Basic Concepts of Trading in Shares



'BEST IN PRIVATE BANKS'
PORTUGAL 2013



'BEST IN PRIVATE BANKS'
PORTUGAL 2012



'MEDIUM OR SMALL BANK WITH MOST GROWTH' BY EXAME MAGAZINE IN ASSCIATION WITH DELOITTE E A INFORMA D&B



'MEDIUM OR SMALL BANK WITH MOST GROWTH' BY EXAME MAGAZINE IN ASSCIATION WITH DELOITTE E A INFORMA D&B

Share: title representing a fraction of the share capital of a company



COMPANIES







Capital Markets



Share generates income => dividends



SHARES

DIVIDENDS

POSSIBLE CAPITAL GAINS



INVESTIDORS – RISK
LIQUIDITY AND HERITAGE

COMPANY ANALYSIS – EXAMPLES OF MOST FREQUENTLY USED RATIOS

Corresponds to a company analysis relativising finantial statements in comparison with the sector, stock index sub-indices, country, etc.:

- *Price to Book Value* = Relation between price and book value of the share
- *Price Earning Ratio* = Quote/EPS (= Res. Liquid – preferred dividends/number of quoted shares)
- *EBITDA* = Operational Result
- *EV* = *Enterprise value* = Market capitalization - Treasury + Treasury stock and preferred shares +debt
- *Dividend Yield* = value of dividend / price of title

CHOOSING SHARES – EXAMPLES OF INVESTORS THAT USED FUNDAMENTAL ANALYSIS

INVESTORS & FUNDAMENTAL ANALYSIS		
BENJAMIN GRAHAM	**WARREN BUFFET**	**PETER LYNCH**
Buy below the intrinsic value (security margin)	Market Leader / strong brand / *pricing power*	Banal consumer product
Preference for growth stocks providing they are not discounted in price	Low PER	Strong Brand / franchisable
Careful analysis of the balance sheet and profit and loss	Low P/BV	Avoid trending shares, instututions e *growth stocks*
2/3 of the price < quick assets (not buy fixed assets or goodwill)	DIVIDEND YIELD high	Preference for *small caps*
1/PER > 2 x YIELD Government bonds	Price< No current assets	Management participation
PER 40% of maximum < PER share in the last 5 years	Low P/CF	Avoid diversified companies
Passive < 2x Net	High ROE	Low debt

CHOOSING SHARES- TECHNICAL ANALYSIS

"Technical analysis is a skill that improves with experience and study. Always be a student and keep learning."

John Murphy

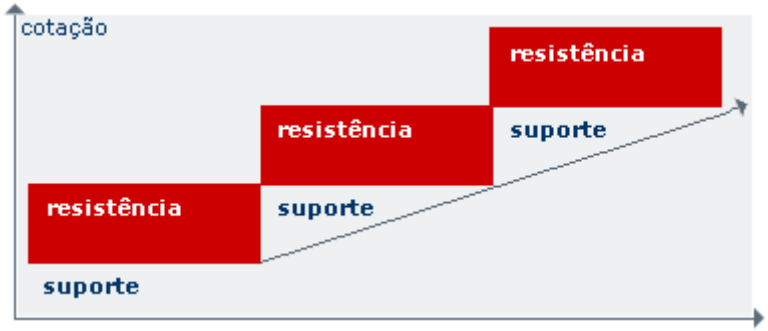
Three fundamental principles of technical analysis:

- **BALANCE** – The market assigns a price to the share that incorporates all influential factors;
- **TRENDS** – Prices vary over time according to trends that once established are still in force until they are broken;
- **REACTION** – History repeats itself (vis-à-vis similar situations investors react in the same way).

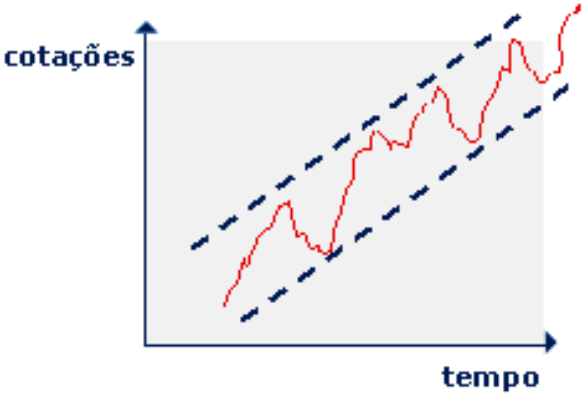
TECHNICAL ANALYSIS – SUPPORT AND RESISTANCES

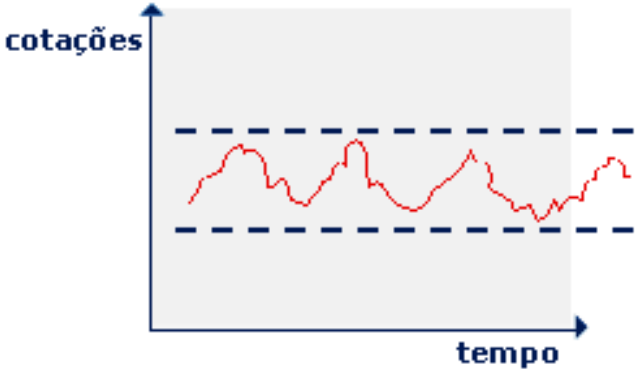


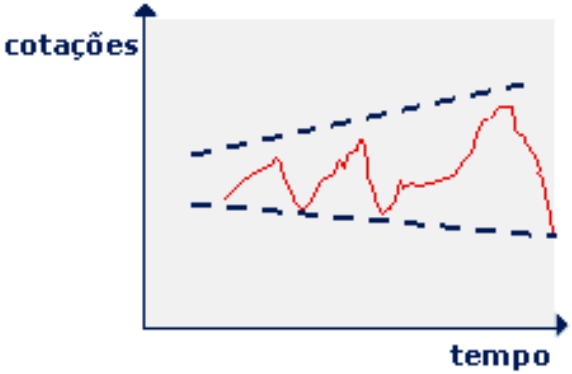




TECHNICAL ANALYSIS – CHANNELS AND TRENDS







AFTER CAREFUL ANALYSIS OF THE SHARE THE INVESTOR MAY TRADE THROUGH:

GoBulling Next: Purpose-built platform for professionals who favour speed of execution;

GoBulling Pro: Solution that contains various types of financial assets and allows leverage using cross margin, i.e. stock collateral to leverage investments in derivatives;

GoBulling Premium: For the investor who wants the support of a market room.

FORMS OF REMUNERATION OF SHARES-DIVIDENDS/SHARE REPURCHASE PROGRAM OF OWN SHARES

Depending on the sales performance, revenues, costs and production costs with the marketing of their products, among other variables, a company may remunerate its shareholders, after the end of a fiscal year or calendar year and after deliberation at the general meeting, with the distribution of profits in the form of:

1. Dividends – Corresponds to the title attribution of remuneration for each share owned and which is subject to a tax, which may be through a flow of funds or more shares; and

2. Own share buyback programme – the society acquires shares on the stock exchange thereby providing a supporting quote that could lead to its recovery.

Many investors profiles only invest in action when it has a sustained policy of remuneration of the shareholder.

PRICE FORMATION IN THE MARKET

Prices are formed by the purchase and sale quotations that are placed by the investors in stock exchanges (example: Euronext; NYSE; Nasdaq; etc.) or MTF's (examples: BATS, Equiduct), which are subject to strict compliments of duties and obligations imposed by regulators.

The offers of purchase (sale) are aggregated on the left (right) and are prioritised according to the **price**, **time** and **quantity**.

In this way the priority for the execution of order is set.

To buy, an investor can place a limit order, and thus waits for the market to meet their offer. If an order is placed “on the market" or "the best" then the order is executed immediately at prices that exist from the seller, as there are offers of sale.



EDP	Preço (EUR) 2,479	Fecho 2,520
EDP - En...	Var (%) -1,62	Max 2,535
XLIS	Quantidade 9.729.212	Min 2,460

OrdC	QtdC	Compra	Venda	QtdV	OrdV
1	22.620	2,478	2,479	141.187	1
1	30.906	2,476	2,482	113.741	2
1	5.831	2,475	2,485	5.752	1
3	64.181	2,474	2,486	148.553	4
5	197.570	2,470	2,488	85.000	1
1	3.213	2,469	2,490	357.037	7
1	31.380	2,467	2,491	3.020	1
5	255.312	2,466	2,492	70.887	3
1	1.000	2,465	2,494	252.313	2
3	257.197	2,462	2,495	68.265	4

INFORMATION FROM THE ISSUER

The issuer (company that opens its capital on the stock exchange), is required to provide information to the market on the internet and for the market regulator CMVM – in Portugal, such as:

1. Publish estimation of sales in quarterly and anual calendar;

2. Events that could have an impact on the evolution of the price of listed share (examples: issuance of debt, capital increases, disposal of assets relevant to obtaining a result, etc.);

3. History of relevant events pertaining to the shares (example: characteristics of capital increases and dividends payments);

4. Contact information for parties responsible for communication with investors

COMO COLOCAR UMA ORDEM NO MERCADO

When placing an offer of buying or selling on the market the following information should be considered:

a. Financial availability of the account;

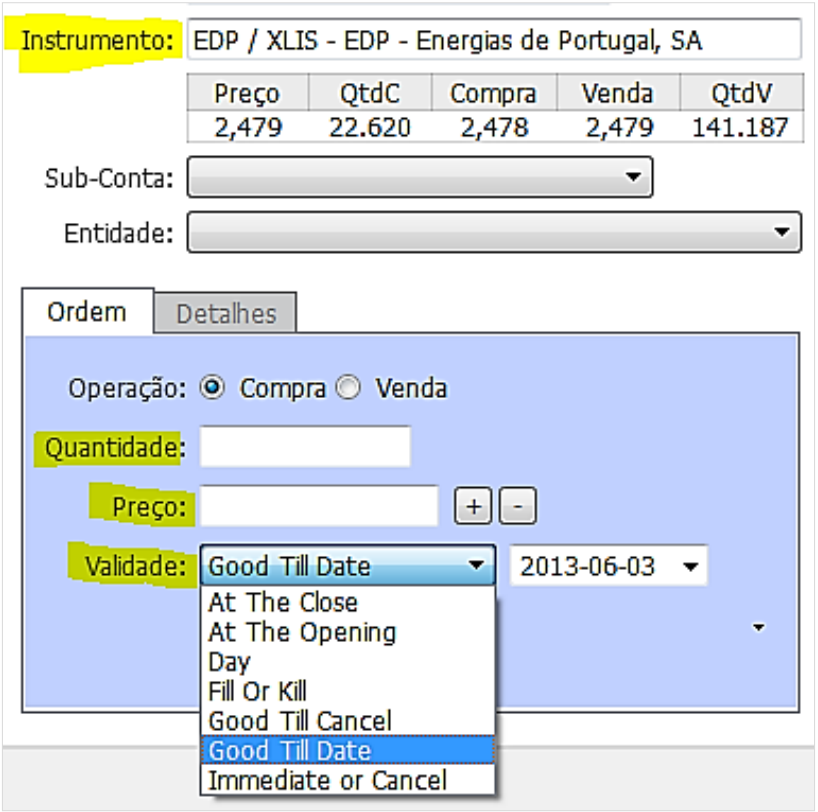
b. Charges;

c. Share designation;

d. Quantity of shares;

e. Offer price (limit or market); e

f. Duration of offer (session, year, *etc.*).



Set these parameters give the order and press "validate" the order.

Track this order in the "order book" using transaction system

LEILÕES COMPETITIVOS - TRANSACÇÃO NO MERCADO

On pricing outside the normal course of session, there are three types of auctions in accordance with priority ***price-time-quantity:***

A. **Opening auction** = set of orders that are placed to form a session start price, i.e. before the start of the continuous transaction (example: in the four Euronext Exchanges between 07:55 and 08:00;

B. **Closing auction** = set of orders that are placed to form a final price of session, i.e., immediately after finalizing the transaction in continuation (example: in the four Euronext Exchanges between 4:30 pm and 4:35 pm); and

C. **Auction for event** = By determination of the issuer or of the regulator of the capital market, where there is relevant and determining information or factors in the normal course of a trading session of a title, which may suspended trading only to be resumed after an auction that can last 5 minutes after it is announced.

PERIOD OF NEGOTIATION IN STOCK EXCHANGE (MAY VARY BY COMPANY BUT WE USED THE EXAMPLE OF EURONEXT)

In **continuation** - without interruption between beginning and end for the purpose of:

- 07:55 = start of auction for formation of the opening price being accepted orders and cancellations ;
- 08:00 = end of opening auction;
- 16:30 = the last quotation of continuous transaction and beginning of the auction to determine closing price ;
- 16:35 = end of auction to determine closing price and beginning of *(Trading At Last* or allowance to negotiate only the closing quote);
- 16:40 = end of TAL.

By **call** - only two moments of transaction per session (followed by titles with reduced liquidity):

- 10:30 = completion of 1st auction that sets the first price in the morning and negotiation during 30 minutes ;
- 11:00 = end of 1st period of trading in the morning session –placement of orders with new prices now accepted;
- 15:30 = completion of the 2nd auction that sets the price of the afternoon and for negotiation during 30 minutes;
- 16:00 = end of the 2nd and last trading period that session.

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EVENTS THAT CAN ALTER THE PRICE / QUOTE FOR AN EVENT TITLE

There are several facts that may alter the price of a title but the following stand out:

I. Increase in capital – This is a form of a company having financing to issue more shares with fixed pricing of new titles. The largest number of titles and price setting that is expected to be very different from current listing causes a dilution effect that changes the quote;

II. Payment of dividends – The delivery of a value to the shareholder, by contrast to a decrease of the Treasury of the issuer (example: bank deposits), which often causes an adjustment in price proportional to the gross amount delivered to the investor by action (example: quote for Eur 1.0/Eur 0.20 dividend action/action the following quote can be Eur 0.80/action = Eur 1.00 – Eur 0.20);

III. *Stock split* – Expression used to refer to the reduction of price with a proportional increase in number of shares, in situations where the title is intended to be accesible to more investors due to the price being too high. For exemple: Apple quote to 500 Usd/share and there are 1,000 million securities issued after stock split > = 1 to 10 new = > quotation becomes Usd 50/share and the number of shares issued to 10,000 million;

III. *Reverse Stock split* – expression that defines the increment of the quote with proportional extinction of shares. Applicable to situations in which the quote is too low and impacts the percentage changes. Example: BCP quote for Eur 0.10/share to 10,000 million titles = > after reverse stock split of 10 old for 1 new = > quotation shall be Eur 1.00/share now to 1,000 million securities issued.

Good Investments!
Thank you.

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