

SHARE DEALING

INVESTMENT MANAGEMENT

Your guide to

Investing in the Stock Market

Helping you navigate your way around the stock market
~ how it works, how to buy and sell shares and where to get advice.



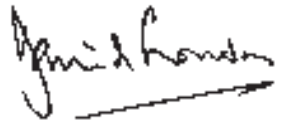
**REDMAYNE
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STOCKBROKERS

Introduction

Today, more than ever before, people of all ages and backgrounds are keen to save and invest for their futures. But for many people, the world of stocks and shares, stockbrokers and stock markets is still a mystery.

We have written this booklet to help you understand how share dealing works and to help you on what can be a fascinating journey. We have included details on how to benefit from your investments, including how to make the most of the tax breaks offered by the government's tax-efficient savings plans that invest in shares, like Individual Savings Accounts (ISAs) and Self Invested Personal Pensions (SIPPs).

Sadly, we don't have a magic formula that will guarantee you a fortune from share dealing, but we hope we can help make the experience of being a shareholder enjoyable as well as rewarding.



David Loudon
Managing Partner



Shares and Share Dealing ~ Starting Out

'Shares' are simply a share of the value of a company. Every company needs money to invest in the business if it is to grow ~ whether it is a single market trader who needs to buy a stall or an international corporation like Marks & Spencer that wants to expand their store offerings. Most large companies find the money they need from shareholders who give the company money as an investment and in return get 'shares'. The company often pays a 'dividend' on those shares out of its profits each year.

What does it mean to be a shareholder?

Shares can be held by individuals like you or by banks or insurance companies who invest money on behalf of their customers. The law protects shareholders from unfair or illegal practices and ensures that the companies report any significant information. Shareholders are also entitled to attend a company's Annual General Meeting (AGM) where they can vote on directors' pay and important decisions about the company's future.

What is the stock market?

A stock market is like a market stall where all the various shares are put on display. The prices of these shares depend on what price people are prepared to buy and sell at. On the London Stock Exchange there are more than 3,000 companies, large and small.

To be 'listed' on the London Stock Exchange a company has to overcome several hurdles to prove that it is properly funded, properly structured and that it will abide by the rules of the market.



The individual share prices listed on the market can change from second to second, depending on how many people are buying and selling each share, and what the last buyer was prepared to pay. By following the movement in the share price, investors can not only judge whether they want to buy or sell the shares of a particular company but can also judge how well it is doing in the eyes of other shareholders.

What return can I expect?

There are two possible forms of return on your shares. The first is the dividend ~ which is part of a company's profits divided up and distributed to shareholders. The total amount of the dividend is usually split into two parts ~ decided at the end of each half-year.

The second return you might hope to get from your shares is growth in the value of the shares themselves. If a company is successful and its future is bright, the value of its shares ought to grow. This is called capital growth.

Share prices go both up and down, not just as a result of the companies' success but in response to many other economic factors and the general sentiment of other shareholders.

Why are stock markets important?

Stock markets are vital to the economy. They provide one of the key mechanisms for companies to raise the money they need to finance new projects and businesses which, in turn, provide employment and services throughout the economy.

Why should I invest in the stock market?

We all owe it to ourselves to make our hard-earned money work harder for us. And as we save for our futures, the stock market can make a huge contribution to our prosperity. While we should spread our savings over different forms of investment to keep them secure, the stock market has an important role to play and should be included in your strategy.

Furthermore, as the government backs away from universal pension provision, more and more of us will be dependent for our pensions on the stock market. Whether we make pension contributions ourselves, or our employers do it for us (now or in the future), the size of our retirement income is likely to depend on how the stock market performs.

An early warning system

The stock market is concerned not just with the profits a company is making now, but also with the prospects for future profits. The health of the stock market can often act as an advanced warning indicator for the wider economy, and for our individual prosperity within it.

As company chairmen make statements about their expected profits in the coming months and years, their share price will react. As this happens across many companies it will be reflected in the FTSE 100 (and other indices). Some time later, the economy as a whole may follow a similar pattern affecting our jobs and income.

Of course, there are other factors which affect the economy and stock markets differently, but looked at over the long-term, it is noticeable how often a sharp stock market dip precedes a recession and the subsequent market upturn forecasts the economic revival. This 'lead effect' is currently estimated by some commentators at between six months and a year. Unfortunately, as with many stock market tools, it is most useful in hindsight and is not always glaringly obvious at the time!

Planning your route

Before you decide to invest in the stock market, you should ensure that you are not carrying expensive debt such as credit cards, etc. As we all know, the interest rate on these can be high, and you'd be better off paying these off before considering investing in the market.

Investing in the stock market for the first time

When you're ready to begin, you'll normally contact a stockbroker by telephone or, ideally for the first time, by visiting them in person.



At Redmayne-Bentley your instructions will normally be carried out immediately and the share price confirmed to you. You will be asked to pay by debit card, but for later deals you could have up to two weeks to pay. There's no minimum amount to invest in the market, but because you'll have to pay your stockbroker a minimum commission (at around £25), it becomes quite inefficient for amounts below £500 ~ £1,000. In addition to commission on the purchase and sale, you'll also have to pay government Stamp Duty on purchases (usually 0.5 per cent of the total value). You may choose to invest in one particular company you know about, or in an Investment Trust or Exchange Traded Fund both of which spread the risk of your investment more widely. Your broker can hold your shares for you electronically.

Selling shares

Selling is an equally simple process. If you hold a share certificate, you can sell your shares through our branches across the UK and Ireland. Again, the share price will usually be confirmed to you immediately, after which you'll need to hand over your share certificate and sign a transfer form.

However, if you hold shares in a Corporate Nominee as a result of a takeover or an employee share option, the procedure is slightly different. You will have been issued with a statement and this will require additional paperwork completing in order that it may be used to support a sale with a stockbroker. This process takes a little longer than a normal sale and may involve a small extra fee.

What is a share portfolio?

A share portfolio is simply the term used to describe your collection of shares. If you list the shares you own and note the price you paid for them, and the date, you'll find it easier to track their performance over time.

A little help from your friends

If you're nervous about starting out alone, why not start your own investment club? Get together a few friends, maybe family members as well, and by each putting a monthly sum into a kitty, you can get together a worthwhile sum to invest. Several heads may be better than one. You can share out the company fact-finding, and have fun meeting up on a regular basis to choose investments and see how you're getting on.

Information sources

The basis of successful investing is information and there's no shortage of sources. When you are on the look-out for investments, the financial pages of the daily national newspapers are a must. You can find out what's happening in the market generally, and you can track your own companies. Throughout the day, BBC News and finance channels like Bloomberg and CNBC will help you keep up to date. And there's a whole range of websites, like [FT.com](https://www.ft.com) and [redmayne.co.uk](https://www.redmayne.co.uk), which will help you dig into companies' backgrounds.

Monitoring your shares

Once you've made your choices, you don't necessarily have to check your shares every day. Shareholding is a long-term activity and knee-jerk buying and selling as prices move up and down is not the route to success. But don't put your portfolio in a drawer and forget about it. Ideally, once a month you should check how it's doing and whether you need to make changes. The wise investor will conduct a full review at least once a year. A lot can change in twelve months, both in the economy and in your own personal circumstances, and a good spring clean is necessary every so often to make sure your investments are on track.

Alternatively, your stockbroker can help with this review process if you decide on an advisory or discretionary service. More regarding this in the next section.

Helping others to get started

Once you are under way, you may want to pass on your new skills to start your children or grandchildren on the investment road, by buying small parcels of shares for them as gifts. Following the fortunes of a particular company through the performance of its share price can be a useful learning experience. Again though, it's often best to choose a company the individual will understand ~ retail companies such as Marks & Spencer or Sainsbury's are often considered. Remember that investment is a serious business and objective judgements on a company's prospects are much more important than emotional attachments.



For more information on our investments for children, including SIPP, Junior ISAs and Plan Bee, find your local branch at www.redmayne.co.uk/branch or call 0113 200 6470

Stockbroker Services

Stockbrokers, as you might expect, are specialists in the stock market and act on behalf of private investors wanting to buy or sell shares. They are responsible for ensuring that you get the best price available when both buying and selling.

To start with, if possible, you may find it best to visit a stockbroker's office and chat face-to-face.

There are over 30 Redmayne-Bentley branches throughout the UK and Ireland, and you'll find them very friendly, and happy to explain the ins and outs of share dealing. There are plenty of friendly faces to help dispel the old stereotypes associated with stockbrokers and stockbroking. To find your nearest Redmayne-Bentley branch, visit www.redmayne.co.uk/branch

Stockbroker services are usually available face-to-face, over the 'phone or the internet, although when getting started, you may find internet services daunting and impersonal. There are generally three levels of service: execution-only dealing, advisory and discretionary investment management.

The most appropriate service will depend on the funds available and your lifestyle.

Execution-only share dealing

This is the most usual service type and suits many people very well. Execution-only means that the stockbroker will carry out (ie. 'execute') your instructions to buy or sell shares but they will not advise what transactions you should make. We will give a current share price and take an order. We can spend time giving extra information about the market or the company you are interested in. We also have free factsheets and newsletters available, along with other updates. Not surprisingly, the cheaper services available from other firms tend to offer less information and their staff may not be fully qualified stockbrokers.

For more information on:
Our range of stock market and investment factsheets, visit
www.redmayne.co.uk/factsheets
Our regular investment ideas and recommendations, visit
www.redmayne.co.uk/subcentre

Advisory

As the name suggests, your stockbroker will offer advice on which shares you should buy or sell, but you decide whether to act on this advice or not. It is suitable for people who want to take an active interest and be in control of the construction and ongoing maintenance of their portfolio, but wish to take advice on the strategy employed and the assets to be held. Typically a small annual percentage fee is charged as well as commission on each transaction (a minimum portfolio amount applies).

Discretionary

Under this service, your stockbroker manages your portfolio of shares and makes all decisions on your behalf. Your stockbroker will always let you know about the transactions made on your behalf. Charges will usually be a mix of a fee based on a percentage of the portfolio value and commission on transactions (a minimum portfolio amount applies).

Internet services

More and more of us are using the internet in our daily lives. Most brokers will offer company share information on their website, but several also allow you to buy and sell shares too. Dealing on the internet is normally cheaper, but suits only those who deal quite regularly and don't require any support or help.

Consumer protection

Some sectors of the Financial Services Industry have suffered from a poor reputation in recent years, but stockbrokers have been able to stand aside from this and point to a generally excellent record, due to strong regulation of the sector. This includes stringent financial guarantees. There is a statutory Financial Services Compensation Scheme for investors which protects clients up to £50,000, but most brokers provide private insurance cover to much greater amounts. Of course this provides protection against losses incurred as a direct result of the brokers negligence, not against the result of valid, but ultimately unsuccessful investment decisions. There's no way anyone can protect themselves 100 per cent against investment losses ~ risk is a fundamental characteristic of any investment.



Tax Efficient Investments

If you save or invest money, you'll generally have to pay tax on any interest or return you make, but there are some ways of investing that give you a more efficient, or even tax-free, return.

ISAs (Individual Savings Accounts)

The government has pledged a commitment to the future of ISAs, which makes them an ideal way of investing for your long-term future. An ISA is not an investment in itself but purely an umbrella for your stocks and shares, cash or other investments which allows you to receive tax benefits on investment returns.

Cash ISAs can be attractively simple but the potential of a Stocks and Shares ISA is much greater. Cash clearly involves less risk but there is a risk inflation will be at a higher rate than the interest received and therefore offers little in the way of real growth prospects.

We have found that many investors have opted for an ISA with a different fund manager each year, eg Jupiter, M&G, Fidelity etc. Consequently these investors end up paying an annual management fee to each company, have little idea of how their money is invested and an unclear idea of how it performs.

Few realise that you can transfer all your ISAs to one stockbroker, put it all in one fund if you choose or split it amongst several funds and/or individual companies, and potentially cut the annual charge significantly. Furthermore you can choose a service level to suit your circumstances e.g. execution-only (whereby you self-select your own investments) or benefit from advice or a managed service.

Self Invested Pensions too?

SIPPs (Self Invested Personal Pensions) are much like ISAs ~ providing a tax-efficient 'umbrella'. Regulations stipulate that a 'Pensioner Trustee' must be involved to administer the pension fund and make sure none of the complicated pensions rules are breached, but once it's set up it gives total control of the pension to the individual. Perhaps total control of your pension is more than you need. But of course you can have several different 'personal' pension plans so you can choose to take control of everything, nothing or something in-between, and you can also combine the services of a stockbroker to help manage your investments, e.g. an advisory service.

Selecting and following shares

Many people first start acquiring shares through privatisations, demutualisations, employer's share option schemes or may even inherit them from family.

You should only invest in a company if you are happy that you understand it and know enough about it and accept the risk. Clearly, one of the things to look for in a company is a history of profit, or at least strong prospects for future profits. You can find out about the company's profit record through your broker, the press or the internet.

Is the company operating in a growing sector and is it strong in relation to its competitors ~ in terms of products, brand image and management? Do you have confidence in the management and in their strategy?

You may also like to consider the current state of the market and the economy in general. How might the companies you are looking at fare, given the likely economic conditions?



For more information on our regular investment ideas and recommendations, visit www.redmayne.co.uk/subcentre

What sort of companies should I invest in?

For stock market beginners, a portfolio of shares would usually be weighted towards larger companies, for example, those in the top 100 companies on the London Stock Exchange (the FTSE 100), or the next 250 (the FTSE 250). Investors with more experience may want to look at some smaller companies as well, with perhaps more risk, but also extra scope for growth.

Tracking the market and following your companies

The London Stock Exchange currently 'lists' over 3,000 companies. These are broken down into indices and the most well known of these is the 'FTSE 100.' 'FTSE' actually stands for 'Financial Times Stock Exchange,' after the original compilers, and the '100' relates to the largest 100 companies (by value) listed on the London Stock Exchange. This is only one of the many indices around the world which reflect the performance of the markets as a whole. For further information on the different indices, please see page 14.

The Alternative Investment Market (AIM) lists small growing companies although some larger companies choose an AIM listing because it is more economical. Examples include Nichols (makers of Vimto) and Majestic Wine. As a general guide however, companies listed on AIM are often more risky than 'fully listed' companies.

Overseas markets may be tempting, but there's often limited information available on individual companies, so unless you have a lot of knowledge and a very good reason to feel confident in a particular company, then direct investment is largely best avoided. However, you can gain exposure to overseas markets through Exchange Traded Funds (ETFs) which track a selected group of shares or Investment Trusts.

 **For more information on the current company and market news, visit www.redmayne.co.uk/research**

How the indices work

The level of the FTSE 100 at any time is calculated second-by-second, based on a weighted average of the UK's top 100 companies' individual share prices. Therefore, if at a particular time the index stands at 5,800 and the share price of 99 of the companies were to stay unchanged, but the price of one was to rise, the value of the index would rise too. Furthermore, the index is weighted which means if it was the biggest of all the companies that rose, the FTSE 100 index would rise by more than if it was the 100th largest company whose share price rose. This principle of an index being based on a range of companies and acting as an indicator of general trends, holds for other indices too, although the method of calculation varies. The most commonly mentioned indices include the following:

FTSE 100

The largest 100 companies in the UK, by market capitalisation. These companies are often referred to as blue chip stocks.

FTSE 250

The 250 next largest companies.

FTSE 350

The FTSE 100 and FTSE 250 combined.

FTSE All-Share

All companies listed on the London Stock Exchange (excluding AIM).

FTSE AIM 100

The top 100 companies on the Alternative Investment Market ~ the London Stock Exchange's market for growing companies.

Techmark 100

The top 100 technology-based companies in the UK.

Dow Jones

The top 30 companies on the New York Stock Exchange (often regarded as the more established American companies).

NASDAQ

The largest electronic stock exchange in the USA (includes small/medium firms and technology companies).

Hang Seng

The top 33 Hong Kong based companies.

Nikkei

The top 225 Japan based companies.

Eurotop 100

The top 100 companies across Europe (including UK).

CAC 40

The top 40 companies listed on the French Stock Exchange.

DAX

The 30 major companies listed on the German Stock Exchange.



Alternative Investments

Although the challenge and interest involved in choosing individual companies appeals to many people, others prefer to go for a less demanding route, opting to buy Unit Trusts, Investments Trusts or Exchange Traded Funds (ETFs), which invest in a range of shares.

The advantage of these is that they 'spread' risk by investing across a range of companies and can be used to focus on a particular sector or geographical area. Similarly, by tracking both index-linked and individual commodities, Exchange Traded Commodities (ETCs) offer exposure to a variety of commodities such as Brent Oil, Corn, Gold and Silver, and are a good way of diversifying your portfolio, (please note that some of these use complex products to get exposure). Traded like stocks and shares, most ETFs and ETCs are exempt from Stamp Duty.

Some ETFs may concentrate on small UK companies, technology companies, the FTSE 100 or even the NASDAQ. In this way even the small investor can have access to a slice of a very diversified range of investments.

Real Estate Investment Trusts (REITs) offer a more simplified method of investing in UK commercial property in a highly tax efficient manner, traded like shares on the stock market.

In terms of timing, for the vast majority of people, the stock market should be viewed as a five year plus timescale for investing their money. You may be lucky enough to make gains over a much shorter period, but it's a high risk strategy and not one that most of us can afford to try.

Appetite for risk

As well as the question of personal circumstances, there is the matter of individual temperament. If you are happy taking risks, then the ups and downs of smaller companies won't trouble you. But if you're going to lie awake at night worrying about your shares, then choose something less volatile and more stable. Stock market investment should be profitable, but it should also be fun! Again, conservative investors who are in it for the 'long run' will often have a proportion of their investments in larger companies, which are well-established and have a range of sources of profit, whereas more speculative investors often prefer smaller companies in the hope of making a quick profit (but, equally, running the risk of a rapid loss).

Investment Strategy

How you approach stock market investment and what strategy you adopt will depend on your personal circumstances ~ how old you are, whether you have years of work ahead, or you're preparing for retirement, and whether you have children, grandchildren or elderly parents to provide for.

All of the above will have a bearing on whether you need income, or whether you are able to aim for long-term growth of your funds.

Income or growth?

For investors with considerable time to go before retirement and a high pensionable income, a portfolio is likely to be structured for capital growth. Whilst it is likely to contain some blue chip stocks, it will also allow for less proven shares. If, however, you're nearing retirement and may need to top up your pension, the investments should be tailored towards income producing companies. You may want to spread your risk even further through other instruments like government back debt (gilts). If you're worried about getting the balance right, your stockbroker can help advise you on the make-up of a portfolio to suit your needs.

Levels of investment

Another raft of fundamental questions focus on how much disposable income you have to invest, and over what period you want to invest it. For example, do you have any major future financial outlay to consider? The total sum you have to put into the market will almost certainly influence the type of investments you make. If you want to achieve a well-balanced portfolio with maximum economies of scale, it should, ideally, be spread over at least ten different shares, each of a few thousand pounds. If you have less to invest, you might prefer to look at managed funds or vehicles like Exchange Traded Funds which can give you a wide spread with less risk than if you put all your funds directly into shares.

Having decided what kind of investor you are, what investment strategy is right for you, and what types of companies meet your investment needs, the next step is to start to build your portfolio. At this stage, don't rush things. Take your time in making your choices.

Knowledge will improve your chances of success, so get to know the companies and their markets. Do they have a strong competitive advantage, or any form of monopoly? What do you think of their management? Are their own directors buying or selling shares? You can't know everything, but once you feel you have a handle on the value of a company, you're ready to get down to buying. And here, inevitably, the two key questions are when to buy and when to sell.

When to buy?

Of course, you can only be sure with hindsight what the ideal time to buy was, by which time it's much too late to act. A share which looks 'cheap' today may fall much further tomorrow. You may have identified a company you want to invest in, but you will almost never see an indicator which tells you that now is the best moment to buy. At some stage, whether buying or selling, you will have to have the courage of your convictions and just go for it!

When to sell?

Many find this the hardest question of all. If your buying decision was a winner, when is the right time to get out? If you've made a gain on some shares don't be afraid to take it. If you think the shares may still rise further then still consider taking some of the profit early ~ you don't have to sell all of your holding at once and there really is nothing more frustrating than having had a 'profit on paper' and then seeing it all evaporate because you were holding out for a few more pennies. It's never wrong to take a profit.

Once you've invested in a company it's easy to get attached and ignore the signs to sell. Pride in accepting you've made a mistake is a problem, and a useful tool is to use a 'stop loss.' This means that at the outset ~ before you buy ~ you set a lower limit at which you will sell out. If the share falls say, 15 per cent from your buying price you will accept your 'mistake' and move on. If the price has failed to act in the way you expected, you may be better off starting from scratch with a new company.

There are no strict rules to investing, but whatever your strategy, there are a few basic points to bear in mind:

- **Keep your portfolio in balance** ~ if one or two of your shares are runaway winners, they can dominate your portfolio and make it unbalanced. So check the equilibrium, and be prepared to move some profits into another sector to keep an even spread of risk;
- **Stay flexible** ~ investment strategies need to reflect market conditions. So there will be times when markets are relatively static and 'buy and hold' is the right course of action. At other times, when markets are more volatile, you will need to be nimble and ready to buy on the dips;
- **Keep your nerve** ~ be patient. The stock market goes up and down, sometimes at an alarming rate, but if you have confidence in your companies and have chosen well, then the share price should rise again with the market.

There are a number of techniques used by investment professionals in an effort to improve success ratios. Here are the two most popular ones.

Fundamental analysis

Some might say this is the 'boring' method for informed investment decisions. It's all about facts, figures and ratios ~ price/earnings, dividend yields etc. In fact, proponents can

scarcely understand why anyone would invest in a company without looking at the most basic financial facts. Today, this kind of information is widely available. Some are published in the *Financial Times*, you can ask your broker or find it on the internet. Of course, the unexpected can always happen ~ both negatively and positively, and the markets are not always rational. But knowledge is always a good first base. So if you fancy getting out your slide rule, don't hesitate, but don't become a slave to it.

Charts

The other widely-used 'tool.' A pure chartist may say you can learn all you need to know by looking at graphs. Again, perhaps not everyone's idea of a good time, but it can help. The basic premise is that 'patterns' in share price graphs repeat themselves, and if you can recognise the shape of a graph and estimate where along the line you are, you can make better predictions of where the line will go in the future. Intuitively, it doesn't seem to make sense. Surely each company is different, at each different point in time, why should there be some underlying law which governs share prices? On the other hand, at least at a superficial level it is surprising how often it seems to work. Of course, with hindsight it's easy to see the 'signals,' but at the time they're not so clear to most of us!

Stock Market Risk

Investing in stocks and shares does have an element of risk, but because of this the rewards can be greater.

Investors have to bear in mind that there is always a trade-off between risk and expected return ~ this is also true of dividends and growth.

The more risk you are willing to take the higher the potential return. If you put your money in a building society savings account, there is a strong likelihood the society will stay in business and be able to pay your agreed (but usually low) interest at the end of the year. If, on the other hand, you invest the money in a small company, you may make a significant profit as strong demand makes the share price rise ~ or you may lose everything if consumers shun the new product or some other mischance occurs.

Many people prefer to take a little more risk in order to invest directly in shares for the higher potential rewards. As long as the timescale is five years upwards, stock market returns are likely to be better than other forms of saving. If you decide to invest in companies listed on the stock market you should try to estimate where the investment lies between the two extremes ~ low risk, low return, and high risk, high (potential) return. If you are not comfortable with the level of risk, don't

go ahead, and in any case, don't invest money you ultimately cannot afford to lose.

How do I manage the risk?

The first rule is to be as well-armed as you possibly can be in terms of information ~ find out about the company, its position in the market, its ability to generate profits, and the quality of its management. But no matter how well you have done your homework, there will always be some risk that the value may fall, or the company may go out of business altogether, losing you all your investment. These days, not even the biggest companies come with a safety guarantee ~ just look at Lloyds and Royal Bank of Scotland!

If you do invest in the stock market there is one risk management rule above all others: 'spread your risk' ~ i.e. don't put all your eggs in one basket. Never have all your investment in one company or one market sector. If that particular company or sector suffers badly, your investments will be hit hard. If your investments are spread more widely, a setback in any particular sector will have a reduced impact on your whole portfolio.

Risk avoidance for small investors

For people with larger portfolios, risk can be spread across individual companies, including different sectors and even countries but investors with smaller available funds can tackle the same problem using 'collective investment vehicles,' such as Unit Trusts, Investment Trusts and also Exchange Traded Funds which track a variety of market sectors, indices and commodities.

Most important of all for smaller investors, is to make sure you know as much as possible about the risks you are taking with any investment and review those risks frequently to take account of your changing personal circumstances, and of any changes in the outside world that may affect your investments.

Higher risk shares

Of course some shares rise and fall more frequently than others. This is known as 'volatility' and, like many other things, is a double-edged sword. If a share is volatile and rises very quickly, holders will be delighted, but if it falls sharply they will not be so happy. In general, smaller companies tend to be more volatile than larger ones which tend to be well established, often have a large number of different products and may operate in many market sectors or countries. If a global giant like Vodafone has a great success (or

failure) in one area, it is likely to have a limited impact on the company as a whole, whereas the same event may make or break a small company.

For this reason, conservative investors who are in it for the 'long run' will often have a proportion of their investments in the larger companies, whereas more speculative investors often prefer smaller companies in the hope of 'making a killing' (but running the risk of a rapid loss).

What about stock market crashes?

Stock market crashes are much talked about, well-publicised events. Like typhoons and tornadoes, they are even awarded names by the world's press ~ Black Monday, for one, and the Credit Crunch. But what's much less well-known is how quickly stock markets tend to recover from major falls.

In 1998, two crises hit the stock markets, both based on fears of economic downturn worldwide. But though the falls were huge, the markets clawed their way back to their all-time record highs in just three months, and set new all time highs six months later.

After the September 11th terrorist attacks in 2001, the UK market immediately fell 12.5 per cent, but regained this loss within two weeks.

It's easy to say with hindsight, but the tech market boom of 2000 wasn't an intrinsic fault-line in the markets, but a typical example of greed overcoming common sense. At the heart of it was a solid truth, that technology and the internet are major factors in our future and would, in time, produce some high-priced, high-performing companies and products.

Carried away with the hysteria of the moment, people were prepared to invest in companies with no track records, and no guarantee of sales and profits. As in all such cases, realism eventually kicked in. As prices went down, a lot of people lost the money they'd made on the way up, and some lost more besides.

The Credit Crunch of 2008 caused confidence in lending to decrease sharply and consequently liquidity dried up as banks became uneasy with lending to each other. With banks starting to report major losses, the valuations of shares across the globe began to fall. Events took a significant turn for the worse following the collapse of Lehman Brothers, helping to drive the majority of stock markets to their lowest points since 2003 and paving the way for the recession that commenced in 2008. This was, perhaps, a once in a century event.

Still to this day the origins of where the market crash of 2009 originated is debated, but most analysts have identified the collapse of the US sub-prime lending market as the catalyst. For years, US citizens were following the American dream of buying their first home which the mortgage lenders were happy to authorise. However, many of the new home owners had poor credit records and could barely afford the monthly payments. Between 2004 and 2006 interest rates started to rise which eventually led to mortgage defaults. These mortgages had been sold to other banks across the globe causing bad debts to be distributed across the global financial system.



Our Services

Execution-only share dealing

Provides direct access to UK and overseas equity markets and various asset classes, and is an ideal way for you to talk to a qualified broker before executing a trade.

Advisory service

With our advisory service your investment manager will provide advice and recommendations based upon your objectives and risk profile, but you make the final investment decisions.

Discretionary service

With Redmayne-Bentley's discretionary investment management service your funds will be invested by a qualified investment manager with reference to your objectives and risk profile.

ISAs

ISAs allow you to buy and sell shares but any growth is free from capital gains tax and there are some tax benefits on the income. If you opt for one of our investment services, ISAs will be employed to maximise the tax efficiency of the portfolios.

SIPPs

A Self-Invested Personal Pension or SIPP allows you to take control over your pension and ultimately the funds you will have available in retirement. All contributions qualify for tax relief at your highest rate and the fund grows free of Capital Gains Tax.

Valuations including probate

We can provide valuations of shares and other investments to help 'tidy up' your portfolio.

Inheritance tax portfolio

The Inheritance Tax (IHT) Portfolio Service is designed to help limit the effect of inheritance tax without limiting access to and ownership of your capital. By taking advantage of Business Property Relief (BPR) on qualifying shares you can claim 100 per cent tax relief once the portfolio has been held for two years.

Events and seminars

We regularly host seminars and also present to schools, companies, rotary clubs, trusts, charities and individual groups, covering a range of stock market and personal finance topics.

Other services include:

- Derivatives (traded options, CFDs);
- Employee share schemes: concessionary commission rates;
- *Equity Insight*: fortnightly newsletter for active investors;
- Investment Club dealing facilities;
- Investing for children: SIPPs, Junior ISAs and Plan Bee (a low-cost saving investment vehicle);
- Regular Communications including: *The Quarterly Newsletter*, *Monthly Recommendations List*, *Results & Dividends* and *Daily Signal*;
- Reviewing investment bonds.

About Redmayne-Bentley

At Redmayne-Bentley, we have been dealing for private clients since 1875 and have always maintained a friendly and helpful manner. We have long advocated making stock market investment accessible to everyone and are particularly supportive of any new developments within the industry which work towards this.

We will be happy to help in person or by telephone through our network of local branches throughout the UK and Ireland.

Our friendly and personal service has repeatedly been recognised with quality service awards from the *Daily Telegraph*, *Investors' Chronicle* and *Shares Magazine*.

For more information visit
www.redmayne.co.uk/awards



Information Point

To request further information and/or to discuss any of our services:

 **Call your local branch or 0113 200 6470**

 **www.redmayne.co.uk/branch**

 **info@redmayne.co.uk**

The price of investments and the income paid on them can fall as well as rise. All investments involve risk and you may not get back the full amount of your investment and it may fail altogether. Past performance is not necessarily a guide to future performance. There is an extra risk of losing money when shares are bought in some smaller companies, including penny shares, as there can be a big difference between the buying and selling price. Redmayne-Bentley has taken every step to ensure the accuracy of the information in this literature but cannot accept any liability for errors or any direct or consequential loss arising from the use of this document or its contents. Before taking any action you should consult your adviser as to the suitability of the investments.

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