OWN YOUR SHARE OF BERMUDA

Investor Education Guide

Introduction

Investing is a process

that requires an educated approach aimed at achieving a positive financial return by growing your capital. Understanding the principles of investing is the first step to making prudent investment decisions. Whether you are a new or more experienced investor, and whether you're investing in a modest or substantial portfolio, it is important to understand key financial principles – such as - risk and reward, the time value of money, diversification and volatility-that are the foundation of a sound investment strategy.

This guide, produced by the Bermuda Stock Exchange (BSX) seeks to provide basic investor information, specifically tailored for the Bermuda domestic capital market.

BERMUDA STOCK EXCHANGE BSX UNIQUELY POSITIONED

Get Started

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Getting it Right

Virtually every investor has the same basic goal…

To achieve the maximum amount of investment growth, or income, at a level of risk that they are comfortable with.

If you are currently employed your mandatory contributory pension provider may have already explained this to you, but it bears repeating; accomplishing a balanced investment strategy means knowing yourself as an investor. What level of risk are you comfortable taking? Are you a conservative investor who does not want to risk losing any part of your principal? Are you a moderate investor who wants to protect your assets while increasing the value of your portfolio by taking on a degree of risk? Or, are you an aggressive investor who is willing to take calculated risks with the expectation of achieving greater-than-average returns? It is important to also consider your time horizon; younger investors have a longer time horizon and are more likely to take on greater risk than an older investor with a shorter time horizon.

Getting it Right

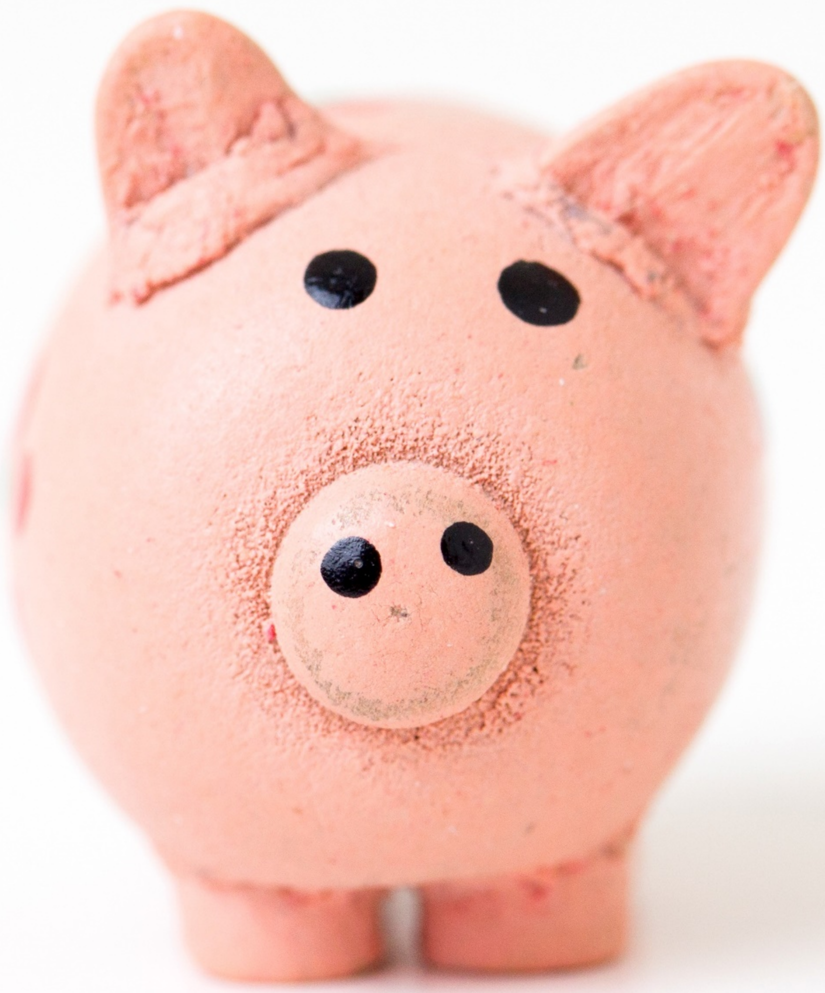
People save and invest to build wealth so they have enough money at some point in the future to pay for the things they want or need. While you might hear these two terms used interchangeably, saving and investing are overlapping, yet distinct concepts that involve different processes. Stated most simply, saving is the act of putting aside for another day some of the money you earn or receive as gifts, while investing is what you do with those dollars, including choosing products and strategies to make money grow or to preserve the assets you've accumulated.

The most important difference between a savings account and investment account is the fact that neither the investment, nor the income on that investment (dividend), is guaranteed. Unlike a savings account where, in accordance with Bermuda Monetary Authority (BMA) legislation, banks are required to make repayment in full (including any interest) upon notice.

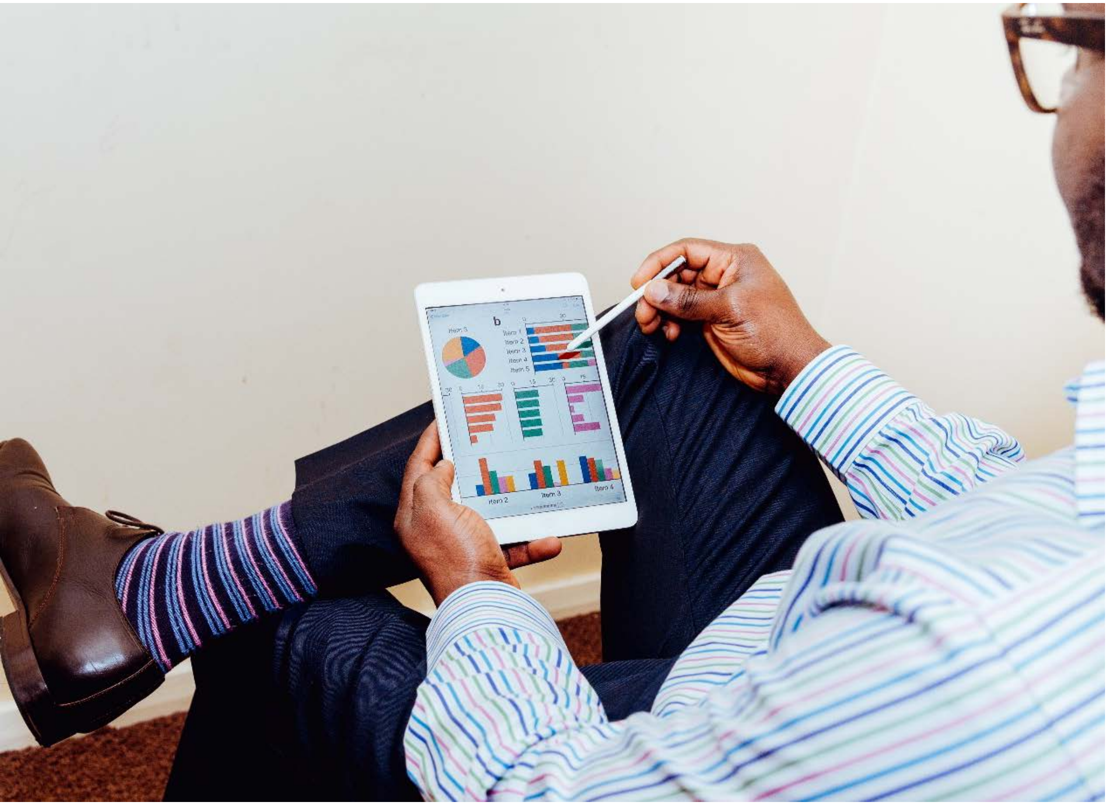
Getting it Right

Before you begin, you should commit to doing your own research and basic due diligence on the companies you are interested in investing in. It is important that you understand what you are investing in, and why (i.e. I want to invest in grocery store X, because I know everyone needs to eat). While it is generally advisable for first time investors to seek professional guidance on their portfolio, as an investor it is ultimately your responsibility to understand your investments. The BSX's website www.bsx.com is one of several valuable research tools, as it contains useful information on all of the companies traded locally on the BSX.

If you choose your investments carefully, and if the financial markets perform in your favour, your return—or what you get back on the amount you invest—may be higher, sometimes much higher, than what you could earn in a low risk savings account. However, it bears noting that even the best planned and researched investments do not guarantee a positive return.



Investment Products



There are currently three types of securities available for purchase by retail investors on the BSX

STOCKS – which constitute an equity ownership in a company. Your degree of ownership is dictated by the number of shares you hold in that security. The more shares, the more of the company you own and the more you can participate in the economic performance of the company.

BONDS – which constitute a form of debt. Unlike stock, when you buy a bond you are not buying an ownership stake in the company, you are in fact lending the company money, with the understanding (but not necessarily guarantee) that they will repay the money you invest plus interest for the use of that money.

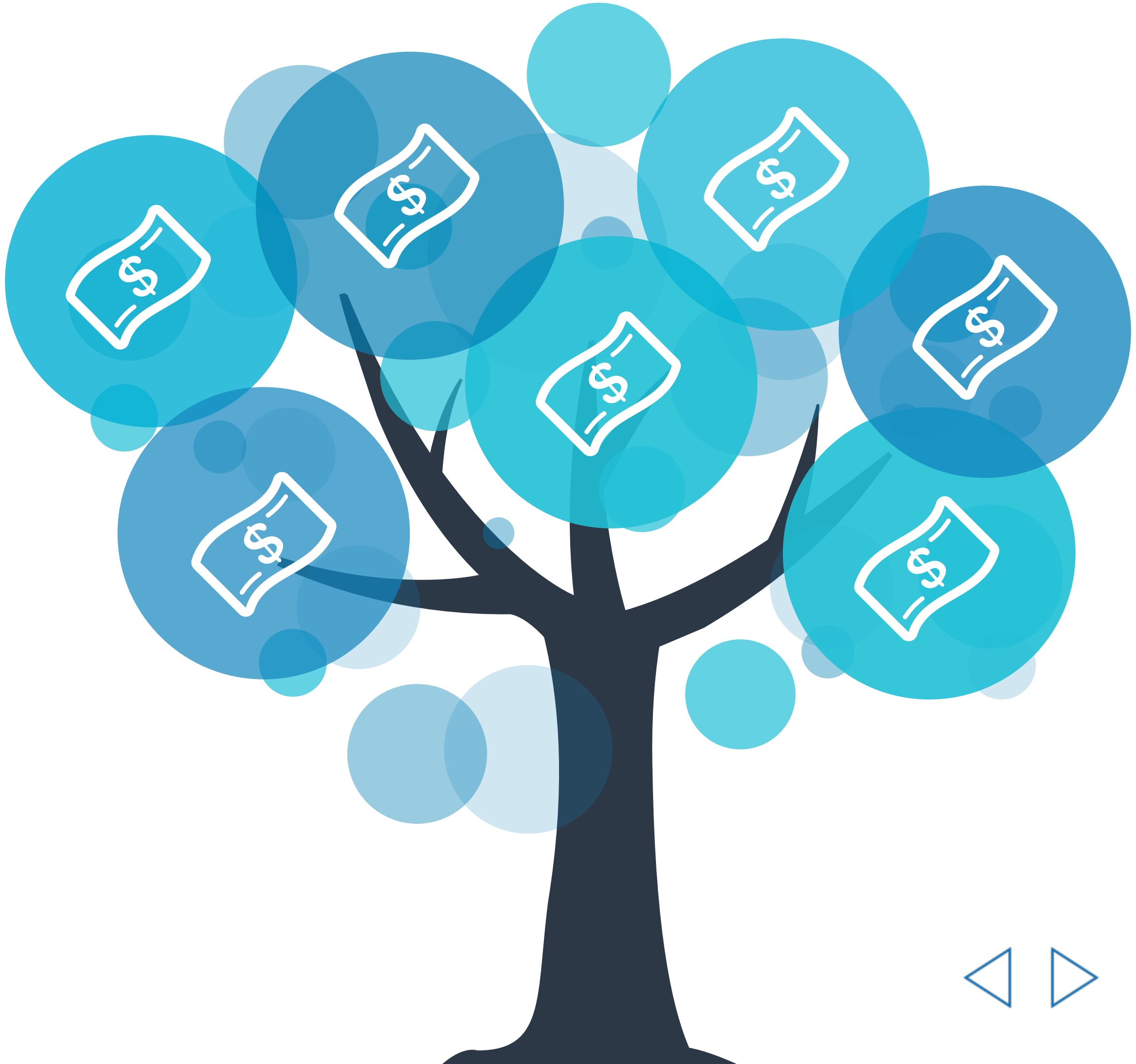
MUTUAL FUNDS – which constitute a managed pool of stocks and bonds. Like stocks mutual funds represent an ownership stake, but instead of investing in just one security mutual funds invest in multiple, and usually varying, securities in order to spread risk.

It should be noted that you do not have to be Bermudian to invest in BSX publically listed securities.

Basic Investment Principles

Return

Investment return is what you get back on an investment you make. A positive return means your initial investment will grow and you will end up with more than you invested. But because investing involves risk your returns can also be negative, and you can wind up with less money than you initially invested. Return on investment is not realized until you sell the investment.



Basic Investment Principles

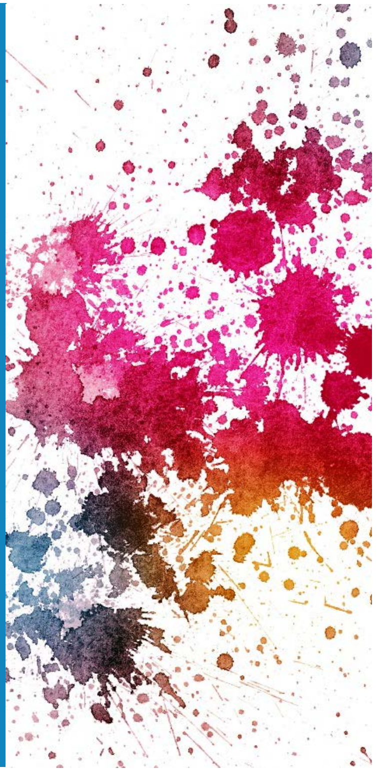
Yield

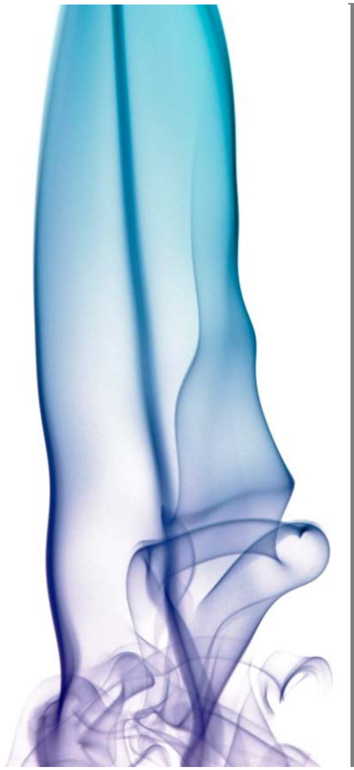
The yield on an investment is the amount of money you collect in interest or dividends, calculated as a percentage of either the current price of the investment or the price you paid to buy it. For example, if a stock pays annual dividends of $1 per share when the price is $35, the current yield is 2.9 percent ($1 ÷ $35 = 0.02857). However, if you bought the stock for $25, that same $1 dividend would be 4 percent relative to your costs ($1 ÷ $25 = 0.04).You may receive yield on an investment for as long as you own the security, provided the company makes a profit and distributes some of that profit to its shareholders; or a company is able to meet the obligations of its bond.

Basic Investment Principles

Volatility

Volatility is a measure of an investment's tendency to move up and down in price over time.
The more volatile an investment is, the more it can potentially lose or gain value in the short-term. Not all investments are equally volatile, for instance, stocks tend to be more volatile than bonds; while larger, more mature companies tend to be less volatile than newer less established companies.





Liquidity

From an individual investor's perspective liquidity is the ease with which you can convert cash into investments, and investments back into cash. The more liquid the market the better chance you have of being able to buy or sell securities quickly, at market value. The more interest and activity in the market, the more liquid your assets may be.

Basic Investment Principles

Diversification

Diversification helps mitigate investment risk. Just as the old adage says, when it comes to investing it is best not to put all your eggs in one basket. By buying smaller amounts of more than one stock or bond you will diversify your portfolio and spread your risk.

It is not only about the number of securities you purchase but the types of securities you purchase. A balanced investment portfolio may, as an example, include a range of small to large domestic company stocks in different industry sectors, together with some international stocks and a mix of government and corporate bonds with varying maturities and interest rates.

Diversification can help to protect the value of your portfolio overall in the event that one or more of the investments you own performs negatively.

Basic Investment Principles

Capital Appreciation/Gain
Capital appreciation or gain, is a measure of the increase in the capital value of a security realised upon sale, most commonly when a security is sold at above its initial cost.

Compounding
Compounding is what happens when your investment earnings or income are reinvested and added to your principal, forming a larger base on which earnings can accumulate. The larger your investment base, or principal, the greater the earnings your investment can potentially generate. So the longer you have to invest, the more you can potentially benefit from compounding.

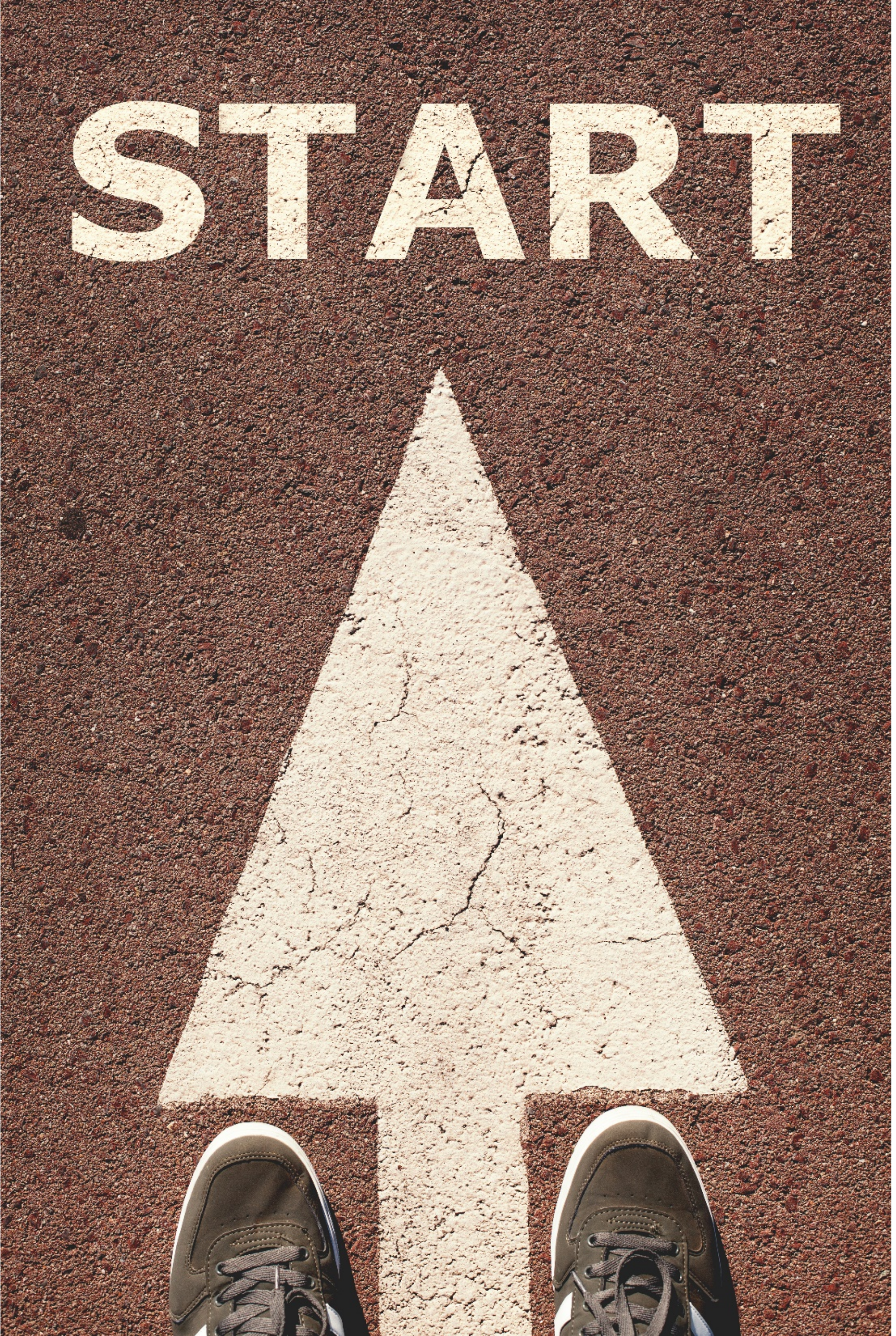
It's worth noting that while you can accurately determine the value of compounding on a savings account, which offers a fixed rate of return, but you can only *estimate* the return you will receive on investments as it will fluctuate. However, all other things being equal, the investor who starts earlier and reinvests returns is going to be much better off than the one who starts later and does not reinvest their returns.

Time Value
If you have long-term financial goals, such as achieving a comfortable retirement or paying for your children's college education, the time you have to meet these goals can give you a decided advantage.

Long-term goals, such as retirement, seem the most daunting because they're often the most expensive. For example, by most estimates, you can expect to spend at least 30 years in retirement, and you'll need about 80 percent or more of what you currently earn annually to maintain the lifestyle you're accustomed to once you retire. To accumulate such a sum over a short period of time would be virtually impossible for most people.

But having time on your side—together with a long-term investing strategy—can put even challenging financial goals within reach. Even modest but regular contributions to a balanced portfolio can grow substantially over 25, 30 or 40 years. That's because time lets you take the calculated risks that you may not be comfortable taking over the short term. Plus, the more time you have to invest, the more your investments stand to benefit from compounding.

This potential for growth is sometimes called the time value of money, which means that money you invest today to accumulate earnings can be worth more in the future



So How Do You Start?

Trading on the BSX is conducted by registered brokers, referred to as Trading Members. There are currently five companies offering retail brokerage services in Bermuda:

Barrington Investments Ltd.

Butterfield Securities (Bermuda) Ltd.

Clarien BSX Services Ltd.

LOM Financial (Bermuda) Limited

HSBC Bank Bermuda Ltd.

So How Do You Start?

The First Step to
'Owing your share of Bermuda'

Begins with you opening an account with any one of the brokerage firms listed above. Fees and policies may vary so it is important to ask questions and shop around for the right fit for you. In accordance with Bermuda's Anti Money Laundering (AML) legislation, you will be required to produce 'Know Your Customer' (KYC) documentation when opening your trading account and this will include, but not necessarily be limited to, a current passport and a certified copy of a utility bill or bank statement to prove your place of residence. Some institutions may also require proof of the source of funds, by way of a pay slip or Will.

Once you have opened your account, you should meet with a representative of your chosen brokerage firm to discuss an investment strategy that best suits your long-term goals and risk profile. Do not be afraid to ask questions, so you fully understand the costs related to making your investments. Remember, your broker is there to help you.

What Can You Buy?

There are currently 13 publicly held companies listed on the BSX representing a number of diverse industry sectors (as noted below); together with a number of bond issues and select mutual funds.

Banks & Other Financial Institutions

The Bank of N.T. Butterfield & Son
LOM Financial
Somers

Consumer

Devonshire Industries

Insurance

Argus Group Holdings
BF&M

Media, Printing & Publishing

Bermuda Press Holdings

Real Estate

West Hamilton Holdings

Transportation

Bermuda Aviation Services
Polaris Holding Company

Utilities

Ascendant Group
One Communications
Watlington Waterworks

Once you have opened your trading account you can instruct your brokerage firm's representative to purchase BSX listed shares, bonds or mutual funds on your behalf.

How Does It Work?

There are two sides to every transaction

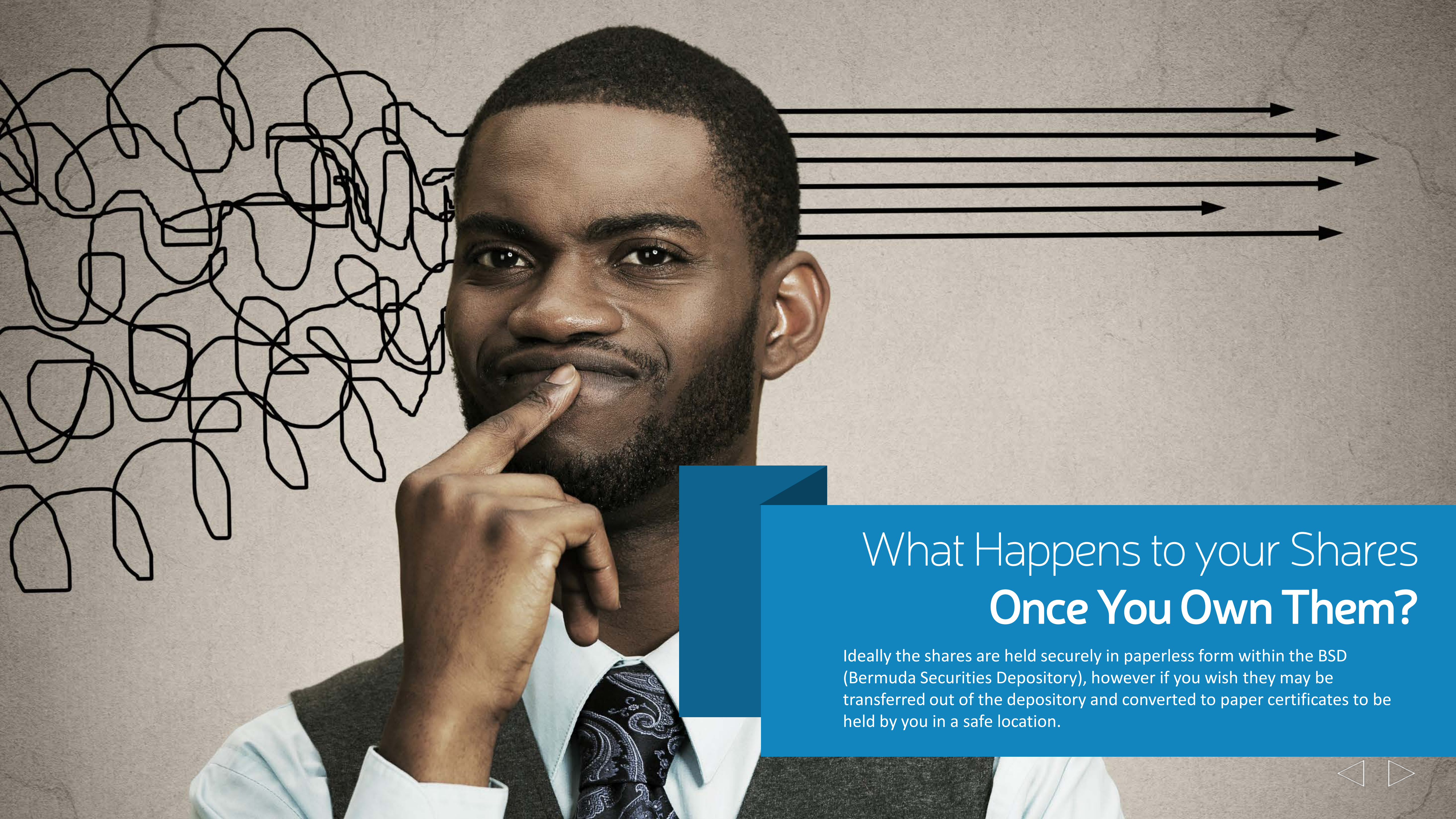
The ASK and The BID

Once you have instructed your brokerage firm to purchase shares on your behalf, they will use the BSX's fully electronic trading platform to place your bid on the market, noting how many shares you wish to purchase and at what price. If someone has shares they wish to sell at the price you are willing to pay the trade will automatically execute.

Once the sale is confirmed funds are then transferred between both parties through the BSX and the relevant share positions. Shares held in the BSX's central securities depository (BSD) are then updated to reflect the new owner (you!). In accordance with standard Exchange protocols, the process takes three business days to complete (T+3) from the date of the actual trade.

The process also works in reverse, once you are ready to sell, your brokerage firm can post your ask on the BSX and await bids from the market.

As previously stated, investing requires a long-term approach but you can buy and sell securities as often as you wish, based on market supply and demand. The BSX is open daily 9:00am to 4:30pm Monday through Friday, excluding Bermuda Public Holidays.



What Happens to your Shares **Once You Own Them?**

Ideally the shares are held securely in paperless form within the BSD (Bermuda Securities Depository), however if you wish they may be transferred out of the depository and converted to paper certificates to be held by you in a safe location.

Get in **Touch**

If you are interested in knowing more about how you can own your share of Bermuda the BSX encourages you to meet with one of the listed brokerage firms to discuss your individual objectives.

3rd Flr, 30 Victoria Street
Hamilton, BERMUDA

info@bsx.com

www.bsx.com