

EXTRAORDINARY UNDERGRADUATE

Mr. Tan Boon Long is no ordinary undergraduate. He beat more than 2,500 student participants to emerge winner of the I-Cube-OCBC Securities Online Stock Challenge 2006. In 15 days, he grew his virtual investment portfolio many folds from a mere \$125,000. Mr. Tan tells us more about himself, his extraordinary feat, and offers some insights into his personal investments in real life.

Can you tell us a bit about your family background and how it has shaped your attitude towards money management?

I come from a family of five including my parents and two younger sisters. One of my siblings is studying in the university while the other is in junior college. My father is a lorry driver and my mum is a factory worker.

I am a very thrifty person. This is perhaps the influence of my mum who is also very thrifty. Because of the nature of my parents' jobs (both are manual workers) I fully appreciate that every cent is hard earned money and consequently, I am very careful with my spending.

I used to save more than 50 per cent of my allowance, but now that I am in university, I am unable to save as much. This is because I need to spend more on transportation, books and meals. Nevertheless, I still try to save as much as I can, and I do not spend on unnecessary things.

What gave you the edge over your fellow contestants in the I-Cube-OCBC Securities Online Stock Challenge 2006?

I guess I employed the right strategy for this game. Firstly because this is stock challenge lasting for only 15 days, I sought lowly priced stocks which were trading on high volumes - hoping to make quick gains within the 15-day period. Also as the rules stated that dividends will not be counted as part of returns, I was careful not to choose stocks that were giving out high dividends. The strategy works for this game as we do not have to queue to either buy or sell or wait for the usual settlement period before the profits come in. This made it easier to enjoy quick gains and facilitated multiplication of the portfolio's value.

What was the biggest lesson you have learnt from the game?

I think the biggest lesson I have learnt from the game is to be non-emotional about my investments and to sell a dud stock, even if it means losing money. Given the short 15-day trading run, if a stock failed to perform soon after I bought it, I had little choice but to sell it and switch to another stock which I felt could perform better.

This non-emotional stance with respect to one's investments can be applied to real life as it is sometime important to cut losses to prevent further damage. With the money in hand, you can always look out for better alternatives to cover your loss. But this is easier said than done as people can be quite emotional at times, refusing to admit that they have made a bad judgment call. They would rather hold on to their stocks until they are able to breakeven – even though they may be aware that the opportunity cost of doing this can be quite significant.

And the biggest lesson, really, is to know that I cannot be carried away with the virtual winnings chalked up during the game. It's to be sensible enough to realise that what happens in a game stays as a game. More often than not, they do not translate into an exact experience in life. Certainly, what have been most valuable to me really are the skills I have picked up during the game. I also got an inkling of the psychological maturity needed to manage my expectations and deal with the ups and downs of the stock market.

In real life, when did you start investing?

I started last September when I was on my one-week mid-term break. At that time I discovered that many research reports made good recommendations, and took the cue from some of them and invested in the Singapore stock market.

How large is your investment portfolio? Can you give us an idea of the returns you have achieved since you started investing?

I have around \$30,000 currently of which more than \$20,000 belongs to my mum. I have only invested in Singapore stocks so far as I am still unfamiliar with financial instruments like unit trusts. I have made around 5 to 6 per cent since I started trading which is higher than bank deposit rates.

What are some Singapore stocks you have bought?

UTAC and SingPost are two shares I have bought. I bought SingPost because of its attractive dividends. As for UTAC, my father told me that it was making huge profits and the price is expected to rise. Subsequently, I undertook some research and read analyst reports recommending UTAC - so I decide to buy some shares in the company.

How do you go about deciding which stocks to invest in? What kind of returns do you hope to achieve when you buy into stocks? What is your usual investment time horizon?

I normally take my cue from research reports as I believe that analysts have done their homework and should have more information than me. Once I have identified some stocks I will study them to see how they have performed over the years. If they have been rising steadily, I will buy them.

I do not set a time horizon for my investments. I will sell off a stock when it reaches around 50 to 60 per cent of the target price projected by analysts or when I feel that my money can be put to harder work by investing in another stock with better potential.

Are you a firm believer in diversification, or do you take concentrated bets?

I believe in diversification as this will spread out the risk. However I do not think that it a good idea to hold too many stocks as it will be too difficult to monitor all of them. In my view, sufficient diversification can be achieved with a portfolio of 4 to 5 stocks.

Are you more of a trader or an investor? What is the longest you have held on to a stock?

I would say I am both a trader and an investor. I will buy some stocks which I intend to hold for the long haul. Sometime I will also buy stocks which I think can offer quick gains. The longest I have held on to a stock is around 10 weeks.

More people are looking to buy stocks which offer good dividends, especially since a growing number of Singapore companies are paying out better dividends. Are you also on the lookout for such companies?

Yes, I am keen on stocks with good dividends. Normally my father or some of my friends who prefer such stocks will suggest some names to me. As mentioned earlier, I had invested in SingPost because of its good dividends. In fact, the company has promised to pay out dividends 4 times per year.

What was your best performing stock pick? What kind of returns did you enjoy?

The best performing stock I have bought is UTAC. I managed to earn a return of around 15 per cent. I could have made higher returns if I had held on to the stock longer, but I decided not to be greedy and took profit once my target was met.

What was your worst pick? What went wrong? Any useful lessons you have learnt from the mistake?

My worst pick was Genting International. I bought into the stock when it fell below \$1 thinking that it was a good buying opportunity. After I bought it, the price just kept falling because of the talks about the company's association with Macau's Stanley Ho. I underestimated the impact of the association on Genting International's share price and I took longer than I should have to cut my losses. But when I eventually did, it was a good move as the company's share price fell even further.

If you had to dish out a critical piece of advice to your peers, what would that be?

Invest within your limit and know how much you are prepared to lose. Also be bold enough to cut losses – especially if you have made a bad call and expect the company's share price to drop further.

In your view, what does it take to be a successful stock investor?

In my view, to be a successful investor you had to have the most updated information so that you can make the most informed decision. To do this, you will need to devote some time to research a company before you take the plunge.

Finally, what are your plans after you graduate? What are your career goals and ambitions?

As I am currently pursuing a degree in accountancy, I am hoping to join one of the Big Four audit firms after I graduate. This will allow me to gain the necessary working experience which will be very useful in later years. Eventually, I hope that I

can become the Chief Financial Officer of a listed company or perhaps even venture into a business with my friends if a good opportunity presents itself.