Investment Environment

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NDGURU

Chapter - 1 Investment Environment

Concept:

Simply, investment refers to the sacrifice of present financial resources with the view to get additional financial benefit in future. The best use of the saving can be defined as the investment or purchase of financial assets or real assets is investment.

In other words, investment can be defined as the process of bearing bisk on his saving by satisfying today in another sector in order to get the more extra in future. It involves the commitment of resources that have been saved or put away from current consumption in hope that some benefit will produce in future.

The sacrify takes place in the present and is certain while the reward comes later and is uncertain Roday numerous alternatives of investment are available such as:

- > Common stock
- + Preferred stock
- > Debt securities
- > Hybrid securities
- 7 Real assets, mutual fund, etc.

* key points:

- · Sacrify of present financial resources.
- · Alternative or the best use of the saving.

· Process of bearing risk

· Purchase of Financial assets Real assets

* Reasons for Investment:

- · 10 get future financial benefit
- · To Increase the value of wealth
- · 10 Save the money from inflation or to maintain the purchasing power of money.

* Major elements of Investment:

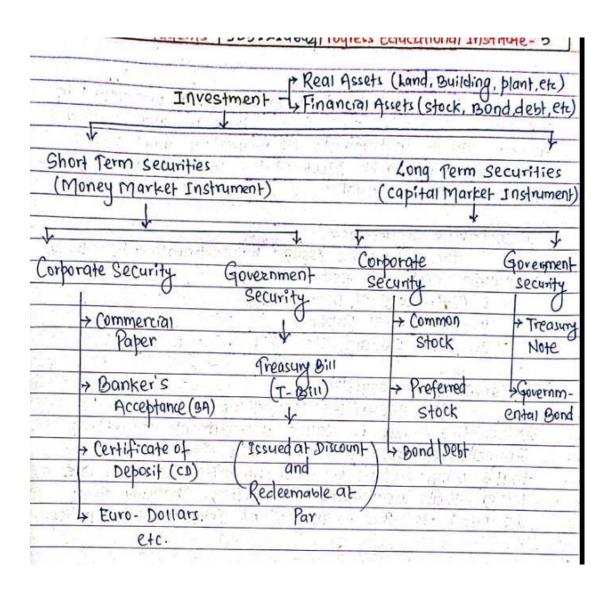
- 1. Risk: Bearing uncertain
- 2. Time: Holding Period or certain duration
 - 3. Return: comes in future or expectation of the benefit.

* Difference between Investment and Speculation:

Basis	Investment	Speculation		
1. Objective	Stable Return Series of			
	Return	Buy low and sell High		
2. Risk	It is low kisky.	It is high risky.		
	0	1		
3. Return	Moderate Rate of Return	High Rate of Return		
		1 2		

4. Time	Long-term	Short - term		
5. Decision	Individual usually make	Individual make decision		
	decision with amount of	based on limited -		
	Information available.	Information.		
6. Planning	Janana Lieuwani	Clark laws bloom		
3	longer planning horizon	Short-term planning horizon.		
7. Investor	Generally Risk averse.	Generally risk seeker.		
	912342	9		
Th		at may be internal or externa		
		ch may affect the invest- directly is considered as		
the 1	ovestment environment.	The Jovergii investment		
		into three parts which are:		
1. Seco	urities or financial assets	c·		
	Ownership Securities / Co			
	Hybrid Securities Pr			
	Debt Securities bond	or debenture		
42 A	Derivative instruments / 1	Option or futures		
•	Money Market Instruments	i i.e short term in nature		
	Capital Market Instruments	i.e long team in !		

2. Securities markets	10.00 - 1000 - 1000
9. On the basis of Security based Primary market Secondary market	
· Primary market	The state of the s
· Secondary market	South County of the County
b. On the basis of time or life span	make the light the second
· Capital market	
	- I So editatione
3. Financial Intermediaries or Financ	ומו אוואוואוויאו
· Bridge between Savers and	users .



1. Short Perm Securities:	year life
The securities which have less than one	called
tool form coclinities. They are also	
the feeting and a the vottive (1). Silving	
convities are higher. It ost of the short	Security
are issued at discount.	
	40 40 40 40
a. Corporate Securities:	Lambanu
The Securities issued by corporation	Company
ne Securities issued by corporation is called corporate securities.	
i. Certificate of Deposit (CD)	
ii. Commercial Paper	03/5,1 44
iii. Euro, donars, etc.	
Windowski Windowski	
b. Government Securities:	
The securities issued by government	nt to
traise the funds is called government seco	urities.
anvernment securities are kisk free sec	unity
that's why beturn on government securit	ries dre
lower than corporate securities. Treasury	4 8111
(T-Bill) is the example of government	securities.

2. Long Term Securities: The securities which	have more than one year
1 1001	rument. They are also
/ mp u labital	g term securities are highe
16614.11 43304.1	The second second
than short term.	
a carborate securifies	
1. Common Stock	
2. Preferred stoc	K
3. Bond	
The state of the s	
b. Government Securities	appropriate the second
	2 Paradon 1 d
2. Governmental	anna
2. Goveenmental	
N. and	A STATE OF THE STA
* Investment Alternatives:	a Commerce of Dabet etc)
1. Short Term Securities (T-	Gill Commercial Paperson
o Common Stock	
3. Fixed Income Securities	25
1 Muhal Funds	
- I Courtidie	
5. Derivative scarrie	atives (gold, silver, real estate
6. Other Investment aftern	etc)

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* Factors to be considered in choosing Investment atterno	tivos.
1. Investment goal	11.00
2. Risk and Rate of Return	7.00
3. Pax consideration	_
4. Investment horizon	
5. Investment Strategy.	100
A Late Congress	
* Process of Investment	A.
1. Determining Investment objectives	250
2. Developing Investment Dlan	-
3. Evaluating and selecting investment alternat	inge
4. Constructing a portfolio	1467
5. Evaluating and Revising the portfolio.	
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the state of the s	1 0