

**SHAREHOLDER'S NEWS**

Malta Association of Small Shareholders - MASS VO 0629

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Editorjal

Malli l-Assoċjazzjoni tagħna saret taf illi l-Gvern se jwaqqaf Uffiċċju biex jisma' l-ilmenti tal-konsumaturi fil-qasam tas-servizzi finanzjarji, mill-ewwel ħriġna stqarrija għall-istampa li fiha kkumentajna illi naqblu li jitwaqqaf dan l-Uffiċċju. L-Abbozz ta' Liġi (Nru 100) li tressaq mill-Ministru għall-Finanzi Profs. Edward Scicluna għall-ewwel darba fis-seduta tal-Parlament tal-25 ta' Mejju li għadda.

Dan huwa Att sabiex jitwaqqaf l-Uffiċċju tal-Arbitru għas-Servizzi Finanzjarji, bis-setgħa li jimmedja, jinvestiga, u jiddeciedi fuq ilmenti li jkunu tressqu minn xi klijent kontra provdutor tas-servizzi finanzjarji. L-Att jipprovdi wkoll biex jitwaqqaf Bord tal-Immaniġġjar responsabbli għall-amministrazzjoni tal-Uffiċċju tal-Arbitru għas-Servizzi Finanzjarji, kif ukoll biex jipprovdi għal finijiet oħra li jkollhom x'jaqsmu miegħu.

L-Att fih sitt taqsimiet importanti ħafna, fosthom, naturalment, dawk li jittrattaw it-twaqqif u l-għamla tal-Bord tal-Immaniġġjar u l-Amministrazzjoni. Jehtieg, bla dubju, li jkollu Chairperson li jkollu għarfien jew esperjenza ta' materja li jirrigwardjaw il-konsumatur, li jkunu relatati mal-provedimenti tas-servizzi finanzjarji, kif ukoll, li jkollu Membri tal-Bord kwalifikati.

Biex il-Bord ikun kontabbli, għandu jfassal rapport bl-estimi tad-dħul u l-infieq li, flimkien ma' pjan strategiku, għandhom jiġu wkoll ipprezentati lill-Kamra tal-Parlament għall-iskrutinju ta' kulhadd. Tajjeb illi l-Att ikun ċar dwar ħlasijiet li jkunu jridu jsiru mill-bidu sat-tmiem ta' kull każ li jitressaq mill-konsumatur quddiem l-Arbitru. *(ikompli fuq paġna 2)*

**Indirizz**

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**Kull ma jinkiteb f'dan**  
**il-fuljett mhux bilfors**  
**jirrifletti l-fehma**  
**tal-Membri**  
**tal-Kumitat tal-MASS.**

L-Uffiċċju għandu jkollu kompożizzjoni tajba u effiċjenti, fosthom Bord, Arbitru jew Arbitru sostitut, skond kif ikun il-każ, u f'dawk l-uffiċjali u membri tal-persuna jew impjegati mill-Uffiċċju. U naturalment li jista' jiddelega anke konsulenti jekk ikun dan meħtieġ. L-Uffiċċju għandu jittratta l-ilmenti b'mod ġust, informali, ekonomiku u bl-inqas dewmien possibbli biex l-inġustizzja tfittex tiġi rimedjata, javża lill-pubbliku bil-linji gwida tiegħu bl-aktar modi effikaċi u moderni; u jipprovi lill-partijiet konċernati l-informazzjoni kollha meħtieġa biex jiffacilita lill-klijent jipprezenta bla tnikkir il-każ tiegħu.

*Alfred Portelli*

## Meeting with the new Chairman of the Malta Stock Exchange

*Kevin Mizzi*

On the 19<sup>th</sup> June 2015, the Malta Association of Small Shareholders met the Chairman and Officials of the Malta Stock Exchange. MASS was represented by the President Mr Alfred Portelli, PRO Mr Tarcisio Barbara and Committee Member Kevin Mizzi. The MSE was represented by the Chairman Mr Joseph Portelli who was appointed a few weeks ago, Deputy General Manager Mr Simon Zammit and Product and Business Development Manager Mr Cliff Pace.

The President kicked off the meeting by introducing the members of the committee attending the meeting and then informed the Chairman that last year the committee had met with officials of the MSE. Moreover, Mr Portelli gave an overview of the Association and reiterated the items discussed last year.

The Chairman introduced himself and the other officials and informed the committee that he was born in the USA and lived most of his life there. A resumé of his career is included below. The Chairman immediately started discussing the lack of financial literacy in Malta. As a matter of fact, he will soon meet with Minister of Education to discuss the matter. He intends to address the issue by organizing a full-day seminar on investments. He already arranged with a number of stockbrokers who will deliver the presentations. MASS advised that although we have no issues with stockbrokers, we would like the conference to be presented in an independent manner.

The Chairman informed the committee that he would like to organize the seminar with our help. The committee assured him that MASS will provide all the support required. In turn the Association will be allowed to deliver a 20-minute presentation

about MASS and members of the committee will be allowed to sit on a number of discussion panels. The event will be opened by either the Prime Minister or the Minister for Finance depending on their availability. It will commence at around 9am or 9.30am and wraps up at around 4pm. There will be coffee breaks and a lunch break. MSE intend to charge €10 for the seminar to ensure that delegates do not participate for the food only. The seminar will be held in November and a number of sponsors will be involved. MASS said it is logical that the conference should be in Maltese.

MSE informed the committee that they have over 75,000 investor accounts registered.

MASS asked about the second ticker on the website. It was explained that the ticker displays the trades currently being executed. Mr. Barbara suggested whether the Ask and Bids prices can be displayed on the website in real-time. The Chairman explained that investors ought to obtain that information from stockbrokers. The PRO also asked where to find the notices of specific companies. The Deputy General Manager explained that one has to first click on the specific company and then the user will find the announcements amongst the company details.

The meeting concluded by agreeing that the MASS Secretary will contact Mr Pace to start planning the conference.

### **About the Chairman**

Joseph Portelli has almost three decades experience employed in various capacities within the financial industry in the U.S and in Malta. He has vast experience as a portfolio manager, currency and commodity trader and has been employed with Bank of America, Nomura Securities, Goldman Sachs, Millburn Ridgefield, Global Capital, and Liongate Capital Management. His most recent position was chief investment officer and managing director of FMG Funds, an emerging markets specialist.

He currently sits on the Board and is chairman of the Risk Management Committee of the Malta Stock Exchange, and is a board member of APS Bank SICAV and other financial companies. Joseph founded the Institute of Investment Analysis is also a visiting lecturer at the University of Malta, and has taught courses at the Central Bank of Malta, Malta Institute of Accounting and other institutions. He is also a regular contributor to the Times of Malta, writing about investment education. Joseph graduated with a BA from Baruch College, City University of New York.

## Germany's DAX30 index in correction territory

Many international financial journals regularly use certain terms to describe the state of equity and bond markets as well as currency movements. To enable local investors to gain a better understanding of the different phases of financial market cycles, I will provide a brief description of some of the more commonly used terms before reviewing recent market developments.

When prices are rallying, the market is said to be in a bull phase. Bull markets are generally characterized by optimism, investor confidence and expectations that the positive sentiment will continue in the near-term. On the other hand, a correction is defined as a temporary decline of at least 10% in an asset class interrupting an upward trend. A more prolonged correction may lead to a bear market when a price or an index drops by more than 20%. Meanwhile, a stock market crash is a sudden dramatic decline of prices normally driven by panic as a result of major catastrophic events, economic crisis or the collapse of a speculative bubble. There is no specific definition of a stock market crash but the term commonly applies to steep double-digit percentage losses in a stock market index or an individual equity over a period of several days.

Last week's headlines highlighted that the German equity market, generally represented by the DAX30, entered into correction territory after the index dropped by more than 10% from its recent high of 12,374.73 points on 10 April 2015. German equities had experienced a bull market in the first three and a half months of 2015 as the index rallied by 26% between the start of the year and the high reached on 10 April. The index first entered a correction phase on Tuesday 9

June after it dropped below 11,000 points but after a mild recovery during the following two days, the German benchmark retreated below 11,000 points once again last Monday and Tuesday morning as fears intensified about an exit of Greece from the eurozone. Many may question the reasons for such a strong start to the year and the sudden correction.

The announcement in early January that the European Central Bank agreed to start its quantitative easing programme in March 2015 led to an immediate upward movement across eurozone equity markets including the DAX30. This rally continued well into March when the European Central Bank's (ECB) quantitative easing (QE) programme commenced. Amid heavy buying of sovereign bonds by the ECB, yields plummeted and the value to the euro also declined to a low of USD1.05 against the greenback compared to a level of USD1.40 in May 2014. Investor sentiment across the Eurozone improved as the ultra-low interest rates and a weak currency boosted economic activity mainly through higher export growth which led to an increase in the value of foreign earnings of exporters. Some of Germany's largest exporters such as Adidas, BMW and Daimler are among the

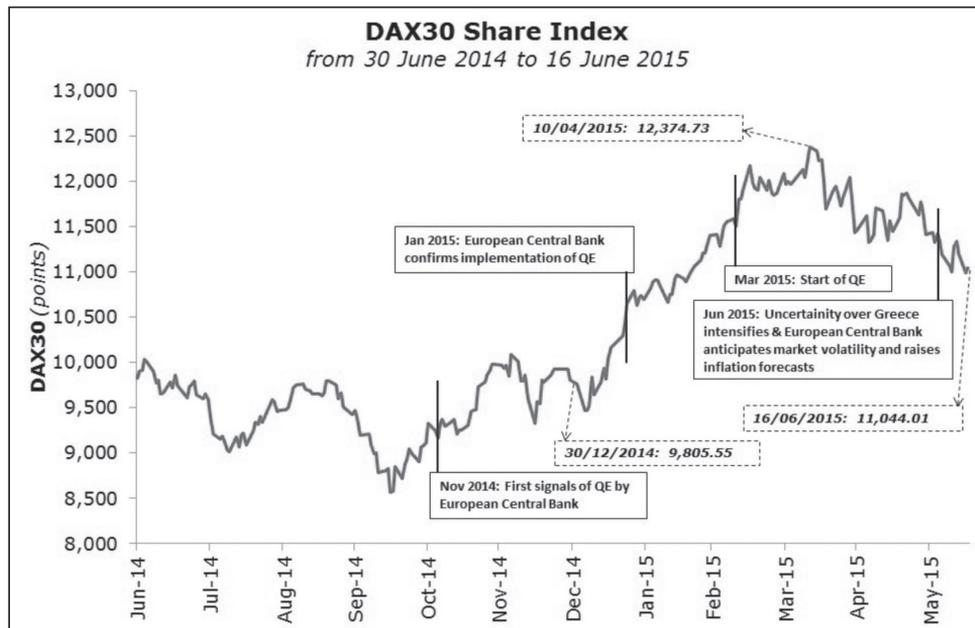
largest constituents of the DAX30 index and consequently the rally in these equities propelled the benchmark to new record levels.

“... investors should brace themselves for further volatility in all asset classes.”

Meanwhile, the decline in eurozone equity markets including Germany over recent weeks may be due to the recovery in the value of the euro, following the rally in bond yields, as well as renewed fears over Greece. The euro climbed by over

8% in a few weeks from a low of USD1.0456 on 15 March to a high of USD1.145 on 15 May. A stronger currency negatively impacts exporters – the share price of BMW, for example, declined by close to 20% since the record high in March and Daimler dropped by almost 15%.

The sudden rally in bond yields since mid-April, despite the ongoing commitment by the ECB to continue with its QE programme until September 2016, is primarily due to the publication of data revealing stronger eurozone economic figures, improved credit conditions as well as indications of an uptick in inflationary expectations as confirmed by the upward revision in the ECB’s inflation forecast for 2015 to 0.3% compared to the previous projection of no movement in prices (0%). Apart from the improving activity across the region, the jump in the price of oil is one of the main reasons behind the upturn in inflation.



Additionally, the decline over the past ten days across eurozone equity markets is also due to renewed concerns that Greece may default on its loans and be forced to exit the eurozone. The fear of ‘Grexit’ resurfaced after the Greek government

and the group of international creditors failed to reach the long-awaited agreement on the various reforms necessary in order for the Mediterranean country to get the required financial aid and avoid default. In fact, Greece decided to postpone a series of payments totaling €1.6 billion due to the International Monetary Fund during the month of June to the end of the month. A default would have damaging repercussions for Germany and other eurozone countries which are among Greece's creditors. Germany and France, the two largest economies in the eurozone, would stand to lose some €160 billion alone from a Greek default.

Following the sudden correction, what should investors expect from the larger eurozone equity markets over the coming months?

Irrespective of how the performance of financial markets will pan out in the coming months, investors should brace themselves for further volatility in all asset classes. We are living in unprecedented times in view of the non-traditional monetary policy tools being used by the ECB (namely its asset purchase program which is set to run until September 2016), the possibility of 'Grexit' and the divergent stages of the world's largest economies.

Under such conditions, trends in financial markets and the correlation amongst different asset classes will be highly susceptible to a number of factors. Among the most influential is the publication of data across the Eurozone especially that related to inflation and economic growth which could lead to wild swings across bond markets and the single currency as was evident over recent weeks.

Furthermore, financial markets in each region are also very much aligned to the monetary policy of each national central bank. Although various central banks around the world, including the ECB, the Bank of China and the Bank of Russia, are implementing expansionary measures to bolster their respective economies, the US Federal Reserve has already closed-off its asset purchase program and is pondering whether to continue tightening its monetary policy by starting to raise interest rates. The timing of this is likely to have a significant impact on currencies. A US rate hike in the next few months could result in the strengthening of the US Dollar and a correction in US equities. Meanwhile, a delay could lead to a softening in the US Dollar and increased demand for euro as investors could rotate their investment to Europe in view of the less demanding equity valuations in the region and the improved inflation prospects which should ultimately lead to a gradual rise in interest rates.

The largest turmoil could be created by developments in Greece. This is the first time, since the creation of the euro in 1999, that a European country is close to bankruptcy with the possibility of leaving the single currency bloc. Given that the numerous possible combinations of outcomes and the extent of contagion across other member states in such a scenario is uncertain, markets will remain on edge and any news, good or bad, can lead to significant swings even within very short timeframes.

Given these various factors at play, local investors holding exposure to European equity markets should continue following developments closely as they unfold. Investors should also seek to ride out the inherent volatility across markets and take a longer-term view since equity markets could be supported by continued evidence of a recovery of economic performance and ECB support in the months ahead.

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## X'inhuma l-Benefiċċji li ssir Membru tal-MASS?

Hemm bżonn kbir li kull investitur ikollu tagħrif sew minn qabel ma jinvesti u, kif maż-żmien, jirranġa l-‘portafoll tal-investimenti’ li diġà għandu. Il-liġijiet u l-Awtoritajiet m’humiex biżżejjed biex jiproteġu l-investimenti li jkunu saru b’nuqqas ta’ hsieb jew nuqqas ta’ informazzjoni mill-investitur.

Minbarra li bhala membru tkun qed tappoġġja l-MASS fil-protezzjoni tiegħek fl-investimenti fil-kumpaniji f’Malta, hemm dawn il-vantaġġi kif ġej:

- Li tikseb kuntatt personali ma’ investituri herqana li jiddiskutu l-esperjenzi u l-ideat tagħhom; għal hafna din hija wahda mill-izjed aspetti importanti. Li titghallem mill-esperjenza tal-ohrajn huwa wiehed mill-vantaġġi ewlenin tas-shubija.
- Li kull xahar, tattendi għal sezzjoni ta’ tagħrif u tagħlim dwar is-Suq tal-Investimenti minn esperti f’xi qasam partikolari fl-investimenti u tistaqsi: dak li forsi qatt ma sibt okkażjoni li tagħmel.
- Li tirċievi, mill-inqas kull xagħrejn, kopja tax-*Sharholders’ News*, fuljett b’informazzjoni u tagħlim dwar is-Suq tal-Investment.
- MASS torganizza laqgħat mad-Diretturi, Manigers u CEO’s ta’ Kumpaniji kkwotati fil-Borża ta’ Malta. Minn dawn il-laqgħat insiru nafu kif il-Kumpaniji jkunu sejrin u nkunu nistgħu naghmlu mistoqsijiet kif ukoll suggerimenti biex il-Kumpanija tmur ahjar.
- MASS tipprezenta l-opinjoni tiegħek lill-Gvern, lill-kumpaniji u korpi oħra permezz ta’ laqgħat magħhom u attendenza f’Laqgħat Generali Annwali.

Is-sit web tal-MASS huwa sors ta’ hafna informazzjoni utli għall-investituri finanzjarji. Issib ukoll ‘links’ għal ahbarijiet finanzjarji t’interess għall-investitur lokali mingħajr ma taħli hin tfittex f’ mijiet ta’ siti.

Biex tissieheb jekk jogħġbok imla’ l-formola tal-applikazzjoni u ibgħatha lill-MASS flimkien maċ-ċekk tiegħek, jew aghmel kollox *on-line*.

**Aktar ma jkollna membri, aktar inkunu b'saħħitna bil-vuċi tagħna. M'hemmx żmien għal dewmien - aghmel hekk illum!**

## Introduction to Investing

MASS organised a short course to explain the basics of how to invest in most popular financial investments, which was held specifically for those who would like to invest, but lack such knowledge. The trainer was Ian Azzopardi, an accountant and auditor by profession, who has 30 years experience. The seminar which was held over two sessions on 25th and 26th June 2015 at the Volunteer Centre, Valletta, was free for MASS members. Those who attended received a certificate of attendance.

### AVVIŻ KONFERENZA LULJU 2015

Il-Pubbliku huwa mistieden għal konferenza mill-Malta Association of Small Shareholders (MASS VO. 0629).

Is-Sur David Pace Ross se jagħmel "Analizi tas-Suq tal-Ishma Malti" b'enfasi fuq il-banek.

Is-Sur Pace Ross, magħruf sew mal-pubbliku, hu Senior Manager mall-BOV u hu espert fil-qasam tas-Suq tal-Finanzi.

Post: Corinthia Hotel & Spa, H'Attard

Data: It-Tlieta, 21 ta' Lulju 2015

Ħin: fis-6:00pm bibita. Il-laqgħa tibda fis-6:30pm sat-8:00pm.

Dhul b'xejn.

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