

# Understanding Fractional Shares: Characteristics & Risks

At Wealthyhood, we believe everyone should have access to the world's best investments, regardless of their budget. **Fractional shares** are a key part of how we make this possible, allowing you to invest in high-priced stocks and ETFs with as little as **£1**.

While fractional shares offer great flexibility, they function differently than whole shares. This page outlines the specific characteristics and risks you should understand before investing.

## 1. What is a Fractional Share?

A fractional share is a portion of a whole share. If a single share of a company costs **£1,000**, but you only wish to invest **£100**, you would own **0.1** (or 10%) of that share. You receive the same proportional exposure to the stock's price movements as a whole-share owner.

## 2. Key Characteristics

- **Proportional Dividends:** You are entitled to dividends. If a company pays **£1.00** per share and you own 0.5 shares, you will receive **£0.50**. Note: Payments are rounded to the nearest penny; entitlements below **£0.01** may not be credited.
- **Lower Entry Barriers:** You can build a diversified portfolio across dozens of companies without needing thousands of euros in upfront capital.
- **Beneficial Ownership:** You retain beneficial ownership of the shares. They are held in a segregated "client assets" account by our regulated custodians, ensuring they are protected and separate from Wealthyhood's own corporate funds.

## 3. Specific Risks & Limitations

- **Non-Transferability (Portability):** Fractional shares cannot be transferred to another broker (a process known as an *in-specie* transfer). If you decide to leave Wealthyhood, your fractional holdings must be sold, and the cash proceeds can then be transferred.
- **Voting Rights:** For fractional holdings, corporate actions or other monetary entitlements will be applied proportionally based on the size of your fractional investment. Due to the nature of fractional shares, the ability to exercise certain rights, such as voting rights, may be restricted. Specifically, voting rights for fractional portions of EU or UK stocks cannot be exercised.

- **Corporate Actions: \* Mandatory Actions:** In events like stock splits or mergers, we aim to provide you with the proportional value.
  - **Voluntary Actions:** You may be unable to participate in voluntary actions (like rights issues) for the fractional portion of your holding.
  - **Cash-in-Lieu:** In some complex reorganizations, fractions may be automatically converted to cash and credited to your account.
- **Liquidity Risk:** While fractional shares are usually liquid, they are traded "off-exchange" via our partner brokers. In times of extreme market stress, it may be more difficult or take longer to execute fractional trades compared to whole-share trades on a public exchange.

**Important Note:** All investing involves risk. The value of your investments can go up as well as down, and you may get back less than you put in. Fractional shares carry the same market risks as whole shares.