


- ▶ Real investments and financial investments are linked
    - The share issue of a firm finances the purchase of capital.
    - The commitment to a mortgage finances the purchase of property.
  
  - ▶ Financial investment can provide finance for real investment decisions. Financial investment can guide real investment decisions. The most important feature of financial investments is that they carry high market liquidity. The method used for evaluating the value of a financial investment is known as valuation.
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# Classification of Investment

## ▶ **Physical investment**

▶ Tangible in nature

▶ Some are useful for further production. Capital goods like plant and machinery.

▶ Some of them like ornaments are not useful.

## ▶ **Financial investment**

▶ Used for consumption or production of goods and services

▶ It can be used for further creation of assets e.g. shares and bonds.

▶ **Marketable and Non marketable investment**

Investments listed on stock exchanges are easily marketable.

Non marketable securities are not traded in market such as bank drafts.

▶ **Transferable and Non transferable investment**

Generally marketable securities are transferable and non-marketable securities are non transferable.



# Nature of Investment Management

- ▶ It helps in making investment decisions.
  - ▶ Higher the risk, higher the expected return.
  - ▶ One can take decision only after analyzing entire process of investment that starts with fund contribution and ends with getting expectations fulfilled.
  - ▶ Higher the time period of investment, lesser the uncertainties of investment.
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