SCML Star Capital Management Ltd

FAQ (Frequently Asked Questions)

Why is diversification important in an investment portfolio?
Diversification helps reduce the overall risk of a portfolio by spreading investments across different asset classes, sectors and geographic regions. This reduces the impact that a poor-performing investment or market may have on the overall portfolio.

What is portfolio risk and how can it be managed?
Portfolio risk refers to the possibility that investments may not perform as expected due to market volatility, economic changes, or other external factors. Risk can be managed through diversification, asset allocation, careful investment selection and continuous monitoring of the portfolio.

What is asset allocation and why does it matter?
Asset allocation refers to how investments are distributed across different asset classes such as equities, bonds, cash and alternative investments. A well-structured asset allocation helps balance risk and return based on an investor's objectives and time horizon.

What are alternative investments?
Alternative investments are assets outside traditional investments such as listed equities or government bonds. These may include private credit, structured investments, hedge strategies or other specialised instruments. They are often used to enhance diversification and potentially improve returns.

Why do institutional investors invest internationally?
Institutional investors often allocate capital to global markets in order to access a wider universe of investment opportunities, diversify risk and improve portfolio resilience against local market fluctuations.

How does market volatility affect investments?
Market volatility refers to the fluctuation in the price of financial assets over time. While volatility can present risks in the short term, it can also create opportunities for disciplined investors who maintain a long-term investment strategy.

What factors should investors consider when evaluating an investment opportunity?
Investors should consider factors such as expected return, risk profile, liquidity, time horizon, and alignment with their broader investment strategy.

What is the difference between short-term and long-term investing?
Short-term investing focuses on generating returns over a relatively brief period and may involve higher market sensitivity. Long-term investing typically focuses on steady growth and capital preservation over extended periods, often through diversified portfolios.

How often should investment portfolios be reviewed?
Investment portfolios should be reviewed regularly to ensure they remain aligned with the investor's objectives, risk tolerance and market conditions. Reviews also allow for portfolio rebalancing when required.

What role does professional investment management play?
Professional investment managers provide expertise in portfolio construction, risk management, market analysis and ongoing monitoring to help investors achieve their long-term financial objectives.