



Civil servant Chan Choon Yuan says analysing a company's balance sheet is crucial to investing wisely. PHOTO: DON WONG FOR THE STRAITS TIMES

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# His only regret? Not learning to invest sooner

Civil servant started investing at 22, with \$50k from NS and temp jobs



Rachael Boon

Instead of spending excessive sums of money on material desires, civil servant Chan Choon Yuan prefers to spend most of his time on investing and personal finance.

The avid reader of this column is so dedicated to encouraging financial literacy that he started blogging at Investmoolah in August last year while in between jobs.

Mr Chan, 28, also took accounting modules while he was studying at the Singapore Management University so that he could better understand financial statements, even though he was then a political science student. His academic background has helped him tie in what he learns about the world and the economy, but a large

part of it was achieved through self-study.

"When you study more about finance, business and the economy, you learn that every sector is cyclical, except for utilities and transport," he said, noting that even banks are cyclical stocks as can be seen when they are hit by non-performing loans.

He also pored over online forums to learn how firms, including banks, work. "Over time, you become familiar with things and investing becomes common sense. But I'm not a seasoned investor yet because I haven't gone through a recession," he gamely admits.

Mr Chan, who started investing at 22 with \$50,000 he'd saved from National Service, as a tutor and temporary jobs, uses fundamental analysis to pick his stocks, after flirting briefly with trading.

"When I first started, I saw a lot of research reports on online brokering platforms, but they were mostly penny stocks. I'd listened to some of the research reports, which didn't turn out well and

FOCUS ON GROWTH

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CIVIL SERVANT CHAN CHOON YUAN,  
on his investing strategy

that's when I learnt that I prefer fundamental analysis."

It also allows him to sleep soundly at night as he is certain of the reasons behind his stock selections.

His only regret is not having started investing at an even younger age, giving himself more time to learn from his mistakes.

He cites the Rule of 72 - known as such in finance because at 10 per cent interest, money would double every 7.2 years. It helps you work out when your money will double at a given interest rate, assuming the interest is compounded.

"If I have a 4 per cent return, my money will double in 28 years. I'll have a longer timeframe to learn from my mistakes, make sure not to repeat them and enjoy my returns for a longer period."

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

**A** I've always been frugal and saved a lot of my pocket money. I save about 70 per cent to 80 per cent of my pay cheque, and spend on food and transport.

I also used to be in a recreational running group called SMU Run. I prefer recreational running as it doesn't cost a thing.

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

**A** My father was a bank executive and retired quite early - in his early 50s. I was curious about how he managed to do that, and learnt that he managed his money well. His returns were even better than from bank deposits or funds.

But he was investing during a period when Singapore was booming.

I learnt that in equity investing, over the long term, you'll be able to accumulate enough. The longer you invest, the less panicky you'll feel about managing your money.

**Q Describe your investing strategy.**

**A** Growth and value investing are my cornerstones. I analyse the balance sheet, project the operating cash flow of the business, and check liquidity conditions with re-

spect to when the firm's bonds mature.

For companies in troubled industries, I find out the liquidation worth of the company's assets.

Sometimes, I invest in companies without much analysis, but these are special situations.

Once I determine that a company has merits, I will use simple technical analysis to determine a good time to enter, such as a relative strength index below 30.

First, I look at macroeconomic factors, then choose the industry, and look at the alpha stocks or the better companies there.

On the balance sheet, I study the notes on the liabilities, how much interest the firm has to pay, when the bonds mature, and how the loans are structured.

For one of my earlier investments, I looked at the assets and realised they were quite conservative in their valuation. If the companies were to realise the assets, I knew it could reap gains.

After looking at the balance sheet, I compare the assets' values with the cash flow - and project whether the cash flow can meet the liabilities that are maturing.

Especially in times of crisis, I ask myself if the company I am investing in will be able to stay solvent three years from now, based on what I see on the balance sheet. When it comes to forecasting numbers, I use qualitative factors.

**Q What's in your portfolio?**

**A** About 45 per cent is in five stocks now, 15 per cent in P2P (peer-to-peer) investments, and the rest in cash and short-term cash equivalents. The total net worth is about \$250,000 which fluctuates because of the stocks.

My one-year returns are about a negative 25 per cent because of my holdings in Penguin and Ezion, which are affected by the current oil crisis.

But my five-year returns are about 21 per cent, or a 4 per cent compounded annual growth rate, boosted by lucky investments such as Valuetronics, Global Invacom, SuperBowl Holdings and KSH.

I also hold stocks in steel specialist TTI Holdings. I'd invested in it after graduation. It is a good company in terms of management, cash flow-generating ability and its balance sheet. For Penguin Holdings, an offshore support company, the balance sheet was strong.

I'm just trying out P2P investments. An Epicentre Holdings bond makes up one of the biggest portion of my P2P investments so far. It gives an annual return of about 7 per cent to 8 per cent. I've another seven months left and hope there will be no defaults. As a bond-holder, the balance sheet is the most important.

**Q What's the most extravagant thing you have done?**

**A** That will be an upcoming trip in three months' time to Iceland and Norway for about \$4,000. I am splurging on the trip as my friend says it will be our last chance to see the *aurora borealis* (Northern Lights) before the phenomenon starts a cyclical fade.

**Q How are you planning for retirement?**

**A** My target now is \$2 million. Since I'm actively investing, I have term insurance. I'm covered under a group term plan for \$150,000 and a personal accident group plan.

Term plans are much cheaper than whole-life plans and, returns-wise, I prefer investing on my own. If you invest on your own, or in an index - which requires less effort - you can earn more than from a whole-life plan, if you do it right.

The funds behind whole-life or endowment plans are also invested in stocks, bonds and properties, so I wonder if we can replicate that ourselves.

I'd substitute bonds with voluntary contributions to the CPF Special Account, and the equity component with the STI ETF.

**Q Home is now...**

**A** A Housing Board flat in Pasir Ris with my parents.

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