Embarking on a fascinating journey

Kenneth Nah tells REBECCA LIU why he has diversified his investments and become a little more risk-averse

ANY young boys wish to be pilots, astronauts or firemen when they grow up. Not so for Kenneth Nah Yu Shing when he was at an impressionable age. “My aspiration was to wear a suit and a tie and stand at Raffles Place,” says the now 22-year-old second-year finance student from Singapore Management University (SMU).

The former gymnast and dancer’s varied interests include breakdancing, wakeboarding and being a member of the SMU E.Y.E Investment Club. He believes strongly in pursuing a well- rounded education.

Q: What got you interested in investing?
A: I had a dream of working in Raffles Place and wanted to pursue it. Also, after completing National Service, I had quite a bit of savings and wanted to do something with that amount of money. I didn’t want it to be in a bank where it would only earn 0.1 to 0.4 per cent of interest a year. So I decided to do something about it.

My parents are also typical Singaporeans, conservative in handling money. Their riskiest asset class is property, and I did not want to follow that path. I wanted to do something different from them.

Q: How did you begin your investing journey?
A: Last summer, I took a portion of my savings out and used it to fund a course on financial knowledge, recommended to me by a friend. It’s called “Trading for a Living”, and it taught me about different financial instruments such as options and warrants, how to do technical analysis, and a little bit of fundamentals about trading. I also upgraded my knowledge by reading books and hung out with friends who could answer my questions and help me along the way.

Q: Describe your current portfolio.
A: It’s split 60-40 between equities and forex. I was trading in equities for about a year until I started my internship at Oanda, a company that provides forex trading services. I mainly buy Singapore equities – SGX stocks such as Yangzijiang and Golden Agri. I don’t favour any particular industry, but when I think that the value is low, I will buy into it. I practice value investing.

I’m still quite new to forex trading, but I mostly trade in major currencies such as the euro, sterling pound, the US dollar and occasional- ly, the Australian dollar. I’m also interested in options, which Singapore does not currently offer. I did extensive research in options out of my own interest, and in the future I want to look into trading options in the US market. However, I feel that I need more experience before I go into that.

Q: What are some rules you set for yourself when investing?
A: I do extensive research. I read reports from different brokerage houses, look up the fundamentals of the company, and look at how the company is doing. With that, I use technical analysis to time my entry into the market. If I feel like a stock is undervalued and I want to buy it, I will use technical analysis to make sure I enter at the right time.

For forex, it’s important to have a fixed system, where you can ensure minimal losses. You must be disciplined enough to cut your losses and protect your capital. If you keep making small losses and big gains, you’ll definitely be up.

Q: How would you describe your risk appetite?
A: I used to have a high-risk appetite, but I’ve taken a step back. I used some products which are Contracts for Difference (CFDs) – these were highly leveraged. But as time went by, I figured that it’s not my style.

I also previously set aside about 30 per cent for speculation, but now I’ve cut it down to 5 per cent – minimal speculation. As I learn more theories about the fundamentals in school, I realise it makes more sense to diversify your investments and to be a little more risk-averse.

When I first started, it was all about the glam factor. I soon realised that of the 10 people that take on high risks, you only hear about the one person who succeeds and not the nine that fail. So as glamorous as it seems, the reality of it is there. If you take on high risks, there is a chance that you might not get that high return. In that way, it’s good to not have such a big risk appetite.

Now I have a lower risk appetite. If I feel like a stock is too expensive and I want to buy it, I will move into forex trading because I believe in diversifying my investments into more than one asset class and to hedge away my risks.

Q: What is your best and worst investment so far?
A: My best investment would be the course I signed up for at the very beginning, to improve my knowledge.

My worst investment is my first attempt in futures trading. I bought a stock when it was on an obvious uptrend. I got out quickly, but it wasn’t a well-informed decision. I lost about 10 per cent of my investment portfolio.

Q: Why do you find investing rewarding and fascinating?
A: I like knowing that my money can work for me even as I work for it. As we try to earn our keep, we cannot let our money sit in the bank and eventually be eroded by inflation. It eats up your savings with every second. One, I believe you have to put your money somewhere with higher returns than what you get in your savings account – it may be in fixed deposits or bonds. If you are risk-averse, find something like Singapore Government bonds or US Treasury bills which have guaranteed returns.

Watching the market allows you to be up-to-date with whatever is happening. The stock market is like a cluster of human emotions; when you see the market going down you know that people are very negative. It’s a good measure of the world’s emotions. In that way, you can see how the news affects the stock market, and it’s very interesting.

For example, during the recent Japan earthquake, I could see the Nikkei 225 crashing. People were panicking – you can see fear and panic in times of crisis. Sometimes, you can see greed as well. It’s fascinating.

Q: How big a part of your life will investing be?
A: I hope to work in the finance sector in future, doing equities research and working in asset management companies. I have an interest in researching the fundamentals of different companies. This best fits my current risk appetite – where I don’t have to be on my toes all the time, watching the markets, but rather contributing in the form of quality research on different industries in the stock market.

It all boils down the dream I once had when I was young. It’s really something I want to do, and this is my way of working towards it.