26 Investing Hacks for Small Retail Investors

Learn about the golden nuggets of investment
to build your million-dollar portfolio

James Yeo

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About SmallCapAsia

I founded SmallCapAsia in Dec 2016 with the idea that even small retail investors can…

Start Small and Win Big!

Yes, our over-arching goal is to have you invest your small pockets of money and eventually have them balloon into hoards of cash in the long run – so that you can retire comfortably without having to worry for another day.

And more about myself below…

I am an avid value-growth investor since 2007 and has chalked up more than 10 years of experience with a decent track record.

Despite starting my investing journey early, I had no idea what I was doing and made countless mistakes along the way.

My turning point came when I joined the now-defunct Motley Fool Singapore (fool.sg) as a writer and joined a group of like-minded investors. It was also during that time where I learnt the great works of successful investors such as Warren Buffett, Peter Lynch, Sir John Templeton, and more.

I am also excited to share that I have culminated and attained the several accomplishments:

- SGX Academy Speaker
- Skillsfuture-approved Trainer
- IBF-accredited Trainer

So stay tuned for more webinars and workshops where you may see me in action xD

On a personal basis, when I'm not busy with analysing quarterly reports and working on my biz ventures, I can be found chilling out with my family in the malls but always on a lookout for new investment opportunities. Feel free to say "hi!" if you can recognize me…

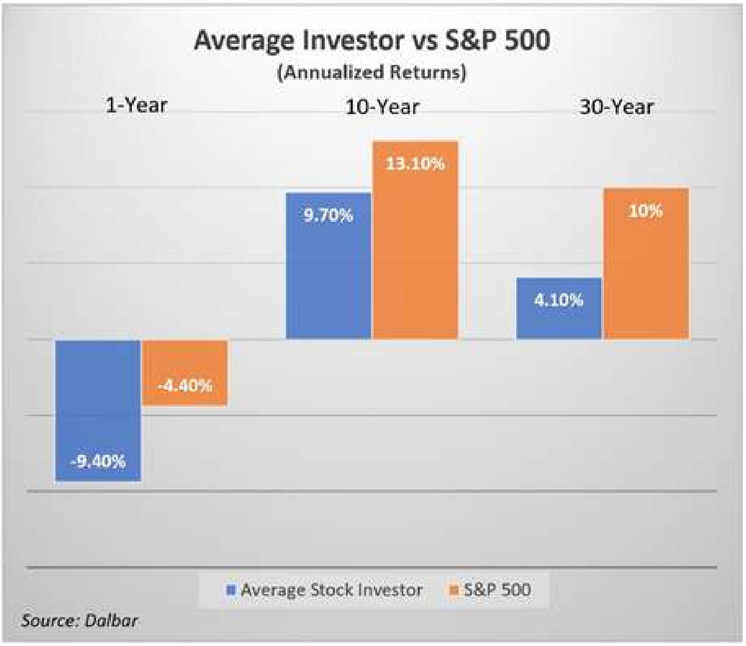
Lastly, if you want to follow my works, check out my Patreon page for free *here* and subscribe to my Youtube channel *here*.

With that, lets dive into the 26 investing hacks for small retail investors like you and me!

Intro: Why the odds are stacked against YOU

Investing is simple – you just need to sign up for a trading account, click buy and you're done!

However, it is not as easy as it seems because research has shown that the **average investor underperformed the markets**.



A study by DALBAR found that the average individual investor averaged a 4.1% annual return over a 30-year period in which the S&P 500 averaged 10% returns annually.

A similar study by Morningstar found that individual investors averaged a 6.1% return over a 10-year stretch, while passive mutual funds averaged 7% returns over the same period.

That being said, successful investing can be attained if you look at investment legends like Warren Buffett, Peter Lynch and even John Templeton.

It boils down to some golden rules – like investing in what you understand, diversifying your portfolio and more.

This guide serves to provide some bite-sized investment nuggets from my own investing experience that are easy for even novice investors to understand.

As time passes, you can even build up your own investing guidelines and toolkit of ideas that have and will continue to serve you well.

To your investing success
James Yeo~

1. Forum's Due diligence

Bulletin boards are a great place to get the background story on a company. Quite often people discussing stocks will have a good knowledge of what the real story is behind a company. Whether's it's a crazy discussion about a risky stock or a boring one, a lot of detail and history will be on display.

Merely reading a discussion that has taken place over a number of years will give a good flavour of what is going on behind the headlines. This can be invaluable when you are sizing up a share for its inner personality.

2. Know the general market trend

The most common question asked is "whether the stock or market is going up or down?"

A bull or a bear market is when the tendency for that market is in a general upwards or downwards direction over an extended period of time i.e. next 5 mins, 5 days or 5 years.

A long-term bull market will be peppered with many short-term bear phases.

As such, you need to look at your investment time horizon. If you are investing for 3 years, you't care about a 2-month bear phase. If you are trading a stock for a week, you most certainly would. Match your view of market direction with your investment horizon.

Personally, I was happy to sit through any big correction without too much bitterness because my time horizon is in the decades.

If you can't identify the trend of your investment time horizon, don't get involved. Trading or investing without a view backed by knowledge is random behaviour and the costs of doing so will consume all your money over time.

3. Buying a bear, buying a crash

A crash is an amazing event in any market. Fortunes are made and lost. When markets crash, companies have been around forever will be crushed alongside all those bubble, trendy stocks that imploded.

It is often inside a crash where the winners and losers are separated. Hence, the fear creates a superb opportunity to pick up good stocks cheap.

Don’t listen to the media for tips because they will just be prophesying the end of the financial world.

Simply focus on the balance sheet of the companies you are interested in and grab the ones beaten down but with solid assets and business.

When the panic is over, they will come good, while the weak companies go under.

4. Get to know your company

Renowned fund manager and author Peter Lynch once said ‘Behind every stock, there is a company. Find out what it’s doing’.

If the price of a stock is rising, it becomes a good company to buy. When the price is falling, the same stock becomes a bad investment.

Very few put in the effort to find out what the company is really doing.

What is its business? Who runs the business?

Even fewer people dig in deeper to read annual reports and study the company in greater detail.

As an investor, unless you understand the underlying business of a company, you will not be able to hold its stock when the price is falling.

You could end up selling a great company out of fear – even though its price will recover in the future and give you great returns in the years to come.

The ability to hold a good company even when its stock price is falling or undergoing a time correction – will play a crucial role in you becoming a successful investor.

In the long run, the stock price will go up only if the business of the company does well.

5. Understand your own circle of competence

The concept of the Circle of Competence has been used over the years by Warren Buffett as a way to focus investors on only operating in areas they knew best. The bones of the concept appear in his 1996 Shareholder Letter:

What an investor needs is the ability to correctly evaluate selected businesses. Note that word "selected": You don't have to be an expert on every company, or even many. You only have to be able to evaluate companies within your circle of competence. The size of that circle is not very important; knowing its boundaries, however, is vital.

Circle of Competence is simple: Each of us, through experience or study, has built up useful knowledge on certain areas of the world.

For example, a doctor would be familiar with healthcare stocks and medical supply stocks such as **Raffles Medical Group**.

On the another hand, a cybersecurity analyst have the expertise within the cyber-security space which include stocks like **CrowdStrike, Palo Alto** and more.

As Buffett so eloquently put it, we do not necessarily need to venture out of our 'comfortable zones' to invest our capital.

Its far more important is to honestly define what we do know and stick to those areas.

Our circle of competence can be widened, but only slowly and over time. Mistakes are most often made when straying from this discipline.

6. The Market is Forward-Looking

Many beginner investors are always confused about the fact that a particular company's stock rises when bad news are released i.e. quarterly earnings.

This is because the market is forward looking as most investors have a one-year horizon for their investments.

In the market, short-term horizons make for uncertainty; long-term horizons are much more predictable. The trouble is that most people hate the idea of getting rich slowly.

This is a big mistake because far more money has been lost by people trying to get rich quickly rather than the other way round.

7. Keep an Eye for Taxi Ads

Unlike publicity, all advertising is not good advertising. Taxi ads are as bad an investment omen as you can get.

For some reason, companies doomed to failure love to advertise on and in taxis. This may be because companies with a lot of money end up shovelling it indiscriminately in all directions and the taxi livery and seat ads are a final resort in this carpet-bombing approach.

Of the army of dotcom busts, few seemed able to resist the taxi. Even today, new brands come and go, appearing flettingly on the scuffed plastic of the inside of a cabbie's door before disappearing again.

8. Bail out from Accounting Irregularities

A clear signal to bail is an accounting irregularity. Companies that can't get their books straight are not to be trusted.

It will often open a can of worms and a prelude to complete collapse.

Either way, a company that can't control its bookkeeping is unlikely to be able to control its business model well. As such, stay far away from companies with accounting irregularities.

9. Diversity is Strength

If you do not have a diversified portfolio, chances are you will lose your shirt.

You probably have heard of the incident where many crypto enthusiasts stash their entire hard-earned savings in **Terra LUNA** ecosystem and got decimated when Terra went belly up.

While there is no definite number of stocks to own for good diversification, research has shown that 20 – 30 stocks is the target to aim for.

Diversifying should mean spreading yourself across a broad range of sectors too. There is no point holding 30 different IT stocks when they will all drop like grapes amid an industry-led selldown or macro economic shift i.e. **Zoom Video, Fiverr, Meta Platforms** etc.

10. Pick up Tips from the Kids

As mature adults of the world, we are far too busy to spend time searching out the latest trend in order to ride on the stock boom.

On the flip side, kids being kids, they are always onto the latest thing first.

Hence, picking up the things kids are attracted to is probably a golden opportunity to get in early on the trend.

This might sound implausible… Our moms and pops would be smiling to the banks if they have followed our cues and invest in **Alphabet (Google)** or **Apple** stocks back then.

Its easy to figure out what kids these days want too – think Entertainment/Gaming companies like **Netflix, Roblox** and **Paramount Global**.

11. Invest in the Obvious

Investment managers like to call them themes. Layman investors can call them ‘obvious things happening around us’.

These examples include:

- Young people can't stop using their phones.
- Cybersecurity will get more important.
- People will live longer and longer – requiring more healthcare.
- AI will take over the world one day… kidding~

Now that you understand these indisputable trends, you should back it in your portfolio.

The good part is that what is blindingly obvious to you will be opaque to others and vice versa.

Hence, it can be rewarding to invest in obvious things, especially when others miss the point. You do not have to be a brilliant guy or have an opinion on every subject. Just one, now and then, can make hell lots of difference.

12. Don't go against the lords

Business people are tough and smart but they often get "eaten alive" in the realm of politics and government.

Politicians wipe out whole industries, lock people in jail, go to war…

One classic example would be Jack Ma, the renowned Alibaba founder who went all quiet after the Chinese government took damage at his speech where he criticized "outdated supervision" of financial regulation for stifling innovation and said its global banking rules were like an "old people's club."

Other examples include how the top leaders like Donald Trump/Vladimir Putin affected the whole world simply by their shift in policies.

Long story short, this is why you should listen to the government and trade what they are going big on – e.g. climate change, semiconductors and more. What they say ultimately will garner the hefty monetary and political support.

13. Take advantage of Stock Screeners

Once you have a few financial criteria, you can put them into a stock screener.

This is a very efficient way to get a list of ‘qualified’ candidates onto your radar. Only when you have a refined universe of companies, then you can stake them out and watch their stories develop.

It makes your life easier to play about with the parameters and move them around to see which one fits, or you can simply tune in to different groups using different values.

Beats reading all the annual reports like Warren Buffett isn’t it?!

14. PEG unleashed

The very common P/E ratio is a rather old measure of cheapness or otherwise. You can take one notch higher with PEG - a turbo-charged P/E that takes into account a company’s future growth prospects.

The PEG ratio (stands for Price/Earnings to Growth) can provide a more complete picture of whether a stock is overvalued or undervalued.

For example, Fast Co. has a high P/E ratio of 30x and Slow Co. has a very low PE ratio of only 6x times, which may cause investors to think it’s cheap.

However, when you incorporate Fast Co. and Slow Co. earnings growth of 50% and 2% respectively, the PEG ratios of 0.6x and 3x show that Fast Co. may actually be “cheaper” than Slow Co given its increasing EPS.

15. Dividends don’t lie but there’s a catch.

Dividends are great and the cheques that come through the letter box always put a smile on every investor’s face.

Dividends are living proof that a company has at least the resources to cough up cash to its owners. This might seem like a trivial thing but it is actually a strong indication of a good business.

On the flip side, big companies paying you over 5% in dividend yield probably mean that they are not able to grow as fast and choose to return back the cash to shareholders instead.

Hence, a company which can plough back cash into growth should work out much better for shareholders in the long run.

Just look at Berkshire Hathaway, they don't pay any dividends and have grown the company into US$600+ billion juggernaut with many minions under it over the decades.

16. Don't forget your 'Old Friends'

When you take profits (or losses) in a company and sell all your shares, there is a chance that the share price may shoot up and it will be painful to watch.

That said, don't stop following the company. The reason why you should continue to watch it is because you have invested a lot of your time and effort in learning the facts of this business. That means you probably know more about this company than 99% of the universe.

Hence, by keeping a low level interest in your ‘old flames/friends’, you may occasionally have an opportunity staring at you in your face.

This is a particularly good technique during market crashes. By having a data bank of old investments, you can pick up gems with a lot more confidence. You already know the horse you are going to ride and this lowers the risk of buying in at the riskiest of times.

17. Don’t buy the gold mine, buy the spade maker

In many booms, it seems that everyone wants to buy into a popular trend. Consequently, prices are already high and profits are slim.

This is what happened during the California Gold Rush, where many people went to dig for gold but the ones that got the easy money are those that sold buckets and spades near the mines.

In this era of data boom, the companies that sold databases, server space and cyber security such as Amazon, Azure, CrowdStrike are those benefitting on the side line.

This probably works for any boom, craze or mania – don’t buy the sizzle, buy the steak.

18. Get rich slow

Imagine this: If you make 1% a day for 4 years, you can turn $1,000 into a billion dollars (O_O).

This is proof that you can’t get rich quick.

To make higher returns, you need to take higher risks and at some point, the risk of failure will turn into certainty.

If you are an excellent investor/trader, a good annual returns threshold probably sits somewhere between 15-30%. It is already fantastic given that the markets average 10% a year.

Based on the rule of 72, you will double your money in 5 years if you can achieve a compounded returns of 15% every single year. Have enough doubles and you are going to be a millionaire sooner than you think!

19. Browse and research

With tens of thousands of stocks in U.S., Hong Kong and Singapore, you simply cannot know all the stocks and hope to get your head around everything that is happening.

And you also don't want to do this research at random which will lead to analysis paralysis.

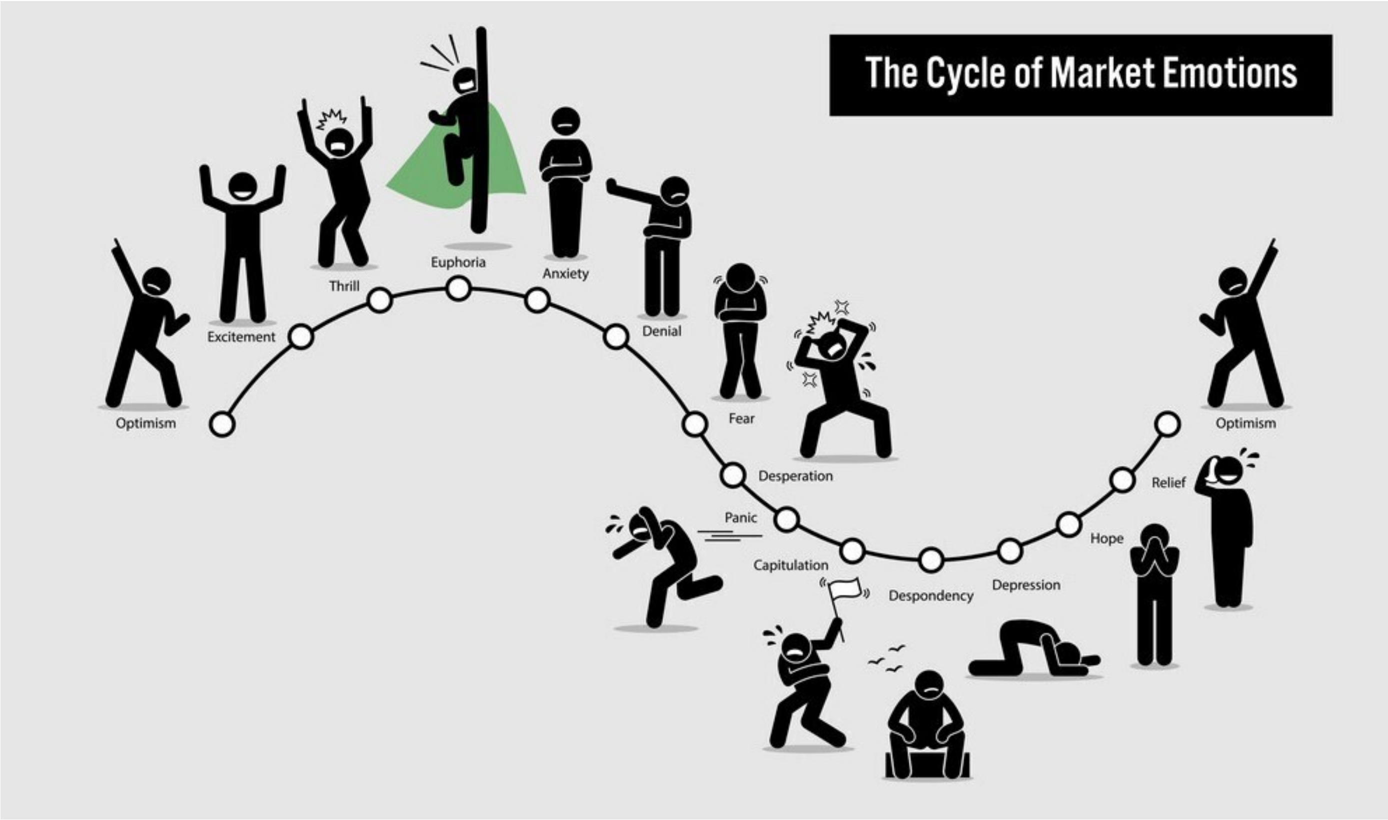
Hence, go for a financial platform that you prefer and do your due diligence on the companies in your watchlist.

This is a good starting point so that you understand your portfolio holdings better as opposed to listening to others for stock tips and not knowing what to do when things go awry.

20. History will repeat itself

Take a step back and envision all of the stock market's participants.

Yes, the stock market is simply a reflection of the demand (buyers) and supply (sellers). When people are greedy, they push up the stock markets and vice versa.



This is why history will repeat itself – because of people's emotions and not because of any macro-economic event like Ukraine war or Covid-19.

We have had many booms and busts over the past century and it will continue to happen.

21. Focus on long-term growth

An excellent company banks on growth, growth and more growth. What could be better than buying a stock like Microsoft or Apple and watch it mushroom over the past 10-20 years?

This is how Warren Buffett made his vast fortune. He bought well-run companies that could grow over the long term, then sat back and left them to make him rich.

Obviously, we all like to be like Warren Buffett but most people can't abide to the boredom of a simple 'buy-and-hold' approach.

Don't let getting rich in your sleep put you off.

23. Align with the Insiders

Directors' buying is a classic tip off that a company is cheap. Directors obviously know a thing or two about their business and even stuff that no one else can possibly know.

So when they buy their own stock, the chances are good that the company is worth a second look.

Contrary to popular belief, not all company directors are stinking rich. Like most people, if they earn a big annual pay-check of $1 million and put in an equal amount into buying the shares, this is significant at least for them.

However, this idea is not novel and some directors may try to snap up some shares and 'promote' market activity.

The thing to do is to look back at past transactions and see if they are regularly buying shares or just recently started to do so because of a dip in share price or some positive news event.

24. Sound the alarm on Profit Warnings

Companies typically try to avoid announcing profit warnings as their share price will get badly hammered every time they release one.

Profit warnings are also said to be like buses: if you see a profit warning, two or three are liable to be close behind.

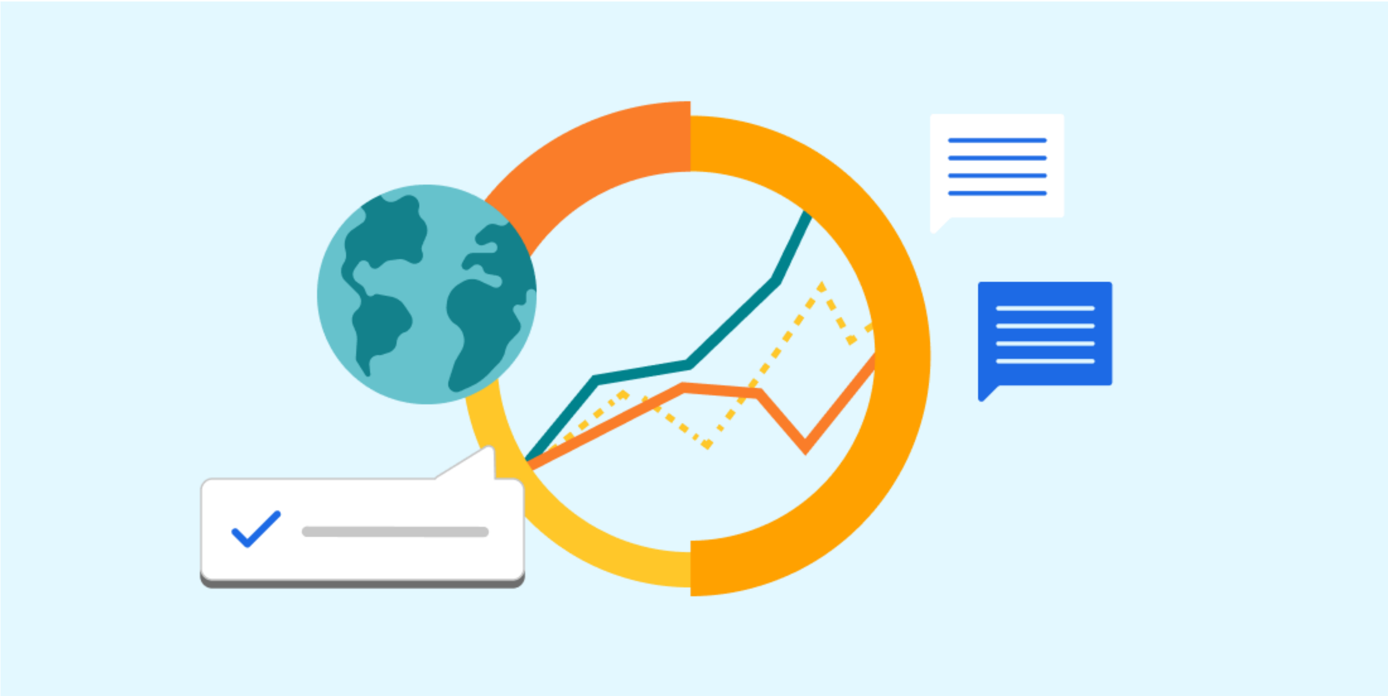
The thing to watch for is a lack of clarity in the first warning. If it isn't forthright and doesn't say, "This is definitely all you need to know, there is no further bad news" but instead says: "The management is evaluating developments", more bad news are likely to follow suit.

A profit warning, especially for a business with lots of debt, can be the beginning of the end. Pay close attention when it happens.

25. Re-examine your portfolio

If you are investing for a long time, you would have lots of stocks in your portfolio – some doing great and some aren't.

Take a look at the losers and re-evaluate: is the reason/thesis I bought in still good? How does this stock look now? If it has fallen sharply yet still fits your initial thesis, consider averaging down.



Its important to re-examine your portfolio maybe once a year to decide if you want to plough in more money or sell out those that have no place in your criteria.

Another thing to keep in mind is to keep your portfolio diversified and play the long winning game.

26. An investment in knowledge pays the best interest

The last investing hack here is more of a general lifestyle hack.

According to Inc.com, Buffett said, "Invest in as much of yourself as you can. You are your own biggest asset by far."

"Anything you do to improve your own talents and make yourself more valuable will get paid off in terms of appropriate real purchasing power."

Those returns are big, too. "Anything you invest in yourself, you get back tenfold," Buffett said. And unlike other assets and investments, "nobody can tax it away; they can't steal it from you."

Last but not least, when you're aiming to reach the top of the mountain, it's usually wise to closely follow the footprints of those who have successfully made the climb before you.

Your odds of (investing) success can increase exponentially if you learn from their mistakes and apply what has worked for them.