

Having won the JSE/Liberty Investment Challenge three times, long-standing friends, Charles Donninger and David Talpert, share their experiences in the world of investing

INTERVIEW BY KERRY DIMMER



ILLUSTRATION MAREK HADUK

'IT'S GIVEN US THE CONFIDENCE TO MAKE INFORMED TRADING DECISIONS'

Q: HOW DID YOU COME TO ENTER THE CHALLENGE?

A: We were in Grade 10 in 2006 when one of our King David Victory Park teachers announced to our class that the challenge might be something to consider. Having been friends since primary school, with a lot of shared interests, we figured we'd enter as a team. There has always been a competitive spirit between us, as well as a shared interest in pursuing financial careers.

Formulating strategies is something we are both good at, and we have always shared roles and responsibilities on an equal footing. This challenge was something we both wanted to get our teeth into and the prize money was a real inspiration. We decided on the name Tripod Traders because we were initially three members, not realising that a minimum of four was required.

Still we had the name fixed in our minds and continued regardless. Even though the rules have changed over the years – allowing us to now enter with two members – we felt the name has brought us luck.

Q: YOU WON THE SCHOOL CHALLENGE IN 2007 AND IN 2009 AND LAST YEAR WITH A UNIVERSITY ENTRY ... A WIN EVERY SECOND YEAR. WHAT'S THE APPEAL?

A: Before we entered the first time, we thought that the stock market was a way to get rich quickly. It's a fallacy of course, but that's what grabbed us. As we competed, we learnt that it's not a one-way ticket to wealth and that you have to put in considerable effort to understand the nuances of trade.

It appealed too because we could trade without the fear of losing real money. We have entered every year and managed to win every second year. We are hoping we can break the pattern and win a consecutive title in 2012.

Q: HOW MUCH EFFORT IS REQUIRED TO BE A SERIOUS COMPETITOR?

A: The first year was a major learning curve, which is probably why we didn't feature, and it required some effort to understand the processes. With our second entry, we found ourselves applying what we had learnt the first year, so it required a lot less

'We've discovered a love for the equity and income side of the stock market, which proves you really need to enjoy what you're doing to have the greatest return'

work and we found that it didn't impact seriously on our studies.

It also helped that BlackBerry had introduced its BBM messaging service by then. At the daily close of the JSE, we would BBM one another at around 4:40 pm to decide what we would buy and sell. Being able to communicate like this makes a huge difference in being able to react quickly and we think it is a major advantage in the challenge.

Even now, with both of us at university, we can BBM one another during lectures after picking up live prices on our cellphones. But that doesn't mean we don't have to work at maintaining our edge. We both watch the market all the time, we read articles and research constantly.

Q: WHAT'S THE SECRET TO YOUR SUCCESS?

A: We've built a strong team over years of competing. We've refined our strategy and have come to trust each other's instincts. We've discovered a love for the equity and income side of the stock market, which proves you really need to enjoy what you're doing to have the greatest return.

Q: HOW HAS THE CHALLENGE IMPACTED ON YOUR KNOWLEDGE AND SKILLS, ESPECIALLY GIVEN YOUR FUTURE FINANCIAL CAREERS? HAS IT STRENGTHENED ANY OF YOUR ABILITIES?

A: It's given us a profound knowledge of global financial markets and has required us to stay up to date constantly with the latest events in the financial world. For instance, what the president of the European Central Bank says more often moves markets than any other single thing.

Sometimes there is a disconnection between what the European markets are doing and what is actually happening in SA. You need to have an awareness of the impact of figureheads in the business world and you need to stay alert to the potential effects on economies.

The experience has also given us highly-improved team skills. We have learnt how to resolve conflicts between us and be tolerant of one another's differing opinions. Overall, it has made us aware of how important it is for a team to be in sync, yet still recognise individual talent.

Q: WHAT HAS BEEN THE GREATEST LEARNING CURVE OF THE CHALLENGE?

A: It's difficult to single out any as great because we have learnt so much. However, what we can say is that the financial world is a very dynamic and constantly-evolving force.

What may be thought of as a dead cert today, can be proven a failure tomorrow, and that impact can make or destroy investors. As mentioned before, if you don't stay in tune with current events in the financial world, you really aren't playing the market to its greatest benefit.

We can honestly say that this experience has provided us with the courage to be investors in securities on the JSE, something we had absolutely no concept of five years ago. You can't just focus on one aspect of the stock market, you have to be able to understand all the different indices and manners of trading so that you can pick up on various opportunities.

Q: HOW HAS THIS CHALLENGE AFFECTED YOUR FUTURE CAREERS?

A: We have both completed Level 1 towards a Chartered Financial Analyst qualification, largely motivated by the challenge, which has provided us with hands-on experience that is crucial for our future careers. As students, we have been able to experience the theoretical concepts we learn at university, applied in real time. It's given us direction in terms of how we want to interact in the financial world once we are qualified, as well as directing us towards a speciality.

Q: DO YOU BELIEVE THAT FINANCIAL LITERACY IS EMPHASISED ENOUGH IN SCHOOLS AND UNIVERSITIES?

A: No, except when scholars are studying towards a financial degree. But even then, in our experience as commerce students, we find the syllabus to be largely theoretical and not entirely useful for real world situations. Financial literacy must be presented at least in high school and must include rural areas.

If people don't understand how to open a bank account, how are they expected to grasp the value of saving? Almost every South African has access to a cellphone and considering cellphone banking services, there is no reason that with the right education, even rural communities can learn the value of money working for them by investing in the right products for their needs.

Financial literacy is imperative because everyone aspires towards financial security and only through education can the youth begin to avoid debt traps. But there is no real age limit to financial security education – youth and seniors can all benefit.

Q: THERE IS A PERCEPTION THAT A STOCK EXCHANGE INVESTMENT IS RISKY. HOW WOULD YOU CONVINC SCEPTICS OTHERWISE?

A: Honestly, investing does depend on large percentages of luck; however skill is also required. Investment is by nature risky but, through proper analysis and understanding, the risks can be minimised. Experience through trial and error will inspire confidence, but you don't always get the calls right and the market can be very volatile.

It can be terrifying when you first start. We have traded on Equity Index Futures with our own money and this is not for the faint-hearted. In one day you can have serious profit swings of R10 000, only to see them drop R10 000 the same afternoon. You have to remain as unemotional as possible.

Q: HAVE YOU OFFERED OTHERS THE BENEFIT OF YOUR EXPERIENCE, BOTH AS PERSONAL INVESTORS AND WINNERS OF THE CHALLENGE?

A: It's given us the confidence to make informed trading decisions that we use personally. While we don't have the experience to advise others, we can at least show them how to get started and encourage them to start investing, particularly by using 'safer' avenues such as ETPs. We are quite bearish on equities and would advise new players to go for a Top40, such as Satrix.

Q: ON A LIGHTER NOTE, HOW HAVE YOU SPENT THE R25 000 WINNINGS?

A: We invested it on the JSE of course... +

'Almost every South African has access to a cellphone and considering cellphone banking services, there is no reason that, with the right education, even rural communities can learn the value of money working for them'

