

*Across the country, more and more Irish people are joining investment clubs to learn the ins and outs of stocks and shares. But this is no hobby – the common goal is pure profit. John Dady reports.*

**O**N A MAY evening when an unexpected heatwave has called most of the city to the great outdoors, nobody in the Bellevue suite of the Ambassador Hotel is thinking about golf or gardening. Instead, all is focus and attention as the ultra-serious business of making money is imparted to an expectant throng. Welcome to the Investment Club Network, the only game in town more important than catching a sundowner at your favourite beer garden.

At the top of the room, a giant screen displays the closing stocks on the NASDAQ, with multicoloured graphs charting the progress and pitfalls of another working day on Wall Street. With a live internet connection offering real-time prices from a bull and bear pit located 3000 miles away, the presenter picks his catch of the day for the audience. On tonight's menu are Microsoft, Wal-Mart, Cisco Systems and Nokia – plump specimens perfect for the plucking, but only if you've got the right tools for the job. With another three hours of the presentation to go, there's no sign of a yawn or restless posterior – only the ticking tumblers of 50-odd brains absorbing information dedicated to a common goal: profit.

With over 230 investment clubs having formed since the concept first arrived here in 1999, the appetite for stock trading continues to plot an upward graph across the country. With clubs located in every county and membership well above 5000, Ireland has belatedly joined a global stampede that now boasts over 40,000 clubs across the world. While the first recorded investment club was founded in Texas as long ago as 1898, it's in the past decade that the movement has really gained momentum, thanks mainly to the impact of the internet.

#### Investing For Beginners

"THE CONTENT grew out of an investment seminar I attended in Hawaii in 1996", says TICN founder Owen O'Malley. "It was attended by some of the world's leading investors and they passed on the benefit of their experiences over five days. As a result, I came back with the idea of setting up an investment club, which I did here in Donegal and then saw the whole thing snowball to 230 clubs today and counting." Clubs usually consist of groups of between 15 and 20 people who meet once a month to learn about, and invest in, the stock market. The 20th member is a TICN 'mentor', >

# Wall Street For Starters



► who stays on board for the first year until the club finds its feet and the proper structures for profit are put in place. With members electing their chairman, treasurer, share dealers and other functions, €100 a month per person is pooled to buy stocks.

"Being in a club has several advantages for newcomers to the stock market," says O'Malley. "Pooling investments reduces brokerage fees and gives members stakes in a larger portfolio than they could afford by themselves. Investors also get experience of trading in the relative safety of a group before going it alone." Training is an essential part of the process - from the fundamental weekend course, Making Money With Careful Planning, and onward into the more specialised areas of Graphs and Charts, Call and Put Options and Candlestick Trading.

"We train club members in how to identify the right stocks to buy," says O'Malley. "Companies invested in must be fundamentally sound, with little or no debt and an excellent track record over the previous eight years. They must also be in industries which are experiencing growth and have a solid management team. We also train our members in how to identify the true value of companies, price support and resistance points and up to 25 different strategies for investment." One of the more interesting strategies is the process of 'rent collection' on shares. "About 95 percent of investors just buy and sell shares, they never look to collect the rent on them. Our clubs look to the Chicago Options Exchange for this.

Using that exchange they can look to see if dealers are looking to buy options in shares they hold. By using mechanisms such as this our clubs have been making annual trading profits of up to 50 percent."

A quick perusal of the TICN club performance chart ended March 1, 2005, reveals the percentage profits enjoyed by a selection of these clubs around the country: Barracks Investors - 101 percent; Sperrin Gold - 95 percent; Finn Valley - 94 percent; Muckish Marvels - 67 percent; Fanad Fortune Traders - 57 percent; and Castlebar Classics - 52 percent.

### Calculating The Risks

"I CONSIDER myself to be a calculated risk taker, I have all my research done before I invest," says Pat Lynch of TICN Munster. "From my experience, very few people do this." An accountant by trade, he was always interested in the stock market but felt he lacked the experience or

Pat Lynch demonstrates a point during an Investment Club session in Cork. An accountant, Lynch only undertook his stock market 'education' after selling his company, Microtech. "Within 90 days I had a deep understanding," he says.

knowledge to make reasonable returns. In 2001, he sold his company, Microtech, giving him a substantial amount of disposable income to invest. "I decided to look at the stock market as a means of making returns on part of the proceeds from the sale of my business. A friend told me about the Investment Club Network and I joined a share club in Cork - the Rebel Club."

Lynch attended a weekend seminar on the basic principles of the stock market followed by further advanced courses. "Within 90 days I had a deep understanding of how the stock market worked. I found that being part of a club meant that I was mixing with like-minded people where we were able to share many ideas," he says. Like all club members, he lives by a mantra of research and more research. "Understand everything about your target company, the

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information is available out there if you know where to look. You need to know how much debt is in the company; what the sales and profit growth have been for the last several years and what the projections are going forward," he says.

Only one percent of investors research their targets - the other 99 percent is where the profits are made. "We trade through an online broker on the internet, costing €10 per trade and no stamp duty because we only deal in American companies." In his first year of trading, he achieved a 62 percent return.

At a time when the financial fallout from Elan still hangs heavy over the Irish market, Pat Lynch shakes his head ruefully at a situation signposted a long ways back for those who might have properly researched the company. "Elan had risen from \$4 to \$26 over a period of time and investors who understood the market had taken their profit well before the fall," he says simply. "Within the framework of what TICN teaches novice investors, the fundamentals of Elan clearly indicated a share that had to fall, the run was over and it was headed nowhere but down."

### Woman Make Better Investors

LETTING the heart rule the head - a common illness amongst investors - runs contrary to all that TICN espouses. "You just don't want to fall in love with any particular share, getting emotionally involved is a path to disaster," he says smiling. He cites the gender difference of club members as an example of this: "Women, in general, make better investors - they bring a logical approach to the process. Men will often form the ►



▶ notion they can second guess the market and it just doesn't work. We are always keen to see more women coming into the club structure for this very reason - they're incredibly grounded in their approach. They won't be inclined to carry a 'lame duck' share when it turns from profit to loss."

Phil Ryan worked for Analog Devices in Limerick and, like many other Irish people employed in American multinationals, received share options in the company. This provided the impetus to consider broadening her scope into a wider stock exchange involvement through a club framework. "Many people in the club had no experience at all of share dealing of any kind," she recalled of the early faltering steps on Wall Street. "We had a wide cross section of people from all walks of life - banking, retired people, working mothers, construction industry workers, people from the technology sector, financial services, you name it really." Like many looking in from the outside, she found the initial terminology and practice of the market a challenge: "I found the TICN educational seminars a huge help in getting in behind the terms involved and understanding the way the market operates. Essentially, the courses help to demystify the work of the stock exchange."

While clubs can provide a social outlet where friendships flourish, the communal profit motive remains the essential glue fastening this collective together. "Some clubs will meet monthly, others choosing a more active trading structure meet every two weeks or more," she explains. "People are constantly updated online to the club's progress. Experience has shown us that the best clubs aim for a balanced mix between men and women - the men often benefit from the women's more rational outlook," she says smiling. "Men often veer away from the basic investing rules we've learnt through TICN; they often follow their instincts on a particular share whereas women will take a more logical and careful track. Women are more inclined to stick to the discipline, the rules - they're often more grounded and less emotional than men."

### A New Dawn For Debutants

THESE differences also extend to what shares they choose to invest in and how aggressive they pursue them: "Women are often more clinical in their approach to share dealing, they tend to have their homework done in front of them on a particular company under discussion. But overall, clubs work to a democratic principle and the majority will determine what share to buy. As people get more experienced in dealing, women, as well as men, will have the opportunity to make the case for one share over another. In the end, the process comes down to a vote."

With multiple minds across the country already grappling with the reality of the imminent windfall of maturing SSIA accounts in 2006/7, the question of investing in stocks as well as the




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traditional havens of bricks and mortar looms large within the investment club community. With new clubs opening on a weekly basis in every county, Pat Lynch sees the years ahead as a new dawn for financial debutants seeking an extra string to their pension fund bow.

"One of the biggest hurdles for us in TICN to overcome amongst the general public is the trauma many investors suffered through their involvements in companies like Eircom and Elan when the share price fell so sharply. Using the procedures we teach at our seminars for

choosing good stocks, the simple fact is that these companies would not have made the grade or anywhere near it in our criteria for sound investments. In terms of perception, they were very much a case of a few bad apples spoiling the barrel." After a decade where property was the only game in town for wannabe overnight millionaires, he sees the next decade as a time when an awareness of the stock market will flourish. "Our network of clubs right across the country have done remarkably well through a very difficult trading year over the last 12 months, with many of them recording gains over well over 50 percent - which is a whole lot better than many of the big brokerage houses were able to do."

He casts an arm toward the giant screen where the Dow Jones ticker tape flickers its magnetic glow over the room: "A decent stock portfolio has been a way of life for everyone from taxi drivers to managing directors in the USA for the past 50 years. With the kind of technology we all have access to now, its time has finally arrived in Ireland." 

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