NSE

Active VS Passive Investing

What works better for you?

- We often witness raging debates on Active Vs Passive Investing, because investors tend to prefer one strategy over another.
- These distinct investment styles emerge from the Different personality types. A starting point, before entering the world of investing, is to be aware of your personality type.
- But what is .....

Know The Difference

Active Investing		Passive Investing
Based on study and analysis of investing opportunities across market segments	**1. Portfolio Creation /Stock Selection**	Replicating the Investments of the chosen Market Index / Segment
Investor is personally and actively involved in decision making	**2. Approach**	A simpler "Invest once" approach with limited involvement
Beat the Stock Market	**3. Goals**	Long Term capital growth in line with Market Returns
Investor makes frequent Purchase / Sale transactions	**4. Trading Style**	Investor makes few Purchase / Sale transactions after investment
Higher trading cost due to frequent purchases / sales and fund management fees	**5. Costs**	Insignificant fund management fees; Low trading costs
Potential for higher returns; higher risk	**6. Risk-return trade-off**	Market-linked returns with limited risk
Superior knowledge, analytical skills and expertise of fund manager	**7. Expertise Required**	Limited decision making by the fund manager
No; Performance varies leading to Outperforming and underperforming the Market in different years	**8. Consistency in performance**	Yes; replicates market returns

Use Passive Investment IF:

- You have witnessed that successfully predicting stock movements/ fluctuations may not be always possible
- You believe it is not possible to beat the market consistently year-after-year
- You want to avoid market timing
- You have a long-term time horizon
- You want to minimise your investment costs
- You may not have the time to research and select the best-performing fund
- You prefer the reliability of market-linked return

What are the different investment instruments at your disposal?

Active Investor	Passive Investor
Direct – Equity shares and derivatives, bonds and commodities	------------
Active Mutual Funds	Index Funds