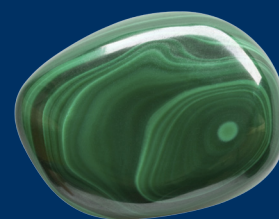


**RD REPLIES:** Sue Evans, Director and Branch Head of our Hereford branch, breaks down the world of Stockbroking and Investment Management

RowanDartington.

“Further to September’s ‘RD Replies’, outlining the basics of stocks and shares, here we describe the building process of a portfolio.”

“Should you have any questions please feel free to contact your local Rowan Dartington branch. Visit the branch page on the Rowan Dartington website or call 0117 9330006 for details on a branch closest to you. Alternatively, there is a link on the home page to submit questions.”



#### What is a portfolio?

A portfolio is a group of investments.

#### What is asset allocation?

Asset allocation can be broken down into corporate or government debt or equities and can be UK based or international.

#### What is an asset class?

There are a number of asset classes within the investment arena and these classes are defined by similar characteristics and regulatory laws they are subjected to. An asset class will have its own definitive risk and return level and they can each perform very differently in various market conditions. Examples of asset classes are equities, fixed income, money markets, commodities and foreign exchange. Each can be broken down further within an asset class for diversification purposes, i.e. equities could be split into international exposure.

#### What is fixed income?

An investment where the principle is returned at maturity but throughout the duration of the investment interest payments may be received these are fixed and these are known at the outset of the investment.

#### What are equities?

If a company is listed on the stock market they issue share capital to raise money. You are then able to purchase the shares through a stockbroker and this is known as equity in the company. By purchasing the shares you have an ownership interest in the firm and depending on the form of share you have purchased you may be entitled to voting rights and to dividends.

#### What are dividends?

Dividends are payments made by a corporation to its shareholder members. It is the portion of corporate profits paid out to stockholders.

#### What are derivatives?

In all of our offices you are able to arrange an appointment and come in, also if it is easier for yourself we can come to you.

#### What are collectives?

As a small individual investor you are not always able to access some investments due to minimum investment requirements and the costs involved, you can however invest through collectives where investments are grouped together to take advantage of economies of scale. It becomes one large portfolio of which a fund manager will run. Rather than owning an individual equity you would buy into units of the fund which would invest into several different equities, bonds, money market instruments. There are a number of different types of collectives and each has its own investment objective

#### What are commodities?

Commodities are materials that come from Earth. They have a universal price such as Gold, Copper and Oil.

As individual as you are.