

Ready
to invest
in shares?



Personal Investing



Ready to invest in shares?

This guide takes you through what you need to know before starting to invest in shares. We look at why people choose to invest in this way, where they get ideas from and how you actually buy the shares themselves.

While you're reading this guide, please remember the value of investments and income from them can go down as well as up, so you may not get back what you invest. You should regularly reassess the suitability of your investments to ensure they continue to meet your attitude to risk and investment goals. Direct share investment is not right for everyone. Direct shareholdings should generally form part of a well-diversified portfolio of other investments. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment, you should speak to an authorised financial adviser. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

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Why invest in shares?

Investing directly in shares isn't for everyone. But for those who want more control over their money, it can be a great – and enjoyable – way to build up you and your family's savings. To help you see why some people get bitten by the share dealing bug, we asked Fidelity Investment Director Tom Stevenson to explain why he likes to buy shares.



There are many ways to use the stock market to build a better future for you and your family. Over the years, I have used all the main investments – mutual funds, shares, investment trusts and exchange traded funds (ETFs). And

let's not forget some cash and the various houses in which we've brought up our kids. All have their pros and cons and a well-balanced portfolio will very likely hold a mixture of some or all of them.

As I've experienced the ups and downs of the market, I've come to appreciate the value of the best professional managers and the diversified portfolios they manage on my behalf, which is why my portfolio is built around a core of funds. However, working towards my investment goals is too important to me to sub-contract completely to someone else.

It's a bit like looking after my garden – it's nice to have some expert guidance on the planting scheme, and maybe get someone in to do the dull bits like trimming the hedges, but sometimes I want to get my hands dirty too. That's how I feel about investing and it's why there will always be a place in my portfolio for some individual shares which I have researched and chosen myself. For me this is the real deal – where I get to really engage with my finances.

Warren Buffett and his many followers – investors in the UK like Select 50 manager Nick Train – say that they see investing as part-ownership in a business. That's how I see it too. Being a part-owner is much more engaging than simply buying and selling a share certificate (or these days an entry on an electronic register). It's a lot more fun too.

When you get it right, there's nothing quite so satisfying as being right about a share. I remember 15 years or so ago, watching the rapid growth in coffee shop chains across the UK and backing my judgement by investing in Caffè Nero.

It turned out to be a very good investment, although of course I've made some regrettable decisions too along the way – that goes with the territory, I'm afraid.

Take Morrisons, for example. In 2013, I thought it looked like a good investment, but it turned out to be a bad time to make it. With the rise of Aldi and Lidl, plus some economic challenges, the company's share price nearly halved between September 2013 and December 2015. It has recovered somewhat since then, but it's still not quite back to where it was.

In recent years, I have kicked myself on numerous occasions when buying Fever Tree tonic water and not making the obvious connection to invest in the AIM-listed manufacturer of these high-quality mixers.

It's now nearly 30 years since I started out as a reporter at Investors Chronicle, the private investor's weekly bible. And for three decades, I've never lost my fascination for investing. I hope our share dealing service will help you enjoy it as much as I have.

Six helpful tips before you start investing



1 Take your time

Investing is all about time. You don't want to rush when choosing companies to invest in and it's a good idea to apply the same logic once you've made your investments. Businesses can take time to achieve what they want and for the share price to grow like you want – though you have to remember that there is no guarantee this will happen and investments can fall in value as well as rise.

You should really aim to hold shares for a minimum of five years, as this may help iron out the inevitable ups and downs in their prices and give your money the best chance to grow. If you can hold them for longer, that is generally even better.

History has shown that shares deliver better returns in the long run than other assets like bonds or cash, though there is no guarantee that this will happen in future.

2 Don't be put off by the lingo

The world of shares has a language all of its own. Yes, investors who are familiar with the jargon may have a head-start. But not always. Some of the shrewdest investors are those who invest in what they know.

What you've got to remember is that when you buy shares you're buying a very small piece of that company. If you have a good understanding of the type of business you're investing in and the prospects for the sector that business operates in, you probably know all you need to know to get started. We explore this idea further on page 6.

3 Don't try to 'time the market'

Banish those visions of day traders bashing buy and sell buttons. If you sell at the wrong time, in the hope of buying at a cheaper price – or simply wait for lower prices before you make an investment – you could end up kicking yourself if you miss out.

It's far better to spend your time doing your homework and investing in a company that you believe in than trying to second-guess the market and incurring the cost, and potential frustration, of getting it wrong.

4 Don't plan to get rich quickly

Investing in shares isn't a 'get rich quick' scheme and it isn't gambling. It's about making sensible decisions that will hopefully grow your money over years and decades. This may seem less exciting, but it can still have a powerful effect on your savings.

5 Understand risk

When it comes to investing, you'll hear risk talked about. A lot. There's no such thing as a risk-free investment. Even holding cash in the bank comes with risk, as inflation can eat away at the value of your money over time.

However, it's more prominent when you invest in stocks and shares because you are immediately exposed to any fluctuation in the share price of the companies you invest in. Aside from individual risks, companies can face sector-specific ones and industry-wide ones. And don't forget political and economic factors, which can affect share prices.

When choosing companies to invest in, you'll come across all sorts, from industry stalwarts that have stood the test of time, to shiny newcomers that have everything to prove. And some may not last the distance. That's why you must always understand what you're investing in and make sure you are comfortable with the risk you are taking with your money.

6 Don't put all your eggs in one basket

Company shares can change in value very quickly, so it makes sense to invest in more than one, as this can reduce the overall level of risk you are taking on. At the same time, it's a good idea to 'diversify' your holdings, which means spreading them around so they're not all in the same place.

For a start, shares should probably be seen as just one part of your overall portfolio. It would also be wise to keep your share investments as diverse as possible. For instance, investing in a restaurant group, a food supplier and a commercial property company is likely to be better than investing all your money in three restaurant chains operating in the same market – and, of course, it's possible to be much more 'diversified' than this.

By investing in a number of companies and adding funds and other assets into the mix as well, you'll be on your way to building a balanced and diversified investment portfolio.



Strategies for choosing shares

There are lots of ways to find investment ideas, but some seem particularly suited to people who choose shares for themselves. We've highlighted two to help you get started.

1 Investing in what you know

As consumers and customers, we often – sometimes without realising it – occupy a prime viewpoint when it comes to spotting investment opportunities. Fund managers may have far more resources to carry out research, but they don't have our perspectives. We can get an information edge simply by keeping our eyes and ears open.

For example, you could see that a company is on the up, or struggling, before the market does, simply because you shop there regularly and can spot changes in the quality of their stock before any rise or fall in purchases makes it through to their accounts.

Similarly, try to watch where people are eating out or buying property and what sort of cars they're driving. Even noticing a pattern at dinner party conversations could tell you what people are thinking and doing before it becomes the sort of wider trend that the market can see.

A famed proponent of this "invest in what you know" approach is Fidelity investment star Peter Lynch. Investing folklore has it that the former fund manager invested in undergarment manufacturer Hanes after his wife commented on the quality of its tights and stockings. When a competitor introduced a competing brand, Lynch is said to have taken samples of each and asked for his colleagues' opinion on them. When they confirmed his wife's opinion, he bought shares in the company.

Of course, there is no substitute for really getting to grips with the ins and outs of the companies you are thinking of investing in. As Lynch once said: "Never invest in any company before you've done the homework on the company's earnings prospects, financial condition, competitive position, plans for expansion, and so forth."

Sometimes a business can look more successful than it actually is. A great example of this is the airline industry. If you find yourself battling the crowds at a busy airport you might conclude that the airlines are making money hand over fist. However, the reality of the airline business is that, despite more people flying every year, it is a cut-throat industry with wafer-thin profit margins, vulnerable to the ups and downs of the oil price, regulation and powerful unions.

At other times, however, you don't even need to leave your house to see which way the wind is blowing. If you have teenage children, you have a front-row seat at the fast-changing world of social media. You may have seen your kids moving away from Facebook and spending more time on Instagram – no wonder then that Facebook now owns Instagram. As an investor, the key question is whether the faster-growing platform can make up for any slowdown in its maturing parent.

Of course, believing something and actually acting on that hunch are not the same thing. Investing is not just an intellectual exercise. It requires confidence and conviction too. Start with what you know, add some research into the mix and you'll have a head-start on many other investors who are not prepared to roll up their sleeves or back their instincts.

2 Focusing on long-term trends

Another way that personal investors can have an edge over the experts is their time frame. Warren Buffet may have said that his "favourite holding period is forever", but many fund managers will be focused on the much shorter term, as their jobs rely on aiming for performance year in, year out.

If you know you will be putting your money aside for several decades, you can aim to make decisions that

take advantage of the longer-term trends that could affect societies and economies all over the world – and have time to wait if the market takes a while to catch up.

The rising middle class in the major emerging economies, such as China and India, is often given as an example of one of these trends, as it has helped the growth of companies that can support the demands of their new lifestyles. This covers everything from cars and tech to wine and luxury goods. You could invest in funds that focus directly on these countries, but it's also worth keeping in mind that some UK companies earn much of their profits in the emerging markets, such as Burberry in China.

For another idea, how about rising life expectancies? In developed economies, people are living much longer than before, so there are opportunities for companies that can meet greater retirement expectations – or help people save enough to afford them. Equally, a longer life doesn't mean perfect health, so everything from nursing homes to medical technology companies could benefit.

Then, there are the way trends can fit together. Take the two we've just highlighted as an example. As the middle class grows in the emerging markets, life expectancies could well follow the same trend they did in the developed economies. This could mean an additional market of millions of people who want to spend money on making their later years more enjoyable and comfortable.

Finally, there are more focused trends that could also play out over many years, such as electric vehicles. In the next few years, the focus may be on hybrid vehicles, but as battery technology continues to develop, fully electric cars could become increasingly viable. Or this may turn out to be a dead end, if development moves on to fuel cell technology instead.

There are many ways you could back this trend if it's one you believe in – from investing in companies that are leading the way in electric vehicle design to focusing on the underlying manufacturers for key parts, such as batteries, or looking further down the supply chain to the essential raw materials.



Market insights and investment opportunities

Finding opportunities and making the most of your holdings means staying informed about what's happening in the markets. Our experts can help.

The market perspectives page on our website ([fidelity.co.uk/perspectives](https://www.fidelity.co.uk/perspectives)) brings together all of our team's latest views about what's happening in the markets and the potential implications for your investments. This includes a daily insight that rounds up key stories from the news, more detailed viewpoints on market topics and Tom Stevenson's market week video that contains our expectations for the coming week.

Alongside these articles is our investment ideas page ([fidelity.co.uk/ideas](https://www.fidelity.co.uk/ideas)) which focuses on specific opportunities. For share investors, there are three elements that could be particularly interesting.

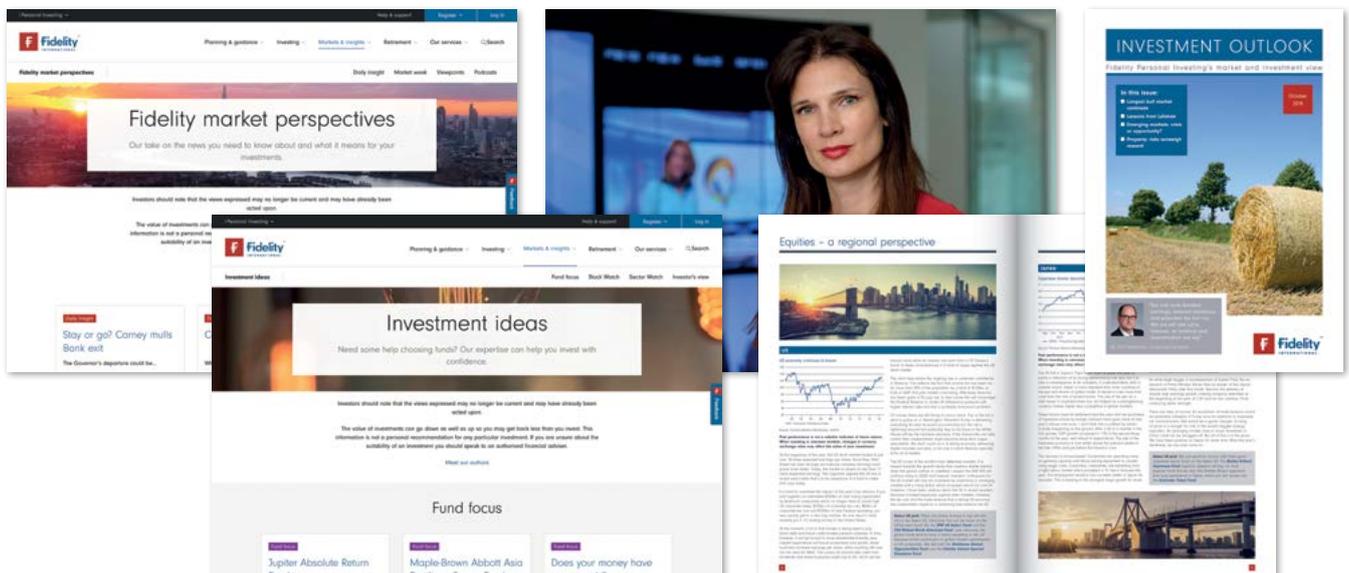
Our Stock Watch series provides investor briefings on specific companies, while Stock Watch Live is a weekly video where a member of our team gives their views on the stocks to watch in the coming weeks. We then take a wider view with our Sector Watch, which covers specific market areas, such as telecoms and retail.

For those who prefer to get away from their screens, we have free weekly podcasts that look at a range of investment issues. Tom's market week is also available in this format, while the MoneyTalk podcast explores broader investment topics.

Finally, you can get an even longer-term perspective with Tom Stevenson's *Investment Outlook*. This quarterly report contains all his thoughts on the prospects for global markets and key asset classes over the next 12 months.

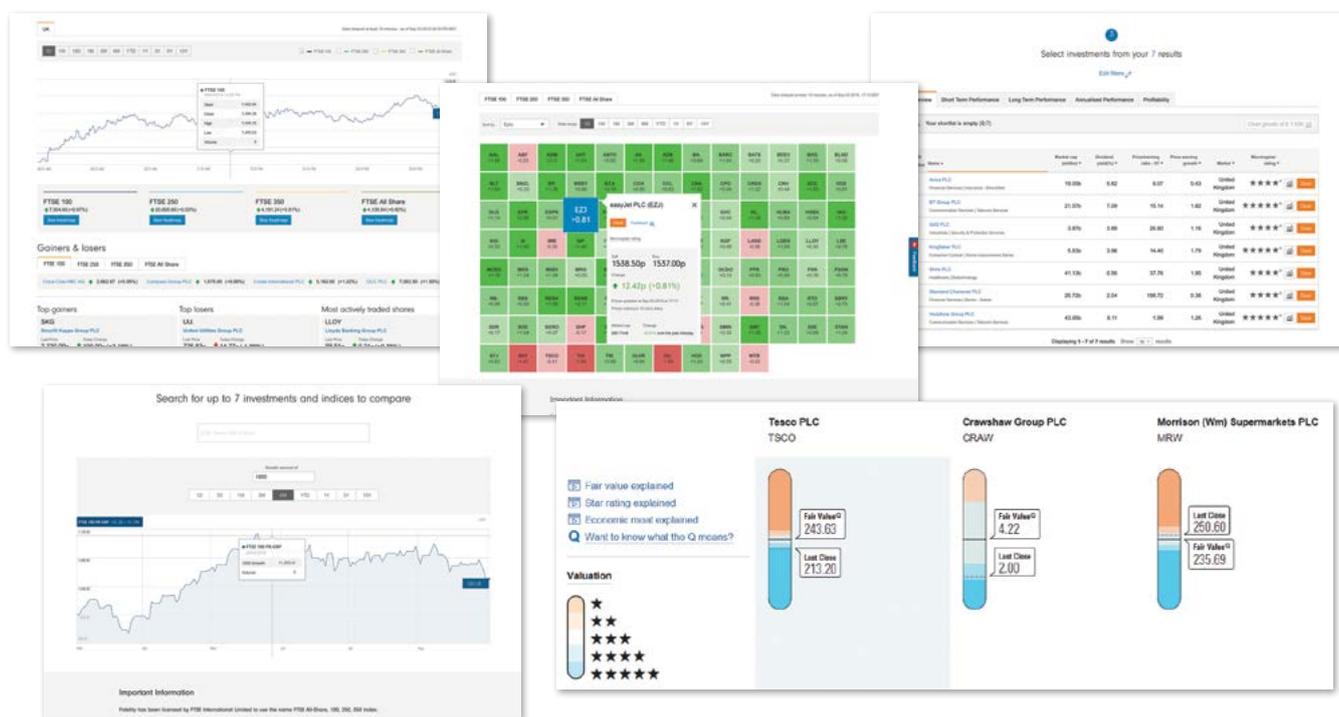
This exclusive analysis is free to read on your screen or download as a pdf at [fidelity.co.uk/outlook](https://www.fidelity.co.uk/outlook)

Investors should note that the views expressed may no longer be current and may have already been acted upon. This is not a personal recommendation in respect of a particular investment.



Tools and data to help your decisions

When you're ready to start choosing shares, there are several ways we can help.



Our market & shares data page (fidelity.co.uk/data) gives you an easy way to see how the UK market and major indices have performed over different time periods. It also tracks the top gainers and losers in the FTSE 100, FTSE 250, FTSE 350 and FTSE All-Share.

Alternatively, if you'd like to drill down into an index, our heat map (fidelity.co.uk/heatmap) shows how every company it contains has performed over a range of time periods – from one day to ten years. They can be ordered by performance, company code or sector, which means it can be a powerful way to identify risers and fallers, as well as seeing broader market trends much more visually.

Another way to look for shares is by particular categories. That's where our Investment Finder (fidelity.co.uk/finder) comes in. You can search our full investment selection of over 600 shares using filters that range from sector, size

and industry to dividend yield, price-earnings ratio and Morningstar rating.

Once you've found something you're interested in, just click on its name to open up a detailed factsheet with all sorts of share statistics and company details; all the way down to its key personnel, director dealings and major shareholders. When you're logged in to your account, you'll also be able to view the Morningstar Fair Value Estimate on each factsheet. This looks at the long-term, intrinsic value of a stock and provides a competitor comparison.

Finally, if you'd like to see how several investment opportunities stack up against each other, you can use our Chart and Compare tool (fidelity.co.uk/compare). This allows you to compare up to seven shares, funds and indices, over a selection of time periods; from the short to very long term.

Six reasons to invest in shares with Fidelity

It's a big decision to start investing in shares, but it doesn't have to be a difficult one to choose where to buy them from. Here are some of the advantages of choosing Fidelity.

1 You have lots of choice to build your portfolio

We already offer over 600 shares from the FTSE 100, FTSE 250, FTSE All-Share and FTSE AIM indices, plus investment trusts and exchange-traded funds. We are continually adding more assets to the platform and eventually we'll offer:

- UK and Irish shares
- UK government bonds (gilts) and UK corporate bonds
- European shares via CREST Depository Interests (CDIs), which are UK investments covering companies listed in Europe
- An even wider range of investment trusts and exchange-traded funds

2 You can see what you're paying with our simple charges

Our typical service fee for holding funds is a low-cost 0.35%. That's also the typical fee for holding shares in an ISA or Junior ISA. But we make it better value by capping it at £45 a year for your shares – no matter how much you invest with us. There's no service fee at all for holding shares in our Investment Account. Then, we charge just £10 a trade for online share dealing inside an ISA or through our Investment Account, and £1.50 a deal for regular savings and dividend reinvestment. Normal charges apply to any other investments you hold with us. For more information, please visit [fidelity.co.uk/charges](https://www.fidelity.co.uk/charges).

3 You'll find it easy to manage your money

You'll see your shares alongside your funds on our secure website, so all you have to do is log in to get a full picture of your portfolio. If you move shares you hold elsewhere to Fidelity, this will mean you can see everything in one place.

4 You can look after everything in one place

Our transfer service makes it easy for you to move shares you hold elsewhere over to us, so you can manage everything in one place. Just give us the details for ISA and Investment Account holdings and we'll sort it all out for you. (Self-Invested Personal Pensions are on the way, so you'll be able to do them soon as well.)

Our share dealing transfer service does all this for you – and we'll even cover the exit fees from your current providers by paying up to £500 per person. Terms and conditions apply. See [fidelity.co.uk/exitfeeterms](https://www.fidelity.co.uk/exitfeeterms) for more information.

5 It can even be easier for your employer

Some companies have to keep track of staff share dealing. This can be hard work for the employee and the employer. But not with Fidelity. Our employee compliance reporting service makes it easy for them to monitor your trading and maintain accurate records. All you have to do is give them permission to access your details.

6 You can get involved with the companies you hold

Just log in to your secure online account for all the latest information about your shares, plus an archive of everything we have sent you. You can also see any corporate actions that are happening on your holdings. (These are things that significantly affect a company and its shareholders, such as a merger or stock split.) Mandatory events won't need you to do anything, but you will be able to elect on voluntary events through our website. You will also be able to receive information and vote on decisions affecting your shareholdings such as AGM resolutions.

How to buy shares with Fidelity

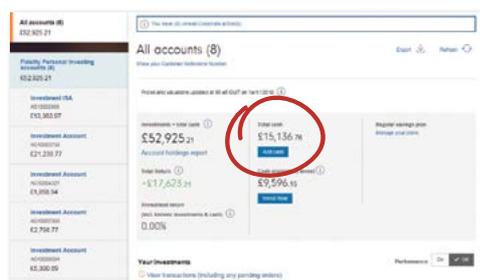
After you've done the hard work of choosing shares, you don't want it to be difficult to buy them. We've made it easy to get started – and to keep an eye on your money.

Step 1: Log in or register

You can access our secure website from our landing page using the link in the top corner.

Step 2: View your account summary

This will give you an instant view of any investments you already hold with us.

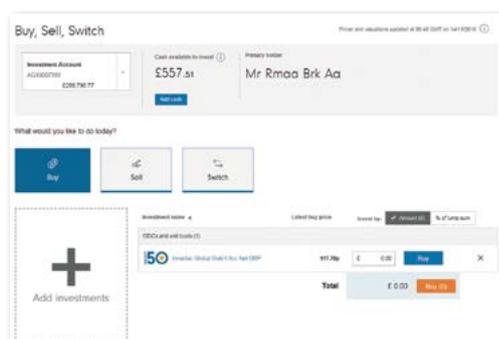


Step 3: Add cash to your account

Just click on 'add cash' from the account summary (circled), tell us how much you want to put in and give us your debit card details.

Step 4: Make your first trade

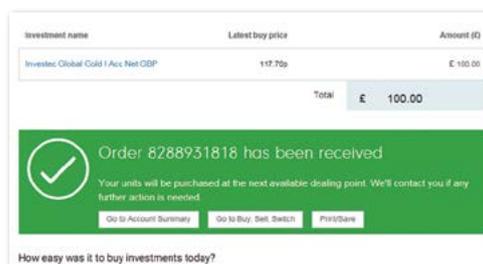
To purchase a new share, click the 'Invest now' button, make sure the 'Buy' button is highlighted, and then select 'Add investments'.



You'll need to enter the name or company code (also known as the EPIC) of the shares that you want to buy. Then, just tell us how many shares you want or the amount that you would like to spend.

Finally, you can choose how the trade goes through. You have three options:

- We can give you a live price, so you can invest straight away. This is known as a 'market order'.
- If the market is closed or a quote cannot be provided for a market-related or technical reason, you can choose to buy or sell shares without seeing a quote. This is known as an 'at-best order'.
- You can tell us what price you want to buy at and the trade will only happen when (and if) the share hits that price. This is called a 'limit order'.



Step 5: Keep an eye on your investments or make changes

If you want to see how your investments are doing, just log in as often as you need. You'll get an instant view of your holdings – and you can add to them, or sell them, directly from the account summary.

This is a summary of the steps you need to make a trade. If you want to see this in more detail, please visit [fidelity.co.uk/planning-guidance](https://www.fidelity.co.uk/planning-guidance) to see our "How to buy shares" guide.

Fund examples on this page are for illustration purposes only.

To find
out more
about share
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