The Maverick Investor

LESSON TEN

by

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How to Make Lesser Known Investment Opportunities Work to Build Your Personal Nest Egg!

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The Maverick Investor's
Home Study Course

PART TEN

MISCELLANEOUS INVESTMENTS

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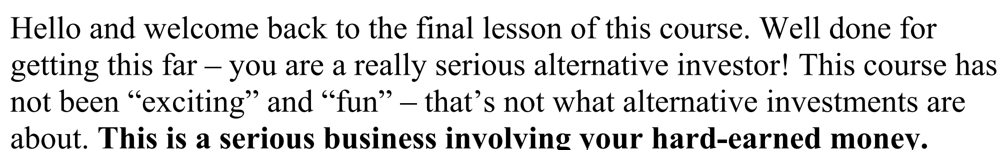


Hello and welcome back to the final lesson of this course. Well done for getting this far – you are a really serious alternative investor! This course has not been “exciting” and “fun” – that’s not what alternative investments are about. **This is a serious business involving your hard-earned money.**

The beauty of alternative investing is that there are just so many alternative investments out there waiting for you! Antiques and collectables, motor-related memorabilia, property, penny shares and so on – the list is almost endless. To show the range and diversity of the alternative investments on offer, there are various miscellaneous investments available that don’t fit automatically into the alternative investment products covered so far...

- **Commercial Property**
- **Spread-Betting**
- **Property Funds**
- **Ethical Investments**
- **Traded Endowment Policies**

Successful alternative investors invest in all sorts of these miscellaneous investments. They mix and match what’s on offer to suit their own circumstances. These products really offer something for everyone. You can invest a little money in property funds or a whole lot more in commercial property. You can go for relatively low reward and low risk products such as traded endowment policies or go higher up the scale with spread-betting. You can even put your money into your principles and what you believe in – by going for ethical investments!

Commercial Property

Property is the favourite investment of many investors. Residential property, as covered in part five of your course, is by far the biggest favourite of all. Many investors buy properties and then profit from rental income (which covers their borrowings and leaves a little left over) followed by a capital payout in 10, 15 or 25 years time when the properties are finally sold.

As seen in part six of your course, there are many other ways to profit from property too – and these are as diverse as investing in garages, masts and even forestry! Yet one of the best alternative property investments of all is often overlooked even by some of the more successful investors – it’s commercial property and it is a potential money-maker for you.

Just as they do with residential properties, some alternative investors buy commercial properties, let these out to tenants to cover their borrowings, and then cash in on capital growth when they sell up years later. Generally, the principles of choosing commercial property is much the same as it is for residential property – you may wish to re-read part five (and possibly part six) of your course now to refresh your memory. In essence, you need to pick a

well-located property that will appeal to tenants both now and in the future and that will then sell on at a higher price some time later!

The rewards of investing in commercial property tend to be less than for residential property, but the risks are correspondingly lower too. This is a steadier and more stable market with slower growth – which suits many investors well. To succeed in this field, you need to focus on three main areas - picking the right property, getting the right tenant in place and drawing up the right lease. Get those three features spot-on and you're well on your way to profiting!

Start by picking the right property. As with residential property, 'location, location, location' is all-important – this can best be seen by looking at shop premises which really need lots of passers-by who can be turned into customers! It's also relevant to other commercial properties too, although we'll use shop premises as an example as most people can relate most easily to these.

Begin by working through a list of any possible shop premises that come up for sale. Spend as much time as you can around each shop. Too many novice investors buy on the basis of a 'good deal'; the price is right, the property is in good condition and is clean and spacious. These are all important but count for little if the shop itself is not going to pull in customers. If you're seeking a retail tenant, look at the property as a prospective retailer will do, for example. Then look again, trying to see the shop through their customers' eyes. Walk the surrounding streets, sit and watch the shop and getting a feel for the area. Do this at different times and on different days - a Monday morning and a Saturday afternoon are going to be different.

Narrow that list by evaluating each area carefully. You may be viewing a prime high-street location or a secondary, backstreet site. Either way, you're looking for passers-by and <u>the more the better</u>. They're not all going to come and visit the shop but a good location is the quickest way to be seen, spread the word and encourage more trade. This is especially important for businesses such as newsagents. You also really want to see something in the area that pulls people in to the area. It could be the shop is on the main road into town. Perhaps the town's main car park is close by. **You want to see something that is a big attraction to that part of the town!**

You can produce a shortlist of properties to choose from by looking at the neighbouring properties of each would-be buy on your list. Premises on either side and nearby can impact on the profitability of your commercial property. You'll want to see **occupied rather than vacant** units and a clean and

thriving area. The tidy appearances of shops are positive signs.

A mix of complementary businesses is a key factor it you are looking to attract a specific type of tenant. A furniture shop and a carpet store should bring in more shared customers between them, for example. A furniture shop and a fishmongers would not. Be wary of businesses such as taxidermists and undertakers which rarely benefit their immediate neighbours. **Precincts are worth avoiding too.** Think about the precincts you know. Few are successful – most are half-empty and don’t attract many customers.

Reduce that shortlist by looking at everything else that's around each property. Many factors have an influence, and some are quite significant. Pedestrianisation and nearby car parks can draw in customers. One-way systems, yellow lines and roundabouts can be unhelpful. Look more specifically in relation to the businesses you're planning to attract. A pedestrian crossing near to a baby clothes' shop should encourage more mothers to cross with buggies. It could be a disadvantage to an off-licence though as it makes it harder for car drivers to pull over. Study everything - bus stops, railway stations, taxi ranks, parks, telephone boxes, letter boxes, benches, even the proximity of public lavatories. **Decide whether these are a help or a hindrance!**

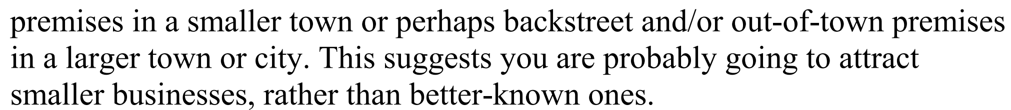
Before making a final decision, look at the competition. If you're planning to attract a tenant, think about it from their viewpoint. If you're looking at an empty unit in a parade of four shops where the other three are a newsagents, a hairdressers and a convenience store, you might think it's perfect for two or three different businesses to come into. Fine, but do check whether there is much competition nearby for these types of businesses.

Don't make instant assumptions. Competition isn't always a negative. Take estate agents as an example. If there are six in town and five are in one road and only one is a few roads away, you'll find many would-be house buyers will go to the ones close together rather than the one further away.

You now need to think about the ‘right tenant’. The key to making money month-on-month (or to at least covering your borrowings until you finally sell the property) is to get a tenant for the property who will then pay you rent! If you have picked a property with universal appeal, you should generate lots of interest.

You really want to own a property that can be used by all sorts of tenants. Ask yourself, 'How many different types of business could run from here?' The more you can think of, the more tenants you are likely to attract. Think too about the quality of the property. Location, location, location is as important for commercial property as it is for residential property. Keep asking yourself, 'Is this property going to appeal to businesses, have plenty of passing trade etc?' To source would-be tenants, you can use a local estate agent with a commercial department or a business transfer agent, listed in Yellow Pages.

You need to know who you want as a tenant. You may well buy high-street



premises in a smaller town or perhaps backstreet and/or out-of-town premises in a larger town or city. This suggests you are probably going to attract smaller businesses, rather than better-known ones.

It is sensible to look for tenants who are well-established in business rather than starting up. **The majority of new small businesses fail within three years and most of these disappear within 12 months.** You don't want these tenants – you'll be chasing rents, and having to handle void periods when you will have to meet your borrowings from your own funds (which is the quickest way to make a loss). You will also want to think about how likely that particular type of business is to succeed in these premises. If you have several properties together, look for businesses that will mix well with each other.

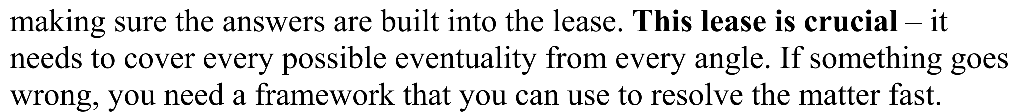
You can check out a prospective tenant by taking up written references from their bank and two trade suppliers. If you are doing this through an estate agent or business transfer agent, they will deal with the administration, although it is sensible to take a close interest. At the end of the day, it is your property, your tenant and your profits and losses, not the estate agents.

What you need to know is whether the tenant will pay the rent in full and on time and that they'll look after the property - you want to cover your borrowings, have a bit left over in profit, and not have to spend too much on repairing the property. A banker's reference should normally be taken up via your bank or the commercial estate agent's bank. A standardised response will normally be given, such as 'should prove good...'. Your own bank or the estate agent should tell you what the reference really means. If a trade supplier invites you to phone for more information, do so – off-the-record comments may prove revealing.

Make sure you are choosing the right tenant – meet them face-to-face. You can do this quite easily by being present when the agent shows tenants around your property. Most would-be tenants will talk freely about their business plans at this particular point in time; what they're going to sell, who they want to attract, where they will set out stocks, what they'll want to do with the premises. This is your opportunity to assess the viability of what they plan to do.

If they are already in business, you may want to go along and have a look at what it is they are doing. Check the business out. Think whether this business will be a draw for other businesses and customers to any other units you own. Getting the first tenant into a row of properties will act as a trigger for other would-be tenants to approach you too, especially if that first one seems successful.

The third key to profiting from commercial property is to get the right lease drawn up. Protect yourself and your investment by getting a solicitor to draw up a watertight lease. You need to use a solicitor experienced in this field - not necessarily the same one who handled Aunty Betty's will! Your agent should offer recommendations. Talk to the solicitor, asking various questions and



making sure the answers are built into the lease. **This lease is crucial** – it needs to cover every possible eventuality from every angle. If something goes wrong, you need a framework that you can use to resolve the matter fast.

What should the rent be? As with all property, the rent you'll get will depend largely on supply and demand – hopefully, you’ll have followed the basic principles of profiting from property given in part five of the course, and will have talked to local commercial estate agents and done your research into local rents etc before buying. The lease must state the rent along with how and when it must be paid. Rent is usually paid quarterly in advance – if something goes wrong, you’ve then got a chance to find a new tenant without being out-of-pocket.

The more in-demand the property, the more you can charge, of course – a higher rent, more in advance, and even what’s known as a premium (or lump sum) to get the lease. The less in-demand, the harder the tenant can push for a reduced rent through to a rent-free period when moving in. A premium or rent-free period tends to be featured more often when a property is in an outstanding or a rundown condition. Either you'll want to recoup some of the costs of restoration or they will want a rent-free period to cover their costs of improving the property.

How long should the lease last? One of the joys of investing in commercial property is that leases tend to last for several years so you get some stability in comparison to residential lettings where tenants may change every year or so. Also, commercial rents tend to go up at set intervals (usually at rent reviews and in line with inflation) which further helps to make these investments fairly stable and secure.

These days, most tenants want to go for leases of three to five years (in years gone by they used to last for about 21 years in many instances). You need to have some sort of rent review or renewal framework in place within the lease. Any differences can then be settled by common-sense discussion in relation to that framework, although it is useful to have some sort of third-party arbitration clause in case of disputes.

What about property repairs? Leases can be categorised in two main ways – there are 'internal repairing leases' and 'full repairing and insuring leases'. An internal repairing lease is one where the tenant is responsible for internal maintenance and repairs. They have to keep it in good condition etc indoors. The landlord is then responsible for the external maintenance of the property, and for insuring it.

A full repairing and insuring lease makes the tenant responsible for both internal and external repairs as well as for the insurance. This type of lease is usually better for the landlord of course (but check the insurance)! It is wise to agree on a schedule of condition at the beginning of the lease and to agree on what needs to be done regarding repairs. ‘External paintwork needs to be painted in a workmanlike fashion every three years' is a typical clause. If you have several tenants, it may be sensible to take charge of outside repairs and

insurance to maintain an overall appearance and full cover.

What other clauses should be included in the lease? If you have several tenants, you may want to have a clause limiting trading activities. Say, for example, that you own a parade of shops. You would ideally want to see a good mix of complementary tenants in there - perhaps a hairdressers, a beauty salon, a women's fashions' store and so on.

You don't want competing businesses in case one is forced to close and you lose one lot of rent! Think ahead. If you had, say, a baby goods shop and a childrenswear shop together, this would seem ideal, at least in theory. You can't get much more complementary than these businesses! But what if one didn't do so well and wanted to expand into the other's area? You need a clause restricting activities along with the proviso that you will not unreasonably withhold permission for a change of usage.

What if...?

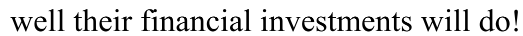
This is a key question. You need to think through as many 'what if?' scenarios as you can – and then include clauses that cover these possible outcomes. What if the business fails? The secret here is to get rents in upfront and on time, and to have a procedure in place for non-payment of rent and reclaiming the property. What happens when the lease ends? You need to have a procedure in place so you have discussions in plenty of time before the end of the lease.

An arbitration clause may be helpful. What happens if or when you want to sell the property and bank your capital sum? You need to have all this set out in writing in the lease. You'll find it useful to sit down and write out as many 'what if' scenarios as you can and make sure that the outcomes are all covered.

Where next? If commercial property interests you, it is a good idea to talk it through first with your professional advisers. Then get in touch with your local estate agents. See which ones handle commercial properties. Talk to them. Ask them about the local market, what is in demand, what isn't in demand and what is for sale. Talk to business transfer agents too – you will find these listed in Yellow Pages, and those estate agents may have some contacts for you too. Talk to them and ask them the same sort of questions. They may have businesses for sale where the premises might be available separately – new businesses that have failed may accept an offer for their property, for example. Now get a list of what's on offer, and start viewing!

Spread Betting

Strictly speaking, spread betting isn't an alternative investment at all – it has more to do with gambling than investing! However, it is worth considering as part of your overall alternative investment strategy because it is not pure gambling (e.g. like roulette) and even buying normal shares has a strong element of gambling in it. Many of the most successful alternative investors do get involved with spread betting, not least because they can bet on how



well their financial investments will do!

Take property for example. You can bet on which way property prices will move – potentially, an ideal way of making money without having to invest large sums in bricks and mortar. Here's how it works – and bear in mind that spread betting can be applied to all sorts of things from property right through to financial markets.

Start off by understanding what spread betting actually is, and what it involves. A bookie will quote a spread between two figures – in essence, they are saying that a particular outcome will be between the lower and the higher figure of that spread. Say, for example, you want to predict the outcome of the FTSE 100 Index in three months time – if you've been reading the financial press day in, day out, you might feel fairly confident that you could do this! The bookie might quote a spread of, say, 5010 to 5020 for three months time. What you then have to do is to decide if it will be higher or lower than that. If you feel sure it is going to be higher, you will 'buy' at the top-end of the spread at 5020. If you feel certain it will be lower, then you will 'sell' at the lower end of the spread at 5010.

Let's see what might happen. Say you think the market will go higher, so you 'buy' at £10 a point at 5020. The market rises, just as you thought, and the settlement price is actually 5095. Well done! You will win £750. How? You take the 5095 closing price and deduct the 5020 opening price which means a difference of 75. You then multiply this 75 by £10 a point which gives you £750. As another example, say you think it will be lower. You might therefore decide to 'sell' at £10 a point at 5010.

Now imagine that market falls and the settlement price is actually 4950. You would, if this happened, win £600. Again, you take the 5010 opening price and deduct the 4950 closing price which means a difference of 60. Multiply 60 by £10 a point and you have £600. So, these are the potential rewards – and they can of course be higher if you stake more and the outcome is even more in your favour. The rewards are considerable. Naturally enough - as rewards and risks always go together – the risks are just as considerable. Imagine the market went the other ways – you could be £600 or £750 out of pocket!

How Do You Place A Bet?

There are several companies (bookies) who specialise in taking bets on various stock markets and commodities. For example:

I G Index PLC
Friars House, 157-168 Blackfriars Road
London
SE1 8EZ
Tel: 020 7896 0011 Fax: 020 7896 0010
e-mail igindex@igindex.co.uk
Web: www.igindex.co.uk or helpdesk@igindex.co.uk

Or try: City Index. Tel: 020 7550 8500 (or www.cityindex.co.uk)

To use their services you need to complete a simple application form and send it to them. They will then decide on your betting limit (see later) and send you a card with your own personal number on it. This is the number you will use when you call them to make a bet.

To place a bet, you just call them (they are open 24 hours a day) and make your wager. An example of a wager (explained more fully later) is: “I want to bet £10 a point on the December FTSE index going above your quoted price.” This is called an ‘UP’ bet. Actually, you would say something more like this: “S2123 John Smith speaking. Buy December FTSE, 5235 at £10 a point.” The ‘S2123’ is your unique code number allocated to you by (for example) IG Index when you join. The ‘5235’ is the quote they have just given you for the December FTSE.

That’s it. Your bet has been placed. You will receive a confirmation by return of post.

IG Index also allow for Internet Betting - you don't even need to call a dealer.

What Markets Can You Bet On?

All the major markets. You can bet on the Dow Jones Index, the FTSE index, the Nikkei Index and several others, all commodities, most currencies and many individual shares. Certainly there is enough to keep you going for a lifetime but most punters stick to one or two favourite markets. For example, I mostly trade the FTSE 100 index. There’s no real reason.

It’s as good as anything else and I feel (probably wrongly) that I know more about it than other more esoteric indices or commodities.

How Do The Bookies Make Their Money?

There is a big **advantage to trading futures compared to horse-racing. With horse racing, as soo**n as they see that you know what you are doing, they close you out. Bookies only want ‘mug punters’, they don’t want professionals. This is not the case with betting on futures via spread bets. **They don't care how much money you win** and will gladly pay you a million pounds and let you come back for more.

Why?

Because they make their money on the *spread* of their quotation. They make money if you win and they make money if you lose - it’s all the same to them. Your bet that the market is going up is balanced by a bet (from another punter) that the market is going down. They couldn’t care less which way it goes or who wins or loses. All bets are covered, and they make their margin whatever. This is extremely good news for those who want to do this. **It is very frustrating to be closed out of a market just because you cannot get**

your bet placed.

How Much Can You Bet?

This depends strictly on your betting limit. This is determined by the bookmaker according to how rich you are. If you are wealthy, you can bet a lot. If you are poor, you cannot bet much - at least, not without covering your bet with a large cheque.

The reason for this is obvious. If the bet goes against you, you MUST be able to pay the company. They have powers to seize property, etc. to satisfy your gambling debts, so make sure you know what you are doing and **have the money to cover your losses**. This is no more than a restatement of the number one rule of gambling - **never bet money you cannot afford to EASILY lose.**

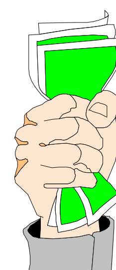
They will not normally let you run up losses which they estimate you are unable to cover. This is simple, common sense. They are protecting their position, but more importantly, they are preventing rash punters from losing their shirts trying to emulate Nick Leeson!

For example, you may *want* to bet £100 a point on the December FTSE, but if the market moves against you by (say) 200 points, then you owe them £20,000! Is this small change to you? Can you laugh at these losses and dash off a cheque with a merry smile on your lips? Unlikely. It is more likely you will be thinking of selling the family home. For this reason, you would not be allowed to place this bet. Instead you would be limited to a more modest £5 a point, for example.

In short, the bets you are allowed to place depend upon your means (income and savings). I think this is a *good* thing and certainly it has never worried me.

Do You Need Any Hard Money To Start?

Answer: Yes. Here's why. Whenever you place a bet, they will ask you for a cheque to cover any reasonable potential losses. This cheque must be posted *right away*, the same day you make the bet. Or more usually the money taken from your debit card.



Let's look at an example:

Supposing you want to bet £10 a point that the FTSE will rise by the end of the current 3-month trading period. This is called an UP bet. The FTSE is currently at (say) 5100. You telephone to ask for a quote on the *future* price (e .g. March) - remember, this may be *unrelated* to the current price of 5100. They quote (say) 4910/4940. The 30 point difference is their *spread* and this is how they make their margin.

As an aside, and just to make sure you have been paying attention, does this quote mean that the punters (in general) are optimistic or pessimistic about the

coming prospects for the FTSE?

They are *pessimistic*, of course. More people want to sell this future than buy it, and so **the price has gone down to reflect this.**

You decide that the FTSE will be far higher than this and so you BUY MARCH FTSE at 4940. If you were to sell three seconds later, you would sell at 4910 and the company would keep the 30 point difference. Get the idea? This is how they make their money.

You buy at £10 a point. The company apply a standard factor to this (for the FTSE) of 150 and so ask you for a cheque for £10 x 150 = £1,500 payable immediately to cover your bet. The factor of 150 is just a reasonable guess at the amount the FTSE typically moves in a 3-month period. It could move far more of course, but *on average* it is unlikely and so the company consider 150 to be reasonable insurance against the bet going against you, and you defaulting on your obligations. This factor changes according to the current volatility of the market

If you bet £30 a point, you would have to send them £4500. Of course, if the bet goes your way, you get your winnings *and* your deposit back. If the bet goes against you, they keep the deposit (or proportion required) and either return the balance to you, or ask you for more money to make up the difference between your losses and your deposit.

The alternative would be for them to allow any old punter to wager £1000 a point and disappear (or go broke) if the bet went against them. That same punter would surface (under a different name, perhaps) a few months later, and make the same bet. Eventually the market would go his way, and he would make a million. This obviously cannot be allowed to happen. This is effectively a series of wagers with no downside risk, because the punter defaults every time he loses.

If the market moves sharply against you (e.g. more than 150 points) they will telephone to ask for additional funds to cover your losses. You must be prepared to pay the ‘margin call’ (as it is called), or close out your bet and take the losses.

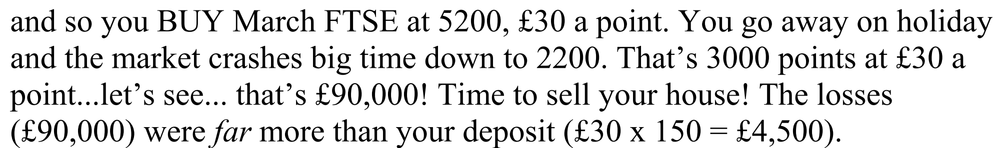
All bets have a minimum stake. For example, betting on the FTSE has a usual minimum bet of £5/point (sometimes you can bet £2 a point; ask them for details).

What is The Risk?

This is another vital point for you to understand.

Unlike other gambling, your risk is NOT limited to your stake. **Your losses could be considerably more.**

Using the FTSE as an example, suppose you think the party will go on forever



and so you BUY March FTSE at 5200, £30 a point. You go away on holiday and the market crashes big time down to 2200. That's 3000 points at £30 a point...let's see... that's £90,000! Time to sell your house! The losses (£90,000) were *far* more than your deposit (£30 x 150 = £4,500).

In practice, the company would have **closed this bet for you** due to the fact that you had not sent them a cheque for your increasing losses. Perhaps you will only owe £20,000...

You can also protect against this using a 'controlled risk' bet.

Make sure you understand the risks you are taking before you get into this. **Don't place bets you do not understand.**

How Are Winnings/losses Calculated?

I want to make an important point here, and please be sure you are crystal clear on this before you proceed. I personally found this slightly confusing when I started, so you might have a little trouble too.

Let's stick with the FTSE, although the same principle applies to all the bets you make.

When you place a bet on the future FTSE, you take the bet at the price *they* quote for the future (e.g. March) FTSE. This is related to, but not the same as, the current price of the FTSE index. They could quote March FTSE at 5100, and the current FTSE could be at 4500. All this tells you is the following: The majority of people taking a position on this future think the market will rise. That's it.

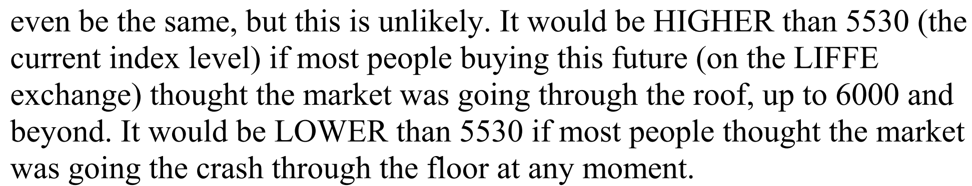
They could quote March FTSE at 4100 when the current index is at 4500. All this tells you is that the majority of people taking a position on this future think the market is going to fall. That's it.

The important point is this: The quoted price of the index (or commodity) may have little to do with the *current* price of the index (or commodity).

Now here is the second most important point. When you *close* your bet (run for cover or take your profit), you do so **at the price currently quoted by the bookmaker for that future**, and not the *current* price of the index or commodity. This is very important for you to realise.

Let me illustrate using an example. Assume you are in the trading period to March (e.g. it is now Jan, Feb, or early March).

You buy March FTSE at £10 a point. They quote you 5100/5130, so you buy at 5130. You get it right, and the market soars. You watch the FTSE climb, climb, climb. It passes 5530 and you decide to bail out. You DO NOT get 5530-5130 = 400 x £10 = £4000. You DO NOT sell at the *current* FTSE index level, you sell at the price they are currently quoting **for the March FTSE.** This could be higher, or lower than the current FTSE index. It could



even be the same, but this is unlikely. It would be HIGHER than 5530 (the current index level) if most people buying this future (on the LIFFE exchange) thought the market was going through the roof, up to 6000 and beyond. It would be LOWER than 5530 if most people thought the market was going the crash through the floor at any moment.

Having said all this, in general, the price of the future FTSE correlates reasonably well to the current price, in that, if the current FTSE is rising, the future FTSE tends to rise. If the current FTSE is falling, the futures FTSE tends to fall.

Now please re-read from the subheading ‘How are winnings calculated’, to this point again, just to make sure you have absolutely understood this section.

The Advantages of Using a Gaming Company to Trade The World Markets

There are several distinct advantages in using a company like IG Index or City Index, compared to a traditional stockbroker.

1. You can make small bets, much smaller than the usual minimums allowed in trading futures directly. I G Index allow you to bet £2 a point through their 'Index Direct' scheme.

2. You can deal 24-hours a day. Even at 3 a.m.! Most stockbrokers don’t take kindly to being woken at this time of the morning!

3. Your profits are tax-free. Traditional profits from futures trading are subject to your full marginal rate of tax. You lose at least 20% and possibly 40%.

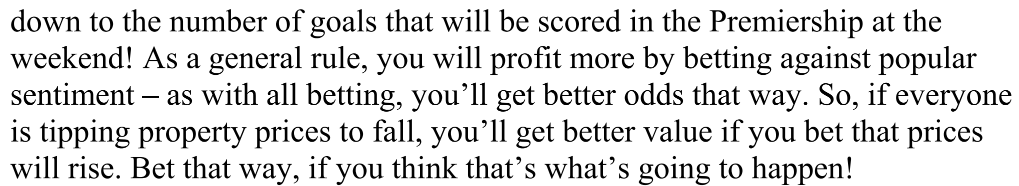
4. You can get a credit account, depending on your experience and credit worthiness. This saves the hassle of sending them a cheque each time you make a bet.

5. You can deal immediately. They quote a price, and if you take it, the deal is done on the spot. You do not have to wait for the deal to be executed.

6. Finally, there is no commission to pay! They make their money on the ‘spread’ of their quotation.

Fortunately, there are ways to increase the possible rewards and to reduce the potential risks involved in spread betting. The first rule is to bet on what you know best. If you’re spent six months studying the stock markets whilst papertrading penny shares, for example, consider betting on a share index.

If you have been looking closely at property, perhaps in different parts of the country, you might want to look at betting on property prices in a region you know especially well. Nowadays, you can bet on just about anything right



down to the number of goals that will be scored in the Premiership at the weekend! As a general rule, you will profit more by betting against popular sentiment – as with all betting, you'll get better odds that way. So, if everyone is tipping property prices to fall, you'll get better value if you bet that prices will rise. Bet that way, if you think that's what's going to happen!

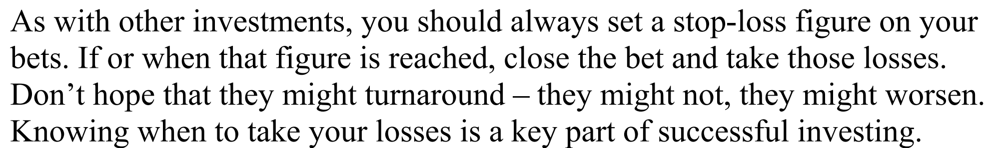
Once you've decided what you want to bet on, you should shop around amongst bookies. Spreads can vary from one to another – what you are looking for is the lowest spread if you are buying and the highest spread if you are selling. In theory, if you can find two bookies with spreads that don't overlap, you could place a buy bet on the lowest spread, a sell bet on the highest spread and will then win whatever happens. Of course, this rarely happens in practice, certainly not amongst the biggest bookmakers anyway, but it is certainly worth checking out – consider it good research for you!

If you bet, you can sit back and wait to see what the FTSE (or whatever) comes in at in three months time, or whenever. But, if it moves in your favour in the meantime, you might prefer to take your profits while you can. They might not be there for long! At the same time, of course, you may also want to act fast if it moves against you. You'll want to limit your losses! You can do either by placing what is known as a closing bet as the market develops one way or the other. With a buy bet, you close by selling at the bookmaker's present quoted spread. With a sell bet, it's the other way round. You can close by buying at the bookmaker's current quoted spread.

This time, let's look at a loss-cutting example. Imagine you thought that FTSE Index would be lower than that 5010 to 5020 spread in three months time. So, you sell at £10 a point at 5010. Subsequently, the market goes the wrong way and rises. You got it wrong, as even the very best do from time to time. That happens, but what you don't want to do is to wait while everything worsens and you lose even more. So, on second thoughts, you think that maybe it is going to rise even further still. You decide to cut your losses – you're applying a stop-loss figure!

The bookmaker is now quoting a spread of 5040 - 5050. So, **to close your sell bet, you now buy £10 a point** at 5050. In effect, the closing price on your original bet is now 5050 and the opening price was 5010. The difference is 40 and multiplied by £10 a point, you limited your losses to £400. If the market had gone the other way and moved initially in your favour, and then looked as though it would go back the other way, you could place a closing bet to take the most profits straightaway!

With this in mind, it is generally a good idea to bet on long-term rather than short-term markets. You want to give yourself time to win! So, if you bet on the number of goals that will scored in the Premiership this weekend, you've not got a lot of time to change your mind if it looks as though you've got it horribly wrong. But if you bet on what the housing market in your region is going to do in the next year, you have a much better chance of taking your profits or cutting your losses during that time.



As with other investments, you should always set a stop-loss figure on your bets. If or when that figure is reached, close the bet and take those losses. Don't hope that they might turnaround – they might not, they might worsen. Knowing when to take your losses is a key part of successful investing.

Where next? You should start by approaching the top spread betting bookies - IG Index (020 7896 0011), and Financial Spreads (08000 96 96 20) are two of the best-known ones in the marketplace. They will give you lots and lots of literature to read which you will find useful. You may want to trawl for tipsters – just as you did with penny shares (see page seven of your course). Then, just as you have done so many times before with other investments, start papertrading. Make pretend losses whilst you are learning what's what! Once you have done this for, say, three months or so and have built confidence and know-how you should be ready to bet with hard cash for the first time.

Property Funds

There is no doubt that property has been a fabulous investment for many people for many years now. However, many would-be investors do not have the finance nor the desire to own and manage a string of properties! Fortunately, these investors can still profit from property, but without having to invest huge amounts of money, time and effort – nor wait for 10 to 15 years for that big payout when the property is eventually sold.

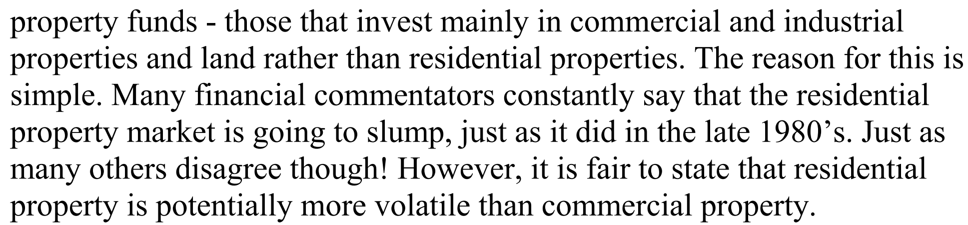
They can instead invest in what are known as **property funds**; another often-overlooked investment. In several respects, these property funds conform to many of the characteristics, rewards and risks of other collective investments, as covered in some detail in part nine of your course. Refer back to this now for a quick update on the ins and out of unit trusts, investment trusts, bonds, and their various pros and cons.

There are different types of property funds and one way of categorising them is to consider *where* the money is invested. Some funds are invested directly in 'bricks and mortar' - actual property itself. Other funds may comprise large holdings of property shares – investments in property development companies and the like. Where the fund is invested will characterise the fund itself.

Investing in bricks and mortar tends to be fairly safe and steady at present. Investing in property shares tends to be much more volatile. The big advantage of investing in property shares is that they are more liquid and can be bought and sold more quickly if necessary. Most savvy investors prefer bricks and mortar investments.

Property itself is considered safer than shares. Property funds can also be categorised according to the type of investment they are - unit trusts or investment bonds, as examples. Typically, investment bonds hold most of their money in bricks and mortar; sometimes as much as 100%. Unit trusts tend to prefer liquidity and hold most money in property shares.

The most successful investors in these investments tend to go for commercial



property funds - those that invest mainly in commercial and industrial properties and land rather than residential properties. The reason for this is simple. Many financial commentators constantly say that the residential property market is going to slump, just as it did in the late 1980's. Just as many others disagree though! However, it is fair to state that residential property is potentially more volatile than commercial property.

Residential property tends to go up in leaps and bounds in some areas, and less fast in others. Fast price-rising areas then peg back whilst others catch up and overtake. Commercial property tends to be more stable. Its value tends to be linked closely to rental incomes and these are generally steady, and then go up at rent review intervals usually in line with inflation. It's more of a 'sure bet'. Those funds with investments across different regions tend to be safer – diversification is important to spread risks.

Successful investors tend to avoid those funds that hold large amounts of cash for long periods of time. Many property funds are extremely cash-rich. Holding large cash sums is fairly common especially at times when property funds are taking in money very quickly, during a heavily promoted launch period for example. This can be a plus point really, as it indicates that fund managers are assessing the opportunities carefully and perhaps waiting for the right opportunities rather than simply investing in what's immediately available. However, property funds with long-term cash holdings are not so good as this can affect the investment returns of the funds.

You need to think carefully about your attitude to rewards and risks, deciding – as always - if you want low-risk, low-reward or high-risk, high-reward (or something in-between). Remember, the bottom line of investing is that rewards and risks go hand-in-hand. If you want low risk - putting your money in a building society account - you will always get low rewards too. If you want higher rewards - by investing in penny shares for example - you also have to accept higher risks. You pay your money, you take your choice!

Generally, property funds are medium reward, medium risk - your money's going into a pool of money which is then invested in a diversified mix of investments to reduce risk. As we have seen earlier in your course, collective investments also enable you to invest in those areas that might not otherwise be available to you. Property, and the costs of building a property portfolio, is a good example here.

What Next?

If property funds interest you, check back over part nine of your course to refresh your memory on how to pick a collective investment – remember, you're looking for **management experience, a track record, diversification**, low costs and so on. All of these key points apply here to property funds! Then talk to your professional advisers – an IFA for example. Ask them to show you what is currently on offer in this field and what they recommend is most suitable for you. You can then check through each product alongside of the checklist you'd use for assessing any collective investment – and can then go on to make the right selection for you.

Ethical Investments

Ethical investments are simply those investments that match your personal ethics. So, if you are against, say, animal testing, tobacco products and/or exploitation of third world labour, you simply invest in those companies and products that have nothing to do with these in any way, shape or form!

To invest ethically, you need to **consider what your ethical principles are and then look for investments that match your personal criteria.** What are termed as ethical investments will therefore vary from one person to another. One ethical investor may feel uncomfortable having anything to do with those companies and products linked with animal testing – another ethical investor may feel comfortable with that but less comfortable with, say, those companies that are considered to be polluting the environment more than others. What's 'right' for some ethical investors will be 'wrong' for others – it's a personal choice.

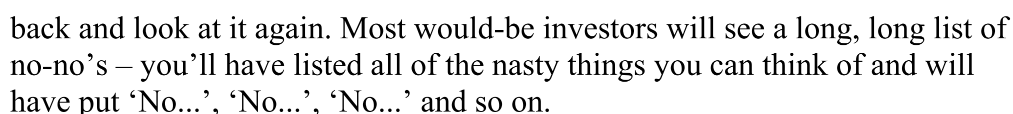
You can discover ethical investments across all sorts of products in the marketplace – anything from current accounts with banks that conduct business in an ethical manner, through shares in companies that act ethically, to funds that are promoted as being ethical. So far as the reward and risk mix is concerned, it will tend to reflect the type of product in question – that current account will be low reward and low risk, those shares may be medium reward and risk, and those international funds investing in South America will be high reward and high risks.

The only difference between them is that, taking that fund as an example, the product provider for the ethical investment will invest more selectively. The fund manager might not, for example, invest in those companies that are believed to abuse human rights. This (slightly) restricted choice suggests that the returns may be slightly lower (the company that abuses human rights might be well the most profitable), but in practice ethical investments stand up fairly well.

Most investors – alternative or otherwise – invest plainly and simply to make money, and usually as much of it as possible. If that is your aim, then you should consider all investments open to you in exactly the same way – thinking mainly about the possible rewards, the potential risks, and the likely returns.

Some investors put money in certain investments partly for pleasure and fun as well, from Elvis memorabilia to classic cars. They might accept a slightly lower rate of return as a trade-off of sorts for the joy and pleasure that they get from these investments. Other investors like to invest and keep a clear conscience and ethical investments may therefore be right for them. Again, a slightly lower return on their money may be acceptable to them too.

If you would like to invest ethically, you should start by making a list of your ethical criteria. These will be personal to you and form the basis of your investment decisions. Write down everything you can think of and then sit



back and look at it again. Most would-be investors will see a long, long list of no-no’s – you’ll have listed all of the nasty things you can think of and will have put ‘No...’, ‘No...’, ‘No...’ and so on.

You’ve got a very long list of ‘No’s (just as everyone else has first time around). The problem is that this initial list may well knock all possible companies and products out of consideration – few if any companies and products are perfect! It is wiser to sit down and think which criteria are really and truly close to your heart and are most important to you. The ‘No’s’ on that first list can often be re-grouped into essential and desirable criteria. Some you won’t move on, others you will! The more demanding you are, the harder it is to find not only products that match up, but that are also profitable too.

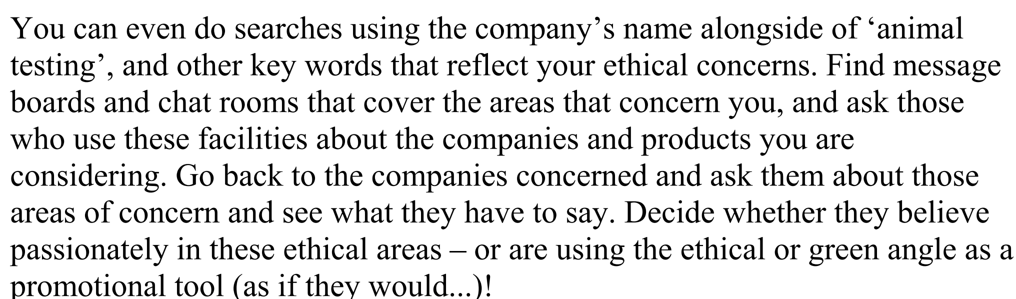
Here is a useful trick used by the most successful alternative investors who also invest in an ethical way. **It is helpful to list positive rather than negative criteria.** Positive criteria might feature 'companies that educate and train their workforce, and pay them a fair market rate’ and ‘companies that benefit the local community in some way’. What you are really doing here is to look for the good in a company (product or whatever) rather than the bad.

Clearly, you may still have some no-no’s that are important to you. But others might be outweighed by the good points of the company. If you go looking for bad things, you will find some of them, and will rarely see the good things at all as a result of this. Look for the good things and you may make better choices that also meet your ethical criteria too.

You need to think carefully about which ethical criteria are going to be applied to which potential investments. With some investments, you have more choice than others and can apply your criteria more rigorously. Take penny shares as an example – when you start looking, you’ll find there are lots of companies to choose from. You can pick and choose in line with your ethical criteria and still have plenty to choose from – enough to pick a likely-looking winner! With, say, funds in a particular sector, you may have less choice.

If you start applying your ethical criteria vigorously, you might have relatively few products left to select from. You also need to think how far you will apply your criteria. One company, for example, may offer penny shares that look very promising to you. They do not seem to deal in any of your no-no’s – animal testing, tobacco etc. But, when you research, you discover that their main supplier or customer *is* active in the tobacco industry. You need to decide how you feel about this.

To get a fuller picture so that you can make your decision, you need to obtain as much information about any investments you are considering. Often, you can approach companies direct, asking for reports and accounts, promotional literature and documents about their products and services. Talk to your professional advisers too – see what they have to say. Go to an on-line search engine such as Google and search for that company or product.



You can even do searches using the company's name alongside of 'animal testing', and other key words that reflect your ethical concerns. Find message boards and chat rooms that cover the areas that concern you, and ask those who use these facilities about the companies and products you are considering. Go back to the companies concerned and ask them about those areas of concern and see what they have to say. Decide whether they believe passionately in these ethical areas – or are using the ethical or green angle as a promotional tool (as if they would...)!

Having set your ethical criteria and then worked through the investment opportunities in comparison with this list, you should be left with a shortlist of possible investment opportunities. What you should then do is to assess these in the same way that you would any other investment in this field. Say, for example, you are looking at unit trusts that invest in the Far East. You would, just as you did when you thinking of investing overseas, consider all of the key questions that you'd have asked before. For example, you would want to know its past performance. A fund that's near the top of the charts is not guaranteed to stay there year after year, but it has a better chance of doing so than one that is new and unknown.

You'd work through the same questions right down to costs – in a straight choice between two funds that you can't choose between, you should go for the one with the lowest costs. Once you have chosen the best investment from what's available, compare it to the best overall investment – and see if you are happy about any differences in the returns etc.

Where Next?

If you want to invest ethically, all you really need to do is to know what your personal principles are. Sit down and think of what is close to your heart. All you then have to do is to bear these in mind whenever you are considering any type of investment. If you don't like the morals of a particular celebrity, you'll not go after their autograph. If you are opposed to animal testing, you'll not get involved with any companies or funds that are linked to this in any way. In essence, your principles are 'just' additional criteria to be taken into account when making your investment decisions!

Traded Endowment Policies

As investments, endowment policies are widely discredited these days. They were sold widely for many years as the perfect way of paying off a mortgage and having a nice lump sum left over for the policyholder to spend on themselves. However, a mix of over-optimism, poor stock markets and falling returns has led many home-owners and members of the public to shun them, both as a vehicle for repaying a mortgage and as investments in their own right.

Yet savvy alternative investors are still investing in endowment policies – not new ones (as the returns are expected to be low for some time) but second-hand ones, or traded endowment policies or TEPS as they also known. Unknown to some people, overlooked by others, these TEPS are worthy of

consideration as alternative investments.

So what exactly are TEPS? With an endowment policy, you typically pay an agreed amount of money each month to the product provider. They would then invest this (along with lots of other investors' premiums), usually in the stock markets. You should receive annual bonuses depending on how well the money has been performing. At the end of the term, usually 10 to 25 years, you should receive a final payout, including a (hopefully bumper) terminal bonus.

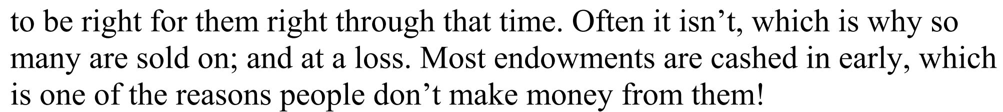
TEPs are second-hand policies that have been sold on by the original policyholders, usually because their finances have worsened and they can't keep up the payments plus they also need the capital tied up in those policies. Separation, divorce and redundancy are some of the main reasons for this. You can often buy a TEP for about 15% to 20% above its 'surrender value'; this is the sum that the product provider would pay to the original policyholder for surrendering the policy before the end of its term. You then take over the policy, paying any upcoming premiums due from now on until the policy matures. At the end of the term, you receive the final payout. TEPs are often available with remaining terms of about three years or more.

Most would-be investors in TEPS want to know the likely rewards and risks. Across-the-board, returns are often in double-figures – at present, the average is probably about 10%. But the beauty of these investments is that you can often calculate the likely returns before you invest in them. You can work out your total outlay by adding the purchase price to the premiums you will need to pay through to the end of the term.

You should then think carefully about the period of time between purchase and maturity and what, generally, is expected to happen to returns over that time – most pundits suggest that stock markets will rise which suggests that better returns may be coming soon. The shorter the period, the easier it is to assess. You can then estimate your possible final payout – adding together the existing pot of money that's built up along with the likely future bonuses and future terminal bonus. Figures should be available from the seller, and possible estimates might be worked out from the product provider's literature.

There are risks, of course. Bonuses have fallen considerably in recent years and may fall further in the immediate future. It is important to be realistic, looking at each TEP that's available, doing your calculations, and looking at the product provider's recent payouts. Read around the financial press too, just as you will have done for other investments. See what is being predicted for the market as a whole, the key players, the economy, and what impact all these factors will have on payouts to you.

In some respects, endowment policies receive an unfair press - when compared to other 'safe and steady' investments such as deposit accounts, ISAs and the like, their returns are sound enough. The main 'risk' with endowments generally is 'changing circumstances'. Too many people take out endowments of, say, 25 years, not knowing whether that investment is going



to be right for them right through that time. Often it isn't, which is why so many are sold on; and at a loss. Most endowments are cashed in early, which is one of the reasons people don't make money from them!

You do need to step back and think carefully about TEPS, and decide whether they are right for you. Consider your personal and financial circumstances now, and how they are likely to be over the next five, 10 years or whatever. The main drawback of most endowment policies is that you need to invest for a long time. Redundancy and divorce, as examples, can cause major problems for long-term investing.

With TEPs, you should be able to buy one that will mature at a time that suits your circumstances. Some investors buy several TEPs that mature one after the other, to provide lots of smaller payouts. Whatever your preference, it is vital that you maintain policies through to maturity. Most money is added at the end of the term in the form of the terminal bonus. This can be 25% or more of the final payout – a lot to lose if you can't quite manage to maintain the premiums for the final year or two through to maturity.

Which TEPs to Buy

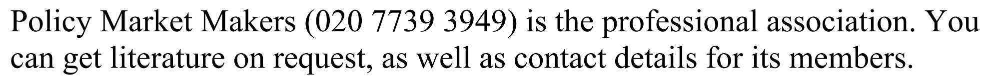
So which TEPs are the ones to go for? Let's say you have a list, and want to shortlist that down to a choice of perhaps two or three policies. First, go through and circle those policies that have been running **for at least seven years.** The charges levied on endowment policies are substantial, and most of them are incurred within the first seven years. Indeed, the total charges often exceed all of the premiums paid during that time!

Next, look at performance tables for product providers – you can get these from most financial magazines. See which names are consistently at or near to the top over the past five to 10 years. The chances are they'll stay there or thereabouts. Of the policies remaining on your list, tick those that are from these product providers. Then, decide how long you want to invest for – typically no more than five years as returns are harder to predict over longer periods. Cross out those policies that run longer than five years. Then decide on what you want to spend – a lot or a little, and make the final decision from there.

Where to Buy TEPs

You can buy TEPs via two main sources - market makers and/or auctions. Market makers buy and sell endowment policies. They usually purchase them direct from the original policyholders who want to relinquish them for a better price than they'd get from the original product provider. They also buy sometimes from auctions (where you can go too). These market makers then sell the policies on to investors.

As a very rough rule, they might buy at about 10% to 15% above surrender value and then sell them on at 20% to 25% or more above the surrender value. You will often see advertisements in the financial and national press from market makers looking for endowment policies to buy. The Association of



Policy Market Makers (020 7739 3949) is the professional association. You can get literature on request, as well as contact details for its members.

As an alternative, you can buy TEPs direct from a specialist auction where you might expect to pay a lower price. You will be bidding mostly against market makers who will not want to overpay as they need to sell on and profit. TEPs are sold regularly by specialist auctioneers.

By far the best-known one is Foster & Cranfield (020 7608 1941) in London. They usually hold auctions most weeks, either in London or at hotels around the country. You would expect to see about 100 policies or so being sold at each auction. These range in price from around £1,000 to £100,000. Maturity dates range from a few months to several years away. You can obtain free catalogues and other literature by calling the auctioneer. Attend one or two events before bidding.

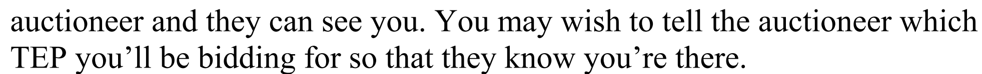
When you're familiarised yourself with the auction, the auctioneer and the procedures, you should be ready to bid for a TEP of your own. Start by getting the catalogue summarising the policies and including a price guide for the next event. Decide what you want to buy before you come along – delete those policies that have not been running for seven years, look for names near the top of the charts etc.

The auctioneer cannot offer advice on what and what not to buy, although advice on the auction process, terms and conditions and bidding is always readily available. If you talk to the auctioneers, they should be able to provide you with recent examples of returns on TEP investments (but do remember that these are likely to be 'the cream of the crop'). You do need to do your calculations, of course, working out what you'd expect to pay, what you'll have to pay out for the rest of the term and what you'd expect to get back at the end of that time.

With regard to bidding successfully at an auction, start by telephoning before travelling just to double-check the place and time and to confirm that your earmarked TEPs are coming through. Once you've been once or twice, you'll soon realise that a TEPs auction is much the same as any other auction. It is straightforward and simple and the 'rules' are easy to follow. Arrive in good time, perhaps 45 minutes before the commencement of the sale.

Collect the catalogue, check it, and double-check the terms and conditions of sale. Ask if there have been any changes (to the running order etc). At some auctions, refreshments are served for up to an hour before the sale and you can use this time to talk to the auctioneer and staff.

When bidding, you should always have a maximum bidding price clear in your mind. This should be based on your profit calculations and leave you enough room to bid – there's no point in bidding up and up to win the bidding, only to pay such a high price that you've written off your profits straightaway! Your maximum bid should be based upon what you expect to receive on maturity less what you want to make in profit. Sit where you can see the



auctioneer and they can see you. You may wish to tell the auctioneer which TEP you'll be bidding for so that they know you're there.

When the TEP comes up, the auctioneer will call for opening bids. Don't bid yet! The bidding may start at a much lower price! Wait for someone else to open and for others to join in. As the bidding slows, come in with your bid. Raising your hand clearly so it is seen by the auctioneer. Go up to your maximum bid, <u>but no higher</u>. If you get the TEP for that price or less, you should have got yourself a profitable investment. If the bidding goes higher, back out – and save your money for another, more potentially-profitable TEP!

What Now if TEPs Interest You?

Start by contacting the **Association of Policy Market Makers** (020 7739 3949) and **Foster & Cranfield** (020 7608 1941). Ask them for as much literature as you can get from them. Next, do your sums on any policies that are up for sale – what you are likely to have to pay, what you'll have to pay out through to the end of the term, what's already in the pot, what the likely annual bonuses are going to be and so on. **Are you going to make money?** If it all looks promising, go along to the next Foster & Cranfield auction – they're held most weeks. Sit, look and listen to what's going on around you. Talk to as many people as you can. Soak up that know-how until you are ready to invest and make money for yourself!

Congratulations on completing this course. I hope to have achieved one thing – to raise your consciousness about the sheer range of alternative investments there are. I'm hoping that something in this course has got you interested enough to read and study more about one particular field. I wish you every success with your investing.

Summary

<u>Commercial Property</u>

1. As an investment, commercial property shares many of the characteristics of residential property. Your approach to investing in commercial property should be along similar lines. The main difference between them as investments is that commercial property tends to be steadier and less volatile. It is a lower risk and lower reward investment.

2. The keys to successful investing are simple. You need to find the right property. You need to uncover the right tenant. You need to set up the right lease.

3. To get the right property, remember location, location, location. You should look in particular at the area, the neighbours, the surroundings and the competition.

4. To get the right tenant, you should make sure your property appeals to as many potential businesses as possible. You should look for a tenant who is in business successfully already. You should take up references, and meet the

tenant. A watertight lease is a must.

5. To get the right lease, you need to think about the rent, the length of the lease, repairs, insurance, other clauses and all possible 'what if?' scenarios and outcomes.

Spread Betting

1. Spread betting involves betting on an outcome in relation to a spread of figures. For the FTSE Index, you might bet on whether it will be higher or lower than, say, 5010 to 5020 in three months. You can spread bet on all sorts of financial areas.

2. The most successful alternative investors follow certain principles. They always bet only on what they know well, whether that's the price of oats or property prices in East Anglia! They try to bet against popular sentiment so they get a better deal. They always shop around.

3. You should always be prepared to close a bet just as you would set a stop-loss figure and perhaps a stop-profit figure on your other investments. Spread betting offers considerable rewards if you get it right – and, equally, considerable losses if you get it wrong. Betting for the long term gives you the chance to take your profits early and/or to limit your losses.

Property Funds

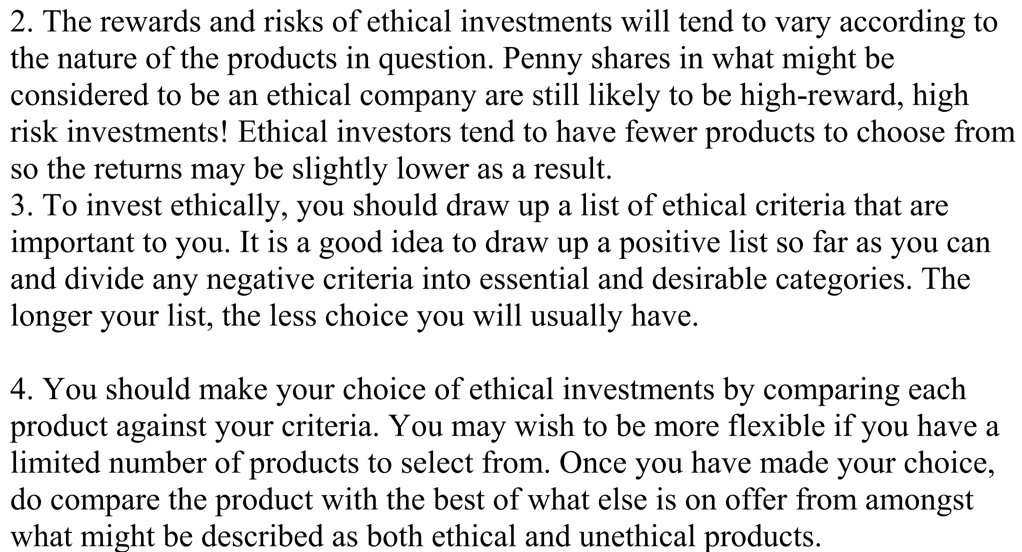
1. Property funds are collective investments in property-related investment opportunities. Funds can be categorised according to where the money is invested. Some invest mainly in bricks and mortar, others mostly in property companies' shares. Bricks and mortar tend to be steadier and safer. Property companies' shares tend to be more speculative by nature.

2. Property funds can also be classified according to the type of investment they are. The most popular tend to be unit trusts and investment bonds. Unit trusts usually hold more of their investments in shares. Investment bonds tend to favour bricks and mortar.

3. The most successful alternative investors usually invest in commercial property funds as they are mostly safe and steady investments by nature. The commercial property market is generally considered to be more reliable than the residential property market. These alternative investors usually avoid cash-rich funds as these generally produce lower returns.

Ethical Investments

1. Ethical investments are those investments that are made on the basis of your principles. If you disagree vehemently with animal testing, you might choose not to invest in any company that is associated with that. Ethical investing criteria will vary from one person to another depending on their personal beliefs.



2. The rewards and risks of ethical investments will tend to vary according to the nature of the products in question. Penny shares in what might be considered to be an ethical company are still likely to be high-reward, high risk investments! Ethical investors tend to have fewer products to choose from so the returns may be slightly lower as a result.
3. To invest ethically, you should draw up a list of ethical criteria that are important to you. It is a good idea to draw up a positive list so far as you can and divide any negative criteria into essential and desirable categories. The longer your list, the less choice you will usually have.

4. You should make your choice of ethical investments by comparing each product against your criteria. You may wish to be more flexible if you have a limited number of products to select from. Once you have made your choice, do compare the product with the best of what else is on offer from amongst what might be described as both ethical and unethical products.

Traded Endowment Policies

1. A traded endowment policy or 'TEP' is a second-hand endowment policy which the owner wants to cash-in early. Endowment policies are widely discredited these days for various reasons and many people should not have purchased them. TEPs do still offer some profit-potential though.

2. You can estimate the likely return on a TEP in advance. You can calculate your total outlay; purchase price plus premiums. You can guesstimate what will happen over the remaining term. You can work out your likely return by seeing what's currently in the pot and allowing for future bonuses and a terminal bonus.

3. The best TEP investments tend to be older than seven years which is when most of the charges are levied. It is sensible to go for a TEP from a product provider that is always at or near to the top of performance tables.

4. You can buy TEPs from market makers and/or from specialist auctioneers. It is usually cheaper to buy from auctions as this is where market makers buy some of their policies. Market makers will never overpay as they have to leave some sell-on profits in there.

5. The key to buying at auction is to **know your maximum bid**. This should be based upon your initial calculations; total outlay, what's currently in the pot, likely future bonuses etc. It is essential that you prepare thoroughly for auction, talk to the auctioneer, and never exceed your maximum bid!

Further Reading

The Landlord's Handbook: A Complete Guide to Managing Small Residential and Commercial Properties by Daniel Goodwin and Richard Rusdorf (0793179599, Dearborn Trade Publishing).

The Economics of Commercial Property Markets by Michael ball, Colin Lizieri and Bryan D. MacGregor (0415149932, Routledge).

An Introduction to Financial Spread Betting by A.J. Eagle (1843070693, Securities Institute Limited).

Successful Spread Betting by Geoff Harvey (1873668589, Take That).

How to Win at Financial Spread Betting by Charles Vintcent (0273654136, Financial Times Prentice Hall).

Put Your Money Where Your Values Are: A Guide to Values-Based Investing by Scott Fehrenbacher (0805424490, Broadman and Holman).

Investing With Your Values: Making Money and Making a Difference by Hal Brill, Jack A. Brill and Cliff Feigenbaum (0865714223, New Society

Check Your Understanding

Commercial Property

1. How does commercial property compare and contrast with residential property as an investment?

2. What are the keys to investing successfully in this field?

3. What should you do to find the right location?

4. What should you do to uncover the right tenant?

5. What needs to be covered in the lease?

Spread-Betting

1. What is spread-betting?

2. What does it involve?

3. What is the difference between buying and selling in terms of spread-betting?

4. How would you describe the reward-risk relationship?

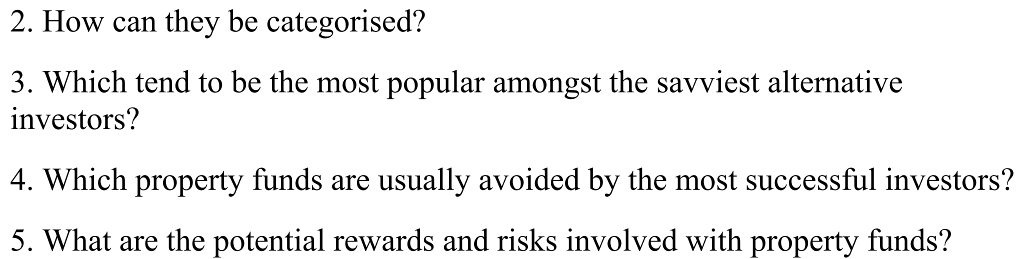
5. What are the rules that the most successful alternative investors follow?

6. How do you close a bet when you are winning and want to take your profits?

7. How do you close a bet when you are losing and want to limit your losses?

Property Funds

1. What are property funds?



2. How can they be categorised?

3. Which tend to be the most popular amongst the savviest alternative investors?

4. Which property funds are usually avoided by the most successful investors?

5. What are the potential rewards and risks involved with property funds?

Ethical Investments

1. What are ethical investments?

2. What are the rewards and risks associated with ethical investments?

3. Are you happy to accept a lower return from ethical investments than from a wider selection of all possible investments?

4. What are your ethical criteria?

5. Have you listed them positively?

6. Have you put any negative criteria into essential and desirable categories?

7. How should you shortlist ethical investments and make your final selection?

Traded Endowment Policies

1. What is a TEP?

2. What does ‘surrender value’ mean?

3. How do you assess the likely rewards of a TEP?

4. What are the potential risks involved with this alternative investment?

5. Which TEPS should you buy?

6. Where can you buy TEPs?

7. Which is likely to be your cheapest source?

8. How should you prepare for an auction?

9. What should you do on the day?

10. How should you bid at an auction?

Have you answered all of these questions to your satisfaction?

Congratulations, you have finished your course and are now ready to go on and become a successful alternative investor!