

Avoid Falling into Investment Pitfalls

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Common Investment Wisdom

To succeed in investing, we should learn how to pick good stocks and invest in just a few of them. If we can hold on to them long enough, we will be able to make good returns.

Do You Agree?

Are There Any Investing Pitfalls in These Wise Words?

- To succeed in investing, we should learn how to pick good stocks and invest in just a few of them. If we can hold on to them long enough, we will be able to make good returns.

How do you define success?

What do you mean by good stocks?

What returns will be good?

How long is long enough?

How many is a few?

Pitfall of “Investing Success”

- How does one define “Investing Success”?
- Is it...
 - When you make a lot of money?
 - When you make high returns?
 - When you have never lost a single cent?

You achieve investing success when your investments help you achieve your investment goals. There are no goals in the wise words.

Pitfall of “Picking Good Stocks”

- How do you pick good stocks?
- Do you...
 - Use fundamental analysis?
 - Use technical analysis?
 - Use complex financial quantitative modeling ?

To achieve success in investing, you must move beyond stocks. So just picking stocks is not enough.

Pitfall of “A Few Good Stocks”

- How many is a few good stocks?
- Is it...
 - 5?
 - 50?
 - 500?

Risk can be reduced by adding as many asset classes as possible. We know using equities is not enough, let alone only a few stocks.

Pitfall of “Long Enough”

- How long should you hold on to your investment?
- Is it...
 - 1 year?
 - 5 years?
 - Forever?

The investment horizon is really dependent on your investment objective. It doesn't make sense to invest forever if you need the money to retire soon...

Pitfall of “Good Returns”

- When can returns be considered good?
- Is it...
 - 5%?
 - 10%?
 - 20%?

Your investment would have given you good returns when such returns compensate for the risk you take. This brings us to an important question... why is there no mention of risk in the wise words?

The Common Wisdom is Unwise

- We have identified many inconsistencies in this common investment wisdom.
- Most importantly, it did not mention anything about risk nor did it mention anything about understanding oneself first before investing.
- It is fallacies like these that have caused many investors to refuse a common proven wisdom - diversification.

How to Avoid Investment Pitfall?

1. Before making any investment decisions, one must first understand his financial position and know his objectives . We call this “**know yourself**”.
2. He must then know and understand the investment products available in the market. This will allow him to know how they can be put together. We call this “**know the products**”.
3. Finally, he must know the strategies available to help him put the products together in such a way that will suit his financial preference and position. We call this “**know the strategies**”.

Know
Yourself

Lower Returns

Missed Opportunities

Know the
Products

Risk Mis-matched

Know the
Strategies



What is the Key to Understanding the 3 Dimensions of Investing?

- The key is of course more “Knowledge”.
- That is why acquiring financial literacy is important to your development.

Simple Ways To Gain More Knowledge?

1. Attend the NTU-IIC talks and seminars.
2. Attend the SIAS talks, seminars, and workshops.
3. Sign up for SIAS Research to read their analysis and reports and also to attend their investment seminars.