LJUBLJANA STOCK EXCHANGE

TYPES OF SECURITIES

1. Shares

A share is an equity security. Its owner owns one part of the capital of the company which has issued the shares in question. The shares enable the shareholder the right to take part in the decision-making in the company. If the latter operates with profit, the owners of shares may receive dividends. The amount of the dividend is decided upon by the shareholders at a General Meeting of the Shareholders.

2. Bonds

A bond is a debt security. When purchasing a bond, you have no right to participate in the company's decision making but are entitled to the reimbursement of the principal and the interest. There are several ways of repayment as the companies may decide that the principal be paid in regular annual instalments or on the maturity of bonds. The interest may be refunded in a fixed amount or may be variable (inflation rate or foreign currency). The issuers pay the interest once every year or once every half-year (on the coupon maturity date).

3. Open-end funds

An open-end fund stands for a diversified portfolio of securities and similar investments, chosen and professionally managed by a fund management company. Since the fund does not have fixed capital but is rather 'open ended', it grows together with new investors joining and thus funding it. Open-end funds can invest in domestic and international securities, in either shares, bonds or other investment vehicles. Depending on the portfolio, the fund's risk and returns vary accordingly.

3.1. Trading in open-end funds

Open-end funds do normally not trade on exchanges, and there are indeed few exchanges worldwide where open-end fund shares can be bought; but there are exceptions. Usually, open-end funds are bought through fund management companies. Investors can invest into the fund via a postal or a standing order, being charged with an entry fee upon each new purchase and with an exit fee when they decide to sell their fund units. The other option, however, is to buy through a brokerage firm; trading in open-end fund shares on an exchange involves no entry or exit fees for investors, as they are only bound by broker's fees.

4. Index open-end funds

With an index open-end fund, fund management companies allot investors’ assets to a basket of securities making up a chosen index that thus tracks the yield of the mentioned index.

While the big investors may invest directly into a fund, minor investors can only trade in fund shares on stock exchanges. Due to the possibility of arbitrage, the market price of index open-end fund shares does usually not stray from its NAV for more than 1%.

4.1. Trading in index open-end fund shares on primary market

Before purchasing index open-end fund units, a declaration of accession must be signed. After that, assets are transferred to a special fund account, open at a custodian bank. Upon each purchase and sale, the fund charges appropriate entry and exit fees (max 3% from purchase/sale). Fund investors are also charged a management fee (0.5% of the average annual fund NAV) and the costs of custodian services (0.1% of the average annual fund NAV). Each purchase or sale within the fund on the primary market results in a changed number of index open-end fund shares, which in turn affects the changes in the size of fund's assets. Index open-end fund shares are purchased and sold at NAV, as calculated by the management company.

4.2. Trading in index open-end fund shares on secondary market

Minor investors can buy index open-end fund shares on the exchange at the price that forms on the market, without entry or exit fees, being charged solely brokerage fees. Exchange trading of index open-end fund shares does not affect the size of capital; while the owners of index open-end fund shares change, the fund’s assets remain unaffected.

5. Close-end funds (ID)

ID is a close-end investment fund investing its capital into securities by other issuers. Investment company is managed by a management company (DZU) which decides which securities to include in the fund's portfolio. The DZU is paid a management fee by the investment company; it usually amounts to 1-2% per year in Slovenia. The value of shares of the close-end funds is closely correlated to the value of the company's

6. Investment certificates

Investment certificates are debt securities issued by a bank, and are designed to offer the investor an agreed yield under pre-defined conditions stipulated in the prospectus. Issuers are mainly large banks, and an important criterion in selecting the bank in whose investment certificates you would like to invest is its credit rating. Investment certificates represent an investment directly linked to an index, share price, raw material price, exchange rate, interest, industry, and other publicly available values. The holder of an investment certificate does thereby not become an indirect owner of the assets underlying the certificate.

A certificate ensures the investor a guaranteed manner of payment. Investment certificates are predictable and the investor can always anticipate their yield (or loss) in a specific situation, which makes them a successful investment vehicle in times of heavy market losses. There are different types of investment certificates – some guarantee yields no matter what the situation on the market, while others yield profit only when the prices fall, etc.

7. Warrants

Warrants are options issued by a joint-stock company, which give holders the right to purchase a certain quantity of the respective company’s shares at a pre-determined price. After a certain period, the right to purchase shares terminates.