

## *The Betty Letters*

*My Dear Grandchild,*

*Ever since Bo-Bo, my froglike husband, retired from his family's publicly listed company in favour of entering the political field, I have been playing the stock market of Hongkong. I have done poorly, I must admit to you in all honesty. My logic in investing in stocks and shares has been that, now that Bo-Bo is out of the company that his father founded, many decades ago, the shares of the company were worth a flutter. I have, now, lost about half of my original investment. Of course, I am not hurting by the loss – because I just top up the kitty with the housekeeping money; and, Bo-Bo is none the wiser. I was wondering, however, do you play the equity markets of Hongkong? If so, how have you fared, during the past 4 months or so? Going along this line of thinking, I did a little investigation in order to determine if I were the only one to have lost in investments in stocks and shares. Most people with whom I had contact on this subject, eventually, admitted that they had lost money on their investments. But not one of them appeared to be overly worried about the situation, with nearly all of them, stating that the market would recover in time and, then, the world would be theirs for the taking.*

*I am sure that you do not know this, but German investors are not very keen in investing in stocks and shares, according to my research. And the number of adult Germans, investing in stocks and shares, directly, is on the wane. It seems that, unlike Chinese people, German people are wary about direct investments in their equity markets. Between 2003 and 2007, during the time that there was a boom on German equity markets, retail equity investors of the country shrank by an average of about 6 percent per annum. In the year to 2000, it was known that there were about 6.20 million Germans who had direct investments in stocks and shares, listed on equity markets of the country. By 2007, that number had fallen to about 4.10 million investors. Germans, in appears, have an aversion to risk, in general. The percentage of the adult population of Germany that invests, directly, in stocks and shares is about 6.60 percent. In France, about 14.50 percent of the adult population invests in equities. The country with the highest percentage of the population, invested in stocks and shares, is, believe it or not, Japan, with the figure, coming in at about 27.70 percent. The US appears to be in the Number Two Slot, with about 25.50 percent of the adult population, invested in stocks and shares. Switzerland is a close third with the percentage of the population that invests in stocks and shares, being about 20.40 percent. For Hongkong, I am not certain as to the percentage of adults, invested in stocks and shares, but it must be very high by all accounts. In June 2006, the number was put at about 28.80 percent of the adult population, but that was nearly 2 years ago. As for the Mainland, it is difficult to get a handle on the number of adults, invested in stocks and shares, listed on The Shanghai Stock Exchange and/or The Shenzhen Stock Exchange because of the vastness of the country and the fact that the Government of China does not consider such statistics to be of a high priority.*

*For the most part, Germans, it appears, look more for the worst possible scenario and invest in short-term 'paper' just in case it is proven that there is dire need for cash. Safety in investments for Germans means the availability of short-term funds. Because of this national propensity, most Germans miss the equity boat when calm seas prevail on the investment horizon. According to my manicurist, whose husband works in The Hongkong and Shanghai Banking Corporation Ltd, in Germany, in 2007, the number of direct equity shareholders decreased by about 193,000, resulting in a net outflow from equities of about €14.20 billion (about \$HK177 billion). This, to me, is very strange because, long term, investing in equities has to be the way to go. The problem, of course, is to know in which company to invest. In today's world, which bank can one trust? Which jewellery company in Hongkong is honest? Which property company is too highly geared for its own good? Which airline will not go belly up? And so on. There was a time when one was able to*

*state that this company or that company was a safe bet because the Price-Earnings Multiple was low, relative to other companies, engaged in the same, or similar, endeavours. There was a time when one could look at the economy of Hongkong and state that, because of this or that, it was likely that a company, controlled by reasonably competent management, should do well because its principal business interests dovetail with the requirements of a certain segment of the population. However, such considerations do not, always, work in today's Hongkong, I have come to learn.*

*So, My Dear Grandchild, where does one look for honey?*

*Talk to you, next week.*

*Chief Lady*

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