## D Exercise 4 (Track 11)

*Presenter:* Hello and welcome to our first podcast in association with the Financial Courier. The topic of this podcast is investing in the stock market. Our reporter Dave Royce interviewed Bob Buckley, the Personal Finance Editor at the Financial Courier. His first question was how to go about building a share portfolio.

*Bob Buckley:* Well, the first question to ask yourself is, is building a share portfolio the right thing for me? There are obvious risks involved in investing in stocks and shares, and they can be quite volatile over shorter periods of time. By short, I mean periods of say 5 years or less. If you're only thinking of investing for a period like that, you should think twice about investing in stocks and shares. Sometimes stock markets have been down for periods of 5 years or longer. During those times, it would definitely have been wiser to put your money in cash, or even under your mattress!

*Dave Royce:* Is it better to build your portfolio yourself or would you advise using a Fund Manager?

*Bob Buckley:* Well, doing it yourself involves more risks because you really have to diversify your portfolio across different shares and large numbers of shares in order to build a portfolio that isn't too volatile, that won't go through too many ups and downs.
Now, a wealth manager, someone that looks after your money for you, would probably invest your money in stocks and shares of different companies of different sizes from all around the world in different sectors, perhaps 100 companies or more, globally. But it's not really economically viable to do that for a small portfolio of, say £ 10,000. So most advisors would tell smaller investors with smaller sums, and by that I mean sums even up to £ 100,000 or so, to invest in funds, because each fund invests in maybe 20 to 100 companies.
So by investing in several funds you can ensure that you get a fairly broad range of companies with different performance profiles. In this way, you have different profiles to balance each other, for example when the telecom sector goes down for a while, but at the same time the banking sector goes up.

*Dave Royce:* I suppose the key to success is effective research. How should I go about minimising the risk. Where can I do the research?

*Bob Buckley:* If people want to build their own portfolio, some might go for a core portfolio of funds, but others might say well I've got these £ 5-10,000, and I'm prepared to take a bit of a gamble on one share, or on some small portfolio shares.
As long as you are aware of the potential risks in that approach, there are plenty of websites, like ft.com for example, with lots of information on companies and funds. There are sites, too, like, Motley Fool at fool.co.uk, or digitallook.com, that are a good place to start your research.
You should have a look around and see what information is available. Also, it's worth looking at a lot of these bulletin boards, where you will find other private investors talking about relevant topics.
But again, be aware that the information given there may not be accurate. Still, it's a good place to start and there's lot's of information there and people you can actually ask questions to.

*Dave Royce:* Sorry, what exactly is a Bulletin Board?



Financial Milestones
ISBN 978-3-12-808222-6

*Bob Buckley:* Basically, a Bulletin Board is an online area where people can discuss topics of common interest. For example, someone might post the question: 'Do you think BT Group Shares are expensive?' This will start a debate among investors, private investors and sometimes highly experienced private investors about why certain UK equities are cheap or expensive at the moment. If you're interested you can learn a lot in a very short time.

*Dave Royce:* Okay, thanks. Any final thoughts, in summary?

*Bob Buckley:* In summary, if you're interested in investing in equities and you haven't got a very significant portfolio, funds are probably the best approach. There's plenty of information on them that is easily available, and there are plenty of different funds to choose from. So, at least to begin with, you should aim for a broad diversity of funds or get an advisor to help you to sort out a portfolio of funds. That's probably the best way to get started, I'd say.



Financial Milestones
ISBN 978-3-12-808222-6