

How People Think About Investing & How To Convince Them

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7 September 2020

Note: This slide-deck is meant to be viewed together with its accompanying speech; you can find the [speech here](#)

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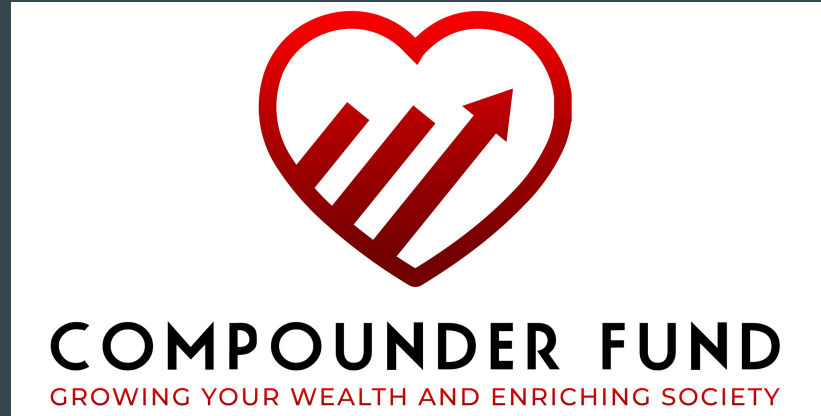
Introduction of myself

- Motley Fool Singapore, Jan 2013-Oct 2019

Stock Advisor Gold return (May 2016 - Oct 2019)	Global stocks return (May 2016 - Oct 2019)
30.6%	16.4%

Introduction of myself

- Blogs at *The Good Investors* (thegoodinvestors.sg) with Jeremy CHIA
- Co-founded global equities investment fund, Compounder Fund (compounderfund.com) with Jeremy



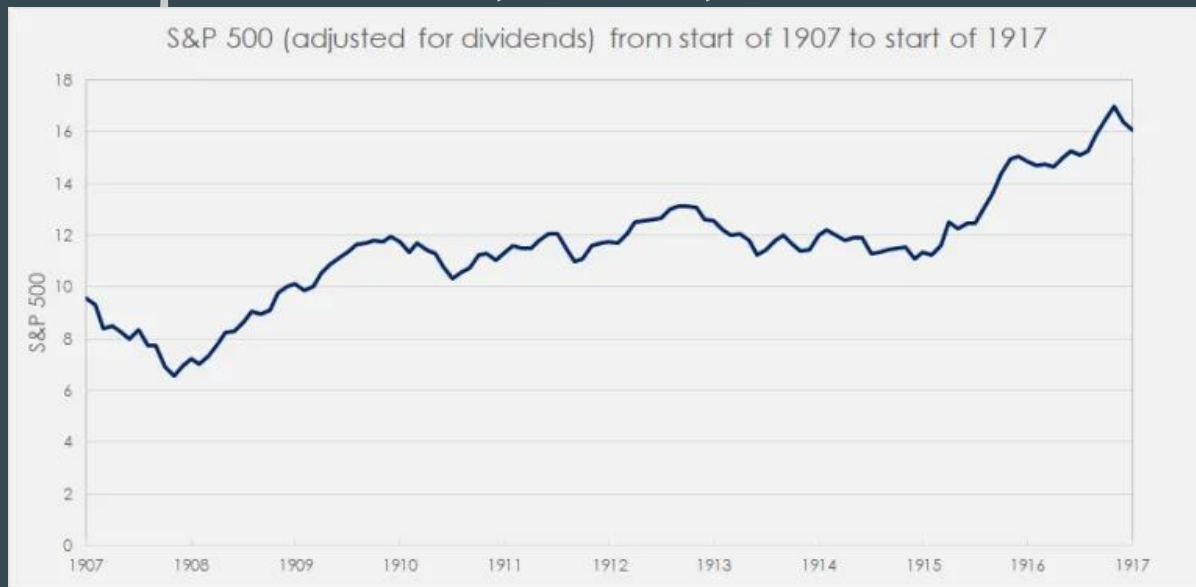
“Belief” No.1: The economy’s bad (good), so stocks must do poorly (really well)

- **Panic of 1907** - Period of severe economic distress in the USA, and led to creation of Federal Reserve in 1913

Time period	Change in business volume from year ago
Start of 1908	-72%
Middle of 1908	-50%

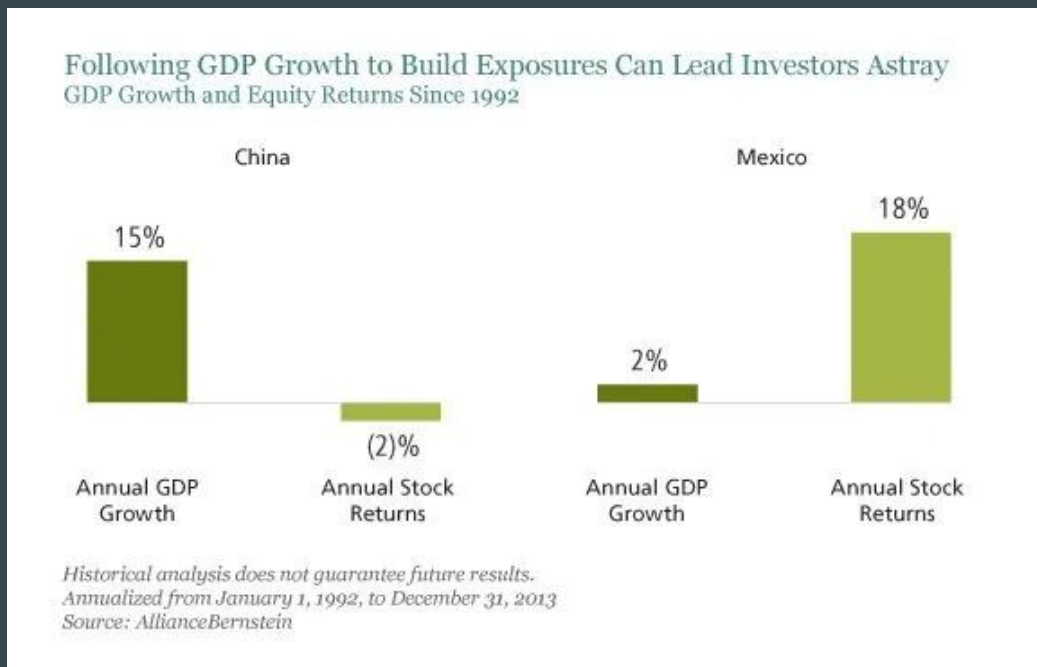
“Belief” No.1: The economy’s bad (good), so stocks must do poorly (really well)

- How stocks performed: 1907 to 1917








Source: Robert Shiller [data](#); my calculations

“Belief” No.1: The economy’s bad (good), so stocks must do poorly (really well)



“Belief” No.1: The economy’s bad (good), so stocks must do poorly (really well)

Entity	Change in Q2 2020 from year ago
	GDP -9.1%
	Revenue +40%
	Revenue +11%
	Revenue +11%
 Microsoft	Revenue +13%

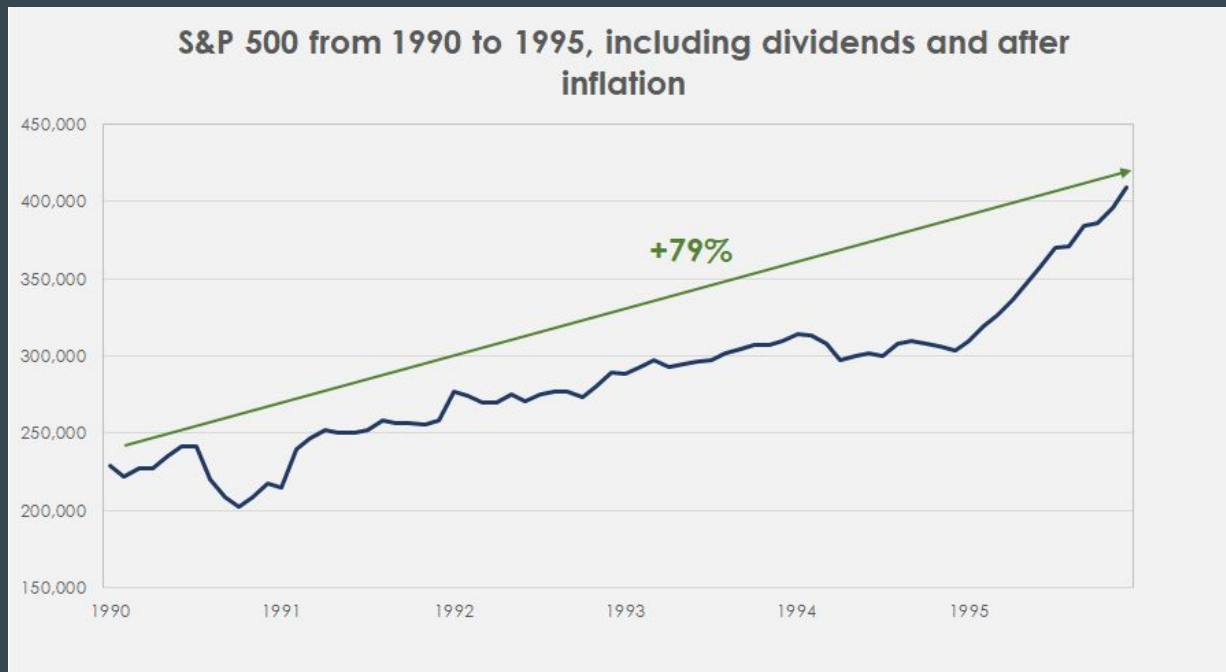
“Belief” No.2: There’s so much uncertainty now,
let’s invest later



“Belief” No.2: There’s so much uncertainty now, let’s invest later

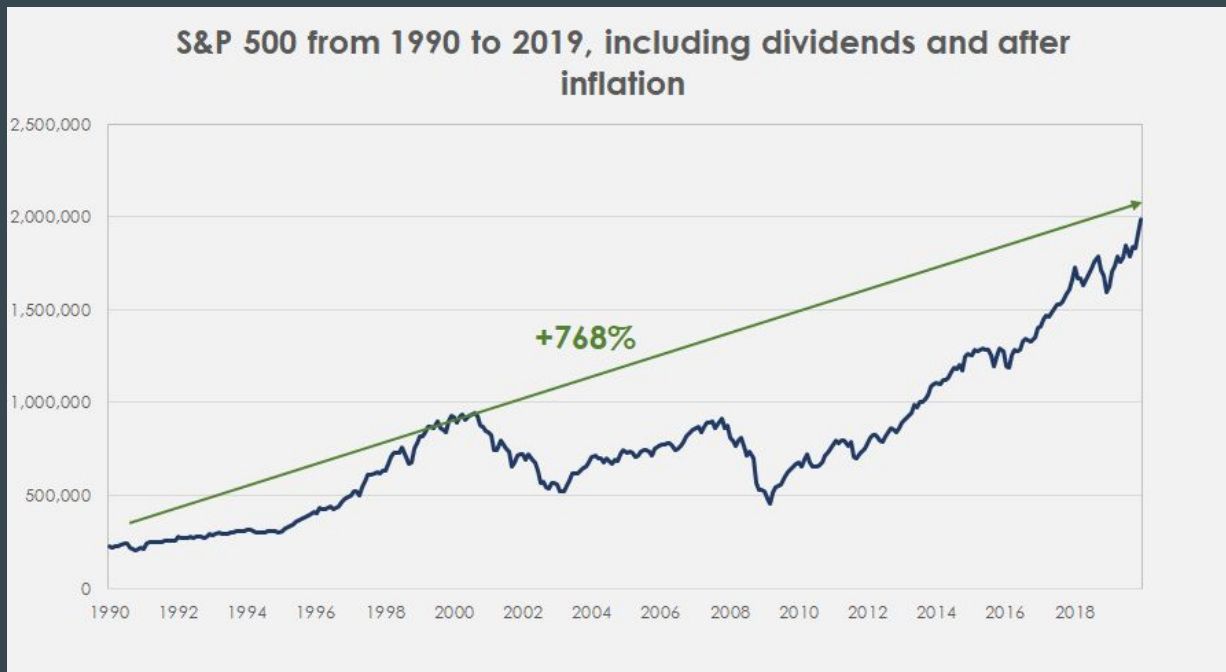
Crisis	Month it happened
Oil price spike	August 1990
USA enters war in Middle East	August 1990
USA enters recession	July 1990

“Belief” No.2: There’s so much uncertainty now, let’s invest later



Source: Robert Shiller [data](#); my calculations

“Belief” No.2: There’s so much uncertainty now, let’s invest later



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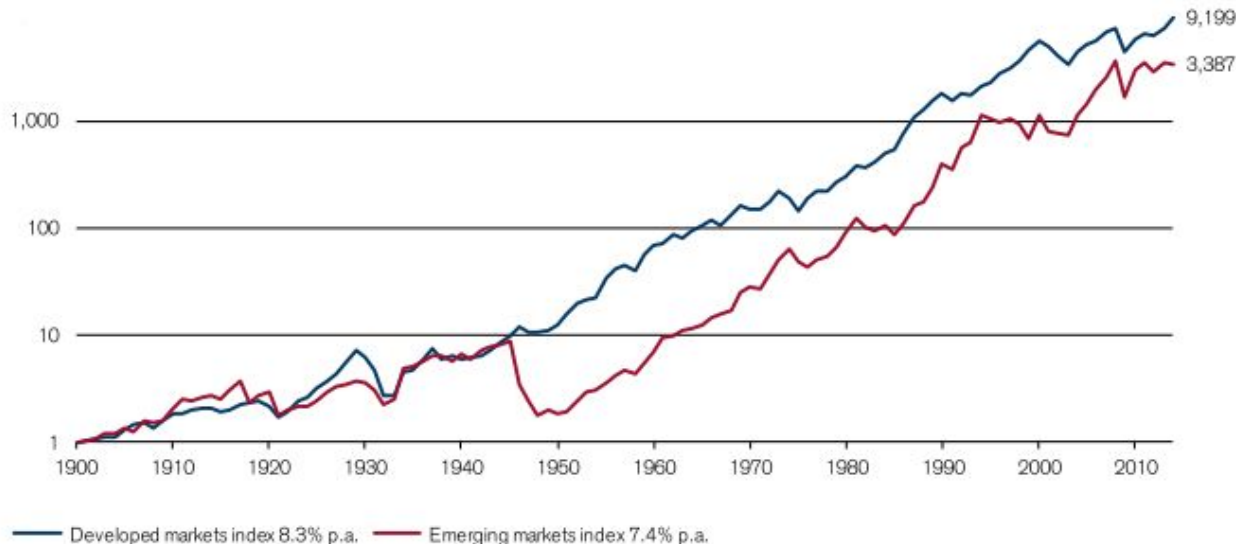
Year	Events	Year	Events	Year	Events	Year	Events
1990	Persian Gulf War; oil spike; US recession	1998	Russia defaults on debt; LTCM hedge fund meltdown; Clinton impeachment; Iraq bombing	2006	North Korea tests nuclear weapon; Mumbai train bombings; Israel-Lebanon conflict	2014	Oil prices collapse
1991	USSR breaks up; real estate down turn	1999	Y2K panic; NATO bombing of Yugoslavia	2007	Iraq war surge; beginning of financial crisis	2015	Euro currency crash against Swiss Franc; Greece defaults on loan to ECB
1992	Los Angeles riots; Hurricane Andrew	2000	Dot-com bubble pops; presidential election snafu; USS Cole bombed	2008	Oil spikes; Wall Street bailouts; Madoff scandal	2016	Brexit; Italy banking system crisis
1993	World Trade Centre bombing	2001	9/11 terrorist attacks; Afghanistan war; Enron bankrupt; Anthrax attacks	2009	Global economy nears collapse	2017	Bank of England hikes interest rates for first time in 10 years
1994	Rwandan genocide; Mexican peso crisis; Northridge quake strikes Los Angeles; Orange County defaults	2002	Post 9/11 fear; recession; WorldCom bankrupt; Bali bombings	2010	European debt crisis; BP oil spill; flash crash	2018	US-China trade war
1995	US government shuts down; Oklahoma City bombing; Kobe earthquake; Barings Bank collapse	2003	Iraq war; SARS panic	2011	Japan earthquake; Middle East uprising	2019	Australia bushfires; US president impeachment; COVID-19
1996	US government shuts down; Olympic park bombing	2004	Tsunami hits South Asia; Madrid train bombings	2012	Speculation of Greek exit from Euzorone; Hurricane Sandy	2020 (so far)	COVID-19
1997	Asian financial crisis	2005	Hurricane Katrina; London terrorist attacks	2013	Cyprus bank bailouts; US government shuts down; Thai uprising		

“Belief” No.3: What goes up, must come down

Figure 2

Long-run emerging and developed market returns, 1900–2013

Source: Elroy Dimson, Paul Marsh and Mike Staunton using data from DMS database, MSCI Barra, and S&P/IFCG



Source: Credit Suisse

“Belief” No.3: What goes up, must come down

- Important to diversify geographically and across industries
- Factors for a single stock or single country's stock market to perform poorly for decades: (1) Devastation from war or natural disasters; (2) corrupt or useless leaders; (3) incredible overvaluation at the starting point

“Belief” No.4: It’s risky to invest in stocks for the long run



Source: Morgan Housel at [fool.com](https://www.fool.com)

0% chance
of losing
money for
holding
period of
20 years or
more!

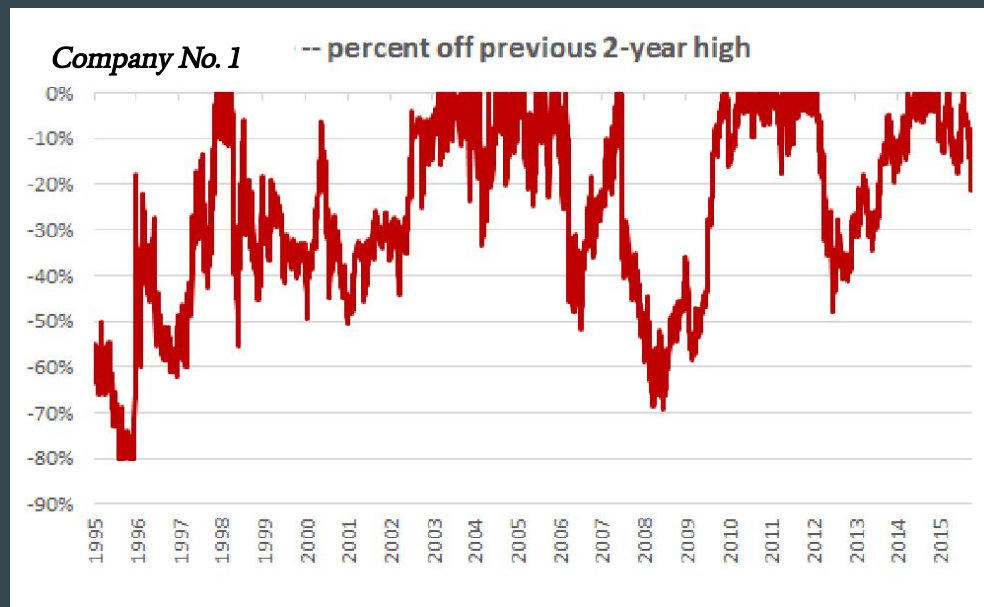
“Belief” No.5: Stocks are so risky because they move up and down so much!

- Two companies - which will do better?

“Belief” No.5: Stocks are so risky because they move up and down so much!

Company No.1

- From 1995 to 2005, fallen by >50% four times & fallen by >66% twice

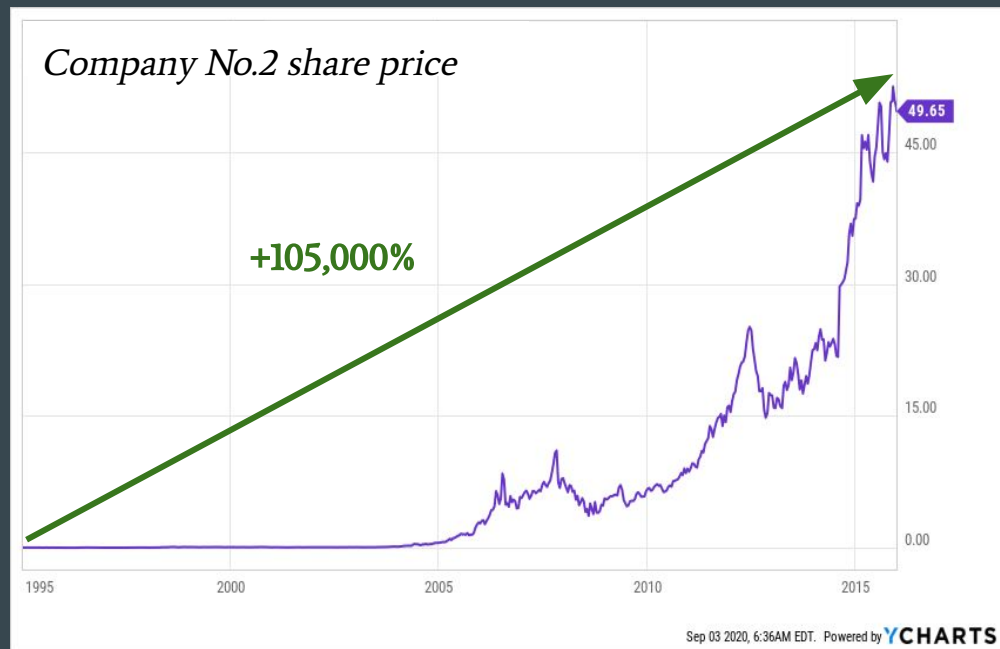


Source: Morgan Housel at fool.com

“Belief” No.5: Stocks are so risky because they move up and down so much!

Company No.2

- From 1995 to 2005, share price up 105,000%!



“Belief” No.5: Stocks are so risky because they move up and down so much!

- **Company No.1** - Big declines in share price; from 1995 to 2015, fallen by >50% four times & fallen by >66% twice
- **Company No.2** - Up by 105,000% from 1995 to 2015
- Company No.1 and Company No.2 ***are the same!*** They are **Monster Beverage**

“Belief” No.6: I just need to find a world class fund manager

CGM Focus Fund Return
Nov 1999 - Nov 2009

+18.2% per year

CGM Focus Fund *Investors'* Return
Nov 1999 - Nov 2009

-11% per year

- CGM Focus Fund investors rushed into the fund when it was doing well, but sold when it fell temporarily → The investors bought high and sold low

“Belief” No.6: I just need to find a world class fund manager

Peter Lynch, Fidelity Magellan Fund
1977 - 1990

+29% per year

Fidelity Magellan Fund's *Investors*
1977 - 1990

+7% per year

Conclusion

The stock market is a wonderful wealth-creation machine for investors who are able to invest for the long run in a diversified manner, both geographically and across industries!



Disclosure

- My fund owns shares in Amazon, Apple, Facebook, and Microsoft
- My contact: sj.chong@galileeinvestment.com
- Websites
 - Blog: *The Good Investors*, thegoodinvestors.sg
 - Fund: Compounder Fund, compounderfund.com

Thank You!