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Investing in Shares is not for Everyone

In this pamphlet, we will explain what it means to invest in the shares of companies whose shares are listed for trading on the stock market. It is important to note that investing in shares is not for everyone. The value of shares can fall as well as rise, and for many investors that is simply too risky. The cash flow from investing in shares can also be unpredictable, which means you cannot rely on dividends as these are not guaranteed. So the value of your investment as well as the cash flow are not predictable. We also point out in this pamphlet that shares cannot always easily be sold and converted to cash, and certainly the price for immediate sale is sometimes less than expected.

For all these reasons investing in shares is not for everyone, and you should consider the risks carefully before investing. Kina Securities Limited strongly recommend that you consult your financial adviser before deciding to invest. Above all you should realize that the value of shares can fall to zero, and that occasionally happens.

From whom can I get investment advice for investing in shares?

Kina Securities Limited cannot advise you on whether or not investing in shares is right for you – you need to consult your financial adviser before deciding to invest. Kina Securities can however provide factual information such as the recent trend in share prices, or the historical dividend paid by a company. What we cannot do is tell you if an investment decision suits your personal circumstances – only someone with full knowledge of your personal needs can advise you. That personal advice will take into account your existing wealth, your short and long term cash needs, your ability to absorb losses and your personal dependence on dividends and share values to support your current income.

Investment

Investment simply means to put money to work for you. Investment means an asset or item that is purchased with the hope that it will generate income or appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price.

There are many ways you can invest and a multitude of investment options available. However, stocks or shares (equities) have proven to be the best investment vehicle over the long term other forms of investment. Investing in the stock market is not a get-rich quick scheme but it provides an avenue where the investor can make rational and professional assessment before committing any capital. A “real” investor does not throw his or her money to any random investment; but performs thorough investment analysis and commits capital only when there is reasonable expectation of profit.

What are Shares?

Shares (sometimes referred to as equities) represent part ownership in a company. When you buy shares, you buy part ownership of the company’s business and become shareholder of that company. In return, you have a claim to the company’s earnings (through dividend payments) and assets as well as any voting rights attached to the stock. You can exercise your voting right at the company’s Annual General Meeting (AGM). Shares that have been issued to investors by a listed company can be sold to other investors in the Stock Exchange. In this way, shareholders can realise capital gains if the share price rises – in other words, make a profit by selling their shares for more than they paid for them. Shareholders can also make a loss if the stock price falls.

Investing In Stocks

In Papua New Guinea, investors can buy and sell shares on the Port Moresby Stock Exchange (POMSoX) or on the Australian Stock Exchange (ASX). There are 19 companies listed on the POMSoX and more than 1000 companies on the ASX from inventors can purchase stocks. Like any other stock exchange around the globe their aim is to meet two fundamentals aims:

- To provide an avenue for companies to raise funds for growth and expansion through the issue of shares to the public.
- To provide an opportunity for investors to invest their surplus funds into productive areas of the economy through the investment in shares of publicly listed companies.

Some companies on the POMSoX are dual listed, meaning they are listed on both the POMSoX and the ASX or some other international exchange. Investors may prefer to buy/sell on one exchange or another and it is important to note the share prices are not always equal.

1. Risk on Investing in Stocks

Just like any other investments, there are risks that you have to consider when investing in stocks. Shares are not guaranteed in price, and prices can go up and down. Past performance is no indication of the future performance, and there is the risk of 100% loss on your investment. Share investing is not for everyone and you should seek advice from an expert before investing. The level of risk you might willing to accept as an investor is an important consideration before taking any step forward. These risks are categorised as follows;

If you are to invest in shares, one of the most important principles in investment is that of Diversification. The age-old say investment wisdom "do not put all your eggs in one basket" simply means to spread your risk in more than one investment. The companies listed on the stock exchange can be categorized into different group according to the economic sector they operate in. The principle risk investors take in investing in shares is that of price uncertain or the volatile nature of stocks, i.e., the sudden rise and fall of shares prices.

Low Risk:	the investor trends to prefer investment with low or no risk. He or she is more interested in pre serving the capital value of their investment than increasing its value.
Medium Risk:	the investor is willing to place reasonable emphasis on growth investment whist being aware of that these could go down in value as well as up. He or she can tolerate some fluctuations and volatility, but tend to avoid investment that may drastically in their value (either increase or decrease).
High Risk:	the investor is willing to accept a greater risk of decline in value in return for potentially high returns. He or she is prepared for the possibility of losing a large portion or all the money invested.

2. Return on investing in Stocks

You can make money from shares through capital gains, where you sell a share for more than you paid for it, and from earning income called dividends. When the company makes money, you're sometimes paid a share of the profit, called a dividend. You can choose to receive this dividend in cash, or reinvest it to buy more shares in the company. Types of risk and investment vary, just as dividend needs differ. An investor may have risk and is capable of keeping of the following objectives:

- **Capital Gain** - To achieve this objective, the investor is looking at companies, which are likely to experience growth in the medium to long term. This is not a million to one change of making a fortune but the rational assessment of selecting shares likely to experience an increase its share price. Generally, the investor seeking capital gain is prepared to take more risk and capable of keeping a watchful eye on the market.
- **Income** - investor who want income from their investment are interested in securities which give one or combination of the following:
 - A high dividend yield, made on a regular basis
 - A relatively high interest with regular payment (e.g. debt securities)
- **Security** - the stock market also provides an avenue where the investor who is interested in combination of both income and capital gain but wishes to take less risk. Investor who do not like risks can invest in companies that are stable and established ("Blue chips") with gradual growth in their investment overtime. Kina Securities Limited can recommend companies listed both on the POMSoX and the ASX that are considered relatively safe and has potential of capital gain over long term.

Kina Securities Limited

Kina Securities Limited is a registered Stockbroker acting as intermediary between you and your desired stock of Investment. Kina Securities Limited can assist you by recommending stocks that best suits your investment objective, financial situation and particular needs. Kina is constantly in touch with domestic and international financial institutions and markets and is aware of trends and changes which may influence the performance of various investments. As an established broker with over 25 years of stock broking in PNG, Kina has the experience and knowledge to provide professional investment advice. We are able to purchase and sell securities in company you nominate through both the Port Moresby Stock Exchange (POMSoX), the Australian Stock Exchange (ASX) and other international stock exchanges.

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