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Investment Commentary

From the Investment Desk
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Market Selldown

I am sure by now, everyone is asking the same question – What is happening to the global financial system and what do we do with our investment.

Financial markets have been battered following the announcement of the bankruptcy of Lehman Brothers, the sale of Merrill Lynch and the financial stress of AIG early this week. We are closely monitoring the situation and will keep you posted of any development. In the meantime, there is no need to over react as the outcome is still evolving. The relevant authorities are doing their best to restore confidence in the system and it seemed to be working.

We are seeing a massive cleanup in the financial sector and more casualties will emerge. However, in the long run, we will have a platform that has less excesses and cleaner balance sheet to restart from. Bear in mind that we are now in the worse of time and will soon be in the best of time as value emerges. In times like this, the Good, Bad and Ugly are being severely sold down. It is common to find companies trading at 70-80% discount to their NTA and some are even trading below their cash value. Therefore, don't throw the baby out with the water. Investment is about time horizon and strategy.

Going back to basics

I would like to take this opportunity to share with investors the importance of going back to basics in volatile market times like what we are encountering now. As Warren Buffet said, "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful". I am without doubt that volatility in the financial markets will continue to exist in the months ahead. However, it is not advisable for investors to exit their investments entirely. Do not forget that inflation remains a likely perennial situation that we will face as the world population continues to grow, consume more and urbanise. But, I am not suggesting investors to re-start investing aggressively. Instead, I think it would be beneficial for investors to approach their investments in a cautious manner, paying attention to the basics, using a strategy that emphasizes a strong foundation.

Diversification and having a proper asset allocation is the key. This is not the best time to be aggressive and taking concentrated bets in specific sectors. IPP is closely monitoring the situation and will keep you informed of any material development. In the meantime, we have assess the impact on our selected funds and find minimal exposure to those affected entities

Update on AIG

As of today, the Federal Reserve has injected \$ 85 billion into AIG taking a 80% stake in the company. Concurrently, AIA company has released an official statement assuring policy holder that they has more that has sufficient capital and reserves to meet all obligations. Please refer to AIA official statement for more information.

If you have any further queries, please contact your financial adviser.

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