CRAIGS®
INVESTMENT PARTNERS

Investor Basics

Investing in Shares

NZX Firm

INTRODUCTORY GUIDE

Investor Basics

Investing in Shares

Contents

Topic 1:
What are shares?

There are many ways in which you can invest, and one of them is in companies. Companies come in all shapes and sizes, from small 'one-man bands' through to large enterprises.

There are two types of companies;

1 **Private**

2 **Public**

Private companies

Private companies are privately owned, and any expenses or business development is funded by the private owners.

Public companies

Public companies are owned by a number of investors, called shareholders.

When you buy a share in a company you are effectively becoming a part owner and have a stake in that company. The business will be able to use your money to fund developments, such as business expansions into new markets or building new factories.

In return for investing in the company, shareholders can receive a share of the profits, known as dividends. Investors can also share in the increased value of the company the more successful it becomes (through capital growth), or conversely the decreased value for under-performance.

As you have purchased a part of the company and are a shareholder, you will automatically have an interest in all aspects of the business including their assets (e.g. the land and buildings they own) and how it is run. As a shareholder you have a number of entitlements such as being able to vote at company meetings.

Shares (also referred to as stocks or equities) for public companies are usually bought and sold through a stock market exchange. The market to buy shares in New Zealand's best known companies is called NZSX. The Australian Exchange is called the ASX but there are also many other exchanges (markets) around the world. These stockmarkets act as the exchange for shares, pairing up buyers and sellers. The companies that are bought and sold here are called 'publicly listed' companies.

Investors can also buy shares in publicly unlisted companies. These are usually companies which are too small to qualify for a stock exchange listing. Since they are not listed on an exchange, they are not covered by the same regulation and compliance as listed companies. These companies are also less liquid. Liquidity is a term which refers to how easily and quickly you can buy or sell your shares (or other investments).

For more general investing information please read the 'Overview of Investing' booklet.

Examples of Private Companies

Family Farm

Trade Business
Eg: Builders, Electricians

Retail Store

Examples of Public Companies

Auckland International Airport / Genesis Energy

Commonwealth Bank

3M / Johnson & Johnson