



The Observer

11.08.2023

❖ Investing vs Trading

One of the critical questions to ponder when we embark on our investing journey is the strategy to adopt, whether investing or trading, to enable us to fully reap the financial gain.

There is no hard and fast rule as to which strategy to adopt. It is possible to profit from either one of the strategies or a combination of both if it fits the investing goals, risk appetite, experience and time horizon.

Investors need to understand what investment and trading strategies are, and hopefully, it will guide investors to choose the suitable investment strategy for their investment journey for financial gain.

Investing and trading are two different methods of attempting to profit in the financial markets. Both investors and traders seek profits through market participation. Investors generally seek more significant returns over an extended period through buying and holding. Traders, by contrast, take advantage of both rising and falling markets to enter and exit positions over a shorter time frame, taking smaller, more frequent profits.

What is investing?

The ultimate objective of investing is to build wealth gradually over an extended period. This is done by buying, selling and holding a portfolio of one or more asset classes, including stocks, mutual funds, bonds, exchange-traded funds (ETFs), and other investment instruments.

Investing normally has a longer time horizon, typically more than a year. Investments are often held for a few years or even decades, taking advantage of compounding interest, dividend distribution, and stock splits. While markets inevitably fluctuate, investors typically ride out the downtrends with the expectation that prices will rebound and any losses eventually will be recovered, if they invest in quality assets.

Generally, investors are more concerned with business fundamentals. They are concerned with the business and industry outlooks. They look at the profit and loss statement, balance sheet, and cashflow statement. They analyse the price-to-earnings ratios and other financial metrics to determine the valuation of a stock.

Investors generally tend to take one of two types of investment approaches below:

- **Active investing:** Investors who take an active investing approach tend to monitor the markets on a regular basis and make changes accordingly. Active investors generally seek out investments that try to mimic or outperform the returns of a specific benchmark index.
- **Passive investing:** Passive investors follow a buy-and-hold strategy. They usually spend minimal effort to monitor the markets. on a daily or even regular basis.

What is trading?

Trading involves frequently buying and selling stocks, commodities, currencies, or other instruments. The goal of trading is to generate returns that outperform buy-and-hold investing.

Traders take advantage of price changes by buying at a lower price and selling at a higher price within a relatively short time frame. They use technical analysis tools like moving averages and stochastic oscillators to find high-probability trading setups.

Traders typically hold onto their investments for short time frames, to as little as a few minutes. This short-term approach sets traders apart from investors who are in for the long haul.

Trading requires a great deal of time and effort, constantly monitoring the market, understanding the markets, and researching. Many traders are experienced and have a greater sense of how the markets work.

Traders generally fall into the four categories below:

- **Position Trader:** Positions are held from months to years.
- **Swing Trader:** Positions are held from days to weeks.
- **Day Trader:** Positions are held throughout the day only with no overnight positions.
- **Scalp Trader:** Positions are held for seconds to minutes with no overnight positions.

Which is more profitable, investing or trading?

There is no easy answer to this question, mainly because it is subject to one's risk appetite and tolerance level.

Trading suits individuals who have a good grasp of the markets and how they work. Generally, traders are also more risk-tolerant, so they may not be easily intimidated by the ups and downs in the market. Meanwhile, people who are more risk-averse and want to preserve their capital do better with investing.

Is trading tougher than investing?

Trading is generally more complex than investing. That is because trading requires consistent monitoring of the markets and a deeper understanding of how assets and markets work.

Traders tend to buy and sell regularly. They may dip their hands into more straightforward instruments like stocks and bonds or complicated ones like futures and swaps. Unlike many investors, traders must strictly keep their emotions at bay. This can be difficult as significant losses can be hard to swallow.

The table below summarises the key differences between investing and trading.

	Investing	Trading
Holding period	Medium to long term	Short
Trading frequency	Low	High
Portfolio diversification	Yes	No
Time required to manage	Low to medium	High
Importance of fundamental analysis	High	Low
Importance of technical analysis	Low	High
Use of leverage	No	Yes
Buy-and-hold	Yes	No

Both investing and trading come with the possibility of risk and reward. After all, there are no guarantees in life, including the markets. Although the degree varies, every asset has the potential for loss the same way they promise big gains.

In summary, trading involves **‘timing the market,’** whereas investing is all about **‘time in the market.’**

Lee Chee Meng
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MSWG AGM/EGM Weekly Watch 14 – 18 August 2023

For this week, the following are the AGMs/EGMs of companies in the Minority Shareholders Watch Group’s (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG’s website at www.mswg.org.my.

Date & Time	Company	Quick-take
14.08.23 (Mon) 02.30 pm	Maxis Berhad (EGM)	Maxis will seek shareholders’ approval for the proposed execution of the finalised Access Agreement between Digital Nasional Berhad (DNB) as an Access Provider and Maxis Broadband Sdn. Bhd. (Maxis Broadband), a wholly-owned subsidiary of Maxis Berhad, as an Access Seeker for Maxis Broadband to subscribe for 5G products and services provided on a wholesale basis by DNB, including the National 5G Wholesale Network Product.
16.08.23 (Wed) 11.00 am	Eduspec Holdings Berhad (AGM)	The Group’s revenue increased marginally to RM8.94 million (FYE2022:

		RM8.75 million) thanks to the increase in Program income arising from progressive school resumption. However, it continued to be loss-making, reporting a net loss of RM1.26 million (FYE2022: LAT RM13.27 million). The Board will continue with its efforts to sustain and improve the performance of the Group by focusing on its strength and improving on the quality of its offerings to schools.
18.08.23 (Fri) 10.00 am	ELK-Desa Resources Berhad (AGM)	<p>ELK-Desa recorded its best financial performance ever in FY2023 with a 20% increase in revenue to RM155.24 million compared to RM128.89 million last year.</p> <p>Meanwhile, its net profit increased by 85% to RM47.74 million compared to RM25.77 million a year ago.</p> <p>This improved performance was due to higher contributions from both the Group's hire purchase financing and furniture divisions.</p>

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Eduspec Holdings Berhad (AGM)	<p>The Group continued to be loss-making and reported a loss after tax of RM1.26 million (FYE2022: LAT RM13.27 million) (page 65 of AR2023). Dato' Sri Gan Chow Tee was appointed to the Board on 19 May 2023 as the new Chief Executive Officer/Executive Director and he is also the substantial shareholder of the Company, together with four other new directors following the resignation of the former CEO and three other directors (page 2 of AR2023).</p> <p>With the emergence of a new substantial shareholder, new CEO and the Board comprising majority new directors, coupled with the disposal of 65% equity interest of 5T3M Sdn Bhd, are there new strategies to turnaround the business? What is the plan to bring the Group back to profitability?</p>
ELK-Desa Resources Berhad (AGM)	<p>The Consumer Credit Oversight Board Task Force (CCOB) is drafting the Consumer Credit Act (CCA) which is targeted for tabling to Parliament and to be enacted in the fourth quarter of 2023.</p> <p>Under the CCA, non-bank HP companies would eventually come under the regulatory ambit of CCOB with the corresponding transfer of regulatory powers from the Ministry of Trade and Consumer Affairs to CCOB.</p> <p>Thus far, the Task Force has issued a two-part consultation paper to the CCA to obtain feedback from interested parties and members of the public on the proposed enactment of the CCA.</p>

	<p>The CCA Consultation Paper Part 2 entailed the revamp of the existing hire purchase financing framework by:</p> <ul style="list-style-type: none"> - Prohibiting flat rate and Rule 78 under the Hire Purchase Act 1967 - Disclosing effective interest rate (EIR) at the pre-contractual stage and at a rate of not exceeding 17% per annum. - Enabling the adoption of new technologies by accepting digital signatures and electronic signatures <p>a) What are the expected impact on ELK-Desa should these suggestions be incorporated in CCA?</p> <p>b) What feedback did ELK-Desa provide to CCOB regarding the proposed enactment?</p>
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DISCLOSURE OF INTERESTS

• With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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