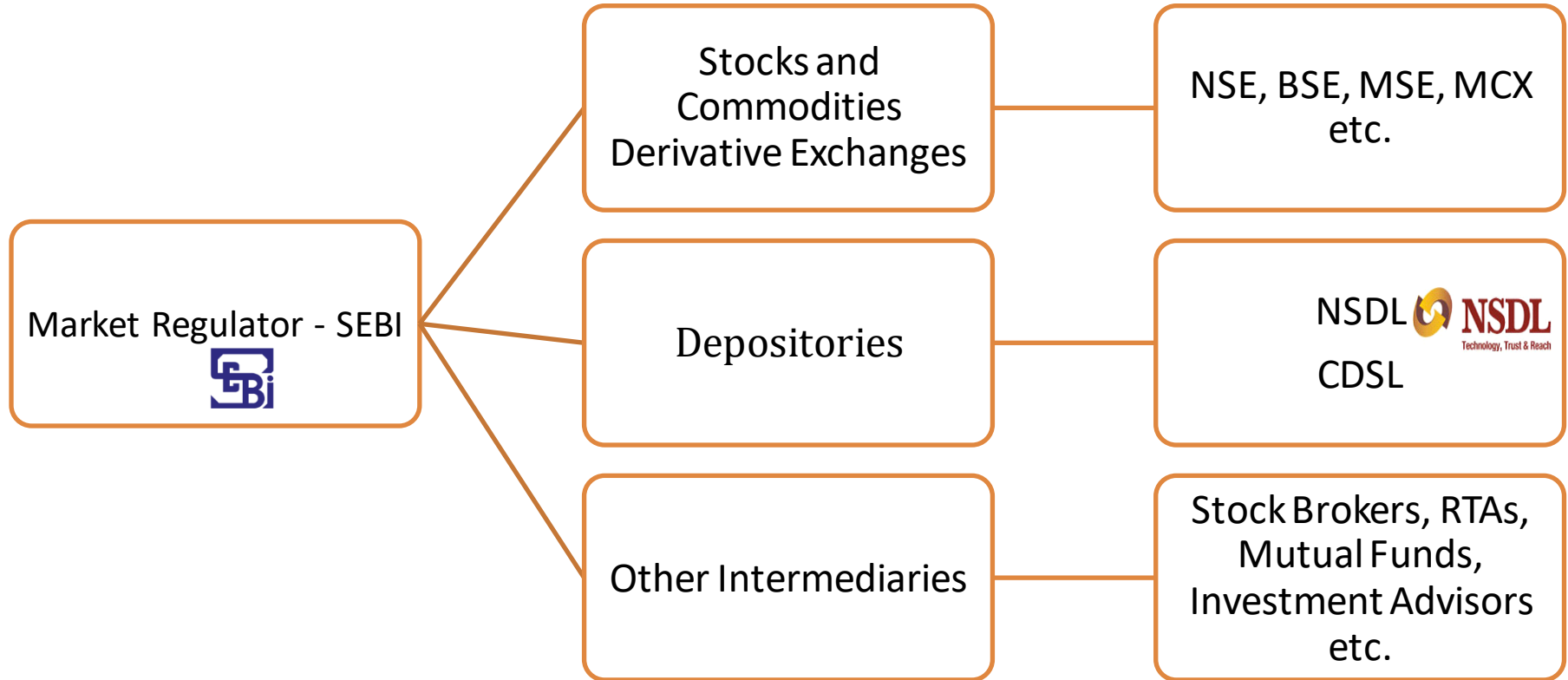




Be A Prudent Investor

## Understanding Different Asset Classes

# Indian Securities Market



# Starting Investment in Securities Market

## Accounts Required



Bank Account



Trading or Broking Account



Demat Account

- ✓ Many DPs offer a 3-in-1 account facility which gives you the convenience of opening a trading, demat and bank account – all together.
- ✓ Now some DPs are now offering online demat account opening.
- ✓ Trading or Broking account is required only if you want to buy / sell shares etc. through stock exchange.

# About NSDL



Established in 1996, First  
Depository in India

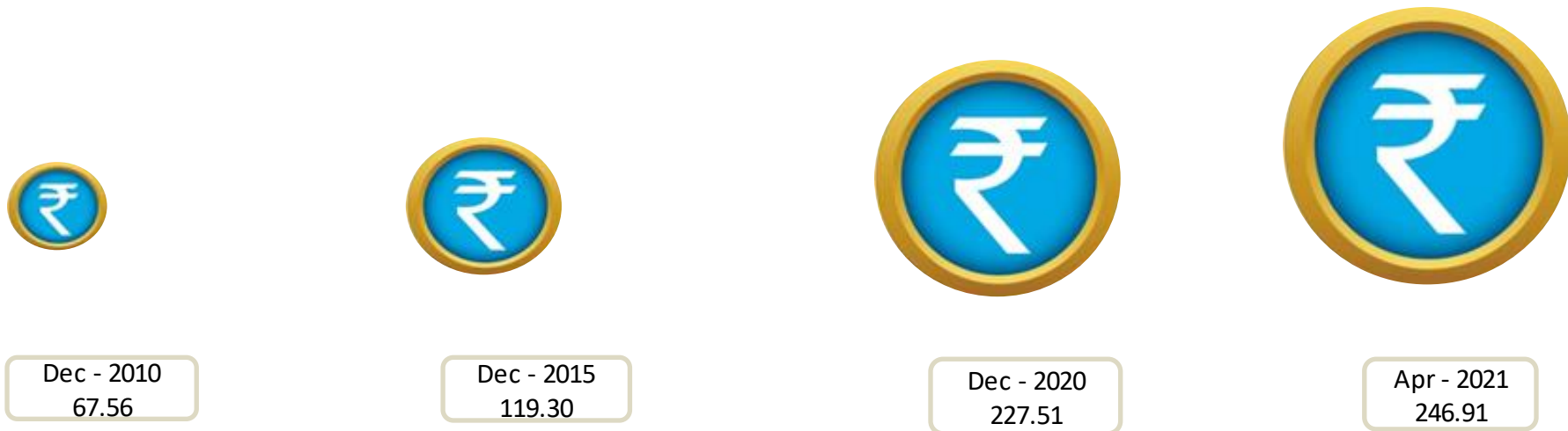


One of The World's Largest  
Depository



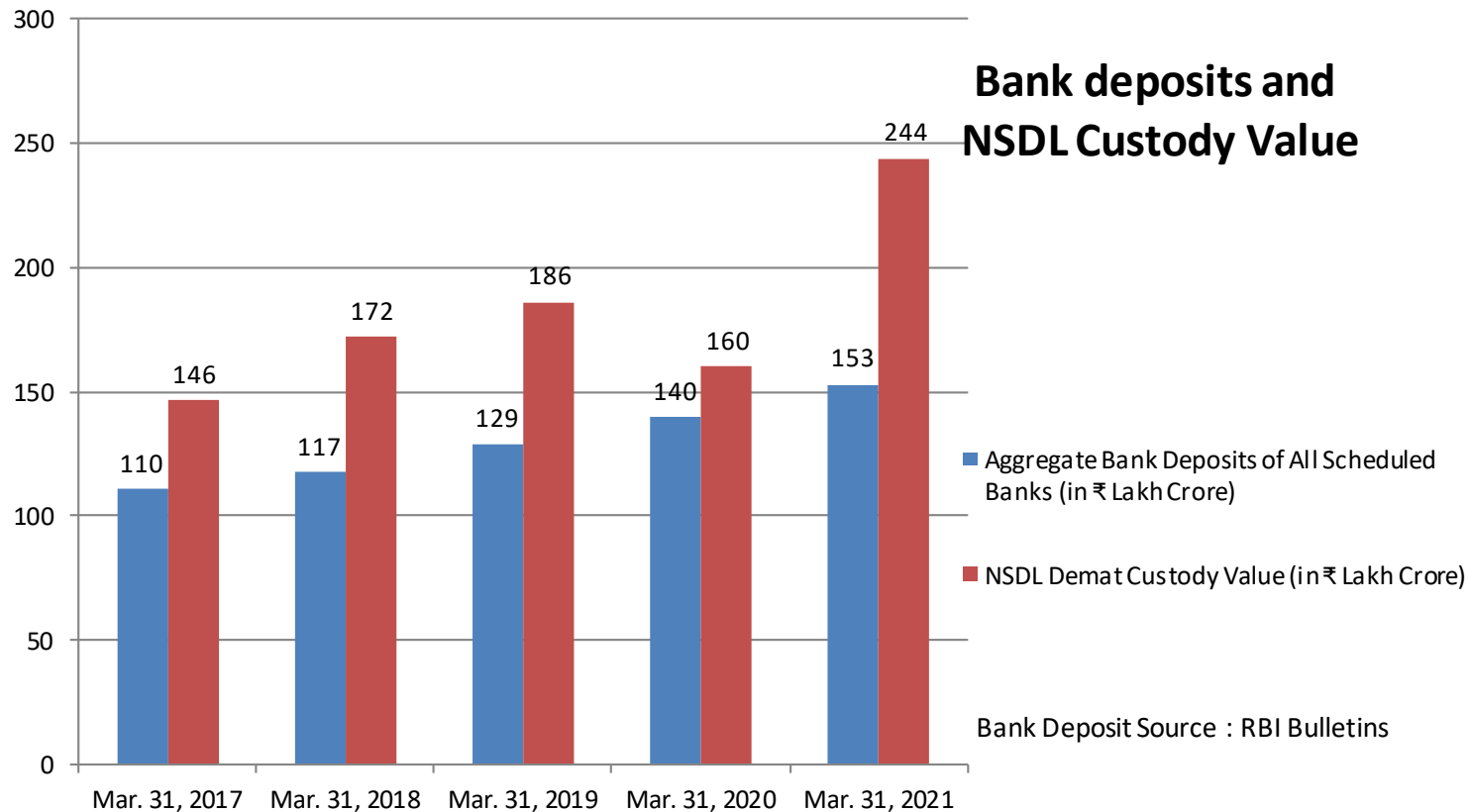
Wide Network of  
Depository Participants  
Across The Country

# NSDL's Progress

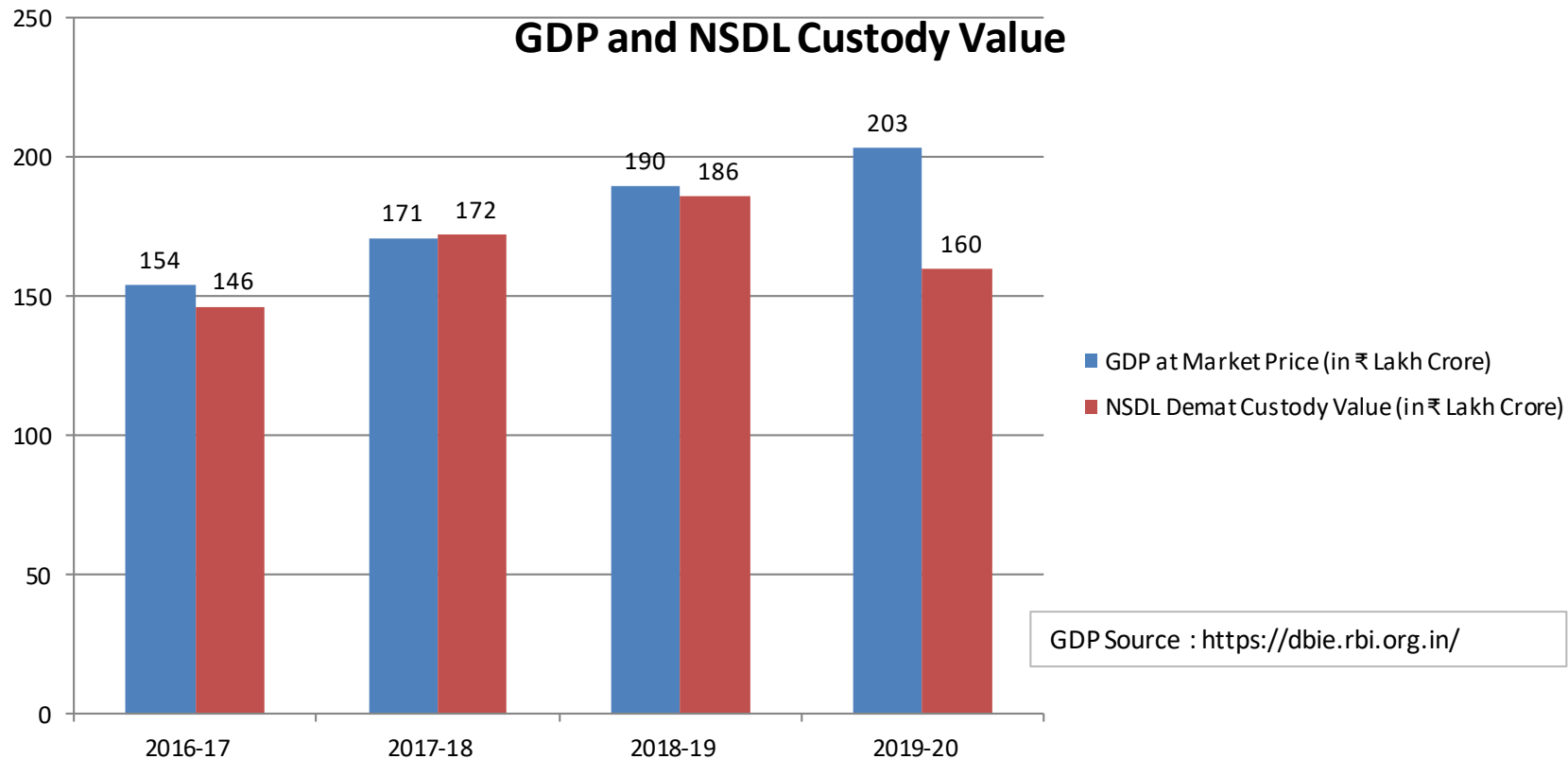


Custody Value in ₹ Lakh Crore  
Total value of all assets held in all NSDL demat accounts

# NSDL's Progress



# NSDL's Progress



# NSDL Depository System

Issuer Company / RTA



CDSL



NSE Clearing Limited

Indian Clearing  
Corporation Limited

(Clearing Corporations)

DP 1



Stock Broker /  
Trading Member 1

Investor 1

DP 2



Investor 2

Stock Broker /  
Clearing Member 2



# Services offered by Depository Participant



\*Even unlisted shares can be dematerialized. \*\*Transfer of securities held in physical form not allowed w. e. f. April 1, 2019. Re-lodgement of transfer deeds which were submitted prior to this, but were rejected or returned, was allowed till March 31, 2021. Shares pending for transfer with listed company / its RTA shall be issued only in demat.

# NSDLs Investor Centric e-Services

- NSDL's internet facility to enable users to submit various instructions online, including Margin Pledge
- You may register at [www.nsdl.co.in](http://www.nsdl.co.in)

Facility for shareholders to vote electronically on resolution of companies, Anytime, Anywhere



- View transactions, holdings along with valuation
  - Subscribe to CAS
  - Update email ID for CAS
  - View and download 12 past CAS
  - Participate in e-Voting
- 
- View holdings along with valuations
  - Participate in e-Voting
  - Confirmation of e-DIS
  - Register for IDeAS

\*Free for all demat account holders

# Be a Prudent Investor



Keep record of documents signed, account statements, contract notes received and payments made. Save important emails and take periodic back up of data.

Change password of your online accounts frequently. Never share OTP and PIN with any one.

Read SMS, emails, letters, statements, bills sent by your broker, bank, DP and NSDL. These are sent to you to keep you updated.

Accept the DIS only if serial number is pre printed and Client ID is pre stamped or pre printed. Keep DIS in safe custody.

# Be a Prudent Investor



Inform your DP about any change in your Personal Information such as address, bank account immediately.

Always mention your Mobile Number and email ID in account opening form and keep them updated.

Do not act on Unsolicited SMS and emails providing Tips, stock recommendations, assured returns etc.

NSDL publications and presentations are available in Hindi, English and other languages at [www.nsdl.co.in](http://www.nsdl.co.in) → Education

Schedule of Awareness Programs, Registration and Feedback facilities are available at [www.nsdl.co.in](http://www.nsdl.co.in).

# NSDL Newsletter for Investors



The Financial Kaleidoscope – Free monthly newsletter in हिंदी Hindi and English



The Financial  
**Kaleid scope**  
*Defining the different shapes of investment*

February  
2021

Understanding  
**Tax Saving**  
Instruments

[www.nsdl.co.in](http://www.nsdl.co.in)



Education



Newsletter – The  
Financial  
Kaleidoscope

# Grievances Redressal

1. Lodge your complaint with SEBI at [www.scores.gov.in/](http://www.scores.gov.in/) or SEBI Mobile App
2. SEBI Toll free helpline - 18002667575 / 1800227575
3. NSDL Toll Free helpline - 18001020990 / 1800224430
4. Online submission of Grievances at [www.nsdl.co.in](http://www.nsdl.co.in) → Query Now
5. NSDL email for grievance - [relations@nsdl.co.in](mailto:relations@nsdl.co.in)
6. NSDL email for other information - [info@nsdl.co.in](mailto:info@nsdl.co.in)



# Why Do We Invest?

1. Investment is necessary to support your financial needs when you do not earn money.
2. By investing a portion of your income you allow money to grow and work for you.
3. There any multiples avenues where one can invest money.
4. 3 parameters to assess suitability of any investment avenue are –
  - i. Return potential
  - ii. Safety
  - iii. Liquidity
5. Various avenues where money can be invested, are broadly classified into some groups, known as 'Asset Class'.

# What is meant by Asset Class?

1. An Asset Class is a group of different financial assets or instruments which have some common ground in terms of safety, returns and liquidity.
2. Typically various investment avenues under one asset class respond similarly to market conditions.
3. Historically, asset classes have shown significantly different performance in different market conditions.
4. Therefore, it pays to allocate different amounts to different asset classes.
5. This process of allocating or investing some amount to different financial assets or financial instruments is called 'Asset Allocation'.





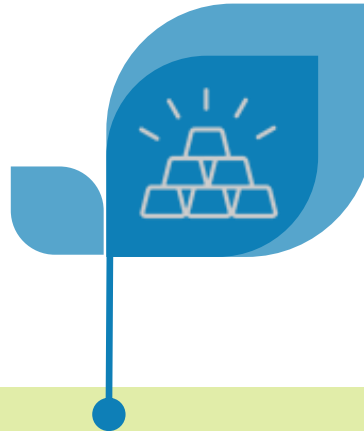
# Type Of Asset Classes



Fixed Income



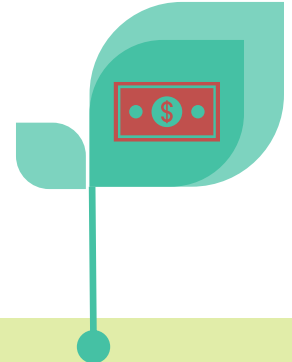
Real Estate



Gold



Equity



Cash and Cash  
Equivalent

# How to Decide Asset Allocation?

## 3 Classical Questions

1. Which are the appropriate Asset Classes for one investor?
  2. How much money one should invest in one particular Asset Class?
  3. How much money one should invest in one particular financial asset or instrument (within one Asset Class)?
- ✓ There are no standard answers for above questions.
  - ✓ Asset Mix varies from person to person.
  - ✓ Even for one person, Asset Mix is not constant. It varies over time.

# Factors Affecting Asset Allocation



Time Horizon

Risk Tolerance

Risk versus Reward

Tax saving

In real life, there are many assets which can not be fit into a single Asset Class, meaning they are Hybrid Assets.

# A Basic Approach for Asset Class Selection

	Students	Salary Earners - Private	Salary Earners - Government	Professionals	Traders	Housewives	Retired Persons
Returns	VI	VI	I	VI	VI	I	I
Liquidity	LI	I	I	LI	LI	I	I
Safety	I	I	VI	I	I	VI	VI
Tax Savings	LI	VI	I	VI	VI	LI	LI
Key: VI - Very Important, I - Important, LI - Less Important (Source: Ministry of Corporate Affairs, Primer for First-time Investors)							

Its not the case that all salaried persons should have similar Asset Mix. Even same salaried person will need to reconfigure his / her portfolio with advancing age, changes in family composition, etc.

# Importance of Portfolio Diversification

1. An Investment Portfolio means combination of various financial assets belonging to different asset classes.
2. A well diversified portfolio reduce the overall risk and ensure optimal returns.
3. It ensures that portfolio performance is not affected by poor performance of any single asset class.



# Some Important Asset Classes – Fixed Income

## PROS

- ✓ Relatively low-risk category
- ✓ Can be easily liquidated

## CONS

- ✗ Typically yield low returns
- ✗ Offers little or no tax saving

1. Typically have fixed return attached.
2. Time horizon is pre-defined generally.
3. Examples –
  - i. Bank Deposits – Fixed and Recurring - (FDs / RDs)
  - ii. Government securities
  - iii. Corporate debentures or bonds

# Some Important Asset Classes – Equity

## PROS

- ✓ Among the highest returns
- ✓ Can be easily liquidated

## CONS

- ✗ Requires time to assess, monitor and manage
- ✗ Can be a high-risk category

1. Equity offers typically high but uncertain returns.
2. Examples -
  - i. Equity shares
  - ii. (Equity) Mutual funds

# Some Important Asset Classes – Gold

## PROS

- ✓ Consistent appreciation in value
- ✓ Safe against inflation

## CONS

- ✗ Requires high investment and long term commitment
- ✗ Liquidating such assets can be time-consuming and a loss in value

1. It is the oldest form of holding assets.
2. It is popular across the world. Even central banks do hold some portion of their reserves in gold.
3. Various forms of investment in gold –
  - i. Physical gold – coins, bars, jewellery
  - ii. Digital gold
  - iii. Gold mutual fund and Gold ETF
  - iv. Sovereign Gold Bond



# Some Important Asset Classes – Cash

## PROS

- ✓ It is fully liquid by default
- ✓ The safest way to protect value against external factors

## CONS

- ✗ Risk of theft if held physically
- ✗ Least appreciation in value
- ✗ Returns will almost always be less than inflation

1. Cash earns typically the lowest returns, yet essential component of portfolio.
2. A thumb rule – keep 3 to 6 times of your monthly expenses in Cash or Cash like assets as Emergency Funds.
3. Examples –
  - i. Hard cash or bank balance
  - ii. Foreign exchange
  - iii. Flexible fixed deposits
  - iv. Liquid mutual funds

# Characteristics of Different Financial Assets

Financial Asset or Instrument	Returns	Liquidity	Safety
Government Bonds, Treasury Bills, National Saving Certificates, Fixed Deposits with Scheduled Banks, Saving Bank and Recurring Deposits	Low	Medium	High
Deposit schemes of PSUs / Infrastructure Companies / Blue chip Companies, ULIPs	Medium	Low to High	Medium
Mutual Funds, Corporate Bonds, Corporate Fixed Deposits, Preference Shares, Commercial paper, Certificate of Deposits	Medium	Low to Medium	Medium
Direct Investment in Equity	High	Low to Medium	Low to Medium
Collective Investment Schemes, Derivatives, Currency Swaps, Credit Default Swaps (CDS), Collateralized Debt Obligation (CDO)	High	Medium to High	Low

# Remember

1. Always remember your financial goals and investment timeframe.
2. Review your financial goals periodically, atleast once in 5 years.
3. Risk and Return profile of various assets are not constant.
4. Consider taking help from a registered and qualified Investment Advisor.

“Investing money is the process of committing resources in a strategic way to accomplish a specific objective.”

Alan Gotthardt



# THANK YOU

We welcome your feedback and suggestions about this program at [www.nsdl.co.in/](http://www.nsdl.co.in/)  
[info@nsdl.co.in](mailto:info@nsdl.co.in).

