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- **Valuation of Securities:-** Investment value is generally taken to be the present worth to the owners of future benefits from investments. An appropriate stet of weights have to be applied with the use of forecasted benefits to estimate the value of investment assets.

  Comparison of the value with the current market price of the asset allows the determination of the relative attractiveness of the assets.
- **Portfolio Construction:-**It involves the following step :

  (1)Deciding the diversification level.

  (2)Considering the investment timing.

  (3)Selection of Investment timing.

  (4)Allocation of investible funds to investment assets.

  (5)Acquisition of assets.

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- **Portfolio Evaluation and Revision**:- It is continuous process. After selection of portfolio the next step is that of evaluation from time to time depending on market conditions. The primary motive of evaluation is to improve performance. Effective portfolio evaluation requires an investor to balance what he has against available alternatives.

Investment objectives

The primary objective of investment is to increase the rate of return and to reduce the risk. The other objectives are:

- **Income**:- Main objective is to earn income in form of dividend yield or interest. Investment should earn reasonable and expected return on the investment.

- **Capital appreciation**:-The other important objective of investment is appreciation in the capital invested over a period of time. Capital appreciation can be achieved by following:-
  - Conservative Growth
  - Aggressive Growth
  - Speculation

- **Forms Of Return :-** The returns expected from securities may be of two types :-
  - Periodical Cash Receipts
  - Capital Gain

- **Safety and Security Of Funds:-** Another important consideration in making investment is that fund so invested should be safe and secure . The investment should be capable for redemption as and when due.

- **Liquidity:-** Before making the investment, the investor should consider the degree of liquidity require. Certain securities are capable of being sold in the readily available market and some securities may not be so liquid.

- **Tax considerations:-** Before making the investment, investors should also take into consideration the provisions of income tax, capital gain tax and wealth tax to minimize his tax burden and avail all tax exemptions available to him.

Rate of Return

Return is the profit or income generated by savings and investing.

Total return on investment expressed as a percentage of the amount of money invested

Total Return ÷ Amount of Money Invested = Rate of Return

Investments usually earn higher rates of return than savings tools