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ASK TOUGH QUESTIONS

"If you don't study any companies, you have the same success buying stocks as you do in a poker game if you bet without looking at your cards" – Peter Lynch

When it comes to investing, success is never guaranteed. Taking the time to consider certain questions, however, will make one a more informed investor and help to increase your chances of being successful. You need to understand how the company you are investing in works. A carefree investment style won't work forever, so take the time to do your research. We would like to share some questions you should ask and areas you should focus on:

What is the track record of the company?

You need to know the company's track record and experience of their fund managers. How long has the company been in business? How have their funds performed over the years compared with others? It is important to look at long-term performance as it is a good indicator of the sustainability of their investment processes. At Databank, we manage your investments as though it were our own money. Our fund managers personally invest in the funds they manage. They use their knowledge, experience, creativity and good entrepreneurial spirit to identify unique investment ideas they believe will provide you with attractive and stable returns over time.

Where are my funds being placed?

Fund managers have the discretion to invest your funds in a range of investment instruments, provided they stay within the guidelines set out in the Fund's scheme particulars. For example, you may invest in a fund that is 100% fixed-income. Within this category, the fund manager can choose to place money in government securities such as Treasury Bills or Government bonds, corporate bonds or commercial paper to name a few. While these all qualify as fixed-income instruments, they all have varying levels of risk. Therefore you can start by looking at the gap in the return between the 91-Day T-Bill rate and the return of the fund. The wider the gap, the greater the risk that is being taken to generate the returns. So look at the Fund's annual report, which should list all the investments or call up the company to ask where your money is being placed.

Who is the regulator of the investment vehicle, and what are the internal governance structures around the investment being made?

When it comes to investing, it is important to know and understand the governance structures that are in place to protect your investments. They should be rigorous and more importantly, transparent. The regulator for the investment industry is the Securities and Exchange Commission (SEC). The SEC governs all mutual funds in Ghana, and they ensure that the investment company complies with the scheme particulars of a particular fund, as well as the Securities Industry Laws and Guidelines. The SEC also audits the funds processes to ensure the investments decisions are well thought through. So, don't be afraid to ask your investment company about their governance structures.

Who is on the Board of Directors?

As part of the measures to protect your investments, particularly with mutual funds, a board of directors is key for good governance. The majority of the Board should be non-executive, which means they are not employed by the company. The board represents the interest of you, the shareholder. So next time you visit your investment company, find out more about the Board of Directors looking after your investments. To find out more about the Board of Directors for your Databank mutual fund(s), visit the Resources section of Databank's website to view the article: Who is watching your money?

At Databank, we will help you make the best and most informed investment decisions that will take you closer to achieving your financial goals. To do this, you need the right people and information at your disposal. The risks associated with investing are inevitable, even when it comes to who you are investing with. The more informed you are, however, the higher your chances of mitigating these risks. An informed investor is a successful investor.

Invest wisely. Invest with Databank.