

Equities (equity securities)

Asset class fact sheet

This document informs you about the characteristics, advantages and risks of direct investments in equities and is designed to help you make your investment decisions. If you have any questions, please do not hesitate to contact your client adviser at any time.

With a share, the holder (shareholder) acquires a part of the share capital of a stock corporation. As a co-owner, the shareholder participates directly in the assets of the stock corporation and thus in the commercial success/failure of the company. The financial circumstances of the company have a direct impact on the price of the share.

The share is a security that serves equity financing (procurement of equity capital) and certifies the membership rights of the shareholder. Shares are the most common form of equity security. The performance of the share price depends on various factors (corporate success, the state of the markets, etc.). Generally, shareholders should expect price fluctuations. In addition to participating in the price performance, many stock corporations also issue dividends.

Forms of equity securities

The most common forms of equity securities are bearer shares, registered shares and preference shares. Further forms of equity securities are e.g. share certificates, dividend certificates, profitsharing certificates, participation certificates or subscription rights. These differ from shares on account of their respective fungibility, nominal value, dividend rights as well as the rights of the holder.

Share types

- In the case of **registered shares**, the name and address of the shareholder is recorded in the share register of the company. This entry in the share register gives the shareholder voting and electoral rights as well as the right to draw dividends.
- In the case of **bearer shares**, the respective holder of the share is deemed to be a shareholder and is entitled to exercise voting and electoral rights, as well as to draw dividends.
- In the case of **preference shares**, shareholders have pecuniary benefits over normal shareholders, e.g. an entitlement to a higher dividend or a larger subscription right. Preference shares may, however, also be issued without voting rights.

Rights and obligations of shareholders

- Entitlement to profit distribution
- Entitlement to take part in the shareholders' meeting
- Voting and electoral rights
- Control rights
- Obligation to pay for the shares accordingly

Benefits

Longer-term yield potential

By investing in equities, the investor acquires a share of a stock corporation and consequently participates in the economic success of the stock corporation. Capital gains are also possible. This means an equity investment can provide a higher return in the longer term than, for example, classic bonds; as a rule, however, equities are also subject to higher volatility.

Additional returns through dividend payments

The stock corporation distributes a variable dividend, depending on the performance of the business.

Pricing and liquidity

A distinction is drawn amongst others between listed and unlisted stocks. Listed stocks are bought or sold on a stock exchange at the current price. The price of a share is determined by supply and demand.

Voting and electoral rights

Membership rights such as voting and electoral rights at the shareholders' meeting are linked to the investment in shares.

and demand on the stock exchange, or in OTC trading. Prices are also affected by the behaviour and risk appetite of investors.

Company-specific risk (creditworthiness)

By buying shares, the investor acquires book-entry securities that also include participation in the corporate risk capital. In the event of the insolvency of the company, the claims of shareholders are satisfied only after the claims of all creditors have been satisfied.

In the event of insolvency, therefore, the investor can lose the entire invested capital.

Liquidity risk

The liquidity of a share describes the opportunity for the investor to buy/sell their shares on a daily basis at market prices on a regulated stock exchange. The risk that the shares may not be bought/sold on the market within a reasonable period, at market prices or without impacting the market is borne by the investor. In addition, regulatory restrictions or restrictions pursuant to the articles of association, listing rules and changes to these (ban on short selling, disclosure obligations or registration requirements) may have an impact on share prices and liquidity.

Foreign exchange risk

If the equities are traded in a currency other than the domestic currency, the investor may be exposed to a foreign exchange risk.

Further risk aspects

The investor needs to be aware of further risk aspects: for example, investing in equities of companies from emerging countries that may be subject to heightened political fluctuations, or trading unlisted equities via OTC markets for which there are no regulatory rules.

Risks

Potential loss

When investing in equities (equity securities), fluctuations in value on the stock exchange can cause investors to suffer losses. This is because the value of the share can fall below the purchase price. In the event of the insolvency of the company, a total loss may also occur.

Market risk

The investor bears the risk that the value of the share could fall while being held. The price of equity securities is determined by supply

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