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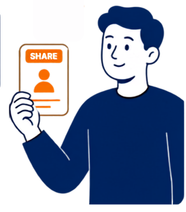
money matters made simple

Shares 101: What you own, earn, and risk



A company offers its shares to investors to raise money to grow its business, acquire new assets or to remain solvent.
When you buy a company's shares, you become a small owner of the company.



OWNERSHIP · RETURNS · RISK · RESPONSIBILITY

Investing in a company means you believe it will grow

WHY COMPANIES ISSUE SHARES
Companies issue shares for growth, assets, or debt repayment

YOUR STAKE


What you hold out of the total shares issued determines your potential returns

DIVIDENDS
Some companies pay shareholders dividends from their profit, usually once or twice yearly

CAPITAL GAIN / LOSS
Shareholders can choose to sell when prices rise (to pocket profits) or fall (to curb losses)

Types of shares you could consider, depending on your strategy

MARKET CAPITALISATION

Market cap = share price × total shares in issue

SHARE PRICE × TOTAL SHARES IN ISSUE = MARKET CAP

LARGE CAPS	Huge companies that generally grows slower but are more stable
MID CAPS	Growing companies with potential to expand further, but with moderate volatility
SMALL CAPS	Young companies with highest potential for rapid growth but most volatile

Size boundaries vary by market and shift over time

BLUE CHIPS
Big companies with strong track records; not risk-free

GROWTH STOCKS
Faster expected growth, but also higher risk

CYCLICALS
Earnings move closely with the broader economy; more volatile, e.g. retail, hotels

DEFENSIVES
Stable earnings regardless of economic conditions, e.g. healthcare, utilities

Share prices may be hit if the company performs badly or has financial woes

IF A COMPANY FAILS

Banks, bondholders, suppliers, and employees are paid before shareholders

BANKS · BONDHOLDERS · SUPPLIERS · EMPLOYEES

SHAREHOLDERS (LAST)

If nothing remains, you could lose your entire investment.

ECONOMIES · INDUSTRIES · COMPANY NEWS → Prices move with economies, industries, and company news

Key info on corporate actions for investors

In a rights issues, the company you are investing in lets shareholders buy new shares, usually at a discount

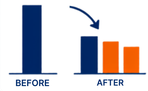


EXISTING SHAREHOLDER · RIGHT TO BUY · DEADLINE

What you are offered is in proportion to your current holding

Missing the deadline can dilute your ownership

More shares can reduce Earnings Per Share



Evaluate what the extra shares mean for company's prospects



Trading halts or suspensions stop exchange buying and selling

Read IPO prospectus; high interest does not guarantee long-term value



Before buying, run these checks

READY
- Can your finances handle a substantial investment loss?
- Can you monitor disclosures and corporate actions on time?

AVOID
- Avoid hype, social posts, and tips
- Avoid oversized positions in one company or sector

DO NEXT
1. Study how the company makes money
2. Read annual reports and latest financial results
3. Check portfolio fit, then set SGX alerts

Share investing may not be for everyone. Potentially higher returns come with risks.

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