

About getting rich

Gunnar Björing

Translated from Swedish to English by Google translator and Gunnar Björing.

Copyright: Boksidan 2014
Box 558
146 33 Tullinge

About getting rich, ISBN: 978-91-88109-04-0

Learn more on www.boksidan.com!

Index

What's wealth?.....	4
Why become rich?.....	5
Income and expenditure.....	6
Investments in securities.....	8
Shares.....	8
Mutual funds.....	22
Currency trading.....	24
Bonds.....	24
Retirement savings.....	26
Other investments.....	27
Forest and land.....	27
Power plants.....	31
Apartment blocks.....	34
Individual homes.....	36

What's wealth?

Generally someone's wealth is considered to be the amount of money (or value objects) that he/she owns. But there are also other ways to measure wealth, such as the degree of economic freedom or in life quality.

If it is the amount of money that is discussed, the probably most established measure of wealth, is the one that determines whether someone is a dollar millionaire or not. Those who qualify for this epithet has to have a fortune of over one million U.S. \$, excluding their home.

For those who consider wealth to be cash and equivalent and intend to maximize this, it makes sense to think about what adds value and what do not. For example, the one who puts the savings on an upscale car, then have a much smaller fortune. While someone who invests the same amount in the stock market can, with the right choices, and if the economy is up going, double the money in a relatively short time. Though despite the first no longer really is rich while the other has become twice as rich, perhaps the former gives the impression of being richer, and his/her life might be more enjoyable. Besides if the person with the car runs out of money and is forced to sell it, while the other one can buy it and still have plenty of money for other things that are fun.

Many will never be rich regardless of how much they earn, because they constantly uses the surplus for additional consumption. While others never consume more than the essentials, regardless of how rich they are. Presumably there optimum is somewhere in between. And we are all placed differently on that scale, depending on the circumstances, upbringing, values, et cetera.

Why become rich?

A friend of mine who is very well-travelled, usually ask people he meets around the world, about what they would do if they won six million SEK (or the equivalent in local currency). His experience is that people in developing countries, like the Philippines and Cambodia, says that they would start a business that they can live on. While people in rich countries, such as Sweden, usually respond that they would save money without further plans, in addition to various savings options such as to pay off loans or to buy shares. A reasonable explanation for the difference, given that it is true, is that in poor countries people does yearn for security. Something that we in Sweden have had a long time and therefore take for granted.

Yet we continue to try to get rich by playing on the racetrack and the like, why? Probably, at least one of the reasons, is that we dream about things we would like to have or do: a cool sports car, a bigger house or to do exciting trips. Many times, such dreams, however, are quite possible to achieve even without much money. A larger home isn't necessarily more expensive to live buy, if it is situated in a less requested area. New status cars are very expensive, but after a few years, they are often only worth a fraction of the former price and thus perfectly possible to buy even for ordinary people. Exciting and complex trips to exotic countries is perhaps difficult and expensive to implement for families, but eventually the children become adults and after retirement is probably time to make trips during times of year when they are cheaper. In addition, perhaps it is no longer necessary to have such a large home when the kids have moved out and a shift to smaller and cheaper ditto would release money for such trips, even if the pension is lower than the previous salary. A dream that sometime in mid-life to be free from the usual paid work, can for a period be realized through resigning from work, cut costs and live on unemployment benefits.

These simple "solutions" to reach the targets are, however, rarely attractive. Instead, it appears as most people prefer to remain in the same rut and dream of becoming rich without actually doing any particular approach to get there. And it is probably because for the majority of us, the only discernible path to riches is to cut down on all costs and to work more, in any form. But I believe that most, for good reasons, consider that to be a too great sacrifice in the present for a future that may never come. Many of them, that make these sacrifices are, or are at the outset, so used to save and work, the day when the sweet life will appear is constantly postponed. With the effect that life, despite the achieved wealth, is poorer than for those who did not choose this path. This scenario I have encountered especially among many older people, brought up in a time when saving was the main guiding principle, but also among younger people, like me. In addition, there are probably many who allow themselves to enjoy the wealth they have built up, but find that the difference between a luxury car and a cheap ditto after all is not so great. Even the freedom to do what you want, without being bound to the duties that paid jobs entails, has its downsides. Suddenly there is a huge amount of time that should be filled with something. Things, which should be more rewarding than work, because otherwise you could just as well continued to work. It is perhaps not a problem for all, but among those who are so dedicated and hardworking that they over time gather a fortune, the problem is probably relatively common. There are many successful people who, oddly enough, continue to work far more than people in general, even though they have everything needed to live the rest of their lives in opulence.

Income and expenditure

Someone who in the long run increases their revenue and/or reduce their spending enough and invests surplus wisely will in the long run get rich. Many dreams about raising their incomes by starting and running a profitable business, which can be possible if there is a viable idea; see the further in the chapter: A quick lesson for future inventors. Or by making more money on what they already do. The most obvious way then is then higher wage per worked hour. Though we generally have pretty limited control over the potential rise. In addition, they tend to come only once a year and it is seldom more than marginal increases that roughly is eaten up by price increases on what we consume. To really raise the income it is in most cases necessary to work more, change jobs or take an extra job. But it is not clear that it will result in more money at the end of the month, because spending often increase to the same extent. There is nothing wrong in that, for those who do not suffer from it.

Go Salary 30 000	Elec- tricity 300	Insur- ance 200	Telephone 500	Car 2 500	Risk	Rent 3 000	Intrest on loans 2 000	Enforc- ement
couch 20 000	<div>Chans</div> <div>Risk</div>							Food 3 000
Coat 5 000								Icecream and coffe 300
Jeans 2 500								Kids 4 000
New tires 4 000								Parking fees 2 000
Under- wear 1 000								Lunch 1 600
Skiing 20 000								Vine & beer 1 000
Vacation 20 000								Food 3 000
Spa- weekend 3 000								Restau- rants 1 000
Go to Enforc- ement	48" HDVT 18 000	PC 7 000	Chance	Gas 800	Hair dresser 500	Press 500	Candy 200	Free parking

Wage slave economy (in SEK). Income accrues monthly. All other transactions from the account are negative. Some costs are fixed, such as rent, others will occur now and then, as the need for new tires to the car.

One, I think, common cause of poor economy is an effort to maximize the value of the consumption rather than to optimize it. They, who constantly maximize consumption, always buy what is coolest/best/tastes the best or is the most prestigious, in contrast to the optimizer, which instead is looking for the most affordable choice. I.e. provides the most in the form of, for example, saturation, or living standard per invested dollar. With the former approach, it is difficult to save money aside, because it is possible to buy just how expensive things whatsoever. There are probably many different possible explanations for this behaviour, some guesses are:

- We are more or less bombarded by advertising. The message is always that we should consume something and not infrequently also that we should maximize the consumption, through buying the advertiser's cool products instead of cheaper ditto from other manufacturers.
- It is significantly more difficult, from the intellectual point of view, to optimize the value of consumption than to maximize it.
- Lack of money appears sometimes to create a need to consume expensive goods, perhaps to show that it is certain no shortage, or to comfort themselves.
- Optimization of consumption feels like to skimp and it's no fun.
- It is pointless to save money since I will never be rich, so then I might as well use them for something cool right now.

Regarding the last statement a unique situation in this aspect is created by life in togetherness. To live in togetherness means that the financial burden that a household generates, is shared by more people, which is an advantage. Though for those who intend to save up for a future fortune it, under some circumstances, brings a drawback. These circumstances may be if the household's revenues are placed in a common pot and then distributed as more or less explicitly negotiated. The downside is that the one in the household wishing to build wealth, will have difficult to argue why the money should be saved away without other objective than to reproduce them, rather than to use the money for things that could brighten the present. Furthermore, there may be a risk that the partner in the future claims a portion of the saved funds, with more or less good reasons. Thus, the capital will become a breeding ground for quarrels and discord. It might then be tempting to, instead of saving, take the opportunity to use some of the cake to buy objects that benefit one in the present, before the partner use it. Addition, there is less incentive for both parties to make an effort to earn extra money or find cheaper solutions to everyday problems such as high food prices, since it is difficult and/or cause loss of their time. Losses whose economic benefits which they wont be credited, as there is a risk that the partner use the money for something he or she wants.

Such problems can be partially avoided through that only a subset of everyone's income is deposited in a joint account. From which all common expenses are deducted. For the purchase of common supplies each one has a debit or credit card linked to the account.

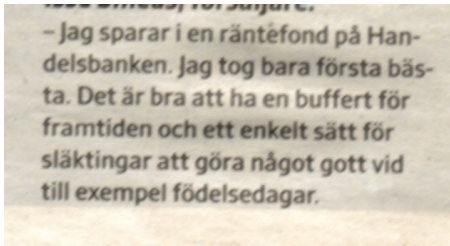
However, only a few, apart from the old-timers, of the ones I know have made their fortunes through minor additional income, combined with savings.

The majority of those of my acquaintance who made it have instead inherited some money from a more or less close relative. Although there probably are more people who made a good bit of money on real estate transactions. But those in the latter group usually have invested, more or less the entire profit in an even more expensive housing and thus have the same economy as before the deal. The two I know who converted such a deal into real money have done it through selling an apartment with profit, and then moved into a rented apartment.

In addition, I know several who have won a decent buck on gaming, though it seems to be a lot of truth in the expression "easy come, easy go" for none of these have anything left of the money today.

The rest of this chapter is all about how any surplus can be invested.

Investments in securities



-I save in an interest fund. I just took the first I saw. It is good to have a buffer for the future and a simple way for relatives to do something good at for instance birthdays.

One of the answers in a mini survey with the question: Do you save for your children. The survey was conducted by the journalist Per Wallin and presented in Svenska Dagbladet 100527th. I think the answer quite clearly illustrates how difficult we think it is, to think about issues of savings and the like. Probably the respondents spend significantly more time to, for example, choose clothes to the kid.

As far as I know, there are a few ways to multiply a small fortune, for those who do not want to start their own business full time. The most common one is to invest in established financial instruments.

Shares

Anyone who buys a stock, buy a share in a company. The purpose of the system is to transfer money from people who have money with no need to use them, to people who have business ideas but not enough money to realize them.

Different shares are worth or traded for different amounts of money. The fact that a company's share costs more than another company's ditto does not mean that one company is worth more money than the other. For there are a different number of shares in different companies. I.e. 1 000 shares in company A may not be worth more than 10 shares in company B. It may sound trite, but considering, for example, how the text in many stock introduction offers are designed (as the one below, published in the Swedish newspaper Svenska Dagbladet), it is not the case.



An example, among many, on how an stock introduction offer presents various information with less importance than information about the total amount of shares. Nowhere in the full page ad from where this piece is taken, that figure was written. Thus the potential buyer has no idea of what he or she gets for the invested money.

The greatest risk in buying shares in a company is that the company goes bankrupt and the shares thus become worthless. It's not so common that listed companies goes bankrupt, but it happens (see table 1 in the Swedish version of this book).

The majority of companies that disappeared before 2006 had no brilliant price trend (chart 1). But the chart is so thickly that it is almost hopeless to try to follow the price of a single company. What the chart, however, shows is that the value of most companies stocks increased 0.5 to 2 times the rate in 1970. I.e. no amazing development and definitely worse than the general price increase during the period (when inflation at times was quite high).

Note that the mean curve (black), had a number of dips in the 1970s.

The first dip began between 1973 and 1974. It is called the oil crisis, because it is largely due to the oil-producing Arab countries shock raised the oil price when they got sour since the United States and other Western countries helped Israel in the war against Egypt. This had a negative impact on economic development (and the stock prices) throughout the rest of the 1970s. Then came another big dip in 1976-1977.

During the decade three former key industries, in particular, broke down and they were more or less swept away from the Swedish business sector: shipyards that produced large boats, shipping companies and textile/shoe industry. Which showed on the stock exchange in that the shipyard (Götaverken) disappeared

1971. A large part of the shipping companies (Svea, SAL, SvLloyd and Tirfing) and textile industries (Algot and Trikafabriken) disappeared around 1976-77.

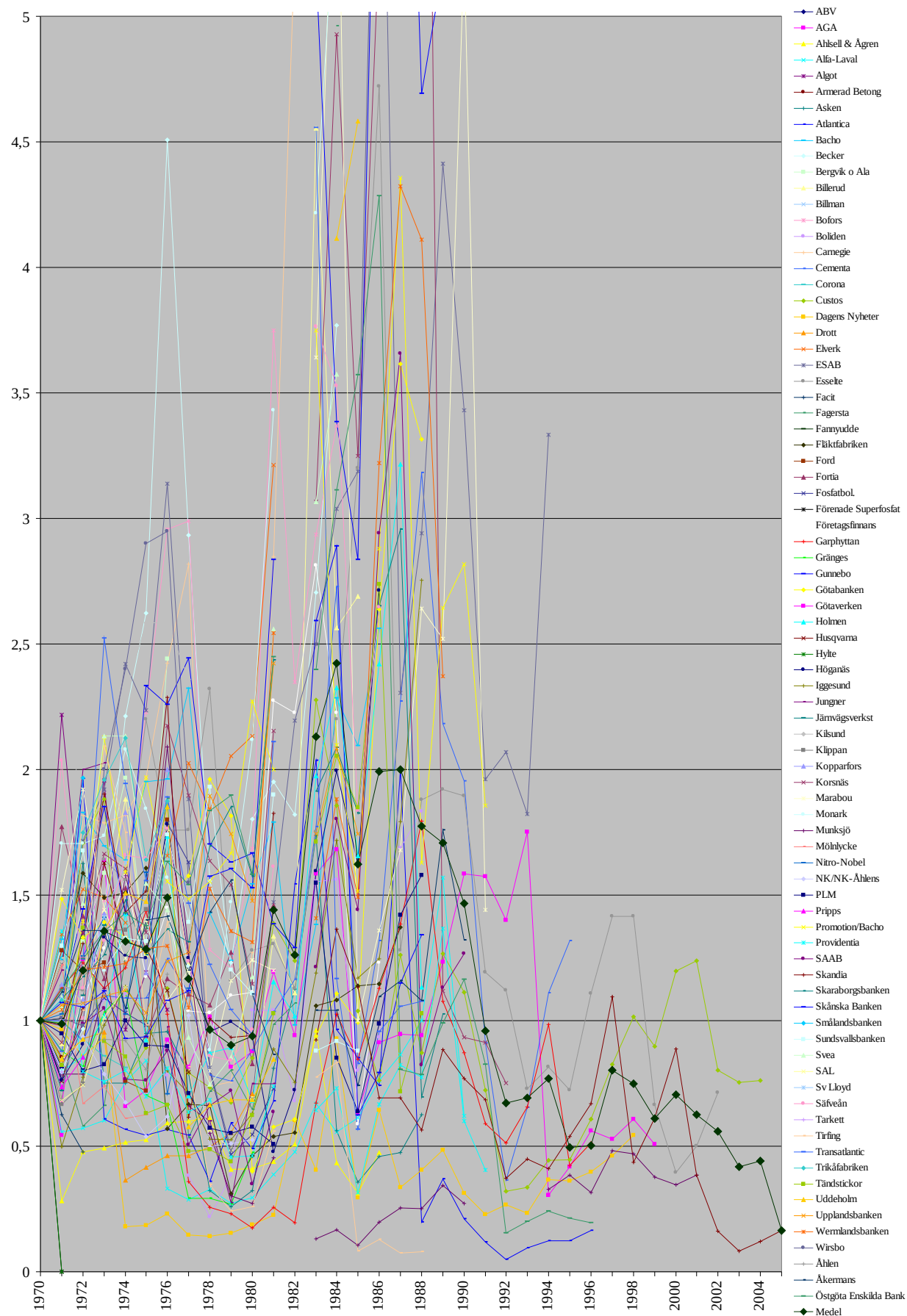


Chart 1. Price trend for the now vanished companies that were on the Stockholm stock exchange 1/7-1970 until they disappeared. Data from Dagens Nyheter around the first of July every year. The chart presents the number of times the stock price rose from 1970 (the price 1970 is set as one for all companies). Any splits and bonus issues during the period, however, are ignored, so the curves for some companies, in fairness, should be gradually shifted parallel upwards. Unfortunately, the companies disappeared so long ago that data on emissions/splits isn't available.

For those who avoid crisis companies, it is often quite easy to increase the capital. Anyone who sees the trend from 1970 to 2005 for the companies that survived (chart 2) notes that on average, the value of the companies during the period increased from 1 to 70. This does not mean that all companies rose even close to 70 times. Many instead appear to have hardly risen at all. If the most price rockets excluded (chart 3) it's, however, clear that all the companies rose, although some did not rise very much. Furthermore, there were a number of dips in the curves even after 1980, i. e. around the year 1983 (the steel crisis that threatened Garphyttan, Gränges, Fagersta, Sandviken, and Uddeholm), 1987, 1991 (banking and real estate crisis), 1998 (aside from the rockets) and 2001 (IT crash). Then there was a sharp dip in 2007 and a smaller ditto 2011th. So roughly every five years.

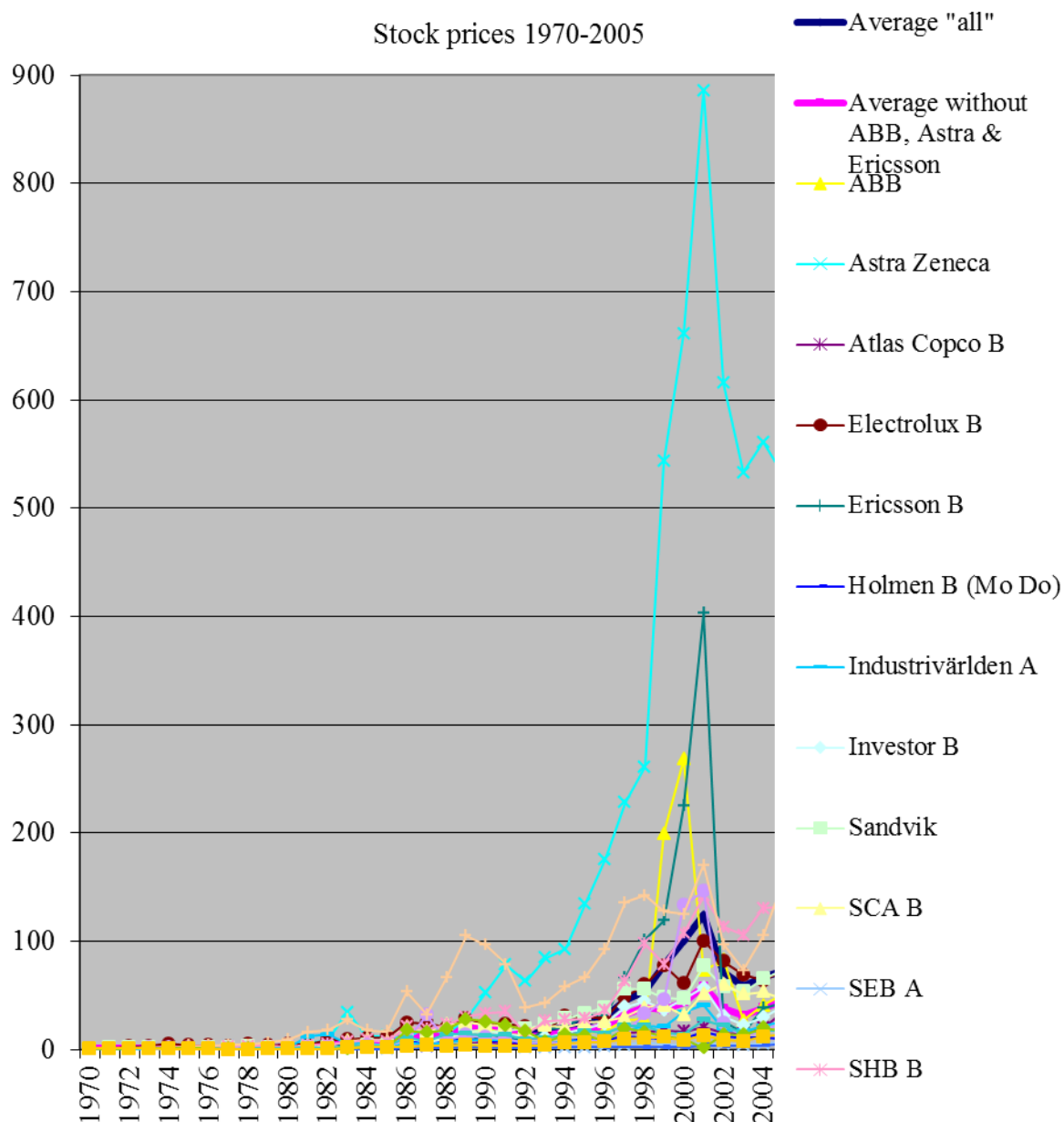


Chart 2. Price trend (considered splits and bonus issues) for 35 years from 1/7-1970, for the large companies that were listed during the entire period. Data from Dagens Nyheter around the first of July every year. Data on splits and bonus issues from the companies. The chart presents the number of times the course has risen from 1970 (the price 1970 is set as one for all companies).

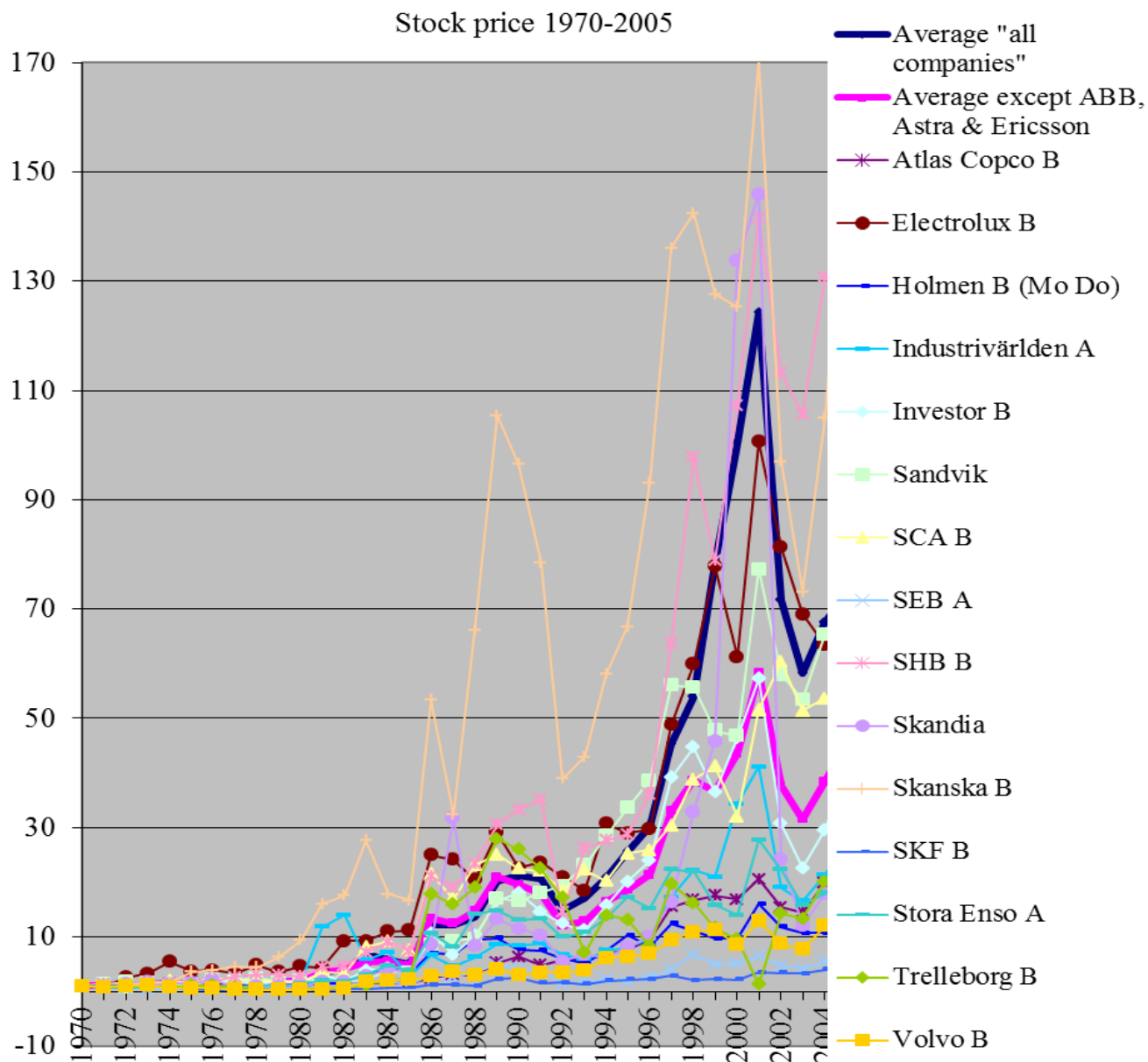


Chart 3. Same as chart 2 but with ABB, AstraZeneca, and Ericsson excluded.

In retrospect, noted that many of the companies that raged extra in each crash, was clearly overvalued, and that they had the potential was promised by their past stock prices.

Approximately 2/3 of the construction & real estate companies that were listed in 1990 (chart 4) were not on the stock market five years earlier. Many of them had started in the late 1980s, as a result of that it then became much easier to borrow money for extravagant real estate speculations. Their fall was triggered by an international recession (partly due to the U.S. war in Iraq, which ended in February 1991). The recession forced the central bank to further increase the, with today's standards already sky-high interest rates, to prevent the Swedish currency from losing value (international investors did not believe in Sweden and dumped the Swedish currency and to counter this, the Swedish national bank raised the interest rates so that the again would be interesting to lend money to Sweden). In addition, the recession meant that property values did no longer increase and the demand for premises fell. The former was perhaps the biggest problem since it resulted in the property companies, not as before, could mortgage the properties further and create capital to pay operating deficits in the business.

Aktuella bostadsräntor den 1 juli								
Långgivare	Villor				Bostadsrätter			
	Rörlig	2 år	5 år	10 år	Rörlig	2 år	5 år	10 år
Fören.b. Kred.	9,50	11,00	12,00	12,50	10,25	11,75	12,75	—
SHB Hyp.*	—	11,00	12,00	12,50	—	11,75	12,75	—
JP Bank***	8,85	10,75	11,70	—	9,35	11,25	12,20	—
Nordb Hyp.	9,25	11,00	12,00	12,50**	10,00	11,75	12,75	13,25**
Spintab*	—	10,75	11,45	12,00	—	11,50	12,20	—
Stadshyp.	9,50	11,00	11,50	12,00**	10,00	11,50	12,00	12,50**
Sv Fast. kred.	9,00	11,00	11,75	12,25	9,75	11,75	12,50	—
Folksam	9,20	10,65	11,65	—	—	11,40	12,40	—
Skandia	9,50	10,60	11,40	12,00	10,25	11,35	12,15	12,75
Trygg-Hansa*	—	10,75	11,65	11,90**	—	11,75	12,40	12,65**
Wasa*	9,25	10,75	11,75	12,25	10,00	11,50	12,50	13,00

* = Inga nya lån ges till rörlig ränta. Fet stil mark. lägsta ränta för resp. lånetyp.
 ** = Löptiden på lånen är begränsad till åtta år.
 *** = Lån ges till högst 50 procent av marknadsvärdet och bara i Stockholms län samt i Göteborgs- och Malmöregionerna.
 Tabellen bygger på de senaste rapporterna till DN från långgivarna.

Summary of the interest on mortgage loans the 1/7 –1994. As seen in the table the interest rates were around 11%, while they nowadays are around 2-4%.

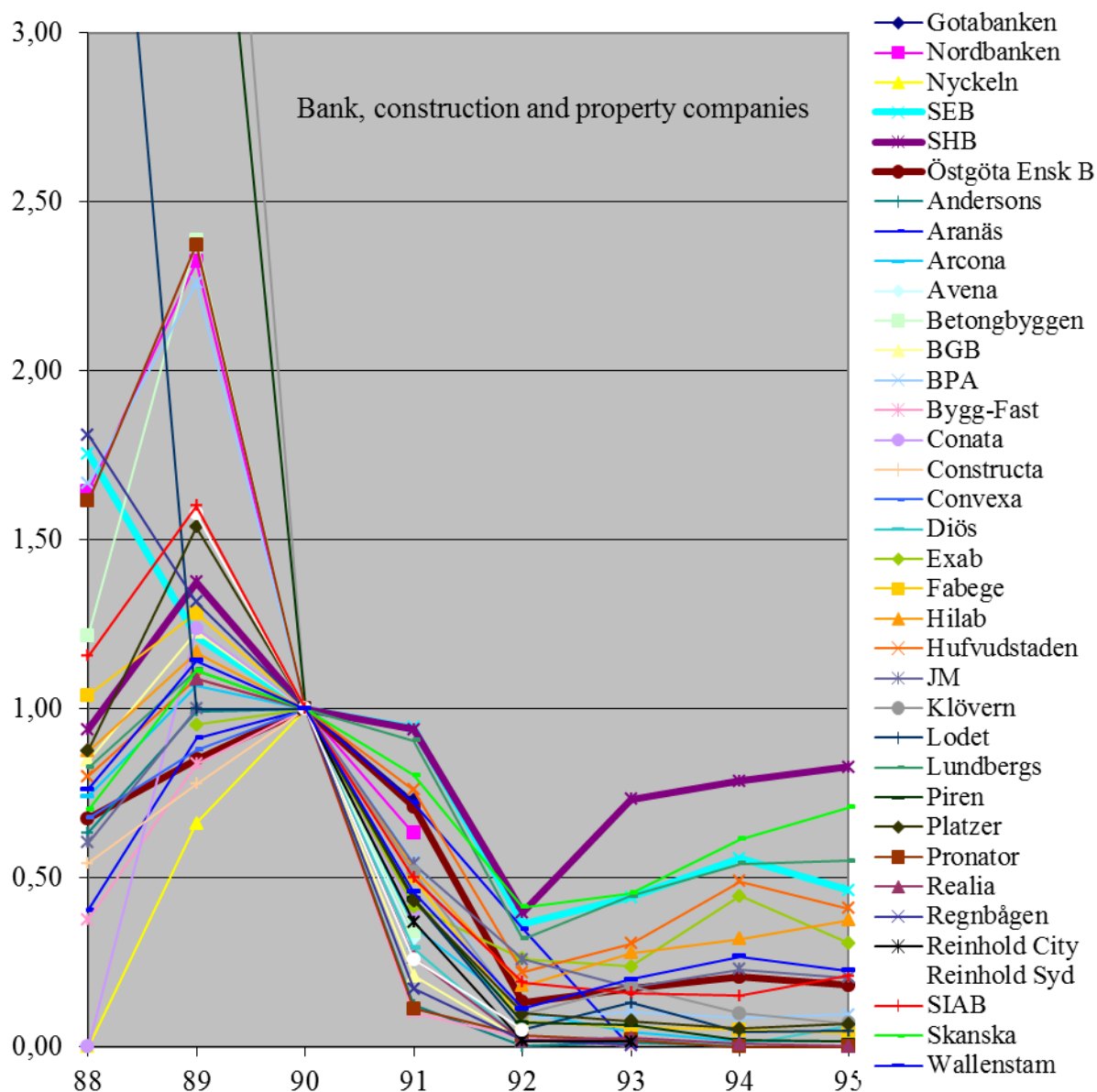


Chart 4. Selection of listed banks, construction and real estate companies, and their stock prices according to Dagens Nyheter any day around July 1 (the price 1990 is set as one for all companies). Any splits and bonus issues during the period is ignored except for those companies that are yet listed, thus the chart in individual cases can be misleading.

AKTIEBREV															BUNDNA																																																																																																																																																																																																																																																																																																																																																																																																																																						
Aktieinnehavarens namn Shareholder's name					Aktiebrevets Certifikat No.					Aktiebrevets kod Certificate of shares's letter					Bundnans namn Name of shares					Aktieinnehavarens Class of shares																																																																																																																																																																																																																																																																																																																																																																																																																																	
*****2000*					592129					4000860					*****200B					BUNDNA																																																																																																																																																																																																																																																																																																																																																																																																																																	
<table border="1"> <tr> <td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td><td>1994</td><td>1993</td><td>1992</td><td>1991</td><td>1990</td><td>1989</td><td>1988</td><td>1987</td><td>1986</td><td>1985</td><td>1984</td><td>1983</td><td>1982</td><td>1981</td><td>1980</td><td>1979</td><td>1978</td><td>1977</td><td>1976</td><td>1975</td><td>1974</td><td>1973</td><td>1972</td><td>1971</td><td>1970</td><td>1969</td><td>1968</td><td>1967</td><td>1966</td><td>1965</td><td>1964</td><td>1963</td><td>1962</td><td>1961</td><td>1960</td><td>1959</td><td>1958</td><td>1957</td><td>1956</td><td>1955</td><td>1954</td><td>1953</td><td>1952</td><td>1951</td><td>1950</td><td>1949</td><td>1948</td><td>1947</td><td>1946</td><td>1945</td><td>1944</td><td>1943</td><td>1942</td><td>1941</td><td>1940</td><td>1939</td><td>1938</td><td>1937</td><td>1936</td><td>1935</td><td>1934</td><td>1933</td><td>1932</td><td>1931</td><td>1930</td><td>1929</td><td>1928</td><td>1927</td><td>1926</td><td>1925</td><td>1924</td><td>1923</td><td>1922</td><td>1921</td><td>1920</td><td>1919</td><td>1918</td><td>1917</td><td>1916</td><td>1915</td><td>1914</td><td>1913</td><td>1912</td><td>1911</td><td>1910</td><td>1909</td><td>1908</td><td>1907</td><td>1906</td><td>1905</td><td>1904</td><td>1903</td><td>1902</td><td>1901</td><td>1900</td><td>1899</td><td>1898</td><td>1897</td><td>1896</td><td>1895</td><td>1894</td><td>1893</td><td>1892</td><td>1891</td><td>1890</td><td>1889</td><td>1888</td><td>1887</td><td>1886</td><td>1885</td><td>1884</td><td>1883</td><td>1882</td><td>1881</td><td>1880</td><td>1879</td><td>1878</td><td>1877</td><td>1876</td><td>1875</td><td>1874</td><td>1873</td><td>1872</td><td>1871</td><td>1870</td><td>1869</td><td>1868</td><td>1867</td><td>1866</td><td>1865</td><td>1864</td><td>1863</td><td>1862</td><td>1861</td><td>1860</td><td>1859</td><td>1858</td><td>1857</td><td>1856</td><td>1855</td><td>1854</td><td>1853</td><td>1852</td><td>1851</td><td>1850</td><td>1849</td><td>1848</td><td>1847</td><td>1846</td><td>1845</td><td>1844</td><td>1843</td><td>1842</td><td>1841</td><td>1840</td><td>1839</td><td>1838</td><td>1837</td><td>1836</td><td>1835</td><td>1834</td><td>1833</td><td>1832</td><td>1831</td><td>1830</td><td>1829</td><td>1828</td><td>1827</td><td>1826</td><td>1825</td><td>1824</td><td>1823</td><td>1822</td><td>1821</td><td>1820</td><td>1819</td><td>1818</td><td>1817</td><td>1816</td><td>1815</td><td>1814</td><td>1813</td><td>1812</td><td>1811</td><td>1810</td><td>1809</td><td>1808</td><td>1807</td><td>1806</td><td>1805</td><td>1804</td><td>1803</td><td>1802</td><td>1801</td><td>1800</td><td>1799</td><td>1798</td><td>1797</td><td>1796</td><td>1795</td><td>1794</td><td>1793</td><td>1792</td><td>1791</td><td>1790</td><td>1789</td><td>1788</td><td>1787</td><td>1786</td><td>1785</td><td>1784</td><td>1783</td><td>1782</td><td>1781</td><td>1780</td><td>1779</td><td>1778</td><td>1777</td><td>1776</td><td>1775</td><td>1774</td><td>1773</td><td>1772</td><td>1771</td><td>1770</td><td>1769</td><td>1768</td><td>1767</td><td>1766</td><td>1765</td><td>1764</td><td>1763</td><td>1762</td><td>1761</td><td>1760</td><td>1759</td><td>1758</td><td>1757</td><td>1756</td><td>1755</td><td>1754</td><td>1753</td><td>1752</td><td>1751</td><td>1750</td><td>1749</td><td>1748</td><td>1747</td><td>1746</td><td>1745</td><td>1744</td><td>1743</td><td>1742</td><td>1741</td><td>1740</td><td>1739</td><td>1738</td><td>1737</td><td>1736</td><td>1735</td><td>1734</td><td>1733</td><td>1732</td><td>1731</td><td>1730</td><td>1729</td><td>1728</td><td>1727</td><td>1726</td><td>1725</td><td>1724</td><td>1723</td><td>1722</td><td>1721</td><td>1720</td><td>1719</td><td>1718</td><td>1717</td><td>1716</td><td>1715</td><td>1714</td><td>1713</td><td>1712</td><td>1711</td><td>1710</td><td>1709</td><td>1708</td><td>1707</td><td>1706</td><td>1705</td><td>1704</td><td>1703</td><td>1702</td><td>1701</td><td>1700</td><td>1699</td><td>1698</td><td>1697</td><td>1696</td><td>1695</td><td>1694</td><td>1693</td><td>1692</td><td>1691</td><td>1690</td><td>1689</td><td>1688</td><td>1687</td><td>1686</td><td>1685</td><td>1684</td><td>1683</td><td>1682</td><td>1681</td><td>1680</td><td>1679</td><td>1678</td><td>1677</td><td>1676</td><td>1675</td><td>1674</td><td>1673</td><td>1672</td><td>1671</td><td>1670</td><td>1669</td><td>1668</td><td>1667</td><td>1666</td><td>1665</td><td>1664</td><td>1663</td><td>1662</td><td>1661</td><td>1660</td><td>1659</td><td>1658</td><td>1657</td><td>1656</td><td>1655</td><td>1654</td><td>1653</td><td>1652</td><td>1651</td><td>1650</td><td>1649</td><td>1648</td><td>1647</td><td>1646</td><td>1645</td><td>1644</td><td>1643</td><td>1642</td><td>1641</td><td>1640</td><td>1639</td><td>1638</td><td>1637</td><td>1636</td><td>1635</td><td>1634</td><td>1633</td><td>1632</td><td>1631</td><td>1630</td><td>1629</td><td>1628</td><td>1627</td><td>1626</td><td>1625</td><td>1624</td><td>1623</td><td>1622</td><td>1621</td><td>1620</td><td>1619</td><td>1618</td><td>1617</td><td>1616</td><td>1615</td><td>1614</td><td>1613</td><td>1612</td><td>1611</td><td>1610</td><td>1609</td><td>1608</td><td>1607</td><td>1606</td><td>1605</td><td>1604</td><td>1603</td><td>1602</td><td>1601</td><td>1600</td><td>1599</td><td>1598</td><td>1597</td><td>1596</td><td>1595</td><td>1594</td><td>1593</td><td>1592</td><td>1591</td><td>1590</td><td>1589</td><td>1588</td><td>1587</td><td>1586</td><td>1585</td><td>1584</td><td>1583</td><td>1582</td><td>1581</td><td>1580</td><td>1579</td><td>1578</td><td>1577</td><</tr></table>															1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577
1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577															

A large part of the banks were hit so hard by the crisis in the real estate industry, that the Swedish government was forced to take over them to rescue the savers' money. After the crash, I bought shares in one of the banks that survived. I chose, however, the bank which stocks later increased the least. Since I, the 12/10-1992, bought shares in Östgöta Enskilda Bank for 10 SEK/pcs. Then I participated in the subsequent rights issue and bought two new shares for every three old at the price of 12 SEK/each. Then sold all the shares in 1998 for 50.50 SEK/pcs.

I had done an even better deal if I instead had invested in Handelsbanken. Since Handelsbanken lost a lot less money on bad loans in 1992-1993 compared to the other banks, but their shares still fell like a stone, it should thus have been pretty easy to figure out that the share was a clip. I remember that many mentioned that it ought to be time to buy bank shares, though the bank that was most frequently mentioned was the Skandinaviska Enskilda Banken (nowadays called SEB). But that bank did not rise nearly as much as Handelsbanken, and besides, it was on the verge of asking for help from the State Bank Support Authority (which was not the case for Handelsbanken).

The absolute best bargain was probably made by the one who bought, say, 1 000 shares in Handelsbanken when it bottomed at around 24 SEK/each, which according to the Bank's Annual Report 1994 was around New Year 1992/93, participated fully in the rights issue in 1993 and thus bought 500 shares for 35 SEK/pcs. Total the person then would have invested 41 500 SEK. He would eventually also have received 150 shares in the property company (Näckebo) that the bank created around the buildings they took over during the crisis and distributed to the owners in 1996. And two years later, 150 shares in the property company that was created around the purchased bank Stadshypoteks overdue securities (named Balder). If he or she then sold all the shares in the spring after the distribution of the dividends in 2001, when prices were on top before the next major stock exchange fall from 2001 to 2003, the revenue would have been over 700 000 SEK (see below).

A total of 771 900 SEK besides any dividends from Näckebro and Drott.

13

Before the IT crash in 2001 everything that could be connected to the computer industry in general and the Internet in particular, were super hot. This because investors, rightly, felt that the then "new" inventions (see the chapter History of technology) would grow enormously, and hence that some of the companies that were far ahead would become giants. Which also was the case for companies like Cisco and Google. And yet as there are a few winners in a hype, there is usually also even more losers, i. e. companies that somehow did wrong. Unfortunately, the majority of the listed Swedish IT companies were not in the exclusive group who managed to scale up their business and become global dominants in their niche. This, in many cases, maybe because the companies primarily provided consulting (10 of the 19 companies in chart 5, apart from ABB and Ericsson). Out of the remaining nine: 7 were primarily software developers, one made hardware and one (Netonnet) was an online store.

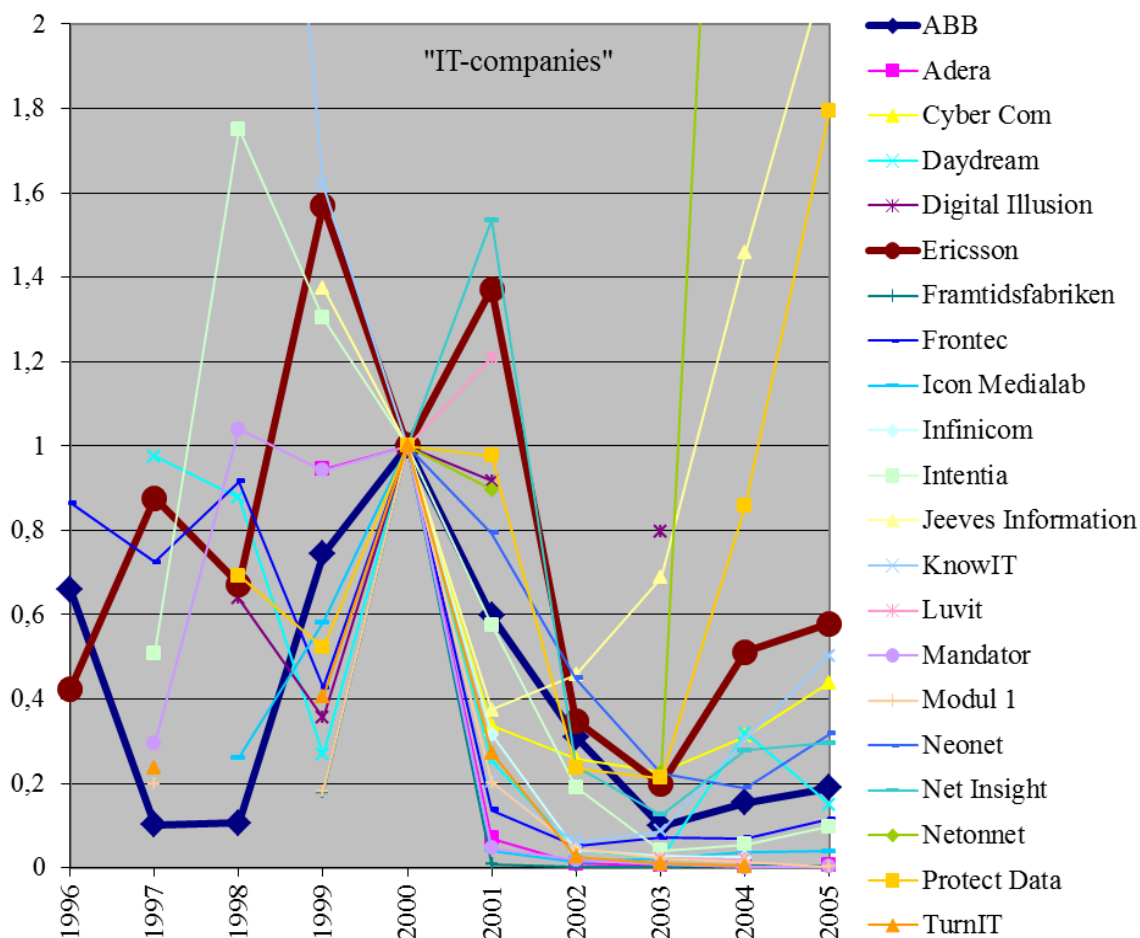


Chart 5. Selection of IT companies that were listed in 2000 as well as ABB and Ericsson. The market prices, according to Dagens Nyheter any day around July 1 (the price 2000 is set as one for all companies). Splits and bonus issues according to the Tax authority. Nine of the companies are in some form still listed and 12 are acquired by other companies.

Out of the three companies that raised the most after the crash, two were software developers (Jeeves Information and Protect Data) and the other one was the online store (Netonnet). Jeeves is still listed while the other two are purchased.

The "established" companies that fell most heavily in the IT crash, were ABB and Ericsson. The former company mainly because their newly acquired U.S. subsidiary Combustion Engineering had been sued by a lot of American adventurers who claimed that they were worried that they would get asbestosis because they, like, walked past the places where they installed an asbestos-clad oil boiler. The suits were so many and on so much money that there were speculations about that the company would go bankrupt. And they were forced to make a rights issue. Fortunately, for their part, they succeeded, however, in time to sell its Swedish subsidiary ASEA STAL to the French company Alcatel-Alstom before it was sued on even more money, because of poorly designed power plant turbines. Moreover, was (and still is) ABB a very competitive and large companies in their core business (components for the electric grid). And it was also then easy to see that the electricity networks in many countries stood facing both small and large modernization demands due to the age of the network and that the customers (power and electricity

companies) had plenty of money for these upgrades.

In addition, the electric networks are significantly larger and contain significantly more wear parts than other infrastructure networks such as for mobile phones. The latter was (and is) Ericsson's specialty. And Ericsson had over many years earned big money, because they were more or less world leader in that area. But sooner or later, the networks are more or less complete and/or competitors will catch up with a following price decrease. Probably both cases were true here. In addition, Ericsson had in many cases business-financed the networks themselves and in the general recession the company's receivables from customers became less worth. Both ABB and Ericsson survived, however. ABB through reaching a deal with the Americans and Ericsson since they managed change operations on to a new track, that is not so dependent on that the mobile network is constantly growing. Namely the maintenance of existing networks to their previous customers.

In the 2002 crash, I bought ABB shares for 24.50 SEK/pcs., Participated fully in the rights issue and therefore bought seven new shares for every ten old at the price 23.15 SEK/pcs. And then sold the shares in 2007 for 125 SEK/each.

In the ensuing crash (2007) companies fell on a broad front, but cyclical companies such as Trelleborg and Volvo fell the most, since investors and experts thought they had so little cash that they would find it hard to hibernate when their customers stopped shopping. Additionally some banks (especially Swedbank) fell significantly because they actually risked substantial losses because they had lent lots of money to the local real estate rally in the Baltic States.

I was optimistic and did not think any of these companies would go bankrupt and therefore bought shares in all three of them. All three investments were successful and most successful were the one in Trelleborg. Since I bought for 37.80 SEK/pcs in November 2008, received two subscription rights for each share, which I sold for 20.80 SEK/pcs., and then I sold the original shares for 53.75 SEK/pcs in January 2010. It made a total profit of 58 SEK/share, which is more than double the money in just over a year.

Although Swedbank had been a fantastic bargain for those who hit their lowest price even better than me and bought for 15 SEK/share in March 2009. And then participated in the rights issue (one share gave a subscription rights and with two rights one could buy one new share for 39 SEK) or, like me, sold the subscription rights for 12.40 SEK/pcs, and later sold the original shares for around SEK 90 the year after.

Generally some companies hardly dips at all in some crisis, while others decrease pretty heavily (as seen in figure 2). Those who usually do not dip in a recession are called non-cyclic companies. And they are so called because their products are ones that people always need, such as clothing, hygiene products and pharmaceuticals. The cyclical companies are those that in contrary lose a lot of sales in a recession. These include companies that sell durable goods like cars, refrigerators, construction materials and boxes for durable goods (a very important branch in Sweden) or advertising-related products such as various types of newsprint paper. The latter because advertising goes down in a recession and hence also the need for paper to press ads on. Most sensitive to economic cycles is probably the companies that live on to be consultants for companies with cyclical products.

As hopefully seen in the earlier reasoning the prices on the stock markets follow the general trend in the economy. And from the end of World War II until the early seventies it was in Sweden ever-upward (see the chapter The developments in Sweden during the 1900s). This was probably due to several factors:

- Swedish industry had an advantage compared to competitors in the rest of the Western world, because we were not in World War II.
- During the period the use of a wide number of goods, such as televisions, cars, washing machines and more expanded heavily. Because they did not exist for ordinary people in the past, and thus the demand for them was high.
- There were a lot of effectivisation in all kinds of production during the period (one reason among others was that machines took over the heavy duties), which could press down product prices, although wages increased.
- The women entered the labour market and thus the household's economy got better.
- Society as a whole got more efficient with better infrastructure (roads, telephones, etc.), equipment (cars, computers, etc.) and more effective life (hot water, supermarkets, etc.).

When oil prices chock-increased, competitor countries came up, the infrastructure started to be "finished" and people "had" what it took (at the time we did not replace old equipment just because that it wasn't the latest fashion), the crises came.

In the late 1980s, it became once again a huge rush for everything and it was caused by significantly reduced import restrictions in our export markets and that it became very much easier to borrow money. The former increased the demand for Swedish products and the latter generated equity for all, to increase domestic consumption.

At the end of the 1990s, the race was founded in that the "new" technologies computers, digital cellular networks, internet and the like, developed severe (see the chapter A quick course for future inventor) and it happened to benefit the Swedish business community in general and some companies in particular (Ericsson, ABB, Volvo and others), because the technology created new generations of products that increased the customers demands.

What may in the future generate a new rush for the benefit of Swedish business? And what could be the foundation for the next recession? Right now there is a politically generated wave of new schools, clinics, kindergartens, et cetera. It creates, of course, jobs. But because the market is not expanding (population in Sweden is relatively constant) and they'll be fighting for the same money (the governments tax incomes) this trend can not continue indefinitely and over time the risk of setbacks in the policy increases.

Often, however, the cause of the economic crisis has been housing bubbles (as in Sweden 1991-93 and in the U.S. 2007-2009). Perhaps China is now moving into a housing bubble, as land prices have increased in big cities and in a short time a huge number of apartments have been built that apparently to some extent are empty today.

In pace with population growth and the global rise in living standards, the consumption of non-renewable raw materials such as oil and metals increases. It is partly compensated by that new discoveries are maid and that old, previously uneconomic deposits, are extracted again. But partly because of the time it takes to start a mine, the price of raw materials increases and hence also the value of mining companies (such as Lundin Petroleum, Boliden and others). When all the new mines is in operation and the Chinese and the Indians have a large amount of raw materials thirsty products such as cars and refrigerators in recycling, the value of the raw material companies might fall again. And we thus face a commodity crash.

The observant viewer of charts 1 - 3 notes that most companies, especially those that were not subject to the crisis, rather quickly were back on the track a few years after each crisis. Based on the above, the following simple, and historically profitable, investment philosophy might be formulated:

Only buy shares in the recession and then buy in stable, but cyclical, businesses that are pulled down by the general price decline. Preferably buy shares in companies that in the current recession have dropped undeserved much because the other companies in the same industry (or related) has been hit especially hard. Then sell then shares when a few years have passed of an economic boom.

It sounds simple, but many act just the opposite. The longer and steadier an upswing has lasted, the greater risks many investors are willing to take, even though the end of the rise reasonably gets closer and closer. While they during the stock market decline is too cautious.



Facts box in an article about savings during the economic crisis in Greece in May 2010. According to it, we sold more shares than what we bought. Although the majority of the stock exchange company in the spring and reported rising profits and despite the fact that the Greek economy has relatively little impact on the world economy. The behavior suggests that after the last year's decline in the stock market people has become more cautious.

One way to strategically deal with the fact that it is not until afterwards possible to know when the top/bottom was reached, is to act according to a well known roulette strategy. Which works as follows: start by investing a certain amount, say 100 SEK on a choice like red/black. If the bet is lost, bet 200 SEK. If that also is lost, bet 300 SEK. The point is that when gambler finally wins, he will get back everything he lost and win some. Translated into purchasing shares in a period of falling stock markets, the strategy could look like this:

You have 15 000 SEK and you would like to buy shares for these. When you first think it's time, you invest 5 000. If the shares go up all the time you have made a profit and can be satisfied. If it continues downwards, you invest an additional 5 000 and hope it turns around. If it does not you can also take advantage of this, and get more bang for the last 5 000.

The catch with the simple reasoning about buying in a recession is, beyond that it will take a long time, that when there is a sale on the stock market, there is no money and when there is money, many are too eager to wait and invests despite the economic boom. In the latter situation, it is much more important to buy shares in the right business. Unlike the situation during a recession, as it generally is possible to make money on shares in any of the large stable company that have fallen much.

Some companies will rise regardless of the economy and some will fall even in the midst of a boom. That's because they have done some kind of success, respectively a failure. Most often, however, they are small companies whose rise or fall does not affect more than a small group of investors (and, of course, the company's employees). And their fate on the Stock Exchange does not say much about the stock market in general. To reflect this, the small companies are more or less removed from the data that shows how the market goes. This is done through a system called "stock market index". The system is based on the larger market capitalization the company has, the greater the effect of price changes in the company has on the stock market index. Unlike the mean values in graphs 1 and 2. So when it say's in the papers is that the stock market for example has risen one per cent, it means that the stock market index rose one per cent and that in turn means that the majority of the few really big companies have risen. The small companies, however, may largely have gone either way.

It does need not be difficult to, at all economic situations, find price worthy shares on the exchange. The easiest way is to read the buying advice that is constantly published in our economy magazines. But as an individual, it can be difficult to keep up with when a stock has become recommended² and thus increases in price. In particular, it does not feel as fun to pay, for example, 10% more than the week before.

2. The majority of all transactions occur between institutional investors. Which means that those who choose to make the deals does not make a personal profit (excluding any bonus). These people probably have as their primary incentive to do a good job, without departing from the institution's investment rules. Probably therefore many of the institutions follow the recommendations that different financial institutions publish. The people working with writing recommendations, in turn, must of course always come up with new ones, to show that they are doing well. As a rule they base their recommendations on economic data in the present (mainly the current and next year's earnings). And not on an assessment of the business strategy, products and so on.

The effect of this is that: Even if a company seems to have very good potential to increase in value on the stock market, it may be that nothing happens with the share price despite that the market index goes up. Since the company's figures for the moment is not good. Once they are good enough according to the analysis's, the major investors will start buying and then the price can go rapidly upwards. The same also applies in the reverse case, i. e. when the stock goes down.

Skilda vägar till lyftet

Både risktagare och försiktiga placerare kan hitta intressanta aktier i byggjättarna

PERSPEKTIV BYGGAKTIER

TOMAS LINNALA E24

2008-2009 räknar nu analytiker-kollektivet med att bolaget kontinuerligt ska öka resultatet under den kommande treårsperioden fram till 2012 visar E24:s analys av SME Direkt's konsensusprognoser över analytikernas förväntningar på byggsektorn.

Som renodlad bostadsbyggare med rekordlaga räntornas efterfrågestimulus har JM hamnat betydligt tidigare i konjunkturcykeln än sina konkurrenter.

När finanskräsen blossade upp 2008 blev bostadsmarknaden iskall över en natt och JM:s resultat vek snabbt. Under bottenåret 2009 tjänade inte bolaget mer än 4,39 kronor per aktie.

Nu när efterfrågan på nyproducerade bostäder åter tagit fart spås vinsten vända upp snabbt. I år väntas vinsten stiga till 7,27 kronor och fortsätta upp till 12,41 kronor per aktie i slutet av prognosperioden 2012.

För närvarande värderas JM:s aktie till 15 gånger årets väntade vinst. Samtidigt spås en vinstökning på drygt 70 procent från i år fram till och med 2012.

Jätten Skanska värderas samtidigt till 15,5 gånger årets väntade vinst trots att bolaget har branschens sämsta vinstutveckling fram till 2012 – givet analytikernas förväntningar enligt SME Direkt.

I botten ligger Peab vars aktie handlas till under elva gånger årets väntade vinst men trots det har en högre väntad vinsttillväxt (14 procent) under prognosperioden än Skanska (11 procent).

Skilnaderna i värderingar visavi den väntade vinsttillväxten speglar delvis den större stabiliteten som Skanska har genom sin starka balansräkning, verksamhetsbredd, storlek och geografiska utbredning.

Till det kan läggas eventuella försäljningar av fastigheter och projekt som analytikernas inte vet när de dyker upp. Skanskas kassalöde som var starkt under det första kvartalet och kommer det stora försäljningar framöver kan det bli utdelningsfest. Men värderingsskillnaderna speglar också marknadens skepsis mot Peabs affärsmodell där det från tid till annan dyker upp de mest oväntade transaktioner, och å andra sidan osäkerheten kring hur stabil efterfrågan är på bostadsmarknaden vilket främst påverkar JM.

Till det kan ytterligare en komponent läggas. Skanska befinner sig i den starkast positiva prognostrenden – analytikerna har höjt årets vinstprognos med 12,3 procent sedan årsskiftet – medan Peab befinner sig på den motsatta sidan med fortsatta prognosneddragningar efter ett överraskande svagt första kvartal i år.

Justerat för nedskrivningar i Brasilien överträffade Skanska marknadens förväntningar i samband med bokslutsrapporten och i årets första kvartalsrapport blev ledningen mer optimistisk kring byggmarknaden.

JM dundrade till med ett kanonboksut där resultatet under det sista kvartalet överträffade förväntningarna med dryga 50 procent. Även om det nya året började svagt signalerade bolaget en fortsatt stark efterfrågan på bostäder i Stockholmsområdet – men investerarna tycks tveka om hur länge villapriserna kan fortsätta upp.

Räknet från årsskiftet visar SME-Direkt's sammanställning att analytikernas snittprognos på JM har höjts med 8,4 procent, ungefär lika mycket som för NCC.

Räknar man om analytikernas prognoser över omsättning och nettovinst till nettomarginaler är JM också i en klass för sig. JM väntas under perioden 2010-2012 ligga på en genomsnittlig vinstmarginal på nära 8 procent. De andra sacker långt efter.

Utdelningsmässigt är det dock Peab som sticker ut med den klart högsta direktavkastningen under perioden. JM är sämst.

Så frågan vilken byggaktie man ska välja är inte enkel att besvara. Tror man att de tokläga räntorna ska fortsätta lyfta den svenska bostadsmarknaden i allmänhet och Storstockholms i synnerhet är JM ett bra val.

Tror man att inflybyggandet vaknar till liv och att allt fler stora offentliga projekt ska delas med privata intressenter även i Sverige är Skanska ett klokt val. Litar man på Peab så finns det en svingfaktor i prognoserna. Gillar man mellanmjölkfilosofin hamnar valet på NCC.

Tomas Linnala är börskrönikör på E24.
tomas.linnala@e24.se

An analysis of what construction company, listed on the Stockholm Stock Exchange, that is the best buy. The article focuses almost entirely on what the profit will be (crossed out in yellow).

Individuals, however, can react on things that authors of recommendations do not usually respond on. I.e. information from the company about things that tends to be positive for the share price in the long term without having an effect on the profit at the moment, such as stock splits, extraordinary dividends and dividends of subsidiaries.

It was noticed for instance when the Board of Directors of Electrolux presented the proposal to distribute their subsidiary Husqvarna to shareholders. Then happened, curiously enough, not much with the share price (chart 6). The alert share speculator who believed that 1 Electrolux + 1 Husqvarna would be worth more than 1 Electrolux, had quite a lot of time to buy into the company before the price peaked in 2005-2007. The one that, like me, bought shares for Type 80 SEK/pcs., Could a few years later sell them for 180 SEK/each, and also sell the "free" shares in Husqvarna for about 100 SEK/each. Moreover receive nearly 10 SEK in annual dividend per share from Electrolux and the extra dividend of 20 SEK/ each in January 2007. Finally Husqvarna, in May 2007, gave the shareholders 3 A shares for every 10 shares (regardless of if the previously owned shares were A or B shares).

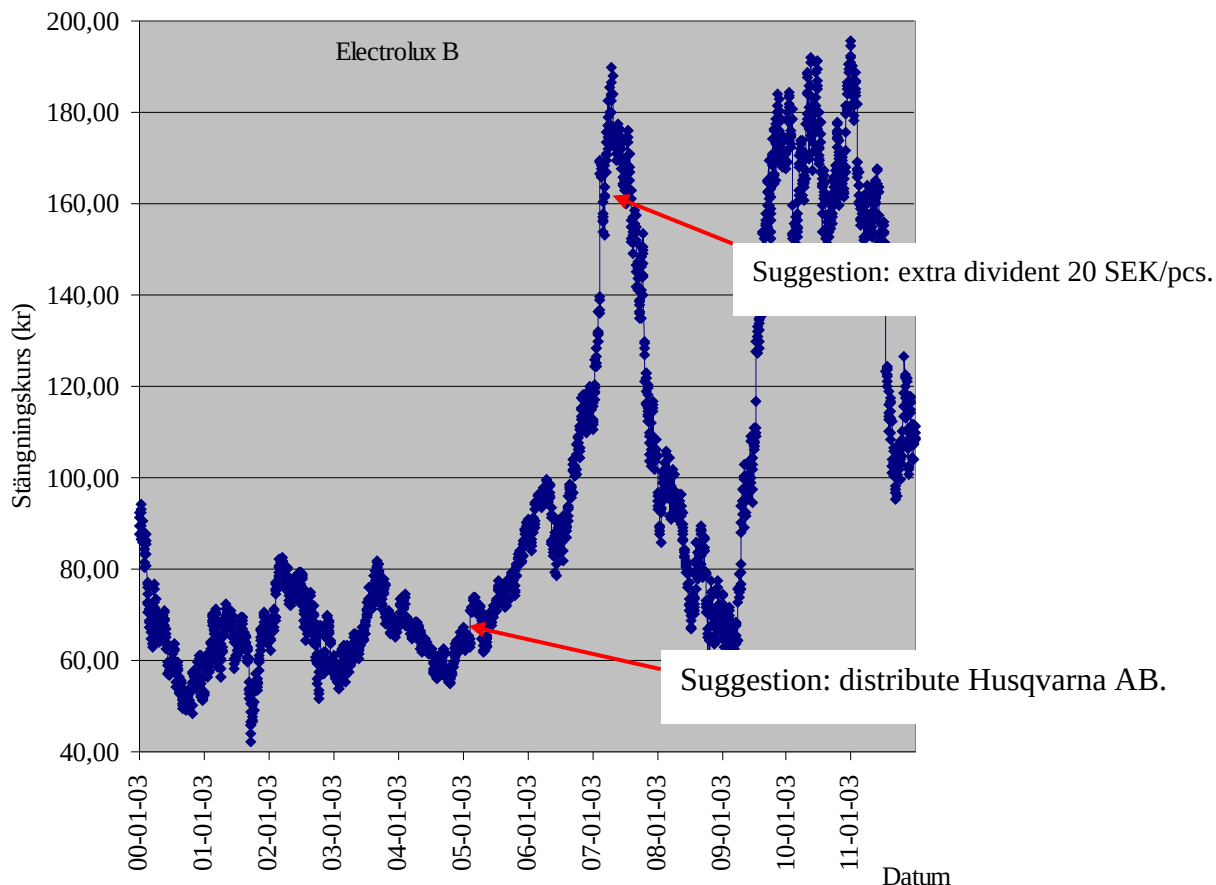


Chart 6. The price of the Electrolux share 2000-2011 according to its website, with some press releases highlighted.

In addition, one can argue generally around most businesses and it would not have been unreasonable to come up with that for example:

In the early 1970s, the cars in Sweden were either made in Europe or in the U.S.. Then came a number of Japanese manufacturers (Datsun, Toyota and Mazda) and they soon became serious competitors to the established brands. Meanwhile, the large Swedish shipyards and European apparel industry have been knocked out by competitors from the East. Young Chinese companies are growing because they produce much cheaper than the old companies in developed countries. Just as Japanese companies did long ago. They can produce cheaper, because they have a talented workforce with significantly lower wages than in the old industrial countries. But they have basically the same costs for raw material (including energy), unknown brands and long transportation routes to markets in the West. Which means that the less bulky, commodity demanding and prestigious the products are, the greater the risk that the old industrial companies will be ousted by Chinese manufacturers. And it is evident in that, for example, western companies that manufacture computers have had it rough. As IBM, the once largest manufacturer, which sold their personal computer manufacturing to a Chinese company and now mostly deals with professional service. What industry is the next in line? Appliance manufacturers? The forest industry? Truck manufacturers? Software companies?

The Swedish appliance manufacturer (Electrolux), is probably not so threatened because refrigerators require quite a lot of raw materials, are bulky to transport and require quite a little assembly work (since they contain significantly fewer components than for instance computers). The forest industry has a relative advantage in that it costs a lot to build new mills, but they do not require as much staff. Instead, they need to be close to raw materials and customers and that the wood and electricity prices are low. The latter factors, except timber prices, speak for that the Swedish forest industry would withstand a possible threat from the east. And concerning timber prices, this factor has so far been minimal because the fast-growing forest closer to the equator does not have the fibers needed for many paper products. However, a subset of the forest industry is the Internet and especially e-readers that in the long run

probably will significantly reduce the need for printing paper.

On the other hand, the average temperature in Sweden are increasing and it will in the long run benefits companies that own a lot of forest land in northern Sweden (Holmen and SCA).

For truck manufacturers, I also believe that we can be hopeful, as the customers, far more than car owners, are dependent on having vehicles that are constantly working. Because if a truck breaks down it is not just for the driver to sit in a taxi and get driven to the destination. The truck owner is thus more interested than private motorists in that the supplier has plenty of workshops in their area of activity and rapid distribution of spare parts. Which have the effect that truck manufacturers, to a greater extent than car manufacturers, buy into (for them) new markets, instead of starting from scratch. This has, in addition to technical barriers such as that we in Sweden previously required crash tests of the cabins, made the former foreign and now overseas manufacturers unrepresented on Swedish roads.

I think, however, that software manufacturers are in trouble because they have basically only staff costs and no commodity or shipping charges. But so far, the industry has kept up.

As more and more of Europe's infrastructure and buildings are already completed, the need for future construction will be lower and lower (given a relatively constant population, which is pretty likely according to the current population growth). This in turn is a disadvantage for construction companies like Skanska, NCC and JM, forest industries in general and pure sawmill companies, like CF Berg, in particular.

Many countries in Europe are facing an increasing number and proportion of older people, which ultimately favours companies with products such as incontinence protection diapers (SCA), medicines (see below) and companies that manufacture products that reduce the need for employees, such as assembly robots (ABB) or remote shelf labels on store shelves (Pricer).

With better and better medicines and medical equipment for the cure of major diseases, the chance to develop future cash cows in the pharmaceutical industry decreases. And thus piling up problems for pharmaceutical companies with expensive organization that has built its economy on the development of amazing drugs that they could sell with a high price for during the 17 years they had patents. This applies to the listed drug giants Pfizer and AstraZeneca. On the other hand, the population is older and therefore more in need of all kinds of medicines. There will also be globally more and more people who can afford to buy medicines. And the national requirements for dosing accuracy, documentation, quality control, et cetera to get permission to sell them, are so high that it is a barrier for newcomers.

The more people that use the Internet, the less need they have for directories and thus the company that makes these (Eniro), will earn less money in the future. They of course also offer a search service online, but it should be more difficult to make money on that, since there are several others that are able to compete.

With smaller, cheaper and better electrical tools the need for air-powered ones ought to be reduced. This in turn discourages firms that very much earn their money on manufacturing pneumatic equipment (in Sweden mainly Atlas Copco).

When private equity companies takes over a company, they sell off all assets that can sell, before they sell the company further or introduces it on the exchange. Thus companies that were previously owned by private equity firms (such as Arise, Byggmax, Lindab and Nobia) have very little assets to sell in bad times. And hence they are very likely to fall more than average when the recession comes.

IP telephony and other services (Skype, Rebtel, Whatsapp, Viber, etc.) that allows us to make free calls over the computer or the mobile network and/or send free SMS messages is a threat to telephone companies (like TeliaSonera and Tele2).

Some share speculators have a completely different tactics than buying in a recession and sell in the boom. There are even speculators who buy shares and then sell them again on the same day, regardless of the economy. They are called "day traders." The advantage compared to holding the shares for a long time is that those who are lucky and skilled can increase the "wealth" faster. The major disadvantages of day trading are partly that it forces the practitioner to sit and stare at the stock prices and financial news sites throughout the day. And also that the risk is high that it sometime leads to depressive thoughts (which is bad enough), and also it can excite him to do really desperate deals ending with that the money disappears.

The hardest part of tactics to buy in the recession, and sell when it is booming, as previously discussed, is to know when it is appropriate to sell. An option to sell shares is, of course, to retain them. The advantage of this is that one avoids guessing when they are at their peak. The downside is that they perhaps will go down quite sharply again in the next recession. But it has its advantages to retain shares for long, regardless of the daily rate:

1. Dividend. Many companies provide an annual dividend in the range of type 2-5% of the average market price and sometimes more. How great the next dividend is expected can be seen in the morning paper's stock listings. As a rule, Swedish companies hand out the money once a year, a day after the company held their annual general meeting when the Board's proposed dividend has been decided. The dividend itself is positive and with enough shares it's a significant contribution to the economy. Those who are content to consume the cash the dividend provides and owns shares in companies that they believes will continue to go well and thus will continue to pay dividends, can stop thinking about the prices of the stocks.

2. Fun to own. It might give some people pleasure to know that they are shareholders in companies they like. The pleasure of shopping clothes at HM may become larger as an owner of the firm. The locals can brighten their walks through the city through being a shareholder in any of the listed property owners whose signs adorn buildings around the inner city. This applies above all to: Wallenstam (residential houses), Hufvudstaden and AtiumLjungberg (office and retail properties). Ski trips may be enhanced by the knowledge that you are the owner of a portion of Skistar. Generally every company owns something. Some (such as SCA and Holmen) owns forests that are undervalued and in addition possible to sell too many different buyers. While other companies' assets are primarily not for real (such assets are called goodwill) that comes from when they acquired companies for more money than was justified by the acquired companies' booked assets. What different company is not always easy to find out, but it should be possible to find it out in the companies' annual reports. These can generally be downloaded from the respective company's website.

3. Other benefits. Many companies offer their shareholders, in my experience, more than just dividends. There is at least some form of refreshments at the annual meeting. Sometimes even dinner with beer or wine. Other handle, on the meeting, out samples of their products. Several regularly publish a magazine to the shareholders about the industry, company and sometimes other things that might be interesting. There are also a few companies that provide special benefits discounts on ski rental and the like (www.skistar.com):

"For those of you who own shares in SkiStar can obtain a discount. We offer a 15% discount on pre-booked ski passes, ski school and ski rental at SkiStar. The easiest way is to book everything on the web, and get the discount deducted directly. Do you own at least 200 SkiStar shares and are registered in our customer database, which is updated monthly about 10 business days after the end of the month, you are eligible for discounts."

4. Power. A large proportion of all the shares in the companies that are listed on the Stockholm Stock Exchange are owned by individuals or organizations that exercise power in the companies through ownership that they are represented in the boards of directors. This opportunity is open to anyone with enough money. Which in most cases, is so much that only very few people can afford. Though there are exceptions. In businesses such as the trading and engineering conglomerate Midway, for example, it would with today's stock prices be theoretically possible to purchase 1% of the voting rights (100 000 Class A shares) for just over two million SEK.

A variant to trading stocks is to trade stock options. A buy/call option is a document that gives the holder the right to buy a certain share a certain date at a certain price. And a sell option implies a corresponding right to sell a stock at a given price. The point of these instruments for a purchaser of a call option is that it is much cheaper than the shares themselves. Thus, he might be able to afford to buy 1 000 call options when he or she otherwise had only afforded 50 shares. If, at the pre-specified date, the shares are worth more than what the options give the owner the right to buy them for, every option is worth the difference. I have very limited experience with these instruments, but I can say that it is much more like lottery than what regular stock trading is. Because they do not cause any ownership in the company that can pay dividends, et cetera. Though it is much more likely that it's a winning tickets compared to them issued by gaming companies.

Mutual funds

Mutual funds use the capital that is inserted to buying shares according to the Fund's strategy. The strategy can be to invest in small companies on the Stockholm Stock Exchange, major U.S. corporations or companies with products in environmental engineering. The advantage of such funds compared to directly owning shares in companies with the desired profile is that investors do not have to think about which companies that is appropriate and when it is appropriate to buy or sell their shares. Moreover, it is possible to automate a monthly saving, which means that the investments are made without effort. In addition, mutual funds may be a beneficial option for those who want to invest in a foreign stock that is difficult to invest in via the common channels for direct purchase of shares.

The disadvantage is however that:

1. Fund managers will continuously charge a fee for their services that reduces the capital compared with directly owned shares. And for those who are eager for shares in foreign companies online brokers now offer trading on far more exchanges than the Swedish. Avanza (www.avanza.se), for example, offers an opportunity to trade directly on the stock exchange in Sweden, Finland, Norway, Denmark, Germany, Austria, Australia, USA and Canada.
2. The investors are not able to exploit information on the newspapers financial pages, or personal feelings for a single company through increasing or decreasing the holdings in that particular company. They instead generally only act on general information about economic fluctuations.
3. Fond owner do not get information about the companies in the same way as direct ownership provides, because they does not get corporate reports. But even for those who obtain the information by other means, it is difficult to grasp how that information will affect the fund. Since it is hard to, in the moment, know how much shares they own in the company. Probably the easiest way to have some information about what the various funds, in the moment, owns is to go on the Financial Inspections (Finansinspektionens) website. Since all public share funds must fully disclose their holdings to the inspection each quarter. And they post these reports on their website under the tabs "market" and "fund holdings."

One reason that so many, despite the drawbacks, buy mutual funds instead of buying shares is probably that we meet far more advertising to invest in mutual funds than in stocks. This is because market players earn considerably more money if someone buys mutual funds than stocks. However, there are alternatives that to some extent combine the advantages of the one and the other, in the form of investment companies.

The idea of these is to hold shares in other companies. On the Stockholm Stock Exchange's there are both pure investment company that only are part owners of other companies without driving any own operations and those that also has operations in the form of subsidiaries. The first type is in the current situation represented by: Industrivärden, Melker Schörling, Latour and Öresund. The second is represented by: Investor, Lundberg, Ratos and Traction.

The main advantage of owning shares in investment compared to owning shares in a mutual fund is that every SEK invested in these give a share of the company's assets that are worth more than a SEK. Which is called net asset value discount. The second biggest advantage is they can reasonably manage their investments better than equity funds because they:

1. Have a greater pressure on themselves to add value to their capital than what individual mutual funds are, since they are much more in media focus.
2. Everyone in the company is focused on a single portfolio, as opposed to the company that manages mutual funds.
3. They usually have so much and so strong voting shares in the companies they own, that they more or less control the development of these.
4. They have, due to what was described above, reasonably far more insight into each company and thus can better assess the company's and the industry's future. And thus, they can take wiser decisions on increasing or decreasing an investment.
5. Since they are constantly working in close contact with the companies they invested in, they gets in contact with skilled employees that they can use in board of directors in other companies they own. Which reasonably make the boards more intelligent and competent than otherwise.
6. They are not forever bound to a certain strategy, like many equity funds are, instead they can completely focus on making profitable deals.
7. The portfolio and the money they manage are not affected by the market price of their shares. Unlike standard mutual funds, which are forced to buy and sell shares in proportion to the amount of money flowing into and out of the fund.
8. They have no requirement to always have a certain amount of funds invested. Which means that they can better accumulate money and wait until it is time to buy.
9. The value of the investment company's holdings minus loans is often higher than their total market value.
10. They can borrow against their equity portfolio and creates, at least in good times, a positive leverage for their capital.
11. They usually hand out an annual dividend well above bank rates.

Net asset value per share ((value of assets - liabilities)/share), what they own and if they have representatives in the owned companies' boards are to be found on each company's website. This in turn is reached by example through the stock lists on Dagens Industri's website.

The disadvantages are mainly:

1. It is more difficult for investment companies to sell an investment that they no longer believe in, because they own so many shares in their investments that if they sold them on the market the price would drop dramatically. And even rumours that they intend to sell an investment will reduce the price of it because, if a major shareholder sells its shares, it is interpreted at that the company in question is in trouble.
2. The risks are far less widespread because investment companies' money is invested in a much smaller range of firms than almost any fund at any time.
3. Administrative costs are higher because the portfolio revenues shall finance a whole staff of people and the production of annual reports, et cetera.
4. It is more complicated to buy shares than to invest in a mutual fund, since in the former case, there must be some form of deposit account that shares "are placed in" and the buyer has to choose a bid price. Unlike standard mutual funds. Where the buyer only needs to go to the bank and tell them to put this or that much money in the fund.
5. It is easier to get "anxiety" over the fluctuations in value of the investment company and its assets, because it is show so clearly in the stock market list, which is in many papers and even on TV. Compared with ditto lists for different mutual funds that are much more obscure. Moreover, it is much easier to remember the buying price of a single share than ditto for a mutual fund.

Currency trading

I have no experience of such trade, but I know a person who has traded a lot with currencies. According to him, one can, at forex trading sites like www.oanda.com, with relatively little money but a lot of effort build up capital in a relatively short time. It is possible that this is true. Though he had to sit with eyes glued to a number of curves all the time he had positions in different currencies, not to miss any increase or decrease, it seems even much more boring than day trading shares. Moreover, it is more of a zero sum game where currencies are always going up and down in relation to each other, in contrast to the shares that may go up across the board. For those interested, oanda has an exercise routine:

https://fxtrade.oanda.com/your_account/fxtrade/register/game/signup

Bonds

Bonds are loan documents in which governments, municipalities and companies promise to pay a certain amount with a certain interest to the owner of the document. So it is pretty much the same as putting the money in the bank, but with the difference that the money is not covered by the State bank guarantee and the interest rate is usually higher. That is normally a very slow way to multiply their capital. Besides possibly if anyone bought "used" corporate bonds at bargain prices in troubled times.

Corporate bonds are as the name suggests bonds issued by companies that need to borrow money. I have no personal experience of corporate bonds, but I know that they are considered more uncertain than government bonds because companies more often than states go bankrupt. Though they are reasonably safer than shares in the same company, because as long as there is money left in the company, it is obliged to pay back the loan at maturity. And if the company goes bankrupt, the bondholders, in contrast to the shareholders, have right to a part of the bankruptcy estate. However, they have less potential to rise in value as shares have, though there are sometimes opportunities to make a great deal. When, for example, ABB shares fell like a stone the second hand price of their bonds also dropped significantly. Which meant that the relative interest rate got extremely high. The hook with such bonds is that the ability for individuals to deal with them is limited. A broker (www.swedbank.se) describes it like this:

"Corporate bond gives higher yields, but in most cases also have higher credit risk and lower liquidity than a government bond or mortgage bond.

The return varies depending on the assessed credit risk and maturity, which varies between one and ten years. Corporate bonds have good liquidity and can at any time be bought and sold during the term.

The price of a corporate bond with a fixed coupon noted in the form of an annual effective rate and is determined by the current market rate.

A corporate bond is a debt instrument issued by state-owned companies and major industrial companies but also other companies to borrow money in the long run. To make it easier for investors to assess the credit risk of the companies that issue corporate bonds the borrower allows any of the rating agencies Standard & Poor's, Moody's or Fitch to conduct an evaluation of the borrower's ability to timely meet its financial commitments.

More facts about Corporate Bonds

Minimum investment amount is usually 1 million

Delivery and settlement date is three business days after the end

Interest on corporate bonds available upon request

More information

Your bank mediates contact the bank specialists to help you with prices and find the best solution"

An equity bond is a product consisting of a bond without interest, published by the issuing agent (usually one of our banks), and call options. The call options are in turn contracts the bank to buy a particular company's stock at a specified price at a date in the future. Equity-linked bonds may have names, such as tiger 2015, energy 2016th. And that means that the issuer intends to buy options in companies in tiger economy countries or energy companies. I've had a few different index-linked bonds. As a rule, they have unfortunately been pretty bad investments with little or no added value. This also applies to bonds purchased in times of global recession that expired during a recent economic boom.

One reason for the low value growth is that the banks are taking a rather high fee for each bond. As in the example below where the bank (Handelsbanken) takes 1 000 SEK in fee for a bond that is on 10 000 SEK. Another reason is that the bonds have a fixed end date and who knows how the current stock market looks like at that specific time?

Sverige Balans 944AY

Aktieindexobligation Sverige Balans 944AY passar dig som vill placera på den svenska aktiemarknaden och vill få möjlighet till en extra utväxling på din placering. Med Aktieindexobligation Sverige Balans 944AY får du preliminärt 110 procent av uppgången i indexet.

FAKTA OM SVERIGE BALANS 944AY

Pris per styck	11 000 kr
Minst tillbaka (nominellt belopp)	10 000 kr
Preliminär deltagandegrad	110 %
Riskindikator*	3
Löptid	5 år
Courtage	2 %

* På en skala från 1 till 7, där 7 är högst risk. Läs mer på sidan 14.

Another variant are the convertible bonds. They are issued by companies as corporate bonds and give some interest to the date the loan is to be paid back by the company. In addition, they give the holder the right to purchase a number of shares in the company after a predetermined date for a certain predetermined price (the conversion price), which often corresponds to the value of the bond including the accrued interest. The benefits to the issuing company compares to the usual way to take loans or issuing corporate bonds is that they can get a lower interest rate because buyers are compensated by the chance that the share price reaches above the predetermined price.

The advantage compared to directly issue new shares, is that the latter, to be attractive for buyers, and has to be sold with at a discount compared with the shares that are already on the market. Because the conversion price for the convertible bonds are usually higher than the current market price.

The advantage for the buyers of the convertible bonds is that the risk is lower compared to purchases of the shares, because they at least get back the money they lent, even if the price of the company's stock falls below the conversion price. Given that the company does not go bankrupt. The disadvantages are that there is less trading in convertible bonds compared with stocks so they can be more difficult, if necessary, to get rid of them. Moreover, it is difficult to make a clip compared to buying shares. In addition, the shares probably give dividends, which may even exceed the interest on the convertible bonds.

Retirement savings

Those who discuss private pension with me, I usually ask why they are thinking about this type of saving. This is since for many persons it would be directly idiotic to save for the retirement, because they take money they could use to repay loans or save to nearby investments instead of lending to them. Which had benefited the economy at present and in the future. Furthermore, when it is time to withdraw the money, many people probably already have inherited their parents savings in some form. Moreover, they probably have lower costs then because the children are adults, most capital goods are already bought and amortization and inflation has reduced the relative housing costs. Finally, the pension assets will reduce their future housing supplement, which for many is an important source of income after retirement. The only real point of private pension savings, is for those with savings have an income that is below the breakpoint for state income tax. Because the rest will gain less on the tax reduction on retirement savings than what they will pay in tax on the savings when they take them out as pension.

Other investments

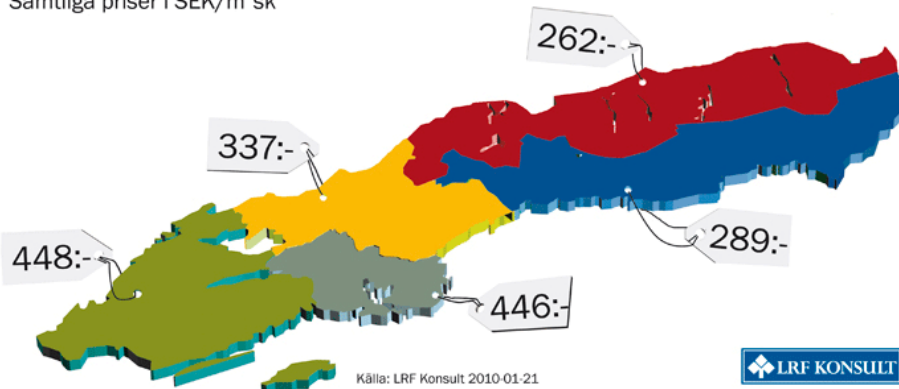
There are a variety of investments that can yield returns and eventually create a small fortune for the owner in addition to those previously mentioned. But most of these are for the eventual success entirely depends on how much time and skill owner contributes with. And these will be such a big part of life that it is rather a case of a lifestyle change than an investment. For it, in my opinion, to be a matter of an investment, the income that the object generates shall not be linked to the number of hours the owner puts into the business. For example, according to this definition is not an investment to buy a grill kiosk and manage it yourself. However, it is an investment to buy a multifamily house even if it is run down and renovated by the owner. In the following a number of such investments are discusses.

Forest and land

Forest and farmland are quantified in hectares (ha). A hectare is 100 x 100 meters, for example, is something more than a football field, which is 0.7 ha. Traditionally forest land is valued based on the total volume of wood of all the trees on the property put together. This volume, in a volume measure called Forrest cubic meters (m^3sk), is then multiplied with a value that depends mainly on things like the general economy for the moment and where the property is located, but also the tree species and their average age.

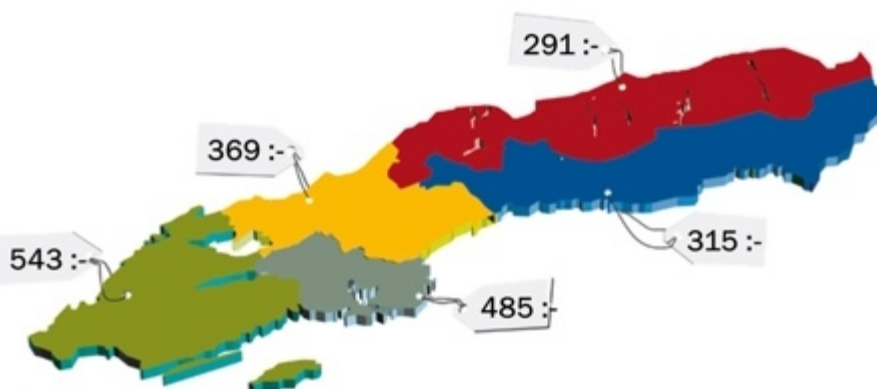
Priser på skogsfastigheter 2009 helår

Samtliga priser i SEK/ m^3sk



Average price per forrest cubic meters, according to the leading brokerage chain for forest properties (www.lrfkonsult.se). The images are taken from their website.

Prices on forest estates full year 2011



But this model is only partially true because there are other factors driving up prices:

- Proximity to a major urban area. Probably mainly because they are more interested potential buyers.
- A beautifully situated property often cost more than uglier ones.
- How well shaped the pieces of land are. With good shaped means that it is divided in a few different pieces (each piece is called a shift), the shifts are more square than long, flat, rather than mountainous, beautiful, close to water, et cetera.
- Fertile forest land costs more. The fertility is in Sweden with a figure called “bonniteten”. It tells you how much growth in forest volume there is in a year and the figure shall be written in the prospectus, in terms of average fertility (in Swedish medelbonitet):

Fastighetens medelbonitet
är beräknad till

m³sk per ha
5,4

- Small properties are valued higher per cubic meters than larger ones, probably because there are more buyers who can afford it.
- High proportion mature trees raise the price.
- Low total price for the property will raise the price per cubic meters.
- Good hunting, i.e. wildlife-rich land, raises the price.
- Good forest roads.

Factors pushing prices down:

- The land is located in the backwoods.
- In areas where trees grow slowly, as in the mountain, the forest is cheaper per cubic meters, because the trees are so skinny that one will get less volume in relation to the following work required to get new plants to grow on the ground (which is a legal requirement), so the potential earnings per cubic meters of cutting down the trees in the end will be much lower than for forests in fertile areas.
- A part of the forest should not be harvested (i.e. it is of type S3, see below).
- There is a recession.
- It happens to be few competing buyers.
- The seller is desperate.
- A large proportion of deciduous forest.

As a layman, it may seem impossible to estimate how many forest cubic meters there are on the ground. But fortunately at least the leading brokers, www.konsult.lrf.se, provide also this data in their sales prospectus.

Skogens fördelning på huggningsklasser

Huggningsklass	Areal		Virkesförråd				
	ha	%	Totalt m³sk	m³sk /ha	Tall %	Gran %	Löv %
Kalmark K1							
K2							
Röjningsskog R1							
R2	3,2	28	47	15	25	18	57
Gallringsskog G1	2,4	21	216	90			100
G2							
Föryngringsavverkningsskog S1							
S2	4,4	39	923	210	91	8	1
S3	1,3	12	286	220	60	30	10
Lågproducerande skog E1							
E2							
E3							
Överstånd/Skikt	[2,4]		36	15	100		
Summa/Medel	11,3	100	1508	133	70	11	19

Huggningsklasser

Kalmark

K1 Obehandlad kalmark

Mark där åtgärd(er) behövs för att erhålla tillfredsställande föryngring.

K2 Behandlad kalmark

Mark som fullständigt behandlats med återväxt-åtgärder men där föryngringen inte säkerställts.

Röjningsskog

R1 Plantskog

Säkerställd föryngring upp till 1,3 m medelhöjd.

R2 Ungskog

Skog som är över 1,3 m och som i utvecklingshänseende motsvarar röjningsskog.

Gallringsskog

G1 Normal gallringsskog

Skog som är yngre än skyddsåldern (lägsta ålder för föryngringsavverkning).

G2 Äldre gallringsskog

Skog som uppnått skyddsåldern och där nästa lämpliga åtgärd normalt är gallring.

Föryngringsavverkningsskog

S1 Skog som kan föryngringsavverkas

Normalt föreslås ingen avverkning åtgärd under planperioden.

S2 Skog som är mogen att föryngringsavverkas

Normalt infaller en avverkning åtgärd under planperioden.

S3 Skog i föryngringsbar ålder

Föryngringsavverkning bör dock inte utföras.

Lågproducerande skog

E1 Restskog

Skog som lämnats efter avverkning eller som uppkommit på grund av skada.

E2 Gles skog

Gles skog eller skog av ett för marken olämpligt trädslag.

E3 Skog av hagmarkskaraktär

Gles skog av hagmarkskaraktär.

The value of the forest is calculated as told by the formula: total number of cubic meters x average price / forrest cubic meters, which in this example and in the area (Hälsingland) is $1508 \text{ m}^3\text{sk} \times 369 \text{ SEK} / \text{m}^3\text{sk} = 556\,452 \text{ SEK}$.

In addition to the 11,3 hectare forested land listed in the table to the right, the property also includes 5,2 hectares of land that is not considered to have any value, and 5.6 hectares of arable land. Arable land is valued in these parts to between 25 to 30 000 SEK / ha, although the income from the land is very small or non-existent, which means that the farmland is worth $5.6 \times 25\,000$ to $5.6 \times 30\,000 = 140\,000$ to 168 000 SEK. Thus the summed value of the property with the current methods is between 696 000 to 724 000 SEK and the seller herself wanted 700 000 SEK, otherwise she preferred to keep it.

Whoever buys the property may only cut down and sell the trees in the cutting classes G2, S1 and S2, and all of that was taken down it would give 923 forest cubic meters. The seller of that wood may in the current situation get between 350-450 SEK/m³ under the bark (written SEK/m³fub) after deducting the cost that the harvesting causes, altogether it would be around maybe 450 000 SEK. From that one has to deduct the cost of putting out new plants in the harvested land (it is statutory that the harvested area must be replanted with a certain amount of plants within a certain time after harvest). The operation costs around 6-7 000 SEK/ha, thus around 26 000 SEK. For the moment the purchase would lead to a loss of about 274 000 SEK

On the other hand, the buyer will have a piece of forest land that any grandchildren can harvest after about 100 years. But before that the trees classified as G1 and R2 will be mature for harvesting and then they will contain many more forest cubic meters. In addition, the buyer may feel the joy of owning a part of the earth's surface, that he for instance can hunt on (or the land can, if it is large enough, be leased out to someone interested in hunting) and he or she might get lucky and be allowed to cut up the land for houses, in the future. Finally, he could put a "summer cottage" on the fields in the form of a caravan or such building that does not require planning permission (normally planning permission are not given for houses on forestland). The cost of the future ownership is also quite low and consists of insurance against storm damage (about 500 SEK/year) and the first clearing in the young forest that provides so few forest cubic meters compared to the effort that it requires that the owner has to inject money if he hires someone for the job. A forest owner with bad luck can also be forced to pay for improvements to a common path, or get pests like moose, pine weevils or spruce bark beetles. But besides clearing and measures to spruce bark beetle is the work required by the landowner virtually nonexistent and in addition also the knowledge requirement.



The state think that the forest is an important national resource, so they offer all owners free advice and courses through the Forestry Board (Skogsstyrelsen).

Seminarieserie skogsbruk

LRF Mälardalen arrangerar med stöd av Europeiska jordbruksfonden för landsbygdsutveckling via Skogsstyrelsen en seminarierie där ett tillfälle nu återstår, se nedan.

Vi vänder oss till skogsägare i Uppsala-, Västmanlands-, och Stockholms län som vill veta mer om timmermarknad och praktiskt skogsbruk. Antalet platser är begränsat till ca 250 personer. Fika serveras, ingen föranmälan krävs.

Skogsskötsel på distans – möjligheter för dig som skogsägare

Per Bengtsson, informationschef, mellanskog beskriver möjligheter med en aktiv skogsbruksplan. Hur planeras & utförs plantering, röjning, och skogsgödslning? Former för försäljning av gallring- och slutavverkning, aktuella prisnivåer i regionen.

Föreläsningen ges på följande tre orter:

*Västerås, tisdag 13/3, kl 19-21,
Växhuset, Viktor Larssons plats 1.*

*Uppsala, onsdag 14/3, kl 19-21, Polacksbacken Aula,
Lägerhyddsvägen 2.*

*Haninge, torsdag 15/3, kl 19-21,
Fredrika Bremer gymnasiets Aula,
Dalarövägen 64*

All forest owners can also join one of Sweden's cooperative forestry associations. It's free of charge and they provide some benefits like free counseling on site in your forest. When it is time for action in the forest, such as thinning or final felling one have, however, to pay for the membership through that they take a small portion of the payment for the trees. But the money is returned on the date the membership ends, and in between, they tend to give an interest on the money well above what the banks give.

Varmt välkomna!

Lantbrukarnas riksförbund, www.lrf.se, Medlemsservice 020- 44 44 33



MÄLARDALEN

But to make a, momentarily seen bargain in woodland it's probably required that the purchase is made at a time of recession and includes land with few competing buyers that drive up the price and a seller who is willing to sell even at a lower price than what's considered to be normal. Which is more likely if the seller is a bank or the enforcement service.

Power plants

From personal experience, I know that, at least in the past, one have been able to earn a lot of money with relatively little effort by investing in hydropower plants. When electricity was cheap (chart 7) and grants to small hydropower plants were low or not there at all, the industry was so un-profitable that many small hydropower plants were sold very cheap, or closed because of the necessary investments were not considered to be viable. But with today's electricity prices, combined with the grants handed out, under certain circumstances, to owners of small power plants, they generates annual net revenues in the vicinity of the previous purchase price and the total investments. However, this has resulted in that the price of the few commercially available plants skyrocketed. Additionally, the grants are not forever. For existing plants the grants last only to 2013, with possible extension opportunities. For those who are renovating their power stations, witch at least include: elimination of any deficiencies in waterways, change of turbine vanes, renovation of the generator, and installation of a modern control system. In addition, there is a risk/chance³ that electricity prices will eventually fall. It would be technically and economically viable, in some cases, to restore and start-up previously closed facilities as they, at present, are guaranteed grants for 15 years. But this requires a government permission, which unfortunately it is often almost impossible to get.

However, there are also for hydropower, some other benefits of ownership beyond the purely economic:

- + The feeling of owning something that is permanent (land).
- + In many of the small hydro power plants I have seen, the power plant building is much larger than what is needed for the operation itself, which means that there is space to, for instance, store things.
- + Hydro power plants are naturally always on scenic spots beside a river or a larger stream. For those who are lucky, there may be an opportunity to build a holiday home in one of the outbuildings that may belong to the plant. Or to put a caravan.
- + The watercourse adjacent to the station means a piece of own waters.

Cons:

- Electricity prices may be on the way down.
- Subsidies disappear.
- Hydroelectric power plants require quite a lot of maintenance.
- All components wear out and replacement parts are expensive.
- Hydroelectric owners could end up in conflict with neighbours and authorities.
- Although if the power plant must be shut down the duty to maintain the dams and the like will remain, so as to alter water levels upstream and downstream.

What determines whether an investment in hydropower will pay off is, of course, what price the product (electricity) will be. Power plant owner may, broadly, and depending on the contract, have the same price as the trading price on the spot market (often about 0,30 SEK/kWh). In addition, one gets a small amount from the local network owner, since the plant helps to keep the voltage up in the network (maybe 0,02 SEK/kWh) and in the current situation, grants (Type 0,20 SEK/kWh). Though later, as I said, for most small-scale hydropower plants will disappear from 2013 and onwards. When I bought my plants at the end of the 1990s, I received a fixed price for the electricity of 0,135 SEK/kWh + about 0,02 SEK/kWh from the network owner. With that compensation, the production was not really profitable and therefore the supply of power stations was rather large and at relatively low prices (around 2 SEK per kWh of annual production). Then electricity prices rose dramatically (see chart 7) and, moreover the public subsidies increased. Nowadays, the price might be around 4 SEK per kWh in annual production, despite the fact that revenues are likely to fall sharply, making hydropower a bad investment at this time.

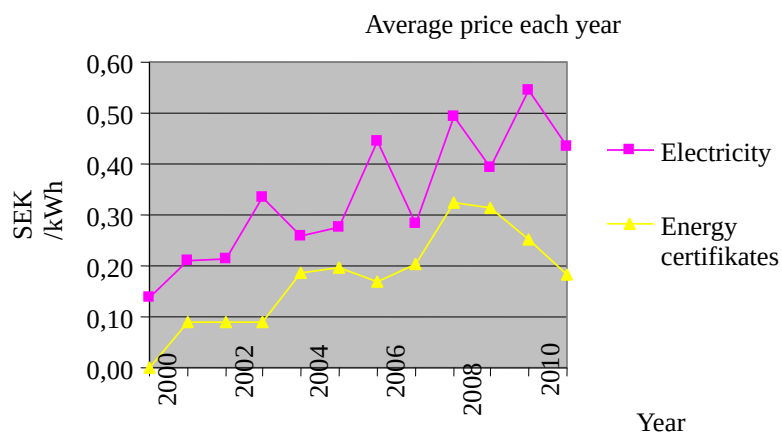


Chart 7. My electricity prices and subsidies 2000-2011 excluding the money from the net owner (on average about 0,02 SEK/kWh).

Where are electricity prices heading? Since a large proportion (approximately 50%) of all electricity produced in the world today is produced with fossil fuels, it would be likely that the price of electricity will follow the price of such fuels. That even if we in Sweden almost do not produce any electricity at all using coal, gas or oil, since our network is connected to the grid in other countries. But the proportion produced by fossil fuels will decrease. Since today's high electricity prices and the subsidies imposed on renewable energy sources imply that the power companies are investing huge amounts of money to increase production in the "clean" power plants (see chart 8). In addition, our neighbouring countries, Norway and Finland are planning to increase production. In Denmark, however, production will decrease when they close their coal-based power plants. Then add that electricity consumption will likely decrease as the devices become more energy efficient, people choose to move to efficient heating systems for their homes and the greenhouse effect reduces the need for heating. Moreover, the number of electricity-intensive industries (which stands for, type 25% of the total electricity consumption in Sweden) probably will decrease in the same way as they have done so far and the remaining will probably be more energy efficient. Overall, they suggest that electricity prices eventually fall. The price of electricity could though be held up if we widely started using electric cars or hydrogen cars (the hydrogen is the probably made using electricity) and/or that we have a common electricity market with a country that has significantly higher electricity prices, such as Germany.

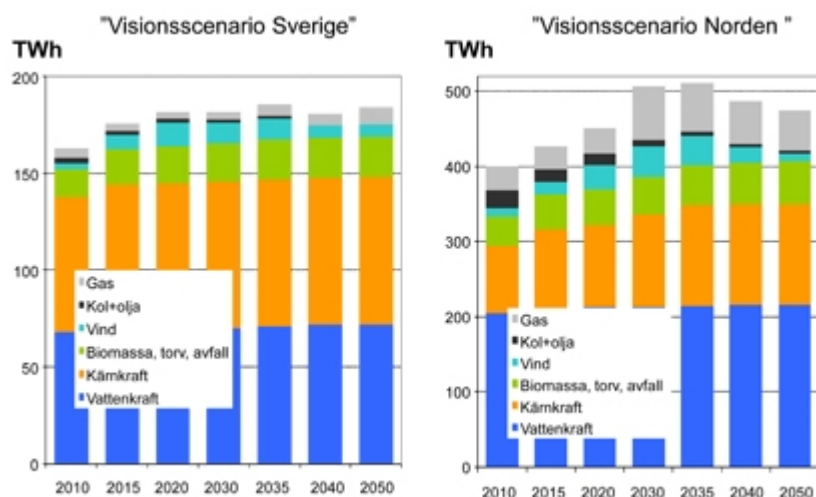


Chart 8. Forecast of future electricity production in Sweden from: www.svenskenergi.se.

Regarding wind power, I have no personal experience. But I have hired the Swedish Metrological Institute to calculate what it would give to set one a place once, that appeared to be very windswept (it was next to the hydroelectric power plant located in the mountains) and otherwise very suitable for me to put up a wind turbine on because the ground was my own, it should not be a problem with the disturbing noise as it would be relatively desolate and beside the even more disturbing rapids, I had a road to the place and my transformer station with spare capacity was located just next door. Unfortunately it turned out that it would not be profitable even with the grants and even though I had the chance to buy a cheap second-hand wind turbine.

Shares in wind turbine are probably not an investment that has so much potential to increase in value or generate a profit. However, there may be a way to reduce the private cost for electricity³ in combination with that it might be fun to own a part of a wind turbine.

³. A share may cost, say, 25 000 SEK and the owner of the share has the right to purchase 4 000 kWh/year for, say 0.25 SEK/kWh (excluding taxes). Thus the investor might earn 0.10 SEK/kWh, which are 400 per year and share. A return of 10%, therefore, with the guessed electricity prices. Other investments, such as bonds, do have a lower interest rate but instead the investor receives the money back when the term expires. While when investing in wind power, however, the investment is worth zero on the day the wind turbine is scrapped. There are also a few additional drawbacks:

1. There is tax on the price reduction.
2. Anyone buying shares in wind power compounds has to buy all their electricity from the association or company. Since you are only allowed to have one electricity supplier.

Apartment blocks

You can either buy expensive apartment buildings in areas where there is high demand for housing, or cheap ditto in areas with a surplus of housing. In the first case, the risk is quite high that the ongoing operation (see table 2) is in deficit but instead the increase in value can be large. In the latter case, there are good chances for it to be a good operating surplus, if it is possible to fill all the rentable spaces. But the increase in value may be the less or even negative. The best way is probably in between. I.e. to buy houses in areas that are relatively popular but still not that expensive. Which may be exclusive locations in small towns or medium attractive locations in larger cities.

Buying a house in bad positions or clean depopulated areas, however, is very risky. I was, for example, about to buy a small apartment block in a small town in Dalarna in the late 1980's. Luckily, I jumped out of the deal. About 20 years later, I saw that the same house again was for sale for about the same amount of money, although it was then refurbished and had much higher standard than when I was going to buy it. Later, I bought a house in one, as it turned out, lousy location in a faucet municipality of Stockholm. Housing facilities were very nice, including several stoves and the building itself was so special and valuable that it was even F-marked. Even so, I did not manage to find some that was willing to move into the later empty spaces. Eventually, however, I sold the house at a profit, though it was not on equal to all work I'd done to get the building in the condition and the pressures of having a commercial property that was losing money.

The operating surplus (see table 2) should not only cover the running costs but also generate savings that can be utilized in future renovations. For sooner or later the house will have to undergo extensive renovations and we have to save up for them, or that the value of houses has risen so much that there is room for additional loans to cover the costs.

Table 2. Examples of data for some multifamily houses that has been for sale in a rather expansive half-big Swedish town and calculated financial data.

Size (m ² rental area)	Price (requested)	Price / unit area (m ²)	Annual rental income (SEK)	Annual operating cost of the seller (SEK)	Price / Annu al reven ue (SEK/ yearly SEK)	Net operating income excluding interest and property tax (SEK)	Interest expense at 25% equity investment and 4% interest rate (SEK)	Real estate tax (SEK)	Total surplus excluding maintenanc e costs (SEK)	Estimated annual service/ma intenance cost (SEK)	Net revenue (SEK)	Net return on invested capital (%)
606	4 450 000	7343	517 000	146 350	12.01	370 650	133 500	9 600	227 550	32 000	195 550	17.58
440	3 540 000	8045	401 000	109 000	12.12	292 000	106 200	7 200	178 600	24 000	154 600	17.47
684	5 900 000	8626	703 000	166 000	10.99	537 000	177 000	16 800	343 200	56 000	287 200	19.47
696	5 200 000	7471	599 000	166 600	12.03	432 400	156 000	13 200	263 200	44 000	219 200	16.86
417	3 000 000	7194	351 000	103 825	12.14	247 175	90 000	7 200	149 975	24 000	125 975	16.80
234	1 795 000	7671	255 000	47 500	8.65	207 500	53 850	6 000	147 650	20 000	127 650	28.45
315	2 400 000	7619	250 000	100 000	16.00	150 000	72 000	6 000	72 000	20 000	52 000	8.67
300	1 700 000	5667	175 000	38 000	12.41	137 000	51 000	3 600	82 400	12 000	70 400	16.56
440	3 800 000	8636	350 000	50 000	12.67	300 000	114 000	6 000	180 000	20 000	160 000	16.84

The operating costs include operating expenses such as garbage collection, water, and common electricity, heating, cleaning and insurance. It does not cover the costs of maintenance, repairs, renovations and property tax. Property tax is calculated according to the Tax Authority's stipulated fixed maximum of 1 200 SEK for each dwelling multiplied by the number of apartments. Maintenance and repair costs are in my experience in the long run perhaps 4 000 SEK per apartment per year.

Mine and other property owners experience is that it requires a fairly modest effort to manage small apartment block and that it very well can be combined with other work.

To maintain the buildings in good condition and keep costs down for this it is necessary to have knowledge of what steps need to be done and how they should be prioritized in relation to each other. To keep track of this, systematic walk-through's are the property owner's responsibility (see the chapter Building management at a small scale). Furthermore, it is advantageous to be fairly handy. The financial management is much simpler and consists mainly of a few different elements, which soon will become routine.

The biggest problem with owning real estate is none of the above. Instead, it's the disputes that sooner or later occur with any of the tenants because of interference, unpaid rents or damage.

However, there are also some marginal benefits of owning apartment buildings in addition to the income and/or appreciation that they will hopefully generate:

- + The feeling of owning something lasting (i.e. land).
- + New acquaintances as tenants and artisans.
- + If necessary, perhaps a home of their own.

Cons:

- Hard to handle conflict with problematic tenants.
- The houses must be constantly managed.
- There is always a risk that something serious occurs that requires urgent and costly measures.

Individual homes

An alternative to investing in apartment blocks is to buy individual apartments and sublet it. In the UK it is very common and I know several people who have done it there. In Sweden, it is less common because:

1. The rents that can be taken, without the risk of being liable to repay to the tenant, is quite low in relation to the investment in the cities where it is easy to get tenants.
2. Property Law Associations usually does not like the business and it is reasonable to believe that they will not let such tenancies continue for an extended period. Unlike from the UK where they have another type of condominiums, which among other things is resulting in that the owners do not need to ask anyone for permission to sublet.

The variants that are common in Sweden is instead to rent out summer residence's during periods when the owners do not utilize it themselves, or buy a bigger apartment/villa/holiday home to live in yourself and make some of it to a separate residence for rent (or to build a smaller house on the property for the same purpose). The first variant has the disadvantage that beyond regarding mountain huts, the season is very short.

Say that it is possible to rent out a vacation home, for example, on Gotland from graduation until school starts again. Thus, at a maximum about 10 weeks. Suppose the landlord on average get 4 000 SEK/ week. Then a season would give 40 000 SEK. It departs perhaps 1 000 SEK for garbage collection, 3 000 for insurance, 3 000 in property taxes, maintenance (maybe) 5 000, electricity 1 500 SEK, a total of perhaps 10 000 per season, and thus the gain will be around 30 000. A gain that is also quite easy to hide from the tax authorities. But if the house costs 1.2 million SEK and the interest rate is 4%, the cost of capital after tax deductions is type 40 000 SEK. A back business thus. But if the owner uses the house in the second part of the year, or live in the guest house during the high season, the rental may be a way to finance a dream that he or she would not otherwise be able to afford. But the risk is always that it will not be leased out or that a tenant generates costly repairs.

If the dwelling is on warmer latitudes, however, the season is much longer and the chance of a positive return is much higher.

.