

# Undergrad hits the books to be a better investor

SMU student learns to analyse stocks and think critically; mingling with fellow investment club members also helps



Rachael Boon

Undergraduate Toh Yi An may have years ahead of him to fine-tune his investment strategies, but he is determined to start now.

The business and information systems student at Singapore Management University (SMU) devotes at least an hour a day to reading news and non-fiction, including books about finance and legendary investors like Mr Warren Buffett.

Mr Toh, 22, who is in his second year, says he develops deep knowledge about the markets and learns how to analyse stocks and think critically.

The value investor does not shy away from learning basic technical indicators, like the support and resistance lines, to help him make shorter-term investments.

He has been on a roller-coaster ride with his stock picks this year, including oil palm firm First Resources, which he has traded a few times.

"Although there has been a commodity slump and palm oil has not been doing well in the last year, in the long term, it has great potential."

Reading certainly played a part in his decisions. He says: "I knew El Nino would affect the weather, decreasing supply and increasing prices of crude palm oil, but the price increase was so sudden."

The El Nino effect, caused by rising sea-surface temperatures in the Pacific Ocean, affects the output of commodities which, in turn, affects prices.

He first bought 3,000 shares at \$1.80 in April and the price rose to more than \$2 in a matter of days, and he sold them as he did not think that "there was that much more upside to it".

When stock prices began falling in August, he started buying into First Resources again. But Mr Toh says greed and the hope of making quick returns led to bad decisions, such as buying too early at \$2 as the price continued to drop to \$1.50.

"I didn't lose money, as I averaged it down - but I also averaged down too early as I should have waited for the market to be less volatile, and not go for a 5 per cent return."

Mr Toh says he chose the firm because he saw the value in it, but the market was so volatile that it hit his targets sooner than expected.

"When I invest in a company, I ask myself that if I started holding the stock at a bad price, would I still hold it in three to five years?"

"I said 'yes' to First Resources because it is one of the best players if I want palm oil exposure."

He also hones his investment skills at SMU's EYE investment club, where he is a research director focusing on fundamental analysis.

It is important for him to meet like-minded people at the club, where he absorbs different views of analysing firms and the markets.

"It keeps me balanced as I don't just stick to my own views and it helps in my investment decisions too."

**Q Money-wise, what were your growing-up years like?**

**A** My parents work in the financial services industry so they know how to manage money well.

They would talk about insurance and stocks during car trips. I didn't understand when I was younger, but I did start to read up online.

I've always liked to save money even if I didn't need to, and there

was probably some influence from my parents and two elder brothers.

**Q How did you get interested in investing?**

**A** I really got interested during national service as I had a lot of time to read about Warren Buffett, Charlie Munger and Benjamin Graham, and their books.

I started paper trading in forex at the same time. I didn't know how to analyse stocks or pairs, and was just trying to read charts and identify patterns. Most of the time, I lost money but I still wanted to try.

**Q Describe your investing strategy.**

**A** It used to be mostly fundamental analysis, with a bottom-up approach, but recently I tweaked it. I realised it is hard not to take the industry overview or outlook into account.

I've been doing a top-down approach as it has been volatile. If the industry is unlikely to do well, it is hard for the company to realise its true value.

I look at how the industry is doing, look for potential industries to invest in, and then look into specific companies and the factors - whether they are doing well in the industry, their lines of business and things like whether they have cash in this environment, or a lot of debt.

Cash is important for a company to grow, especially with the coming interest rate hike. Debt limits their potential to grow.

I do a lot of equity research and use relative and intrinsic valuation to aid in my decisions, and read a lot of analyst reports, mostly to understand the current state of the company and also how it derives value.

These only tell you whether a company is a good investment, so I use basic technical analysis to support the decision of when to enter or exit the market.

**Q What is in your portfolio?**

**A** I have only 4,000 shares of Bumitama Agri, which I bought in November at 78 cents. That's for the long term, even though I don't see it reaching my target price soon.

I'm just starting to accumulate them because I see real potential.

I'm holding mostly cash, about \$10,000, which I saved during national service and I saved a lot then.

A lot of the stocks I'm looking at have not reached my target price to buy and, looking at market sentiments, they can go lower.

I've a single-premium five-year endowment plan, with a single premium of \$10,000, that I bought before national service. The effective yield is 2.6 per cent.

I look at small caps, which are more volatile, but they are less likely to trade at their intrinsic value.

It can be a value trap, where I enter the stock and my capital is stuck for months or years, but it also gives me the flexibility to sell. I find that I am able to realise a higher return in the short run investing in good medium- or small-cap stocks.

**Q What is one meaningful thing you have done with your money?**

**A** Donating to charity organisations like the United Nations Children's Fund and Child Africa, a charity that helps disadvantaged children in East Africa through education.

I can see how my money would directly improve the beneficiary's life.

**Q What meaningful plans do you have for your money?**

**A** I plan to consistently give 10 per cent of my profits to charitable organisations, preferably to children and education-based charities. Giving back is a good habit to start early in our lives. It has helped me to remain humble and remember the bigger things in life.

I'm also saving money and look-



Mr Toh Yi An, 22, a second-year student at Singapore Management University, devotes at least an hour a day to reading news and non-fiction, including books about finance as well as famous investors like Mr Warren Buffett. PHOTO: DIOS VINCOY JR FOR THE SUNDAY TIMES

## ANALYTICAL APPROACH

**I do a lot of equity research and use relative and intrinsic valuation to aid in my decisions, and read a lot of analyst reports, mostly to understand the current state of the company and also how it derives value.**



TOHYIAN, on his investing strategy

ing out for other opportunities to use it meaningfully and efficiently.

**Q What is the most extravagant thing you have done?**

**A** I don't like to spend unwisely but after I completed national service, I went on a nine-day trip to Japan that cost \$1,500, with my army friends. It was extravagant because I didn't need it, but I thought that once I start university and start working, I wouldn't have the time.

**Q What are your immediate investment plans?**

**A** I'm looking at property stocks and maybe exchange-traded funds (ETFs) as well. I would use most of my cash - maybe 50 per cent into ETFs - and I'm looking at the Straits Times Index and the United States.

Recently, I started to look at oil and gas. A lot of the counters have suffered quite a lot. For instance, Ezion Holdings. I look at its business and it is relatively stable, compared with the other oil counters in the Singapore Exchange. My target price to buy is 55 cents, so once it reaches that level - now it is quite far - I will go in.

I'm looking at property stocks, like CapitaLand. Although the property market is quite bad, and the potential interest rate hike is affecting the likelihood of people buying second properties, it has been trading with a price-to-book ratio of around 0.75, but I'm waiting for greater value.

**Q Home is now...**

**A** A three-storey cluster house in the north.

rachaelb@sph.com.sg

## Worst and best bets

**Q What has been your biggest investing mistake?**

**A** For First Resources, I averaged down the stock too early - once it dropped 5 per cent - and tied up my capital there.

That meant I wasn't able to average it further down as much as I would have liked, if I had been disciplined in my own investment strategy.

I wanted to average the price down at points where the price was down 10 per cent or 20 per cent, but I panicked once I saw the stock price and everything else falling.

I should have looked at where the market was going first, and waited for the stock price to stabilise. Even though I didn't make a loss, I would have made a better profit. I didn't have the capital to invest in other stocks... so it was about missed opportunities.

**Q And what has been your best investment move?**

**A** Learning fundamental analysis and about investing, and joining co-curricular activities, especially SMU's EYE investment club, have been the best use of my time.

I'm learning life skills that I'll eventually use in future, as everyone needs to invest their money somehow. I would rather lose money now, learn from my mistakes and develop my investment strategy.

Rachael Boon