

Equities – An Introduction

Equities are the ordinary shares issued by companies and where the company is quoted on a recognised stock market, the shares can be bought and sold for investment. Equities form part of many investments and savings, in that almost all life assurance and pension plans will have much of their premiums invested by the life assurance company in company shares. The reason they are used by life assurance companies and pension funds, is that they have historically produced superior returns to deposit or fixed interest investments. However, there are periods, which can last many years, when that is not necessarily the case.

Equities can produce **income** from the dividends paid by companies out of their profits and **growth** from the movement in the prices that investors are prepared to buy and sell the shares at. Share prices and the income paid out as dividends can fall as well as rise and for that reason, careful research is needed in selecting shares to buy and a spread of shares should be purchased to reduce this risk.

In order to obtain access to professional research and management, most investors today use collective investments. These pool your money with other investors into funds, normally of many £millions. This allows for the cost of these services to be spread and made affordable to all.

The common collective investments in the UK are life assurance plans, pension plans, unit trusts, open ended investment companies (OEICS), investment trusts and capital investment bonds. They all have different uses and taxation characteristics and **Johnston Financial** will ensure that their recommendations are geared to your personal circumstances and requirements.

All equity based investments, including the collective investment funds that we would recommend, will fluctuate in value depending on movements in stock markets and the performance of the investment manager in selecting shares for his fund. Whilst the long term record shows that equities are essential in a portfolio to produce the best long term returns, the short term fluctuations can be quite severe. For that reason, we always suggest that equity based investment should be part of a diversified mix of asset types and investments including adequate cash held in a bank account, fixed interest and property.

Johnston Financial can advise you on all of the appropriate routes into investing in equities as part of a portfolio. In particular, you can join our Planned Portfolio Solution and / or invest through The Nevis Fund described elsewhere on this site, for a risk controlled, monitored portfolio. We also have links with a number of respected private client investment managers, to provide our clients with a specialist discretionary investment service for share portfolios.