Investing right – from the start

SGX talk helps NTU students better understand the basics of securities investment and behavioural investing, writes JASON LOW

THE current bull run in the equities market has seen the largest surge in recent years for the Straits Times Index (STI), the benchmark of Singapore equities performance.

At times, the market has been described as "irrational" by many analysts who could not find rational reasons behind the huge advancements of many mid-caps and heavily traded penny stocks.

In fact, there is a widely recognised belief that when investors start speculating in such penny stocks with little or no earnings to the extent of them dominating the volume chart and chalking up abnormally huge gains, then it is a strong signal that the end is near for the bull.

Recognising this inherent risk of speculating in the market and the imperative need to invest smart and rationally from young, the Singapore Exchange (SGX) was invited by NTU Investment Interactive Club (NTU IIC) to its first Interactive Night (I-Night) session of the academic semester. The aim was to introduce would-be student investors to the basics of securities investment and the paramount importance of understanding behavioural investing.

BT learnt from NTU IIC that this I-Night session was but one of a series of financial events lined up for the year by the club to educate the student population about investment and provide them with an opportunity to interact with industry practitioners.

"By inviting industry experts over to campus for an interactive session with our fellow undergraduates, we hope to provide the student population with the opportunity to tap into the wealth of experience that these industry practitioners offer," said Jacky Xu, president of NTU IIC. "Hopefully, this will shorten their learning curve and make their future investment experience a more fruitful and enjoyable one."

The guest speaker for the night was Stephen Tan, vice-president of retail business at SGX. With his wealth of experience in the finance arena, Mr Tan seeks to enlarge the investor base, increase investor awareness and initiate behavioural changes which will in turn result in greater efficiency and maturity in the capital markets.

Encouraging the audience of 200-odd students to explore the idea of investing from young, Mr Tan said: "While a culture of savings is essential, the need to compound that savings, or invest, is equally important. However, before investing can take place, people should arm themselves with the necessary knowledge and investing skills."

Indeed, responsible investing starts from the roots and it is pivotal to cultivate the correct investing habits right from the start.

"Responsible investing should be inculcated early," Mr Tan said. "Towards that end, SGX is engaging tertiary students, individually as well as through I Cubes investment clubs in NUS, NTU and SMU. This outreach programme includes talks, sponsorships, games, etc, all geared to spreading the message on responsible investment practices."

The audience was also cautioned on the risks inherent in securities investment, particularly derivatives, and was advised to find out more in order to make better informed decisions. "SGX is a firm believer that investment knowledge will not only safeguard against financial mishaps but allow us to find more effective ways to grow our wealth," Mr Tan said.

Mr Tan struck a strong rapport with the audience and the atmosphere was kept lively throughout the talk. The difference between speculation and investment was also emphasised, with the former being discouraged by Mr Tan.

Apart from being introduced to the technicalities behind stocks, structured warrants, company-issued warrants, ETFs (exchange-traded funds) and REITs (real estate investment trusts), the audience was exposed to the idea of value investing — a concept strongly advocated and practised by Warren Buffett, arguably one of the world's greatest investors.

"Despite not having any background knowledge in investing, I was able to grasp most of the concepts put forth by Mr Tan because he was able to explain things in a comprehensive yet easily digestible manner," said Phua Hong Kiat, an accountant graduate at NTU. "And I now have a better idea of the massive risks I will face if I were to attempt speculating in the market."

Mr Tan rounded off his talk with this important piece of advice: "For young investors wishing to start their investing journey, first set aside savings for daily expenses and emergencies. Settle your debts. Whatever you have left can then be invested. Have a sense of your investment time horizon, personal risk appetite and the risk/reward structure of the product."

The talk provided timely advice to young budding investors wishing to start out. And it proved especially useful in cautioning those who ever thought of getting rich quick — by speculating in heavily traded and inflated penny stocks — against indulging in such risky activity.