

As equity investors in emerging markets get a taste of the bear the lessons of successful investing are learned the hard way.

I'm only rich because I know when I'm wrong.

- George Soros

NSE at a glance
(For week ended December 22nd)

Index:	36,325.86	-13.27%
Cap:	N7.97trn	-13.37%
Volume:	1.09 billion	+10.43%
Value:	N7.19bn	-14.8%



Reviewing your Stock Portfolio this year end

As the holidays approaches and another calendar year draw to a close, it's time for investors to evaluate the performance of their portfolios. However, investors, having largely stock dominated portfolios, would rather want to avoid this review in view of the dismal performance of the stock market globally. It is however still necessary as it would help tidy your financial position before the start of the New Year. By providing a little maintenance to your stock portfolio, you can guarantee that your stock trading will be ready to go for the New Year.

For the first time, the Nigerian economy aligned with trend in global economy, even though the factors which set it off were internally induced. The average stock market investor has lost well over 40% of his/her investment with long term investors carrying large volume of unrealized losses.

Of course, it is hard to come to terms with your losses. Selling a loser forces you to admit a mistake; it also forces you to make what might be a second mistake. What if you move the money into something that does even worse?

Despite the ongoing market uncertainty and with the end of the year approaching, it's a good time to take a look to see if you need to rebalance your asset allocation - meaning the amount of money invested in various asset classes such as stocks, bonds and cash investments. Market losses (and gains, if you have any this year), may mean that your portfolio is no longer in agreement with your investment goals.

Many advisers recommend an annual check to see if your allocation fits your level of risk and timeline. Some recommend checking twice a year, even a quarterly checkup may be warranted when the market changes rapidly as it has in the past few months.

For those having managed portfolios, your Portfolio Manager would most likely have a review of your portfolio with you. However, if your portfolio was independently managed it's your responsibility to do the review yourself.

The following procedures would be helpful in order to properly maintain your stock investments before the end of the year.

Re-Balancing

Though it is preferable to buy into a down market, but the reality is that investors often stay sheltered for too long because buying in a down market does not 'feel' good.

Take the time to thoroughly review your stock portfolio with your broker so that any revisions that need to take place will get done

For instance, if you scaled back your stock investments to limit your exposure to market volatility, you likely increased your loss position.

In this market, rebalancing can help you prevent becoming too conservative. For investors with a longer time horizon, this may mean buying more stock to reflect their higher risk tolerance. Adjusting your portfolio helps to rebalance both your market risk and inflation risk.

For instance, consider stocks like First Bank, Intercontinental Bank, Zenith Bank, UBA and Union Bank, which sold at N43.8, N40.57, N46.09, N47.99 and N41.50 respectively at the beginning of the year, and now sold at N19.82, N9.24, N19.32, N11 and N15.23 respectively as at last Thursday.

If you hold large volume of these stocks, you would have suffered well over 50% loss if you sold or unrealized losses if you are still holding



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on to them going by their prices despite adjustments for very impressive bonuses and dividend payouts.

However, if you increased your holding of such stocks at their current prices, you would create an average price which is much less than the price you bought at the beginning of the year, thereby reducing overall loss position.

For example, 1,000 units of Intercontinental Bank bought on January 1, 2008 at N40.57 per share had cost N40,570. But at N9.24 per share now, if you buy 2,000 units of same stock at the cost of N18,480, it would reduce the average price to N19.68 per share. (i.e. $N40,570 + N18,480 = N59,050 / 3,000 \text{ shares} = N19.68 \text{ per share}$.)

The first step to a proper balance is deciding how much risk you can handle and how far away retirement is for you. The younger you

are and the further away from retirement, the higher your stock allocation should be, perhaps as high as 70 percent.

The closer you are to retirement, the less you should be invested in stocks to avoid losing too much in a down cycle. This is the very tough lesson many of today's near-retirees have learned.

The rebalancing strategy is however dependent on the availability of liquidity at this time. With margin calls being made from all investors who took advantage of the facilities during the bull run, new lines of credit are virtually frozen and the yawning opportunities in the current bear market are not being exploited as would have been the case when there is liquidity.

Something totally new

Include in your plan for the New Year books to read or seminars to attend in order to earn a new knowledge, and get insight into fundamental aspects of stock investments which may be used to revise your plan to apply to your current investment goals. This new aspect does not have to be complicated, but rather an investment fact that you can really try out in order to benefit your investments.

This is intended to raise your awareness even farther into investing as well as to challenge your comfort level of investing. Remember that knowledge is power, so the more you know about investing, the better your chances are of gaining a return on your investment. This new found knowledge could plunge your financial situation into a whole new realm.

New Plan

It is quite possible that your portfolio is completely out-of-date after just one year of investing in the stock market. Any considerable change that has taken place in your personal life such as marriage, the birth of a baby, retirement, etc needs to be addressed. because an event such as this could catastrophically change your investment portfolio dramatically. Once you have met with your Fund Manager at the start of a new year, it is imperative that you meet quarterly to discuss any changes that might have taken place in your life.

Christmas: Spend less and 'invest' more this year

Christmas is a time of uncommon generosity in not just in Nigeria but across the world.

Though it is celebrated throughout the Christian population, it is also celebrated by many non-Christians as a secular, cultural festival. The holiday is celebrated around the world. Because gift-giving and several other aspects of the holiday involve heightened economic activity among both Christians and non-Christians, Christmas has become a major event for many retailers.

However, most people would not be willing or able to commit to lavish holiday spending this year. Not that they wouldn't want to spend as lavishly as before but, the harsh economic conditions characterized by financial crisis, stock market crash which prevailed for most part of the year have already put paid to lavish spending.

Surveys across the world have shown reduced spending statistics compared to last year. For instance, a survey by Deloitte & Touche indicates that Irish consumers (Biggest spenders in Europe ahead of the UK in second position and Spain in third.) will spend 5.3% less on average this Christmas compared with last year. In UK and US, consumer spending is anticipated to reduce by 2.8% and 4% respectively.

In Nigeria, the situation is no different. For the first time, the Nigerian economy has aligned with trend in global economy, even though it the factors which set it off where internally induced. The average stock market investor has well over 40% his/her investment lost or as unrealized loss if they are long term investors. On the public side, the crash in the price of crude oil, our economy's mainstay, from \$145 per barrel in July to \$45 as at December, has seen to it that there won't be so much fund to throw around.

As it is Christmas expenses often cut across wider considerations - immediate and extended family responsibilities and obligations, friends, neighbours etc - all of which cost money. These costs can be kept down, but that may be of the question for some people - those who have created such a reputation for generosity that they see anything less as amounting to a loss of face.

In the face of prevailing economic reality, such people may need to reconsider their priorities.

What makes a good Christmas? Is it getting that special something you have wanted? Is it getting that gold necklace that looks perfect on you? Christmas is about showing love and caring for those dear to you. What if this Christmas we spent less on shopping and gifts and invested more time into our relationships with people? Spending time with those that matter to you and making memories is an excellent gift and investment.

Also, rather than giving cash gifts to the charity, friends and relatives you consider reducing cash gifts to the minimum and instead give stocks and some other investments. Though this kind of gift would not be appreciated in the immediate, they would be better appreciated in the future when the value increases.