

Providing gearing, allowing you to maximise your trading decisions

Contract for Difference

A Contract for Difference (CFD) is an agreement between two parties to exchange the performance of an instrument (share, index, currency or commodity). Typically, the buyer of the CFD would receive the difference in value of the instrument if it moves up from the seller. Similarly the seller would receive the difference in the value of the instrument if the instrument moves down. A CFD is a Financial Derivative. A CFD contract size is standardised; for local CFD's, one contract is the equivalent to one share.

CFD's provide gearing, meaning that you would need to invest a fraction of the total exposure traded; this amount is called margin. The margin is used to ensure that both parties can fulfill their obligations under the agreement. Gearing allows speculators, traders and hedgers to maximise the impact of trading decisions, without using large amounts of capital.

When you enter into a CFD contract you are not buying the underlying share, even though the movement of the CFD is directly linked to the share price. CFD's mirror the movement and pricing of the underlying share.

Benefits

- You are able to trade CFD's in real – time with full control, transparency and accurate pricing information.
- Leverage: CFD's are traded on margin, which allows you to gain greater exposure on your trading decisions.
- Simple, transparent pricing: all trades are executed in the underlying instrument in real-time, and the price you see is the traded price.

- No expiry: CFD's don't have an expiry date, therefore, you don't need to roll them over and can hold them for as long as you like.
- Dividends: you will earn dividends on long positions and pay dividends on short positions.
- Low trading costs: trading costs for CFD's are typically lower than other instruments, and reflect the total cost of the transaction.
- Corporate actions are simply processed to provide the holder with the same economic affect as a holding in the underlying share/instrument.
- Trade direction: you are able to trade on long or short positions using CFD's.
- CFD's are available for most large cap international equities.
- Currency and indices of a geared nature are also available.

Eligibility

- Min investment: R80 000
- High risk appetite
- Suitable for the experienced investor

Should you require assistance with the activation of a CFD account, please contact your Portfolio Manager, alternatively please contact the Derivatives Desk on 011 550 6251.

* Trading in leveraged products can result in losses that exceed your initial investment

Please note: Eligibility and affordability criteria apply. Momentum Securities has the right to refuse any application on the basis of internal policies. Momentum Securities does not provide advice on CFD's or the underlying tax consequences thereof. CFD's are only suitable for experienced investors with a high risk tolerance.

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