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Riding out market volatility by investing for long haul

Bank exec doubled down amid financial crisis and spread his risk via funds, ETFs

Prisca Ang

OCBC Bank's head of wealth advisory Kelvin Goh says index and exchange-traded funds may not be the sexiest of investments amid the outsize returns of some crypto assets and meme stocks, but they work for him. ST PHOTO: SYAMIL SAPARI

Controlling risks and staying invested for the long haul have allowed bank executive Kelvin Goh, 41, to reap returns even in bleak situations.

Recalling the global financial crisis, which lasted from 2007 to 2009, Mr Goh says: "Every day, I'd see the stock indexes dropping 500 and even 1,000 points.

"No one had any idea of where things were going."

He was just starting out in his career and this was the first financial crisis he had encountered, but his response was to increase his regular investments in index funds – including one that tracked the S&P 500 – from $500 to $1,000 a month.

Spreading his money across a range of counters meant he would not lose "absolutely everything", even in a worst-case scenario.

"I stuck to my guns. And it worked out for me as the US economy eventually recovered and the S&P 500 rebounded.

"I have made around 10 per cent on an annualised basis over 10 years," says Mr Goh, head of wealth advisory at OCBC Bank.

He is married to a 40-year-old administrative executive with two daughters aged six and nine, and has been in the banking industry since 2004.

Mr Goh has a master's degree in wealth management from Singapore Management University.

Q *What's in your personal portfolio?*
A Around 80 per cent of my assets are in equities, and the remaining 20 per cent are in fixed income or income-related instruments.

The equities are invested through a variety of instruments, like shares, exchange-traded funds (ETFs) and other funds.

I began investing in index funds in 2006. I bought a US tracker fund that was based on the S&P 500.

It was a relatively simple fund but I figured that investing in the US economy on a regular basis was a good way to get started.

In terms of overall allocation, my major exposure continues to be in the US and China as I believe these two major economies will continue to be key drivers of growth.

I've also used the OCBC RoboInvest platform to invest in thematic ETFs, such as technology and China-focused portfolios.

ETFs allow me to invest in specific themes that reflect my views on the economy.

I also dabble in crypto coins as I believe the underlying technology has very interesting use cases. However, these make up a very marginal portion of my portfolio.

Q *What are your immediate investment plans?*
A I plan to keep investing in traditional assets, especially in the light of recent volatility in the markets.

I am watching the crypto space, which I find quite intriguing.

Q *How did you get interested in investing?*
A It was a natural progression of being in banking.

I initially tried my hand at FX (foreign exchange) trading, but I realised that waking up in the middle of the night to monitor my positions was not ideal.

Funds and ETFs may not be the sexiest of investments, especially now that some crypto assets and meme stocks can surge greatly within a day, but they work for me.

And, of course, my colleagues' advice and mentorship have boosted my knowledge about various products and asset classes.

Q *What else is in your financial plan?*
A I have been looking into legacy matters lately. I recently used the OCBC Online Will Generator to generate my will.

I have also made my Central Provident Fund (CPF) nominations.

My plan is to build a portfolio of high-quality equity counters for my daughters.

I had initially put money into savings accounts after they were born.

It then struck me that they have a good 10- to 20-year horizon before they come of age, and having a portfolio of quality counters and ETFs would augment their savings well.

I began putting about 70 per cent of what I set aside for them into blue chips instead. The rest still goes into their savings accounts.

I also make periodic contributions to their CPF accounts to help them have a head start in education and property.

And I encourage them to save.

If they hit certain targets, I reward them by putting a little extra into their piggy banks.

Q *Describe your investing strategy.*
A Lazy! I prefer to automate my investments as I do not like getting caught up in timing my entry points.

Upon receipt of a sum of money – like my pay cheque – a certain amount immediately goes into various investment programmes.

This is also a natural progression from my early days of investing, when I would put aside money as part of regular savings.

I try and optimise everything as much as possible, too. For example, I contribute to my Supplementary Retirement Scheme account and in turn use that as a funding account for my investments.

Time is one's greatest ally for investing and I prefer to stay invested in the market for the long haul.

Q *How are you planning for retirement?*
A I believe the traditional idea of retirement – exiting the workforce at a certain age – is no longer valid. I hope to contribute to society for as long as possible via education and financial literacy classes.

I expect I would have paid off my property by the time I'm not working as fully as I am today.

When I'm no longer drawing a constant income, I estimate I will need about $3,500 a month for daily expenses, which works out to about $1.5 million by the time I'm 60.

I think my wife and I are on track to reach our goals. We believe one of the best gifts you can give your kids is for them not to have to shoulder the burden of their parents' retirement needs.

And with the foundation I've put in place for my kids, they will likely be financially well set up and able to pursue their own dreams.

Q *Moneywise, what were your growing-up years like?*
A My father is a businessman and my mother was an administrator in an insurance company. My sister is also in the finance industry.

We were not rich but my childhood was comfortable.

My parents taught us self-reliance. I spent school holidays working part-time jobs.

For example, my friends and I would do odd jobs at my father's company. I learnt what it took to earn a dollar.

This money would pay for basketball cards and comics, which I enjoyed collecting – in part for investment purposes. I still have them, but unfortunately I'm not too sure about their investment value now.

I later found ways to supplement my allowance, giving tuition during my national service years.

I also worked at Subway while studying overseas.

I graduated during the time of Sars (severe acute respiratory syndrome) in 2003, when jobs were scarce.

I took on temporary roles but still tried to save a portion of my salary.

I was fortunate to find a job at OCBC 1½ years after graduating.

Throughout, my parents reminded me to count my blessings and help others whenever I could, just as I have been helped.

Q *Home is now...*
A A leasehold condominium unit in the eastern part of Singapore.

Q *I drive...*
A A grey Volkswagen Touran.

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Worst and best bets

Q *What has been your biggest investing mistake?*
A After the global financial crisis, commodities was a big theme and I bought shares in certain companies involved in palm oil manufacturing and bio fuels.

This decision was made on the basis of the expansion of these companies, and talk that bio fuels would be a future growth industry.

Unfortunately, this did not pan out and the share prices kept going down.

My mistake was not taking action fast enough to review the evidence and to cut my exposure to these companies.

By the time 2017 rolled around, the share prices of these companies had come off substantially and it would be very tough for the shares to return to the prices I bought them at.

I have since divested my portfolio of these shares and I estimate my losses to be around $30,000.

I should have reduced my position much earlier than I did, and I take it as a good lesson to regularly review my portfolio for validity. It was a good reminder to keep my overall portfolio diversified as well.

Q *And your best investment?*
A This is a cliche, but no financial investment can compete with time spent with loved ones and friends.

The Covid-19 pandemic has greatly changed the circumstances of many people, and it has also been a time for reflection.

While money is important, having trusted friends who watch out for you and provide perspective, and having loved ones who genuinely care about you, is invaluable.

So I would say that the time I spent with my family and group of close friends has been my best investment.

I have learnt so much from them and they have been a great source of comfort during these unusual times.

Prisca Ang

AUTOMATING INVESTMENTS

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MR KELVIN GOH, head of wealth advisory at OCBC Bank.