Investing 101

We all have to start somewhere

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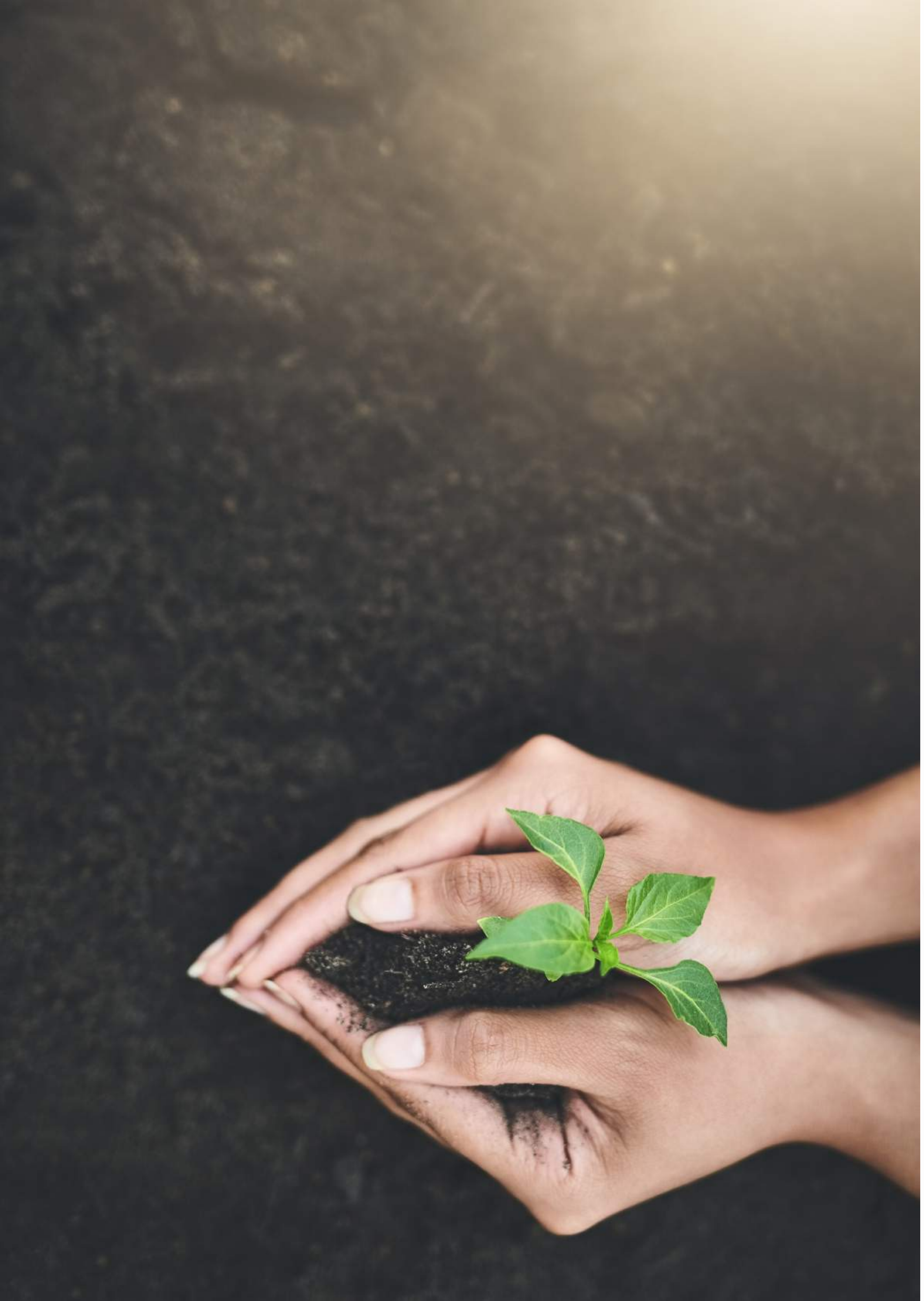
KRISTAL



Contents

01 | Bitesize Finance Jargons

New to investing?

Work your way through investing jargons, terminologies, and basic steps.

Dividends

Dividends are paid to shareholders as a token reward for their investment in the equity of a company or fund. It generally comes from the net profits of a company.

NAV

The net asset value (NAV) is calculated as the total value of the entity's assets minus the total value of its liabilities. Most commonly used in the context of an exchange-traded fund (ETF), the NAV represents the per share/unit price of the fund on a specific date or time.

Expense Ratio

The most basic definition of expense ratio is that it is the annual fee that all funds or exchange-traded funds (ETFs) charge their shareholders. In other words, you can think of it as a ratio per unit cost of managing a fund.

Compound Annual Growth Rate - CAGR

Compound Annual Growth Rate— is the rate of return that you would likely to get to reach an ending point from a beginning point, assuming that the investments have been compounding over a time period.
It does help you compare various investments with similar volatility but cannot be trusted fully for calculating returns on all your investments, especially because it works on assumptions.

IRR

The internal rate of return is a metric used in financial analysis to estimate the profitability of potential investments.
In contrast to CAGR, IRR can have multiple initial and ending points.

Average Daily Volume

Average Daily Volume is the average number of shares traded within a day in a given stock. In terms of investment or finance in general, ADV is an important metric as it gives an idea about the way the stocks have been performing, thus attracting different types of traders and investors.

Exchange-Traded Fund - ETF

An ETF is an investment product that tracks the performance of an underlying index. They are often explained as baskets that hold stocks or bonds and they trade in the same way that regular stocks do. They aim to match the underlying index they track.
It does help you compare various investments with similar volatility but cannot be trusted fully for calculating returns on all your investments, especially because of the fact that it works on assumptions.

Market Capitalization

A market cap or market capitalization is the total market value of a company in dollars. To calculate it, the Current Market Price (CMP) of its shares and the outstanding shares are used. In simpler terms, it tells you about the size of the company and what would be the amount of money that one has to spend in order to buy a company.
The market cap of a company = Current market price (per share) x total number of shares.

02 | An Introduction to Investing

“If you don’t find a way to make money while you sleep, you will work until you die.”
– Warren Buffett

Investing refers to the act of using financial tools and products to grow your funds. While wondering about how to invest, a new investor often thinks of a buzzing stock market or real estate. While exploring various investment options, it is essential to understand that these tools are not going to make you a millionaire overnight. Some of the most effective investments are those that require time, and not just a regular deposit of money.

4 Benefits of investing

01

You can meet your financial goals!

You can meet your goals by aligning your investments with your requirements. For instance, if you know that your child wants to study abroad, and you have a few years left before that happens, you can invest your money in order to pay the college fees without feeling a financial pinch.

02

You can save on your taxes

Investing your money in financial products is a great way to reduce your taxes and save money. Different tax laws vary from country to country. For instance, in Singapore, your personal taxes may be capped at 22% and you can still benefit from a reduction in this tax amount when you invest your money.

03

You can enjoy a comfortable retirement

When you invest your money towards a specific cause wisely, you can rest assured that you have taken care of all the non-variables in your life. As investing allows your funds to grow, high ROI investments can help you earn enough money to enjoy a comfortable retirement. The sooner you start, the higher chances of enjoying an early retirement too!

04

You can BEAT inflation

No country or its economy is immune to inflation. The value of a currency depreciates over time due to volatile market factors, and this is essentially what inflation means. Most financial products offer growth rates that take inflation into account. With your wealth growing this way, you can beat inflation and enjoy living the same lifestyle that you always have.

03 | Understanding your Risk Appetite

An investor's risk profile is part of their financial DNA. In order to build the profile, there are two major things to consider, the risk tolerance and the risk capacity of the individual.

What is a Risk Profile?

A risk profile refers to an individual investor's ability and willingness to take any risks with their investments. Investors with low-risk profiles will always be directed towards much safer investment avenues that come with a lower yield, as opposed to investors that have a higher risk profile. For the latter, financial advisors would direct them towards high-risk, high-ROI investments such as blue-chip funds.
To build an investors risk profile, there are two major things to consider. These are the risk tolerance and the risk capacity of the individual.

Risk Tolerance & your Risk Profile

The term risk tolerance refers to the degree of risks that a particular investor feels comfortable taking. In other words, it refers to the amount of uncertainty that the investor is okay facing. As there is no financial investment that is completely risk-free, all investors do make their peace with the fact that they will have to face some risk. But, the volatility that they are okay with tends to vary from person to person. Therefore, financial advisors chart out risk profiles for every single investor that they work with.

Determining Your Risk Tolerance

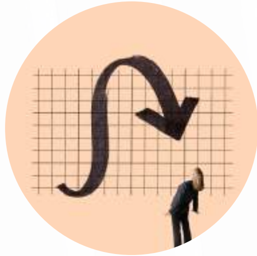
Risk tolerance can vary greatly with age, income, goals, and existing investments, and most investors fall into one of the following categories:

- Very Aggressive
- Aggressive
- Balanced
- Conservative
- Very Conservative

One of the most common predictors of risk tolerance that advisors see is age. Young investors who are just starting out their investment journeys are more likely to be willing to take some risks to get better returns. On the other hand, older investors reaching retirement would like to see their wealth grow by taking conservative steps.

Risk Capacity & Your Risk Profile

While risk tolerance refers to what individuals are comfortable with, risk capacity, on the other hand, refers to the risk they have no option but to endure. All investors have certain goals in mind with regards to the growth of their funds, and these goals often align with different financial products, which come with their own degrees of risk. Therefore, to meet these goals, investors must expose their funds to the risk involved.



Lastly

When you are starting your investment journey, it is very important to understand your volatility levels. If you're the kind of person that gets anxious very quickly and always imagines the worst, then you probably should not pool all your funds in high-risk investments! On the other hand, if you are willing to take risks to a huge payout at the end, then you can go for high-risk investments without batting an eyelid.

Still unsure on how to pick ETFs?

Use the Kristal Proprietary Algorithm to generate a portfolio that is suitable to your needs and investment time horizon!

1. Sign Up for an account on Kristal.AI! If you have already created your account, do remember to complete your KYC and fill in your risk profile.
2. Once you have logged into your account, simply go to 'explore' and click 'Advisory Algo', please proceed to click on 'Run Algorithm'.
3. Enter your starting capital and desired risk level. Click 'Next' and in a few moments, a portfolio suited to your needs will be generated by the portfolio!

Get Started Now! →

04 | Systematic Investment Plan

Systematic Investment Plan or SIP is the discipline of investing money. It is neither an investment scheme nor some kind of mutual fund, as many may believe. It is a discipline of investing a fixed sum of money, over regular intervals to meet your goals.

4 Benefits of SIP

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- **Easy on the Wallet**

For many salaried professionals, it's not easy to invest a big amount in one shot, as they earn a fixed monthly salary. SIP will allow you to invest in a comfortable amount suited to your needs yet ensures that you can still meet your financial goals.

- **Helps in Planning Financial Goals**

When you have a big financial goal, it can get difficult to see how to achieve it. SIP enables you to grow your wealth, proving that through small amounts, you can build a big corpus.

- **Reduces Need for Market Timing**

When you have a big financial goal, it can get difficult to see how to achieve it. SIP enables you to grow your wealth, proving that through small amounts, you can build a big corpus.

- **Enables Dollar Cost Averaging**

As the market prices fluctuate daily, costs go up and down, making it difficult for busy people to time the market. With SIP, your investments are stretched over a long period, thus potentially lowering the average cost of assets.

What are the advantages of ETFs?

An Exchange Traded Fund (ETF) is an investment product that tracks the performance of an underlying index. They are often explained as baskets that hold stocks or bonds and they trade in the same way that regular stocks do. They aim to match the underlying index they track. For instance, if an ETF tracks the performance of S&P 500, it aims to offer the same kinds of returns to its investors as the S&P 500 does. This makes them ideal for investors who want a passive strategy when it comes to their wealth management.

When compared with mutual funds, ETFs offer a whole range of advantages that help set them apart from other instruments. Some of these advantages are as follows:

Diversification

A single ETF can help you gain exposure to an entire market segment, equities or even styles. They can also increase your portfolio's diversification as they track a much broader range of stocks.

Trades just like stocks

One of the things that make ETFs so popular with investors is that they offer the liquidity of a stock. The prices for ETFs are updated throughout the day, and they can be traded at any given time. On the other hand, when you look at mutual funds, the prices are only posted at the end of the day when the market closes, which offers a lower level of transparency for investors looking to buy the same.

Lower fees

ETFs are managed passively, which is what contributes to the fact that they have much lower management fees when compared with mutual funds. When you invest in a mutual fund, you must also pay additional costs such as service fees for marketing, load fees for distributions or sales, and expenses for shareholder accounting at the fund level. The lack of these makes ETFs far more accessible to newer or younger investors looking to grow their wealth.

Immediately reinvested dividends

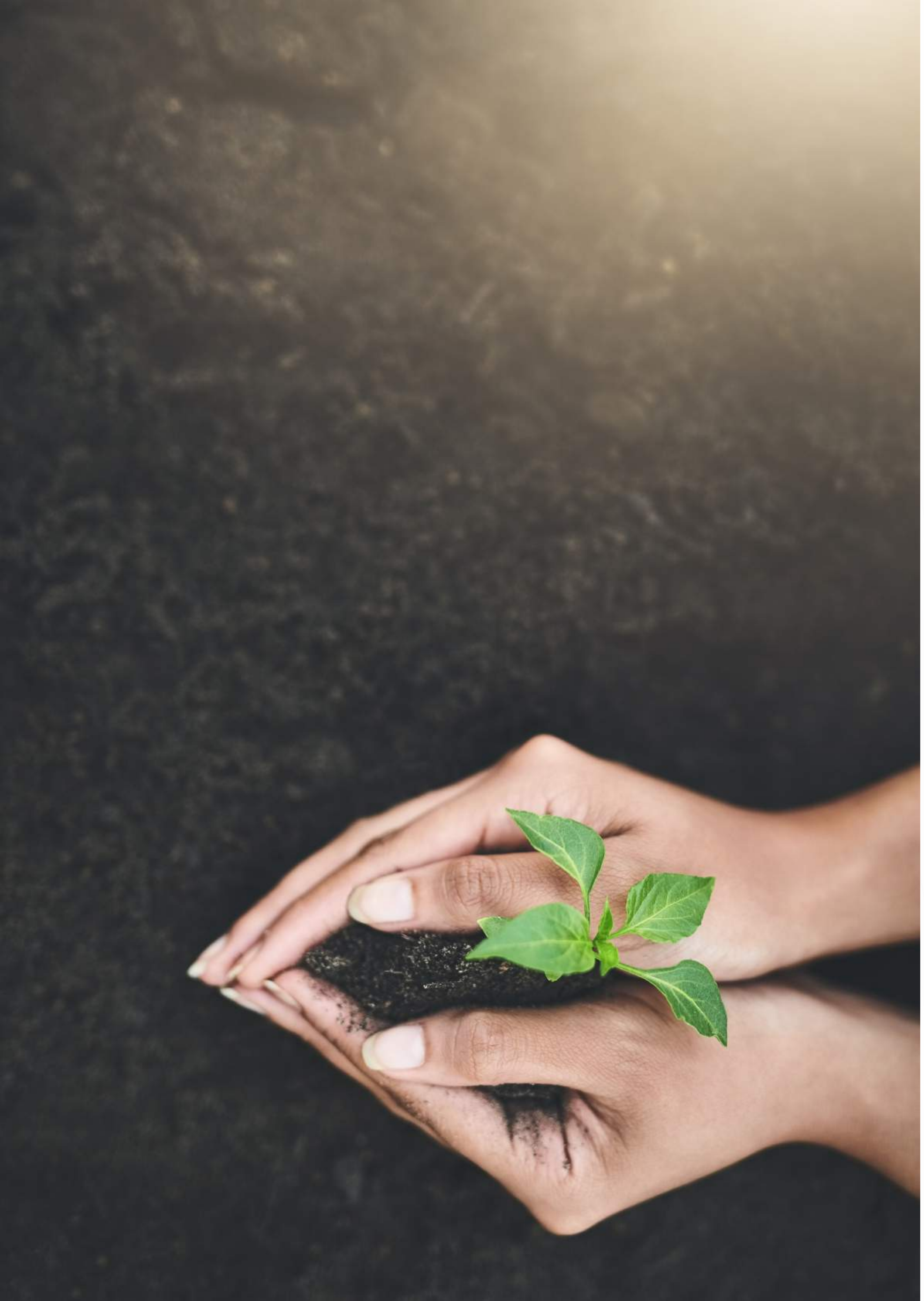
When you invest in an open-ended ETF, you'll find that the dividends are immediately reinvested. When it comes to mutual funds, though dividends are reinvested, there is no exact timing set for when this must be done.

Limited tax on capital gains

Many investors foray into the world of investments solely because they want to save on their taxes. As a result, they end up looking for mutual funds as they are known to help with the same. However, it may surprise you to know that ETFs are far more tax-efficient when compared with mutual funds. There are fewer capital gains taxes involved. Additionally, when you sell or buy ETFs, there are no taxes added to the final investment.

Lower premiums

ETF share prices are rarely higher or lower than their actual value. This financial instrument trades any time during the day and mimics the price of the underlying asset. Even if the price is lower or high than the NAV, arbitrage brings it back in line. ETFs typically trade based on supply and demand, which means market makers catch any discrepancies in the price point.



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