STOCKS & MARKETS

A stock is a slice of a real company.

Not a lottery ticket. Not a squiggly line to gamble on. When you buy a stock, you become a **part-owner of an actual business** — one with buildings, employees, products, and profits. This is a plain-English walkthrough of what that really means.

What you're actually buying

Think of a company as a pizza cut into slices. Each slice is called a **share**. Buy one share and you own one tiny piece of the whole company — a piece of everything it owns and everything it earns. That makes you a **shareholder**. If the business thrives, your slice becomes more valuable. If it struggles, your slice is worth less. You're a genuine owner, not a bettor.

> ONE SHARE = ONE SMALL PIECE
>
> Own 1 of a company's 1,000,000 shares and you own one-millionth of the business — its factories, its cash, its brand, and its future profits.

Why companies sell shares at all

Growing a business costs money — new stores, equipment, hiring. Instead of only borrowing it, a company can **sell slices of itself** to the public to raise cash. In return, the buyers become part-owners. The company gets money to grow; you get a piece of the upside.

Two ways a stock can make you money

The price rises. If the business does well, people will pay more for a slice than you did — you can sell for a profit.

Dividends. Many companies hand out a slice of their profits to owners, usually every few months — cash that shows up just for holding the stock.

And yes — it can go the other way. Prices fall too. That's why **what you pay** matters so much (the next booklet is all about that).

What is the stock market?

It's simply the giant marketplace where these slices are bought and sold. Prices move all day based on supply, demand, and news — more buyers than sellers, the price ticks up; more sellers, it ticks down. The actual marketplaces are called **exchanges**: the NYSE and Nasdaq in the U.S., and the TSX (Toronto Stock Exchange) in Canada.

What is an index? (The Dow, Nasdaq, S&P 500...)

An index is a **scoreboard** — it tracks a chosen group of stocks to show how "the market" is doing overall. When the news says "the Dow is up," it means that basket of companies rose on average.

`Dow Jones (Dow 30)`
30 large, well-known U.S. companies. The oldest, most-quoted scoreboard.

`S&P 500`
500 of the biggest U.S. companies — the broadest snapshot of the U.S. market.

`Nasdaq-100`
100 of the largest non-financial names — heavy on tech (Apple, Nvidia...).

`S&P/TSX 60`
60 of Canada's biggest companies — the Canadian scoreboard.

You can't buy "the market" directly, but an **index fund** lets you buy a tiny slice of every company in the index at once — instant diversification, and, remarkably, the simple option most professionals fail to beat.

You know what a stock is. Now: is it worth buying?

Knowing a stock is a piece of a business is step one. The next booklet — the **Value Investing Primer** — shows you how to tell whether that piece is *cheap or expensive* before you buy. Then open `travisvaluation.ca` and practice with fake money.