investing

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Agenda

- What is investing & why we invest
- Type of investments
- Markets
- Indices
- How to start

What is investing & why

Investing is committing money or another resource in the expectation of some future benefit, like get a job to make money, buy a house or for future retirement. The potential of receiving more money later is the reason why people invest in the first place.

Resources could:
- ➢ Time
- ➢ Money, resources like assets
- ➢ Knowledge

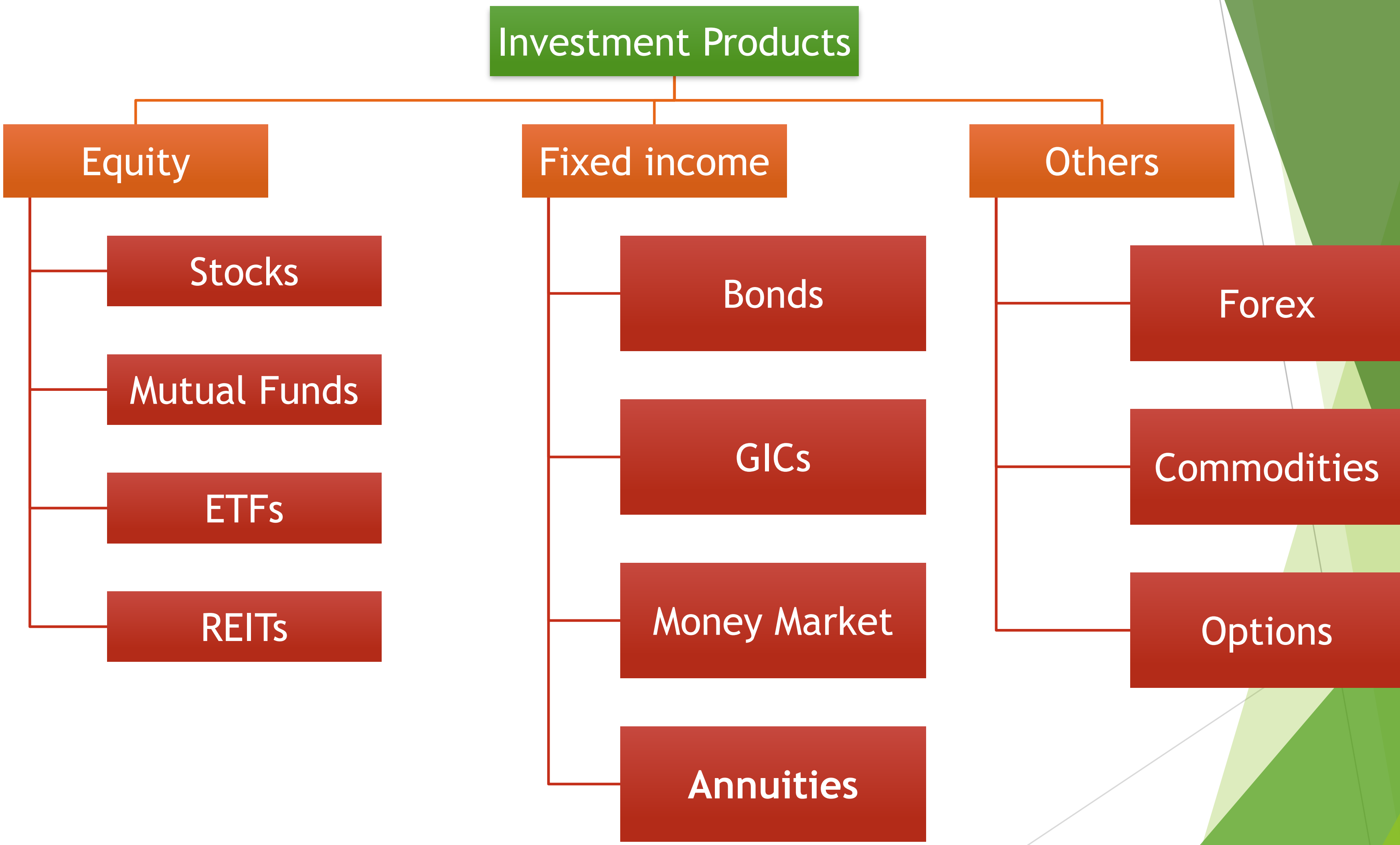
Risk

No one can guarantee that you'll make money from your investments, and they may lose value.

Do not invest in something that you do not understand. If you cannot explain the investment opportunity in a few words and in an understandable way, you may need to reconsider the potential investment.

How Do Investments Earn Money?

- **Interest**
  - the amount charged on top of the principal by a lender to a borrower
- **Appreciation**
  - value of an asset has increased.
- **Dividend**
  - the distribution of some of a company's earnings to a class of its shareholders, as determined by the company


Investment Products
Equity
Stocks
Mutual Funds
ETFs
REITs
Fixed income
Bonds
GICs
Money Market
Annuities
Others
Forex
Commodities
Options

Equities

Stocks:

Stocks are a type of security that gives stockholders a share of ownership in a company. Stocks also are called "equities."

Why do people buy stocks?

Investors buy stocks for various reasons. Here are some of them:

- Capital appreciation, which occurs when a stock rises in price
- Dividend payments, which come when the company distributes some of its earnings to stockholders

Why do companies issue stock?

Companies issue stock to get money for various things, which may include:

- Paying off debt (lead to **Share dilution**)
- Launching new products
- Expanding into new markets or regions
- Enlarging facilities or building new ones

What kinds of stocks are there?

- **Common** stock entitles owners to vote at shareholder meetings and receive dividends.
- **Preferred** stockholders usually don't have voting rights but they receive dividend payments before common stockholders do, and have priority over common stockholders if the company goes bankrupt and its assets are liquidated.

Stocks Categories:

- **Growth stocks** have earnings growing at a faster rate than the market average. They rarely pay dividends and investors buy them in the hope of capital appreciation. A start-up technology company is likely to be a growth stock. (e.g. TSLA)
- **Income stocks** pay dividends consistently. Investors buy them for the income they generate. An established utility company is likely to be an income stock. (e.g. TD, ENB)
- **Value stocks** have a low price-to-earnings (PE) ratio, meaning they are cheaper to buy than stocks with a higher PE. Value stocks may be growth or income stocks, and their low PE ratio may reflect the fact that they have fallen out of favor with investors for some reason. People buy value stocks in the hope that the market has overreacted and that the stock's price will rebound. (e.g CVS, VZ)
- **Blue-chip stocks** are shares in large, well-known companies with a solid history of growth. They generally pay dividends. All the companies listed in the Dow Jones Industrial Average.

Another way to categorize stocks is by the size of the company, as shown in its market capitalization. There are **large-cap >10B**, **mid-cap 2-10B**, and **small-cap <2B** stocks. Shares in very small companies are sometimes called "microcap" stocks. The very lowest priced stocks are known as "penny stocks." These companies may have little or no earnings. Penny stocks do not pay dividends and are highly speculative.

Risks of Stocks:

There's no guarantee that the company whose stock you hold will grow and do well, so you can lose money you invest in stocks.
If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds.
A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

Diversify your Portfolio:

The risks of stock holdings can be offset in part by investing in a number of different stocks. Investing in other kinds of assets that are not stocks, such as bonds, is another way to offset some of the risks of owning stocks.
A diversified Stock portfolio consists of 15~20 different companies in different sectors. Studies show that up to 20 stocks in a given portfolio is somehow manageable. Beyond 32 stocks found not further minimizing risk.

How to evaluate a stock (Stock's Indicators):

- EPS earing per share: compare with other company in the same industry
- P/E ratio: relation between stock price and earning per shar. How many multiples you paying
- P/B ratio: relation between stock price to book value (lower the better)
- Dividend Yield: dividend as a percentage of the stock price.
- Beta: is a measure of a stock volatility compare to market volatility as a whole
  - Beta of 1: price activity is strongly correlated with the market
  - Beta>1: price is theoretically more volatile than the market.
  - Beta<1: price theoretically less volatile than the market.

Market Sectors:

There are 11 sectors in a market:

1) Energy: Suncor Energy, Exxon Mobil
2) Materials: Alcoa Corp, Barrick Gold Corporation
3) Industrials: 3M, The Boeing, Canadian National Railway
4) Consumer Discretionary: McDonald's, Canada Goose
5) Consumer Staples: Home depot, Loblaw Co., Coca Cola
6) Health Care: Gilead Sciences, Sienna Senior Living Inc, Aurora Canabis
7) Financials: JPMorgan, Wells Fargo, TD, RBC,
8) Information Technology: Apple, Microsoft, Visa, Mastercard, IBM, OpenText, CGI
9) Telecommunication Services: AT&T, Rogers
10) Utilities: American Water Works, Fortis, Algonquin Power & Utilities
11) Real Estate: Brookfield Property Reit, Rio Can, First Capital Realty Inc.

Mutual Funds:

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor’s part ownership in the fund and the income it generates.

Why Investing in MFs:

- Professional management
- Diversification
- Affordability
- Liquidity
- **NOTE**: look closer to short-term trading fee

Definition of Securities:

The term "security" refers to a fungible, negotiable financial instrument that holds some type of monetary value. It represents an ownership position in a publicly-traded corporation via stock; a creditor relationship with a governmental body or a corporation represented by owning that entity's bond; or rights to ownership as represented by an option.

- TD Dow Jones Industrial Average Index Fund – I

What you need to look for before you pull the trigger?

1) MER (management expense ratio)
2) Risk rating
3) Historical performance
4) Sales charge
   a) Front Load
   b) Back Load
   c) No Load
5) Portfolio allocation
6) Asset allocation
7) Top ten holdings

Where do I find all these information?

ask for FUND FACTS SHEET

More MF Examples:

1) Balanced
2) Canadian Equity
3) US Equity
4) Global Equity
5) By Sectors
6) Fixed Income
7) Money Market

ETF

Like mutual funds, ETFs (Exchange Traded Funds) offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool.

VS

ETFs	Mutual Funds
Invest in portfolio of stocks, bonds or commodities	Same
Can be bought & sold on an exchange	Can be bought and sold directly from the fund
There is no minimum investment requirement	Most mutual funds have a minimum investment requirement to start with
You cannot setup a Systematic Investment Plan	You can setup SIP
Priced based on market supply and demand, they may trade above or lower than NAV	Most of the MF priced daily by EOD after they calculate the Net Asset Value of the underlying securities. Some are priced every 3 months or even once a year like REITs
Cheaper MER	More expensive

ETFs Leaders in The Marketplace

1) BlackRock's iShares ETFs
2) Vanguard ETFs
3) Invesco ETFs
4) SPDR ETFs
5) BMO

Please pay attention to the currency of the ETFs as some are priced in CAD$ and some are in US$.

Most ETFs issuers offer products that are hedged to Canadian dollar to minimize currency fluctuations to certain extend.

Real Estate Investment Trust (REIT)

Real estate investment trusts (“REITs”) allow individuals to invest in large-scale, income-producing real estate. A REIT is a company that owns and typically operates income-producing real estate or related assets. These may include office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and mortgages or loans. Unlike other real estate companies, a REIT does not develop real estate properties to resell them. Instead, a REIT buys and develops properties primarily to operate them as part of its own investment portfolio.

REITs provide a way for individual investors to earn a share of the income produced through commercial real estate ownership - without actually having to go out and buy commercial real estate.

There are mainly two types of REIT:

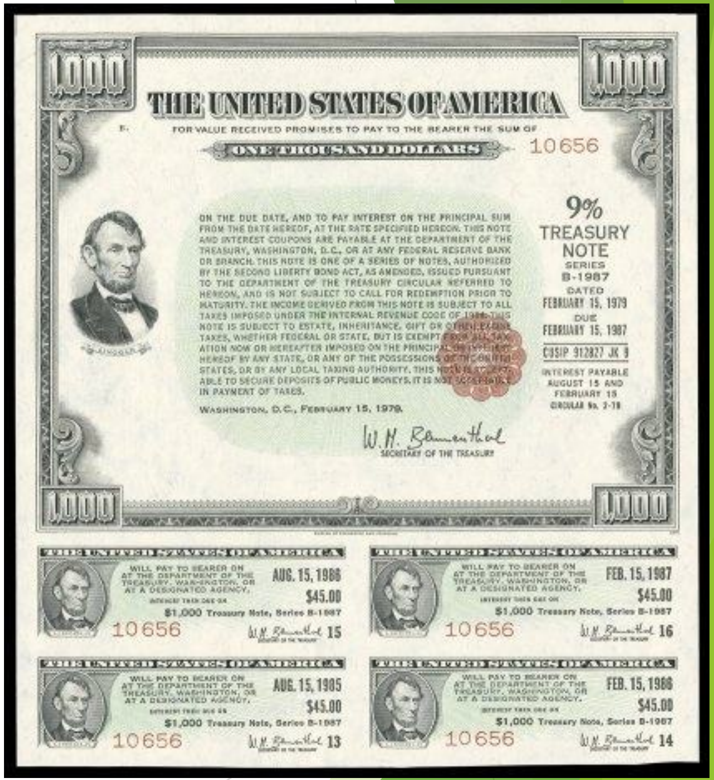
1) REITs that are publicly traded on a stock exchange.
2) non-exchange traded REITs.

Benefits	Risks
Offers Real Estate investment in your portfolio	Liquidity issue in the non traded REITs
They offer a stream of income	Sometimes, hard to determine the real value per share especially for the non traded
	Sensitivity to interest rate
	Don’t fall for high yields REITs as some may distribute out of offering proceeds and sell of properties
	Since they are trusts, taxes are passed to unit holders (in non registered accounts)

Bonds

A bond is a debt security. Borrowers issue bonds to raise money from investors willing to lend them money for a certain amount of time.

When you buy a bond, you are lending to the issuer, which may be a government, municipality, or corporation. In return, the issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal, also known as face value or par value of the bond, when it "matures," or comes due after a set period of time.



Why do people buy bonds?

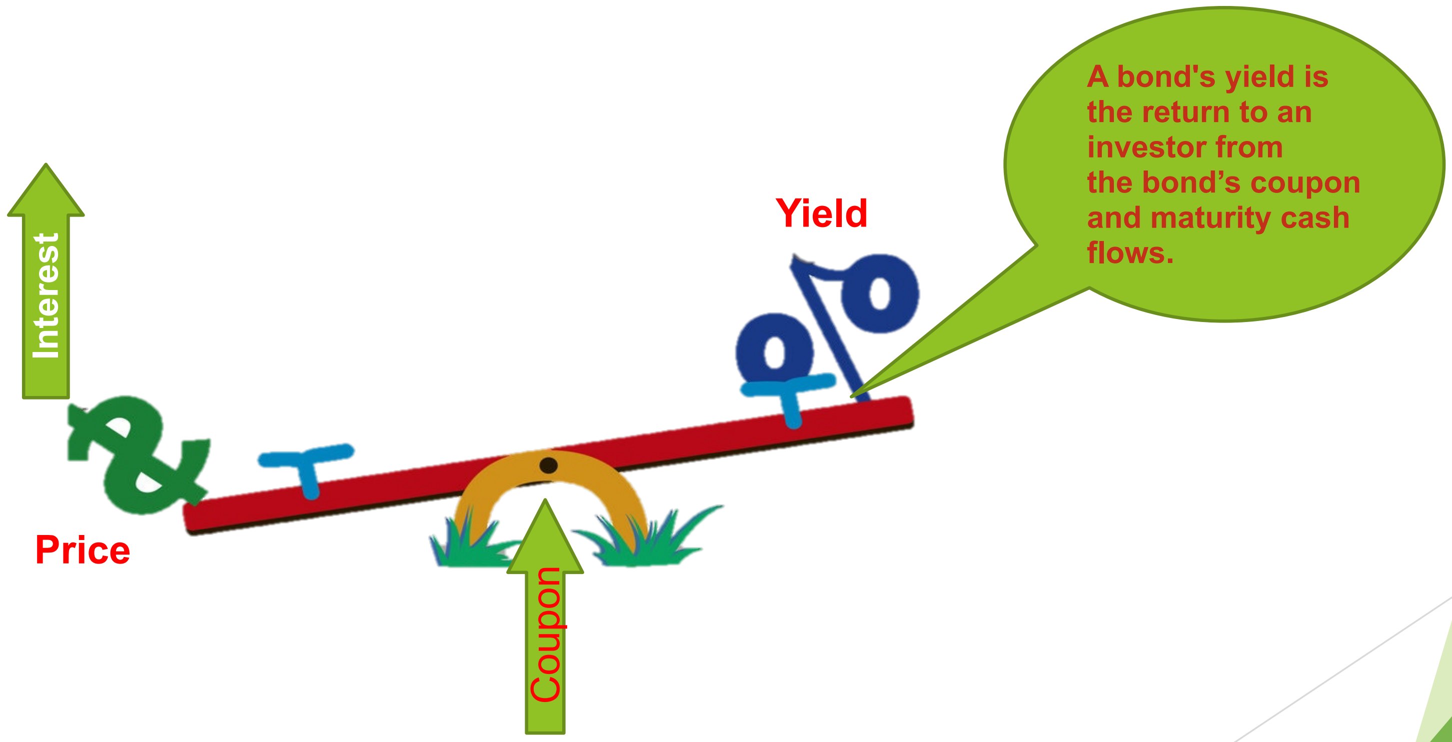
- ➢ They provide a predictable income stream. Typically, bonds pay interest twice a year.
- ➢ If the bonds are held to maturity, bondholders get back the entire principal, so bonds are a way to preserve capital while investing.
- ➢ Bonds can help offset exposure to more volatile stock holdings.

What types of bonds are there?

- ➢ Corporate bonds
  - ➢ Investment-Grade high credit rating
  - ➢ High-Yields (junk bonds) low credit rating
- ➢ Government bonds
- ➢ Municipal bonds

You can buy bonds directly from the issuer at the time of announcing the sell of a new issues through your brokerage firm. Those new issues are sold at face value.
Or, you can also buy bonds from the secondary market. Bonds trade either at premium (more than face value) or at discount (less than face value).

Bond Price-Interest Rate-Yield Relationship:



GICs

A GIC (guaranteed investment certificate) is a safe and secure investment with very little risk. You don't have to worry about losing your money because it is guaranteed.

A GIC works like a savings account in that you deposit money into it and earn interest on that money. The difference is that you need to leave your money in a GIC account for a specified period of time. If you take it out early, you may have to pay a penalty - depending on the type of GIC you own.

Things you need to know about GICs

- You need to invest at least $500 in a GIC
- Generally there are no fees with GICs
- Most GICs pay a fixed rate of interest for a set term (6 months, 1 year, 2 years or up to 5 years) and the term ends on the maturity date - the longer the term, the higher the interest rate
- Some GICs offer variable interest rates
- Interest on your GIC may be paid monthly, once a year or on the maturity date
- If you need to get your money back before the maturity date, you may have to pay a penalty depending on the type of term purchased. Funds in a non-redeemable term are generally locked in until maturity unless there are qualifying circumstances
- Some GICs - called cashable or redeemable GICs - do not charge a penalty if you need to get your money out early, but the interest paid is lower
- Your money is protected through the Canada Deposit Insurance Corporation (CDIC) - but only for terms of 5 years or less and only on Canadian funds per CAD 100,000 per issuer
- You can hold your GICs in registered investment accounts like RRSPs, RRIFs and TFSAs
- If you hold your GICs outside of your RRSPs, RRIFs or TFSA - you will be taxed on the interest you earn

Money Market

The money market is a subsection of the fixed-income securities market. Unlike the bond market, the money market specializes in very short-term debt securities (debt that matures in less than 1 year).

Annuities

An annuity is a contract between you and an insurance company that requires the insurer to make payments to you, either immediately or in the future. You buy an annuity by making either a single payment or a series of payments. Similarly, your payout may come either as one lump-sum payment or as a series of payments over time.

There are three basic types of annuities, fixed, variable and indexed. Here is how they work:

- **Fixed annuity:** The insurance company promises you a minimum rate of interest and a fixed amount of periodic payments.
- **Variable annuity:** The insurance company allows you to direct your annuity payments to different investment options, usually mutual funds. Your payout will vary depending on how much you put in, the rate of return on your investments, and expenses.
- **Indexed annuity:** This annuity combines features of securities and insurance products. The insurance company credits you with a return that is based on a stock market index, such as the Standard & Poor's 500 Index.

Forex

A foreign currency exchange rate is a price that represents how much it costs to buy the currency of one country using the currency of another country. Currency traders buy and sell currencies through forex transactions based on how they expect currency exchange rates will fluctuate. When the value of one currency rises relative to another, traders will earn profits if they purchased the appreciating currency, or suffer losses if they sold the appreciating currency.

Commodities

Commodity futures contracts are an agreement to buy or sell a specific quantity of a commodity at a specified price on a particular date in the future.
Metals, grains, and other food, as well as financial instruments, including U.S. and foreign currencies, are traded in the futures market. With limited exceptions, trading in futures contracts must be executed on the floor of a commodity exchange.
Exchange-traded commodity futures and options provide traders with contracts of a set unit size, a fixed expiration date, and centralized clearing. In centralized clearing, a clearing corporation acts as a single counterparty to every transaction and guarantees the completion and credit worthiness of all transactions.

Options

- Options are contracts giving the owner the right to buy or sell an underlying asset, at a fixed price, on or before a specified future date.
- Options are derivatives (they derive their value from their underlying assets). The underlying assets can include, among other things, stocks, stock indexes, exchange traded funds, fixed income products, foreign currencies, or commodities.
- Option contracts trade in various securities marketplaces between a variety of market participants, including institutional investors, professional traders, and individual investors.
- Options trades can be for a single contract or for several contracts.

Markets

US	Canada	Europe	Asia
NYSY	TSX	London S.E	Tokyo Stock Exchange
Nasdaq	CSE (otc)	Deutsche Borse	Shanghai Stock Exchange
		Euronext	Hong Kong Stock Exchange
		SIX Swiss Exchange	

Indices

Dow Jones Industrial Average (DJIA)

The Dow Jones Industrial Average (DJIA), also known as the Dow 30, is a price-weighted index that tracks 30 large, publicly-owned (blue chip) companies trading on the New York Stock Exchange and the NASDAQ.

You can track the index via an ETFs
Example:
ZDJ managed by BMO in Canadian dollar
DIA managed by SPDR in US dollar

S&P 500

is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The index is widely regarded as the best gauge of large-cap U.S. equities. Companies listed in the index represent all market 11 sectors.

You can track the index via an ETFs
Example:
ZSP managed by BMO in Canadian dollar
SPY managed by SPDR in US dollar

Nasdaq

Nasdaq is a global electronic marketplace for buying and selling securities that includes the world's foremost technology and biotech giants such as Apple, Google, Microsoft, Oracle, Amazon, and Intel.

You can track the index via an ETFs
Example:
ZQQ managed by BMO in Canadian dollar
QQQ managed by Invesco in US dollar

Russel 2000

Russell 2000 is the most common benchmark for small-cap ones. Investors typically monitor this index to gauge the performance of smaller, domestically-focused businesses. The smallest 1000 companies in the Russell 2000 make up the Russell 1000 Microcap Index. The Russell 2000 index is constructed to be representative of the smallest 2000 listed companies in the U.S.

You can track the index via an ETFs
Example:
IWM managed by BlackRock's iShares in US dollar
XSU managed by BlackRock's iShares in Canadian dollar

DAX

The DAX is Germany's primary stock index, listing the 30 largest companies that trade on the Frankfurt Stock Exchange. The acronym stands for Deutscher Aktienindex, or German stock index.

You can track the index via an ETFs
Example:
DAX managed by Global X Fund in US dollar

CAC 40

CAC 40 stands for Cotation Assistée en Continu, which translates to continuous assisted trading, and is used as a benchmark index for funds investing in the French stock market. The index also gives a general idea of the direction of the Euronext Paris, the largest stock exchange in France formerly known as the Paris Bourse. The CAC 40 represents a capitalization-weighted measure of the 40 most significant values among the 100 highest market caps on the exchange. The index is similar to the Dow Jones Industrial Average in that it is the most commonly used index that represents the overall level and direction of the market in France.

FTSE

The Financial Times Stock Exchange Group (FTSE), also known by the nickname of “Footsie,” is an independent organization specializes in creating index offerings for the global financial markets. An index will represent a market segment and is a hypothetical portfolio of stock holdings. The most well-known index, among many at FTSE, is the FTSE 100, which is composed of blue-chip stocks listed on the London Stock Exchange.

How to start

Registered Accounts:

- ➢ TFSA
- ➢ RSP
- ➢ RESP

Non-Registered Accounts:

- ➢ Cash account: trade securities using your own money.
- ➢ Margin account: When trading on margin, you borrow money against the securities you already own to buy additional securities.