INVESTMENT BULLETIN

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VOLATILITY CONTINUES AT HOME AND AWAY

UK investors had to endure further volatility in share prices during September. Anxiety over China's economic outlook and speculation over whether US interest rates could rise affected sentiment, while concerns over the impact of falling commodity prices continued to weigh on the UK mining sector. Having reached an all-time high of 7,103.98 on 27 April this year, the FTSE 100 index fell to as low as 5,909.24 points in September—a drop of almost 17% from its peak. Over the month as a whole, the FTSE 100 fell 3%, while the FTSE 250 index declined 2.5% and the FTSE SmallCap index dropped 2.4%.

September proved a busy month for corporate activity. Belgian brewer Anheuser-Busch InBev confirmed it had made an approach to take over FTSE 100 constituent SABMiller. Meanwhile payment processing company Worldpay announced plans to raise £890m by floating on the London Stock Exchange, and budget retailer Poundland revealed a share placing to raise £50m to help pay for its purchase of its rival chain 99p Stores. Swiss insurers Zurich Insurance, however, abandoned plans to buy RSA during the month.

Following the quarterly review of FTSE's UK index constituents, housebuilder Berkeley Group entered the FTSE 100, replacing engineering company Weir Group.

Average earnings (excluding bonuses) rose by 2.9% during the three months to July, posting their most rapid rate of growth since January 2009. High-street retailer Next warned, however, that the government's National Living Wage - which, from April 2016, will be set at £7.20 per hour for those aged over 25 - is likely to force up prices in the sector. Sports retailer JD Sports Fashion also sounded a note of caution over the initiative, warning its implemention might have a negative effect on earnings. For its part, hospitality group Whitbread indicated it would have to implement price increases and "efficiency savings" as a result of the National Living Wage. Elsewhere, the British Chambers of Commerce suggested: "Job creation may be impacted by the large increases in the minimum wage".

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THE MOST COMMON MISTAKES

"To err is human" said Alexander Pope - but in investment, to err is expensive. What you can do, however, is look at the mistakes of others and try to avoid the most obvious pitfalls.

Investors can make many mistakes but one of the most common is to follow the herd. When markets are high, they can scramble to invest, thinking they might miss out. Then, when markets are falling, they often sell out. The most recent example of both issues was the 'dot.com' boom. This first persuaded millions of investors to part with their savings thinking they were missing out on a chance to make 'easy' money. Unsurprisingly, the bubble then burst and many scrambled to get out without a thought about what might happen next.

The lesson is not to get carried away in the moment - either to invest or to sell. Stories of large falls in markets can make investors nervous - but this is the nature of equity investment and selling on a short-term dip simply crystallises a loss - and can also mean missing out on both the eventual return to normality and the longer-term benefits. Markets will always go down as well as up - so if you are scared by such volatility, take advice. Perhaps equities are not for you.

Finally, investors often believe they can time markets yet experts agree this is a near-impossibility. Investment should never be gone into lightly. Be clear about your objectives, your timelines and the risks - and make sure your portfolio is run accordingly.

THE BENEFITS OF REGULAR SAVINGS

In the complex world of investment, timing appears to be crucial. However, without the benefit of hindsight, it is impossible to second guess the market. Nevertheless, there is a way around this. By saving regularly, investors can benefit form what is known as 'pound-cost averaging'. This mitigates the risk of buying your entire investment at a single price - instead, smaller sums are regularly invested at a variety of different prices, reducing the risk of investing at the wrong time. Most investment products offer regular saving schemes as an option, including investment funds, Individual Savings Accounts (ISAs), life assurance and pension plans.

WHAT IS AN INVESTMENT BOND?

Investment bonds (not to be confused with corporate bonds) are offered by life companies and convey certain tax benefits on your investment depending on your circumstances. The most popular funds used to be with– profits, managed and distribution funds, which combine different assets to offer diversification all within the one fund. Today, however, more options are available, as life companies also offer external links to fund management houses, increasing the opportunity to mix, match and specialise within your portfolio. Onshore bond funds automatically pay tax on the income and gains internally, deemed equivalent to the savings rate of income tax. Basic rate taxpayers therefore pay nothing more when they take profits whilst higher rate taxpayers will pay a further 20%.