thesharecentre:

press release

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Refresh your investment portfolio for 2012

Regularly reviewing your investment portfolio can contribute greatly to reducing the risk of loss, especially when market conditions are turbulent. The start of a new year can be a perfect time to refresh your investment strategy. Nick Raynor, investment research analyst at The Share Centre, tells of his top tips for investors.

"Your financial goals, attitude to risk and time horizons may well change over the course of a year and it's important your portfolio reflects your change in circumstances.
Not only will regularly reviewing your investment portfolio ensure your investments are working as best they can for you, it will also help to prevent any nasty surprises when it comes to your money."

Investment objectives

"Generally, people look to invest for one of three reasons; to receive an income in the form of dividends; to hopefully see a growth in the value of their shares and sell them at a profit or for a combination of the both.

"Your reasons for investing may change over time. For example, you might want to raise money for a particular purchase such as a house, or for an event like a wedding.

"Equally, you may also be looking for an alternative source of income or contribute to a nest egg for your retirement.

Performance

"Don't fall into the trap of becoming too attached to certain investments. A common mistake is for investors to hold steadfastly on to shares which may have served them well in the past, but no longer represent a sound investment.

“You may find it useful to put a formal monitoring process in place by setting price limits and introducing a stop-loss system for example. Keep up to date with company and sector news and make sure to review your portfolio regularly in light of any changes in the market.”

Research

“Before making any changes to your portfolio it's critical to get a good understanding of the investment you are looking to buy or sell and what will affect its performance. Gut feel is not always your friend - back it up with facts.

“Find out exactly what the company does and as much about its sector as you can. While a company's annual report and balance sheet will provide you with statistics about recent performance, a good understanding of the company's position in the market will prove far more beneficial.

“Remember, the price of shares moves in accordance with supply and demand, not statistics and how a company has performed in the past is not necessarily an indication of how it will perform in the future. This is particularly true in times where difficult economic conditions cause high volatility.”

Asset allocation

“Keeping an eye on how you allocate assets within your portfolio is vital. By having a significant amount of your total portfolio allocated to different asset classes it is possible to spread risk. If one investment is underperforming for example, you could benefit from the return on another.

“A cautious investor may have a portfolio containing fixed securities such as gilts, bonds and property, for example, while a more adventurous investor is more likely to have a wider range of investments such as fixed securities, property, UK equity and emerging markets, allowing for a greater spread of risk.”

Diversification

“Another way to spread risk is through diversification. Spreading your money across a range of investments is a good way to reduce your exposure to market risk. This is because you are not relying on the returns of a single investment. With a diversified portfolio, returns from better performing investments can help to offset those which aren’t performing so well.”

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Investing in general, and the products and services mentioned above may not be suitable for all: if in doubt, individuals should seek independent financial advice. The value of investments and the income from them can go down as well as up and investors may not get back their original investment. Past performance is not a reliable indicator of future performance.

The bases and levels of taxation relating to ISAs, CTFs and SIPPs are subject to change and the value of these tax allowances may depend upon the circumstances of the individual.

About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPPs are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on www.share.com. Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our Investment Research Policy. The Share Centre blog is also available at http://blog.share.com.

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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