Address of the Hon. Minister of Financial Services, Good Governance and Institutional Reforms

Award ceremony for sem young investor competition 2017

Octave Wiehe Auditorium, Reduit
16th August 2017

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Mr. Harvesh Seegolam, Chief Executive, Financial Services Commission

Mr. Kevin Rangasami, Chairman, Stock Exchange of Mauritius

Mr. Sunil Benimadhu, CEO, Stock Exchange of Mauritius

Mr. Gilbert Gnany, Group Chief Strategy Officer and Board Adviser, MCB Group Ltd

Mr. Bertrand Casteres, CEO, Mauritius Union Group

Mr. Imrith Ramtohul, Senior Investment Consultant, AON Hewitt Ltd

Mr. Nousher Sait, Chairman, CFA Society Mauritius

Representatives of secondary institutions and students

Distinguished Guests,

Ladies and Gentlemen

Good Afternoon!

I am very honoured to be in your midst today for this 25th edition of the SEM young investor award ceremony. It is with much pleasure that I am taking note of the efforts of the Stock
Exchange of Mauritius to contribute effectively in financial literacy which is in line with the government’s policy. The government is promoting the financial services sector to become one, if not the most important pillar of the economy in the coming decade. This sector is expected to contribute 15% of the GDP by 2019. Such target cannot be achieved without a robust financial and clear governance strategy. The contribution of the Stock Exchange of Mauritius to this strategy is most valuable. Taking advantage of the high level of youth literacy in Mauritius, the SEM has given college students the opportunity to go beyond classes and learn in practice about investing and experiencing trading as an investor on the stock exchange.

The SEM young Investor Award which was launched in 1993 has increased in popularity over the years where more than 1,000 students coming from 104 colleges across the country showed interest in this year’s competition.

Such competition inculcates an investment culture among college students which correlates with the government’s ambition of creating a “nation d’investisseurs”. This programme helps to develop the investment skills of the participants by giving them an opportunity to understand the operational aspects of the stock market and experience how to invest in the real-life environment. This extracurricular activity also helps to trigger the interest of college students in the financial sector and prompt them to pursue higher studies and professional careers in this growing sector of the economy.
The competition which spread over a period of three months helped to reveal the hidden talents of our potential young investors. During that period, the All-Share index SEMDEX increased by 186.94 points and the Total Return Index SEMTRI increased by 710.31 points, implying a price return of 9.66% and a total return of 10.50% respectively. I am delighted to note that a number of teams outperformed the main stock market indices during that period. 93 teams, representing approximately 45% of participants, outperformed the All-Share Index SEMDEX, while 68 teams, representing approximately 33% of participants, outperformed the Total Return Index SEMTRI. The best team realised an attractive overall portfolio performance of 22.15% over that 3-month period. These results prove that the young generation has the potential and talent of successful investors and may be that the next Warren Buffet is a Mauritian teenager.

Professionals would argue that investing on the stock exchange is not a game. It is a full time job for many people in other countries and this could also be the case in Mauritius in the coming years. Mauritians have always favoured the traditional methods of investing their savings in banks, deposits and valuable assets. With the negligible interests actually being paid by banks on savings, the stock exchange can become an alternative for better returns on investments.

This competition has provided you the opportunity to share your knowledge and work as a team which are essential elements for professional success. I also have in mind the dot com era of the 1990’s which saw the emergence of so many anonymous people who are now
domestic names. There is possibility for a bright Mauritian brain to come up with a similar success. Just think at what age did Bill gates, Mark Zuckerberg or Richard Branson, just to mention a few, made their first million. They focused on the needs and expectations of the young and future generation. They worked on these and commercialised them successfully.

Everything is about visibility and networking. Expertise is not visible and it depends on you to make it visible and this is done through writing, speaking and networking. This “learning by doing” method of studying specific activities could be an important starting point. It is worth mentioning other innovative programs which should be of interests to you like the Model United Nations sponsored by the Ministry of Education and the now popular Young Talent Competition launched by the Financial Services Commission in December 2011. It is good to mention that many past winners did not come from the so-called star colleges, which implies that individual talents are hidden in you and they have to be exposed.

Today’s society is evolving very rapidly and in some cases in the wrong direction. Adults should realise that they are actually living in their children’s world, but to be happy they need to have their trust. Students should be very careful with their acquaintances. You should bear in mind that honesty is a very expensive gift and you cannot expect it from cheap people. It is therefore better to be acquainted with people who are better than you and who can drift you in that direction. You should keep control of your life and never let others set your life agenda. Warren Buffet stated that it takes many years to build a reputation but it takes only five minutes to ruin everything. Think about what your parents
and grand-parents have gone through to enable you to have everything you have today. They planted a tree a long time back to enable you to sit in the shade. You need to honour their efforts.

Finally i would like to draw your attention to a very important element which is the **Difference between speculating and investing**

The main difference between **speculating** and investing is the amount of risk undertaken in the trade. Typically, high-risk trades that are almost akin to gambling fall under the umbrella of speculation, whereas lower-risk investments based on fundamentals and analysis fall into the category of investing.

Investors seek to generate a satisfactory return on their capital by taking on an average or below-average amount of risk. On the other hand, speculators are seeking to make abnormally high returns from bets that can go one way or the other. It should be noted that speculation is not exactly like gambling because speculators do try to make an educated decision on the direction of the trade, but the risk inherent in the trade tends to be significantly above average.

Have you ever wished you were an investment whiz kid like Warren Buffett, Peter Lynch or George Soros?
I mentioned Warren Buffet earlier. He is an incredibly successful investor. He started with $100 and turned it into $30Billion. But this was not done overnight. He built his wealth long-term. He must have fallen many times like most of the successful investors but he never gave up. He believed and loved what he was doing. However you should always bear in mind that you should lend only what you can afford to lose. Whenever you take any decision, always think of outcome and consequences and the level of risk you are prepared to take. This will also help you to find ways to mitigate any risk you are taking.

Buffett often speaks to business school students, and when he does he sometimes gives them the following thought experiment. Imagine that you can invest in one of your classmates, and be entitled to 10% of their future earnings. Who would you choose? What are the characteristics that person would possess? He says that most people wouldn't simply choose the student with the highest IQ. There's often a big difference between potential and actual. They'd be more likely to choose someone not satisfied with mediocrity, someone who is driven to excel. They would probably also have a lot of other positive characteristics, like generosity, integrity, and sociability. The point of the exercise is to show the students that the skills they'd be looking for aren't innate for some people and not others, but are skills that anyone cultivate. Everyone has the potential to be the person worth investing in.

As for the other great investor, George Soros will always be remembered as "the man who broke the Bank of England." A well-known currency speculator, Soros does not limit his efforts in seeking opportunities. In September of 1992, he borrowed billions of dollars worth of British pounds and converted them to German marks.
When the pound crashed, Soros repaid his lenders based on the new, lower value of the pound, pocketing in excess of $1 billion in the difference between the value of the pound and the value of the mark during a single day’s trading. He made nearly $2 billion in total after unwinding his position.

Ladies and Gentlemen

As a concluding note, allow me to quote this incredible investor, Warren Buffet:

“The two rules of investing: Rule one -- never lose money. Rule two -- never forget rule one.” -- Warren Buffett

Be persistent

“When everything seems to be going against you, remember that the airplane takes off against the wind, not with it.” -- Henry Ford

I thank you for your attention.