National Institute of Securities Markets
A Capacity Building Initiative of SEBI

Skill Development Module on

Fundamentals of Passive Investing

Course Overview

The Fundamentals of Passive Investing course provides a comprehensive understanding of passive investment strategies and their role in modern portfolios. It covers market indices, index construction, index funds, ETFs, tracking performance, costs, risks, portfolio construction, smart beta and factor investing, global passive investing, and regulation. Learners explore how passive products replicate benchmarks, compare ETFs and index funds, evaluate tracking error and tracking difference, and assess costs, liquidity, concentration, and other risks. The course also examines diversification, asset allocation, goal-based investing, and portfolio rebalancing.

By the end, learners can evaluate passive investment products, assess their performance and risks, and understand their role in diversified portfolios.

Target Audience

This course is designed for students, investors, finance professionals, wealth managers, market participants, and individuals interested in understanding passive investment strategies and products. It is also relevant for professionals involved in investment advisory, portfolio management, financial planning, and asset allocation.

The course is structured to support both beginners seeking foundational knowledge and experienced professionals looking to strengthen their understanding of passive investing.

Key Skills Gained

- **Passive Product Evaluation:** Evaluate index funds, ETFs, and other passive products based on their structure, costs, liquidity, and suitability.
- **Performance Assessment:** Assess passive fund performance using benchmarks, tracking error, tracking difference, and consistency over time.
- **Cost and Risk Assessment:** Evaluate the impact of expenses, market risk, tracking risk, concentration, liquidity, and other structural risks on investment outcomes.
- **Portfolio Construction:** Apply passive investment approaches to diversification, asset allocation, goal-based investing, and portfolio rebalancing.
- **Factor Strategy Evaluation:** Differentiate traditional passive, smart beta, and factor-based strategies and assess their suitability across market conditions.

Course Outline

Module	Key Topics Covered
Module 1: Foundations of Passive Investing	‣ Introduction to Passive Investing ‣ Active vs Passive Investing ‣ Reasons for the Popularity of Passive Investing
Module 2: Indexing Basics	‣ Understanding Market Indices ‣ Index Construction Methodology ‣ Types of Index Weighting Methodologies
Module 3: Passive Investment Products	‣ Index Funds – Structure and Working ‣ Exchange Traded Funds (ETFs) ‣ ETF vs Index Funds ‣ Role of ETFs and Key Market Participants ‣ ETF Pricing Mechanism: iNAV, NAV and Market Price ‣ Trading, Cost Structure and Investor Suitability
Module 4: Tracking and Performance	‣ Tracking Error and Tracking Difference ‣ Performance Measurement of Passive Funds Across Categories
Module 5: Costs and Risks in Passive Investing	‣ Expense Ratios and Cost Efficiency ‣ Risks in Passive Investing
Module 6: Portfolio Construction	‣ Core-Satellite Approach to Portfolio Construction using Passive Funds ‣ Diversification Benefits and Asset Allocation Models ‣ Portfolio Management
Module 7: Smart Beta and Factor Investing	‣ Smart Beta Strategies ‣ Factor Investing Strategies ‣ Smart Beta vs Other Investment Approaches
Module 8: Global Passive Investing	‣ Global Indices and International Exposure ‣ Types of Global Indices ‣ Why Global Passive Investing Matters ‣ Risks and Portfolio Integration in Global Investing
Module 9: Regulatory Framework	‣ SEBI Regulations for Passive Funds ‣ Regulatory Framework and Governance Standards ‣ Disclosure and Market Transparency ‣ Investor Protection Measures

Course Fee

The course fee is ₹500 plus applicable taxes. Payment can be made online through debit card, credit card, net banking, or UPI.

Learning Hours, Access Period, and Certificate

Learning Duration : Approximately 2 hours of guided learning content, including videos and knowledge checks.

Flexible Access : 30-day access from the date of enrolment, allowing learners to progress at their own pace.

Re-enrolment Option : Learners who are unable to complete the course within the access period may re-enrol and restart the course from the beginning.

Certificate of Completion : Downloadable certificate available upon successful completion of all course modules.

About NISM

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets.

National Institute of Securities Markets

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Helpdesk Timing:
Monday to Friday - 9:30 AM to 1:00 PM and 2:00 PM to 5:30 PM
(Closed on Public Holidays)

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