Trading up towards financial freedom

Kendrick Chia’s advice is to learn the basics and see what you are investing in, reports MINDY TAN

ONE could describe 24-year-old Kendrick Chia as a “man on a mission”. The Singapore Management University (SMU) undergraduate, who is pursuing a double degree in accounting and business management, manages to juggle school, his role as research director for fundamental analysis at the SMU E.y.E Investment Club, a part-time job, and volunteering at the Jurong Bird Park on a regular basis. He was previously on track for a career in the sciences but Robert Kiyosaki’s Rich Dad Poor Dad made him rethink his life goals. His pot of gold at the end of the rainbow? Financial freedom.

Q: How and when did you start investing?
A: Against the backdrop of a booming 2007, the tipping point came when I redeemed my five-year fixed deposit and realised my interest amounted to $20. Wanting to increase my returns, I decided to try a professionally managed mutual fund in 2008.

Q: What did you learn from your first foray into investments?
A: People have the general perception that unit trusts are safe – you don’t earn lot of returns, but you can’t get too badly burnt either. When Lehman crashed, I lost about 20-40 per cent of my portfolio.

It got me thinking. Why can’t most managed funds outperform a static index?

And I realised that you need to learn the basics. You cannot put your future in the hands of someone else. Especially with funds, you can’t see what you are investing in: it’s like a black box.

Q: Describe your current portfolio.
A: I typically buy blue chips, with almost no small- or mid-caps in my portfolio. Now, with a better understanding of how to read financial statements, and a finer grasp of the financial markets and the risks that each company has, I’m moving more towards capital gains.

Q: Is there a particular industry that you favour?
A: For yields, I go for utility stocks such as transport and postal services. The stocks that I favour generally give good, stable dividend yields and have recurring business. They are not exposed to large demand fluctuations around the world.

Q: Do you have any unique quirks as an investor?
A: I tend to like to buy stocks for companies which I can literally walk to and see the business. I don’t like to buy things that I can’t hear, see, feel touch – for instance Hutchison Port, ports in China.

If, on the other hand, a Singapore port stock ever debuts, I wouldn’t mind buying it because I can walk over and see it and get the information first-hand.

Q: Are you a spender or saver?
A: When I first entered the university, I used to scrimp and save, and could save about 25-30 per cent. But I was making myself unhappy by trying to save that much. These days, I aim for a more comfortable 10-20 per cent.

Q: How do you balance school, work and investing?
A: I gave up personal time and hobbies such as photography and cooking. The nice thing is that I don’t feel it as acutely because I enjoy the things I do. Plus, we get summer breaks where we can indulge ourselves. It’s a pretty good balance for now.

Q: How has investing changed your philosophy in life?
A: I used to think I would have to spend the rest of my life working, saving as much as I can, and hoping that CPF would cover me. But when Kiyosaki’s Rich Dad Poor Dad mentioned the term “financial freedom”, and what it really means, and how to get there, it was an eye-opener. Who wouldn’t want to cut down on the time you spend working and spend more time with your family?

It made me change my priorities in life. I decided to put down what I love to do and instead learn to love what I do. It is also part of the reason why I applied to SMU.

Q: What tips can you share from your experience in investing?
A: Read and watch the markets first. If you’re unsure, ask someone who is familiar to read and interpret the events for you. Once you have a better grasp of the market, test your philosophy on paper.

Take for instance that there is a flood in China. What are the implications? You would probably expect commodity prices to rise. You can pick a company with distributions in China, and track it for a month or so. Does the stock rise? If so, you’re pretty adroit at understanding the market.

If your prediction is wrong, it is time to hit the books again. It depends on your risk appetite. You would probably learn faster if you put money down because you can’t say I will do it tomorrow. You will do it now because it hits your pocket. If you have spare change and you want to make a bet, go ahead, but be mentally prepared that you may lose all of it.

Finally, I would recommend reading Rich Dad Poor Dad. It’s a very easy read, and you don’t feel so intimidated. Most financial books are three-quarters filled with jargon. But he presents it in a very intuitive manner.