Hedging

$\downarrow$

An activity through which people remove/reduce the market risk.

$\downarrow$

under it, people go for advance buy or sale transactions at a given price.

Short-selling

↓

A kind of speculative activity under which an equity is sold by a person without owning it. In this respect, the seller is required to cover his position by buying that equity later.

T+1   Settlement

Recently introduced
→
a settlement system
→
in the secondary market
→
of equity

under it, any transaction of equity is settled within a day (+1) after the day of transaction (T).

Note : Before this —

India was having (T+2) settlement.

Mutual Funds

↓

Institutions which collect money.

↓

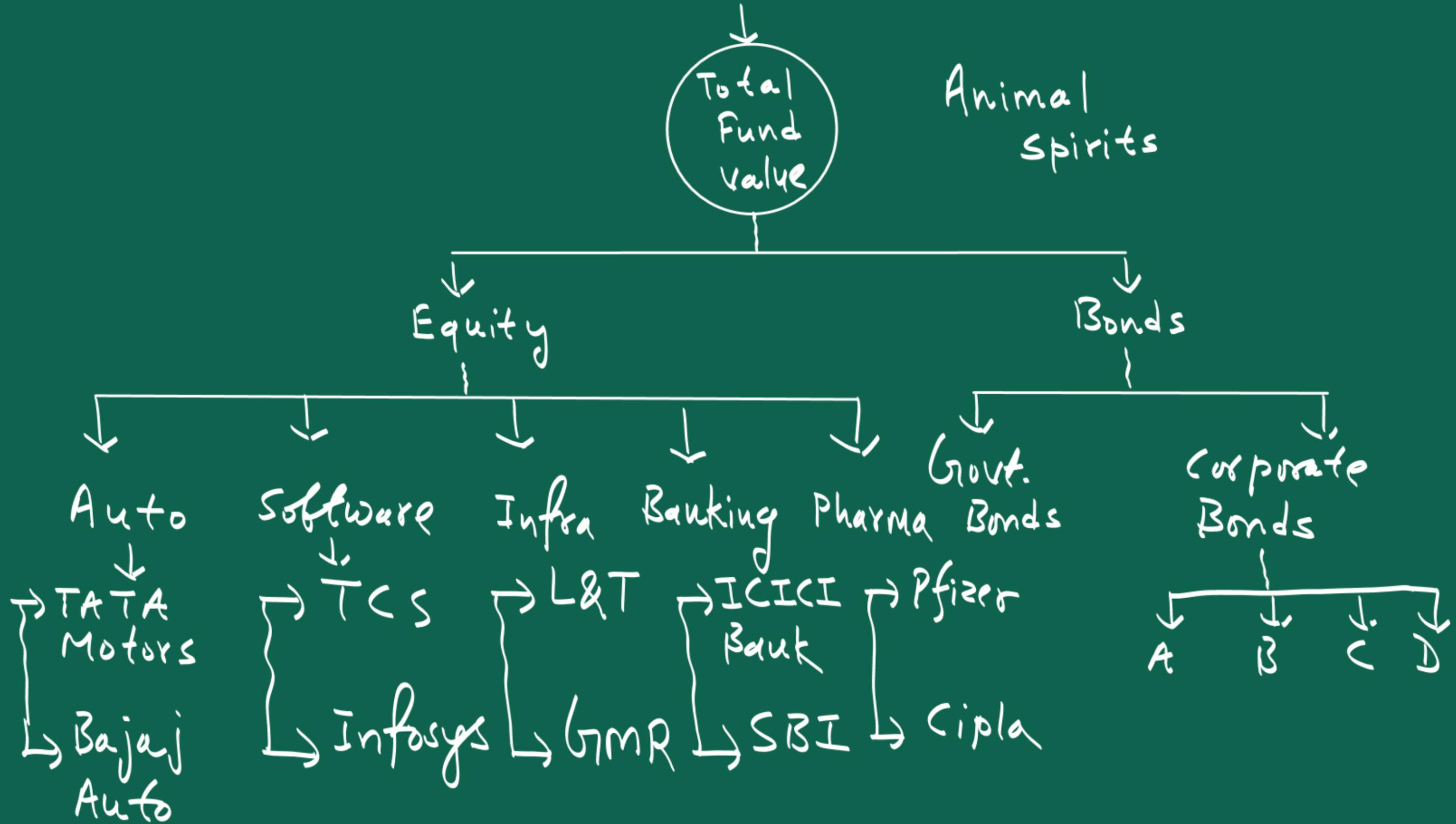From Small Investors by issuing units of small denominations (like ₹ 10, ₹ 20 --)

↓

$\downarrow$

The collected Money

$\downarrow$

Is invested into
the financial Market.

Note: Investors get the
benefits of a diversified
portfolio by joining a mutual
fund.

The market risk is less if
the portfolio is diversified.

Hedge Funds

$\downarrow$

Similar to Mutual funds

but

work for

$\downarrow$

HNIs

(High Networth Individuals)

ETFs = Exchange Traded
Funds

↓

Similar to MFs
but
Investment Pattern is
pre-fixed and does not change
↓
They are passive funds.
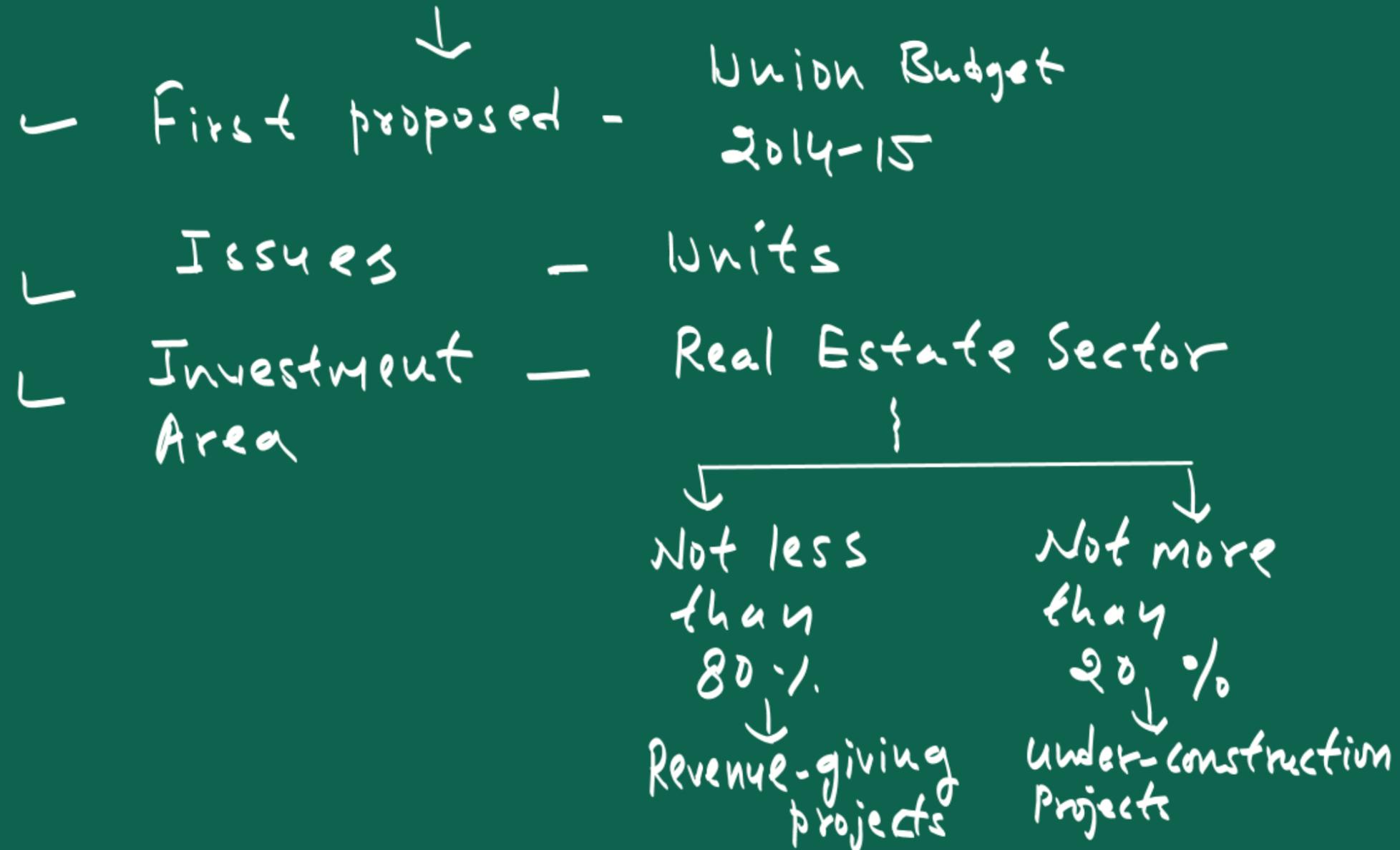
Disinvestment through ETF

↓

The GoI uses ETF also as a way of disinvestment.

The GoI launched the following two ETFs for disinvestment -

(i) CPSE - ETF

(ii) Bharat - 22

REITs = Real Estate Investment Trusts

↓

- First proposed — Union Budget 2014-15

- Issues — Units

- Investment Area — Real Estate Sector

Not less than 80%	Not more than 20%
↓	↓
Revenue-giving projects	under-construction Projects

InvITs

$\downarrow$

Infrastructure Investment Trusts

$\downarrow$

- First proposed $\rightarrow$ Union Budget 2014-15
- Issue $\longrightarrow$ Units
- Area of Invest. $\rightarrow$ Infrastructure Projects

$\downarrow$

__80-20 Ratio__

Here, the concerned person thinks that the price of the equity will fall in future and thus he will be able to make profits.

Note : The American firm 'Hindenburg Research is a short-seller firm.

Adani Enterprises — $₹100 \times 100$ — <u>Sale</u>

Equity Price

$$₹10,000 = \text{Sale value}$$

Buy $\rightarrow$ $₹120 \times 100$

~~$₹8,000 =$~~ Buy value

$₹12,000$