Friends are the best investment

Toh Yi Fan tells REBECCA LIU the road to acquiring wealth is easier to travel with a supportive peer group

Q: What got you interested in investing?
A: In National Service, we had quite some free time – at least six free hours a day. So, like many of my peers, I started reading up on investing. I was previously more into science and engineering, but after reading up I became more interested and decided to change my course to study in SMU. I never really looked back after that.

Also, I forecast my expenses until the age of 60: if I die then, how much do I need now? It came up to at least $1 million in cash. House prices are rising, everything is rising. When I understood these rising costs, and compared it with what I wanted in the future, I realised that I couldn't get what I wanted with my current lifestyle. That was the first step in taking a more proactive approach in the management of my own finances.

Q: What do you currently invest in?
A: I have tried every financial instrument possible – from insurance, to unit trusts, stocks, forex and commodities. But the last two are inherently riskier, so I've cut them out for now.

I currently invest in unit trusts and equities with a more active strategy. I do a lot of equity research, as it comprises 60-70 per cent of my portfolio, and focus mostly on the oil-and-gas sector.

Twenty per cent is invested in unit trusts, placed in more strategic locations such as South Korea and Thailand, which I see as more promising.

The remaining 8-10 per cent of my current portfolio is in extremely high-risk stocks that are traded on Catalist, such as Chew's Egg Farm Group. Right now, I'm just waiting to see what happens as it is not very liquid.

Q: Any tips to share from your experience in investing?
A: Do your homework. I derived my band through a lot of research – analysts' reports, learning valuations.

I set myself investment criteria. I look at the income and general health of the company, but those only tell you that the company is a good investment; they don't tell you when to invest. To know when to enter or exit the market, I do a lot of technical analysis.

You don't need a lot of tools to actually make money. You just have to be very disciplined, and be able to spot your mistakes before they get worse.

Q: Do you have a personal philosophy when it comes to investing?
A: Find friends of the same interests as you. Find a club, join an investment club. If you have good friends like mine who trade everyday, you will realise that they talk about investing in stocks, forex and the valuation of companies. To them, it’s their bread and butter, and when you get to know them really well, you get influenced by that.

Like they say, your friends will probably influence you much more than your parents ever will. So although my parents taught me to be prudent in my investments, I mostly learnt the ropes from my friends.

The first step to real investment is in your friends. Once you have a very supportive peer group, you will get influenced because you want to be like them: a little bit wealthier, a little bit more financially independent.

Q: How did your upbringing influence your attitude towards investing?
A: I come from a pretty well-to-do family. My parents also work in the financial services sector, and are quite well-versed in the market. However, they got rich through well-placed property investments.

Thus, they instilled in me the importance of prudent financial management and good financial habits – such as to save often, to plan my budget well, and set aside some money at the end of each year, to invest and to take calculated risks.

I received a monthly allowance, and typically saved about half of it. I still do so today.

Q: Do you use credit cards?
A: I have a debit card, on which I spend about $200 a month. My credit card, which is used only for special purposes, is provided for by my parents. Quite quickly, I bought Golden Agri, a palm oil farm group, and was panicked, exiting the market and buying quite quickly. I bought Golden Agri, a palm oil stock, after the earthquake hit and prices plummeted. In just a week, there was quite substantial growth of about 5 per cent.

However, Golden Agri was also the source of my worst investment – I tried to make a quick buck and over-leveraged myself. When the stock declined, I lost about 1-2 per cent of my capital as I had to sell it at a loss.

This both happened in the last six months. But I have set a floating band; when the stock price is within the band, I will buy it.

Q: How did you pay the fees for your course to study in SMU? I never really thought about it, my parents just paid them. They instilled in me the importance of saving a substantial amount of money, in order to have a great financial future.

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