

Investing Wisely

lowest price you are willing to accept. By doing this, you are ensuring that the instructions for your investments come from you. This is one of your fundamental rights as an investor.

WHAT PROOF WILL I RECEIVE OF MY TRANSACTION?

When you buy or sell shares or bonds you will receive a contract note from your stockbroker. You must make sure each trade was completed according to your instructions and that the buying or selling price was what your stockbroker quoted. Also crosscheck the commissions or fees being charged. Your stockbroker should also deliver a share or bond certificate to you, normally five days after you have settled the transaction and paid for the shares. The stockbroker will send you your cheque if you have sold shares or bonds. The unit trust manager will send you a confirmation slip and the unit certificates if you buy units or a cheque if you are selling units.

WHAT SHOULD I DO AFTER INVESTING?

Maintain Your Investment Records

Keep good record systems for all the information you receive for your investments including copies of documents that you sign and any notes from conversations you have with your stockbrokers, unit trust managers or investment advisers. This may be of some use in the future.

Monitor Your Investments Regularly

You should pay careful attention to market announcements, read newspapers and business magazines, stockbroker reports and company annual reports to find the latest information on your investments. You can also visit the CMDA or SPSE website for the latest market information. These websites contain comprehensive information on investing in the capital markets and you should check the websites regularly.

Cut Your Losses

Ensure that the investments are performing to your satisfaction and, if they aren't, you may need to decide whether the investments should be sold. Sometimes you will have to make an informed decision to take some losses on your investments rather than just hope that their performance will recover. Knowing when to sell an investment, even at a loss, is an important part of investing.

WHAT HAPPENS IF MY PERSONAL SITUATION CHANGES?

You should review your investment plan every year. The market for the products that you have invested in may change over time in the same way that your needs and financial situation may also change overtime. Therefore,

you should monitor and review your investment decisions regularly to ensure that it continues to meet your current personal and financial circumstances.

WHAT SHOULD I DO IF I HAVE A PROBLEM?

Contact Your Financial Adviser

If you have a problem with your investments, first contact your financial adviser and give them the opportunity to resolve your problem.

Complain to the CMDA

You can lodge a complaint with the CMDA if you feel that you have been wronged or suspect that a licensee or other market player has not acted within the law. The CMDA regulates the capital markets to ensure that investors' interests are protected.

The CMDA will investigate and try to resolve your complaint. Where appropriate, action may be taken against offenders. These penalties, which the courts can impose, range from fines to prison terms. Licensees in breach of legal requirements risk suspension or termination of their licence.

CAN I RECOVER MY MONEY?

If you, as an investor, suffer from financial loss due to the failure of your licensed stockbroker to meet their contractual obligations, compensation may be claimed from the Investor Compensation Fund (ICF), established under the CMDA Act.

The ICF compensates for wrongful actions by stockbrokers or dealers such as negligence, fraud or misappropriation of funds. It does not, however, cover losses arising from an investor's own poor (or unlucky) investment decisions.

You may also be able to sue the financial adviser yourself for breach of contract or professional negligence.

DISCLAIMER

The contents of this leaflet are believed to be correct at the date of issue. They are intended for general purposes only and are not to be considered as providing securities recommendations or advice. The CMDA does not give any warranty or accept any liability (whether arising from negligence or otherwise) for any error or omission, or for any loss arising from acting on the information in this publication, except where under law liability cannot be excluded.

All investments are subject to some degree of risk, including possible delays in repayments and loss of income and principal invested. The CMDA does not guarantee investment performance or return of capital invested.



Investing Wisely

This leaflet provides you with some practical steps you can take to minimize the risks in investing and help you become a successful investor.

Investing Wisely



INTRODUCTION

Becoming a successful investor is not something that happens by chance. The difference between investors who have been successful and those who haven't is likely to be that the successful investors took the time to learn and understand the basics about investing and followed some simple rules.

This leaflet provides you with some practical steps you can take to minimize the risks in investing and help you become a successful investor.

WHAT SHOULD I DO BEFORE I INVEST?

Understand why you are investing - Most people invest to achieve financial goals like paying the education costs for their children and having enough income to enjoy their retirement. Successful investing can help you to gain wealth faster to meet these goals because you can earn higher returns than you would get from a savings deposit. The trade off for these higher returns is higher risk. There are steps you can take to reduce these risks and these are explained below.

Know how much risk you are prepared to take - You must be aware that there is risk involved in all investments. Depending on how your investment performs, you could make money or there is also a possibility that you could lose some or all of your investment.

Before investing it is important that you identify how much risk you can bear. Be sure that the investment product that you choose or is recommended to you by your financial adviser (this includes your licensed stock broker, unit trust manager or investment adviser) suits your risk profile.

While there are mechanisms in place to protect your interest as an investor, nobody can guarantee you against the risk of losing some or all your money when you decide to invest.

Identify suitable investments for you - There are many investment products to choose from and these have different characteristics. Therefore, you should only choose those investments that you are comfortable with and which fit your personal and financial circumstances. Some investments provide income, some focus on increasing the value of the investments while others provide both income and growth in value. Investments also carry different risks.

Your investment strategy and risk tolerance will also be influenced by the stage of life you are at. If you are a young investor, you will be able to take higher risks with your investments, as time is on your side. However, if you are nearing retirement, you may prefer less volatile investments, something that can provide secure income.

You can talk to a financial adviser about the different types of investment products available. However, it is important that you think carefully about the product that you want to invest in. While making this decision always keep in mind that an investment's past performance is not necessarily an indicator of its future performance.

Never buy an investment that you don't fully understand - Put some time and effort into learning the basics about investing and, in particular, learn about the features of the investments you are interested in buying. There is a range of

free educational booklets on investing in shares, bonds and unit trusts provided by the Capital Markets Development Authority. Investing information is also provided in many investment books and magazines.

Other useful sources of information on specific investments include prospectuses or offer documents, company annual reports, newspaper articles, stockbroker research reports, financial advisers' websites and listed company websites. The CMDA website at www.cmda.com.fj and the South Pacific Stock Exchange website www.spse.com.fj also provides the latest information on shares, bonds and unit trusts.

Remember you cannot completely trust anyone – you must have at least some knowledge and understanding of the basics and principles of investing and the different investment products. This will ensure that you take responsibility for how your money is invested and the risks and returns you can expect.

Be patient and disciplined - Investment returns are not earned overnight. Successful investors are patient and do not expect instant returns from their investments. They invest for the medium to long term and actively monitor, review and adjust their portfolio of investments to ensure that they are performing satisfactorily.

WHERE CAN I GET ADVICE ABOUT INVESTING?

Get Advice From a Licensed Financial Adviser

If you are interested in investing but do not know enough about investing on your own to start, you can talk to a financial adviser. A licensed stockbroker, unit trust manager or investment adviser can advise you on the different investment products available and assist you to make your investment decisions.

Choose the Right Financial Adviser

Before choosing a financial adviser, find out the following:

- **Is the adviser licensed by CMDA to give advice** — it is best that you deal only with licensed and authorised persons when seeking investment advice. The CMDA licenses stockbrokers, investment advisers and unit trust managers taking into account their qualification, work experience and background.
- **Can the adviser give advice on your investment product** — find out the kind of products the adviser is permitted to give advice on and the types of products they recommend.
- **Who owns the advisory company** — inquire if the adviser, or their company, has any links with the issuers of the product they are recommending.
- **What are the fees and charges are** — ask the adviser about their fees, charges or commissions.
- **What other services does the adviser provide** e.g. research reports containing recommendations or access to new floats on the stock exchange.

Choosing the right investment adviser is all part of making the right investment decision.

Things to Do Before Meeting a Financial Adviser

It is important that you are clear about the kind of advice you are seeking. You should prepare a list of important questions to ask the financial adviser. Your notes should:

- **Outline your current financial situation** — set your expenses against your income and identify whether you have surplus funds available for investment or not. You cannot become an investor until you have mastered the art of saving. You can use the CMDA Personal Wealth Calculator's Budget Calculation function for this purpose.
- **Identify your investment objectives** — what are you saving and investing for? What do you want to achieve and when do you want to achieve it?
- **Outline whether you are investing for a short-term or long-term period?**
- **Identify whether you are investing for income, growth or both.**
- **Identify how much risk you are prepared to take to earn returns** i.e. how much money you can afford to lose.

INFORMATION YOUR FINANCIAL ADVISER SHOULD KNOW ABOUT YOU

You should spend some time discussing important personal and financial information about your current situation. The financial adviser may request the following information from you:

- **Personal information** - your age and marital status.
- **Financial situation** - your occupation, income and expenses (daily and fixed expenses, expected future expenses such as family plans, education expense, travel, new car), your assets (things you own) and liabilities (things you owe) and your current savings.
- **Risk tolerance** - how much money you can afford to lose without affecting your lifestyle.

A good financial plan relies on good information. The information that you supply to your adviser can help in outlining a good financial plan for you. Your financial adviser must keep this information confidential, except if required by law or authorized by you to disclose it.

WHAT ADVICE SHOULD I EXPECT?

If you do seek investment advice, your financial adviser should provide you with a written document outlining your financial plan and their advice. Generally speaking, a good plan should:

- outline your financial position and needs;
- set out your investment goals and an overall strategy to achieve these goals;
- identify and recommend suitable investments;
- discuss the risk involved for identified investment products and how to deal with them and
- details of all costs, fees, charges or commissions that your adviser will charge you.

If the terms used in the document are too technical or if there is anything in the plan that you need to clarify, you should ask your adviser to explain it to you again carefully. Remember becoming a successful investor depends on your willingness to learn and understand the principles of investing and the different investment products.

Be clear about the services that are being provided to you by the financial adviser as there may be additional charges for services that you have requested. Always enquire as to the basis of any recommendation to buy or sell particular investments.

The most important thing is that you should feel confident that your financial adviser understands your financial needs and goals and that the recommended investment products suit your personal and financial circumstances.

HOW DO I INVEST?

Use the Services of a Licensed Financial Adviser

Investors in Fiji have a range of investments to choose from including property, shares, bonds and unit trusts. To invest in listed company shares, bonds or unit trusts you can use the services of a licensed stockbroker, investment adviser or unit trust manager.

A Licensed Financial Adviser Is Your Agent

Under CMDA regulations, stockbrokers, unit trust managers and investment advisers are, by contract, the agents of their clients. When you become a client, as your agent they must:

- **Act in good faith and in your best interests at all times** — this means they must be honest and fair and exercise due skill, care and diligence when handling your account.
- **Have sufficient resources** — to satisfactorily provide services to you.
- **Follow your orders strictly** — this means they must follow your instructions to the letter.
- **When giving advice, only recommend suitable investments** — these are investments that suit your investment goals, experience, risk tolerance, financial situation and needs.
- **Fill all orders in the chronological sequence of orders received.**

Stockbrokers, unit trust managers or investment advisers are not allowed to:

- Share in your profits or losses.
- Give you any guarantees about the investment's performance.
- Compete with your orders – i.e. your orders must be given priority.
- Hold your money in any of their own accounts - your money, whether it is for a long or short-term basis must be kept in a separate trust account with a local bank.
- Use your funds for their own purposes.

You Make the Final Decision to Invest

It is important to note that the final decision to invest is yours. An investment adviser, stockbroker or unit trust manager cannot make this decision for you.

HOW DO I PLACE MY ORDER?

Give Clear Instructions to Your Financial Adviser

When investing, ensure that you provide clear instructions to your stockbroker, investment adviser or unit trust manager to avoid misunderstanding and possible loss of your money.

When you are placing orders to buy or sell shares and bonds, inform the stockbroker of the price or price range acceptable to you. You might also place a limit order, which is the highest price you are prepared to pay. Also, when you give a sell order, you can indicate a limit on the