Built Up Cash and Bought Only Small Amounts of Stock During the Market Rout, 2 May 2020.



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# Peace of mind with the right insurance plan

When managing your wealth, three crucial components are taken into consideration: **savings, investment** and **protection**. While the first two components are often discussed, protection is just as important, especially if you are the main breadwinner in the family. Here's where a good insurance plan will benefit you and ensure your legacy continues.

Insurance is an integral part of solid financial planning. It gives you and your family financial protection and assurance in case of sickness or death. It also gives you peace of mind, knowing your loved ones will be taken care of no matter what happens.

It's almost automatic that we insure our assets such as our property, but why are people less keen on insuring themselves and their loved ones?

According to Life Insurance Association Malaysia (LIAM) only 12.6 million Malaysians have life insurance coverage. Based on LIAM's Protection Gap Study, Malaysian households are substantially underinsured. A family of five would need at least RM350,000 to cover their living expenses over the next five years in the event of a loss of the breadwinner<sup>1</sup>.

A life insurance plan is one of the simplest ways to ensure that your loved ones are adequately provided for. Accidents and illnesses can't be predicted, and having life insurance can protect the majority of your income if you suddenly are unable to work.

The death of a loved one is a stressful, unpleasant experience that is financially, emotionally, and physically draining on those it affects. However, an adequate life insurance policy can ease the financial burden. Your loved ones won't be saddled with a pile of bills and your nominee(s) will receive your payout according to your wishes in the shortest possible time.





## A plan that's right for you

Insurance and life go hand in hand. It's never too late – or too early – to start planning ahead. Having the right insurance plan can help you, no matter what stage of life you're in, or what you do for a living.

There is always a plan that is just right for you and won't cost an arm and a leg. Here's how insurance can help you and your loved ones:

1. **Young and single:** Insurance can help build a nest egg for retirement or make the down payment for a house. It can also provide assurance and medical coverage should you suddenly lose your job or become unable to work. When you retire, you are certain of an income to cover your needs. You may also purchase insurance for your parents to provide them with an income and protection in their golden years.
2. **EPF holders:** By the time you are 55, the amount in your EPF fund may not be enough to cover your daily expenses after retirement, not to mention any additional costs like family vacations or helping your child buy their first home.
3. **Stay-at-home parent:** In case of death/disability of the breadwinning spouse, insurance can provide an income and medical coverage.
4. **+35 and uninsured:** Premiums are more expensive at this age, but there is no reason why you can't start preparing, especially if you have started a family.
5. **Young families with kids:** Prepare for the kids' futures and education and provide assurance for family members in case of disability or death of the main breadwinner.
6. **Business owners:** Insurance can ensure cashflow for your business in the event of your death or permanent disability while the succession plan is being implemented.



Your bank can help you get started on your path to protection. There are several benefits to getting insurance through your bank (bancassurance).

1. A complete solution: Your Relationship Manager can provide consulting based on your specific needs, risk profile and goals. This makes your experience hassle-free.
2. Expertise: It can be overwhelming when you have so many choices and so much fine print to read. Your Relationship Manager is a trusted source who has a deep understanding of all the options available from a variety of insurance providers and they will advise you on the best product for your needs.

3. Ease of renewals and claims: It's much easier to meet with your Relationship Manager to arrange for renewals or consult on any changes. Claims via your bank are also processed faster due to the bank's ready access to data and documentation.
4. Ease of payment: Since your bank is already connected to the insurance company, you can opt for a secure and easy auto-debit payment.

Your Relationship Manager can also help you go through your existing plan to determine if it suits your current needs and is worth the premium. They can also help spot overlaps in your coverage that may hinder claims.





## Covid-19 benefits with Tokio Marine Life Insurance Malaysia

To help its policy holders during this challenging time, Tokio Marine Life Insurance Malaysia (TMLM) has set up a special RM1 million Financial Support Fund, replacing and improving upon the initial Special Compassionate Benefit.

The Financial Support Fund provides the following benefits:

1. A special lump sum Compassionate Benefit of RM10,000 payable to policy holders and their immediate family members (parents, spouse and children aged 21 and below) in the event of a death due to Covid-19.
2. An additional RM10,000 will be payable if the individual is front-line medical staff registered with the Ministry of Health Malaysia (MOH) and is employed by a hospital in Malaysia.
3. Daily Hospital Admission support of RM250 per day (maximum 30 days) payable to the policy holder should they test positive for Covid-19 and are quarantined in a hospital designated by the MOH. This support amount is valid provided the date of admission is after 14 days from the date the policy is issued or reinstated.

Existing Medical Card coverage will be extended to claims related to Covid-19, subject to terms and conditions of the plan.

To enable TMLM to assist as many Malaysians as possible, each policy holder is entitled to one claim only, regardless of the number of policies held.

The RM1 million Financial Support Fund is offered from 20 March, 2020 to 31 December, 2020.

For more information, please contact TMLM Customer Care Hotline for more at 03-2603 3999.

## How much should your premium cost?

While some might be tempted to go for the cheapest premium, you should opt for a plan that brings the most value. You can consider a plan that allows you to increase your premiums as your needs evolve and you move up in your career.

A premium is a monthly commitment, so you may need to make minor adjustments to your daily spending habits to accommodate this.

An easy example would be cutting down on your daily cuppa from the café (which can easily cost RM15), and bringing freshly brewed coffee from home instead. That would allow you to meet a RM300 monthly premium, and you get as much coffee as you can drink.

If you haven't been to the gym in a while, use that membership money for your premium. For exercise, head to the public parks and follow a home workout plan. You can walk that short distance to the shops instead of driving and get those 10,000 daily steps in.

Another way to decide how much you want to spend for your premium is to set aside 5%-10% of your monthly income for insurance premiums. Use this amount to discuss with your adviser on which plan will give you the most value.

A bonus to getting coverage is tax-deductible premiums. For 2019 tax filings, the annual limit for life insurance is RM7,000, while for medical insurance or education benefits, the annual limit is RM3,000 (not through salary deduction).

Talk to your Relationship Manager to find out more about how to protect yourself and your loved ones with RHB Life Protection Plan.

Visit your nearest RHB branch, or contact us at 03-9206 1188.

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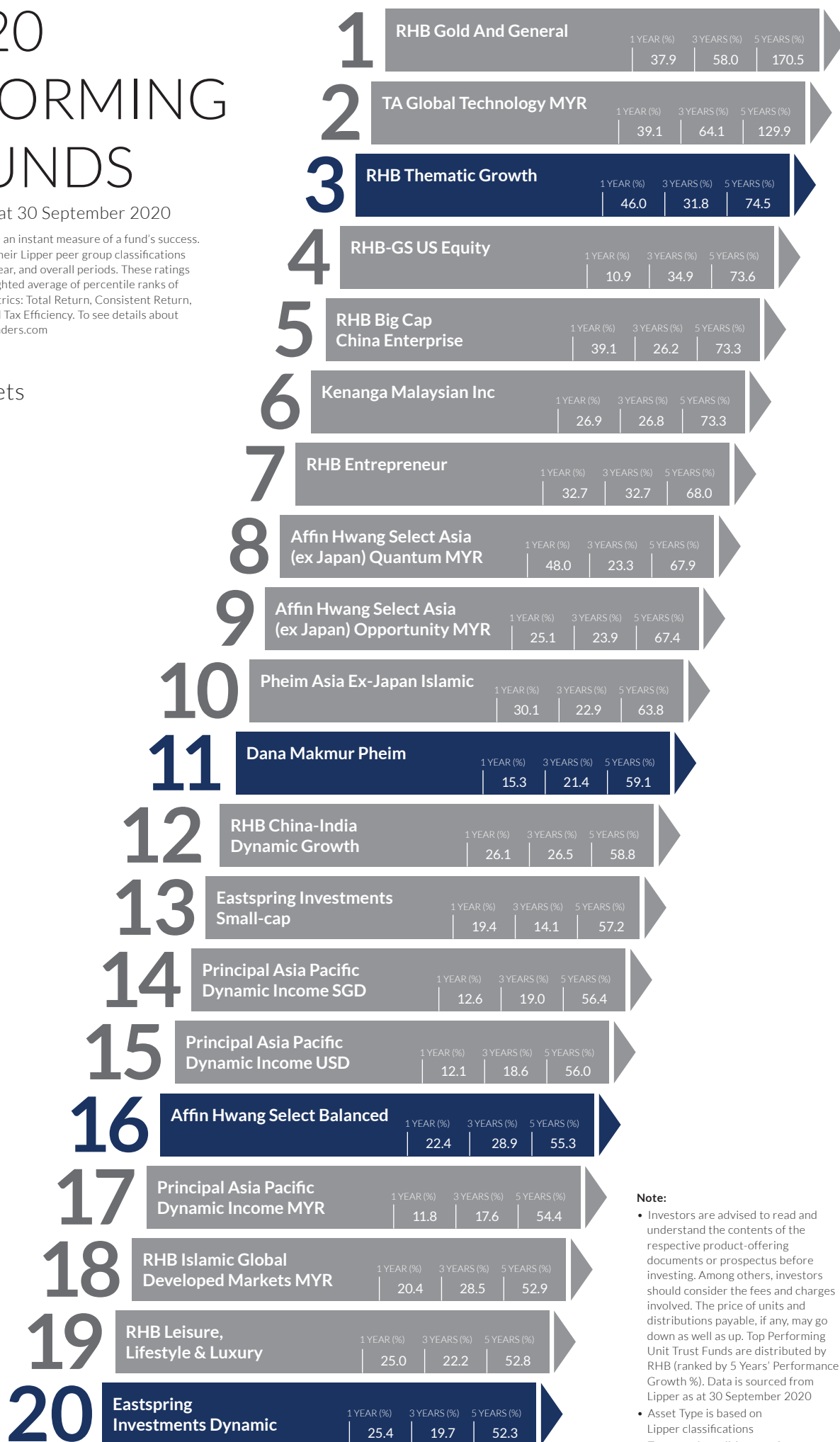


# TOP 20 PERFORMING UT FUNDS

Lipper ranking as at 30 September 2020

The Lipper Ratings provide an instant measure of a fund's success. Funds are ranked against their Lipper peer group classifications each month for 3-, 5-, 10-year, and overall periods. These ratings are based on an equal-weighted average of percentile ranks of the five Lipper Leaders metrics: Total Return, Consistent Return, Preservation, Expense, and Tax Efficiency. To see details about each metric, go to [lipperleaders.com](http://lipperleaders.com)

- Equity
- Mixed Assets



**Note:**

- Investors are advised to read and understand the contents of the respective product-offering documents or prospectus before investing. Among others, investors should consider the fees and charges involved. The price of units and distributions payable, if any, may go down as well as up. Top Performing Unit Trust Funds are distributed by RHB (ranked by 5 Years' Performance Growth %). Data is sourced from Lipper as at 30 September 2020
- Asset Type is based on Lipper classifications
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