may need to decide whether the investments should be sold. Sometimes you will have to make an informed decision to take some losses on your investments rather than just hope that their performance will recover. Knowing when to sell an investment, even at a loss, is an important part of investing as well.

What are my rights as a Shareholder?

At Annual General Meetings (AGMs) of companies, that all shareholders have a right to attend, you have the opportunity to comment on management decisions and ask any question relating to company performance. All shareholders are entitled to vote on appointments to the board and also discuss and vote on resolutions regarding the company's performance and appointment of auditors. Apart from AGM, shareholders have a right to attend any other general meetings organised by the company. You also have the right to receive Annual Reports and vote on certain issues such as significant related party transactions and major corporate actions undertaken by the company.

Be patient

Don't expect to make quick gains when you buy into a new company. It takes time for such a company to grow and to start making regular profits. In fact a lot of companies make losses at first. This is planned for because of the high costs associated with setting up a company. If you buy shares in a company that is well established, then you may get a benefit quickly because it will probably already be paying out an annual dividend.

Can I sell my shares when I want to?

When you invest in companies listed on the stock exchange, you have access to a liquid market for the shares. This means that you may sell your shares at any time to realize your investment, as long as there is a willing buyer for the same shares. If you want to sell your shares you must again use the services of a licensed broker who will place your sell order on the SPSE Electronic Trading Platform.

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South Pacific Stock Exchange

SHARES: RISKS AND RETURNS

What are the benefits of investing in Shares?

Shares are a popular form of investment for the following reasons:

- **Shares can provide long term capital growth and income –** This means that investors can benefit from an increase in the value of the shares and receive dividends if the company performs well.
- **Shares are relatively easy to buy and sell –** Compared to investments like property, buying and selling shares is simple and relatively cheap, particularly if they are traded on the stock exchange. You can even sell only part of your total shareholding in a company.
- **Diversifying your investments –** Shares allow you to diversify (i.e. "don't put all your eggs in one basket") your investments and thus reduce your total investment risk. You can buy shares either directly or indirectly by investing in a unit trust, which in turn invests in shares. Whilst all investments carry the risk that they may perform poorly and not provide adequate returns to their owners, diversification can reduce risk because the markets for different investments (e.g. shares, bonds, etc) perform differently. They don't usually move upwards or downwards at the same time.
- **Tax Advantages -** The Republic of Fiji provides tax advantages for shareholders. Shareholders resident in Fiji do not pay tax on dividends received from companies listed on the SPSE. There is no capital gains tax. This means that when you sell shares, there is no tax payable on any profit you make. Stamp duty is also not payable when ownership of shares in companies listed on the SPSE is transferred.

What returns can I expect from the Stock Market?

The money a person makes from an investment is called "a return". In the case of shares, the return to shareholders can come from:

- **Dividends –** Companies pay part or all of their after-tax profits to their shareholders in the form of dividends. Companies typically pay dividends up to twice a year.
- **Interest -** Securities listed on the Fixed Interest Securities Board of the SPSE pay a fixed return in the form of interest. This includes securities which have convertible notes instruments listed.
- **Capital Growth –** If the company performs well the shares may increase in value over time, allowing you to sell them at a profit.

Importance of Dividends

In addition to the possibility of making capital gains from the increase in the value of shares, shareholders may also get paid a regular dividend. When a company is progressing well and making a good profit, the directors will often set aside an amount of money every year from its earnings to be distributed as dividends to the shareholders. Shareholders receive dividends in proportion to the number of shares they hold.

A company's record in paying dividends and the amount it pays is one way of judging its success and is one of the key factors investors' look at when deciding to buy a company's shares. However, at the same time remember that a company's past performance is no guarantee that similar dividends will be paid in the future.

Are returns guaranteed?

No, returns depend on how well the company performs. For example, a profitable company, in the long term, will tend to see its share price rise, as investors value the shares more highly, and will be able to pay out higher dividends. Conversely, a poorly performing company may see its share price fall and may be unable to pay any dividends.

Although shares are one of the best performing investments, they are also the most volatile. This means while shares may perform well in the longer term, in the short term their prices may rise and fall significantly.

While investing it is wise not to buy the shares of just one company but to invest in other companies too. This is called diversifying your investment portfolio.

What are the risks of investing in Shares?

- **Company risk –** Ultimately, the return on shares is affected by the performance of the company. A profitable company is more likely to pay dividends and generate capital gains than a loss-making company. The performance of the company is affected by the quality of its management, systems, staff and other resources.
- **Security risk –** Shares by nature are riskier than debt securities such as bonds. This is because companies are legally required to make interest and principal repayment on debt while they may choose not to pay dividends during periods of poor profitability. Because there are no legal requirements to pay dividends to shareholders, the returns on shares may be volatile.
- **Market risk –** Unexpected changes in economic, political or other conditions, which the company is subjected to, may affect share returns. For example, sustained low economic growth would tend to reduce returns on all investments, including shares.
- **Currency risk –** If you invest in shares of overseas companies, changes in exchange rates could affect your returns. For example, if you invest in Australian shares and the Australian dollar weakens relative to the Fiji dollar, your Australian dollar returns will be worth less when converted to Fiji dollars. Fiji companies with significant operations or supplies coming from overseas also face currency risk.

By owning shares in different companies, you can reduce some of these risks e.g. company risk. This is called diversification.

Are Shares the right investment for me?

In the short-term, the return on shares may fluctuate. However, in the long term, shares of well-managed companies tend to do very well. Therefore:

- Shares are generally not suited to short-term investors who are looking to fund some short-term goals, for example a holiday in one year's time. In one year, there is the risk that the share may not generate an adequate return due to short-term volatility in its share price and dividend payments.
- Shares are generally suited for long-term investors who are prepared to put up with short-term volatility in exchange for higher returns in the long-term.
- However, the suitability of shares depends on your risk-return preferences and particular circumstances. Seek professional investment advise if you are not sure. The licensed Stockbrokers and Investments Advisers can assist you.

Maintain your investment records

Keep good record systems for all the information you receive for your investments including copies of documents that you sign and any notes from conversations you have with your Stockbrokers or Investment Advisers. This may be of some use in the future.

Monitor your Investments regularly

You should pay careful attention to market announcements, read newspapers and business magazines, stockbroker reports and company Annual Reports to find the latest information on your investments. You can also visit the SPSE website for the latest market information. The SPSE website contains comprehensive information on investing in the local stock market with regular updates on additional investing information.

Cut your losses

Ensure that the investments are performing to your satisfaction and, if they aren't, you