

STARTING YOUNG

In the pursuit of cash flow

For Terence Chua, investing is his next step in a lifelong money-making journey, reports **GRACE NG**

UNDERGRADUATE Terence Chua, 24, has been trying to make money since he was a young boy. "I love money," the Singapore Management University (SMU) business student says unabashedly. "There's a lot of freedom you can get with money."

The conviction with which Mr Chua talks about what drives him is deeply rooted. He grew up in a single-parent family, where his mother worked as a secretary and money was hard to come by. "My mother was the only one who was supporting me," he recalls. "I deviated from school as well, because I had no interest."

Hence, money making became his biggest pursuit even as a child.

Mr Chua saved a lot but felt it was a bad way to make money. He then started to gamble on football games in secondary school. It was profitable at times, but extremely risky – he could lose \$4,000 in just one night.

It was during his studies in Millenia Institute that Mr Chua discovered investing. While studying 'A'-Level economics, he was spurred to read widely about finance by two major events occurring in 2008: the peak in oil prices and the US sub-prime crisis.

Through his readings, he got interested in stocks and how to get a better return on his money.

Mr Chua read about financial assets through national service and made his first investment in a mutual fund in 2010, moving later to Reits (real estate investment trusts).

Without any culture of investing among his family or friends, Mr Chua's first strides into the investing world were lonely ones, fraught with error.

Even so, he looks back on them fondly: "The best mistakes are made when you lose money. You feel the pain when you lose money. Each loss that I made, there's definitely something I learnt from."

Now a member of the SMU E.y.E. Investment Club, Mr Chua uses an investment strategy that he sees as markedly different from his peers.

He believes earnings are overhyped, for one thing, preferring to select companies based on free cashflow.

One can see the gambler that's still in him: he takes a leverage position of 10 times his capital when he trades, though he allays risk with a strict stop-loss policy.

Above all, he makes sure the money gained from his investments becomes available quick-

ly. He refuses to buy stocks that do not pay dividends. "I like my money coming back to me, and I can take this money and do what I want with it, which is to make it grow even faster," Mr Chua says.

He doesn't see his investing journey ending any time soon.

"Money is the only thing I believe in," he muses. "Anyone can leave you – your friend, your spouse, anybody. But money is the only thing that will be there for you."

Asked if he thought his views were starkly different from his peers, he said: "I'm not sure how different it is. I think most people love money too, right?"

Q: What was your first investment?

It was in the UOB Unifund in 2010, a mutual fund that invests mostly in the Singapore, Malaysia, and Hong Kong markets.

I really wanted to get started on investing after reading so much. I chose that fund because of its strong Singaporean and Asian bias, and the initial investment of \$500 being lower than what most funds require, which is \$1,000.

It also allowed me to diversify early on into a wide range of blue-chip companies like DBS, Singtel and Malayan Banking Bhd. I eventually sold it off and generated a 16 per cent return on my investment.

Q: What is your portfolio like (at end-April)?

At the start of 2011, I began to split my portfolio into two. I have an investment portfolio (70 per cent), which I review quarterly, and a trading portfolio (30 per cent), the one I heavily leverage on. I rely on both technical and fundamental analysis for the trading portfolio.

For the investment portfolio, I have a five-digit sum invested. I'm 100 per cent invested in equities now, with not more than 20 per cent in one asset class, usually 15 to 18 per cent.

I currently hold Mapletree Industrial Trust, HPH Trust, Singtel and Telstra Corporation. For mutual funds, I hold Schroder Asian Income and a fund from Eastspring Investments.

For my trading portfolio, I currently have a 10 times leverage of my capital granted to me by UOB Kay Hian mainly for contra trading. The transaction needs to be closed within four trading days, and that works fine for me because of my huge leverage position. I also have a five-times leverage on my CFD (contract for difference) account from Lim & Tan Securities; I use that mainly for shorting shares in the market.



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PHOTO: ARTHUR LEE

Q: What is your investment strategy?

I invest based on where the GDP is growing. To me, that is where the money should be growing.

Diversifying your portfolio gives you a good balance and it minimises your risk. When I build my portfolio, no matter how good the investment is, I will put nothing more than 20 per cent of my capital in a stock. The only free lunch is diversification.

Also, I never invest in stocks that don't give me a dividend. Any stock that doesn't is pure speculation. You can do your research on it, but it is still speculation.

I select companies by looking at their free cashflow, not their earnings. I don't believe in earnings; they are too sophisticated for me, and these numbers can be manipulated. Free cashflow is the cash that a business has, and you can't lie about these things.

Finally, you must always have a stop loss on your trade and the accepted definition is that it should never be more than 2 per cent of your committed capital. If there's a 2 per cent loss, no matter how good that stock is, just cut it.

Q: What has your biggest success been?

My single most successful investment today is in the fund Schroder Asian Income. I bought it last year and to date, it has generated a 25 per cent total return including dividends. For me, the strong draw of this fund is the monthly dividend that it gives.

And it generates a total dividend yield of 6 per cent per annum.

For trades, the most successful one would be Chinese property developer Ying Li Interna-

tional. I took a three times leverage on my capital and within two days sold it off for a nine per cent return on capital.

Q: And your biggest failure?

In the early part of 2012, I made the mistake of leveraging without placing a stop loss on one of my trades.

I took a long position in TT International. The stock had started to trend upward after news of Myanmar opening up to the international community. The institutional investors, however, released massive stocks of TT International in the market, resulting in a massive drawdown of around 20 per cent.

I liquidated my position and took a massive loss on my capital because of my leveraged position; I think there was a 20 to 30 per cent loss, plus the leverage. This experience taught me the importance of being disciplined, keeping to a consistent strategy and money management techniques.

Q: How do you spend your money?

I spend a lot on holidays; I think that's one of my weaknesses. You have to reward yourself, right? I like to travel and see how things are outside of Singapore. I go to countries nearby, like Indonesia, Thailand, Taiwan and China.

Q: What plans do you have for your future?

I plan to join a commodities firm in the future to do trade financing. I think that there's too much uncertainty if you go into being a trader. I would prefer to provide the financing to trading firms and get money out of it.