Gains are still possible, even in this climate

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FOR MOST investors, recent times have been a terrifying and unheralded experience.

Anyone who has invested in stock markets during the past decade will have experienced the many highs and lows coupled with extreme volatility. If you had invested your money in the UK stock market ten years ago you would be looking at a return of -38% (as of February 2009) and we still do not know if markets have yet reached the bottom.

If this description applies to the performance of your own investments and you want to avoid a repeat of this, then you need to do something different.

For some this will involve a reassessment of investment strategy, for others this may involve a change of investment adviser.

The fact is that there are investment advisors who have made money for their clients during the so called "credit crunch", and there are investments that have made positive returns, if you know where and how to invest.

There are a number of ways that an investor, or an investment adviser, can improve results in such a difficult environment:

1. Ensure that money is allocated to investments that have a better than average probability of making a positive return in the foreseeable future, do not diversify just for the sake of it. A classic example of poor diversification is being told that you have to be investing in the US stock market because it is the world's largest. There are times when investing in either the US or the stock market might not be a good idea and your adviser should have a view about when this is and position your investments accordingly.

2. Do not focus too much on equity based investments, why not consider for example uncorrelated asset classes (so your investment fund is not reliant on stock market rises) such as the substantial and rapidly growing UK legal litigation market, where in addition to 100% capital protection you will benefit from a unique 100% income return guarantee of 6.25% per annum (euro) and 7.25% per annum (sterling).

ALTERNATIVE: Consider other assets not linked to the stock market

These returns are very simply generated by the investment fund providing loans at an average lending charge out rate of between 15% and 18% per annum and therefore very comfortably providing the investor with the above annual returns.

Another example of this would be the UK commercial open bridging market where, as with the legal litigation market, there is no public or state funding support - thus requiring private investor funds.

One fund in particular which we have followed for over four years now has an average lending charge out rate of 24% per annum returning on average 13.85% per annum to the investor.

3. Find an adviser that is truly independent and is not tied to one range of traditional in-house funds.

They must be able to pick from the entire world of investment possibilities in order to choose the ones that have the best track record and best future prospects.

Some funds have managed to completely avoid the problems affecting financial markets and have generated positive returns in the short, medium and long term as above.

4. In light of the falls in value of many managed portfolios, disillusioned investors might prefer to switch from a discretionary service to an advisory service. According to management consultancy MDRC, which recently surveyed 4,700 high net worth clients, investors are seeking greater control over their portfolios, rather than leaving them to be managed at arms length. An investment advisor who is in regular contact with his client is more likely to have a pro-active relationship than one who only communicates a few times a year via a newsletter.

5. For investors who have a long term investment horizon but are not comfortable with risking their capital, some investments have a capital guarantee provided by a major bank.

This means that you can potentially achieve strong returns with little risk of loss.

Such products can also be used to reduce risk in a larger portfolio for a more adventurous investor.

6. Pay close attention to your currency exposure.

The currency that you spend should be the basis for all your other currency decisions and any investment in other currencies can create both opportunities and risks.

Do not ignore them, currency movements can easily make the difference between a gain and a loss.

7. Make sure that your advisor understands financial markets and the economy. He should have a good knowledge of what is driving asset prices, how financial markets work and he should be able to use this information to build an appropriate investment strategy for you.

You need to ensure that you are dealing with a genuinely qualified and experienced adviser, not just a salesperson or a relationship manager who put you in a 'model portfolio.

In spite of the doom and gloom we have been seeing in the media in the past year, there will always be opportunities to achieve controlled, low risk real returns, particularly now that bank deposit rates for investors have fallen below 1% and look set to remain there for some time to come.

Some investors will make good returns from chasing the fashionable theme of the moment, as happened with technology stocks during the dotcom boom, but for most people it is best to take a long term view while being aware that asset allocation requires regular reviews.

Good advisors will arrange to see their clients at least once a year, if not more frequently, to review their investment allocations and to check the client's financial situation has not changed significantly. If you are not getting an annual review, you should ask yourself if you are being properly looked after. If not, make a change.

Investment management is not about putting clients in model portfolios according to their risk tolerance, it is about an ongoing service that balances investment risk with financial reward, both of which fluctuate over time. There are times when it is easy to make money and times when it is easy to lose money.

The trick is to avoid losing too much money in the bad times in order to be able to profit from the good times, otherwise your wealth is simply rising and falling with the tides. It is possible to make money even in the bad times if your assets are properly allocated.

Send your money and financial queries to **Hugh MacDonald** at **finance@connexionfrance.com**

Uncertain about our 'mortgage broker' who billed for €2,000

Hugh MacDonald has a smaller column this month because he has been busy writing the Connexion *tax guide. A four-page version is included in this edition. A fuller ten-page guide is available for download from our website www.connexionfrance.com for €5.*

WE THOUGHT we would go to a mortgage broker to save some time and legwork and assumed it worked on the same principle as in the UK where the bank covers the charges. Unfortunately we realised too late that this is not the case and we are now lumbered with a bill for over €2,000. We had it in our heads that it was the bank that paid that we never asked about fees and the broker never explained how her fees worked.

When we explained the mistake she offered to drop the price to €1,500 if we paid cash. We are not sure if this is a nice gesture or a bit suspicious. We also find it strange as she only ever gave us an offer from one bank which happened to be our bank anyway. Her fees work out as 1.5% of the amount we have borrowed which is roughly what an estate agent would charge for selling a house. I have no idea what our consumer rights are and whether we can contest the amount of this bill. C.D.L.

YES, mortgage brokers do exist in France, without charging fees and being remunerated by the lender.

However, most brokers would probably not go to a bank but to a specialised lender. Banks tend to be interested only if they can get the client lock, stock and barrel and the market is nothing like it is in the UK, especially in the way it functions.

The fact that you refer to a bank makes me think that the person might not be a broker in the regulated sense but someone who refers clients to banks. In this case, yes, it is possible that their arrangement is to charge on top of what the bank charges, especially if the bank made the transfer directly for the fees.

So the immediate question is, was the person dealt with actually a broker, and someone saying they are a broker when they are in fact working for the bank?

As to retribution, without seeing the papers signed I cannot say but in general terms it is very unlikely. Bear in mind that if you signed *'lu et approuvé'* you will be deemed to have been aware of what you were signing, and thus accepting it irrespective of its level of correctness.

Charges for mortgages are expensive here and there are not usually all the offers made in the UK; no fees, paid-for surveys etc.

However, if you have found an estate agent charging only a 1-2% fee, then great, as they normally charge upwards of 5% because the volume of sales in France is much less than it is the UK. It is the old story, buyer beware.