

HOW TO INVEST ON THE JSE



JOHANNESBURG STOCK EXCHANGE

»»» The Johannesburg Stock Exchange (JSE)

When gold was discovered in South Africa in 1886, it quickly became apparent that a stock exchange was needed to raise money for the booming South African mining and financial industry. Thus, in 1887 the Johannesburg Stock Exchange (JSE) was born.

The JSE has a rich history of over 120 years and is South Africa's only full service securities exchange.

We allow buyers and sellers to trade in five different markets: equities (shares/stocks), equity derivatives, commodity derivatives, currency derivatives and interest rate products.

The JSE has moved from the traditional 'outcry' floor-based trading to make way for modern fully electronic trading, clearing and settlement. So with online trading access available to anyone or your stockbroker only a phone call away, investing on the JSE is quicker, easier and more accessible than ever before.

The JSE is also a major provider of financial information.





What investment opportunities does the JSE offer?

The JSE offers a range of products across many markets. This brochure specifically deals with the investment opportunities in the Equity Market.

The total number of listed securities on the JSE Equity Market includes approximately 460 equities (shares/stocks), 500 warrants and over 20 Exchange Traded Funds (ETFs).

Shares

The JSE offers investors 2 ways of investing in shares on the exchange:

- » Firstly, by buying the newly listed company's share (an Initial Public Offering). The company uses the money received from selling these shares to develop their business.
- » Secondly, by buying a company's shares at a lower price and then selling them at a higher price you make a profit. This process is known as secondary trading.

These investors are shareholders and therefore gain benefit when companies pay out part of their profits (dividends) to its shareholders.

A company may issue various types of shares. One of these that the investor can invest in is an ordinary share. An ordinary share is a security that represents a portion of ownership in a company and gives the shareholder the following advantages:

- Part ownership of the company;
- Regulation by the JSE and the Financial Services Board (FSB);
- Additional cash flows (dividends) in the form of company profits paid to its shareholders;
- Voting on company issues at these companies' Annual General Meetings (AGMs).
- The possibility of a high return (profit) as investing in shares carries high risk.

The price of a share is dependent on a number of factors:

- If there are more investors willing to buy a particular company's share (demand) than there are investors willing to sell that company share (supply), the price of the share will increase.
- The opposite is also true. When supply is greater than demand the share price will drop.
- Economical and political events.
- News relevant to the company.



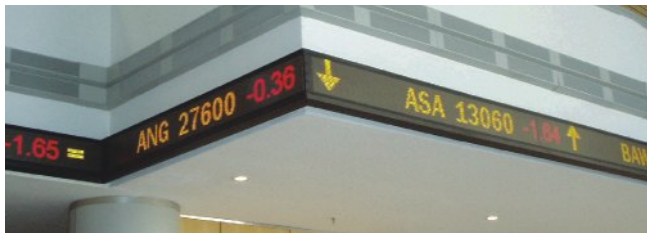


Exchange Traded Funds (ETFs)

An ETF is a listed investment product which tracks the performance of a basket of shares, bonds or a single commodity. An ETF can also be bought and sold just like an ordinary share.

It has the following advantages:

- Buying one ETF gives you exposure to a whole range of company shares, bonds or a single commodity.
- Regulation by the JSE and the Financial Services Board (FSB).
- Most ETFs pay cash flows (dividends) and therefore it adds to your income.
- Most ETFs are exempt from Securities Transfer Tax (STT).
- The price of an ETF is also affected by demand and supply as is the case with the price of an ordinary share.



Warrants

A warrant is a listed investment product that gives the holder the right but not the obligation to purchase (or sell) securities (shares or currency) for a predetermined price, within a certain time frame. A warrant can also be bought and sold just like an ordinary share.

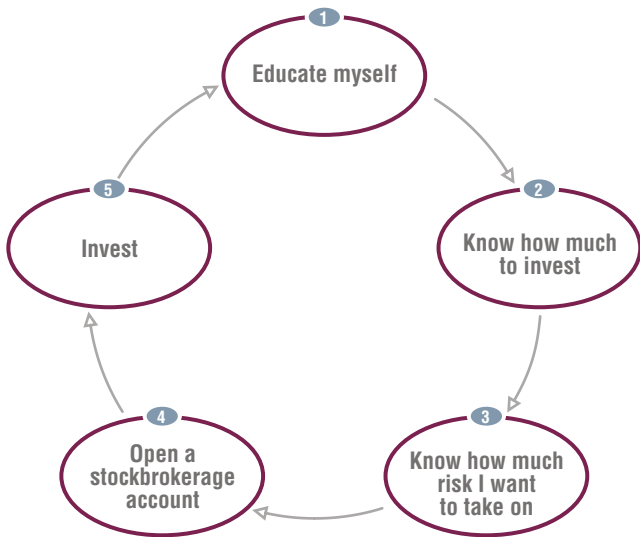
It has the following advantages:

- Regulation by the JSE and the FSB.
- The cost of trading in warrants is less than trading directly in its underlying (shares or currency). However, remember that the risk is also higher because you are exposed to leverage. Leverage means that your potential gain or loss from the investment is amplified.





How do I start investing on the JSE Equity Market?



» **Educate yourself about the different investment options available and how the JSE operates:**

- Read financial literature (newspapers, magazines etc).
- Speak to financial experts for additional advice.

» How much money do I want to invest?

- Only invest the money that you can afford to live without for a long period (e.g. 5 years). Your investment needs time to grow.

» How much risk do I want to take on?

- Risk is the possibility of losing part or all of your initial investment or the likelihood of making a profit that is less than what you anticipated.
- Different securities or products have different levels of risk. Low risk securities will generally not give you high profits, but high risk securities generally do.
- Securities that are regarded as low risk securities include:
 - Cash in a bank or money market account that earns interest;
 - Government bonds (an interest-paying debt instrument issued by the government with a redemption date of one year or more after its issuance);
 - ETFs (even though similar to shares).
- Investments into shares, warrants, derivatives and corporate bonds are regarded as high risk investments. However an ETF (although traded as an ordinary share) offers a reduced risk as your risk is spread evenly. With an ETF you are not investing in only a single share, bond or single commodity but in a variety or basket of shares, bonds or commodities.





» How do I minimise my risk?

- Be sure not to invest your money in only one security but rather invest in a variety of securities. This process is called diversifying. By diversifying you spread your risk across a range of sectors, companies and products. A loss in one security can be reduced by the profit in another security.
- Broaden your knowledge by regularly reading financial literature, attending financial courses and seeking qualified investment advice.
- Only invest the money that you feel you can afford to lose.

» What is a stockbroker?

A well qualified person who buys and sells securities and offers investment advice to investors. Investors, who are not stockbrokers, must make use of a stockbroker's services to invest on the JSE.

However, when investors want to buy or sell ETFs they can contact ETF providers and need not make use of a stockbroker's services.

Stockbrokerage companies offer many services to investors. In addition to the buying and selling on the JSE many offer online facilities that allow you to buy and sell securities at your own leisure. In order to invest on the JSE you would need to open a stockbrokerage account with an authorised JSE stockbroker.

» How do I open a stockbrokerage account?

- Contact any stockbrokerage company (for a list of brokers focused on individual investors visit www.jse.co.za/em/brokers).
- Provide all necessary FICA documents.

The upside and downside of investing on the JSE Equity Market

» What do I have to gain?

- In the **long term**, share prices generally increase and investors can sell them for more than what they had paid for them.
- Investors can receive income (dividends) from the companies who pay a portion of their profits to their shareholders.

» What should I consider?

- Investing in shares is riskier than keeping your money in bank deposits – share prices go up AND down.
- Unexpected happenings in the economy or in a particular company may result in share prices suddenly increasing or decreasing.
- Although stockbroker advice is a very important tool in investing, the final investment decision lies with you.





- Buying and selling securities on the JSE involves certain fees:
 - Brokerage fees (varies between stockbrokerages);
 - Strate fees (settlement fees) and Investor Protection Levies (IPL);
 - Custodian or administrative fees;
 - VAT where applicable;
 - Securities Transfer Tax (STT);
 - Capital Gains Tax (on the profit made when you sell your security).

For further information on investing as well as the other exciting products on offer for potential investors and a glossary of financial terminology, please write to us: info@jse.co.za, speak to us: 011 520 7000 or visit our website www.jse.co.za.

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