

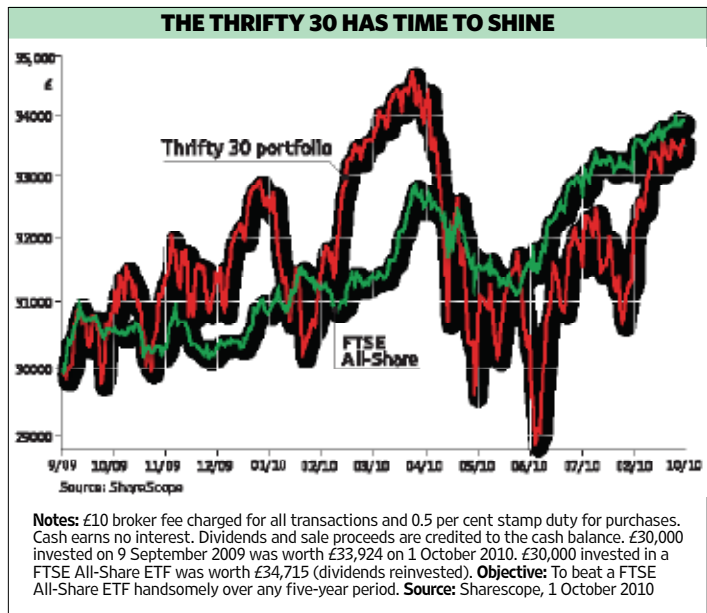
No gift for thrift in first year

The Thrifty 30 is one year old and struggling to match its benchmark. But **Richard Beddard** is not despondent

On 11 September, in a quiet office in rural south Cambridgeshire, I lit a metaphorical candle to celebrate the first anniversary of the Thrifty 30 portfolio. It was a muted celebration, partly because I work on my own and partly because there's little to celebrate.

The Thrifty 30 gained 12 per cent in its first year. In addition to the 22 companies held at the end of the first year, three other companies briefly passed through it. XP Power reached my target price very quickly, OPD went private and I changed my mind about Chime Communications.

THRIFTY 30: ONE YEAR IN					
Name	Shares	Price (£)	Cost (£)	Value (£)	Return %
Alumasc	938	1.18	999	1,107	11
Anite	2,814	0.52	1,000	1,463	46
Armour	6,677	0.09	1,000	584	-42
AutoLogic	3,517	0.24	1,000	844	-16
Castings	515	2.30	999	1,185	19
Clarke (T)	706	1.25	1,000	879	-12
Dart	1,824	0.75	1,000	1,359	36
Dewhurst	413	2.73	998	1,125	13
French Connection	2,310	0.53	1,000	1,219	22
Games Workshop	348	4.34	998	1,509	51
Haynes Publishing	539	2.48	999	1,334	34
Holdings Technology	1,437	0.92	999	1,322	32
International Greetings	1,696	0.63	1,097	1,068	-3
Johnson Service	5,035	0.24	1,000	1,196	20
Mallett	1,591	0.62	1,000	986	-1
Northgate	511	2.24	1,099	1,146	4
Printing.com	2,940	0.36	1,000	1,044	4
Quadnetics	643	1.78	999	1,141	14
Ricardo	386	2.97	999	1,146	15
RM	611	1.45	999	883	-12
Solid State	1,950	0.58	1,000	1,121	12
Titon	2,493	0.51	1,000	1,259	26
Waterman	2,431	0.45	1,000	1,094	9
Total current holdings			23,182	26,015	12
Cash				7,910	
Total portfolio			30,000	33,924	13



The money invested in the Thrifty 30 made 1.5 per cent less than an equivalent sum invested at the outset in a FTSE All-Share exchange traded fund, with dividends reinvested.

I chose this as a benchmark because buying ETFs is easy, cheap and widely thought to be a reasonably safe way to invest in the stock market over the long term. The Thrifty 30 has to do better over the long term, to make it worth the cost and effort of finding, researching and trading the shares.

The fact that it hasn't over its first year is not particularly distressing, as a year is just a short time. However, I started with just six companies and £24,000 in cash, which earns no interest. As I added shares, the cash balance diminished to £9,000, but for most of the year, much of the portfolio was earning no return – a situation that is unlikely to be repeated in future years.

Despite this, were it not for a late summer stock market surge and a calamitous fall in the price of one company, Armour,

the Thrifty 30 might have finished ahead, and since it can take five years for an undervalued company to regain its allure (potentially the Thrifty 30 has more than 20 such companies), I think my team is one for the future.

Armour's sad predicament prompted one reader to ask why I hadn't cut the portfolio's losses. Selling shares when they fall in price, or formalising such selling into a stop-loss policy, is widely practiced by traders who fear that when the market turns against them there will be further falls.

Price watching, though, is anathema to value investors, who prefer to make decisions based on the long-term performance of a business. The problem is a 25 per cent fall in profit could be another step towards failure or it could just mean recovery is postponed. I prefer to wait until I have all the facts packaged in a self-contained annual report before deciding whether a company's troubles are temporary or permanent. Let's hope Armour hasn't been holed.

In September, I re-evaluated DIY manual publisher Haynes and Solid State, which supplies industrial computers and components. Both remain in the portfolio. They are joined by Northgate, a commercial vehicle hire company that flirted with bankruptcy two years ago, when customers in the construction industry stopped hiring. Avrae Global Coins and Airsprungdid not make it into the Thrifty 30.

For a full review of the year, see: <http://blog.iii.co.uk/t30y1/>

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UNDERSTANDING A STOP-LOSS ORDER

When you place a stop-loss order with your broker, you agree to sell a share if it falls to, or below, a price you specify.

For short-term traders who often buy shares because prices are rising, they're a way of managing risk.

A stop-loss order will not be executed at the specified price, though, if there are no buyers for the shares.

Then, the order will be fulfilled at the best price available below the stop, which could be much lower.