

## MONEY MOVERS

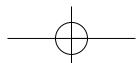
→ FINANCIAL PLANNING



# What kind of an investor are you?

Those who take pains to understand how investment works, and study past performances of markets, stocks and funds using different tools and techniques have a greater probability of winning in the investment game.

By David Choo



**So which type are you?** As far as investment goes, there is not merely one type. In fact, there are many ways that investors can be categorised:

- according to the client's objectives (e.g. wealth building, wealth accumulation or wealth preservation);
- the duration of investment term (e.g. short-term, medium-term or long-term);
- the client's risk profile (e.g. aggressive, moderate or conservative);
- or through the preferred investment style (e.g. using fundamentals, technical analysis or contrarian)

Neat categories. But when you get to know investors well enough, you will find that most of them utilise a mix of styles and techniques. And why not? Why remain a short-term trader or just a long-term investor, when you can have the best of both worlds by investing long-term and trading short-term on the side? Why stick to top-down approach when you can also adopt a bottom-up strategy to spot better stocks or funds?

I know how complex the thought process can be as I have experienced the same dilemma when I invested in stocks and unit trusts, and also had to advise others on their investments.

All investors want the best returns at minimum or no risk and if possible, with the least cost and hassle. That there are trade-offs one has to take is an obvious consequence. It follows that the higher the potential return, the higher the risk. The higher the potential return, the more costly are the fees and charges, since these stocks or funds must be actively managed and so higher manpower costs are inevitable.

The active short-term trader or even the avid "day trader" knows that he has to constantly keep watch of market activities and thus, cannot afford the time to enjoy his game of golf compared to the long-term investor who is able to switch off his mobile phone as he swings off a tee. No guessing there on who performs at par on the golf course.

#### THE PARADOX OF INVESTING

I had a trying time putting on paper my company's investment philosophy and process because I wanted the best of — not just two — but ten worlds. The final product was such a hybrid that I wondered whether anyone could really identify the kind of "animal" we were. But we had to be nimble and dynamic to do better than others.

It is said that investment is an art, not a science. Yet, investment books are filled with quantitative analyses, charts, rates, modern portfolio theory (MPT) curves, dollar-cost averaging, balancing and rebalancing. Data is always historical, while the

market — both present and future — is more hysterical than historical. Though some analysts talk with certainty (as do economists), sometimes no two analysts (or economists) agree on the same point. Others lament, "There is no logic. The market should not behave this way!"

Market sentiment seems to defy logic at times, and herd instinct appears to take over many investors even when the textbooks clearly state, that no investor should be influenced by it.

That investment is not an art is obvious. As it concerns the future and people — millions of them - it makes any forecast or prediction just that: a prediction. But to state categorically that investment is an art and not a science, is not entirely right.

Those who take pains to understand how investment works, and study the past performance of markets, stocks and funds using different tools and techniques, have a greater probability of success. Unfortunately, luck is an element that seems to favour the well-prepared "experts" more often.

#### NOT SAVVY? ASK YOUR ADVISER!

It looks to me that certain people seem to have more "money acumen" — savviness, if you like — than others. Love of money also provides a stronger drive for some, more than in others. Couple that with money acumen, these "Wall Street type" investors will probably do

well with their investments.

For the majority who don't possess much business savvy nor money acumen, and have less drive to make money, the goal of investment is to earn better than their return on fixed deposits. Rather than seek a return on investments that they cannot bear the risks of holding anyway. It is this majority of ordinary hardworking people who excel at work but have less knowledge or time to invest in a big way that independent financial advisers provide help to.

Sound objective advice is important and there is a much better chance of getting this from licensed financial advisers who can give "fair and objective" recommendations. In addition, investors are better served by independent advisers with access to a wide selection of product providers, be they life insurers or fund managers. And of course, there's the benefit of getting advice and solutions for all your financial needs under just one roof. So what else can you ask for? **SI**



David Choo, ChFC, CFP, is Managing Director of PromiseLand Independent Pte Ltd, a licensed Financial Adviser. He can be contacted at email: [davidchoo@promise-land.com.sg](mailto:davidchoo@promise-land.com.sg) or telephone: 62942461. Website: <http://www.promiseland.com.sg>