

Shares made easy



JOHANNESBURG STOCK EXCHANGE
Equity Market

What are shares?

- If you own a share, you own a portion of a company. In the same way you can see your ownership of a company as a slice of pie, cut out of a bigger pie.
- Someone who owns one or more shares is called a **shareholder**.
- Shareholders may receive cash flows (**dividends**) if a company's board of directors declare that the company has performed well and has enough profit to distribute to its shareholders.
- A share in the company gives you the **right to vote** on decisions affecting the company.
- You can also call a share, '**equity**' or '**stock**'.



Why do companies sell their shares?

- The newly listed company lists its shares to make it available to the public. This is known as an **Initial Public Offering (IPO)**.
- The company uses the money received from selling these shares to **develop and grow their business**. This is another way, other than obtaining a loan, for a business to expand.
- This process is also known as **primary trading**.
- Also, when listing its shares, a company gains **public awareness** and its brand becomes more well known. This in turn will make new investors aware of the company and its performance and therefore will also be more inclined to invest in a company that they are familiar with.



Why invest in shares?

- As a shareholder you receive the following monetary **benefits**:
- **Capital growth** – this means that when buying a company's shares at a lower price and then selling them at a higher price, you make a profit.
- **Cash flows** (dividends) – this means that when the company performs well and has enough profit, it will reward its shareholders and payout a portion of it to its shareholders.



Rights of shareholders

- As a shareholder, you receive certain **rights**:
 - **Right to a dividend** once declared – however as an ordinary shareholder, this isn't always guaranteed. Preference shareholders, usually always receive dividends.
 - **Right to attend meetings and vote** – your vote allows you to participate in important company decisions. You are generally required to attend the Annual General Meeting, but you may send someone in your place.
 - **Right to receive company information** – you will always be kept in the loop regarding the financial state of the company, be it via financial statements or market alerts.
 - **Pre-emptive right to acquire additional shares** – you have the right to obtain newly listed shares issued by the company.

Where do I keep my shares?



- Many years ago company shares were issued to its shareholders as paper certificates.
- Luckily, should you have or know of anyone that still has paper certificates, you can have them **dematerialized** or converted into electronic format.
- Today, individual investors keep their cash and shares (in electronic format) with a stockbroker, who appoints a Central Securities Depository Participant (usually a bank) to interact with the Central Securities Depository (Strate).
- Strate allows for all share transactions to be done electronically.
- Only once shares are in electronic format, can they be bought and sold.
- The trade (transaction) occurs (day T) and **5 days later, the buyer receives his/her shares** and the **seller receives his/her money**.



Listed vs. Unlisted Shares

- Listed shares offer the shareholders benefits that are not available to investors that own unlisted shares:
 - **Fair valuation** – the share price of a company's shares are determined in a market ruled by demand and supply. Therefore, the share price is a fair price.
 - **Liquidity** – listed shares are quicker to buy and sell
 - **Enhanced regulation** – listed companies need to follow very strict listing requirements, therefore listed companies are generally of a high quality and are closely observed for any wrong doing.



How do I gain access to the stock market?

- To buy or sell shares on the Johannesburg Stock Exchange (JSE) you need to open a **brokerage account** with a [stockbroker](#).
- To find out how to open a brokerage account, click [here](#).
- **Online share trading** or **simply phoning** your stockbroker will allow you to invest on the stock market.
- Buying and selling ETFs does **not** require a brokerage account. You can contact the ETF provider directly to invest in these investment products.
- However, owning a brokerage account allows you to invest in **all kinds** of investment products, not only ETFs.



What services does a stockbroker offer me?

- Stockbrokers also offer different types of **services** to help you manage your investments:
 - **Discretionary** – all investment decisions are made by the stockbroker without checking with you, but is made inline with an agreed objective.
 - **Non-discretionary** – all investment decisions are made by you, after the stockbroker has given the necessary advice.
- Stockbrokers can also offer:
 - Advice, trading tips, online share trading, share price data, economic and fundamental company research reports, educational courses and guides.



How does trading happen?

- An investor decides to **purchase** a particular company's shares.
- The investor either lets his stockbroker know via email, phone or makes use of online share trading where he/she enters a **price** at which he wants to **buy** the shares as well as how **many shares** need to be bought.
- This is known as a **BUY ORDER**
- At the same time another investor wants to **sell** his company shares.
- The investor either lets his stockbroker know at what **price** he wants to **sell** his shares as well as how **many shares** need to be sold.
- This is known as a **SELL ORDER**
- **Both orders** are entered into the market by each respective stockbroker.
- The orders **MATCH** in the trading engine and a **trade** or transaction occurs.
- The buyer receives the shares and the seller receives the money.



So what happened?

The Share...and many others



SASOL
reaching new frontiers



SASOL
reaching new frontiers



Buyer



Through
a
stockbroker



Seller



At the best agreed price