

There's a 'FOOL' in every Market *Choose the Right Investment*

"...there's a fool in every market – and if you don't know who it is, the odds are it's you. What do you know about a particular investment product that the rest of the market doesn't? Maybe you just know what the rest of the market knows, which isn't too bad because that merely means you're one of the pack instead of being the fool."

[Source: *Smart Investor*: Jan 2009 review]

Choosing the best investment strategy is a complicated decision. Although there are fantastic bargains available, the uncertainty of the economy is still a concern. If you are fortunate enough to still have a decent, stable job than you should try and save some money for the future. But where do you put it to keep it safe?

While you can seek advice from financial professional, ask for tips from family and friends, and do research – at the end of the day, the decision is solely your own. This can be an extremely scary situation.

Where to Start?

Before you may pick any type of investment product, make sure you survey your entire

financial situation. Take in account your present financial needs as well as any future needs. Most investors do not invest in any high risk securities unless they have a solid regular income, insurance, and cash readily available in case of a financial loss. There are several basics to investing that should be taken into consideration.

Your individual circumstances and your stage of life will affect how you choose to invest. When choosing the investment option that's right for you, you should consider your investment goals, investment timeframe, your tolerance to risk and your current financial position.

'Risk' equates 'Return'

It is important to understand that any type of investment involves risks. There is no "sure thing" and no one can predict the future. The next rule is to remember that the more the risk, the higher the potential return. The opposite can also be true. Low risk investments vehicles may not offer high return rates. Make sure that you fully understand the stock/ company that you invest in. There are no "take backs" in investment world. Mistakes can not be undone and therefore must be lived with.

Set Goals

It is also important to set investment goals before you begin to invest. Ask yourself "what do you want to accomplish with your investments"? Are you saving for a holiday,

early retirement, or an education fund? All these are important in determining how to diversify your stock portfolio. Goals go hand and hand with safety.

Safety refers how conservative your investments will be and how likely you are to lose your original investment. If you are investing to have an income, then you may need to pick stocks, bonds or an investment product which offer a consistent profit over a long term period.

Speculations can be Misleading

Some investors are simply interested in speculation and day trading. This is a much more aggressive form of investing. Speculative stocks have a much higher risk of loss than your average stocks. For most part, speculative trading happens over short intervals of time with new and innovative companies which have yet to prove they can be successful. The risk here is that if the company takes off, you have made a huge profit, however if they fail, you suffer a great financial loss.

Diversify your Investments

The goal of any investment portfolio is to balance – "Never put all your eggs in one basket." Having high risk securities for aggressive profit coupled with low risk slow money makers that are always stable. You do not have to choose a single approach. Instead use a combination of the above goals. Determine the portion of each with your stock portfolio to be diversified in, and then begin your investment endeavors. If you feel overwhelmed or simply would like some help you should seek out a financial advisor who can offer direction, experience, and great investment tips.

Investors are advised to deal only with investment advisors who hold a valid license.

For contact details of licensed advisers, you can look up www.cmda.com.fj <<http://www.cmda.com.fj>> or contact the CMDA office on email info@cmda.com.fj or phone (679) 3304944.

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UPCOMING EVENTS

Corporate Finance Workshop

"Risk Management in the midst of the Crisis"

Date: 24-25 June 2009

Time: 9.00am—5.00pm

Venue: USP Statham Campus, Suva



John Finn, Fortune Consultants

Is Fiji's Capital markets ready for an Investor Association

Introduction

Shareholder or investor activism is a growing phenomenon around the globe that can be found in most jurisdictions where there are active capital markets. They play an increasingly important role in monitoring and are standing in the gap to lobby and protect investors' interests. In the United States for example, the American Shareholders Association is a very powerful group, and plays a very active role in disseminating information and lobbying on behalf of American investors, particularly the minority shareholders. In other countries similar groups have emerged and growing in numbers due to greater awareness and the wider acceptance of good corporate governance in public corporations. This article examines whether shareholders activism should be encouraged and supported in Fiji, and whether such groups would contribute to development; or create another impediment to our growing capital markets.

There has been a notable rise in reporting of corrupt and poor corporate governance practices by public companies around the world, and this raises the questions whether the Authority should take a lead role in assisting in the set up an organisation. It will also examine whether an Investors Association will work in a market size like Fiji. The study will draw from experiences around the world in particular countries with emerging markets like Fiji.

Shareholder activism involves any action taken by minority investors to improve the governance of companies, ensure fair treatment of all shareholders and at the same time raise company value over time. The main objectives of a shareholders/investors' association are to protect and advance the interests of shareholders and investors and liaise with bodies representing other groups of participants in the financial markets and the securities industry. Studies show that for the most part, small shareholders have had no say in the governance or operation of the companies in which they own shares. Boards are the representatives of shareholders and as a matter of law are accountable to shareholders. When Board members do not serve the interests of shareholders, they lose their accountability and independence. In these circumstances, they do not act in the best interest of those they represent.

Is there a need for a Investor Association in Fiji?

In Fiji there are little over 36,000 investors in public listed companies, unit trust and bonds. Over 53% of these investors are shareholders in the 16 listed companies and 46% are unit holders. Generally many of the investors in Fiji are fairly passive and place a lot of trust in the boards or management of their companies. The low levels of participation at annual general meetings are indicative of this. This is partly due to lack of awareness and understanding of issues involved, and the cultural idiosyncrasies. The tradition has been to place faith in the management to do the right thing. The active lobbying and questioning is usually done by the licensed brokers special company briefings while AGMs tend to be routine and quiet affairs with little shareholder participation. Much of the shareholder inaction has to do with lack of knowledge, both of regulations as well as implications of corporate activities. Generally most small investors do not enquire in detail on the financial statements beyond the P&L statement, and do not query important issues that are sometimes highlighted in the financial reports.

Generally one of the obstacles that are preventing minority shareholders from more active participation is the lack of financial literacy in understanding investment and financial jargon. While the Authority has provided a wide range of investor educational materials such as leaflets and booklets, seminars and media programs a lot more awareness is still required in this area. . Where particular issues arise in the regulatory environment or there are difficulties in particular companies, shareholders association do support "action groups" to raise the profile of objectors. Often individuals do not know how to complain, or what their rights are and they also can be assisted through these action groups. This is where shareholders association would assist in information dissemination and educating investors.

Experiences of Shareholders Association in other countries

In determining whether Fiji is ready for a shareholders association, we could draw from the experiences of shareholders association and watchdog groups in other countries and how they have helped investors. An observation made by a panelist at a recent ASIC conference in Melbourne stated that investors tend not to bother when things are going well, which could also explain the situation here in Fiji. Shareholders activity have taken many forms internationally, including organised proxy wars, campaigns to remove directors, and fights on major transactions. Shareholders activism is not just about litigation, there are other important

Getting Started

Brief educational and work background and what attracted you to becoming an investment/ finance specialist?

Mr John Finn have obtained a degree in Accounting and Marketing from the Otago University, and has worked in a number of countries including PNG, the UK and NZ before coming to Fiji six years ago.

The Clients

What type of client do you specialize in?

While Mr. Finn specializes in assisting smaller investors with their investment decisions, he believes that it is important to also have an open mind and therefore seeks to deal with a wide range of clients.

The Job

What services do you and your firm offer?

Mr Finn is employed by the Fortune Consultants which offers asset protection and insurance services and investments in the form of saving plans as well as lump sums. The firm also provides advice on superannuation alternatives to local schemes for those who do not qualify; for example, contributors for past retirement age, expatriate, business people and voluntary contributors.

Biggest Challenge

What would you consider as your biggest challenge in this role as an investment advisor representative?

The biggest challenge right now is dealing with the current economic crisis. Many people, not just in Fiji, see investment as carrying greater risk than previously and the challenge is to get people to see the benefits of continuing to invest in areas which are still fundamentally sound.

Best Thing about the Job

What is the best thing you like about your work as a licensed investment advisor?

Quite simply it is dealing with a diverse range of people with differing needs, and the satisfaction you get from doing a good job for them.

Best Investor

How would you describe a good investor?

A good investor is someone who takes a long term view, and who understand their own appetite for risk and who plan accordingly. They are people who understand the value of undertaking a mix of investments i.e. they don't put all their eggs in one basket.

Any further advice/ comments

At the risk of repeating the above, take a long term view on all investments.

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elements. Shareholders have also used the meeting process, media and shareholder lobbying campaigns to raise their concerns on particular issues. These include proposals by Boards on takeovers and mergers, directors' remunerations, dividend policies, related party transaction etc...

i) Shareholder Activism in the United States of America

In the U.S, shareholder activism has been around for decades. The American Shareholders Association (ASA) represents 50% of households and 70% of voters who own shares of stocks, bonds, mutual funds, and Exchange Traded Funds (ETFs). These shareholders hold their investments in superannuation plans, taxable brokerage accounts, and other vehicles. What unites all these investors is a desire to see public policies that encourage growth and discourage economic contraction. ASA was founded to represent shareholders in their quest to grow the economy, reward risk, and increase the value of everyone's investment.

With the suspension of hostile takeovers at the end of the 1980s, and the steady growth in their ownership of U.S. companies, U.S. institutional investors have begun to play a more active role in corporate governance. Institutional investors held only about 10% of U.S. equities in 1953, but their percentage ownership had jumped to over 60% by the end of 2005. The beginnings of shareholder activism by institutional investors began in 1985 when the Council of Institutional Investors was formed. The purpose of the Council of Institutional Investors was to act as a lobbying group for shareholder rights. Although started as an organization primarily for public pension funds, it now consists of more than 140 public, labor, and corporate pension funds that control in excess of \$3 trillion in financial assets. Its stated objective is to enable institutional investors to pool their resources and "use their proxy votes, shareowner resolutions, pressure on regulators, discussions with companies, and, when necessary, litigation to protect assets (Gillan & Starks: 2007, 8).

ii) Shareholder Activism in Europe

Shareholders activism in Europe is not as aggressive as in the US. Across Europe, shareholders are now uniting to oppose company policies, and occasionally even forcing change through the courts. Shareholder activism led to the buyout of ABN AMRO Bank, to be split among three investors who jointly staged a takeover on one of Europe's largest banks. The Dutch shareholder association successfully took ABN AMRO's management to court in 2007 for bypassing shareholders when selling one of the bank's most attractive assets. Small shareholder associations, whose membership fees do not suffice to finance such large campaigns, are uniting through the Confederation of the European Shareholder Association in Brussels. Their efforts are beginning to convince company executives that they need to listen to shareholders or risk their jobs or control over their company.

to be continued on next issue...

LICENSING RENEWALS

Unit Trust License (Principal)

- ✦ Fijian Holdings Unit Trust to conduct or carry on the business of a unit trust for the period of one year beginning 1st January 2009 to 31st December 2009

Investment Adviser License [Principal]

- ✦ FHL Securities Limited to conduct the business of investment adviser for the period of one year beginning 1st January 2009 to 31st December 2009
- ✦ KPMG Advisory (Fiji) Limited to conduct the business of investment adviser for the period of one year beginning 1st January 2009 to 31st December 2009
- ✦ Kontiki Capital Limited to conduct the business of investment adviser for the period of one year beginning 1st January 2009 to 31st December 2009

Investment Adviser License [Individual]

- ✦ Mr Gilbert Veisamasama Jnr to act as an investment adviser from 1st January 2009 to 31st December 2009
- ✦ Mr Pradip Patel to act as an investment adviser from 1st January 2009 to 31st December 2009
- ✦ Mr Nalin Patel to act as an investment adviser from 1st January 2009 to 31st December 2009

Investment Adviser License [Representative]

- ✦ Mr John Finn to act as an investment adviser representative for the Fortune Consultants from 1st January 2009 to 31st December 2009
- ✦ Mr Griffon Emose to act as an investment adviser representative for the Kontiki Capital Limited from 18th March 2009 to 31st December 2009
- ✦ Mr George Niumataiwalu to act as an investment adviser representative for the Kontiki Capital Limited from 1st January 2009 to 31st December 2009
- ✦ Mr Jignesh Pala to act as an investment adviser representative for the Kontiki Capital Limited from 1st January 2009 to 31st December 2009
- ✦ Mr Jack Lowenstein to act as an investment adviser representative for the Kontiki Capital Limited from 7th February 2009 to 31st December 2009
- ✦ Mr Bruce Sutton to act as an investment adviser representative for the KPMG Advisory (Fiji) Limited from 1st January 2009 to 31st December 2009
- ✦ Ms Lisa Apted to act as an investment adviser representative for the KPMG Advisory (Fiji) Limited from 1st January 2009 to 31st December 2009
- ✦ Mr Tevita Gonelevu to act as an investment adviser representative for the

FHL Securities Limited from 1st January 2009 to 31st December 2009

Broker/ Dealer Representative License

- ✦ Ms Rowena Fong to act as a broker/dealer representative for the FHL Securities Limited from 1st January 2009 to December 2009
- ✦ Mr Jack Lowenstein to act as a broker/dealer representative for the Kontiki Capital Limited from 1st February 2009 to 31st December 2009
- ✦ Mrs Raghni Khatri to act as a broker/dealer representative for the Kontiki Stock Brokers Limited from 6th March 2009 to 31st December 2009
- ✦ Ms Elenoa Kaloumaira to act as a broker/dealer representative for the Kontiki Stock Brokers Limited from 1st January 2009 to 31st December 2009

License Cancellation

- ✦ Mr Jaoji Koroi's license as an investment adviser representative for the FHL Securities Limited (FHLS) was cancelled following his resignation from FHLS

Regulatory Updates:

"During the Quarter, the CMDA received two complaints and commissioned an Independent investigation on a licensed entity."

News in Brief

Corporate Finance Workshop

✦ The CMDA commenced its first series of corporate finance training with a two days workshop on 'Corporate financial management' on 26-27 March 2009. The objective of the workshop was to enhance knowledge and skills critical to implementing and managing and investment decisions. This is part of CMDA's developmental role in training and enhancing the skills of local finance personnel. The workshop addresses key corporate finance issues that affect companies in the marketplace, including mergers and acquisitions, corporate governance, assets portfolio management, debt and equity management

and risk management. The 34 participants present at this workshop include executive officers, finance officers, business and financial analysts of financial institutions, provincial companies, government commercial entities and ministries and tertiary institutions. The workshop was facilitated by Paul Chin of the Securities Investments Institute Asia-Pacific (SiiA).

Business Reporting Seminar

✦ The CMDA conducted a half-day seminar on "Business Reporting" on 5th March 2009 at the Statham Campus, USP. The key objective of the seminar was for participants to learn about better financial reporting, particularly on how to read and

interpret financial accounts and report them in an accurate and balanced manner to key stakeholders, investors and the general public. It was conducted by Mr Mesake Nawari, the Senior Fellow at USP's Graduate School of Business. About 15 business journalist, writers and reporters attended the seminar.

State Owned Enterprises Workshop

✦ A state-owned enterprises workshop targeted for government commercial companies and entities was organized by CMDA on 19th February 2009 at the Holiday Inn, Suva. The aim of the workshop was to increase awareness on the reform opportunities available for government commercial entities in the capital market and detailed the processes involved. Close to 50 participants, including government's Permanent Secretaries, Chairman, CEO's and Chief financial officers of the various government controlled entities and commercial companies convened for the full day workshop. The workshop was facilitated by Mr Neil McDermott, an international consultant who has immense experience in the area of SOE reforms.



Workshop facilitator, Mr. Paul Chin pictured with participants at the workshop

Quarter 1 2009 Trading on the South Pacific Stock Exchange

Company	Total No. of Shares Traded	Total Value of Shares Traded (\$)	No. of Trades	Last Price Traded this Qtr (\$)	Qtr 1 (09) - Qtr 4 (08) (% Change)	Earnings Per Share Traded (cents)	Price/Earnings Ratio (times)	Dividend Yield (%)	Market Capitalisation (\$m)
Atlantic & Pacific Packaging	1,000	880	1	0.88	0	2.97	29.60	2.84	7.04
Amalgamated Telecom Holdings	259,076	298,638	48	1.16	(1.69)	10.93	10.61	7.76	489.64
Communications (Fiji)	19,800	32,635	8	1.65	(8.33)	12.39	13.32	4.85	5.87
Fosters Group Pacific	2,140	29,500	11	13.79	(0.07)	96.95	14.22	3.63	143.53
FijiCare Insurance	0	0	0	0.67	0	9.21	7.28	5.97	4.16
Flour Mills of Fiji	10,120	8,102	3	0.80	(5.88)	2.58	30.98	2.50	120.00
Fiji Sugar Corporation	0	0	0	0.36	0	n/a	n/a	0	15.98
Fiji Television	24,429	82,511	16	3.35	(4.29)	26.56	12.61	5.37	34.51
Kontiki Growth Fund	104,576	80,524	2	0.77	0	n/a	n/a	0.00	2.72
Pleas Beverages & Packaging	13,000	12,220	4	0.94	0	4.52	20.81	0.00	5.64
Pacific Green Industries	0	0	0	2.10	0	5.43	38.70	0.00	16.00
R B Patel Group	223,766	335,704	26	1.78	1.14	14.26	12.48	7.87	53.40
The Rice Company of Fiji	500	1,500	1	3.00	0	36.07	8.32	5.67	18.00
Toyota Tsusho	99	194	1	1.96	0	8.82	22.23	4.85	27.50
VB Holdings	0	0	0	3.00	0	9.58	31.32	1.67	4.70
Fijian Holdings	63,173	168,986	45	2.90	27.75	89.34	3.25	6.90	30.35
TOTAL	721,679	1,051,394	166	Market Capitalisation as at 31 March 2009					\$979.05