



Regular investing

Smoothing out the effects and fear of market movements

If successful investing is about buying low and selling high, why don't just invest when prices are low?



Every investor would love to be able to buy at the perfect timing, i.e. buy low and then sell high. Unfortunately, this is easier said than done. For example, most investors will panic and dare not to stay invested in a market crash, not to mention buying when others are selling. **It's difficult to guess the market bottom. Many investors who try to time the market would end up underperforming those who remain invested.**

Why should I consider regular investing?



Even though the markets have bad days, historically they tend to go up over the long run. When you invest a fixed amount of money each month, you buy fewer shares when the price is high and more shares when it's low. This method lessens the risk of putting a large amount of money in a single investment at one time, and in a falling market, the average cost per share becomes lower compared with the price at the beginning of the period (thus this is also known as "Dollar Cost Averaging"). **Investing on a regular schedule addresses some of the investors' worries, especially during a sudden drop in the market or when prices surge suddenly. It helps investors accumulate wealth and at the same time reduce their worries about market ups and downs.**

How can dollar cost averaging help different types of investors?

Busy investor	Reduce the effort to monitor the market
Anxious investor	Lessen the risk of putting a large amount of money in a single investment at one time, thus reducing the need to worry about market ups and downs
Investor who wants to accumulate wealth	Exercise the investment discipline through committing to the regular investment plan, eventually progress towards investment objective
Elementary investor	Start up with a lower amount via the monthly investment plan. Dollar cost averaging can also help ease their worry on market movement – afraid of missing the investment opportunity on one hand, and worry about making a loss on the other hand
Investor who has limited budget	The minimum investment amount for setting up regular investment plan is usually much lower than for making a lump sum investment

However, when the market surges sharply for a long period of time, the lump-sum investment may work better than dollar cost averaging, as the latter one keeps buying the shares when the price is high, which drive the average cost higher. Having said that, no one can predict the future. And nowadays markets tend to be more volatile than stable.

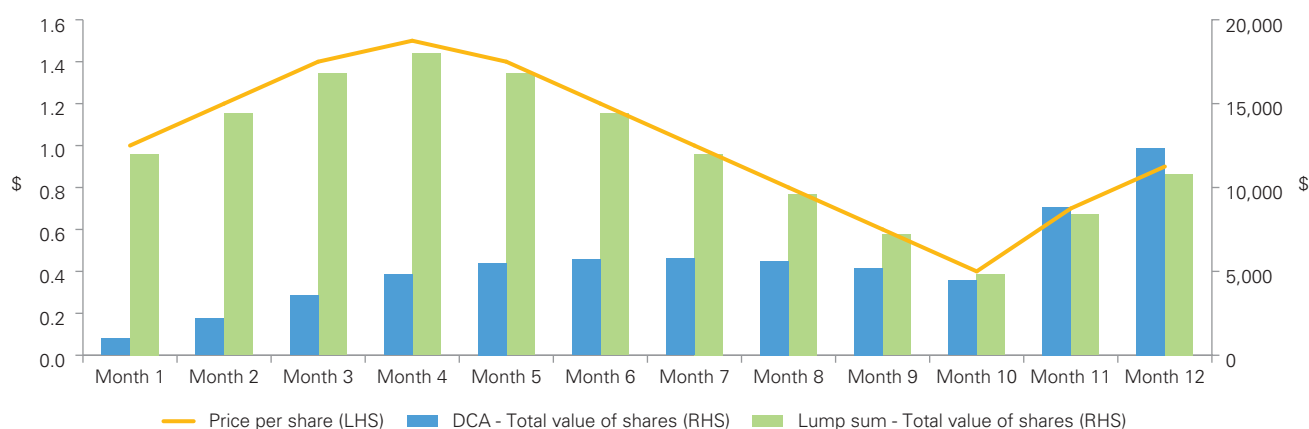


Global Asset Management

How does dollar cost averaging work?

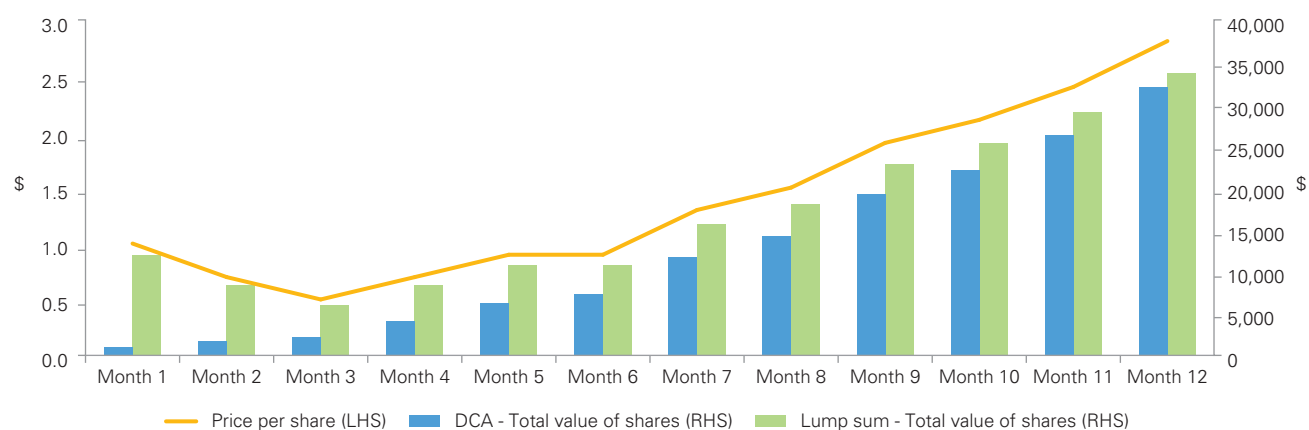
When more volatility is added to the market, dollar cost averaging (DCA) may work better than lump sum investment. It demonstrates stronger impact when market is volatile like Example 1, as it enables investors to buy less shares when price is high while buy more shares when the price is low. If the investor worries about investing in a lump sum, this is then where dollar cost averaging would come in. On the contrary, dollar cost averaging does not have a strong advantage over lump sum investment when the market trends up over a long period of time like Example 2.

Hypothetical Example 1: when market is volatile – dollar cost averaging may result in better returns



HKD	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Price per share	\$1.0	\$1.2	\$1.4	\$1.5	\$1.4	\$1.2	\$1.0	\$0.8	\$0.6	\$0.4	\$0.7	\$0.9	
DCA monthly investment amount	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Shares purchased	1,000	833	714	667	714	833	1,000	1,250	1,667	2,500	1,429	1,111	14,718
Total value of shares	\$1,000	\$2,200	\$3,567	\$4,821	\$5,500	\$5,714	\$5,762	\$5,610	\$5,207	\$4,471	\$8,825	\$12,346	\$12,346
Lump sum investment	\$12,000	-	-	-	-	-	-	-	-	-	-	-	\$12,000
Shares purchased	12,000	-	-	-	-	-	-	-	-	-	-	-	12,000
Total value of shares	\$12,000	\$14,400	\$16,800	\$18,000	\$16,800	\$14,400	\$12,000	\$9,600	\$7,200	\$4,800	\$8,400	\$10,800	\$10,800

Hypothetical Example 2: when market is up consistently – lump sum investment may provide higher returns



HKD	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Price per share	\$1.0	\$0.7	\$0.5	\$0.7	\$0.9	\$0.9	\$1.3	\$1.5	\$1.9	\$2.1	\$2.4	\$2.8	
DCA monthly investment amount	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Shares purchased	1,000	1,429	2,000	1,429	1,111	1,111	769	667	526	476	417	357	11,292
Total value of shares	\$1,000	\$1,700	\$2,214	\$4,100	\$6,271	\$7,271	\$11,503	\$14,273	\$19,079	\$22,087	\$26,243	\$31,616	\$31,616
Lump sum investment	\$12,000	-	-	-	-	-	-	-	-	-	-	-	\$12,000
Shares purchased	12,000	-	-	-	-	-	-	-	-	-	-	-	12,000
Total value of shares	\$12,000	\$8,400	\$6,000	\$8,400	\$10,800	\$10,800	\$15,600	\$18,000	\$22,800	\$25,200	\$28,800	\$33,600	\$33,600

This figures are hypothetical and for illustrative purpose only, it is not indicative of future performance.

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