hint 7

Is the company's share over or undervalued?

An overvalued share is when you pay more than the actual value of the share and an undervalued is the exact opposite. As a rule of thumb, smart investors will normally buy shares that are undervalued but have the potential of providing good and sustainable returns.

hint 8

What type of risks will the company be facing?

No businesses are without risks, and these risks arrive in many different forms. An airline company faces the risk of rising aviation fuel prices. A glut in the property market poses serious threat to the business of a construction company. Knowing the risks a company faces, as well as its plans to mitigate or manage these risks, is crucial to every investor.

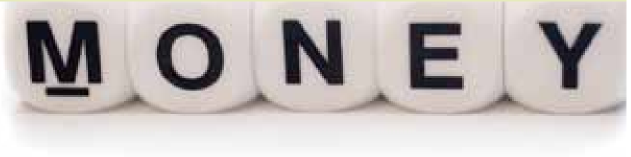
The above **questions** are not exhaustive. Investors who are willing to ask a lot of questions will more likely be able to make smart investment decisions.

Where to source for **information?**

Generally, answers to the above questions can be found from the following sources :

- Annual reports
- Prospectuses
- Business section of newspapers
- Business magazines
- Bursa Malaysia's website
- The website of the company that you intend to invest in

Once we have obtained all the relevant information, we need to analyse them and then decide whether or not to invest in a particular company. But, always remember that investing in shares involves a certain degree of risk and this cannot be eliminated completely. However, doing the necessary homework will certainly enable us to minimise and manage these risks, as well as ensure that we get the best possible or maximum returns from our investments.



When to **buy?**

Anytime is a good time to buy a company's share, as long as we consider all the relevant factors relating to the company. We can seek the help of professionals, such as investment advisers or remisiers, when making investment decisions. But, even if we do opt for professional help, the decision to invest is ultimately our own to make. Thus, it is vital that we familiarise ourselves with the company that we intend to invest in.

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How to check out a **Listed Company**

How many of us would actually take the effort to analyse a company thoroughly before buying its shares? In fact, some of us are only familiar with the name of the company and nothing more. In becoming serious investors, it is crucial for us to know as much as we can about the company that we intend to invest in.

analyse

What to look out for?

The following are some of the questions that need to be answered before we invest in a particular company :

hint 1

What does the company do?

What business is the company in? Here, we are concerned about the nature of the company's business, and this can fall under many different sectors, for example, the company may be involved in plantation, construction, consumer, industrial or financial products. Do we understand the business? Is the business viable and sustainable? The more we understand about the business of the company, the better equipped we will be able to monitor our investment.

hint 2

Where do the profits come from?

Most companies make profits from its business operations. But there are companies that make profit for other reasons. For example, a company may declare a profit because it has disposed of its assets. In such a case, the profit may not be sustainable as it is not generated from the company's core business. We need to read through the company's accounting statements to determine its source of profitability. At the same time, closely monitoring the debt level of the company (i.e. is the company heavily reliant on borrowing for its business) is essential.

hint 3

What is the company's plan for the future?

Review the company's business plan and ascertain whether the company is making plans to diversify its business to enhance shareholder value. For example, a plantation company plans to increase its profit by acquiring more land. If the company decides to undertake a corporate move, we will need to assess whether such a move will enhance the profit and improve the competitiveness of the company.

hint 4

How actively have the shares of the company been traded? Any frequent and unusual price movements?

Have such movements been explained by the company? An actively traded share may not necessarily indicate that the fundamentals of the company are strong. Investors may be tempted to speculate on the company's shares based on sudden upward price movements. However, buying shares purely on the belief that their prices will increase is undoubtedly a very risky move.

hint 5

Does the company deliver on its promises?

A public-listed company will need to state its business plan and projected growth, including its profit forecast. We have to determine whether the company is delivering on these forecasts as promised. If the company is not delivering, we can gauge the reasons for its underperformance by referring to its prospectuses and annual reports.

hint 6

Are the right people managing the company?

A company that is run by a team of qualified managers, with the right credentials, good track record and experience can deliver positive results.

ABOUT US

SECURITIES INDUSTRY DEVELPMENT CORPORATION (SIDC), the leading capital markets education, training and information resource provider in ASEAN, is the training and development arm of the Securities Commission, Malaysia (SC). It was established in 1994 and incorporated in 2007.

SIDC has been delivering professional excellence for more than ten years. We organise training programmes for Malaysian and foreign regulators, company directors and market professionals as well as conduct public investor education seminars on wise investing and investors' rights.

We develop and facilitate training both locally and internationally through a range of programmes and activities, including conferences, seminars, and workshops. In collaboration with the SC, we develop examination questions and modules and conduct licensing examinations as part of the licensing regime for Malaysian capital market intermediaries.

For more information, visit **www.sidc.com.my** and **www.min.com.my.**

This financial literacy programme is supported by Capital Market Development Fund (CMDF).

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