3 SMU students set out to have some fund

Investment fund will be managed entirely by students

By DANIEL BUENAS

(ISINGAPORE) In what is touted as the first of its kind in Singapore, and possibly Asia, the Singapore Management University (SMU) students have set up an investment fund managed entirely by students.

The fund, called the SMU Student-Managed Investment Fund (SMIF), will initially conduct “paper trading” using a mock portfolio before looking for actual capital funding in early 2007—which the SMIF’s founders hope will be around $1 million at the start.

It is part of the school’s investment club and has a total of 30 portfolio managers and analysts.

The SMIF is modelled after similar funds which have been set up by US and European business schools, and will give students the opportunity to manage an actual investment portfolio, says the SMIF’s president and founding member See Yong Sheng.

According to Mr See, a 25-year-old final-year finance major at SMU, the fund is aiming for long-term capital growth primarily through investment in securities of companies listed on the Singapore Exchange (SGX).

The organisational structure of the SMIF consists of six teams, each made up of one “portfolio manager” and four “analysts”. These six teams are further subdivided into a “macroeconomic team” and a “technical analyst team”, which will advise the fund on investment recommendations.

The SMIF also has an investment advisory board which is made up of the three SMU faculty and industry veteran Ng See Nam, chief investment officer of Mirae Asset Global Investment (Asia).

Mr Ng, who was formerly with Schroder Investment Management, is seen in industry circles as the “star manager” and driving force behind the highly acclaimed Schroder Singapore Trust, which he helmed from April 1998 to October 2004.

The idea for the SMIF came about when the fund’s two other founding members—Jacky Ye and Gerald Poh, both 24-year-old final-year business students—were studying at Queen’s University in Canada on an exchange programme. “Our roommate was president of Queen’s investment fund, which was how we first got interested in the idea,” said Mr Poh. According to Mr Ye, the fund will serve not only as an instructional tool for students interested in the financial industry, but also as a platform through which investment firms seeking to hire can find talent.

Mr See said the fund’s portfolio will be “broadly diversified”, with no specific industry or sector emphasis.

“We hope, at least for a start, to outperform the benchmark Straits Times Index,” Mr See said. “Our investment strategy is to fundamentally identify and invest in listed companies that have a strong market outlook, and a visible and solid growth potential.”

Mr See said that similar funds in the US have shown that students can match, and even exceed, in terms of performance, funds run by industry professionals. In the US, one fund run by students at Purdue University in Indiana was able to clock in returns of over 50 per cent for three straight years.

SMU students interested in participating in the fund had to go through an interview and impromptu presentation with the fund’s three founders and one faculty member to be “hired” as analyst, while portfolio managers were picked only after interviews with the SMIF’s investment advisory board.

Analysts who perform well can eventually be promoted to portfolio manager and, conversely, underperformers run the risk of being “axed”.

“The fund is already up and running, and at the moment our portfolio managers and analysts are doing their research and analysis,” Mr See says. “We’ll firm up in December, and enter the market in January using our mock portfolio.”

The decision to do “paper trading” at the start, instead of using real capital, was motivated by a need to establish a track record and to “firm up” the processes involved.

“Unlike in American universities, it’s quite a sensitive issue to ask for money in the Asian context,” Mr See said. “We prefer to establish ourselves before we start looking for capital.”

However, once the fund starts dealing in real cash, Mr See hopes to use proceeds from the fund for re-investment as well as for finance scholarships.

According to Mr See, since the SMIF will not solicit public funds and intends to use capital raised mainly from sponsors and the school, it is unlikely that it will need regulatory approval for its operations.

And all three of the SMIF’s founders expect to continue their work with the fund even after they graduate next April. They are also hoping that the SMIF will start a trend, with other tertiary institutions launching their own funds some time in the future.

“We’re looking to get more industry professionals to help support the fund, and when we start trying to raise money, we’re hoping that the support will be there,” Mr See said. “This is a very new, dynamic and exciting process.”