

Taking stock

A record 110 teams of students were out in force to test their investing skills in an annual stock-picking competition.



Navin Sregantan

Plenty of students are keen to pick up investing skills but reservations about insufficient capital, the weight of assignments during academic terms and social commitments usually put such plans on the back burner.

But that did not deter around 400 students from trying their hand at the SGX-NUS Stock Pitch Competition held in February.

The 110 teams – bettering the 85 that took part last year – hailed from Singapore Management University (SMU), Nanyang Technological University, the National University of Singapore (NUS), Singapore University of Social Sciences, Singapore Institute of Technology and the University of Queensland.

Teams had five days to submit a research report on a single stock over a one-year investment time horizon.

Eight teams were then selected as finalists and given 48 hours to prepare a presentation to a panel of judges, which included senior investment professionals.

They were judged on the quality of their analysis, delivery of their presentation and how well they responded during the question-and-answer session.

The winners in what was the fifth year of the competition were from SMU and NUS.

SMU's winning team made a pitch on Sunningdale Tech while second-placed NUS picked Thai Beverage.

The top three was rounded out by a cross-university team comprising students from SMU and NUS, who picked ST Engineering.

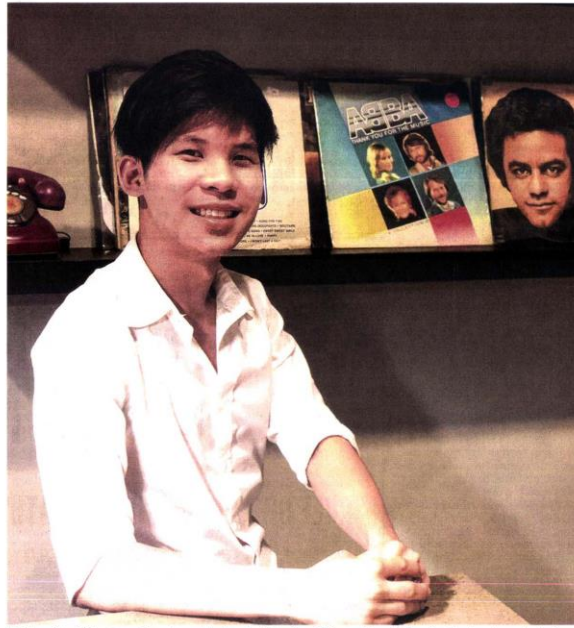
SMU picked up a prize of \$1,500, while the NUS side collected \$700, with \$300 going to the combined team.

Ms Lynn Gaspar, senior vice-president for client development and relationship at the Singapore Exchange (SGX), said: "The NUS-SGX Stock Pitch competition is an exciting opportunity for students to apply their equity research skills and financial knowledge to real-world cases and to gain insight into how the industry works."

"The increase in the number of teams participating this year is an indicator of the growing interest in investment and the capital markets."

The Sunday Times talks to the three team leaders of the winning teams.

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Mr Wong Chun Yin's personal investment strategy includes diversifying and keeping in mind the long-term strategies or profit targets for each investment. PHOTO: COURTESY OF WONG CHUN YIN

The importance of being flexible and adapting quickly

Singapore Management University undergraduate Wong Chun Yin, a second-year business student, started investing when he was 18.

"During my time at Temasek Polytechnic, I studied financial informatics, where I was exposed to real-life concepts such as trading, understanding leverage and dividends," says Mr Wong.

"Thereafter, I saw investing as a potential opportunity to generate some passive income while continuing to focus on my studies."

Mr Wong, 24, and teammates Natalie Tan, 21, Ng Han Ying, 24, and Raymond Tan, 24 – all second-year accountancy students – won the SGX-NUS Stock Pitch Competition.

Q How did your team arrive at the "buy" call for Sunningdale Tech?
 A The Sunningdale Tech counter

immediately caught the eye of Han Ying.

He had covered the contract manufacturing industry during a recent internship in Deloitte.

While doing our research, we realised that there was minimal analyst coverage on the firm and felt that it would be a great opportunity to contribute our own views.

We arrived at a "buy" call for Sunningdale Tech and identified three main reasons for doing so: The bullish end-market manufacturing demand; its overseas growth opportunities; and based on its track record, an insatiable desire for strategic acquisitions.

Ultimately, the team came to a consensus that Sunningdale Tech was a rather undervalued stock with plenty of potential to continue its bid to scale across the region.

Q What valuation techniques did your team use?
 A We employed a blend of three methodologies: the discounted cash flow model, relative valuation, and sum-of-the-parts valuation.

While each serves a distinct purpose, together, they helped us arrive at our buy recommendation.

The discounted cash flow approach allows us to value Sunningdale's stock based on projected free cash flows before discounting them back to its present-day value.

The relative valuation complements our first approach by looking at comparable companies to determine Sunningdale's financial worth.

Lastly, we used the sum-of-the-parts valuation method to approximate the firm's enterprise value by valuing each standalone business

segment separately.

Q What did you learn as a team leader? And what did your team learn?
 A Given the deadline, it was critical for us to work efficiently and well under pressure. Communication within the team was key and it was important for us to delegate our responsibilities from the get-go.

We steered away from micro-managing and gave autonomy to all members to voice out fresh ideas. As a result, this allowed us to avoid group think at the most crucial times.

Our key takeaways from this competition would be learning the importance of adapting quickly and flexibly. Without a doubt, the competition provided a good glimpse of what the corporate world is like. After all, sudden changes and tight deadlines are common in the real world.

On top of that, I would say that our success was also largely attributed to the team's decisiveness and ability to map out contingencies to the deliverables quickly.

Q Could you describe your personal investment strategy?
 A My No. 1 approach to investing would always be to diversify – (put) your eggs into different baskets. This helps to skew away from concentration risks lest the market conditions work against your favour.

Furthermore, it always helps to begin with the end in mind, by asking yourself what your long-term strategies or profit targets are for each investment.

I find it important to stick to my ground rules for investment, risk appetite and to always learn from the mistakes of others and my own in the market. I avoid jumping in on an investment simply because everyone else is riding the wave. It never hurts to adopt a contrarian view at any given point in time.

Q What advice would you give to young investors?
 A A senior at university once told me that "knowledge compounds" and that continuous learning and self-improving have proven to be successful in the long run.

For example, financial publications and dailies like The Business Times, Financial Times and The Wall Street Journal would help you to stay abreast with current affairs and market conditions all over the world.

Next, attending networking events or information sessions can help to enrich your knowledge base from other like-minded professionals.

Lastly, when it comes to investing, I urge young investors to take calculated risks in their investments, but also be mindful to exercise your own due diligence on potential investments.

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Considering risks and rewards a priority in making investments

NUS undergraduate Dick Huang has always believed in investing as a way to generate an alternative source of income.

The second-year business student says: "The turning point for me was joining the NUS Investment Society, where I was able to meet many like-minded peers who have an interest in investing."

"Through this network, I was able to learn a lot from those in the society who are more experienced than I am and as a result, have gained the confidence to start investing."

Since joining his university's Investment Society, he has opened a securities trading account with Standard Chartered and is focusing on Singapore-listed stocks.

Mr Huang, 22, and teammates Ryan Heng, 22, Soh Yang Yao, 22, and Arnold Sim, 23, were first runners-up in the contest.

Q How did your team arrive at the "buy" call for ThaiBev?
 A Our decision was based on a few factors. Firstly, the expected recovery in demand for alcohol in Thailand, which is ThaiBev's largest revenue driver. With the year-long mourning of the late King coming to an end, we believe that the consumption of alcohol would recover, following its first decline in eight

years due to the mourning period.

Furthermore, ThaiBev's acquisition of Sabeco, which holds the largest share of the beer market in Vietnam, is key for ThaiBev to break into one of South-east Asia's most lucrative markets.

Vietnam is the largest and fastest growing beer market in the region. This acquisition is also in line with ThaiBev's "Vision 2020" of becoming South-east Asia's largest beverage producer.

Q What valuation techniques did your team use?
 A Our team utilised a sum-of-the-parts valuation to value ThaiBev and its associates. Also we used the discounted cash flow model because it is a mature company with stable operating cash flows and organic growth rates for its main business segments.

Meanwhile, for ThaiBev's associates Fraser & Neave (F&N) and Fraser Centrepoint Limited (FCL), we analysed their market values since they are publicly traded companies. For Sabeco, we used the acquisition price ThaiBev paid to acquire the stake as we felt that the market price then did not consider the synergies from upstream and downstream integration.

By summing up the net equity



Undergraduate Dick Huang believes that only through investing with your own money will you be able to develop the psychology of an investor. With actual money on the line, you understand your risk appetite better and can assess how susceptible you are to behavioural biases and correct them, he says.

ST PHOTO: YEN MENG JIN

value of ThaiBev and its minority stakes in F&N, FCL and Sabeco, we arrived at our price of \$1.17.

Q What did you learn as a team leader? And what did your team learn?
 A I learnt the importance of trusting your team. If you trust your team, do not try to micro-manage

them. Instead, work towards creating an environment that encourages open and honest dialogue, where all team members can provide feedback on each other's work.

The short time-frame of this competition meant that no one could do this alone and only by trusting each other were we able to complete the pitch in time. For this competition, I was lucky to have worked with a team that was not only competent and effective but driven.

Our team learnt the importance of setting specific short-term goals that work towards the bigger picture. By setting clear tasks that were both measurable and time-bound, my team was able to stay motivated with the tangible feeling of progress by checking off tasks as we worked towards them.

Q Could you describe your personal investment strategy?
 A At present, I adopt a buy and hold strategy with a medium- to long-term investment horizon.

I adopt a top-down approach for my stock selection, starting by analysing the overall outlook of the industry through looking at trends to determine which other industries I believe it will outperform.

I then do a peer comparison of the companies in the sector by look-

ing at their financial statements and reading annual reports to narrow down to the stock I want.

Q What advice would you give to young investors?
 A With the global markets being very volatile now, it is important to keep up to date with global financial news and deeply understand how various macro factors and news events can affect the stock or market you are interested in.

For any investment, always consider the risk to reward carefully. Be as pessimistic as you can and consider the worst possible scenario. It's important to assess whether you are able to accept that risk. If you are unable to accept or understand the risk, then maybe that investment does not suit you.

Lastly, I believe that only through investing with your own money will you be able to develop the psychology of an investor. With actual money on the line, you understand your risk appetite better and can assess how susceptible you are to behavioural biases and correct them. As a result, you will keep up and try to understand the markets better.

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