



## From The Editor's Desk

Dear Reader,

Times have changed. Earlier, the psyche of the people was that, once an individual starts earning and has a family it is only then that the individual gets serious about investments for his/her children's education, marriage or retirement. However, with changing times it has become quite essential to think about investments from the time the child is born. Investments thus, have to be passed on as a legacy to the upcoming generation. The rationale behind emergence of this thinking is - **"The sooner one starts investing, the better it is for long term"**.

It has been seen that people who have started investing at regular intervals at an early age have relatively reaped better benefits than the people who have started late investments. Regular investments translate into higher earnings and this builds a larger corpus over time. By starting to invest early, regularly and for long term, you can allow investments to grow over time through compounding effect. The magic of **"compounding"** makes the final value of your investments grow more than the amount you had invested. This takes care of the increasing standard of living, inflation as well the increasing life expectancy.

In this issue of Kaleidoscope, we will discuss the various investment avenues available for youths. Though there are varied kinds of asset classes which are available for investment, we have focused on investment avenues which can be considered for the young investors considering the time they have at their end and the returns that they can generate.

Best Regards,  
NSDL

Young investors today who wish to begin a savings plan have an array of investment options. There are not only thousands of products and services to choose from, there are almost as many different firms and vendors that market them in various capacities. Fortunately, deciding which types of investments are best is not as hard as it may seem if you're a young person in today's world. Finding the right answer begins with examining what you want to get out of your money both now and in the future.

### Broad Asset Classes

If you are young, then your greatest financial asset is **'Time'**. At this point in your life, your primary investment objective for your long-term savings should be growth. Equity and Debt are two such broad asset classes that are available for investments for youth.

#### Equity

Equity shares are issued by Companies. The owners of the shares are known as shareholders of the company and they are entitled to receive share of the profits (in form of dividend) from the company. The owners/investors of the shares can use the trading platform of stock exchanges to benefit from changes in their valuation.

Equity is a growth-oriented asset, which requires a long time horizon for generating good returns/appreciation in value. Therefore, equity investment requires investors to be patient with their stocks in terms of their holding period. Equity investments typically get risky in short term because they are usually volatile and can yield negative returns. However, a well-managed and profitable company will see appreciation in value of its stocks and generate high returns for the investors in the long run.

#### Returns on Equity (Benchmark: Nifty 50)

Period	Year	% Return
2006-2007	1 year	55
2006-2009	3 year	32
2006-2012	5 year	49
2006-2016*	10 year	115
*Nifty value for 2016 taken for November 07, 2016		

#### Debt

Debt is an income asset. The income from debt is usually in the form of interest. The interest rate is defined at the time of issue and is typically guaranteed either by a government entity or by the corporate issuer. Debt investment is of various kinds such as bank deposits, company fixed deposits, post office deposits, PPF, NSC and debt mutual fund schemes.

Debt is considered to be safer than equity because most debt securities have a maturity date and there is an element of certainty about the redemption of the principal amount.

*Note: Young investors are defined as investors from Age 14- Age 35. For the investors from Age 14-Age 18, it is assumed that investments are carried out by the guardians of the children for various future goals such as education, marriage and other related needs. This content has been generalized for young investors. Before undertaking investments in the different saving instruments, kindly go through the details about the instrument/plan/scheme you are investing in and also understand the risk, return and tax implications.*

### “Did You Know”

What time is it on the Independence Hall clock on the back of the \$100 bill? It's hard to see without a magnifying glass, but the clock is set at about 4:10.

### “Quote of the month”

Money begets money, the earlier the better. You will make far more money by investing early and reinvesting the dividends, interest and gains than you will by earning a paycheck — unless you are a movie star, pro athlete or heir to a major fortune.

# Get Started: Investing in various investment options

As we have discussed on the two broad asset classes i.e. Equity & Debt in our Click & Find section in this issue, let us now discuss on how an investor can get started investing in the different investment avenues available to them.

## Equity

It is particularly the long time horizon factor that makes investment in equity suitable for young investors. Investing in equity implies investing in the shares of a company. The earning of shareholders of equity is in two forms—dividends paid by a company and appreciation in the value of shares. Investing in the equity can be done through various modes—Direct Investment, Portfolio Management Services, Mutual Funds.

## Direct Investment

Direct investment involves an individual investor studying the company/ies in which the investor wants to invest in and accordingly engaging in buying and selling of the stocks of a company. For this, the individual investor is required to have a bank account to receive direct credits such as dividend given by the company into his bank account, a trading account with a registered broker/trading member of a stock exchange through which he/she can directly buy and sell the stocks that he is interested in and a demat account opened with a Depository Participant (DP) of a Depository to hold the stocks in the demat account.

The stocks are held in the name of the investor and are held in his/her demat account. The cost of transaction as well as other statutory charges such as the securities transaction tax, service tax etc. associated with buying and selling stocks are borne directly by the investor. However, it should be noted that creating and managing a portfolio requires time, knowledge and skills which is usually beyond the capability of most investors.

## Portfolio Management Services (PMS)

Investors interested in equity markets can invest through the Portfolio Management Service (PMS) offered by banks, brokerage firms, mutual fund houses etc. In this kind of service, the portfolio manager either directly manages the portfolio of the investor according to investor's requirements (discretionary PMS) or the portfolio manager provides advice and information to the investor and then the investor takes the decisions for buying and selling the respective stocks. In case of PMS, in addition to the transaction cost and taxes, the investors have to pay for the portfolio management services.

## Investing through Equity Mutual Funds

Equity mutual funds invest in equity stocks to meet the objective of growth. These mutual funds are managed by professional fund managers who decide the stocks (largecap, midcap, smallcap) to be included in the portfolio of their schemes. The costs of managing the portfolio by fund managers are borne by the mutual fund scheme. Investors do not directly hold the securities, though they are the beneficiaries of these investments. Thus, through mutual funds, investors can get the exposure to the equity market without direct intervention.

## Fixed Income Investments

Another broad avenue for investment is fixed income instruments or debt investments. These fixed instruments have a defined tenor and defined coupon or interest for a particular period. The primary return for the investor is fetched from the coupon income. The primary risk in fixed income investments is the credit risk/default risk by the issuer in paying coupon and/or repaying the principal. Fixed Income investments can be in debt securities, fixed deposits and savings schemes.

## Mutual Funds

Mutual funds are investment products available to investors through which investments can be made in any kind of asset class—equity, debt, gold or real estate. Thus, investors seeking to invest in any of the asset class without undergoing the burden of direct management of the asset class can invest through mutual funds. Mutual fund comes out with different kinds of schemes with varying investment objectives. Investors in mutual funds get the benefit of availing services of a professional fund manager to manage their investment activities such as selecting the securities for investment and managing them. Mutual Funds gives investors the flexibility to structure the investment

(lump sum or periodic) and returns (dividends or appreciation) to suit each investors' need from the investment. Mutual fund investment simplifies the process and costs of investing and holding securities. It is essential for every young investor to have an SIP for investments. SIP's can be started with as less as ₹100 too in select schemes.

### National Pension System (NPS)

Another emerging investment product is the National Pension System (NPS) launched by NSDL e-Governance Infrastructure Limited providing exposure to four different asset classes—Equity Shares, Corporate Bonds, Government Securities, Alternate Investments (such as real estate investment, mortgage based securities etc.) at the same time and thus providing for portfolio diversification. This product is regulated by the Pension Fund Regulatory and Development Authority (PFRDA). PFRDA has appointed NSDL as Central Recordkeeping Agency (CRA) for carrying out the functions of Record Keeping, Administration and Customer Service for all subscribers under NPS. CRA issues a Permanent Retirement Account Number (PRAN) to each subscriber and maintains database of each Permanent Retirement Account along with recording transactions relating to each PRAN.

The funds contributed by investors are managed according to the investment mix selected by the subscriber between equity, debt securities, low risk government securities and alternate investments funds. The portfolio is managed by the fund manager that is selected by the investor at time of registering from the list of approved fund managers. On retirement, the individual gets the option of taking a part of the corpus as lump sum amount and the balance in the form of a fixed monthly income. However, it should be remembered that NPS is more of a retirement product just like a pension scheme account. However, it is a product that young investors can certainly think about which would help them to effectively plan for their retirement.

### Insurance

Life insurance products may combine insurance and investment. These are not pure insurance products since they provide a maturity benefit to the policy holders. However, it has been observed that the rate of savings or investment returns fetched through such insurance-saving products are relatively less than the other pure investment products. However, young investors may choose to opt for term policy which is a Life Insurance Policy.

NDML, a subsidiary of NSDL, has received an approval from Insurance Regulatory and Development Authority (IRDA) for setting up Insurance Repository and named it as '**NSDL National Insurance Repository (NIR)**'. NIR facilitates holding of all type of insurance policies in electronic form in a single e-Insurance Account (eIA). It eliminates all the lacunae of holding the insurance policies in physical form. eIA will also facilitate common Know Your Customer (KYC) for eIA holder. The KYC done while opening an eIA will eliminate the need to repeatedly do the KYC every time an insurance policy is purchased. eIA also acts as a single point of contact for the account holder to update demographic details with all the insurance companies with whom insurance policies are held. It will also facilitate conversion of the existing paper policies into electronic policies at the request of the policy holders.

### How to decide the best Asset Class for Young Investors

Out of the two broad asset classes—equity and debt, a young investor is usually recommended to invest in equity. This is because equity investments reap good returns for an investor with a long-term horizon. Since the young investors have age by their side, it is potentially the most suited asset class for their long-term goals. Equity investments particularly beat inflation, fetches more returns compared to other asset classes and staying invested for long time also reduces the risk.

However, a young investor can have short and medium term goals for which equity would not be a suitable investment avenue. Likewise, a young investor with a dependent family will be able to take relatively less risk compared to a young investor who is single and with no responsibilities. Thus, for such young investors—who have short-term goals and who are relatively risk averse—fixed investment or small saving avenues can be considered as an investment avenue. In other words, as per the responsibilities or needs of the investors, a young investor should chalk out his investment portfolio.

However, it is important to understand the mathematics of returns yielded by any kind of asset class before venturing into an investment. Therefore, a relative comparison of returns in different asset classes should be assessed carefully.

- **Securities:** In India, 'Securities' is defined as per the Securities Contracts Regulation Act (SCRA), 1956. This is a broad term which includes shares, bonds, scrips, stocks or other marketable securities of similar nature of any incorporate company or body corporate, government securities, derivatives of securities, units of collective investment scheme, interest and rights in securities, security receipt or any other instruments so declared by the Central Government.
- **Equity shares:** Equity shares are those shares which are ordinary in the course of company's business. They are also called as ordinary shares. These shareholders do not enjoy preference regarding payment of dividend and repayment of capital. Equity shareholders are paid dividend out of the profits made by a company.
- **Bonds:** These are debt instruments, which are used for raising capital. Bonds have a maturity of more than one year with the purpose of raising capital. Bonds are typically issued by the government (Central and State) and Corporates. Through the issue of a bond, the issuer undertakes (promises) to repay the principal amount along with a fixed rate of interest on a specified date which is known as the Maturity Date.
- **Mutual Fund:** In India, a mutual fund company is registered with SEBI (Securities Exchange Board of India). This company pools money from individuals/corporate investors and invests in a different underlying securities such as equity shares (Indian and Foreign companies), bonds, debentures, gold, real estate.
- **Systematic Investment Plan (SIP):** SIP allows an investor to invest regularly in a mutual fund scheme by putting a small amount every month.
- **Dividend:** It is a percentage of the face value of a share that a company returns to its shareholders from its annual profits.
- **Maturity:** Maturity of a bond refers to the date, on which the bond matures, or it is the date on which the borrower has agreed to repay the principal. Term-to-Maturity refers to the number of years remaining for the bond to mature.

## Blog

### Investments in Government Securities

By Mr. Sagar Shah  
PTVA's Institute of Management

Government raises Capital from investors through bonds called as **Government Securities (G-Sec)**. G-Sec means securities issued by the RBI on behalf of the Central or the State Government in order to meet the fiscal needs. These securities can be short or long term depending on the needs of the Government.

- ✓ **Short termed G-sec** also known as "**T-bills**" are those securities whose maturities are for less than a year. These bills are issued at discount and redeemed at the face value.
- ✓ The securities with maturities greater than a year are called **Government Bonds**. It can either have floating or fixed interest rates, which may be paid on semi-annual or annul basis.



G-sec are auctioned by the RBI on an electronic platform (NDS) to the investors. Investment in G-sec can be done either by OTC or NDS or NDS-OM system.

#### Advantages:

- G-sec are the most secured investments, as they are backed by the Government guarantee.
- G-sec prices are readily available due to the transparent price dissemination mechanism and liquid markets.
- G-sec can be held in demat form, which helps in safekeeping these securities.
- G-sec maturity ranges from 91 days to as long as 30 years, allowing flexibility in investments.
- G-sec can be used as collateral to borrow funds from the market.

Investing in G-sec altogether depends on personal goals of the investors.



## 1. What is a depository?

A depository can be compared to a bank. A depository holds securities (like shares, debentures, bonds, Government Securities, units etc.) of investors in electronic form. Besides holding securities, a depository also provides services related to transactions in securities. NSDL is the largest Depository in India.

## 2. How can I avail the services of a depository?

A depository interfaces with the investors through its agents called Depository Participants (DPs). If an investor wants to avail the services offered by the depository, the investor has to open an account with a DP. This is similar to opening an account with any branch of a bank in order to utilise the bank's services.

## 3. How do I select a DP?

You can select your DP to open a demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be:

- **Convenience** - Proximity to the office/residence, business hours.
- **Comfort** - Reputation of the DP, past association with the organisation, whether the DP is in a position to give the specific service you may need.
- **Cost/level of service** - The service charges levied by DP and the service standards. In order to obtain the complete list of DP locations and their comparative charge structure, you may log on to [www.nsdl.co.in](http://www.nsdl.co.in) or else you may write to NSDL for the same.

## 4. What do you mean by dematerialisation?

Dematerialisation is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investor's account with its DP.

In order to dematerialise certificates; an investor will have to first open an account with a DP and then request for the dematerialisation of certificates by DP and submitting the same along with the physical certificates. The investor has to ensure that before the certificates are handed over to the DP for demat, they are defaced by marking "**Surrendered for Dematerialisation**" on the face of the certificates.

## 5. What should I do when I want to open an account with a DP?

Once you have decided to open an account with a particular DP, you may approach that DP & fill up an account opening form. At the time of opening an account, you have to sign NSDL prescribed standard agreement with DP which shall mention your as well as your DP's rights and duties. If an individual is opening the account for the 1st time he/she needs to fill KYC application form. The list of documents to be submitted for Proof of Identity (POI) and Proof of Address (POA) is given below. The list of documents remains the same for other joint account holder(s).

- **Proof of Identity (POI) [copy of any one proof]** - Passport, Driving license, Voter ID Card, Unique Identification Number (UID) [AADHAAR], PAN card with photograph etc.
- **Proof of Address (POA) [copy of any one proof]** - Ration card, Passport, Driving license, Voter ID Card, Insurance copy etc.
- **Passport-size photograph**
- **Copy of PAN card**

## 6. Can someone else operate my account on my behalf on the basis of a Power of Attorney (POA)?

Yes. If you authorize any person to operate your account by executing a Power of Attorney and submit it to DP, that person can operate the account on your behalf. The depository account can be operated both by the account holder(s) as well as by the Power of Attorney (POA) holder.

## 7. Who can nominate?

Nomination can be made only by individuals holding beneficiary accounts either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, karta of Hindu Undivided Family, holder of power of attorney cannot nominate.



## News Articles

### SEBI Circular on Simplification of Account Opening Kit

Presently, a stock broker/ depository participant is required to provide a copy of the following standard documents, which are part of the account opening kit, to the clients:

- Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet/ wireless technology based trading);
- Rights and Obligations of beneficial owner and depository participant as prescribed by SEBI and depositories;
- Uniform Risk Disclosure Documents (for all segments/ exchanges); and
- Guidance Note detailing Do's and Don'ts for trading on stock exchanges.

# News Articles (contd.)

In consultation with market participants, with a view to simplify the account opening kit, SEBI has decided that, stock broker/ depository participant shall make available these standard documents to the clients, either in electronic or physical form, depending upon the preference of the client as part of account opening kit. The preference of the client shall be sought as part of the account opening form. In case the documents are made available in electronic form, stock broker/ depository participant shall maintain logs of the same.

**Further details about this circular are posted on NSDL website [www.nsdl.co.in](http://www.nsdl.co.in).**

**(Ref: Circular No. NSDL/POLICY/2016/0067 dated July 22, 2016)**

## Subscription to *SPEED-e*

During July 2016, one more Participant has subscribed to the *SPEED-e* facility viz.,

- **Sanctum Wealth Management Private Limited (DP ID IN303956)**

Clients of the above mentioned Participants can now avail the facility of submitting various instructions through *SPEED-e* facility.

This takes the total number of Participants who have subscribed to *SPEED-e* to 186.

## Investor Education initiatives undertaken by NSDL

### ➤ **Investor Awareness Programmes:**

In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducts various Investor Awareness Programmes jointly with its Depository Participants (DPs) & with Institutions like SEBI, NSE etc. NSDL also conducts various training programmes for its Depository Participants (DPs) on Depository related services. During July 2016, NSDL conducted 32 Investor Awareness Programmes with Participants, College Institutions & SEBI. These programmes were attended by more than 2,000 investors, details as mentioned below:

Sr. No.	Particulars	
<b>1</b>	<b>Joint Awareness Programmes with DPs</b>	<b>No. of Programmes</b>
	ICICI Bank Limited	4
	Swastika Investmart Limited	4
	Jhaveri Securities Limited	3
	Globe Capital Market Limited	2
	SMC Global Securities Limited	2
	Trustline Securities Limited	2
	Arihant Capital Markets Limited	1
	HDFC Bank Limited	1
	Kotak Securities Limited	1
	Muthoot Securities Limited	1
	Patel Wealth Advisors Pvt. Ltd.	1
	Sharekhan Limited	1
	<b>Total Programmes</b>	<b>23</b>
<b>2</b>	<b>Training Programmes on Depository Operations for DPs</b>	<b>No. of Programmes</b>
	Bank of India	1
	IDBI Bank Limited	1
	Punjab National Bank	1
	<b>Total Programmes</b>	<b>3</b>
<b>3</b>	<b>Investor Depository Meets (IDMs)</b>	<b>No. of Programmes</b>
	IDMs organized by NSDL	3
	<b>Total Programmes</b>	<b>3</b>
<b>4</b>	<b>Workshop for College students</b>	<b>No. of Programmes</b>
	The R.A. Podar College of Commerce and Economics	1
	The SIA College of Higher Education	1
	<b>Total Programmes</b>	<b>2</b>
<b>5</b>	<b>Joint Awareness Programmes with other Institutions</b>	<b>No. of Programmes</b>
	Securities and Exchange Board of India (SEBI)	1
	<b>Total Programmes</b>	<b>1</b>

# Read and Win!

**What are the different investment avenues available for youth in Capital Market?**

**Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest -August 2016' to [info@nsdl.co.in](mailto:info@nsdl.co.in)**

## Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final

# KNOWLEDGE WINS Contest

**Lucky 25  
Winners will  
Win Free  
Goodies**



**Your suggestions for newsletter are valuable to us.  
Send in your suggestions mentioning your  
contact details (contact name, address &  
contact number) with the subject  
"Suggestions for the newsletter"  
to [info@nsdl.co.in](mailto:info@nsdl.co.in)**

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Investor Relationship Cell	NSDL Certification Program
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