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SMU finance student Randolph Leow likes certainty, so he is not one to take on much risk, reports **TOH LI WEN**

ARTHUR LEE

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– Randolph Leow

RANDOLPH Leow's stock investment philosophy reflects his personality. Not one to take on much risk, the 24-year-old Singapore Management University (SMU) Lee Kong Chian School of Business fourth-year student describes himself as "liking certainty".

He believes that starting young, prudently saving and investing in stable blue chips which pay steady dividends is the means to financial freedom. "I usually pick out the market leaders of an industry to invest in, to give me a wider margin of safety," says the finance major.

Randolph, who hopes to work in fund management in future, is currently accumulating cash and "waiting for the next crisis", when stock prices will look more attractive.

Q: What got you interested in investing?
A: I first starting saving at age 10 because I wanted to buy a $5,000 mountain bike. When I finally accumulated that amount, I could not bear to part with the money, as my prudent saving habit had become ingrained. I thus continued saving through my secondary school and junior college days. After army, I had a sizeable savings account and decided to grow that pool of money, since I had just turned 21 and could open a stock trading account. I started buying mutual funds but switched to the stock market after realising the high fees involved.

Given my moderate risk appetite, I choose to focus on passive income investing, acquiring attractively priced stocks during market downturns which pay steady dividends.

Q: Where do you get funding to finance your portfolio?
A: I self-fund through my prudent saving habit. I also worked three part-time jobs while studying full-time to build up my investment capital. Dividends are an additional recurring capital source, as I re-invest them.

Q: What do you currently invest in?
A: I have in my portfolio an STI ETF, SingPost shares and Ascendas Reit, all weighted equally. I also have an Asean mutual fund and a commodities fund, which invests in a range of commodities. I use the STI ETF mainly for diversification, as I want exposure to the stock market yet cannot possibly do that on my own. I choose to focus only on the stocks of a few companies I know, such as SingPost. The commodities fund is a hedge for my portfolio, since they bear a low correlation to stocks.

Q: What is your criteria for selecting stocks?
A: The first requirement is that they pay dividends and are stable, blue-chip companies. I try to diversify across industries. Within an industry, I invest in the market leaders. SingPost is a clear example of such a stock as it is a monopoly and would always be in business. However, I do sometimes deviate from this selection criteria when a good opportunity arises.

For example, I bought the Ascendas Reit after the government announced a new policy on real estate late last year, which required stamp duty to be paid on the third property owned. Although this rule only covered private property, the prices of industrial Reits tanked as well, among them Ascendas, which became attractively priced.

Q: What is your best investment so far?
A: I bought shares in Ezion, a small-cap oil and gas offshore support company in October last year. In my view, it was too good an opportunity to miss, despite the fact that it did not meet my selection criteria of being a stable, dividend-paying blue chip. The stock fell from $0.70 to $0.39 as a result of poor market sentiment surrounding a possible Greek exit from the euro. I saw an opportunity as I felt that there was no fundamental reason for the company's stock to fall by that much.

Just a month before, in September 2011, the company had secured a $55 million contract in Australia. Given its attractive valuation and strong fundamentals, I bought the stock at $0.43. I sold it in April this year for $0.99.

Q: Can you name some instances where your investments have not been as successful?
A: Most recently, my commodities fund dived 50 per cent during the crisis. However, I added positions to it and currently, it has broken even. When I was 18, I opened a mini forex account in the US, as that was the minimum age for opening an account there.

I tried spot trading foreign currencies but closed my account after I realised that I was not confident of what I was doing. I lost about $500 from that, which amounted to 50 per cent of my initial capital.

Q: What are you planning to do next in terms of investing?
A: I am currently accumulating cash as I feel that stocks are still too expensive and overvalued. When the next major bear market strikes, I will buy high-dividend stocks and Reits such as ST Engineering, Vicom, SingTel, CapitalMall Trust and one of the three local banks. Also, I will be cashing out my commodities fund and other mutual funds when the price is right.

Q: What investing advice would you give to your friends?
A: My advice is to start young, save up and buy only a few stocks that you understand. I learnt to analyse financial statements from my university course and from internships within the financial industry, but those without this knowledge can read books about it.

Also, those who are new to investing can start by buying exchange-traded funds (ETFs) or other index funds which replicate the performance of a certain stock market. ETFs provide exposure to a diversified range of stocks, and also involve lower fees than actively managed funds.

Q: What are your long-term financial goals?
A: I hope to eventually attain financial freedom. When that happens, I would most probably continue working in a job that I enjoy. I would also give back to society, repay my debt of gratitude to my family and make my future wife the happiest woman on the planet.

Q: How do you foresee your investment portfolio changing as you grow older?
A: I mainly focus on stocks for now, as I feel that they provide attractive returns, both in terms of capital gains and dividends, which serve as passive income. I already bought a HDB BTO flat with my girlfriend, and would probably not buy a private property until I am 40 and more financially stable, as I do not wish to over-leverage. When the time is right, the cash flows generated by my stock investments would allow me to invest in private property. That said, it really depends on my family situation.

If you're between the ages of 17 and 30 with an interesting investing or entrepreneurship story to tell, do email us at btyif@sph.com.sg