



For those who love shopping as much as Rebecca Bloomwood (played by actress Isla Fisher) in hit movie Confessions of a Shopaholic, the fall in value of sterling means there are currently bargains galore north of the border

As uncertainty swirls about how and when the UK decision to quit the European Union might play out, there has been one immediate and tangible economic impact — the fall in the value of sterling.

Before the June 23 referendum, €1 was worth around 76p. Following the Brexit vote, it has soared to 86p.

The euro is up more than 20% against sterling over the past 12 months. The last time sterling fell so low against the euro, in 2009–11, there was an exodus of shoppers from the Republic heading north in search of bargains.

Now there are signs the phenomenon is making a comeback. According to Inter-Tradelreland, a cross-border trade body, there has been a 30% jump in the number of Republic-registered cars at Northern Irish shopping centres.

The organisation predicts a further increase in cross-border shoppers. Eoin Magennis, policy research manager with InterTradelreland, said: “Early data from the first week of July suggests a further sharp increase in the number of shoppers heading north of the border.”

Shoppers are not the only ones who can take advantage of the weakness in sterling. The fall in the pound means that sterling-denominated assets such as UK shares and property have in effect become 20% cheaper for euro investors.

Meanwhile, the number of consumers saving money by importing cheaper second-hand cars from the UK has soared. Almost 40% more used cars were imported in July this year than in 2015, according to figures released by the Central Statistics Office last week.

Richard Smith, who runs UK Car Imports in Dublin, said: “Business has been booming since Brexit. People have

Sterling has lost a significant amount in value since Brexit, creating many bargain opportunities, writes Mark Channing

realised that sterling has dropped like a stone, creating a great opportunity to buy a used car in the UK.”

We tell you which Brexit bargains to bag, and which ones to think twice about.

USED CARS

Used-car buyers can save thousands of euros by buying from the UK and importing the vehicle into Ireland. According to Smith, Irish buyers of UK used cars are saving between €1,000 and €5,000, even after factoring in the cost of Irish vehicle registration tax.

High-value cars are where the biggest savings can be made. “I saw an example recently of a 2013 BMW 5 Series with 40,000 miles on the clock which could be bought in the UK for €24,900,” said Smith. “The same car on sale in Ireland could cost as much as €32,000.”

Smith’s company has trade accounts with the major UK car auction houses. It charges Irish buyers a flat fee of €295 to bid from a list of 20,000 used cars sold at trade prices.

If your bid is successful, it will transport the car to Dublin for between €400 and €550, depending on where the car is in the UK. Used car buyers can also buy direct from UK dealers and import the car themselves.

Michael Rochford, managing director of motorcheck.ie, a car history check site said: “It’s actually quite easy to do yourself. Just do as much research on the car as you can before you get on the boat or the

plane.” Rochford said it was important to find out what payment method UK dealers accept. “Dealers in the UK don’t accept cash or bank drafts that take time to clear, so you need to have your payment method agreed in advance,” he said.

It can be cheaper to use a specialist foreign currency broker instead of a bank to transfer the cash. Barry Dowling of Transfemate Global Payments said: “More often than not, Irish banks apply high transfer fees for same-day payments.”

Dowling said car buyers transferring £20,000 to the UK could save €700 by using Transfemate to make the payment instead of a bank.

SHOPPERS

The fall in sterling means cross-border shoppers can bag significant bargains on food, clothes and electronics. A comparison of prices at supermarket Tesco highlights the possible savings.

For example, a Goodfella’s pizza costs €3.29 in the Republic compared to the equivalent of €2.95 in Northern Ireland. At the other end of the health scale, Seven Seas Cod Liver Oil Plus Garlic costs €12.09 in the Republic, compared to €8.86 in the north.

With alcohol prices in Ireland the highest in the EU, according to Eurostat, the EU’s statistics agency, some of the biggest savings can be made on alcohol. For example, a one litre bottle of Smirnoff Red Label vodka costs €32.80 in Tesco Ireland compared to just €22.40 in Tesco UK.

Consumers can make similar savings on clothes and electronics by buying north of the border. An identical tailored women’s jacket sold by Marks & Spencer retails at €125 in the Republic compared to €104 in the north.

Meanwhile, the most basic Apple MacBook costs €1,499 in the Republic compared to €1,236 in Apple’s Belfast store. Shoppers don’t even have to travel to reap the rewards of the drop in sterling and can simply shop online from UK websites.

Where sites only serve UK customers, delivery services such as Parcel Motel will provide an address in Northern Ireland. This allows Irish online shoppers to take advantage of cheaper sterling prices and pay only Irish delivery charges.

UK SHARES

The drop in sterling means shares priced in pounds are approximately 20% cheaper for euro investors than they were a year ago. It has made UK shares attractive for long-term investors, say experts.

David Holohan, chief investment officer of Merrion Stockbrokers, said: “In the short-term there is still probably more pain to come. However I think the drop in sterling does offer an opportunity.”

Holohan said now was a good time for long-term investors to acquire UK shares that paid sterling dividends.

“Investors looking to receive dividend yields stand to benefit with a longer term view that sterling over time will strengthen from here. The assumption I would work

off is that five years from now sterling will be stronger versus the euro than where it is now,” he added.

He advised investors considering investing in UK shares to look for companies with large international exposure but whose earnings are reported in sterling. “The weakness in sterling is a significant tailwind for the profits of these companies,” said Holohan.

UK PROPERTY

UK property is also 20% cheaper to euro investors, but experts say this does not automatically make UK property a good investment.

Jonathan Sheahan of Compass Private Wealth, an adviser in Dublin said: “It would be very short-sighted to use the fall in sterling as the only metric if considering investing in UK property. Even though on a price basis it’s more attractive, there’s a lot more uncertainty.”

In Holohan’s view, UK property could fall sharply over the next year.

“With regards to UK property, I would encourage investors to be cautious,” he said.

“UK property prices could fall quite aggressively over the next 12 months by virtue of the fact that investors are looking for safer havens in the wake of Brexit.”

Holohan said Irish-listed real estate investment trusts (Reits) represented a better opportunity for property investors. “Given the tightness of the commercial market in Ireland and the pent-up demand for residential property, Irish Reits have better fundamentals going forward,” he said.

Holohan also tipped Irish housebuilder Cairn Homes which is listed on the London Stock Exchange but priced in euros. “Irish investors may be overlooking Cairn Homes because it’s not listed on the Iseq,” he said.

MARKET MOVERS SEAN KENZIE

Sean Kenzie is a fund manager with Setanta Asset Management, a Dublin-based subsidiary of Great-West Lifeco, the publicly listed Canadian insurance group.

His responsibilities include the Setanta Global Equity fund, which is open for investment to those with a lump sum of at least €10,000 or those who agree to invest at least €100 a month. It is available to Irish investors through Irish Life, which Great-West Lifeco acquired in 2013.

Investment philosophy

Setanta takes a “bottom-up” approach to stock selection, picking companies on their individual merits. It aims to invest in reasonably priced, quality companies.

The Global Equity fund is made up of 80–85 equity stocks from eight economic sectors: industrials/materials, consumer discretionary, consumer staples, technology, financials, telcos/utilities, healthcare and energy. “Within each sector, we’re looking for quality companies at prices which are below our assessment of their intrinsic value,” said Kenzie. “We avoid companies that are highly indebted, extremely short-term in focus, or have poor or unpredictable management.”

Performance

The fund is benchmarked against the MSCI World Index, and has beaten the index in 13 of the last 15 years. The fund’s one-year return is 3.4%, and is up an average of 15% a year over five years. “The performance has been very strong and that’s very much a function of the structure of the fund,” said Kenzie. “The fund’s sector weighting broadly matches the index but within those sectors we can take very different positions from the index.”

Buying and selling

DCC, the Irish industrial group, is the fund’s top holding, followed by Warren Buffett’s Berkshire Hathaway. Healthcare group Johnson & Johnson, Irish construction product firm CRH, and Canadian financial services group Fairfax are also in the fund’s top 10 holdings.

The fund recently opened a position in luxury goods company Richemont, which owns brands including Cartier, Panerai and Montblanc. “Richemont is debt-free and has grown its dividend by about 15% over the past 20 years,” said Kenzie. “Its shares are down about 40% from their 2014 high and we would argue that its long-term strength is under-appreciated.”

The Setanta fund also purchased shares in Irish exploration company Tullow Oil which has lost more than 80% of its value since 2012. “The current low oil price environment has taken its toll,” said Kenzie. “However, we think the share price fall is overdue and that the value of Tullow’s net assets will eventually prove to be worth a multiple of the current market cap.”

The fund sold its holding in US medical devices company Stryker, booking a 300%–plus gain on the position it opened in March 2009.

“Stryker is an excellent company and one that we would look to own again in the future at a cheaper price,” said Kenzie.

Outlook

Setanta is cautious on the outlook for equities due to relatively high valuations. “We have a particular style that’s focused on the right type of business at the right price,” said Kenzie. “We’re all about long-term performance.”



Leicester City's mix of luck and skill should be investors' goal

THIS time last year, bookmakers’ odds indicated that it was two-and-a-half times more likely that Elvis would be found alive than Leicester City would win the Premier League.

As the new football season kicked off this weekend, you could still get 2,000/1 on finding the King alive. Leicester, who started last year’s league at 5,000/1 to win, are priced at a mere 33/1 to win this time around with Paddy Power, however.

In hindsight, it looks as though the bookies got it completely wrong on Leicester. Yet it is often difficult to understand what these odds actually mean.

If the odds of it raining tomorrow are 20/1, it means that on 21 days under the same conditions you’ll get rain on one

of the days. But if it does rain tomorrow, it doesn’t refute the odds.

Equally, if we could replicate the position of Leicester a year ago, and run the season 5,001 times, then the team would be expected to win the Premier League only once. Maybe Leicester are the exception that prove the rule and 5,000/1 was a fair assessment this time last year.

So was it a confluence of extraordinary events that helped upset the odds, meaning it’s highly unlikely to be replicated in the future? Or did Leicester uncover something that meant they were far more likely to win the league than the bookies had realised?

Neither possibility can be entirely ruled out, though I’m

inclined to lean towards the former explanation. It took me quite a few years to realise that I was financially far better off being a shareholder in Paddy Power than a customer.

The odds you are being quoted are the ones at which the bookie expects to make a profit; and bookies are extremely profitable, after all. So my money is always on them.

But there are important insights we can draw from Leicester’s triumph. First, it sparked inordinate interest from the world of business, which has long looked to sport for lessons on management, leadership and strategies for success.

The team’s story has been seized on by management gurus as a reminder of lots of popular



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business themes, most obviously, that size isn’t everything. While it’s tempting to look at success and try to use it with a view to predicting future success, however, therein lurks the danger of trying to explain Leicester’s win.

Michael Mauboussin’s superb book, The Success Equation, focuses on understanding the relative contribution of luck versus skill in a range of endeavours, from sport to business. Different levels of skill and varying degrees of good and bad luck are the realities that shape our lives; yet few of us are adept at accurately distinguishing between the two.

The central thesis of Mauboussin’s book is that it is very hard to identify the sources

of outperformance, and success is not necessarily the result of things a manager can control. And according to some pundits luck played a big part in Leicester’s triumph.

We must accept that in sport — and in business — the seemingly impossible can happen, and there may not be a simple explanation or formula to explain it (nor for us to emulate). For those of us in the investment industry, the lessons are plentiful.

During challenging times for financial markets, this philosophical view has proved extremely valuable. Given the longest quoted odds for any team this season is a meagre 1,000/1, maybe the bookies have also learnt some lessons from Leicester’s triumph.

And with the Foxes at 33/1 to win the Premier League for a second year running, and as low as 28–1 in some places, you might draw the conclusion that Leicester really have unearthed something important that the bookies are now only waking up to.

However, I’d urge caution on that conclusion; Foxes fans will be aware that they are only 14/1 to be relegated. So while relative mediocrity is not destined for Leicester, it’s a more likely outcome than success.

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