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A STUDY ON PORTFOLIO MANAGEMENT AND INVESTMENT ANALYSIS

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ABSTRACT

Investment analysis and portfolio management are critical components of modern finance, focusing on optimizing returns while managing risk. Investment analysis involves evaluating potential investment opportunities to determine their viability and potential return. This process includes fundamental analysis, which examines a company's financial statements, market position, and economic factors, and technical analysis, which studies past market data and price patterns. Portfolio management, on the other hand, is the strategic process of constructing and maintaining an investment portfolio that aligns with an investor's risk tolerance, time horizon, and financial goals. This involves asset allocation, diversification, and periodic rebalancing. Asset allocation is the distribution of investments among different asset classes (e.g., stocks, bonds, real estate) to balance risk and return. Diversification aims to reduce risk by spreading investments across various sectors and geographic regions

1. INTRODUCTION

An investment refers to the financial assets are resources such as, money, marketable securities, land, machinery.etc…these are used to with the long term objective of generating income or wealth Investment is any activity that commits funds in any financial and physical form in the present with the expectation of the receiving the additional return in future. The investment activity is recognized when an asset is purchased with an intention of earn an expected appreciation value. Investment involves employment of funds with aim of achieving additional growth or return.

Characteristics of Investment:

The characteristics of an economic investment involved in four as follows

- **Return:**

  Actually, an investment whose main goal is to earn a profit. The expectation of the return from the investment depends upon the nature of investment and maturity period, market demand.

- **Risk:**

  Risk is inherent in any investment it relates to the loss of capital and reduction of an principle amount

- **Safety:**

  Safety is another key characteristic of investment. After analysis of an investment investor can choice the best potential return investment in order to hedge

- **Liquidity:**

  It is the one of the important characteristics of investment. Liquidity of an investment is that easily saleable marketable without loss of money and without loss time.

  Objectives of investment

  The objective of an investment is mainly depending on the three ways

- Capital appreciation
- Minimize risk and
- Maximize profit

Types of investments

Investments may be classified as financial investments or economic investments

- Financial investment

  In the financial sense investment is commitment of funds derive future income in form of interest. These activities are undertaken by anyone who desires a return and in willing to accept the risk from the financial instruments.

- Economic investments

  Economic investments are undertaken with the expectation of increasing the current economy capital stock that consists of goods and services. Capital stock is used to in the production of other goods and services desired by the society.

Process of investment

1. Evolution of investment goals

The first and fore most important step in the process of investment is the evolution of goals of investment these are,

- The investment made for safety
- For generating income and, Wealth growth

And also depending on your age, income. young individual typically invest with the intention of building money and have a risk bearing capacity. When you approach midlife later in life the goals of investment objective can help you choose the best investment avenues to deliver sufficient returns

2. Analysis of present financial situation

Without diligent saving, it is impossible to establish an efficient investment decision process. Therefore it is important to understand your existing financial condition after assessing your long term and short term financial goals. It aids you in choosing how much to save based on the length of time till your investment goals. Assess your monthly expenses, assets, liabilities, capacity for risk taking etc.

3.Asset allocation The next step is asset allocation after goals and financial status have been examine depending on your needs and level of risk tolerance, you can select between equity, bonds, money market instruments, gold, real estate, etc.

Asset allocation is a crucial step towards reducing risk. The distribution of your assets typically depends on your current financial situation. However you can alter it in accordance with you demands and risk tolerance, which may fluctuate with age and income. Additionally, make sure your portfolio contains assets with liquid and stable income. Your needs and risk tolerance, you can chose between the following portfolio;

- Aggressive
- Defensive
- Income
- Hybrid

4. Choice right investment plan

Another essential step for greater and more consistent return is choosing right investment plan. The following are some investment strategies;

- Short term
- Long term
- Active
- Passive

5. Track and manage your portfolio

It is the last step in investment process, its time to track and manage your portfolio it makes sure that your investments are in keeping with your demands and performance, market volatility, and risk tolerance to maximize gains or prevent losses, you must understand when to sell and buy particular assets.

2. INVESTMENT ANALYSIS

Investment analysis is the step by step process of determining relative value of the stocks of the selected company it used investors to take decisions regarding the put funds or not.

For example: If you want to purchase a mobile. For purchasing of the mobile phone you have to some analysis of all aspects these are ram and battery capacity brand present treading mobile. Without any information you can't buy a mobile, so before putting funds you have do some analysis to take decisions

For analysis of stocks there are different methods but most important methods called.

- FUNDAMENTAL ANALYSIS
- TECHNICAL ANALYSIS

FUNDAMENTAL ANALYSIS The process of assessing a security by calculating its intrinsic value is known as fundamental analysis. This is accomplished by looking at relevant

- Economic,
- Industry
- Elements related to company.

These elements may have a qualitative or quantitative character. Producing an intrinsic value that an investor can compare with the security's current price in order to determine what position to take in that security is the goal of fundamental analysis.

Technical analysis

Technical analysis is the process of analysing data produced by market activity, such as previous prices and volume, in order to assess the timing of securities. Volume, or just the total number of shares traded in a specific time frame, is a crucial component of technical analysis.

By analysing historical share price and return movements, technical analysis uses a variety of charts, tools, and statistical techniques to identify patterns and trends in the data. Investors categorize trends using this analysis according to their nature—uptrend versus downtrend—and duration long term versus short term. Investors purchase and sell the market based on the trend that best fits their risk-return profile after determining their investment horizons.

These are enticing investments because, with the right choice, one could quickly generate enormous profits.

3. PORTFOLIO MANAEMENT

The art of building an effective portfolio with the least amount of risk and the highest possible returns is known as portfolio management. A portfolio is a group or assortment of securities that a person or organization owns. One can hold these investments as fixed deposits, shares, bonds, real estate, or gold

Portfolio management can be defined as many ways, because the basic meaning of the word Combination of many things keeping pristine‖. So as considered and evaluated these form the perspective of the investment part in the securities portion.

From the investor point of view following the portfolio is by him very important since through this way one can manage the risk of investing in securities and get good returns of the investment segment.

Instead of putting huge found into the one hamper. Now a days investor are very aware of the choosing the right portfolio of securities to avoid risk problems.

Portfolio Management Strategies

Any investment manager faces the significant and difficult task of managing a portfolio. The techniques used to optimize returns for the least amount of risk are referred to as portfolio management strategies. In general, there are two types of portfolio management strategies:

- The Active Portfolio Management Strategy is predicated on the ability to manage a portfolio in a way that produces anomalous returns. It makes an effort to take advantage of market inefficiencies. Two methods of stock selection are used in this approach to portfolio management:
- The top-down method and
- The bottom-up method.
- **passive portfolio management strategy:** A well-diversified portfolio at a predetermined level of risk is created, and the portfolio is then held relatively unchanged over time until it becomes inadequately diversified or out of line with the investor's risk- return profile. This strategy is known as the "passive portfolio management strategy," which is based on the assumption that markets are efficient and that an investor cannot adopt an active strategy in order to "beat" the market.

Objectives of Portfolio Management

The fundamental objective of portfolio management is to help select best investment options as per one’s income, age, and time horizon and risk appetite. Some of the core objectives of portfolio management are as follows,

- Capital appreciation
- Maximising returns on investment
- To improve the overall proficiency of the portfolio
- Risk optimisation
- Allocating resources optimally
- Ensuring flexibility of portfolio
- Protecting earnings against market risks

4. TYPES OF PORTFOLIO

Despite the fact that there are several sorts of investment portfolios, investors make it a point to design one that meets their investing objective and risk tolerance. Based on investment strategies, these following are some common types of portfolios,

1. **The Aggressive Portfolio:** An aggressive strategy seeks outsized rewards while also accepting outsized dangers. Stocks for this type of portfolio often have a high beta, or market sensitivity. The price of high beta stocks fluctuates more than that of the market as a whole. A stock with a beta of 2.0 will normally move in either direction twice as much as the market as a whole. Seek for businesses that the average investor hasn't yet discovered but that are experiencing quickly accelerating earnings growth. While they are present in other industries as well, the technology sector is where they are most prevalent.
2. **The Defensive Portfolio:** Generally speaking, defensive stocks don't have high beta. They are largely unaffected by broad market swings. Defensive stocks perform well both in good and bad economic times, in contrast to cyclical stocks, which are subject to the underlying business cycle. Whatever the general state of the economy, businesses that produce necessities for daily life will continue to exist. Think about the things you need on a daily basis and locate the companies that produce these consumer staples. Several of these businesses also have the added benefit of paying dividends, which lessens capital losses. For most investors, a defensive portfolio is a wise choice.
3. **The Income Portfolio:** Investments that produce income through dividends or other types of pay-outs to stakeholders make up an income portfolio. Though some of the income portfolio's stocks might also be in the defensive portfolio, in this instance they were picked because of their high yields. Positive cash flow is what an income portfolio should produce**.**
4. **The Speculative Portfolio:** The most similar option to gambling among these is the speculative portfolio. It entails taking more risk than any of the others discussed here. Initial public offerings and stocks that are purported to be takeover targets are examples of speculative plays. This would apply to technology or healthcare companies that are in the process of creating a single ground-breaking product. It would be speculative play to be a young oil company about to release its first production results.
5. **The Hybrid Portfolio:** Diversification into other assets, such as bonds, commodities, real estate, and even artwork, is imperative for a hybrid portfolio. There is an enormous amount of flexibility offered by the hybrid portfolio approach. In this kind of portfolio, high-grade corporate or government bonds would usually be included along with a core of blue-chip stocks. MLPs and REITs could potentially contribute to the asset.

Portfolio evaluation phases

1. **Establishing investment objectives**:

   Determining the investing objectives, which include risk tolerance, expected returns, and investment horizon, is the first stage in evaluating a portfolio. These aims will direct the assessment procedure and assist in ascertaining whether the portfolio is accomplishing its objectives.

2. **Measuring portfolio performance**:

   Measuring the portfolio's performance is the next stage. This include comparing the performance of the portfolio to benchmarks or other pertinent indices, computing returns, and analysing risk.

3. **Analysing asset allocation**:

   The distribution of assets within the portfolio is referred to as asset allocation. Analysing asset allocation in a portfolio to determine whether it aligns with investment goals and whether adjustments are necessary is known as portfolio evaluation.

4. **Reviewing individual investments**:

   Examining each individual investment in the portfolio to ascertain its performance and contribution to the overall outcomes of the portfolio is another aspect of portfolio evaluation.

5. **Adjusting the portfolio**:

   Depending on the evaluation's findings, the portfolio may need to be rebalanced, the asset allocation changed, or underperforming investments sold in order to maintain the portfolio's ability to satisfy the investment objectives

5. CONCLUSION

Investment analysis and portfolio management are critical components in achieving financial stability and growth. Through careful consideration of return, risk, safety, and liquidity, investors can make informed decisions that align with their financial goals. Whether it's through financial investments aimed at deriving future income or economic investments focused on enhancing capital stock, the process requires a strategic approach. This includes setting clear investment goals, understanding one's financial situation, and allocating assets wisely to balance potential returns with acceptable risk levels. Ultimately, the art of investing is about finding the right mix of assets that can provide capital appreciation, minimize risk, and maximize profit. As investors navigate through different life stages, their strategies may evolve, but the fundamental principles of investment analysis remain constant—seek growth, manage risks, and ensure liquidity to meet future needs.

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