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Insight

In Good Company; In Good Company: Ace investor Tan Chin Hwee can't resist pull of mentoring

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Trafigura boss credits mentors for his success and is passionate about passing lessons on

You sit down to talk business with a champion investor like Mr Tan Chin Hwee and before you know it, he has guided the conversation to his favourite topic, mentoring.

It is a huge passion with the Hwa Chong and Nanyang Technological University (NTU) graduate, who cannot speak five sentences without mentioning either the breaks he has received thanks to a caring mentor, or the dozens of youngsters currently rising in the world of business who have come under his benign watch.

If your life's journey began in a one-room apartment in Toa Payoh's Lorong 6, and you went on to become a millionaire in your 30s and hit the apex of the investing world by the time you were 40, you would have reason to feel a bit dizzy at the pace. Yet, if the soft, measured pace at which he speaks is any indication, Mr Tan is not at all breathless from the ride.

When I met him on a Monday morning, his excitement was about a bunch of youngsters he had just breakfasted with, and a teacher he had encouraged to make the attempt to climb Mount Everest.

Mr Tan, 46, is chief executive officer-Asia Pacific of Trafigura Group, one of the world's largest companies in the business of trading physical commodities such as oil, metals and minerals. Set up in 2003 as a European conglomerate, it is now co-headquartered in Singapore. In the six months to May, it reported profits of US\$1.23 billion (S\$1.7 billion) on turnover of US\$67 billion. While that's on a non-annualised basis, it makes Trafigura possibly Singapore's largest company by revenue.

Since his appointment in January last year, Asia's contribution to the balance sheet has jumped from 30 per cent of overall sales to 40 per cent, which translates to an extra US\$10 billion.

Mr Tan Chin Hwee's life journey began in a one-room apartment in Toa Payoh. He went on to become a millionaire in his 30s and hit the apex of the investing world by the time he was 40. He doesn't pass up a chance to talk about the breaks he has received thanks to a caring mentor, or the dozens of youngsters currently rising in the world of business who have come under his watch. ST PHOTO: JAMIE KOH

That frenetic pace does not look likely to ebb any time soon. Trafigura recently bought 32 crude oil and product tankers. The order, worth a potential US\$1.35 billion, had Asian shipping markets buzzing.

But Mr Tan shrugs it off. "The business runs by itself. I have very capable colleagues," he says, eyes sweeping over the sea off Marina Bay. "If you really want to know what I am proud of, it is to have changed the mindset. Part of that was managing to change all the water here from Evian to Minds water."

Minds is the Movement for the Intellectually Disabled of Singapore. Minds Water is a social enterprise project that supplies bottled water for offices, exhibitions and other special events at competitive prices, with the profits going to the disabled.

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Fast facts

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ABOUT TAN CHIN HWEE

Mr Tan Chin Hwee, 46, has been chief executive officer- Asia Pacific of Trafigura Group since January last year.

He graduated with an accountancy degree from the Nanyang Technological University (NTU) in Singapore. He holds an MBA from Yale University and completed a postgraduate course at Harvard Kennedy School of Government in 2011.

Prior to Trafigura, he founded the Asian operations of Apollo Global Management, a global alternative investor with more than US\$185 billion (S\$256 billion) in assets under management. Before that, he was a managing director at Amaranth Advisors, an American multi-strategy hedge fund.

He was voted by the Hedge Fund Journal as one of the emerging top 40 absolute return investors globally and also recognised for managing the Best Asia Credit Hedge Fund by The Asset.

He won the Distinguished Financial Industry Certified Professional (FICP) Award from the Singapore Government and the World Outstanding Young Chinese Entrepreneurs Award 2015.

Mr Tan is on the board of trustees for NTU, concurrent to his appointment to the Monetary Authority of Singapore's Finance Centre Advisory Panel, as well as on the board of Singapore Press Holdings.

He is the co-author of Asian Financial Statement Analysis: Detecting Financial Irregularities, published in April 2014.

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ABOUT TRAFIGURA

Founded in 1993, Trafigura is one of the largest commodities trading and logistics groups.

Trafigura deals in a range of raw materials (including oil and refined products, and metals and minerals) with clients.

The trading business is supported by industrial and financial assets, including 49 per cent-owned global oil products storage and distribution company Puma Energy; global terminals, warehousing and logistics operator Impala Terminals; Trafigura's Mining Group; 50 per cent-owned DT Group which specialises in logistics and trading; and Galena Asset Management.

The company is owned by over 600 of its almost 5,300 employees who work in 70 offices around the world.

Revenue, which was US\$12 billion in 2003, grew to US\$98 billion last year.

As the first Asian to hold the CEO's job at Trafigura, Mr Tan, whose rise to eminence came in the hedge fund industry, says his principal responsibility is to build an ecosystem for growth.

Staff bearing 30 nationalities work out of the Singapore office, a sea of talent that ebbs and flows. He likens it to a Nash equilibrium which, in game theory, is the stable state of a system in which no participant gains by unilaterally changing strategy if others stay fixed.

"I like to see individuality but the team has to move as a bloc," he says, adding that it is the only way to create an environment tailored to respond to swift changes in the external environment arising from the rapid march of technology and innovation.

Last year, Trafigura spent US\$270 million on information technology alone as it drove productivity across its slate of activities.

These are good times to be in Asia. With demand rising from mostly low base lines, business is booming as the Asian consumer class expands rapidly in an arc stretching from Pakistan to China, with frontier markets such as Myanmar and Vietnam in between.

In Myanmar, a Trafigura subsidiary recently opened a US\$100 million storage facility in Thilawa. In India, the world's fastest growing major energy market, it has teamed up with Russia's Rosneft and others to buy Essar Oil, which owns the country's second largest private refinery. The multibillion-dollar deal is expected to be closed in the second half of the year.

"Even with all the talk of moving to electric cars by 2030 and all that, India is an easy bet," says Mr Tan. "We are talking domestic demand of about five million barrels of oil a day. Across Asia, we are in the middle of a consumer wave, led by China."

He marvels at how his career has transformed from a world of algorithms and complex structured financial trades to one that swirls around weight and volume, and of course, some speculative trading as well. Indeed, he had been all set to quit finance - he was then at Apollo Asset Management whose Asia operations he had pioneered - to focus on philanthropy when a placement company called.

LIKE A GAME OF GO

You just have to be mindful of your limitations and where in the cycle you are. The timing comes with experience, and gut feel, not by chance.

MR TAN CHIN HWEE, on the professional investor's life.

Trafigura had an opening tailor-made for him and he was the only candidate on its list. He says he discussed the move with his family before taking the offer.

"Finally, I have come to a real company," he says from his cavernous 29th-floor office at Ocean Financial Centre in Collyer Quay. "Finance people always think too highly of themselves. Here we are engineers, ship captains... you name it."

On his first day on the job, he says, the trading floor came to him asking if he'd like to join their weekly meetings. Mr Tan, the shortest man in an office where the average male employee is significantly taller, looked up and firmly said there was no need for his presence.

"I told them 'If you have bad news and you tell me late, it is your problem'," he says. "But if you tell me early, then it is my problem to fix. I could say that with confidence because, at age 29, I was the head of credit trading at DBS Bank."

President of the Mensa Club during his student days at NTU, he says the Trafigura job requires him to draw on all his skills - economic, numeric, political and, of course, negotiation and the art of the deal. In every investment, he insists on seeing his partners directly to sense how they think, feel and operate. "I also want to know what hurts them as well, should things go wrong."

What does he tell his mentees? At Apollo he had 30 mentees at one point. Now, in Trafigura, he has tried to reach out beyond Singapore's graduate pool with an apprenticeship programme for polytechnic graduates who are, rightly or wrongly, perceived to be hungrier. The apprenticeship is for a year and the successful ones head straight to the 2 1/2-year graduate programme.

It is the mistakes you make that you learn from, he says, revealing he has kept copious notes over the past two decades, particularly where bets soured. The professional investor's life, he says, is less of a chess game than a game of Go, and the flow is key. "You just have to be mindful of your limitations and where in the cycle you are. The timing comes with experience, and gut feel, not by chance."

It is for this reason that Honda is one of the companies he admires most. The Japanese giant's motto is "knowledge has to be acquired first-hand".

Mr Tan, who has experienced four busts - the 1997 Asian flu, the dot.com bust, Sars and the global financial crisis of 2008 - admits he has had his share of errors, starting with one early in his career that sticks in his mind.

That was in 1997 when he bought commercial paper that turned out to be a dud. He was working for Keppel Corp and just 25 at the time. And it happened on his mother's birthday. It was not a large sum of money lost, but it rankled.

"I thought I had done enough by reading through the balance sheet. But there were many things that I had not thought through. I was too smart for myself," says the man who, later in life, would be named Best Asia Hedge Fund Manager by The Asset magazine. "It is a mistake made commonly enough: People just look at net earnings while the true value of a company is in the summation of cash flows."

The premature birth of his daughter in 2008 - when he was fully immersed in coping with the financial crisis - was a significant moment. As his child fought for life for two months, successfully as it turned out, it made him reassess his priorities in life, leading him to join the first of his non-profits - as audit chairman of the KKH Health Endowment Fund.

Looking back on his still-young life, Mr Tan credits a series of mentors for his success. There was Mr Frank Wong, chief operating officer at DBS and group executive Jeanette Wong, who gave him his first break on the trading floor and sent him to study at Yale on a scholarship. At Keppel, it was the veteran figure Teo Soon Hoe who served as its finance director from 1985-2011 as well as Mr Choo Chiau Beng, later CEO.

In the United States, his mentors included the legendary investor Michael Milken and his boss at Apollo Global, Mr Leon David Black. Mr Tan wears a special glow when he mentions his Yale teacher, Mr David Swensen, famous as the man whose investing skills added more than US\$20 billion to the Yale endowment fund.

The child who shared a tiny flat with his parents and two siblings now lives with his wife, Michelle, and their three children in a comfortable home off Holland Road. But the car he drives is an eight-year-old Volkswagen Jetta and there is no domestic helper in the home. It is one way he tries to keep the family grounded, true to their Chinese roots, and self-reliant.

Ms Nur Yusrina Ya'akob, the teacher he mentored, told me that for the first SG50 Everest Team, Mr Tan had taught its members how to raise funding for the expedition, including how to engage sponsors. For the second attempt too, he continued to guide the team along their journey. "He and his family still meet the team for meals and teh tarik."

What if a mentee asked what else matters in life?

"Discipline," Mr Tan responds. "I was once in a Hong Kong hotel's gym at 6am and my Global CEO Jeremy Weir was also pounding away next to me. We looked at each other and said: 'That's why we are CEOs!' If you have discipline, you always find time for everything."

Mr Tan Chin Hwee's life journey began in a one-room apartment in Toa Payoh. He went on to become a millionaire in his 30s and hit the apex of the investing world by the time he was 40. He doesn't pass up a chance to talk about the breaks he has received thanks to a caring mentor, or the dozens of youngsters currently rising in the world of business who have come under his watch.

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