

Me&MyMoney

Student does his homework to invest

He began investing in stocks last year and with discipline, has built up a four-digit portfolio with 6 to 8 per cent return a year

Rachael Boon

Accountancy student Loh Yuan Bin lives and breathes the world of finance, and peppers his speech with quotes from legendary investor Warren Buffett.

Even his choice of study at the Singapore Management University's School of Accountancy was somewhat influenced by the guru.

"Warren Buffett says if you want to invest well, you should take accountancy, because it's the language of every business.

"You learn more than financial ratios in accountancy, you understand how a firm derives its revenue and the components of its cost - is it fixed or variable?"

Mr Loh, 23, says these are all important to note when analysing a company because some may play around with accounting rules and over-state their assets, for instance.

The accountancy advocate says that is his advice for young investors seeking a university course. "If you're not entrepreneurial, why not consider investing?" adds the value investor.

Mr Loh, who is research director at SMU's EYE investment club, focuses on fundamental analysis and discovered the basics of accounting through books, which got him hooked. He says: "My father gave me books to read, like Robert Kiyosaki's Rich Dad, Poor Dad. That's where I learnt about the basics of accounting, and of assets and liabilities."

He also decided to study banking and finance at Singapore Polytechnic, instead of going on the junior college path, as that was where his interests lay. His enthusiasm influenced younger brother Yuan Long, 22, to take up accountancy at Nanyang Technological University (NTU), and develop a shared love for investing.

Their sister Hui Ming, Yuan Long's twin, studies new media at National University of Singapore, and the brothers are trying to get her started on stocks.

Despite an early introduction to investing as a teenager, Mr Loh started investing only in January last year. He waited this long as he wanted to be well-prepared before taking the plunge into the stock market. "I wanted to build my confidence before investing, so I found my system through reading books and virtual stock investing.

"I started only last year and it turned out well. I wanted to build my discipline of investing, and not invest based on feeling."

He enjoys investing because "when you buy a share, you're buying a company".

"You're not buying just because the share price will go up, you're owning part of the company which means you are confident the company will continue to achieve results in the next five to 10 years," explains Mr Loh, who has an investment horizon of about four to five years.

"Being a value investor, I must really understand what the business does. Try to understand the business as much as you can, there will be some aspects you don't understand, but through financial statements analysis, you can infer important things about the company."

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

A My family is middle-class but we live a frugal lifestyle. We went on only one overseas family trip, to Australia, when I was in Primary 6. Other than that, we've made road trips only to nearby countries.

If my twin siblings and I want to go on a holiday, we've to work for it and go on our own.

Even if we offer to pay for our parents, as we earn money from our part-time jobs, they say it's okay, and tell us to go on our own as it is expensive for my entire family to go



Mr Loh Yuan Bin's advice to young investors seeking a university course is to go into accountancy as it is the language of any business. When picking stocks, he believes in understanding the business as much as possible.
ST PHOTO: MATTHIAS HO FOR THE STRAITS TIMES

on an overseas trip. My parents emphasise a lot on delayed gratification, where they stress the importance of spending only within one's means and not extravagantly.

Q How did you get interested in investing?

A My father, who works in a bank, invested in stocks and Singapore equities, and back in 2007 and 2008, also invested in United States equities.

When the financial crisis came, he lost a portion of his capital. That got me wondering why my father lost so much money, what he did, and I started to read up to find out.

I asked how I could earn from the equities market without losing money, and that sparked my interest in investing.

Q Describe your investing strategy.

A First, I do stocks screening. I've a few metrics such as the price-earnings (PE) ratio, price-to-book ratio, returns on invested capital (ROIC) and other valuation metrics such as dividend yields.

I'll look at stocks with a PE ratio below 15, for instance, and then rank them based on their PE ratio.

Then I'll look for companies with high ROIC despite low PE ratio, which allows me to find companies like Keong Hong Holdings.

This is how I try to discover new stocks. Other companies include Riverstone Holdings and Vicom.

After the screening, I study the company. For Keong Hong, a construction firm, I ask what are the dynamics of the construction industry like and find that it's competitive, and I try to understand the industry. After that I compare the company to its peers, and try to find out why the company is doing well.

For Keong Hong, it has low debt ratios compared with its peers, which means it's financially very stable. Then I look at its clients, and it has major names such as Keppel Land and Hong Kong Land.

Then I ask, should I buy? I acknowledge the fact that the firm

is in a competitive industry and it may not be lucrative, but this company stands out all the way.

Why not invest in a firm that has a stable capital structure?

So I decided to invest in Keong Hong, which was my first investment.

Q What's in your portfolio?

A Mapletree Commercial Trust. I bought it because it had good dividend yields, and a stable record of distribution per unit.

I've the Straits Times Index exchange-traded fund as a side investment. I set aside \$100 each month for it, so I use it as a tool to pay myself first.

I'm heavily invested in equities, with a bottom-up approach.

My four-digit portfolio has a return of 6 to 8 per cent a year, which is not bad for me.

Some people outperform me, but I'm quite thankful I haven't lost much money.

Q What does money mean to you?

A It's something that should be preserved, not simply spent.

When you get older, you don't know when you'll need your savings or investments for contingencies. I see many relatives who get heart attacks and then become disabled as a result of that. I don't really see a need for a luxurious car.

I also try to donate whenever I can, such as \$100 to the Tohoku earthquake and tsunami in 2011, and causes to help those affected by war, such as the 2014 Gaza-Israel conflict.

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

A In May, I spent about \$2,000 on a nine-day trip to Korea with my friends who graduated from NTU. It was one of our few opportunities to meet, as we may not get so many chances to do so in future after they start working.

Q What is one of your biggest regrets when it comes to investing?

A Having no conviction in my analysis. I screened this company

called Ezion Holdings. Its share price went down a lot because of the oil slump and has a PE ratio of five now.

I thought an oil slump equals opportunity and looked at the company. It is highly leveraged compared with its other peers.

Its free cashflow is negative, so it means this company pays its dividends through constant refinancing. This type of company did not fit my investment profile as there is a lot of uncertainty.

My analysis rang an alarm bell, but I didn't follow it through and just bought it because of news that the oil slump was temporary.

I bought it at \$1 and it went down 10 per cent to 90 cents. I read through my analysis - this company has no new contract, a questionable debt ratio. So I decided to cut my loss early, and it was the right decision as it slumped to its 52-week low.

Q What are your immediate investment plans?

A To grow my portfolio. I'm trying to save a considerable amount to grow it to five digits and invest in the US market, as there is more liquidity there and also more variety of stocks.

I also plan to write articles about my investment ideas. I'm now in partnership with one of my poly friends, who runs a blog.

I'm hoping to use my experience in EYE and investing to write meaningful articles for retail investors with no knowledge.

Q How are you planning for retirement?

A I've been thinking about it, and I consulted my financial planner, who is my friend, who said I would need more than \$1 million if I want to retire at 55, assuming I've no children. I'm now making incremental steps to improve my investments.

Q Home is now...

A An HUD Cunit in Jurong.

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Best and worst bets

Q What has been your biggest investing mistake?

A Ezion, where I lost \$300. It's quite a lot because when I invest, I try not to lose that much. My margin of safety is about 15 to 20 per cent, depending on the dynamics of the company.

I got this figure from looking at analysts' reports, depending on their buy or call prices.

The margin of safety depends on the individual or even the stock.

This was a lesson to me, that you have to trust your own analysis and not let the opinions of others affect what you truly believe in.

At least if you know what went wrong, you know that it was your own mistake.

Q And what has been your best investment move?

A Keong Hong, which I bought last January. I'm thankful that I got into the company early, and it has given me a six per cent gain.

It was the first time I did a thorough analysis which was right, so I became more confident of my own analysis.

I won't be selling it so soon unless there's a fundamental change.

People say to me that a construction company won't be able to make it, but I had to be confident of my analysis.

Opportunity comes when people are pessimistic about certain stocks.

Rachael Boon