

INVESTMENT

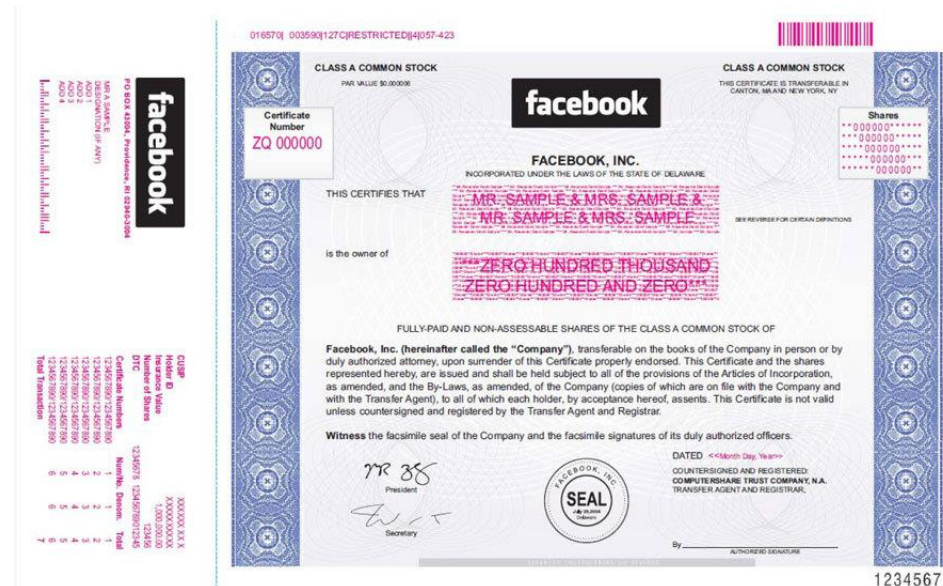
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# Investing in the stock market

The basics

# What is a stock/share?

- A stock or a share is simply a certificate that gives you a percentage of ownership of a company. If you owned 1 share in Facebook, you would own 0.000000003% of Facebook!
- This ownership entitles you to a percentage of Facebook's profits and assets, as well as entitling you to voting rights on the company's board of directors.
- Companies sell stocks to raise money.



# What is the stock market/exchange?

- The stock market is where buyers and sellers come together to trade stocks.



# Why buy stocks?

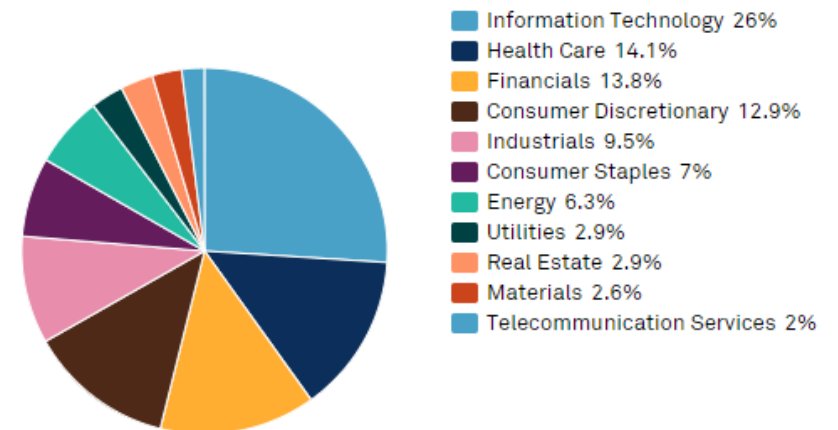
- Grow money over time.
- Protect savings from inflation.

If the value of the company you have stock in goes up, the value of your stock will go up and therefore you can sell your stock for a profit.



# Different methods of investing

- Self-invested portfolio (**what we will focus on here**)
- Individual Savings Account or ISA
- Workplace pension
- Self-invested personal pension or SIPP
- Managed fund





# Active or Passive Investing

- Active = actively choosing individual investments, such as an individual stock and deciding on when to buy and sell the stock (**what we are discussing**)
- Passive = investing in a fund which manages the investment choices for you, for example, a mutual fund such as Aberdeen Standard Equity Income Trust PLC.

# How to get started in actively investing

## What you'll need

1. Open a brokerage account - common names in the UK include, Hargreaves Lansdown, Saxo Markets, IG, Interactive Brokers, etc.
2. Deposit money into your brokerage account
3. Begin choosing and buying stocks from your broker

What is a broker?

A broker is the middle man between you and the stock market!

# How to actually purchase a stock on your brokerage

The screenshot shows a brokerage interface for Facebook Inc. (All Sessions). The interface includes a candlestick chart on the left and an order entry panel on the right. Annotations with arrows point to various elements:

- Facebook Inc (All Sessions)**: The stock being purchased.
- Deal** and **Alert**: Navigation tabs.
- BUY 250.0100**: The button to purchase the stock.
- Quantity 1 shares**: The number of shares to purchase.
- Order type Limit**: The type of order being placed.
- Order level 250.06**: The price at which the order will execute.
- Expiry Day**: The duration of the order.
- Charges US\$13.19**: The broker's commission fee.
- Consideration US\$250.06**: The total cost of the shares.
- Total cost (USD) £201.50 / US\$263.25**: The total cost including the commission.
- Preview order**: The button to confirm the order.

Annotations explaining the purchase process:

- The stock you are purchasing, choose it from a list of shares
- Buy or sell the stock
- How many shares in the company you want
- Order type specifies when you want your order to execute. In this case, a limit will execute at your specified order level
- Press buy and the shares are yours!
- The broker's commission fee (this is how they make money)
- How long you want your order to be open for. In this case, till the end of the trading day
- What price you want to buy the shares at



# Choosing what stocks to buy

## Choose your strategy

- Growth stocks – companies with substantial growth potential in the foreseeable future. Usually new companies with innovative products e.g Tesla.
- Value stocks – A stock that is undervalued based on its financial status, can provide long term profits when its true value is realized by the market.
- Income stocks – companies that provide high dividend yields (a dividend is a portion of profit paid to shareholders) e.g AT&T.

# How to find stocks in these 3 strategies?

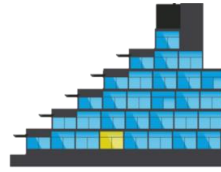
- Do your own research, read companies balance books and financial statements to find value stocks.
- Read the news to find potential growth stocks.
- Screen stocks by dividend yield to find income stocks.
- Many financial analysts and banks publish research and newsletters on the stocks they are investing in.

This will mostly come down to you reading as much financial news/information/discussion as you can get your hands on.

# Remember!

If the company you own stocks in goes down in value, your stock will go down in value and you will lose money!





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# Questions?

Feel free to email any of the fund's directors!

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