

d. Shares

Definition

Shares are securities that confirm in writing the participating interest in a company (company limited by shares). The most significant rights of a shareholder are the participation in the profit of the company and the voting right in the general meeting (exception: preference shares).

Income

The income from equity investments consists of dividend payments and market price gains/losses of the share and cannot be predicted with any certainty. The dividend is the profit of the company distributed by resolution of the general meeting. The amount of the dividend is stated either in an absolute amount per share or in percent of the nominal value. The income gained from the dividend, referred to the share price, is called dividend yield. This will usually be significantly below the dividend stated in percent.

The more significant portion of the proceeds from equity investments is regularly reflected by the value/price performance of the share (see price risk).

Price risk

The share is a security that is mostly traded at a stock exchange. A price is usually determined daily on the basis of supply and demand. Equity investments may lead to significant losses.

The price of a share is generally in accordance with the economic development of the company and with the general economic and political framework conditions. Irrational factors (moods, opinions) may influence the price development and thus the income of your investment as well.

Credit risk

As a shareholder, you participate in a company. Your participating interest may become worthless, particularly if the company becomes insolvent.

Liquidity risk

The tradability of illiquid securities (particularly listings on non-regulated markets, OTC trading) can be problematic. If a share is quoted at several stock exchanges, this may lead to differences in its tradability on different international stock exchanges (e.g. quotation of an American share in Frankfurt).

Equity trading

Shares are traded at a stock exchange, occasionally off-market. If traded at a stock exchange, the relevant stock market customs (round lots, order types, foreign exchange regulations, etc.) must be complied with. If a share is traded at various stock exchanges in different currencies (e.g. a US share is traded at the Frankfurt stock exchange in euros), the price risk also entails a currency risk. You will receive more information about this topic from your customer adviser. When purchasing a share at a foreign stock exchange, please note that foreign stock exchanges always charge "trading expenses", which accrue in addition to the usual banking fees. Please contact your customer adviser for more information on their exact amount.