



latest word

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Investment Decisions – Did You Make The Right Call

With the collapse of property values and Stock Market volatility of recent years, how did your investments fair?

Did you escape generally unscathed and keep your funds intact or are you one of the many nursing significant losses on your investment portfolio? If you did reasonably well, was this because of a considered approach or was it a bet that got lucky?

In light of what has happened, it is now more important than ever that investor's consider their own risk profile and their comfort zone in terms of volatility. They should also consider what returns they expect from their investments.

As part of our investment process with clients at framework financial, we begin with the completion of a short risk profile questionnaire. This risk profiling exercise is based on university research using 30 years of data and over 20,000 such questionnaires.

Results indicate a client's likely risk profile which we fine tune after discussion. With this information we can then agree a level of volatility that the client is comfortably with e.g. the total value of investments could fall by 10% before the investor would become uncomfortable. For a client with a higher risk profile, this fall could be up to 20%. Having had this discussion, at least both the client and ourselves have agreed the level



of risk to be taken. In terms of managing our client's expectations, we would agree benchmarks to measure the portfolio and discuss at each review meeting. We would then demonstrate how such a portfolio would have performed historically in terms of achieving the agreed benchmark return and also how many times, if any, such a portfolio would have fallen outside of its volatility 'comfort zone'.

With any investment, diversification is important to spread risk and not to be over exposed to any one asset class. This "all your eggs in one basket" approach has contributed to many investors woes. The next step is to ensure the right asset mix to provide this diversification.

It is only now having had these discussions that we can begin to look at appropriate investment products and then chose individuals funds.

Joe McGuinness QFA

did you know

Dixon to create 25 jobs

The DSG Group who own the Dixons electrical retail brand and the similar Curry's stores are also the owners of PC World. It was confirmed that they would be opening a store in the new Terminal 2, Dublin Airport where 25 jobs will be created in this latest store which is due to open in November next.

Financial Regulator is Hiring

Whilst most banks are shedding staff, the Central Bank is currently on a recruitment drive. Over 1,500 applications have been received from graduates applying for 60 available jobs. The National Asset Management Agency and the Central Bank are among the few financial organisations still hiring a large number of graduates. The Regulator is looking for staff for its two supervisory departments. Speaking in The National Convention Centre, the Financial Regulator, Matthew Elderfield confirmed that he wants 10 regulators to supervise each bank, or 5 times the pre crisis number. The Central Bank expects to recruit an extra 150 employees, including 60 graduates this year, bringing the overall numbers to 1,300. The aim is to add a further 150 employees next year. Mr Elderfield told the committee that financial institutions would be forced to pay for the higher costs.



“The cost of regulation will rise. But judged in the context of the huge cost of the financial crisis, the increase in the cost of regulation must be seen as a price worth paying,” he said.

Another Lender Increases Mortgage Rates

KBC Bank has become the fifth lender to announce a hike in mortgage rates for existing and new customers. Leaving just one more mortgage lender to increase their rates.

KBC Bank confirmed that their standard variable mortgage rate will increase by 0.2% from the 1st September. This is the second time this year that they have increased their rates. Other lenders have already announced a second increase in rates including EBS Broker Division, Bank of Ireland, ICS and AIB. Permanent TSB increased their variable rate last month for the third time since last year. Ulster Bank and National Irish Bank are expected to increase standard variable rates whilst most of Bank of Scotland/Halifax customers have tracker rate mortgages. These increases in standard variable rates will effect up to 300,000 homes owners.

did you know

Standard Life Irish Business Up

Standard Life Ireland have confirmed that they have grown their business by 8% in the first half of this year, most of this growth is contributed to by lump sum products which continued to attract high levels of revenue.

They confirmed that the sales of investment bonds rose more than 23% to €37million over a six month period. Standard Life have confirmed that due to the economic down turn there was significant revenue generated from the sale of 'Buy Out Bonds' which were typically sold to those with redundancy packages after withdrawal from employer pension schemes.

KBC Banks standard variable rate will now be 3.85% which will mean a home owner with a mortgage for €200,000 over 30 years will have a monthly increase of €24. The average rate for a 3 year fixed rate for existing customers is 3.99% and a 3 year rate for new customers is 3.69%.

Fifty New Jobs for Kellogg's

Kellogg's, the world's leading producer of breakfast cereals has announced the creation of 50 high valued jobs in Ireland. The positions are mainly of its European Marketing, Finance and Sales functions at its European head quarters in Swords. The company is also recruiting a number of sales people to join its Irish sales team. Kellogg's currently employs about 250 people in Ireland, in both the European head quarters and local Irish businesses.



House Prices at 2002 Levels

The latest Permanent TSB/ESRI house price index quarterly review has confirmed that the decline in Irish house prices slowed to 1.7% in the second quarter of 2010.

A reduction in the average National house prices in the first 6 months of this year was 6.4%. This compares to a fall of 8.1% in the first 6 months of last year. Year on year at the time was 17% and compares to a reduction of 19% year on year for quarter one 2010.

The average price for a house nationally in the second quarter was €201,400 compared to €242,600 in quarter 2 in 2009 and €311,100 at their peak. National prices have fallen 35% since the price peak at the end of 2006.

Dublin house prices have fallen by 3.5% in the second quarter of 2010 this compares to a reduction in the

Customer Prices Fall by 1.1%

Consumer prices fell by 1.1% in the year to May, according to the latest figures from the Central Statistics Office (CSO).

The Consumer Price Index (CPI) showed that prices increased by 0.6% in May over April. This compares to a decrease of 0.5% recorded in May of last year. The most notable changes in the year were a 12.6% decrease in clothing and footwear, a 6.3% decrease in food and non-alcoholic beverages and a drop of 4.6% in furnishings, household equipment and routine household maintenance.

There were 8,993 new private cars licensed in Ireland in May 2010 compared to 4,840 in May 2009, an increase of 83.7% according to the latest figures from the Central Statistics Office.



first quarter of 10% and a reduction of 7.5% in quarter 4 2009. A reduction in the first 6 months of 2010 was 13.5% and compares to 12.2% in the same period for 2009. The year on year decline in Dublin was 24.6% compared to a reduction of 24.5% year on year for quarter one 2010. The average price of a Dublin house in quarter 2 was €242,000 compared with €250,900 in quarter 1.

Bank of Ireland to End State Support

After revealing losses of more than €1.2million for the first 6 months of the year, Bank of Ireland Chief Executive Richie Boucher yesterday advised that he wanted to wean the financial institution off State support over the next three years after stabilising its losses and bad loans and restructuring the business. These losses were almost double the deficit recorded for the same period in 2009 but the figure was better than stock market analysts had expected. With reference to the €1.8 billion worth of preference shares held by the State, Mr Boucher confirmed that he wished to redeem these by 2013. These preference shares carry an interest rate of 10.25% and the bank is due to make a cash payment to the Exchequer next February. Mr Boucher described the preference shares as "quite expensive for the bank". The State also holds a direct 36% stake in Bank of Ireland, which is held through the National Pensions reserve fund. Mr Boucher commented that trading in Ireland and the UK remained "challenging" although growth had resumed in both economies. The bank processed 10,000 mortgage applications in the first 6 months of this year of which "74% -75%" were approved.

'37 Start Ups Every Day' Despite Tough Conditions

More than 37 start ups a day were set up in the first 6 months of this year. Company Registration website admission-net.ie said despite on-going tough economic conditions, 8,015 companies performed in the 6 months to the end of July. That's 104 more than performed during the same period last year.

The retail sector accounts for the majority of the companies at 975 or 12.2%. Despite the slowdown in construction, there were 667 new companies formed. Whilst this is positive news, admission-net.ie did confirm that there were 27 liquidators and 5 receivers appointed to firms over the past week.

Sarah's back

Sarah Condon QFA

Sarah is a Qualified Financial Adviser with eleven years experience in the Financial Services industry.



She has recently returned to our firm. Her responsibilities include meeting clients and ensuring the efficient management of the office administration.

Sarah enjoys spending time with her family, meeting friends and socializing. She enjoys going to the gym and is an avid reader.

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