FINTALK

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Is equity
Worth investing it?
A boon or a bane?

Meet Rishi Sunak
UK’s first
Indian-origin PM

GENESIS GLOBAL SCHOOL

Promising Futures

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EQUITY

Anything invested in the company by its owner or the sum of the total assets minus the sum of the company's total liabilities is called ***Equity***. E.g., preferred stock, retained earnings.

The ***Equity*** of a company, or shareholders' equity, is the net difference between a company's total assets and its total outsiders' liabilities. A company's equity is used in fundamental analysis to determine its net worth.

An ***equity market*** is a market in which shares of companies are issued and traded, either through exchanges or over-the-counter markets.

Also known as the stock market, it is one of the most vital areas of a market economy.

It gives companies access to capital to grow their business, and investors, a piece of ownership in a company with the potential to realize gains in their investment based on the company's future performance.

Does owning stock and owning equity mean the same?

Owning stock in a company gives shareholders the potential for capital gains and dividends. Whereas owning equity gives shareholders the right to vote on corporate actions and elections for the Board of Directors. These equity ownership benefits promote the shareholders' ongoing interest in the company.

We understand that many entrepreneurs are reluctant to share equity. They can create "owners" without doing so, for a while, not forever. If they focus on the value of their equity, they quickly understand that owning 100% of a company that is worth $3 million is not nearly as valuable as owning 70% of a company that is worth $10 million.

Some common types of equity

Venture capital (VC) – VC firms are a type of private equity company that typically invest in start-ups and early-stage companies anticipated to grow.

Buyouts – The investors seek out undervalued companies that they can take private and turn around, before going public, years later.

Growth Equity – Growth equity funds target companies that have potential for scalable and renewed growth. Unlike buyout funds, they usually take a minority stake with the intention of growing the business as much as possible.

Rivaan Rastogi : XI-B

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Pros of Investing In Equity

Ownership – Investing in shares of a company makes you a shareholder or a member of the company. In simple terms, you get ownership of the company and can exercise control.

Higher Returns-The primary advantage of investing in equity is that it can generate high returns in a short time in comparison to other investment options like Bank FDs.

Dividend – One of the benefits of investing in equity is that it offers returns in not just one, but two forms — capital appreciation and dividend income. Dividend income is essentially an additional income to the investor.

Flexibility – An investor looking to make an entry into the stock market can start with a rather small investment. Purchasing the stock of small-cap or mid-cap companies in smaller units would be the apt way forward.

Limited liability – There is always a risk of adversity such as bankruptcy or operational losses when it comes to companies.

Cons of Investing In Equity

Higher costs - Since the funds are professionally managed they entail higher costs such as salary of fund manager and exit ratio among others.

Higher risks - Equity funds entail higher risks as compared to debt funds and are not suitable for those investors who want a lower risk for their investment.

Potential Losses – Equity mutual funds cannot be insured against losses unlike some other investments.

Rivaan Rastogi : XI-B

HOW TO INVEST IN EQUITY

“India has always been a saving economy, but it’s slowly becoming an investing one.”

Before I start going on about how you can invest in equity, I would rather explain what an equity is. The dictionary definition would be, that an equity is the difference between a company’s assets and their liabilities. In short, it’s the perceived value of the company on the market.

It doesn’t matter exactly how much value that company holds, rather how much value people see in it. How much opportunity does that company hold? That’s the main question.

Now, there are two ways to ways to invest in equity. You can either invest directly in the stock market or through mutual funds. Both are popularly used, but mutual funds are definitely an easier approach.

In a stock market investment, all the work is on you. You must do the research and create your own analysis. It’s a lot of work that you have to do on your own. Mutual funds are not that different, but at the same time, are on a different spectrum entirely. In mutual funds, there are people known as fund managers. They do the research for you. They create their analysis and make decisions for you. All you need to do is to invest the money. They do the rest.

But there are different ways to invest even in mutual funds…

One way is to do lump sum investing. This way, you put in huge amounts of money, together, at once. It's taking a jump in the dark, to say. You never know whether you'll fall or land.

The second way is through a Systematic Investment Plan (SIP). It is not as risky or exciting, it is much safer. Rather than investing a significant amount at once, you invest small, moderate amounts at regular intervals. There is barely any chance that you would lose money. You might not get many units, but you'll nearly always get something. And something is always better than nothing at all.

SIP is usually used for long term planning. Since, it doesn't involve much risk and you don't have to do much either. At the end of the day, it all goes right back to the basics. As the theory of economics goes, the **more money in circulation, the more prosperity the society enjoys.**

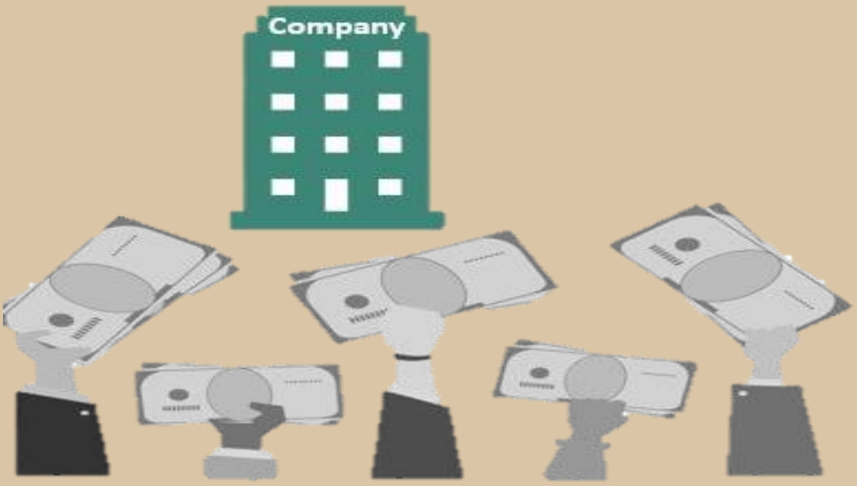
Both ways involve risk. There's always going to be a be a risk of losing, but so is there a chance of gaining. You just have to decide which risk is worth it.

Sanskriti Suryesh :IX-A

TERMS RELATED TO EQUITY INVESTING

Private Equity- Private equity are the funds that institutional and retail investors use to acquire public companies or invest in private companies. Prominent examples of this type of equity are the companies highlighted in Shark Tank.

Market Capitalizations is the aggregate valuation of the company based on its current share price and the number of outstanding stocks. Market Cap is the total market value of a company’s outstanding shares.



Stockholders’ equity refers to the assets remaining in a business once all liabilities have been settled. This figure is calculated by subtracting total liabilities from total assets.

Price-To-Book Ratio indicates whether or not a company’s asset value is comparable to the market price of its stock. Some people know it as the price-equity ratio.

"Only a fraction percent of common people invest"

Earnings per share is the portion of a company's profit allocated to each share of common stock. EPS serves as an indicator of a company's profitability

Return on Average Equity (ROAE) is a financial ratio that measures the performance of a company based on its average shareholders' equity outstanding.

Equity crowdfunding is a method of raising capital used by start-ups and early-stage companies.

Incentive stock options is a corporate benefit that gives an employee the right to buy shares of company stock at a discounted price with the added benefit of possible tax breaks on the profit.

Non-qualified stock options provide employees and other stakeholders with the right to purchase shares of company stock at a predetermined price.

Restricted stock is a form of compensation for employees, where the employing company presents one or more of its stocks to the person in question.

Price-To-Earnings Ratio (P/E Ratio) is a way of calculating a company's value. The P/E ratio is found by dividing the company's stock price by its earnings per share.

Omansh Aggarwal : X-A

RISHI SUNAK - THE WEALTHIEST PRIME MINISTER THE UNITED KINGDOM HAS EVER KNOWN

Rishi Sunak, a progenitor of India, took the helm as the prime minister of the UK setting off celebrations in the subcontinent and among its diaspora. So consequential was this moment thit made each Indian, without exception, shed their colonial baggage. Rishi Sunak has been making headlines ever since he took office, most recently at the G20 conference when he voiced hope for a trade agreement with India.

According to news sources, Sunak's office claimed that Britain and India were discussing their first-ever trade agreement, which in case approved, would mark the first agreement of its kind, New Delhi had with a European nation. Rishi has been in the spotlight more for his wealth and his wife's Indian ties, than for the economic programme he hopes would revitalise the economy of the UK. To proffer a brief introduction - Rishi Sunak, a multi-millionaire in his mid-twenties, spent a bulk of his private sector days working for hedge funds (a pooled investment fund that trades in relatively liquid assets and can make extensive use of more complex trading). He worked as an analyst, Between 2001 and 2004, at Goldman Sachs, an investment bank.

On September 2006, he joined the Children's Investment Fund Management and hedge fund management company, as a partner. He was also the Director of the investment firm Catamaran Ventures, owned by his father-in-law, the Indian businessman N. R. Narayana Murthy between 2013 and 2015.

Rishi Sunak, 42, who had previously served as the Chief Secretary to the Treasury from 2019 to 2020, held the position of Chancellor of the Exchequer from 2020 to 2022. Since 2015, Rishi Sunak has served as Member of Parliament (MP) for Richmond (Yorks), and a member of the Conservative Party. He is now U.K.'s first PM of colour.

The public has been interested in Rishi Sunak's own financial condition and specifically, his wife's and his combined net wealth, ever since he replaced Liz Truss as Prime Minister. The fact that Downing Street inhabitants are wealthier than Buckingham Palace occupants, may be unprecedented in history.

The 'Sunday Times Rich List' estimates that Sunak and his wife, Akshata Murty, are worth a combined £730 million. The Prime Minister is the highest-ranking politician in terms of wealth. In contrast, Queen Elizabeth II's estimated wealth on the list for this year, which was published prior to her passing, was around 370 million pounds ($420 million).

Nadia Whittome MP tweeted:

"Rishi Sunak and his wife sit on a fortune of £730,000,000."

That's around twice the estimated wealth of King Charles III.

Remember this whenever he talks about making "tough decisions" that working class people will pay for.

They disseminated a video footage from a 2007 BBC programme during the most recent leadership
race in which he claims to have no "working-class friends." Boris Johnson was about as elite as they come in Britain, but Sunak is not only wealthy—he is magnificently wealthy, which has caused
some to wonder if his enormous fortune renders him ineligible to serve as prime minister.

Rishi Sunak received a lot of criticism for simply being so affluent.

When we compare Liz Truss and Rishi Sunak, we see a huge difference and understand why she resigned. Liz Truss, the British prime minister before Sunak, had only been in office for six weeks, and her political career was at risk. Truss apologized for every mistake committed by her administration and acknowledged that her controversial "trickle-down economics strategy had gone too far and too quickly."

According to the "trickle-down economics" hypothesis, tax rebates and other advantages for the wealthy would eventually help everyone else as well. Political opponents in the UK have harshly attacked the strategy due to the country's escalating cost-of-living crisis. In my opinion, based on my comprehensive research, the reason why UK citizens ultimately don't support Rishi Sunak is because of the surprising fact that he is more opulent than the monarch.

People don't realize that, even though he became richer because of marrying his present wife, his background, business acumen, and stellar intellect have enabled him to add dimensions to his wealth. His background suggests that he is familiar with the economic landscape, and as a highly educated prime minister, he would be competent enough to manage the UK's economic tribulations.

Yogya Jain and Zia Krishan :- XI

Genesis Global School
Promising Futures

Questionnaire: Mayank Saboo

Hi, I am Mayank Saboo. I have done my BBA from Maharaja Agrasen Institute of Management Studies. I have been learning to trade and invest in stock markets for 4 years now. I am an avid reader and inquisitive person.

Let's start with a three-part question.

Q.1. (a) When did you start learning about equity and the stock market?

(b) What did it feel like during the preliminary days?

(c) From where did you get to know about equity and stocks?

Since my days at school, the stock market always amazed me and the daily price fluctuations (volatility) fascinated me. That led me to reading the economy page of the newspaper regularly. Soon after, I was given an opportunity to participate in an investment competition held by The Wharton Business School. As a result, I started to read avidly about markets. There I came across the Varsity website: an initiative by Zerodha for beginners to learn the basics about market.

The market felt like a deep ocean- left to discovered. At first it didn't matter how much I read I didn't understand a single bit, as understanding how dividends, bonuses, share splits, settlement, margin, options, etc. work was complex. But I believe if someone gives enough time, it's not tough to understand - it requires patience, dedication, and curiosity.

Q.2. What was your first trade/investment; and what did you base it on? Did you manage to make money out of it?

When I planned my first trade, as with all novices, I was not able to differentiate whether it was a trade or an investment because I bought it as an investment. However, I cashed out within two days after seeing the profit - which is known as a trade. First, to those who are interested in the equity markets, it is essential to know the difference between what a trade and an investment is.

3) Do you believe in equity as a wealth creator?

Absolutely, I believe equity is a wealth creator. However, we should be aware that everything on this earth has cycles and creating wealth out of equity is easier said than done.

There are times when it's best to invest in a stock-when there is panic or uncertainty; this is because markets are looking forward to development. Whereas, if you invest during a regular/normal time period, the returns won't be exponential.

Q.4. What would you advise students and other novice players commencing their equity journey in the stock market?

My advice will be:

* Develop a reading habit because the markets are affected by each and everything in the world so you must be well versed with what is happening in the world and how it can affect the markets/ companies/industries/economies.

* Never invest in markets with unreasonable expectations because it's extremely hard to create more than 18-20% annual returns on investments consistently.

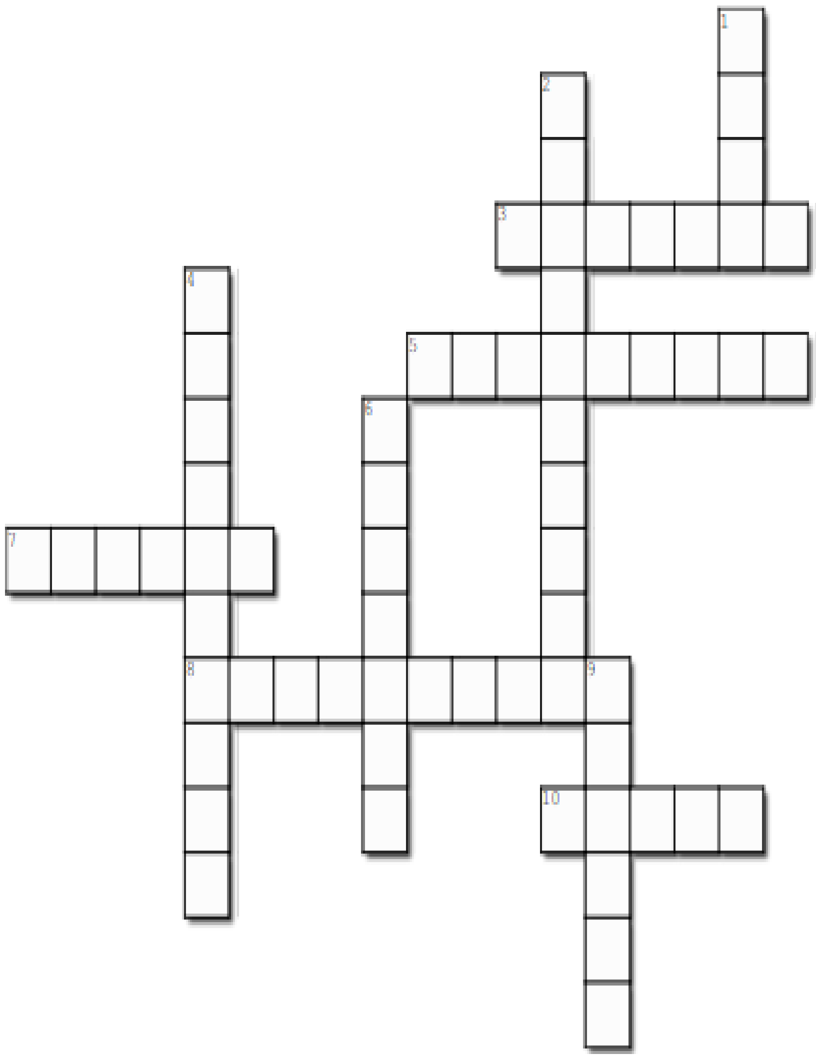
* Trading is the easiest looking, toughest way to make money in the world. A successful trader must go against human behaviour and psychology.

* Always be HUMBLE & DISPLAY HUMILITY to the market.

Interviewed by
Soham Sharda : XI-B

Fintalk's Quarterly Quiz

Complete the crossword puzzle below



Across

3. The stock market index of London stock market is referred as ?

5. In which city is the head office of the Insurance Regulatory and Development Authority of India is situated ?

7. Where is NSE headquarters?

8. The occupation in which people work for others is known as ?

10. Bombay stock exchange is the ______ stock exchange of Asia ?

Down

1. Which agency is responsible for regulation of stock market?

2. Economic activities may be classified into business __________ and employment ?

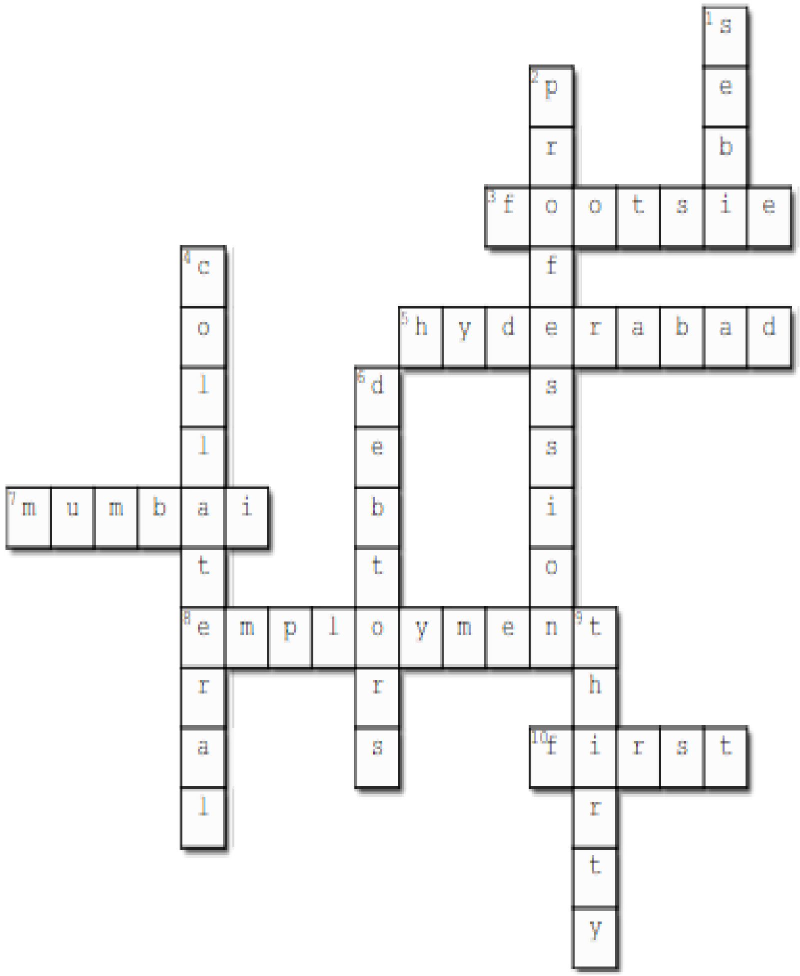
4. An asset that a borrower owns and uses the same as a guarantee to a lender until the loan is repaid is known as ?

6. Which person owes an amount to a business organisation for buying goods and services on a credit basis?

9. The index titled SENSEX of BSE is an index of trading of top ______ companies ?

Answer Key

Complete the crossword puzzle below



Across

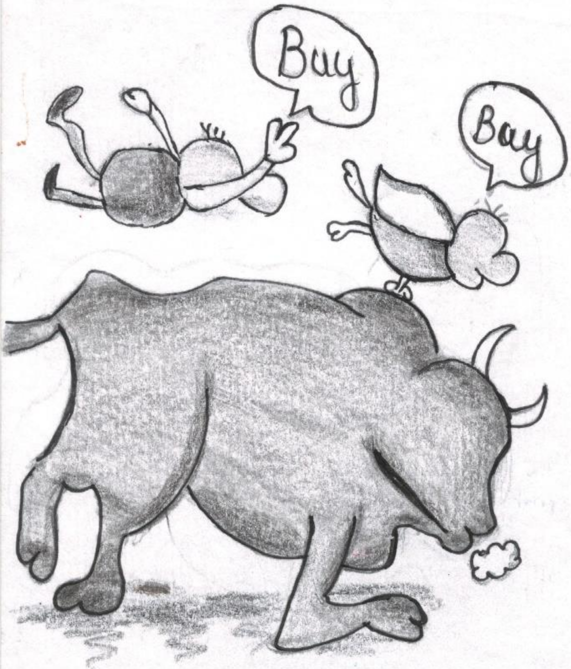
3. The stock market index of London stock market is referred as ? (**footsie**)
5. In which city is the head office of the Insurance Regulatory and Development Authority of India is situated ? (**hyderabad**)
7. Where is NSE headquarters? (**mumbai**)
8. The occupation in which people work for others is known as ? (**employment**)
10. Bombay stock exchange is the ______ stock exchange of Asia ? (**first**)

Down

1. Which agency is responsible for regulation of stock market? (**sebi**)
2. Economic activities may be classified into business __________ and employment ? (**profession**)
4. An asset that a borrower owns and uses the same as a guarantee to a lender until the loan is repaid is known as ? (**collateral**)
6. Which person owes an amount to a business organisation for buying goods and services on a credit basis? (**debtors**)
9. The index titled SENSEX of BSE is an index of trading of top ______ companies ? (**thirty**)

Maahir Mittal : XI-B

UNDERSTANDING THE STOCK MARKET



BULL MARKET :

PRICES RISE AND FALL AND INVESTORS CAN'T KEEP UP

BEAR MARKET :

PRICES FAIL AND INVESTORS CAN'T GET OUT OF THE WAY

-Iksha Raheja: XI-B

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