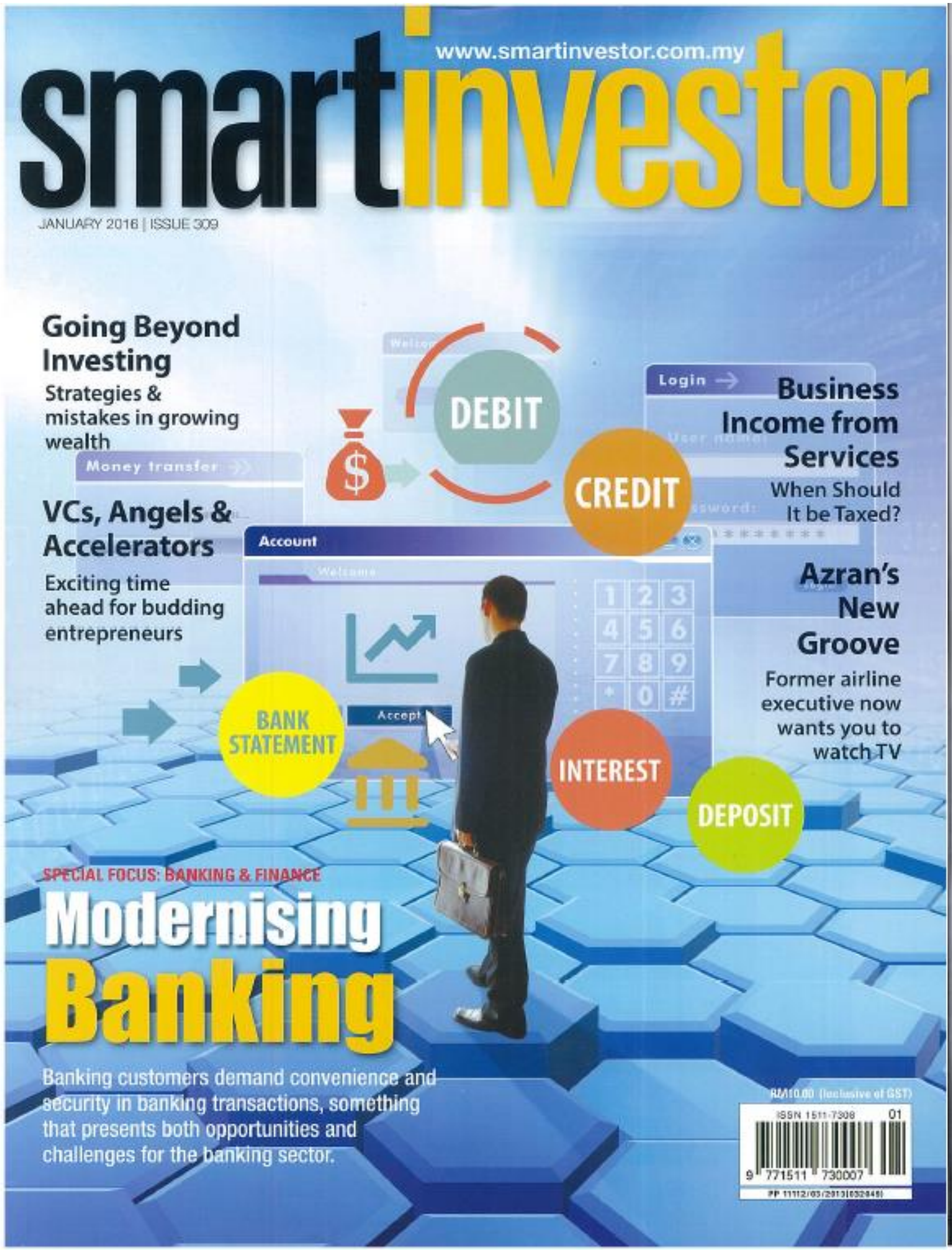

Going Beyond Investing

Money-making is almost always on top of the priority of many young people starting out their career life. Two experts weigh in on the questions of how best to avoid some of the common mistakes among young investors. *By Tony Goh*

The need to invest is absolutely undeniable. But one of the biggest reasons for not delving into investments for many are the stories of failures and losses associated with doomed investments.

So what are the biggest mistakes that often lead to failures, and what should budding investors and those seeking wealth accumulations understand before jumping on the investment bandwagon? Smart Investor talked to two renowned personalities to find out more.

Independent Financial Advisor, Yap Ming Hui, a bestselling author, TV personality, columnist and coach on money optimisation and Alvin Vong, creator of the EquitiesTracker.com Research Portal and the EquitiesPortfolioManager Portal.

Yap and Alvin advocate different approaches to investments, but both come to the same conclusion, i.e. learn and identify the right values.

Yap Ming Hui, Founder and Managing Director of Whitman Independent Advisors Sdn Bhd, Yap helms a leading independent financial advisory firm in Malaysia licensed by Bank Negara Malaysia and Securities Commission.

Yap and his team of advisors have helped many people to optimise their wealth and achieve financial freedom since 2000. His clients include some of the major owners of public-listed companies (PLCs) on Bursa Malaysia, CEOs of multi- national corporations (MNCs) and successful small-and-medium enterprise (SME) companies.

Smart Investor (SI): What are your stock selection criteria, what are the main conditions that in your view fulfills "smart investments" that will meet long-term objectives?

Yap Ming Hui (YMH): We don't advocate any particular stock or sector in making long-term investment decisions. It is also important to understand that there is no such thing as a truly risk-free investment - different investments carry different types and levels of risk.

However, what is important is the investment has to be resilient, meaning, it can and have the ability to rebound even after suffering short-term correction or downturn. The key factors that determine if an investment is resilient is to look at indicators such as quality of underlining assets, solid business model and strong management team with proven track records.

On the other hand, particularly risky investments are businesses that have high risks nature such as certain hedge funds, small cap stocks such as IT or tech companies, highly leveraged companies or businesses or poor management track records.

SI: Are there any particular sectors or industries that you would consider offering good value for investment?

YMH: While we don't focus on specific sector or industry, the fundamental in identifying good value investment is the same, go for asset allocation and choose the right fund manager or advisor. For example, we look at the top 10 fund managers in Malaysia, look at their past performance track records, personal background and go for funds or assets that have proven to be able to perform (with at least a three-year track record) and compare assets with their peers' performances.

SI: Given the current volatile market across much of the region which is expected to continue in the foreseeable future, how best can investors find value investing in this trying time?

YMH: In this current volatile period, the best strategy is to defend and preserve wealth rather than going for the attack. In such a volatile market, it is very hard to predict or foresee what will happen, so to protect your assets, diversification is the key. Allocate your resources across different asset classes such as bonds, REITs, land and even certain commodities.

SI: What are the main or most common misconception or wrong strategies practised by investors, in particular the younger generation of investors? What will be your main message to those who aspire to invest in equity or other wealth generating assets?

YMH: As I always advise our clients, making money and growing wealth involve taking care of two main pillars, money-making and money optimisation.

Money-making refers to your main source of income, meaning you spend time and effort working to make money such as in your career or running your businesses. Money optimisation meanwhile, refers to making your money work for you, for example, investing in shares, properties, mutual funds and other form of assets that give returns.

For the young, they should concentrate and focus more time on money-making and take a conservative approach on money optimisation as they can afford to take risks and start over again if need to.

One of the most common mistakes among young investors is impatience, with some of them wanting to take risks on both ends. They could end up being burnt on both ends as a result. What is important is to understand that it is never too young to start doing asset allocation, and you will reap the rewards in the long-term.

lvin Vong is the co-author of ne EquitiesTracker.com's Value ivesting and Portfolio Management ducational series, which is the first nd only structured course on Value ivesting in the region.

A believer in long-term wealth reation via value investing and roper portfolio management echniques, Alvin has served on the oard of an ASX listed company nd has experience in fundraising. e is currently involved in tracking ndervalued listed companies in lalaysia, Singapore & Australia and ectures extensively.

mart Investor (SI): Could ou please share with us the lea behind the founding of quitiesTracker.com? What do you ope to achieve via this platform?

lvin Vong (AV): EquitiesTracker. om was founded in 1976 with ie aspiration to provide quality indamentals and research data to oth retail and institutional investors : affordable prices. We hope to ducate the public on the proper pproaches to investing in the stock iarket and this is done via our cclaimed Value Investing education eries.

: What are your stock selection iteria and the main condition that your view fulfils the adage of value investing" when it comes to quity or share investment?

V: Our stock selection criteria is ased on the principles of Value vesting, which is essentially buying stock at a price which is much wer than what it is really worth nd then selling it when the market ver-prices the stock - we call this ice-to-value divergence.

We have different stock categorisation based on our strict in-house definitions - for example an investment grade stock should have uninterrupted continuous 10 years of net profits, dividend payout, positive operating cash flow and positive free cash flow.

SI: Are there any particular sectors or industries that you would consider offering good value for investment? Are these companies or stocks mostly found in Malaysia or other regional markets?

AV: While many retail investors tend to opine that there are too few or no good companies to invest in Malaysia, we believe our country has a very robust economy with an abundance of wealth creation opportunities via equities. In our investing approach, we are agnostic to industry or sector, but we tend to favour evergreen industries like food & beverage as well as FMCG sectors, among others.

SI: Given the current volatile market across much of the region which is expected to continue in the foreseeable future, how best can investors find value investing in this trying time?

AV: The best defence one has in the stock market is to buy only on value. Investing is a long-term commitment, and market volatility is part and parcel of anyone's investing journey. We do not advocate investing all your capital in one go but instead have a well-constructed portfolio and trading plans. The value of quality stocks normally surfaces when the market is undergoing a correction or crisis.

SI: What are the main or most common misconception or wrong strategies practised by share investors, in particular the younger generation of investors? What will be your main message to those who aspire to invest in equity?

AV: Coupled with high-speed access to information and instant gratification lifestyle today, many youngsters are lured into speculative investment products and platforms. While this may work in the short-term, we believe it is not sustainable in the long-run.

One of the most common misconceptions is that many retail participants do not know to distinguish between speculating and investing in the stock market.

According to Benjamin Graham's principles, an investment operation is one which, upon thorough analysis promises a safety of principal and an adequate return; and operations not meeting these requirements are speculative. Our message has always been that education plays an utmost crucial role in one's investment journey but it has widely been under-played or neglected much to one's financial detriment.