



Mr Tan started direct car owner marketplace Carro.sg last year with a paid-up capital of \$1 million, which has now grown to \$7 million. He envisages Carro to be a leader in regional car trade and invests heavily in several next-generation logistics and fintech firms around the region – which he says are essential ingredients for car trade to happen.
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Me&MyMoney

Nothing ventured, nothing gained

Venture capitalist Aaron Tan, 31, says he made his first 'bucket of gold' when he was in his teens



Rachael Boon

Nestled in a public library somewhere, a book about building search engines held the key to Mr Aaron Tan's future even if he didn't know it yet.

Intrigued by news about Yahoo founder Jerry Yang playing on loop 24/7 on television and splashed across newspapers at the height of the company's success, a young Mr Tan simply headed to the library.

The entrepreneur and venture capitalist, now aged 31, says: "That was how I started tinkering. I literally went to a library, picked up a book and tried to understand how to build a search engine.

"I started building websites professionally in 1997, when I was 13. By the time the dotcom boom came in the late 1990s, there were a lot of people looking into websites.

"That was how I made my first tens of thousands of dollars, and how I learnt all this programming. It was a lot easier back then, just for a day's work you could charge at least \$5,000 for a single page."

He realised the value of the skills he had early on and became so good that he won a string of accolades, including the World Bronze Medallist at World Skills International, which recognises young people with exceptional technical skills, and the National IT Youth Award in 2005.

The Ngee Ann Polytechnic graduate went on to become an Infocomm Development Authority scholarship holder. He was among the pioneer batch of the Singapore Management University (SMU) and Carnegie Mellon University fast-track programme, where he met the co-founders of his latest venture, direct car owner marketplace Carro.sg.

The start-up began last year with a paid-up capital of \$1 million, which has now grown to \$7 million. The firm recently raised US\$5.3 million (\$7.2 million) in Series A funds.

Carro came after five years of serving his bond at Singtel's venture capital fund, where he oversaw investments in South-east Asia, and one of his projects was to grow Blk71 at

Ayer Rajah, Singapore's largest start-up cluster. He also started an overseas version called Block71 in San Francisco.

Mr Tan, who has spent time in Silicon Valley, developed a deep knowledge of start-ups and the process they go through to raise funds along the way. This experience has given him the confidence to invest in Carro and other firms.

Ditching the crowded property scene which he was keen on, he looked into the auto space, and found the macro-environment right for Carro. Mr Tan rattles off a list of similar firms in the United States and China doing well. These include Beepi, a California-based used-car marketplace, and Guazi which raised US\$200 million this year. "When Carro was started, these companies had yet to start fund-raising. As a venture capitalist, I know when companies need to raise funds, based on various indicators. This allows us to time the market better for fund-raising and other things."

Venture capital investing is not for everyone, he notes. "The question is how do you get access to these deals? It's all about the relationships, and it helps if you're known in the scene. Venture funds ask me along to help the firm with fund-raising or if the technology is weak.

"But my strongest emphasis when it comes to venture investing is always on teams. The companies I choose have phenomenal founders. The founding team's always the most important thing."

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

A I'm from a middle-class family, we used to live in Upper Bukit Timah. I have had a very real sense of money since I was really young, and understood my expenses and income well.

In secondary school, I was already able to buy most of the things I wanted. A lot of the companies I'd started early on provided recurring income.

Q How did you get interested in businesses and investing?

A I've always known I wanted to start a company and I was fascinated by the biggest companies then, such as Yahoo and AltaVista, and how they made money.

My first company was under my grandma's name because I was too young. Along the years I've learnt how to run a proper business, how to build real systems, develop them properly and how to package things for sale. And that was how I made my first "bucket of gold" in my teens for investments later. I also like the idea of building passive income.

Worst and best bets

Q What has been your biggest investing mistake?

A Netflix. I was in Singtel, and I thought this over-the-top video company was doing well and bought the shares. Overnight, the price tapered after it missed earnings estimates.

I bought the shares around 2011, before a stock split, at about US\$30. The price dropped to about US\$10 and stayed there for over a year. For some reason, I decided to sell after waiting more than a year, and lost a good US\$30,000 (\$40,000) to US\$40,000. Normally, I'm a lot more patient.

The share price is about US\$98 now, but I haven't touched the counter since. It's a great stock, and giving many others a run for their money.

Q And what has been your best investment move?

A With certain private investments in private companies, I got returns of 400-500 per cent in less than 10 months.

One financial technology firm based in South-east Asia gave returns of 300-400 per cent within a year. When you invest in a company, the pre-money valuation at the seed round tends to be US\$3

million to US\$4 million. When the firm's post-money valuation at the next round is about US\$25 million, the investment has grown five times. Then the question is, can you cash out at that stage? But on paper, the value of the firms I've invested in has been going up quite a bit.

I have yet to cash out on all of them – for most firms, you can only do so sometime later. Venture investing is not for everyone, especially retail investors, because the outcome is fairly binary – either you lose all the money or you're lucky. It's super-risky.

I've also made some money from Facebook and Google, trading the shares during pre- and post-earnings seasons.

For instance, just up to last year, I was trading Google over a two-month span. I started buying the stock at US\$530 – and kept buying because I thought, at more than US\$530, it was a steal and my downside was capped. Within a week, it leapt by over US\$150 to almost US\$700 after strong earnings (ending six consecutive quarters of missing analysts' targets). I made over 20 per cent on my investments in a day.

Rachael Boon

In hindsight, it was a very good choice to take the scholarship, even though I was sceptical, because I thought I might end up being a paper-pusher. But I ended up in a venture fund in 2010, in the founding team, which got me started on venture investing.

Q What's in your portfolio?

A I've a fairly diversified portfolio approach. My primary three instruments are private companies, equities and debt. Most of my stock positions are in the US. I also have a little foreign exchange exposure as most of my money is in US dollars. I'm long on the US dollar. It's a portfolio value of more than \$1 million.

Q Describe your investing strategy.

A More value investing and venture investing. I tend to go for tech shares or technology-based firms because it's a sector I understand the best and where I'm in the flow. For instance, I don't just use Google as a user but as a customer as well in terms of placing advertisements.

I've the blue chips, such as Tencent, Alibaba, Facebook and Goog-

le. I focus on only a few stocks, and only add or sell. I don't do margin calls. I have read a lot of the pre-earnings, but it required too much time so I've stopped trading. When I invest, I need to be able to sleep and have peace of mind at night.

I also do some equity-based crowdfunding debt. I invest in firms through some P2P (peer-to-peer) lending firms like New Union and Funding Societies. I like the returns and some of the loans are relatively risk-free, and are very short-term.

For private firms, a lot of the investments have to do with what I've grown to realise will work in the US or China as well.

As a venture capitalist, I've seen a lot of firms, how things work, and I have stayed in the US for the last five years, and in countries that are ahead of us in the start-up scene. I tend to have a good idea of what is happening macro-wise and what is trending, making it easy for me to spot trends and invest ahead.

One such investment would be in Shopback. The concept of cashback is super common in the US, with eBates being the market lead-

er there, valued at more than US\$1 billion.

However, cashback was largely nascent just two years ago. Having met the team and believing in the growth of mobile and e-commerce around the region, I invested in the company.

I also invest around what I think my company Carro will need. We envisage Carro to be a leader in regional car trade. As a result, I invest heavily in several next-generation logistics and fintech firms around the region – these are essential ingredients for car trade to happen.

I firmly believe that these traditional industries are ripe for disruption and owning a small stake in some of these start-ups will help me further my interest in Carro, help these companies grow, and make some money in the meantime as the company grows.

While venture investments are high-growth instruments, they are also very complex in nature and, at the same time, the outcomes are very binary and illiquid. I don't recommend retail investors invest into such instruments. There's a real chance you'll lose everything.

I mostly invest in the seed and series A stage, as the next stage would be too expensive. The average cheque size is about \$50,000 to \$200,000.

The most important criterion is hungry founders with the willingness to succeed and to tackle problems.

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

A I bought a Maserati a few months ago. It's the most extravagant thing I've done in a long while.

Q What are your immediate investment plans?

A I'm looking into oil and gas stocks in Singapore, which are trading at 1.4 or 1.2 times of their asset value which means they are undervalued, and their fundamentals are strong. This could be interesting a few years down the road, depending on when oil prices rebound.

I'll also continue to invest in start-ups. I think there will be more unicorns (start-ups valued at US\$1 billion or more) in the region. It's a good time to invest, especially when more external capital is coming in. I've more personal satisfaction helping companies grow.

Q Home is now...

A The Peak in Toa Payoh with my wife – who is a general manager of a health and wellness company which we bought in 2010.

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