PORTFOLIO MANAGEMENT: A QUALITATIVE STUDY

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ABSTRACT
Investing in securities i.e: shares, debentures, bonds are profitable as well as risky. For this it needs a scientific knowledge as well as analytical skills to deal with risk. In these investments an investor has to take decision on the basis of both rationale and emotional perspectives. As per investors point of view investing in financial securities is one of the avenue for investing our savings but on the other side it is acknowledged to be one of the most risky avenue of investment. It is difficult to find investors investing their entire savings in a single security. Instead, they want to invest in a group of securities. Such group of securities is called portfolio. When portfolio is created risk is reduced without sacrificing returns.

Keywords: Portfolio Management; Strategic; Systematic Risk

INTRODUCTION
Portfolio management deals with the theory and practice of optimum combining securities into portfolio. An investor who understands the principles and analytical aspects of portfolio management has a better chance of success. The main motto of an investor is to maximize the return with minimum risk. He does not put all eggs into one basket. He opts for diversified portfolio investment, because diversification of portfolio of assets helps to achieve a higher risk adjusted return. This means that an investor is able to reduce risk and raise return through well diversified investment. For these, he chooses a bunch of better investment opportunities in Capital Market. In olden days, for diversification, he depends on International Markets, but now, Indian capital market introduced a verity of investment securities starting from equity to equity derivatives, currency futures & options, commodity futures & options which enable a number of investment opportunities within home Capital market. For systematic risk analysis, this market introduced indices with the verity of investment vehicles. Indian capital market integrated globally and gained from foreign inflows through the investment of Foreign Institutional Investors (FIIs).

Portfolio management and investment decision as a concept came to be familiar with the conclusion of second world war when thing can be in the stock market can be liberally ruined the fortune of individual, companies even government’s it was then discovered that the investing in various scripts instead of putting all the money in a single securities yielded weather return with low risk percentage, it goes to the credit of "HARYMARKOWITZ", 1991 noble laurelled to have pioneered the concept of combining high yielded securities with these low but steady yielding securities to achieve optimum correlation coefficient of shares. Portfolio management refers to the management of portfolio’s for other by professional investment managers it refers to the management of an individual investor’s portfolio by professionally qualified person ranging from merchant banker to specified portfolio company.

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OBJECTIVES OF THE STUDY

1. To Study The Objective Of Portfolio Management
2. To Study The Need Of Portfolio Management
3. To Explain The Process Of Portfolio Management

Objective of Portfolio Management

The main objective of investment portfolio management is to maximize the returns from the investment and to minimize the risk involved in investment. Moreover, risk in price or inflation erodes the value of money and hence investment must provide a protection against inflation.

1. Regular return.
2. Stable income.
3. Appreciation of capital
5. Safety of investment.
6. Tax benefits

Portfolio management services helps investors to make a wise choice between alternative investments with pit any post trading hassle’s this service renders optimum returns to the investors by proper selection of continuous change of one plan to another plane with in the same scheme, any portfolio management must specify the objectives like maximum return’s, and risk capital appreciation, safety etc in their offer.

Need For Portfolio Management

Portfolio management is a process encompassing many activities of investment in assets and securities. It is a dynamic and flexible concept and involves regular and systematic analysis, judgment and action. The objective of this service is to help the unknown and investors with expertise of professional in investment portfolio management. It involves construction of a portfolio management. It involves construction of a portfolio based upon the investor’s objectives. Constraints, preferences for risk and returns and tax liability. The portfolio is reviewed and adjusted from time to time with the market conditions. The evaluation of portfolio is to be done in terms of targets set for risk and returns. The changes in the portfolio are to be effected to meet the changing condition. Portfolio construction refers to the allocation of surplus funds in hand among a variety of financial assets open for investment. Portfolio theory concerns itself with the principles governing such allocation .The modern view of investment is oriented more go towards the assembly of proper combination of individual securities to form investment portfolio. A combination of securities held together will give beneficial returns if they grouped in a manner to secure higher returns after taking into consideration the risk elements. The modern theory is the view that by diversification risk can be reduced. Diversification can be made by the investor either by having a large number of shares of companies in different regions, in different industries or those producing different types of product lines. Modern theory believes in the perspective of combination of securities under constraints of risk and returns.

Definition by SEBI

A portfolio management is the total holding of securities belonging to any person. Portfolio is a combination of securities that have returns and risk characteristics of their own; port folio may not take on the aggregate characteristics of their individual part. Combination may have different features of risk and return separate from those of the components. The portfolio is also built up of the wealth or income of the investor over a period of time with a view to suit is return or risk preference to that of the port folio that he hold .The portfolio analysis is thus an analysis is thus an analysis of risk return.
characteristics of individual securities in the portfolio and changes that may take place in combination of individual securities in the portfolio and changes that may take place in combination with other securities due interaction among them and impact of each on others. Securities analysis is only a tool for efficient portfolio management; both of them together and cannot be dissociated. Portfolios are combination of assets held by the investors. These combination may be various assets classed like equity and debt or of different issues like Govt. bonds and corporate debts are of various instruments like discount bonds, debentures and blue chip equity nor scripts of emerging Blue chip companies. Portfolio analysis includes portfolio construction, selection of securities revision of portfolio evaluation and monitoring of the performance of the portfolio. All these are part of the portfolio management. The traditional portfolio theory aims at the selection of such securities that would fit in well with the asset preferences, needs and choices of the investors. Thus, retired executive invests in fixed income securities for a regular and fixed return. A business executive or a young aggressive investor on the other hand invests in and rowing companies and risky ventures The modern portfolio theory postulates that maximization of returns and minimization risk will yield optional returns and the choice and attitudes of investors are only a starting point of investment decisions and that vigorous risk returns analysis is necessary for optimization of returns Portfolio analysis includes portfolio construction, selection of securities, and revision of portfolio evaluation and monitoring of the performance of the portfolio. All these are part of the portfolio management.

IMPORTANCE AND NEED FOR THE STUDY

Portfolio management or investment helps investors in effective and efficient management of their investment to achieve this goal. The rapid growth of capital markets in India has opened up new investment avenues for investors. The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently manage investment in order to keep maximum returns with minimum risk. Hence this study on “Portfolio Management & Investment Decision” is to examine the role process and merits of effective investment management and decision.

Portfolio

A portfolio is a collection of securities since it is really desirable to invest the entire funds of an individual or an institution or a single security. It is essential that every security is viewed in a portfolio context. Thus it seems logical that the expected return of the portfolio. Portfolio analysis considers the determination of future risk and return in holding various blends of individual securities. Portfolio expected return is weighted average of the expected return of the individual securities but portfolio variance, in short contrast, can be something reduced portfolio risk is because risk depends greatly on the co-variance among returns of individual securities. Portfolios, which are combination of securities, may or may not take on the aggregate characteristics of their individual parts. Since portfolios expected return is a weighted average of the expected return of its securities, the contribution of each security the portfolio’s expected returns depends on its expected returns and its expected returns and its proportionate share of the initial portfolio’s market value. It follows that an investor who simply wants the greatest Possible expected return should hold one security; the one which is considered to have a greatest expected return. Very few investors do this, and very few investment advisors would counsel such and extreme policy instead, investors should diversify, meaning that their portfolio should include more than one security.

Portfolio Management Process

Investment management is a complex activity which may be broken down into the following steps:

Specification of Investment Objectives and Constraints- The typical objectives sought by investors are current income, capital appreciation, and safety of principle. The relative importance of these objectives should be specified further the constraints arising from liquidity, time horizon, tax and special circumstance must be identified.
Choice of the Asset Mix- The most important decision in portfolio management is the asset mix decision very broadly; this is concerned with the proportions of ‘stocks’ (equity shares and units/shares of equity –oriented mutual funds) and ‘bonds in the portfolio. The appropriate 'stock-bond’ mix depends mainly on the risk tolerance and investment horizon of the investor.

Stock Market Indexes- An Index is used to give information about the price movements of products in the financial, commodities or any other markets. Financial indexes are constructed to measure price movements of stocks, bonds, T-bills and other forms of investments. Stock market indexes are meant to capture the overall behaviour of equity markets.

A stock market index is created by selecting a group of stocks that are representative of the whole market or a specified sector or segment of the market. An Index is calculated with reference to a base period and a base index value.

Risk Analysis- The most common measures of riskiness of a security are standard deviation and variance of returns. Standard deviation (commonly denoted as σ) of returns merely measures the extent of deviation of returns from the average value of return. The square of standard deviation is called variance (commonly denoted by σ2). The beta coefficient measures the market risk as a non-diversifiable risk of an asset such as a stock compared to the rest of the market. It also measures volatility of the asset compared to the general market. The beta of a stock shows the relationship of the change in the price of a stock to the market. The risks of the securities are classified into systematic and unsystematic risks based on the relationship with market or divisibility. Systematic risk is also known as market risk or undiversified risk. It is associated with aggregate market (Stock Exchange Index, or BSE Sensex or NSE Nifty) returns. It is the proportion of total risk of the security which cannot be reduced through diversification. In contrast, unsystematic risk is the company or industry specific risk that is inherent in each investment one makes.

CONCLUSION

From the above it is concluded that Portfolio is a combination of various securities. Portfolio can be constructed with the help of Traditional approach and Modern Approach. The main objective of portfolio management is to help the investor in investing in various securities so, that risk is to be minimized and to get higher yield of return. In traditional approach the constraints, investors need for current income and constant income are analyzed. The basic objectives of portfolio are current income, constant income, preservation of capital, capital appreciation. As per the objective of portfolio whether it is a stock portfolio or bond portfolio or combination of both is to be decided. After that, equity component of the portfolio is chosen. Traditional approach takes the entire financial plan of the individual investor. In the Modern Approach Markowitz Model is used. More importance is given in this concept to Risk and Return Analysis.

REFERENCES