

INVESTMENTS CONSALTING (Advisory)

*Ass. Prof. JANKA K. DIMITROVA, University "Goce Delcev" Stip
Republic of Macedonia*

*Key words: INVESTMENT, PORTFOLIO, DIVERSIFICATION,
ANALYSIS, LIQUIDITY,*

JEL classification- G11 - Portfolio Choice; Investment Decisions

INTRODUCTION

Investing is a process that transforms savings (delayed consumption) in capital funds and expressed one of the basic economic laws - postulate the accumulation of capital, which explains the survival - the development of each national economy, which establishes a correlative connection between the dynamics of the development of a national economy with the quantity and dynamics of investment. By quantitative match or no match between the savings and investments, is explained the general situation of the state of economy, trade balance, or imbalance, economic stability or instability.

Investing means investors denying of the funds available cash today for future major benefits that will bring the selected investment. It's very important decision that will bring potential investors should be based on relevant and credibility information and analysis to minimize the risk of loss and to maximize profits is the ultimate goal of any investment.

The purpose of this research is to identify all the tools (analysis) which investment advisers use in order to give to its customers (depending on the resources available to them and their age), an optimal portfolio.

INVESTMENTS ADVISERS—performers of the investments counseling

In developed stock production, the acts of saving and investing are separated out because of its different subjects. Saving is mainly formed by the citizens and households, and investments are made by business entities. Savings can be invested in consumable or durable goods and in various financial instruments, which offer to the savers potential for future returns and rewards in the form of interest or capital gains. How savers can make the real choice between many financial instruments, and to decide correctly where to invest their savings?

Individuals can be motivated to save from several reasons: to buy durable goods, to accumulate funds for the time they retire, to deploy consumption relatively evenly over time, or leave a legacy to their children. In achieving these requirements, depositors are worried about the expected return on their savings. They also worry about how their savings can easily be converted into a reliable and stable source of income to finance future consumption.

Needs of fresh capital, loans and investments, needs of new investments,

are feature of almost every country in the world, of many companies. This fresh capital, the business entities can provide it in different ways, while the potential investors in the activity of business entities, they need to provide some level of certainty that funds that will be made not to fail, because of that future creditors, largely are interested in working for companies that want to attract fresh capital.

It is good to have the information and insight into relevant and credibility data for the business entity that needs funding and also is important the depositors (investors) to want to invest their savings in that entities. These data presented as financial statements for the operation of the business entity must be confirmed by people who are highly, professional, objective, impartial and independent as auditors. Furthermore, results of operations shown in the audited financial statements, are subject to analysis also by highly professional and skilled persons who have acquired the necessary knowledge and skills for analyzing the results of operations, strengths and weaknesses of the organization, socio economic environment and the place and role of the subject within the business, applying various mathematical, statistical and analytical methods and techniques. These people are investment advisers and the services that they provide are called investment advice, and users of such services are various clients (natural or legal subjects).

Service investment counseling

Services related with investment counseling for clients can be performing only by authorized investment advisors. Investment Advisor shall have passed an exam for investment counseling, organized by the Securities and Exchange Commission. Investment Advisor shall not be convicted by a final court decision for committing a crime in the last five years before applying for a license for investment adviser. Investment Advisor shall not be convicted of a crime causing the bankruptcy of a legal subject. Investment adviser is obliged to renew the work permit every fifth year.

Investment advisers can provide investment counseling services only if they are employed in some brokerage house or investment consulting company who are treated as financial institutions. Permission for the establishment and operation of a brokerage house and investment consulting company is issued by the Securities and Exchange Commission. These entities must hold and maintain the prescribed capital base and have liquid assets set by the Commission, depending on the volume and type of services performed in correlation with securities and the risks they are exposed during the performance of those services.

Users of investments advising

As users of investment counseling can occur all natural and legal entities that have funds available (savings), and want to invest them for future benefits acquired (used) in form of interest, dividends, capital gains, etc. Certainly the

basic purpose of the investors is to invest their money in financial instruments (securities) which will provide the highest profits with lowest risk. This target they'll achieve if they select portfolio of different assets.

POTRFOLIO THEORY

The theory of portfolio selection (the theory of portfolio choice) tries to answer the question about the investment of assets in the portfolio and provides how a depositor will allocate their savings among alternative investments. According to this theory, savers consider five criteria when deciding which investments to make and how much to invest in each alternative. Basic determinants of portfolio choice (oh determinants portfolio choice) are

- The wealth of savers, or the total amount of savings to be placed,
- Expected return on investment, compared with the expected return on other investments
- The degree of risk of the asset, the risk compared to other instruments,
- The liquidity of the instrument, compared with other instruments and
- Costs of obtaining information about the instrument, compared with collecting information on other instruments.

To see how the rise of the determinants of the allocation of funds causes the amount of assets in the portfolio to grow or decline and the reasons for that they will be shown in the following:

Table1 - Determinants of the funds application

Growth of ...	It causes the amount of the asset in the portfolio to ...	Because ...
Wealth	Growing	depositors have to allocate more savings
Expected return on the asset against the expected relative yield of other depositors	Growing	depositors receive funds grows more with keeping the asset
Risk (variability of returns)	decline	Depositors are generally towards risk
Liquidity (the ease with which an asset could be turned into cash)	growth	item can easily be turned into cash to finance consumption
Information costs	decline	depositors must spend more resources for obtaining and analyzing data on the asset and its proceeds

Portfolio theory is a theory about a process of selection of optimal portfolios. To reduce (diversifiable) risk of investing, it is recommended all funds (savings) not to invest in one type of assets, guided by the principle Do not put all eggs in one pocket,. Portfolio theory has elements of statistical theory because subject of choice are risky assets that are determined by the expected rate of return and variance s standard deviation of the distribution of probabilities of possible rates of return.

Diversification reduces the risk of return on a portfolio, unless the proceeds of assets do not move together in a perfect manner. The less the proceeds of assets move together, the greater is the benefit of depositor's exercise of diversification to reduce portfolio risk. As generally the depositors are against the risk they portfolios construct containing a number of different assets.

Analysis as a tool for forecasting the future trends of the prices of securities

Thorough analysis of all factors affecting the movement of the market value of securities is necessary to be able to predict future price movements of the same. Investment advisor (analyst), uses a number of analytical procedures that can stream to determine the appropriate price of the shares of a company such as:

- Fundamental analysis;
- The technical analysis;
- SWOT analysis, and
- PEST analysis.

Fundamental analysis

To determine the appropriate share price, the analyst of securities must make a forecast for the dividend and earnings which can be expected from the company, based primarily on past earnings. This analysis is the basis of analysis of the determinants of value or the prospects for earnings. Business success of the company determines the dividends that can be paid to shareholders and the price it will sell on the stock market. Because the company's development is tied to the development of the wider economy, fundamental analysis must take into account the business environment in which the firm works. For some companies, macroeconomic and industry conditions may have a greater impact on profits than relative performance of the company within that industry. Therefore, fundamental analysis treats macroeconomic and industry analysis to determine the perspective of the company, specifically analyzing:

- The global economy;
- Domestic macroeconomics;
- Shocks to supply and demand;
- The policy of government;

- The business cycles of the economy, and
- Analysis of the industry.

Analyzing all the above aspects in which the company exists certainly not omitting the quality of management which it manages, acquires the general impression of the environment in which works and opportunities for further growth and development.

Technical Analysis

Technical analysis is research on recurrent and predictable patterns of stock prices. The key of successful technical analysis is a slow reaction of stock prices to fundamental factors of supply and demand. Technical analysts study charts and records of past stock prices, looking for patterns that can be used to predict the future movement of prices and profit.

SWOT analysis of the company

SWOT analysis (strengths - strengths, weaknesses - weaknesses, opportunities - opportunities and threats - threats) is a method of analyses which combined elements of the company's internal analysis, environment analysis and portfolio analysis products. SWOT analysis is a simple technique base which is performed on the quantitative samples, but also on qualitative (subjective) judgments about certain elements of the company. It allows the analyst to identify and present strong strain (pros) and weaknesses of the company (weak strain) as the internal elements of the company, but also the opportunities and threats the company come as elements of the external environment.

The purpose (intent) of SWOT analysis is to achieve optimal use of internal resources towards the environment in terms of using of competitive advantages by creating advantages to the company, building a strategy for avoiding the weaknesses, the use of the possibilities in the direction of turning their strengths as and reduce the company's exposure hazards or threats.

PEST analysis of the company

PEST (Political, Economic, Social and Technological) analysis is an approach for determining the impact of external environment on business performance of the company. This analysis is based on information from various institutions and sources of political, macroeconomic, social and technological factors affecting the success of the business of the particular company, in the range of factors are adjusted to the nature of the activity of the company. The analyst is guided by general principles of access, and composes a list of specific factors that decide on their impact on business and development of the company.

Investment, risk and age

Because all the investments are risky in general, investment advisers (analysts) are encouraging their customers to assess their financial situation and their willingness to submit a risk when deciding whether an investment is appropriate.

In estimating the variability of yields, investment advisors recommend that sever should be aware of how far it extends its objective of saving. How much longer is his time horizon, more he can focus on growth potential of investments in shares.

For many people, an important goal is retirement savings, and retirement savings are a significant component of their wealth. If retirement is years away from today, they can take advantage of long-term gains from riskier instruments such as common shares, without much concern for short-term variations in yields. If the retirement is closer, you need to apply more conservative strategy to reduce the risk of losing a significant portion of the savings.

Table 2 - A typical financial plan, which differed in the time horizon for younger and older savers

Junior saver	Senior saver
Description	
Under 50 years, wants to build its net portfolio value for a relatively long time	close to retirement portfolio with a value close to the amount needed for retirement
Purpose	
Accumulation of funds by earning high-yield long-term	Preservation of existing assets to earn income slightly above the rate of inflation
Portfolio Plan	
Choosing a portfolio based maximize the expected real yield, with only limited attention to variability	reduction of risk by choosing reliable resources, with an expected real return of 0

In assessing the variability of yields, it is inevitable to take into account the effects of inflation and taxation. Investment yields are generally subject to taxation, and real yields are adjusted by the rate of inflation. Taking all this into consideration, government bonds have made much lower and less variable average annual income compared to ordinary shares.

CONCLUSION

The audited financial statements for the operation of business entities, and the movement of prices of securities on the capital market were the primary source of information that investment advisers use to enable their customers (potential investors) to offer quality investment recommendations. Investment advisers through analysis of results of operations, strengths and weaknesses of the subject, social economic environment and the role of the subject within the business, applying various mathematical, statistical and analytical methods and tehnics projected future proceeds of the company and the movement of prices shares of the capital market. During the recommendations about investing, special attention is paid to the investor's age and his financial situation because older investors seeking safer investments.

REFERENCES

1. Petkovski d-r Mihail; Financial markets and institution, Faculty of economics, Skopje, R. Macedonia, 2004
2. Dimitrova m-r Janka; Theoretical and methodological aspects of the independent audit techniques and their function in the implementation of the fundamental concepts of auditing, Masters thesis, Faculty of economics Prilep, R. Macedonia, 2005
3. Law on securities, Official jurnal on RM, No. 95/2005, 25/2007, 7/2008 and 135/2011