

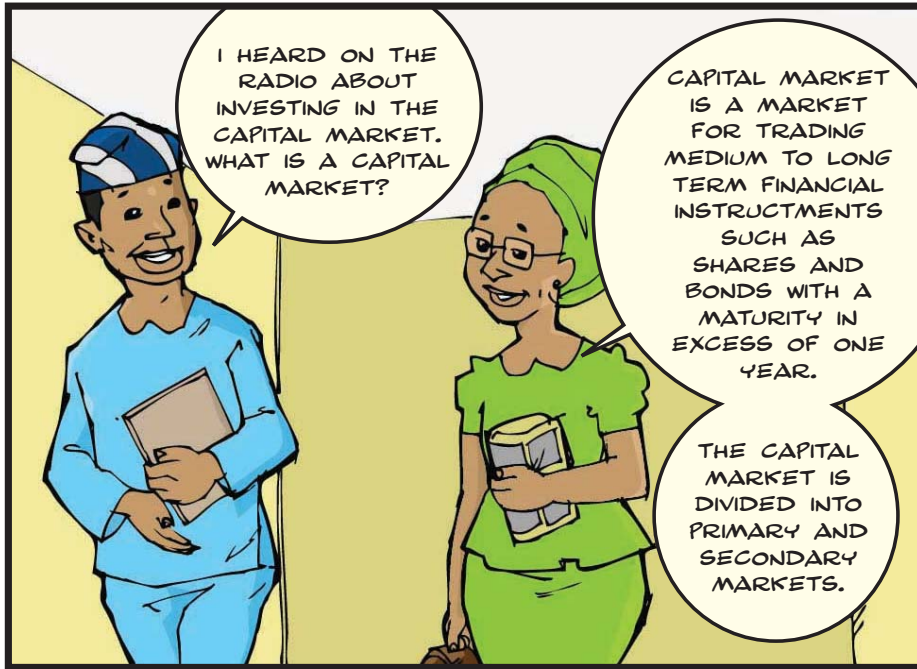
THIS BOOKLET IS  
NOT FOR  
SALE

# We invest in Shares

A guide to investing in  
the Nigerian Capital Market :  
Buying and Selling of Shares



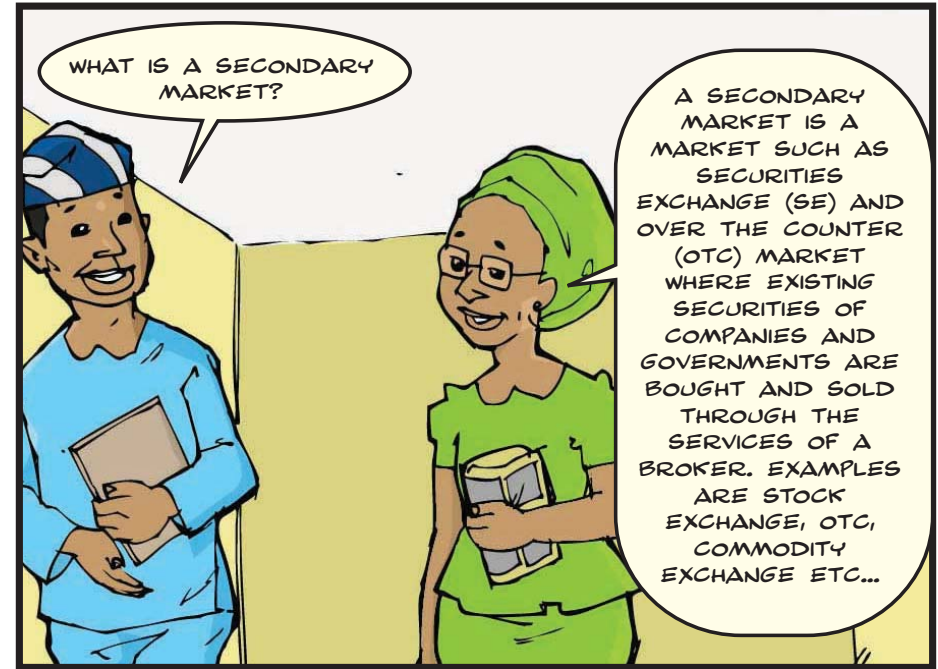
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I HEARD ON THE RADIO ABOUT INVESTING IN THE CAPITAL MARKET. WHAT IS A CAPITAL MARKET?

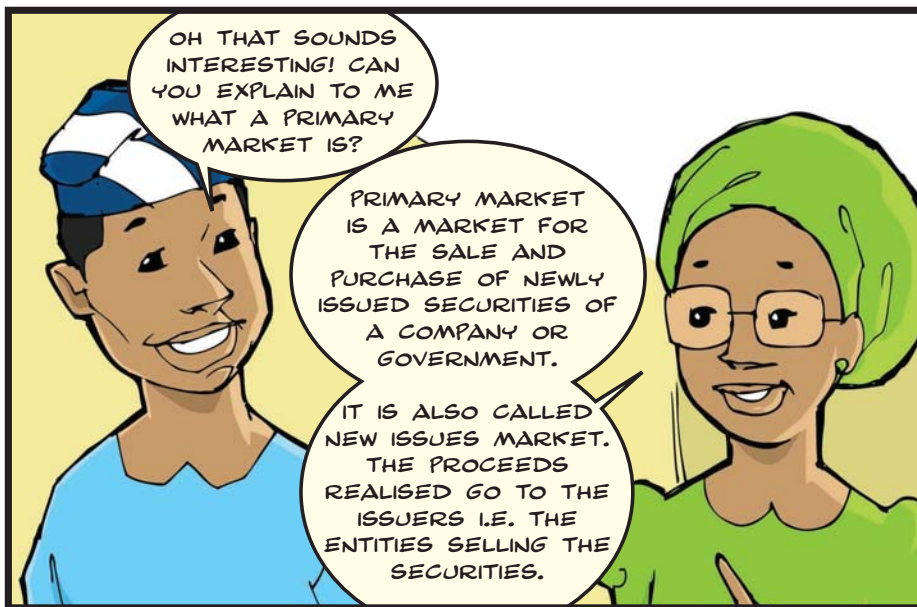
CAPITAL MARKET IS A MARKET FOR TRADING MEDIUM TO LONG TERM FINANCIAL INSTRUMENTS SUCH AS SHARES AND BONDS WITH A MATURITY IN EXCESS OF ONE YEAR.

THE CAPITAL MARKET IS DIVIDED INTO PRIMARY AND SECONDARY MARKETS.



WHAT IS A SECONDARY MARKET?

A SECONDARY MARKET IS A MARKET SUCH AS SECURITIES EXCHANGE (SE) AND OVER THE COUNTER (OTC) MARKET WHERE EXISTING SECURITIES OF COMPANIES AND GOVERNMENTS ARE BOUGHT AND SOLD THROUGH THE SERVICES OF A BROKER. EXAMPLES ARE STOCK EXCHANGE, OTC, COMMODITY EXCHANGE ETC...



OH THAT SOUNDS INTERESTING! CAN YOU EXPLAIN TO ME WHAT A PRIMARY MARKET IS?

PRIMARY MARKET IS A MARKET FOR THE SALE AND PURCHASE OF NEWLY ISSUED SECURITIES OF A COMPANY OR GOVERNMENT.

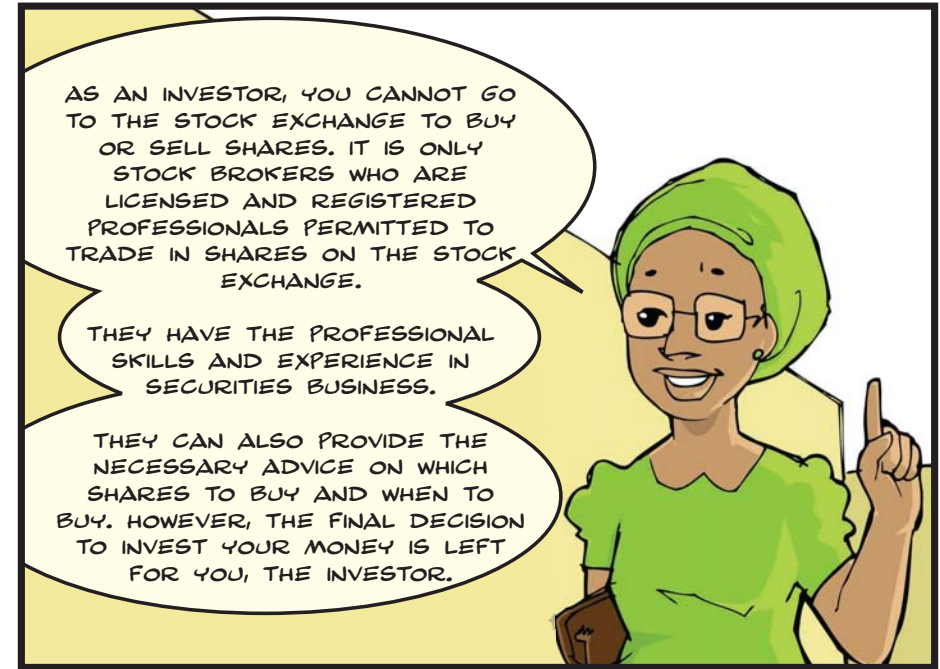
IT IS ALSO CALLED NEW ISSUES MARKET. THE PROCEEDS REALISED GO TO THE ISSUERS I.E. THE ENTITIES SELLING THE SECURITIES.



...THE PROCEEDS OF THE SALE GO TO THE SELLING INVESTOR. THE SECONDARY MARKET PROVIDES LIQUIDITY TO INVESTORS BY ENSURING EASY CONVERSION OF THEIR SECURITIES INTO CASH.



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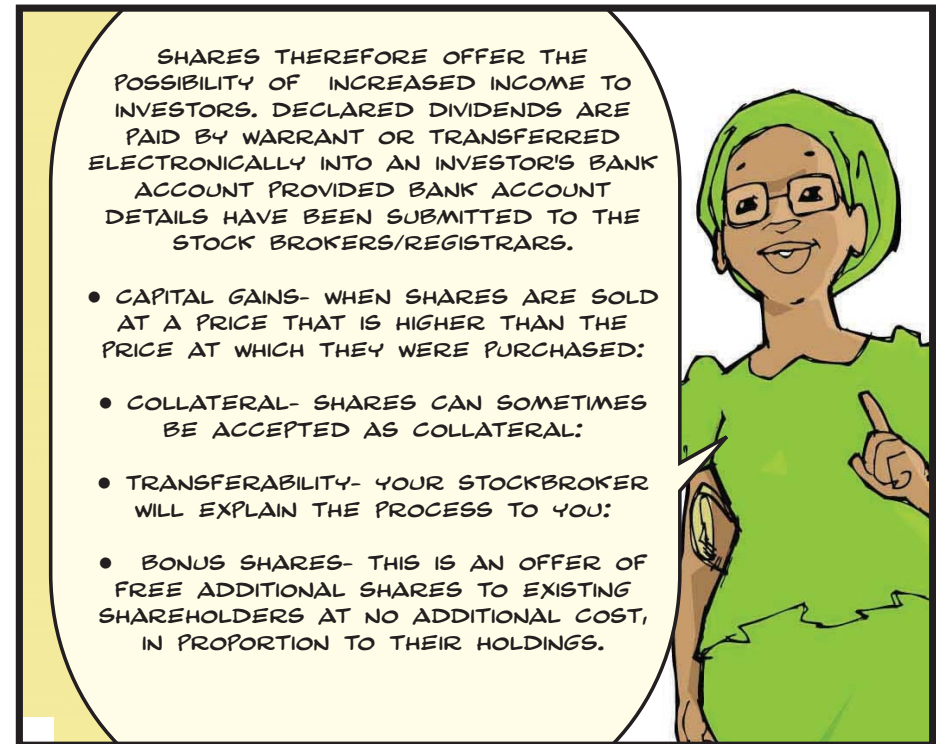


WHAT ARE THE BENEFITS OF INVESTING IN SHARES?

THERE ARE SEVERAL BENEFITS THAT COME WITH OWNING SHARES. THESE INCLUDE:

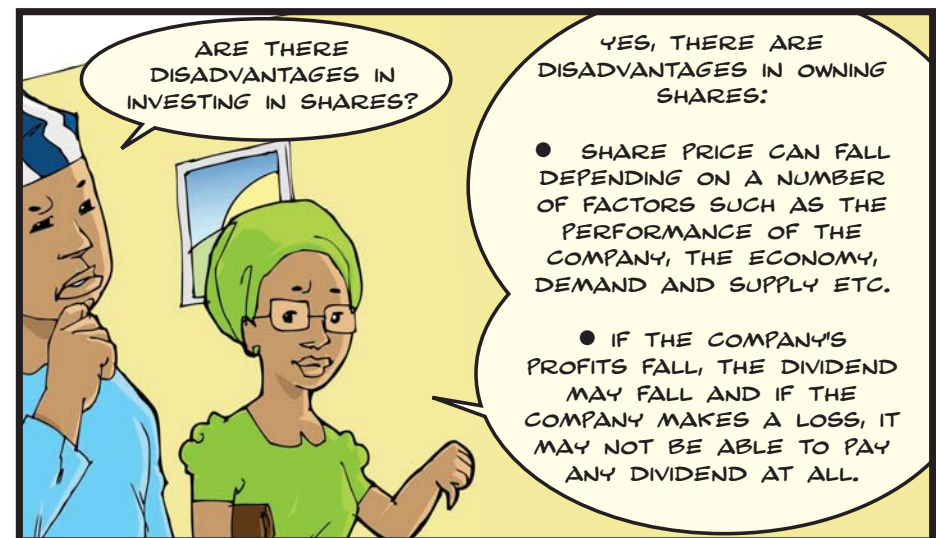
- DIVIDENDS- WHEN COMPANIES MAKE PROFIT, THE BOARD OF DIRECTORS MAY GIVE A PERCENTAGE OF THE PROFIT TO ITS SHAREHOLDERS. THIS IS KNOWN AS DIVIDEND.

IN OTHER CASES, THE DIRECTORS CAN PROPOSE TO RETAIN THE PROFIT IN THE COMPANY (RETAINED EARNINGS) IN ORDER TO INCREASE ITS CAPITAL OR INTEREST.



SHARES THEREFORE OFFER THE POSSIBILITY OF INCREASED INCOME TO INVESTORS. DECLARED DIVIDENDS ARE PAID BY WARRANT OR TRANSFERRED ELECTRONICALLY INTO AN INVESTOR'S BANK ACCOUNT PROVIDED BANK ACCOUNT DETAILS HAVE BEEN SUBMITTED TO THE STOCK BROKERS/REGISTRARS.

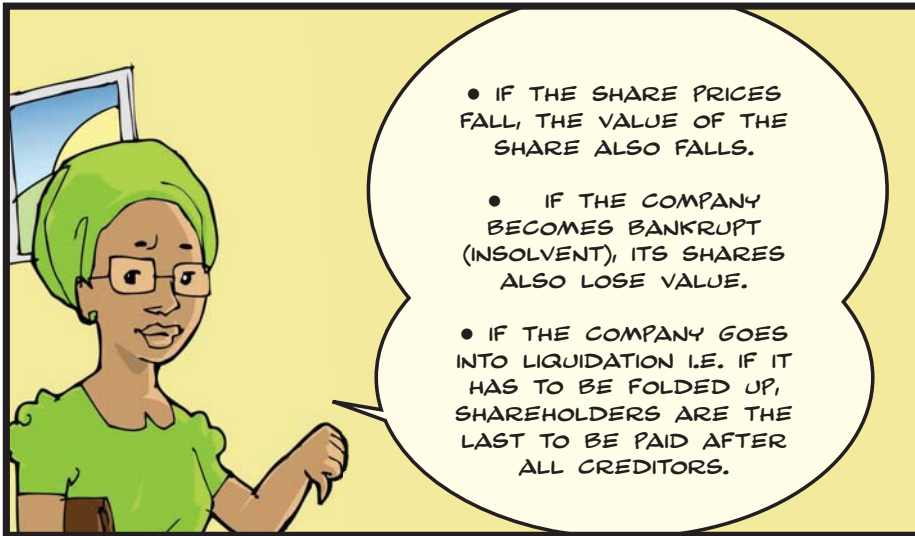
- CAPITAL GAINS- WHEN SHARES ARE SOLD AT A PRICE THAT IS HIGHER THAN THE PRICE AT WHICH THEY WERE PURCHASED:
- COLLATERAL- SHARES CAN SOMETIMES BE ACCEPTED AS COLLATERAL:
- TRANSFERABILITY- YOUR STOCKBROKER WILL EXPLAIN THE PROCESS TO YOU:
- BONUS SHARES- THIS IS AN OFFER OF FREE ADDITIONAL SHARES TO EXISTING SHAREHOLDERS AT NO ADDITIONAL COST, IN PROPORTION TO THEIR HOLDINGS.



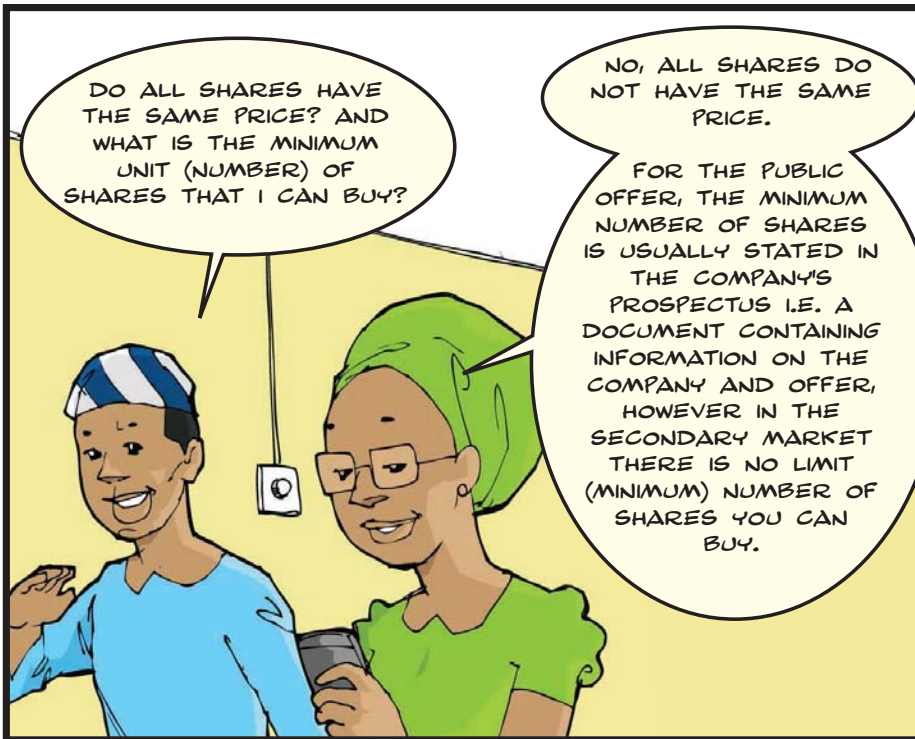
ARE THERE DISADVANTAGES IN INVESTING IN SHARES?

YES, THERE ARE DISADVANTAGES IN OWNING SHARES:

- SHARE PRICE CAN FALL DEPENDING ON A NUMBER OF FACTORS SUCH AS THE PERFORMANCE OF THE COMPANY, THE ECONOMY, DEMAND AND SUPPLY ETC.
- IF THE COMPANY'S PROFITS FALL, THE DIVIDEND MAY FALL AND IF THE COMPANY MAKES A LOSS, IT MAY NOT BE ABLE TO PAY ANY DIVIDEND AT ALL.



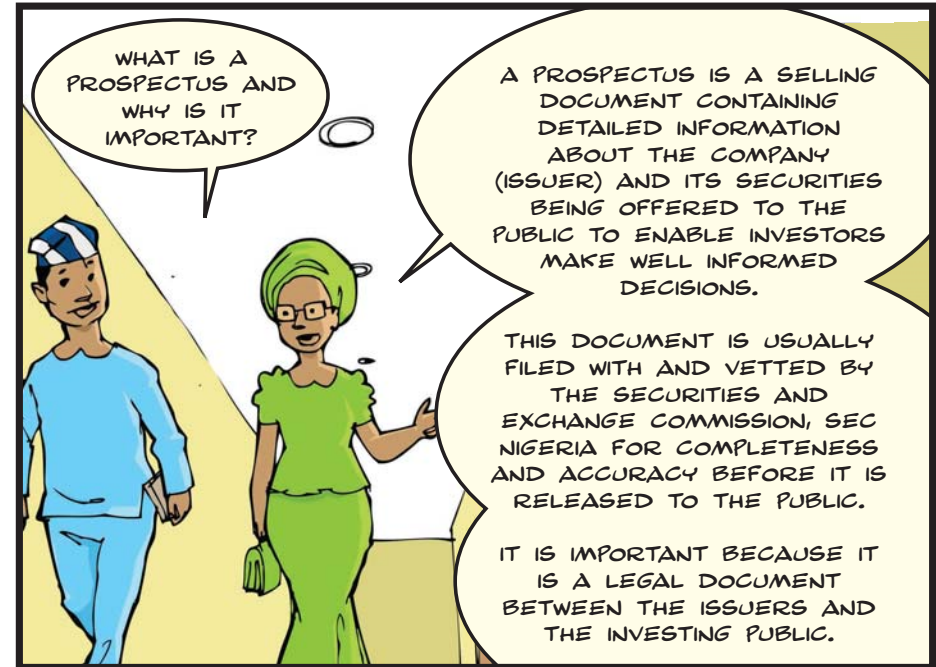
- IF THE SHARE PRICES FALL, THE VALUE OF THE SHARE ALSO FALLS.
- IF THE COMPANY BECOMES BANKRUPT (INSOLVENT), ITS SHARES ALSO LOSE VALUE.
- IF THE COMPANY GOES INTO LIQUIDATION I.E. IF IT HAS TO BE FOLDED UP, SHAREHOLDERS ARE THE LAST TO BE PAID AFTER ALL CREDITORS.



DO ALL SHARES HAVE THE SAME PRICE? AND WHAT IS THE MINIMUM UNIT (NUMBER) OF SHARES THAT I CAN BUY?

NO, ALL SHARES DO NOT HAVE THE SAME PRICE.

FOR THE PUBLIC OFFER, THE MINIMUM NUMBER OF SHARES IS USUALLY STATED IN THE COMPANY'S PROSPECTUS I.E. A DOCUMENT CONTAINING INFORMATION ON THE COMPANY AND OFFER, HOWEVER IN THE SECONDARY MARKET THERE IS NO LIMIT (MINIMUM) NUMBER OF SHARES YOU CAN BUY.

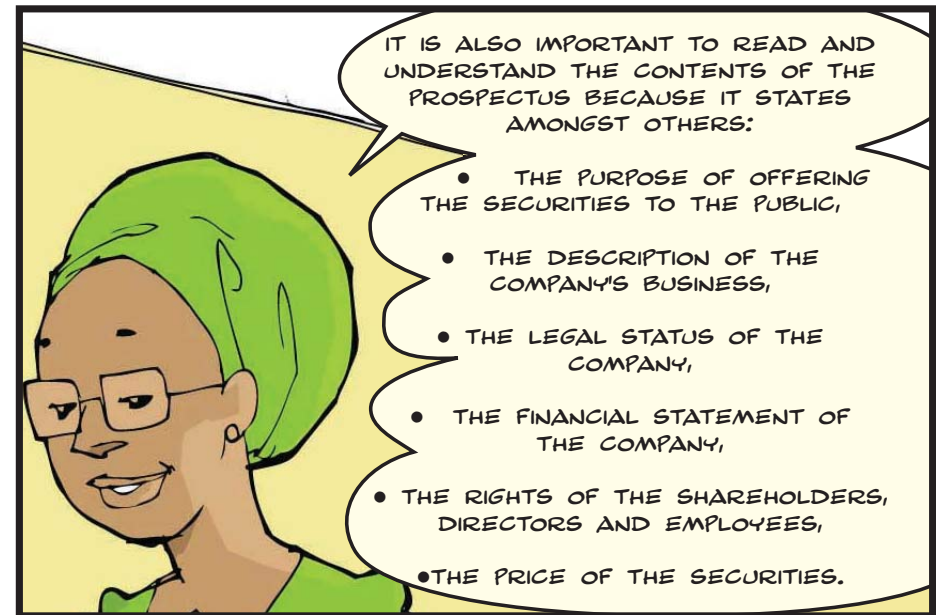


WHAT IS A PROSPECTUS AND WHY IS IT IMPORTANT?

A PROSPECTUS IS A SELLING DOCUMENT CONTAINING DETAILED INFORMATION ABOUT THE COMPANY (ISSUER) AND ITS SECURITIES BEING OFFERED TO THE PUBLIC TO ENABLE INVESTORS MAKE WELL INFORMED DECISIONS.

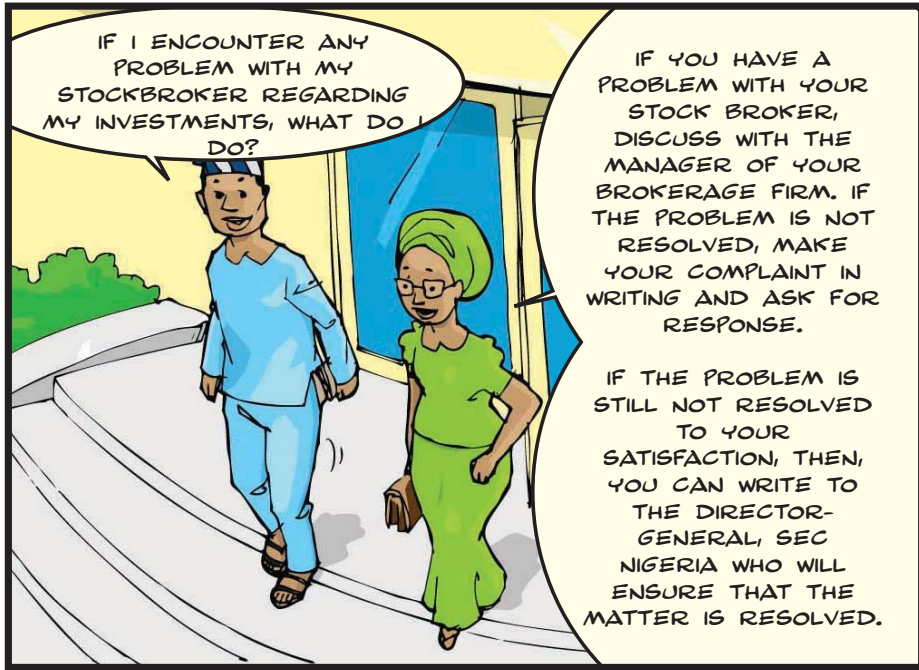
THIS DOCUMENT IS USUALLY FILED WITH AND VETTED BY THE SECURITIES AND EXCHANGE COMMISSION, SEC NIGERIA FOR COMPLETENESS AND ACCURACY BEFORE IT IS RELEASED TO THE PUBLIC.

IT IS IMPORTANT BECAUSE IT IS A LEGAL DOCUMENT BETWEEN THE ISSUERS AND THE INVESTING PUBLIC.



IT IS ALSO IMPORTANT TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS BECAUSE IT STATES AMONGST OTHERS:

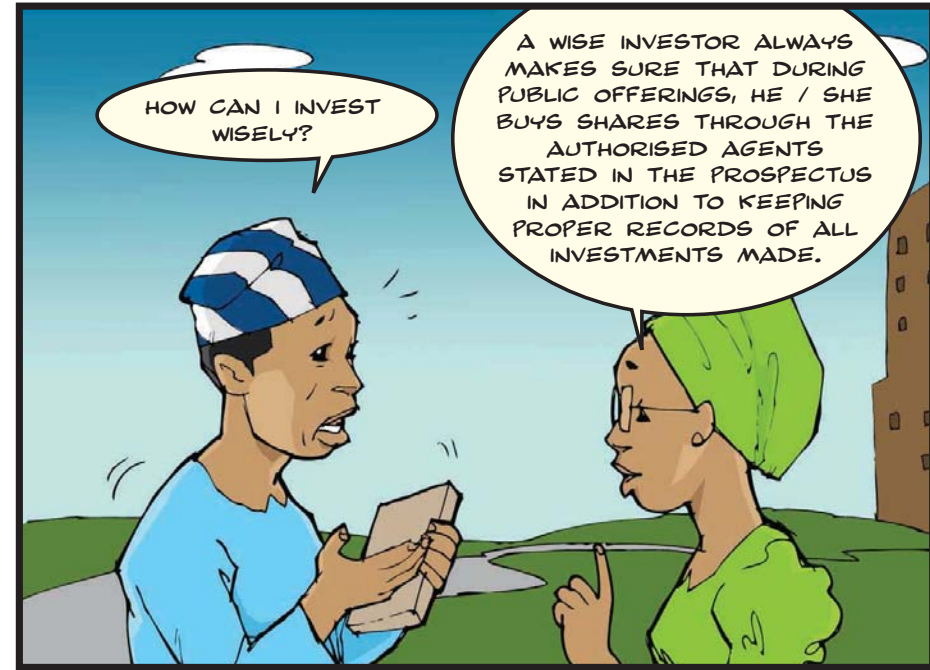
- THE PURPOSE OF OFFERING THE SECURITIES TO THE PUBLIC,
- THE DESCRIPTION OF THE COMPANY'S BUSINESS,
- THE LEGAL STATUS OF THE COMPANY,
- THE FINANCIAL STATEMENT OF THE COMPANY,
- THE RIGHTS OF THE SHAREHOLDERS, DIRECTORS AND EMPLOYEES,
- THE PRICE OF THE SECURITIES.



IF I ENCOUNTER ANY PROBLEM WITH MY STOCKBROKER REGARDING MY INVESTMENTS, WHAT DO I DO?

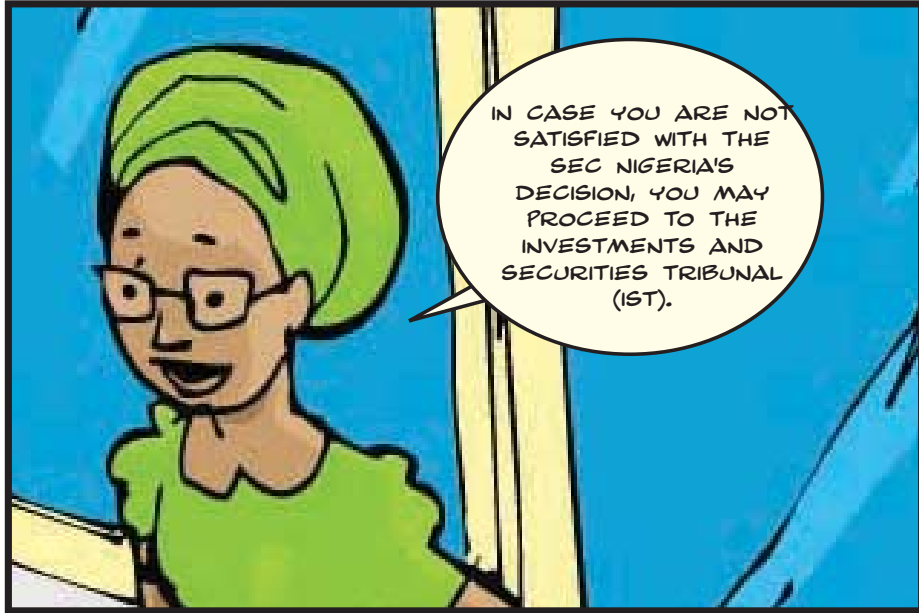
IF YOU HAVE A PROBLEM WITH YOUR STOCK BROKER, DISCUSS WITH THE MANAGER OF YOUR BROKERAGE FIRM. IF THE PROBLEM IS NOT RESOLVED, MAKE YOUR COMPLAINT IN WRITING AND ASK FOR RESPONSE.

IF THE PROBLEM IS STILL NOT RESOLVED TO YOUR SATISFACTION, THEN, YOU CAN WRITE TO THE DIRECTOR-GENERAL, SEC NIGERIA WHO WILL ENSURE THAT THE MATTER IS RESOLVED.

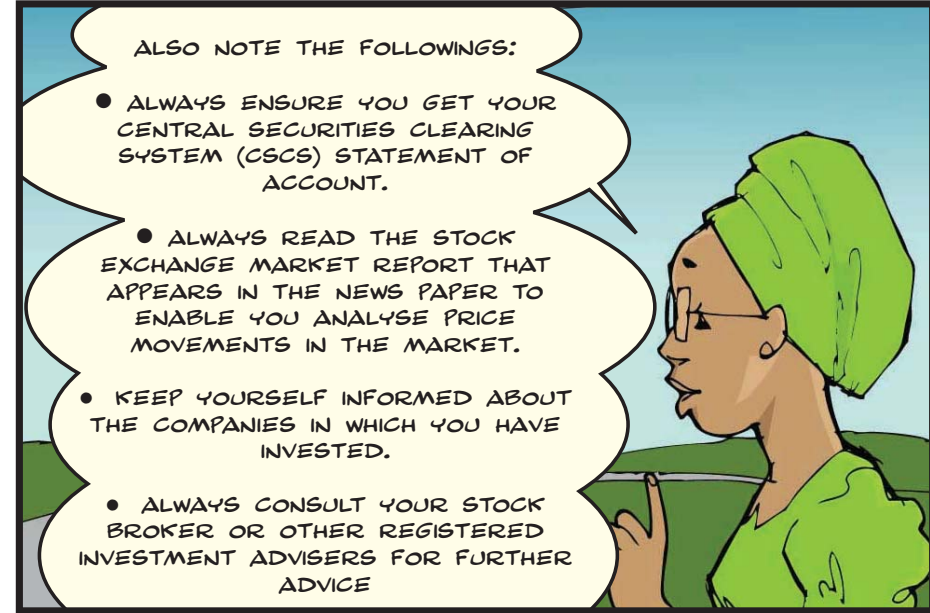


HOW CAN I INVEST WISELY?

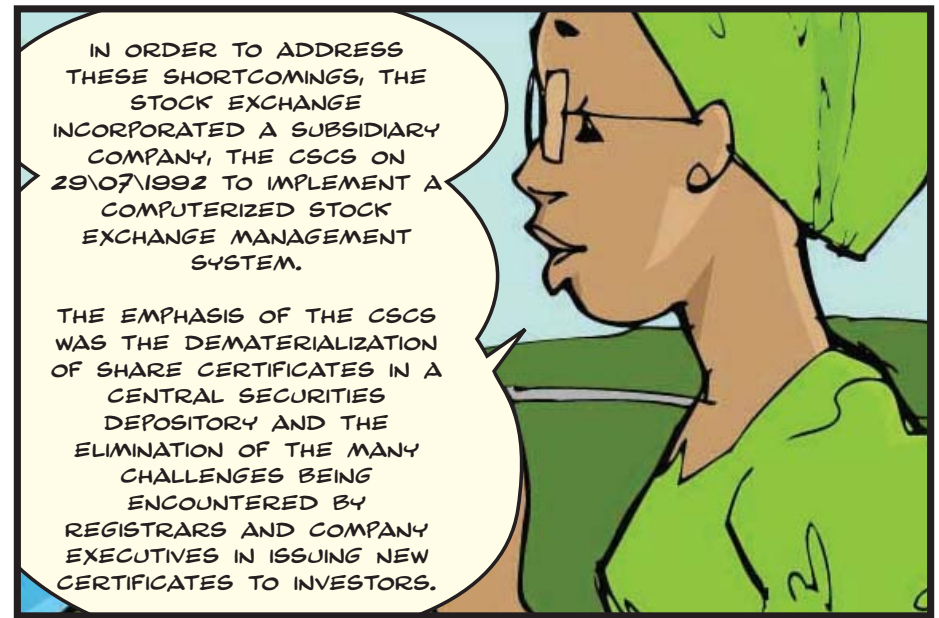
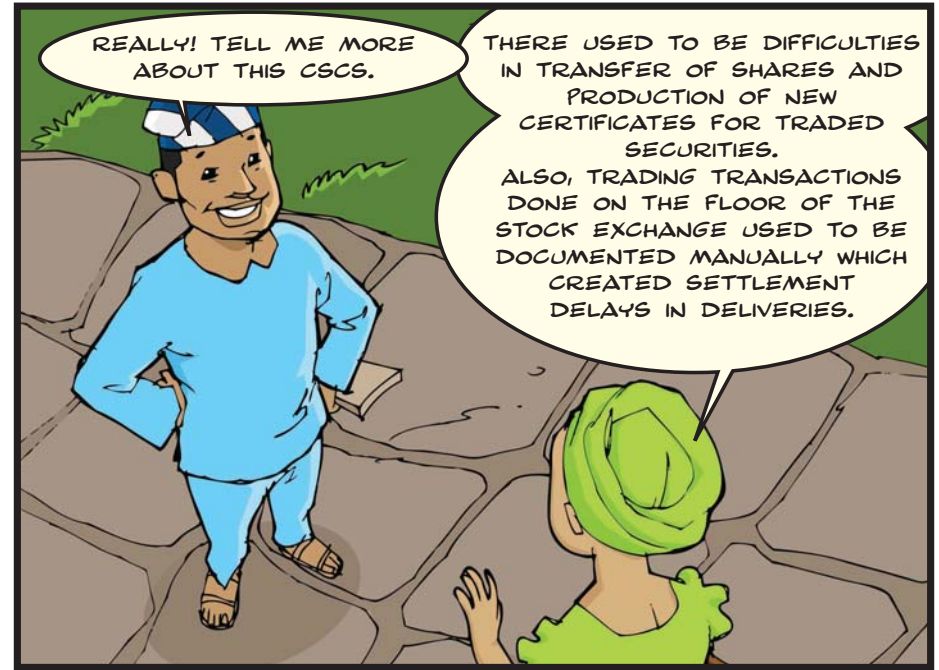
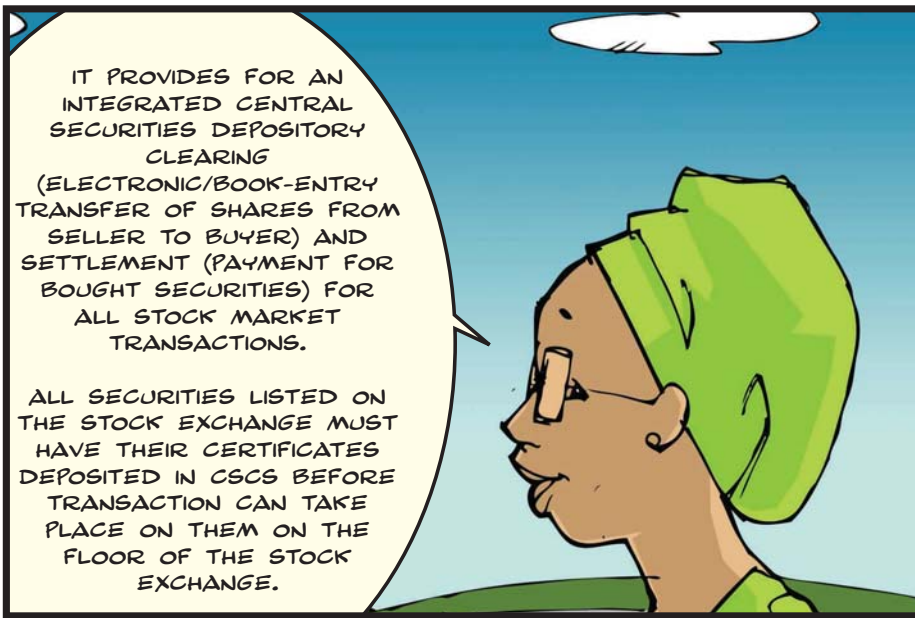
A WISE INVESTOR ALWAYS MAKES SURE THAT DURING PUBLIC OFFERINGS, HE / SHE BUYS SHARES THROUGH THE AUTHORISED AGENTS STATED IN THE PROSPECTUS IN ADDITION TO KEEPING PROPER RECORDS OF ALL INVESTMENTS MADE.



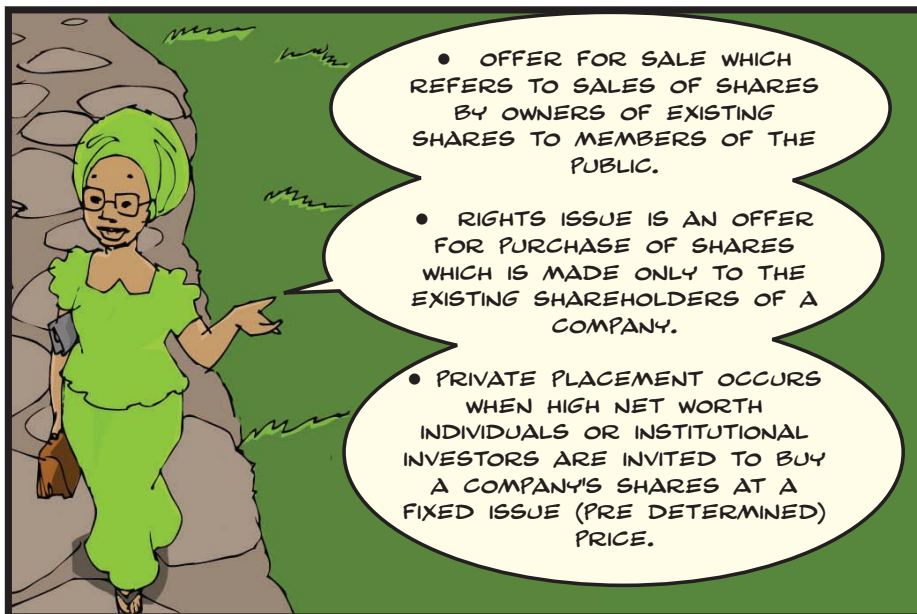
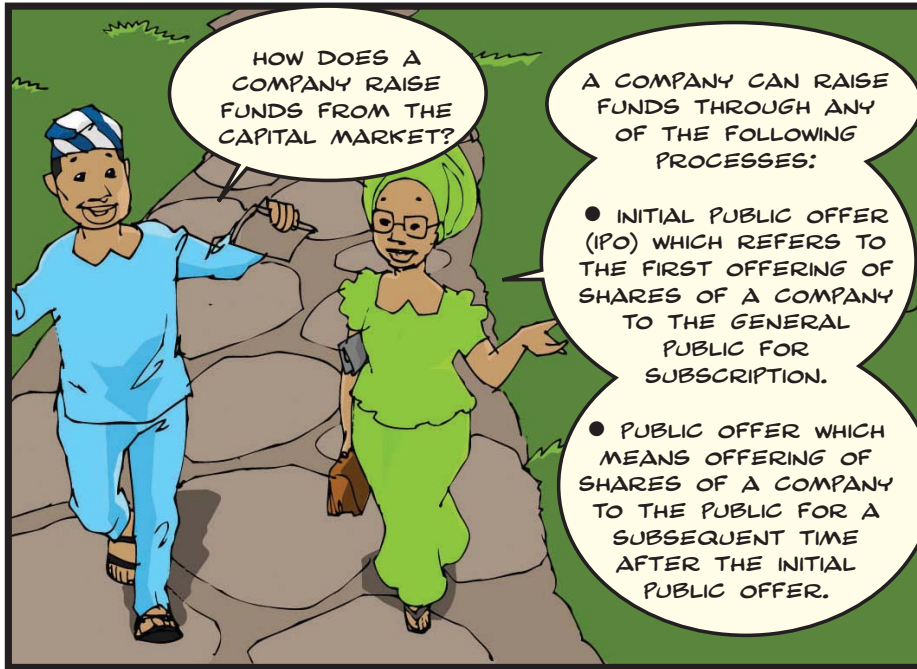
IN CASE YOU ARE NOT SATISFIED WITH THE SEC NIGERIA'S DECISION, YOU MAY PROCEED TO THE INVESTMENTS AND SECURITIES TRIBUNAL (IST).



- ALSO NOTE THE FOLLOWINGS:
- ALWAYS ENSURE YOU GET YOUR CENTRAL SECURITIES CLEARING SYSTEM (CSCS) STATEMENT OF ACCOUNT.
  - ALWAYS READ THE STOCK EXCHANGE MARKET REPORT THAT APPEARS IN THE NEWS PAPER TO ENABLE YOU ANALYSE PRICE MOVEMENTS IN THE MARKET.
  - KEEP YOURSELF INFORMED ABOUT THE COMPANIES IN WHICH YOU HAVE INVESTED.
  - ALWAYS CONSULT YOUR STOCK BROKER OR OTHER REGISTERED INVESTMENT ADVISERS FOR FURTHER ADVICE







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