

THE SHOW WILL GO ON

EDUCATIONAL EVENTS IN MILAN AND LONDON HIGHLIGHT THE DESIRE
TO IMPROVE INVESTORS' SKILLS AND CAPABILITIES

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It is *Shares'* mission to educate and empower all investors with its independent, insightful and inspiring research, so they feel confident enough to use the financial markets to protect or augment their wealth. Given this goal, we are keen supporters of any event that seeks to demystify the markets and make them more accessible, as well as any initiatives designed to make building a well-considered portfolio easier and cheaper.

Shares was therefore delighted to attend three exhibitions which strive to boost investor awareness of new asset classes, tradeable instruments and strategies. The tenth annual *Trading Online Expo* in Milan was quickly followed by two events which took place in our own financial centre, *The London Investor Show* and *The World Money Show*.

The trip to Milan was our second in 18 months (see *Feature, Shares* 24 and 31 Mar '11). It gave us a further chance to compare and contrast the manner in which Italian and British retail investors address the markets and their key areas of interest. In addition, the visit to the two-day *Trading Online Expo* provided an update on the London Stock Exchange's efforts to develop a retail investment culture as vibrant as that forged by its Italian sister, the Borsa Italiana, part of the broader

London Stock Exchange Group (LSE) since their merger in 2007.

Italy still leads the way in terms of its low trading costs, transparency, availability of information, appetite for more aggressive instruments and online literacy, but investors are catching up fast in the UK. Over here, *Shares* believes the retail community is better served by a strong financial press and shows greater sophistication and understanding when it comes to company analysis and portfolio construction. Short-term trading is king in Italy and leveraged tools are very popular. The UK's 0.5% stamp duty limits Italian interest in British stocks and persuades savers over here to seemingly take a longer-term view.

PLACE OF BUSINESS

THE TWO-DAY *Trading Online Expo* is attended by over 5,000 people, who flocked to the Milan Stock Exchange's headquarters, the Palazzo Mezzanotte in the Piazza Affari (literally Business Square).

There were more than 50 presentations and over 30 stands where leading service provider showcase their wares. Although the crowd numbers are slightly down on last year, there can be no arguing with the level of interest shown by the delegates.

Andrea Rebusco, head of trading services (Italy) at IG Markets,

explains that one key tool in the Italian traders' armoury are contracts for difference (CFD). 'Traders here are more confident with them than covered warrants which were more popular several years ago. CFDs are more transparent and Italians use them for all strategies, long and short, as well as hedging,' he says. 'They trade all the major currency pairs and the majority of trades are in equity indices and domestic stocks. Volumes have dipped a bit given market volatility and there's no demand for spread betting as there are no tax advantages.' Spread betting is popular in the UK because all profits are exempt from capital gains tax, income tax and stamp duty. As Italy does not impose stamp duty on share dealing, Italian investors are not driven to seek alternative investment methods as in the UK, which leaves spread betting without a competitive edge and therefore lacking appeal. Rebusco concludes: 'In general, from my point of view, I would say Italian investors know a little bit less and are less sophisticated (than UK investors) but they are more enthusiastic and getting very confident towards CFD trading!'

On the evening before the Expo begins I have the pleasure of meeting for dinner the highly respected financial market expert and writer Salvatore Gaziano. Founder and director of www.borsaexpert.it, Gaziano takes me to the splendid Osteria Borromei, which I suspect draws its name from Carlo Borromeo, the fearsome sixteenth century Archbishop of Milan whose ascetic approach helped spearhead the Counter Reformation. Gaziano is no less clear in his vision of how markets should be approached but he starts by explaining just who is likely to be attending the event.

'On average they are more than 45 years old, are self-employed and claim to have assets above €100,000, according to the latest research from the Borsa Italiana, GfK Eurisko and the Retail Multi-finance Observatory. They trade mainly Italian equities but do not shun derivatives. The study says 94% of online traders are men, 51% are day traders, 28% do it full-time and around 60% have more than 10 years' experience.'

The portfolio construction expert fears for some traders, warning they lack the discipline and sophistication to succeed 'all alone between the markets and the sharks' as he counsels: 'What really separates a successful investor or day trader from a losing one is to have a robust strategy and follow it without being seduced by anything else.'

Although Gaziano is downbeat about the general quality of media coverage of the financial markets in Italy, he seems delighted by the commitment of Italian investors to learning the necessary skills and techniques.

'All of the people that I saw at the Piazza Affari last week seem to me to offer a positive message. Those who are taking time to learn,

study and gather information about their own money are to be respected, more so than those who are sitting back passively waiting for the "resurrection" of their savings. The latter risk being lambs to the slaughter for those who take them for what they can by selling them 'security' in a financial world where for certain there's not much point getting involved unless you have an entry and an exit strategy.'

ALL IN THE MIND

ONE OF THE busiest sessions across the two days was a presentation given by the Open University's Professor Mark Fenton-O'Creevy on trading psychology and behavioural finance. A recurring theme, to echo Salvatore Gaziano's thoughts, is the need for discipline, risk control and thorough research before committing any capital.

Based on interviews with 118 traders at investment banks across four countries, Fento- O'Creevy summarises his findings to a packed auditorium. He stresses the importance of regular strategy reappraisal and self-assessment; how helpful it can be to write down trades so winning and losing positions can be properly assessed; and the need for training and experience. He finishes off by saying 'my number one tip is never speculate with money you cannot afford to lose.'

Shares has no arguments with that but the expo provides plenty of opportunity to investigate new tools and instruments to consider, once careful analysis picks out the right underlying target. Our eye is caught by the Lyxor stand which trumpets an investment certificate that offers five times leverage on Italy's FTSE MIB index; a quartet of exchange-traded funds on corporate, high yield and emerging market bonds which offer total expense ratios of between just 0.2% and 0.45%; and a chance to trade America's VIX index. This pitches volatility as an asset class in its own right and offers inverse correlation to equity markets.

Borsa Italiana is promoting its own innovative products such as the Mini Futures FTSE 100, a product offered on the IDEM derivatives platform. Initial take-up of this instrument remains slow, but Nicolas Bertrand, head of equities and derivatives markets at LSEG, is upbeat about this new avenue Italian investors have into the UK equity market.

'It's a new product and we have to explain the underlying shares and stocks but people were impressed. The key selling point is the instrument is denominated in euro. It's easy to trade, there's no currency risk and it's a listed derivative product so it's easy to process.'

Gold and oil are both areas of interest at the event, too, and exchange-traded product providers such as db x-trackers, Credit Suisse and the Netherlands' Binck Bank are all out in force. Forex is also a hot topic, just as it is in the UK. Italian bank and retail platform provider Fineco hosts one presentation on currencies, while FXCM covers asset class correlations and how to spot trends and trading opportunities and Saveforex explains scalping techniques. ➤



▲ SALVATORE GAZIANO (TOP) & ALEXANDER JUSTHAM

ETPS LISTED ON THE BORSA ITALIANA			
	Number	Assets (\$ million)	% of assets
ETF - Developed market	194	7,141	35%
ETC / ETN	184	2,455	12%
ETF - Fixed income	125	5,691	28%
ETF - Emerging markets	96	3,307	16%
ETF - Style	31	429	2%
Others	168	1,236	6%

Source: Borsa Italiana

MOST POPULAR ETPS ON THE BORSA ITALIANA, BY TRADES, 2012

	EPIC	Trades
Lyxor ETF FTSE MIB Daily Leveraged	LEVMB	328,516
Lyxor ETF FTSE MIB Daily Double Short	XBRMIB	307,000
ETFS Leveraged Natural Gas	LNGA	127,175
Lyxor ETF FTSE MIB	ETFMIB	97,593
Lyxor ETF Leveraged DAX	DAXLEV	49,129
ETFS Leveraged Silver	LSIL	32,019
ETFS Physical Gold	PHAU	31,990
iShares S&P 500	IUSA	31,242
iShares EuroStoxx 50	EUE	27,845
ETFS Leveraged WTI Crude Oil	LOIL	27,064

Source: Borsa Italiana



The opening ceremony at the London Stock Exchange on the day of the *London Investor Show* (above) and scenes from the *Traders Online Expo* in Milan (right).



TAXING ISSUE

ITALIAN RETAIL INVESTORS' willingness to nick a few pips in a forex pair or burgle 1% to 2% on an equity trade before selling marks them out as very different from their UK counterparts. They are able to do this owing to cheap data, their web literacy and low trading costs – less than €10 for an average trade size north of €20,000 on Fineco's equities platform – although the absence of stamp duty is key here, too. The Friday of the *Expo* is therefore slightly overshadowed by a European summit which is taking place at the same time in Brussels, as the subjection of a financial transactions levy, or Tobin Tax, rears its head.

Few exhibitors wish to tempt fate by speaking on the record about this threat, but I interview several Italian investors and they are all appalled by the idea. One, Alessandro Brol of Milan, is particularly passionate, as all instruments would be subject to the levy except government bonds, known locally as BTPs, or derivatives and exchange-traded funds on them, no doubt to funnel cash toward funding Italy's still enormous debts.

'I hope it will be changed. In Italy in the last five to 10 years, there has been a huge liberation of Italian savers through the disintermediation of the fund management companies and advisers. The rise of online brokers such as Fineco has brought democracy to the people, via the internet. You can save easily on your own,' he postulates. 'But to rescue the banks and the state, this measure will force people toward BTPs. There will be no more liberalisation, markets will become more plutocratic, and we will get the Japanisation of the eurozone.'

The debate inspires comment on social media platform Twitter including a response from Italian writer and analyst, Luca Spoldi, to my comments following dinner with Gaziano: '@MoneyReport, @SharesMagRuss, @SharesMag con l'introduzione della Tobin Tax temo che dovranno ingegnarsi molto di più se restano in Italia' – or in other words, '*with the introduction of the Tobin Tax I fear they will have to work an awful lot harder if they stay in Italy.*'

Luca Barillaro, an independent financial adviser and trader, is campaigning passionately against the tax but says this is not the only issue which faces Italian investors. 'Five years ago it was much better. Government bond yields have gone back up and in the 5% to 6% range they cannibalise other areas, the flow of funds shows this,' he explains. 'There have also been scandals such as Parmalat, Cirio and Argentina; people have lost money in the last 10 years and decided to run their money more conservatively.'

The Italian model offers an option. The highly-efficient platform offered by the Borsa Italiana covers not just equities, derivatives and



exchange-traded products but bonds, too. The platform, called MOT, is the inspiration for London's Order Book for Retail Bonds (ORB) and it works like a dream, proving access to fixed-income investments, just the ticket if you think a low-growth, or even deflationary, low interest rate environment is here to stay. On first day of the event, the Italian's government sells €18 billion of BTPs (bonds), the highest-ever amount in a single trading session.

Oriol Pujol, head of European business development at Winterflood Securities, notes the efforts made in Italy to promote retail investor access. 'Borsa Italiana has engaged with all of the service providers and we still have regular meetings with them. They are promoting low costs, transparency and liquidity.'

'A key element of the Borsa Italiana's success is the creation of a network, with lots of partners,' confirms Gabriele Villa, head of retail. 'We decided not to ask for money from brokers, journalists, anyone. The model is to boost trading volumes and a key asset for us here is traders now want to trade.'

Villa ceaselessly presses the case for low costs and education, but also reminds *Shares* of the importance of Direct Market Access (DMA), which gives traders and investors the chance to place their orders directly on the order book. This boosts transparency, lowers trading costs and fosters liquidity. UK-based brokers still prefer to use the Retail Service Provider (RSP) network, a market-maker, or quote-driven, system which runs in parallel to the SETS order book. This means British traders are one step removed from the market. Level 2 data access, which provides a window on SETS, means investors can not only watch price discovery but help shape it, and Italian traders are much more focused on best execution which is encouraged and facilitated by the system.

LONDON CALLING

WHILE LESS VENERABLE, the *London Investor Show* now also has the backing of the London Stock Exchange Group, which invites

the show's speakers and panellists to the UK equity market opening ceremony at its Paternoster Square headquarters.

After this August event, the chief executive officer of the London Stock Exchange, Alexander Justham says a few words. Not to be confused with the LSEG's overall boss, Xavier Rolet, he affirms the importance of rebuilding the connection between the markets and companies so they do what they are supposed to – provide capital so firms can grow.

This may seem a long way removed from politicians' fury with so-called casino-style activities at investment banks and the algorithmic trading systems which do so much to influence market flow. Yet the LSEG is clearly prepared to take the same patient approach in the UK as it does in Italy when it comes to stimulating retail interest in all asset classes and instruments. The attendance of the Traders Online Expo show has grown around ten-fold in the past decade and the London Investor Show clearly has plans to flourish in a similar way.

'We place great emphasis on education to make sure clients have a number of events and interactions with the investment community so they become more knowledgeable about products they can trade and how they can trade them,' stresses Nicolas Bertrand. 'There are websites and mass market channels but nothing beats meeting with market professionals to explain the practical side of trading products,' he adds.

'We want to remind people of the wide variety of products available on the LSE, including retail bonds. In Italy, MOT is a huge success and for a long time we have been working hard to help fulfil demand for BTPs. During the *Traders Online Expo* the highest amount on record for a single day was raised on MOT demonstrating the power of Borsa Italiana's markets, and its network of brokers and financial intermediaries. Little by little, ORB can become such a market, too.'

This push, combined with investors' desire to learn, results in a big leap in attendance at the *London Investor Show*, which the LSE's official numbers put at 3,700 for the day (26 Oct), way more than the sub-1,000 number witnessed the year before. One particularly busy stand belongs to Timetotrade, a provider of investment tools and software, a regular at these events. 'We're really, really busy, we haven't stopped!' smiles Victoria Madden, the firm's marketing director. 'People are particularly interested in a new charting package we are launching in a couple of weeks' time.'

While *Shares* returns from Italy impressed by the level of investor sophistication, Luca Barillaro confirms he is equally taken by the British community's thirst for knowledge. 'My impression was very, very positive for three reasons,' says the Bologna-based trader, who attends both LSEG-backed events. 'First, there was a lot of investor participation. Second, the quality of the delegates was excellent – they asked great questions, were interested and wanted to learn. Third, the quality of the exhibitors was very high – brokers, media, companies and the London Stock Exchange.'

TAKE A STAND

ONE DIFFERENCE BETWEEN the sister Milan and London events is the difference in the nature of the exhibitors. While the *Traders Online Expo* in Milan is packed with platform and service providers,

including such familiar names as IG, Lyxor, Barclays, UBS and dbx-trackers, *The London Investor Show* features a more diverse number of stands and presenters. Retail stalwarts such as TD Direct Investing and Killik & Co feature prominently, but other opportunities for investors to explore include Aim-listed firms, ethical forestry and start-up companies. The latter comes in the shape of Seedrs, where entrepreneurs can access capital and investors spread a little money across a portfolio of several fledgling firms, to get the excitement of being a Dragon without taking too much risk on an individual outfit.

'We are here to promote seed capital as an asset class,' explains Patrick Haughton, compliance director at Seedrs. 'We are the only FSA-regulated business in this space. Some others do loans but we are the only one to specialise in equity and today we're seeing lots of interest.'

The World Money Show is also notable for a renewed focus on alternative investments, perhaps as a mirror image of Barillaro's point about how many investors, and not just Italian ones, are finding the going tough in more traditional markets such as equities and even commodities, bonds and foreign exchange. It is also the result of the endless quest for premium returns in a low growth, low interest rate environment. *Shares* even has the privilege of hosting a panel featuring Peter Shakeshaft, founder and CEO of fine wine investment brokerage Vin-X, Bruce Davis, managing director of green energy project finance specialist Abundance Generation, and also Seedrs'

CEO and co-founder Jeff Lynn. Lynn tackles the issue of blue-sky investing with aplomb as he presses the case for angel investing, both for the potential returns it can bring and the downside protection offered by a surprisingly favourable UK tax regime.

Shares' own presentation, made with the invaluable help of Michael Cahill, author of

Making the right investment decisions: How to analyse companies and value shares also draws a big crowd, despite the competing attraction of a speech on tracker funds from John Redwood, MP, in his role as chairman of the investment committee at asset manager Evercore. Our analysis of the three pillars of equity valuation, growth, risk and quality, carefully outlined by Cahill in a series in these pages last spring (see *Feature, Shares*, 2, 9, 16 and 23 Feb) gets the audience going and draws a huge number of questions both during and after the session. Not one question at any time mentions stamp duty or the Tobin tax.

KNOWLEDGE IS POWER

SHARES WILL WORK tirelessly to educate the retail investment community as this is our passion. The weekly magazine is just part of our work as we also publish bookazine guides, hold investor events and participate in key events such as the big October and November shows in Milan and London.

The financial markets have a vital role to play in the creation and protection of wealth, particularly when returns on cash in the bank are so paltry. Our next initiative is a four-part series that will run in December, explaining the Retail Distribution Review (RDR), why it is important and what it means for your portfolio. Watch out for the initial installment in three weeks' time. **S**