

Module III

Favourable Factors for Investment

They are four important factors to consider before investing

Risk Vs Reward

Any kind of investment would involve a certain degree of risk.

Individual Risk Appetite:

One man's food is another man's poison the same goes for investment

Investment capital The amount is investment capital we have can also affect four choice of investment.

Time Horizon

One of the key distinction between trading and investing is that the latter usually takes on a longer time horizon .The investment horizon determines the investor's income requirements and desired risk exposures which then helps in choosing the appropriate investment product.

Retail Investment

Meaning : An investment made by a member of the public rather than a business or financial organisation or these investments considered together.

Retail Investor -- Meaning

A retail investor is an individual who purchases securities for his or her own personal account rather than for an organisation.

Institutional Investor- Meaning

An Institutional Investor is a person or organisation that purchases securities in large enough quantities for preferential treatment and lower fees.

Investment Avenues

They are the different ways that a person can invest his money. It is also called Investment alternatives or Investment schemes. There are several methods available to classify the Investment avenues.

Investment Objective:

An Investment Objective is a set of goals an investor has for their portfolio.

The objective helps an investment manager or advisor determine the optimal strategy for achieving the client's goals. It is determined usually using a questionnaire.

An investor's risk tolerance and time horizon are two main parts of determining an investment objective.

Objectives of Investment.

To keep money safe, Capital preservation is one of the

primary reasons people invest their money.

To help money grow.

To earn a steady stream of income

To minimise the burden of tax

To save up for retirement.

To meet their financial goals.

Portfolio Meaning

A portfolio of financial investment like stocks ,bonds , commodities ,cash and cash equivalents including closed end funds and Exchange Traded Funds(ETF).

E.g An individual's various investments.

Another name of Portfolio:

A case for carrying papers drawing ,photographs,maps and other flat documents.

A collection of things especially documents one skills or ability.

Types of Portfolio:

There are three major types of portfolios

They are 1 Working Portfolio

2 Display Portfolios and

3 Assessment portfolio.

Needs of Portfolio.

Portfolio are great way to determine or demonstrate the competencies. we would list on a resume or talk about in a interview.

They allow us to show and not just tell .During a job search the Portfolio , showcase our work to potential employers.

It presents evidence of our relevant skill and abilities.

A Portfolio does not take the place of a resume , but it can accentuate our abilities and what we can offer in the chosen field.

A Portfolio is a method of Selfdiscovery and confidence building .

It is multi-faceted way to o

rganise our accomplishments,goals etc.

It is a useful tool to include in an interview.

Determinants of Investments

The main determinants of investments of investments are

The expected return on the investment .

Investment is on a sacrifice which involves taking risks.

Business confidence

Changes in National income

Interest rates.

General expectations

Corporation tax.

Level of savings The accelerator effect.

Anyway the four main determinants of investments are

- 1 Expectations of future profitability.
- 2 Interest rates
- 3 Taxes and cash flow.