

Invest in what you understand well

One of this young value investor's favourite quotes from successful investor Peter Lynch is: "Never invest in any idea you can't illustrate with a crayon."

Mr Amos Soo, a year-two student at Singapore Management University's (SMU) Lee Kong Chian School of Business, adds: "If you can explain it to a kid, that means you know the company well."

He explains firms and concepts to younger students, as a member of the Citi-SMU Financial Literacy Club, an after-school activity that aims to educate the young.

Mr Soo, 22, believes in starting young when it comes to financial planning, especially since he is armed with the Associate Financial Planner certification – which he took during his time at Singapore Polytechnic (SP).

"I realised financial planning is so important and the most common problem people face is retirement. At least through this club, I'm able to teach young students to start early. Because I started early, I'm now seeing results from my investments."

Mr Soo, who has been investing since 2012, describes the recent performance of his portfolio.

He says that the average annual compounded rate of 7 per cent return was affected by the recent market downturn. It dropped from about 11 per cent at its peak, to about 4 per cent. However, since then there have been gains which mitigated some of the losses and increased it to 7 per cent.

"It's performing well above the Straits Times Index average. I judge my performance based on that. I used these few years to see if I can beat the market.

"If you can't, then just buy the STI exchange-traded fund, but I really like analysing individual firms and actively managing my portfolio."

Q *What's in your portfolio?*

A A substantial amount of my portfolio is in Reits, but SGX (Singapore Exchange) has relaxed the rules from 1,000 shares to 100 as a board lot, which opened up a lot

of expensive stocks to normal investors.

As a student, I lack substantial funds so I use the weekly allowance I save and quarterly dividends. It's enough for me to buy a few hundred lots in bigger firms.

I've quite a few stocks in small caps, but the growth and potential is there. Any stock can be risky, and this is the price you pay in relation to earnings. It's a learning opportunity for me.

Q *What's your investing strategy?*

A I follow value investing because it makes sense based on the companies' fundamentals, and hold investments for the long term.

I buy through a margin of safety. Whatever the valuation you derive, you apply a 10 or 20 per cent discount on the price before you buy the stock. When it hits my target, I don't immediately throw in a lump sum, I average it (the buying of shares) out.

Q *What's your best investment?*

A For all the stocks, I sold only one – women's healthcare firm Singapore O&G. I got 2,000 shares from the initial public offering, at 25 cents per stock.

The stock tripled in price and I found it overly expensive and overvalued so I sold it at around its peak. I sold it at 75 cents, it was about 60 cents a few weeks ago. It rebounded to 72 cents on Friday, backed by news of acquisition plans.

Q *What's your worst move?*

A It wasn't in monetary terms, but the way I thought. When I was in SP, there were talks about the euro zone breaking up.

A group of friends and I went down to Raffles Place to buy euro. We wanted to start investing but were too young to open an account... We thought the euro was too big to fail and would rebound. The worst mistake was having the wrong mentality. The euro zone is still intact but the euro has dropped in value.

Rachael Boon