EQUITY INSTRUMENTS

1. **Gold –** It can be bought in physical form like gold bars, coins, jewelry etc. Gold can also be brought in the form of exchange traded funds (ETF) which don't receive physical storage. Along with this, there are gold mining stocks and mutual funds but these are not in direct relation to gold prices and have other factors to take care off like environment, economic risk and performance of company. Should typically be small proportion of portfolio.

- ♦ **Advantages**
  - Highly liquid.
  - Gives return in bad times.
- ♦ **Disadvantages**
  - Inconsistent return.
  - Hard to store it in physical form.

2. **Real Estate –** After fixed deposits this is the other most popular way in which people invest.

- ♦ **Advantages**
  - Physical asset.
  - Prestige.
- ♦ **Disadvantages**
  - Low liquidity.
  - Hard to ascertain true market value.
  - Long cycles of low/high prices.

3. **Stocks/Index –** One can invest in individual stock or an index. An Index is a sample of certain stocks which represents the whole market. For example:

   a. **BSE 30 or Sensex** which is defined as the market weighted stock market index of top 30 established and financially sound companies listed on Bombay stock exchange.

   b. **NIFTY** is a diversified 50 stock index which accounts for 12 major sectors of the economy and is also used for lot of purposes like benchmarking, fund portfolios.

EQUITY INSTRUMENTS

Investments in stocks is done majorly in two forms

- By trading in various stocks on day to day bases and generating returns over the price changes on day to day bases.
- By buying shares and taking delivery and generating returns over long term appreciations alongwith accumulating dividend and bonus shares.

♦ **Advantages**

- Good returns over long term.
- High liquidity.

♦ **Disadvantages**

- Risky for short term.
- Price transparency.

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4. **Equity Mutual Funds –** Equity mutual funds are broadly divided into 5 types:

a. Large cap funds – Funds with large market capitalization and generate stable returns.

b. Mid cap funds – Invest in mid-size companies with higher risk than large caps but higher returns.

c. Small cap funds – Invest in Small size companies

d. Multi-cap funds – Invest in companies in a combination of sectors irrespective of market capitalization.

e. Sectoral Equity Funds – These funds invest in securities of specific sectors such as IT, banking, services, pharma etc.

MARKET CAPITALIZATION – It is calculated by multiplying a company's outstanding shares by its price per share. It shows the total equity value of a particular company along with equity investment.

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5. **ULIPS –** Unit Linked Insurance plans with life risk cover. Minimum sum assured is 10 times of premium for age below 45, and 7.5 times for age above 45. Minimum lock in period is usually 5 years.

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6. **NPS (National pension scheme) –** Is a pension scheme operated by government of India. A subscriber can contribute regularly in a pension account and withdraw a part of corpus in lumpsum.