

# Investors' Education



**FIRST NATIONAL EQUITIES LIMITED**

KATS CODE: FNEL

website: [www.fnetrade.com](http://www.fnetrade.com)

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## Investments Modes

- o Capital Markets
- o Precious metals and Stones,
- o Real Estate
- o Business Enterprises (and Greenfield projects)
- o Antiques, valuable works of art etc.



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# Capital Markets

**Primary Significance:** a mean to raise capital through equity and debt issues

## **Investment options in capital markets:**

- Equity (shares) of listed companies (direct or through mutual funds)
- Fixed Income (debt) Instruments
  - ✍ Government bonds
  - ✍ Corporate bonds (TFCs) issued by companies
  - ✍ Banks Deposits
  - ✍ National Saving Schemes

# Equity v/s Debt Investments

	<b>Equity</b>	<b>Debt</b>
<b>Ownership in Company</b>	Yes	No
<b>Nature of Return</b>	Variable, depends on distribution of profits and share price appreciation in stock markets	Fixed or Floating Interest Rate
<b>Voting Rights</b>	Yes	No
<b>Liquidation Rights</b>	After debt holders and all other claims	Priority over equity holders

# How to Invest in Equities?

## **There are two common ways to invest in equities:**

- Direct Investment in equity securities through stock brokers (*with the help of fundamental and technical research*), which then execute clients orders on the stock exchange trading floor (KATS). Stock brokers charge commission on each buy or sell transaction and arrange funds for facilitating leverage positions of clients.
- Through Mutual Funds. Mutual Funds pool funds of small investors and institutions to make investments in significantly large number of stocks. Mutual Funds charge the fund management fee (usually 2.5% of funds under management) and an optional liquidity premium on withdrawal of funds.

# What is Stock Exchange?

- o An organized marketplace where securities (shares) are bought and sold. Example: Karachi Stock Exchange (KSE) and BSE India.
- o The trading floor (KATS) shows all available buyers and sellers during specified market timings. Buy and sell orders execution is done through matching bids and offers like any other market place.
- o Demand and supply determines the price of securities. Execution at a unified trading floor generates large volumes that ensures liquidity and price efficiency in the market.

# Significance of Stock Exchanges

- o Barometer of the Economic Progress
- o Raising Capital for Businesses (Greenfield projects & expansions)
- o Provide an organized marketplace for trade of securities
- o Helps in reducing income disparity through creating Investment Opportunities for Small Investors
- o Improving Corporate Governance and Accountability through applying accounting standards and other disclosure requirements
- o Government Raises Capital for Development Projects

# Risk Associated with Equity Investments

- o **Price Volatility Risk:** Change in economic indicators, industry business cycles and the company specific developments can influence the market price of equity investments.
- o **Liquidity Risk:** Despite the presence of single trading floor, some securities are unable to generate significant trading volumes due to various reasons – like small free-float, management concerns etc. Buy (or sell) orders require large premium (or discount) from the market price for successful execution in less liquid securities.
- o **Market Sentiment:** Any change in market sentiment due to political or economic uncertainty could bring down share valuations.
- o **Threat of Change in Regulations:** The government and the regulator have rights to change regulations governing market and imposition of taxes.
- o **Brokers' Default:** In the case of the broker's default, there can be large delays in claims settlements. However, emergence of large brokerage houses is the comfort factor for prospective investors in equity markets.

# Risk Mitigation

- Investors must have the financial flexibility to hold long-term investments
- Investors should not invest all funds in equities
- Investors should not take exposure just in a single sector or stock. It is better to diversify investments across various sectors and stocks
- Take professional help in the form of research for evaluating the economic scenario and valuation of a share
- Use professional guidance in evaluating the impact of changing economic, sector and stock specific business circumstances.
- Be aware of impact of political risk and mismanagement issues
- Select the listed brokerage house with the strong balance sheet.

## Comparative Return Statistics

**KSE-100 is a total return index. Thus, there is no need to add dividend payouts in its historical returns.**

	<b>KSE-100 Return</b>	<b>Return on bank deposits</b>	<b>Defense Savings Certificates</b>	<b>Special Savings Certificate</b>
FY'01	-12.1%	4.4%	15.0%	12.7%
FY'02	32.4%	3.4%	14.1%	12.7%
FY'03	92.2%	1.5%	10.3%	8.7%
FY'04	55.2%	1.2%	8.0%	7.3%
FY'05	42.5%	1.9%	8.2%	7.0%
FY'06	32.8%	2.6%	9.5%	8.4%

# How to Invest in Equities

- Open an Account with FNEL
  - Read and Accept our terms and conditions given on the account opening form
  - Forms can be obtained through our registered branches, sales desk representatives or through requesting a copy through our website [www.fnetrade.com](http://www.fnetrade.com)
  - Submit a filled account opening form (Individual or Joint) to any of our registered branches
- Attach Cheque/Pay order/demand draft with application. Our designated customer care department will review the form which follows a simultaneous issue of the receipt.

Start Investing within two working days of the submission of the account opening form, through the designated sales desk personnel or **the state of art online trading system (coming soon)**.

# FNE Branch Network

## Corporate Office

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## Peshawar

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## Lahore

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## Abottabad

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