INTRODUCTION OF INVESTMENT

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INTRODUCTION OF INVESTMENT

A investment is the allocation of resources usually money , with the expectation of generating profit or income. It involves committing capital today to earn return in the future. Common form include stocks, bonds, real estate , mutual funds, and more.

MEANING OF INVESTMENT

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment is the sacrifice of certain present value for the uncertain future rewards. Investment has two attributes namely 'time' and 'risk'. Broadly speaking an investment decision is a trade off between risk and return.

Simply, investment involves employment of funds with the aims of achieving additional income or growth in value. Essential quality of an investment is that it involve waiting for reward.

SCOPE OF INVESTMENT

Investment is the sacrifice of certain present value for the uncertain future reward. It entails at arriving at numerous decisions such as type, mix, amount, timing, grade etc. of investment and disinvestments.

Nature of investment in its true sense may be summarized in the following ways:

1. **Stay invested for the long period**: To re-enforce power of compounding an early and long-term investment is desirable that helps you ride over short-term market volatilities.

SCOPE OF INVESTMENT *Cont…..*

2. **Invest systematically**: Systematic investment has brought investment within the reach of average person, it is the best trick to get out of "I don't have enough to invest."

3. **Discipline**: The Cardinal rule of building your corpus is to stay focused, invest regularly and maintain discipline in you investment pattern.

4. **Assets diversification**: Diversification across investment is a way to reduce the risks of your portfolio.

5. **Invest consistently:** Apart from investing systematically it is also important to invest consistently.

CHARACTERISTICS OF INVESTMENT

All investments are characterized by certain features. Let us analyze these characteristic features of investments.

Return

All investments are made with the primary objective of deriving a return. The return may be received in the form of yield plus capital appreciation. The difference between the sale price and the purchase price is capital appreciation. The dividend or interest received from the investment is the yield.

CHARACTERISTICS OF INVESTMENT Cont….

Risk

Risk and return of an investment are related. Normally, the higher the risk, the higher is the return. Risk is inherent in any investment. This risk may relate to loss of capital, delay in repayment of capital, non-payment of interest or variability of returns. While some investments like government securities and bank deposits are almost riskless, others are more risky.

Safety

The safety of an investment implies the certainty of return of capital without loss of money or time. Safety is another feature which an investor desires for his investments. Every investor expects to get back his capital on maturity without loss and without delay.

CHARACTERISTICS OF INVESTMENT Cont....

Liquidity

An investment which is easily saleable or marketable without loss of money without loss of time is said to possess liquidity. Some investments like company deposits, bank deposits, P. O. Deposits, NSC, NSS, etc. are not marketable. Equity shares of companies listed on stock exchanges are easily marketable through the stock exchanges. An investor generally prefers liquidity for his investments, safety of his s, a good return with minimum risk or minimization of risk and miscaption of return.

OBJECTIVE OF INVESTMENT

The main investment objectives are increasing the rate of return and cing the risk. Other objectives like safety, liquidity and hedge against ation can be considered as subsidiary objectives.

Primary Objectives

Return: Investors always expect a good rate of return from their Investment. Rate of return could be defined as the total income the investor receives during the holding period started as a percentage of the purchasing price-paid at the beginning of the holding period.

Return = × 100 End period value (Beginning period value + Dividend) Beginning period value

Rate of return is started semi-annually or annually to help comparision among the different investment alternatives.

OBJECTIVE OF INVESTMENT

Risk: Risk of holding security is related with the probability of actual return becoming less than the expected return. Investment risk is just as important as measuring its expected rate of return because minimising the risk and maximising the rate of return are interrelated objectives. An investment with more variable return is more risky than whose return is almost fixed.

OBJECTIVE OF INVESTMENT

Secondary Objectives

Liquidity: Marketability of the investment provided liquidity to the Investment. If a portion of investment could be converted into cash without much loss of time, it is said to be liquid investment. Stocks are liquid only if they command good market by providing adequate return through dividend and pital appreciation.

Safety: Selected investment avenue must be under the legal and regulatory amework. Approval of law itself adds a flavour of safety. Investment made with government assure more safety than the private party.

OBJECTIVE OF INVESTMENT

Hedge against inflation: Since there is inflation in all the economics, the rate of return should ensure a cover against the inflation. The return rate should higher than the rate of inflation. Growth stocks would appreciate in their Falues overtime and provide a protection against inflation.

THANK YOU