Investing in Shares

Sorted in Schools Year 10 activity

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SECTION 1: WHAT ARE SHARES?
Key things to understand about shares

A **share** is a unit of ownership in a company. There are few key things to understand about a share.

- People buy shares as an investment, which means it can be a method of investing in KiwiSaver and beyond.

- Share prices go up and down depending on the market, because of investors trading the shares of a company. A pattern can emerge which helps to see the outlook (i.e. forecasting) for the company to make money going forward.

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SECTION 1: WHAT ARE SHARES?
Activity 1 - Investing in shares basics

Read '**Having a go at investing in shares**' from sorted.org.nz and answer the following questions.

1. Why are shares becoming more popular as an investment?

2. Why are shares better as a long-term investment?

3. What is one thing you need to consider when investing in shares?

4. What do you need to know before investing in shares?

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SECTION 1: WHAT ARE SHARES?
What do you need to know about shares?

It is important to understand a few key words that are used a lot when talking about shares.

- **Capital gains**
  One way to make money from shares is through capital gains. This is where you sell a share for more than you paid for it, but this doesn't always happen. The value of shares go up and down depending on the company's performance and the economic situation in general. and how lo

- **Dividends**
  These are regular payments made to shareholders as a way of sharing profits. You also make money in shares by receiving these dividends.

- **New Zealand's Stock Exchange –Te Paehoko o Aotearoa (NZX)**
  The national stock exchange of New Zealand provides you with information about New Zealand companies' current share values. It also shows you short and long-term trend information and news about the sharemarket and companies listed on it.

- **Long-term investment**
  It is important that shares should be considered as a long-term investment. The longer the timeframe, the more you can ride out the ups and downs and the value of investments can grow.

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SECTION 1: WHAT ARE SHARES?
Activity 2 - How do shares work?

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Now you know what shares are, we will look at how shares work.

Watch the YouTube video '**What are stocks**?' to understand how shares work in a company. The next questions are about the company featured in this video.

1. This company's capital value was $2.58 million in July 2017 and there were 800,000 shares issued.

   Q. How much is the value of each share worth in the sharemarket?

2. The same company's capital value has been increased to $5.8 million in three years of time (July 2020).

   Q. How much is the value of each share now?

3. You bought 35 shares of the company in July 2017.

   Q. How much did you earn in three years?

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SECTION 1: WHAT ARE SHARES?
Other factors to consider

- When we invest in shares, we should be thinking about which company seems to be better placed to grow in the future.

- The 'trend is your friend', but there are other factors that you need to consider:

  - **Revenue –** whether the company is bringing in more money from the goods or services they are selling
  - **Personnel** – the key people running the company, and whether they have a track record of growing companies
  - **Performance –** financial statements give information about a company's income, expenses, profit, assets, debt, etc.
  - **Risk management** – understanding a company's risk management system or framework is also an important thing to look at.

- All companies that issue shares publicly must issue an **annual report**. The report allows you to find all the information mentioned above, plus other useful information to understand a company.

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SECTION 2: LONG-TERM TRENDS
Trendline

- It is important to check shares' long-term trends to carefully decide if this is something you want to put your money into.

- To identify a long-term trend, a **trendline** is often used (see below graph). This line shows how the data over a period time has increased or decreased.

- A trendline helps investors to understand the current direction of a company's revenue.

Company's revenue over 15 years

Trendline

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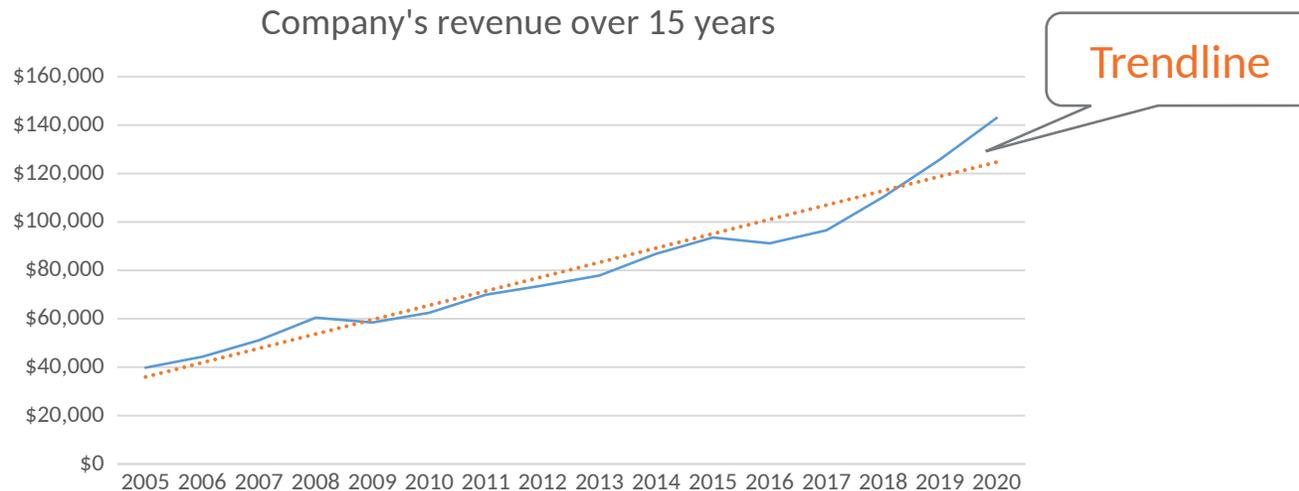
SECTION 2: LONG-TERM TRE
Activity 1 - Plotting trendlines

The following data shows yearly data of Apple's revenue over the last 10 years period.

Year	Annual revenue (Millions of USD)
2010	$65,225
2011	$108,249
2012	$156,508
2013	$170,910
2014	$182,795
2015	$233,715
2016	$215,639
2017	$229,234
2018	$265,595
2019	$260,174
2020	$274,515

Step 1. Copy and paste the table in a spreadsheet (e.g. Excel spreadsheet).

Step 2. Create a line graph using 'Chart' from the 'Insert' menu.

Step 3. Add a trendline from 'Chart Elements' by selecting the chart and clicking on the + sign on the right-hand side. Select 'trendline'.

**Q. Looking at the trendline, has the overall revenue over the entire period increased or decreased?**

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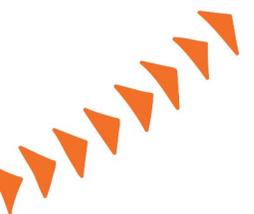
SECTION 2: LONG-TERM TRENDS
Activity 2 – Describing long-term trends

To get an idea of how **long-term trends** work, review the following long-term trend graph of the quarterly revenue of NIKE over the last 10 years. Questions are on the next slide.

NIKE Quarterly Revenue (Million of US $)

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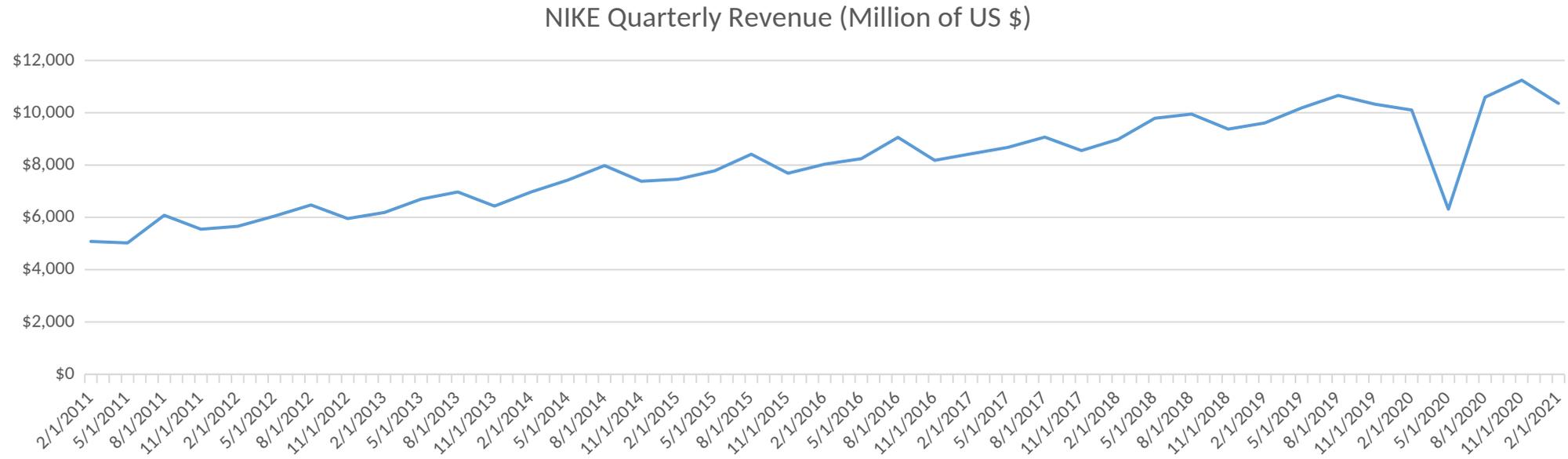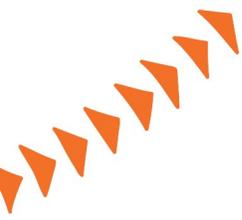
NIKE Quarterly Revenue (Million of US $)
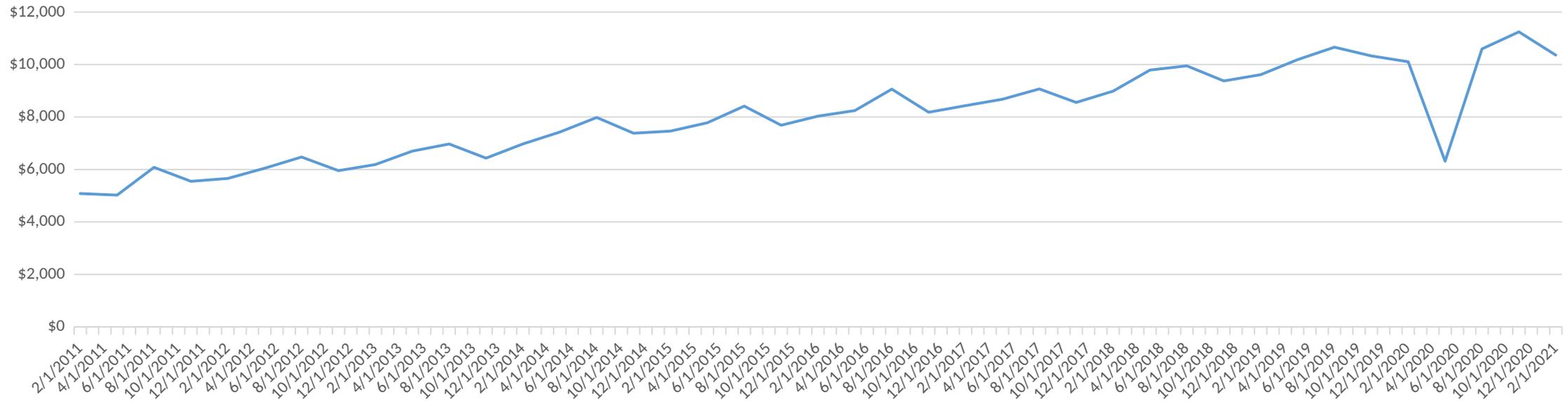
1. Note down the share value of 1 Feb 2011 and one year later (i.e. 1 Feb 2021).
   Q. Explain what has changed in regards to revenue.

2. There is something unusual when looking at the trend of this graph.
   Q. Describe what that is and why you think this has happened.

3. **Q. Can you think of anything that will change the revenue trend in the future?**

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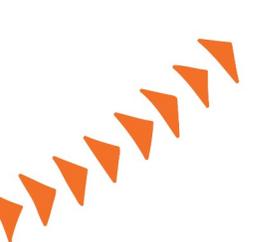
SECTION 3: INVESTIGATING DATA
Understanding data is important when investing in shares

- Understanding data can help investors determine their buying, selling, and holding decisions in order to maximise capital gains and the return on their investment.

- Using this section, you will practise how to investigate data by plotting a graph and describing the findings from it. This exercise will help you to understand how data analytics can give more opportunities to make financial decisions when investing in shares.

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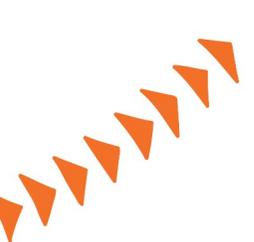
SECTION 3: INVESTIGATING DATA
Activity 1 – Describing features of graph

You need a spreadsheet tool (e.g. Excel) to do this activity.

1. Click '**Facebook revenue.xls**' to download the dataset and open it using a spreadsheet tool.

2. Review the dataset on the spreadsheet.

   Q. Note down the dates for this data period. Describe the frequency of the data (i.e. daily, weekly, monthly or weekly)?

3. **Q. Plot a line graph showing the revenues for the time period from the spreadsheet.** Make sure you label the graph correctly (i.e. title, x-axis and y-axis) with appropriate ranges for each axis.

4. Using the line graph you created:

   Q. Please describe what is unusual about this graph.

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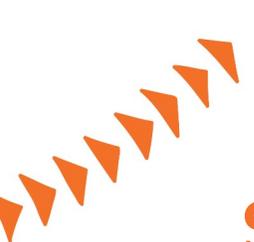
SECTION 3: UNDERSTANDING DATA
Activity 2 – Analysing long-term trends

1. Add a **trendline** to show what the long-term trend of the revenue looks like during the period.

   Q. What can you comment about the overall trend of the market price of this company during the period (i.e. increased or decreased)?

2. Based on the trendline and other features on the graph you plotted:

   Q. Did the revenue of this company during the period increase or decrease? What factors would you consider that might impact the company's revenues?

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GROUP PROJECT: Which company should I invest in to make a profit?

Please use a 'Which company should I invest in to make a return?' PowerPoint resource to do this activity.

- In this project, you are going to investigate a few different companies' revenues to compare and decide which company you would like to invest in.

- After deciding how much you will invest, your group will, over the course of a week, record the company's share price each day. At the end, you'll find out how much your group could earn or lose.

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