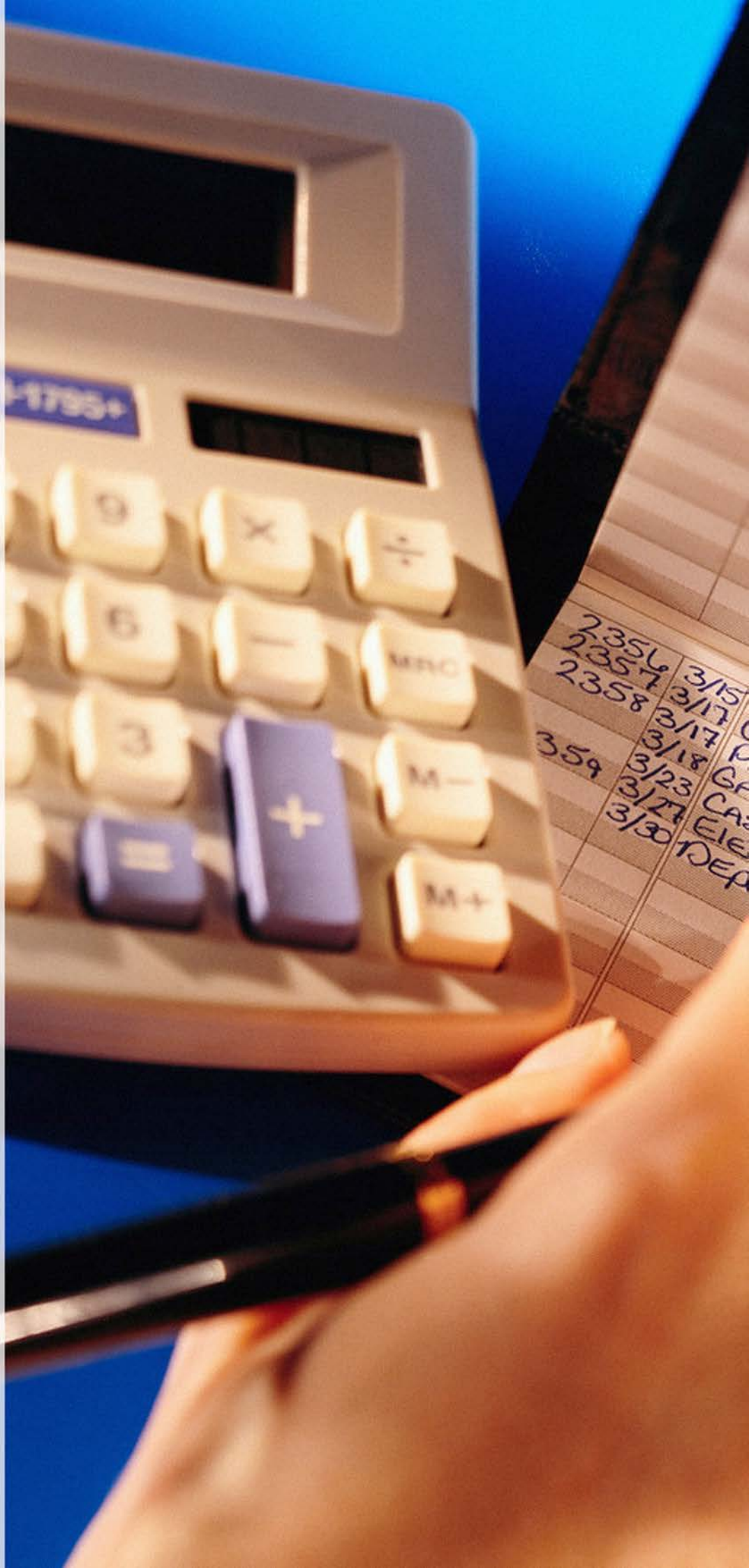


WINNFIN

WINN FINANCIAL GROUP

GUIDE TO CFDs



2356	3/15	
2357	3/17	
2358	3/17	
	3/18	
359	3/23	GE
	3/27	CAS
	3/30	ELE
		DEA

WHY TRADE CFDs?

As technology improves, so does the way that you are able to invest and manage your money. There are now many aspects of the investment world in which you can actively trade in, not just shares.

If you have been just trading in shares for a while, it could pay to diversify and consider trading CFDs. It is now estimated that between 25% - 30% of the daily equity exchanges on the London Stock Exchange are from CFD trades, making it a popular choice for investors who wish to manage their own investments when it suits them.

WHAT ARE CFDs?

A Contract For Difference (CFD) is a derivative trading tool that allows you to trade the price movements of that particular instrument without actually owning it. These are usually shares or equities that are traded on entering and exiting.

Share trading and CFD trading is a similar process although with a CFD you do not own the share and just trade upon the price difference upon entering and exiting. As you do not own the share you are counting on the price either going up or down, depending on which way you have bet against the trade. The most commonly traded CFD is a share CFD, but there are also other CFDs including, sectors, indices, commodities and treasuries.

WHY ARE CFDs BECOMING MORE POPULAR?

There are many benefits to CFD trades which goes some way to understanding why they are becoming more popular with those who have traded mostly on shares. These benefits include:

Easy to trade and understand – this is especially true if you have experience in trading shares as the same processes apply. For example, if your share price is \$5.00, the CFD price will be \$5.00. The only difference is that you will be trading on the price of a share that you don't actually own.

Cost effective – although there are risks involved, like any other investment, opening up an account in which to trade CFDs is minimal with some providers charging as little as 1% margin. It is therefore possible to make profit on a small investment.

Trades can be long or short – an attractive option with a CFD is that you can trade long by gaining profit from prices going up, or trade short and profit on prices going down.

No expiry – unlike other derivatives, there is no set length of time that you can hold a CFD for. You can hold it for as long or short a time as you wish to. However, it is always important that you set yourself goals before you trade as to not overstretch your investments.





ARE CFDs FOR YOU?

CFDs are easy for investors to manage and are able to be set up using small capital. However, as with all investment vehicles, there are risks involved so it would make sense to research the markets in which you intend to invest and to set up a dummy account first.

CFDs may not suit everybody as you are essentially betting on the price of a share going up or down, so you will have to be a very diligent person and exit when you always intended to. You do not actually own the share with CFD trading and this attracts popularity especially among those who do not wish to own shares. Many investors are now using CFDs as a hedge in order to protect their share or equity portfolio.

HOW DO YOU MANAGE YOUR RISK?

Depending on your provider, there will be a whole host of risk management tools available to you should you choose to open up a CFD portfolio including:

Stop Loss Order – an effective way to manage your risk is with a stop loss order which will take you out of a trade when the price of a CFD moves against you. This tool is easily used through your online account and should help to marginalise risk.

On Cancels the Other – this is a type of order which can link two separate trades. Usually it is an order linked to a stop order.

If Done Order – similar to an OCO order but it links two orders together and when the first is carried out, the second is automatically done too.

Of course these tools can only go so far to protect your capital and you will have to set your own targets and make sure that if you lose the money, you are able to afford it. It always pays to keep yourself updated with the latest news and market analysis.

Some CFD providers will even give you a tutorial on how to effectively use the system and be there should you have any queries on your set up.

SET UP YOUR OWN CFD TRADES

There are lots of CFD providers out there, but a few who will guide you through the process and allow you to direct queries at them.

Please contact us on info@winnfin.com for more information.

WINNFIN

WINN FINANCIAL GROUP



The companies below are part of the WinnFin Group:

WinnFin and Partners (UK) Ltd is authorised and regulated by the Financial Services Authority (6825311). WinnFin and Partners Investment Services (Pty) Ltd is an Authorised Financial Services Provider in South Africa. WinnFin Hong Kong Ltd. is registered as an Investment Advisor in Japan (#877). WinnFin and Partners (Belgium) BVBA is authorised by the Banking Finance and Insurance Commission (CBFA) in Belgium and registered on the intermediaries register under number 51725, category insurance brokers.

The following group of companies operates under the same license in Belgium:

- WinnFin and Partners (Cyprus)
- WinnFin and Partners (Belgium) Limited BVBA, succursale Luxembourg S.a.r.l.
- WinnFin Germany GmbH
- WinnFin Group Spain