

Trader always ensures he has a good exit plan

By Choo Yun Ting Business Correspondent yuntingc@sph.com.sg

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Me&MyMoney

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Integer Alpha CEO makes certain it is as good as his entry plan, when investing or trading



Choo Yun Ting
Business Correspondent

The prospect of making a quick and easy buck can easily tempt an investor but those short-term gains can also come with pricey pitfalls, says trader Stan Lim.

He warns that overvalued stocks with bullish forecasts can be hit the hardest when economic conditions change.

This piece of advice, which Mr Lim holds dear, was taken from a quote from legendary investor Warren Buffett in a 2000 shareholder letter: "The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs."

"Nothing sedates rationality like large doses of effortless money."

Mr Lim, 39, believes that investing should be about allocating capital based on sound research and the fundamental value of the stock will be reflected in its price over time.

"Doing this can lead to the portfolio blossoming in due course," he adds.

Mr Lim, the chief executive and founder of quantitative trading firm Integer Alpha, set up his company with \$1 million in capital in 2014. The firm, which has 10 employees, broke even in 18 months.

While he started his career as a proprietary trader at brokerage firm Phillip Securities, going into finance had not always been his first choice.

Mr Lim, a Singaporean who is married with three children aged between two and seven, did a degree in electrical engineering at the National University of Singapore.

A career in engineering was considered the norm back then, he says, noting how the sector was regarded as having stable prospects. But his minor in business and finance modules at university led him to look for a career in the finance sector instead.

He recalls that before starting his first job, he had thought he would always be able to get buy and sell orders at prices he had but that turned out to be a naive and misplaced assumption.

But Mr Lim believes his natural curiosity and receptiveness to new information helps him find new opportunities in the market: "Whenever something captures my interest, I will search online and read books and articles to dig deeper into the subject."

Mr Lim and his wife are looking into building a portfolio of premium shares for their children, a strategy they regard as worthwhile given that the S&P500 index has roughly doubled in every eight years over the past 100 years.

But the ascent is never in a straight line and there will be periods of volatility and potentially significant declines, Mr Lim notes.

"However, if we are willing to hold them for two decades from now, by then our children will be young adults and there will be a good chance that the value of the portfolio will be significantly higher than it is now."

Asked what money means to him, Mr Lim says that it gives people the option of doing what they want to do, rather than what they have to do.

This means that someone with money can do what he is really pas-

sionate about, which allows him to be the best that he can be, he adds.

Q What's in your personal portfolio?

A About half my portfolio is tied to my business. Of the remaining 50 per cent, about two-fifths is in stocks, another 20 per cent in bonds, 10 per cent in gold and 30 per cent in real estate.

I usually do a fundamental analysis for stocks and bonds, poring over the companies' annual reports and presentations to determine if they are good firms to invest in.

My average annual returns on my portfolio are around 10 to 15 per cent.

My home in Singapore was bought in April 2020 when the United States equity market was down roughly 50 per cent. My other assets like stocks and bonds are diversified globally.

I generally like to read and buy both physical and electronic books, as I believe these help me to think broadly and also subconsciously influence some of my business and investing decisions.

Q What are your immediate investing plans?

A I have started looking at investing in assets in the areas of electric vehicles, green carbon, as well as companies with a strong environmental, social and corporate governance focus.

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"Doing this can lead to the portfolio blossoming in due course," he adds.

In all of these three areas, most of the countries in the world are pushing regulations and providing incentives and opportunities for businesses and individuals. As such, these are some areas which could do well in 10 years' time.

Q How did you get interested in investing?

A I have always been intrigued by how stock prices move - I would look at the Dow Jones Index and Straits Times Index in the corner of a newspaper page and wonder why the prices fluctuated.

In the early 90s, we also had Teletext on the television, which displayed stock prices of Singapore Exchange-listed stocks, where I found myself frequently helping my father browse through his holdings.

From then on, I started to read investing books, which helped explain valuation metrics, and books on financial histories that in turn guided my understanding of markets going through booms and busts. I also read the biographies of financial minds such as Jesse Livermore, George Soros and Warren Buffett.

Q Describe your investing strategy.

A I always think of the exit plan when investing or trading, and it can and should be as well thought out as the entry plan.

I usually detail the reasons for possible entries and scenarios for exits, and map these out so that I will stick to them.

Q What else is in your financial plan?

A I have begun looking at legacy planning, like setting up a trust and writing a will. I also want to build a portfolio of high-quality blue chip stocks like United States holding company Berkshire Hathaway and tech giant Microsoft for my children.

I have also looked into real estate in places such as Japan, New Zealand and Switzerland, which I love to visit. Such investments could also offer diversification to our investment portfolio.

Q How are you planning for retirement?

A I have never considered retirement. I hope to be able to continue my passion as a lifelong student of the financial market when I do retire from work.

Q Home is now...

A A freehold, three-storey semi-detached house in Bukit Timah which was bought in April 2020.

Q I drive...

A A white Porsche Panamera.

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Short-term gains can also come with pricey pitfalls, warns Mr Stan Lim, 39, chief executive and founder of quantitative trading firm Integer Alpha. Overvalued stocks can be hit hard when economic conditions change. ST PHOTO: SAMUEL ANG