

Want to make your money grow but don't know how?
CHAI HUNG YIN
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WINNERS:
(From left) Mr Darren Cheng, Mr Toh Yi An, Mr Ian Chua and Mr Ernest Ong are all 23-year-old second year undergraduates at the Singapore Management University.

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Their 12-hour research days pay off

SMU team win competition with their stock market strategy

About NUS-SGX Stock Pitch Competition

The annual nationwide stock pitching competition is organised by the National University of Singapore (NUS) Investment Society.

This year's competition was the third, and the first to be co-sponsored by the Singapore Exchange (SGX).

The competition is designed to give tertiary students a peek into the equities research industry.

A record number of 81 teams from NUS, Nanyang Technological University, Singapore Institute of Management, Singapore Management University and Temasek Polytechnic signed up for the competition.

Participants had to prepare and submit — in just five days — an investment report setting out a buy, sell or hold recommendation on a single stock over a one-year investment time horizon.

The intensity of the competition is aimed at simulating the fast-paced and demanding work environment of investment analysts and asset managers.

They slogged well into the night, poring over financial reports.

It was their task to recommend a buy, sell or hold strategy on a stock.

These market watchers were students taking part in the NUS-SGX Stock Pitch Competition. There were 81 teams from tertiary institutions who took part in it.

A team of four from the Singapore Management University (SMU) won the finals on March 14, bagging \$1,500.

Mr Ernest Ong, 23, who is majoring in finance and accounting, and his team worked 12 hours a day researching to make the recommendation.

He describes how they narrowed it down:

"Given a list of 80 plus stocks to screen, we ran all of them through (financial database) Bloomberg and we filtered them by industry first.

"So we filtered out the industries undergoing a downtrend and looked for industries that have some upside potential.

"We decided to look into the property industry, so we did some analysis with all the companies in the sector — which we were allowed to pitch. And we did an analysis between ROE (return on equity) and P/B (price-to-book) ratio."

The team recommended a buy call

on SGX-listed Global Logistic Properties (GLP), a leading provider of modern logistics facilities in China, Japan, Brazil and the US.

"GLP was one of the best in terms of the combination of ROE and P/B," says Mr Ong.

His team believed the markets had over-reacted to the Chinese market turmoil and that GLP was mispriced at \$1.87. The stock closed at \$1.895 on Friday.

Another SMU team came in second in the competition, and one from the National University of Singapore took third place.

IMPRESSED

The judges, who included industry professionals, were impressed by the finalists.

One judge, Ms Lynn Gaspar, head of retail investors and intermediaries for SGX, says: "Generally, I was very impressed by the quality of the write-ups — the amount of detail that all eight final teams went into.

"For me, what distinguished the winners — first, second and third — from everybody else in the final eight was definitely the way they focused on two or three things to the buy or sell call, and how well they substantiated it in both the written analyst report, as well how they presented in the presentation."

Analysing past performance is easy enough, she says.

"The tricky thing when you analyse companies is your future projections. That's really what drives your company valuations. So those assumptions have to be very well-supported to convince an investor how good your call is," adds Ms Gaspar.

Is there any difference in how a recommendation is made in the real world?

Yes, says another judge, Ms June Zhu, executive director of global investment research, Asia Pacific, for Goldman Sachs (Singapore).

Presentations are a lot shorter than the 10 minutes each team was given in the competition.

She says: "You only remember what's your main thesis and you need to know it so well that you're able to tackle the questions as it come.

"It's very interactive when we're in the real investment world.

"Different clients may look for different things as well, and they may ask different questions and come from different angles."

So did Mr Ong and his team take up their own recommendation?

"All four of us are currently invested in the stock market and two of us initially had bought GLP earlier on.

"That's why we decided on the stock," he says.