

# 12 Reasons to invest with Databank

## Choice

*"Know what you own and why you own it" – Peter Lynch*

You arrive at the airport ready to begin your 3-month vacation to Rome. During the check-in, you are told that you can carry along only one of the two suitcases you brought. The first suitcase has only winter coats while the second one has pairs of clothes and shoes, an umbrella and sunglasses, sleeping clothes and a few winter coats. Which suitcase would you choose? Our guess is that you would choose the second suitcase. Why? The first suitcase is only useful if it snows but the second suitcase contains different things that can be useful whether it snows or rains or the sun shines. That is how your approach to investing should be. Your investment suitcase must contain a mix of different types of investments. The process of carefully selecting a mix of investment types is known as *diversification*.

### Don't put all your eggs in one basket

An investor can diversify his investment portfolio at different levels: investing in different asset classes, in different sectors of the economy or with different fund managers. Asset classes include stocks, fixed income, money market or bonds while sectors of the economy include consumer staples, financials, energy, transport or telecommunication. Spreading your investment across different fund managers simply means investing in different mutual funds.

### Benefits of diversification

Diversification is beneficial for many reasons. The key advantage is the reason you chose the second suitcase over the first one at the beginning - we are not sure of how the market will perform in the coming years or even the coming days. Asset classes that are top performers in terms of returns change from year to year due to a variety of factors and there is no guarantee that the asset class that is the best today will still be the best tomorrow. Investors generally tend to make two kinds of mistakes: they either invest only in the asset class that was the best performer the year before or they invest in the asset they believe is the safest investment.

We will illustrate why investing in only one area may not be a good idea by showing how Databank's mutual funds have performed comparatively over the last 5 years.

### Performance of Databank's mutual funds for the past 5 years (from best to worst performers)

Rankings	2014	2015	2016	2017	2018
1st	EpacK (39.58%)	MFund (21.94%)	MFund (25.00%)	EpacK (37.73%)	MFund (15.98%)
2nd	MFund (26.31%)	ArkFund (20.42%)	EdIFund T1 (24.32%)	BFund (30.91%)	ArkFund (11.77%)
3rd	BFund (16.31%)	EdIFund T1 (18.52%)	EdIFund T2 (21.70%)	ArkFund (28.45%)	EdIFund T1 (11.32%)
4th	ArkFund (16.04%)	EdIFund T2 (16.70%)	ArkFund (12.28%)	MFund (20.55%)	EdIFund T2 (8.32%)
5th	EdIFund T1 (2.06%)	BFund (13.08%)	BFund (11.92%)	EdIFund T1 (20.48%)	BFund (7.48%)
6th	EdIFund T2 (2.40%)	EpacK (0.65%)	EpacK (-6.20%)	EdIFund T2 (19.30%)	EpacK (-5.25%)
Average Performance of funds at end of year	17.21%	15.22%	14.84%	26.24%	8.27%

From the table, it is clear that no one fund has always topped the chart. Some have even moved from best performers to worst performers the following year. How can you flourish in such an unpredictable and dynamic climate? You can do this by investing in different funds or asset classes. In case one fund or asset class does not do too well, the performance of the others can help to minimize your loss and even improve your gains. You will also see more stability in your returns over the years.

Let's assume an investor decided to invest GHC 100 in only Epack in January 2014 while another investor spread his GHC 100 evenly across all funds. This is how the investment would have grown after 5 years:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Epack Only</b>	<b>GHC 139.58</b>	<b>GHC 140.49</b>	<b>GHC 131.78</b>	<b>GHC 181.50</b>	<b>GHC 171.97</b>
<b>All mutual funds</b>	GHC 117.21	GHC 135.05	GHC 155.09	GHC 195.79	GHC 211.98

### Enjoy choice with Databank

Databank gives you more choice across asset classes and funds more than any other investment bank in Ghana. We have five strong performing funds to choose from. What's more, each of these funds invests in different asset classes depending on whether it is considered as a fixed income, balanced or equity fund. Below are the three categories of funds we have and their asset allocations:

<p><b>Fixed Income:</b> <b>MFund (100% fixed income)</b></p>	<p><b>Balanced:</b>  <b>ArkFund</b> (30% equity +70% fixed income)  <b>BFund</b> (40% equity + 60% fixed income)  <b>EdiFund Tier 1</b> (30% equity +70% fixed income)  <b>EdiFund Tier 2</b> (40% equity +60% fixed income)</p>	<p><b>Equity:</b>  <b>Epack</b>  (80% equity + 20% fixed income)</p>
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This means that by investing in any Databank mutual fund, you have already begun to diversify your portfolio.

### Two or three is better than one

By investing in Databank, you can take your diversification a step further by combining multiple funds in a single account. Here are a few examples based on your risk tolerance.

Risk tolerance	Examples of portfolio combinations
<b>Low</b> →	70% MFund+30% ArkFund/100% MFund
<b>Medium</b> →	50% MFund+25% ArkFund+25% BFund /40%MFund+20% EdiFund Tier 1+20% ArkFund+20% BFund
<b>High</b> →	50% Epack+30% MFund+20%ArkFund/ 60% Epack+30% BFund+10%MFund

*\*The above portfolio combinations are examples only. Please speak to a licensed financial advisor before investing to be sure you select the mix of funds that is right for you.*

### Start investing today

Call 0302 610610 to learn more. You can open a mutual fund account from the comfort of your home or office by visiting Online Services at [www.databankgroup.com](http://www.databankgroup.com) or visiting one of our 19 locations across Ghana.

### Invest wisely. Invest with Databank.

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