

Message to Investors

- 1/13 The rise in the stock market often begins with an increase in the share prices of fundamentally strong companies, which subsequently influences the share prices of companies that lack strong fundamentals. Investors should exercise caution and invest prudently in such companies by carefully analyzing the factors driving the rise in their share prices.
- 2/13 With the rise in the stock market, investors may shift their focus to short-term trading, neglecting their long-term investment goals. However, this approach is often unwise.
- 3/13 As the stock market rises, investors may feel tempted to withdraw funds from other investment avenues and allocate them entirely to the stock market. However, maintaining investment diversification is crucial. Diversification involves spreading investments across various avenues rather than concentrating funds in a single option, thereby reducing risk and enhancing financial stability.
- 4/13 With the rise in the stock market, some investors may be tempted to take out unaffordable credit to invest in stocks. However, it is essential for investors to ensure that any borrowed funds used for investment are within their financial capacity to repay, avoiding undue financial strain.
- 5/13 A notable trend accompanying the rise in the stock market is the rise of investment advice shared through social media platforms like Facebook, X (formerly Twitter), WhatsApp, YouTube and Telegram. However, it is important to note that only individuals holding the Registered Investment Advisor (RIA) qualification, as certified by the SEC, are authorized to provide investment advice or make predictions about stock prices or market trends through any medium. The SEC actively monitors social media channels and takes action against those who violate these regulations.
- 6/13 With the rise in the stock market, some investors attempt to engage in Market Malpractices in the stock to maximize profits. The SEC takes strict action against individuals who violate the provisions of the SEC Act. Both the SEC and the Colombo Stock Exchange actively monitor stock market transactions on a real- time basis to ensure compliance and uphold market integrity.
- 7/13 Investors should avoid using funds set aside for emergencies for any investment purposes.
- 8/13 Investors should make decisions based on their own investment objectives rather than attempting to imitate high net worth investors.
- 9/13 Investors should base their investment decisions on research reports provided by stockbrokers or conduct their own thorough research.

10/13 Registered Investment Advisors (RIAs) should execute trades strictly based on the buy/sell orders of their investors. They are not authorized to buy or sell stocks without the investor's consent, except in cases where a discretionary account arrangement is in place.

11/13 Some investors do not complain when their investment advisors make profitable transactions without informing them, but complain only when their investment advisors make transactions on their behalf without their consent and make losses. The Central Depository Systems (Pvt) Ltd notifies investors about transactions on the same day via SMS and stock brokers provide Buy/Sell Notes related to share purchases or sales via email. As a result, there is no reason for investors to be unaware of the transactions made on their behalf.

12/13 No stock market in the world experiences constant upward or downward movement; fluctuations are a natural part of the market. When stock prices drop significantly, investors often buy stocks, while a sharp rise in stock prices may prompt some investors to sell and take profits. This volatility is why the stock market is considered a long-term investment avenue.

13/13 Invest wisely.

The stock market offers the potential for high returns, but it also carries risks inherent to all investment avenues. To minimize risk, investors should practice diversification, invest thoughtfully, conduct thorough research on the companies they invest in, and avoid purchasing shares on excessive credit.