**Portfolio Management**

* **Investment:**

Investing is the phenomenon of allocating resources, usually money, with the expectation of generating an income or profit. You can invest in ventures, or in assets, such as purchasing real estate in hopes of reselling it later at a higher price or purchasing stocks of the company hoping that company would grow in future and will appreciate your capital. Now there can be two major goals for investing that can be regular income or capital appreciation.

Investing may vary from person to person depending upon their needs and goals (short-medium-long term).

* **Benefits**:

The first and foremost benefit of investment is beating inflation.

Inflation is the ongoing rise in the cost of living over time, and it can impact on our financial wellbeing. One way to help outpace inflation - and generate positive ‘real’ returns over the longer term - is by investing in assets that are not just capable of delivering higher income returns but also offer the potential for capital growth.

* **Portfolio**:

It is a collection of a wide range of assets that are owned by investors. The said collection of financial assets may also be valuables ranging from gold, stocks, funds, derivatives, property, cash equivalents, bonds, etc. Individuals put their money in such assets to generate revenue while ensuring that the original equity of the asset or capital does not erode.

* **Financial Instruments under a Portfolio:**
* Equity
* Preference share and Government Bonds
* Commodity
* Mutual Funds
* Derivatives
* Real estate
* Insurance policies (Endowment Scheme)
* Cryptocurrency
* **Portfolio Management?**

Portfolio management is the art and science of selecting and overseeing a group of investments that meet the long-term financial objectives and risk tolerance of a client, a company, or an institution.

Portfolio management requires the ability to weigh strengths and weaknesses, opportunities and threats across the full spectrum of investments. The choices involve trade-offs, from debt versus equity to domestic versus international and growth versus safety

**MR. SACHIN’S PORTFOLIO**

Mr. Sachin is a young man and is 25years old. And is looking for a medium return with moderate risk

With an annual salary of 30lakhs , he is able to earn 15 lakhs after all the deductions of tax and all other family expenses. So he is now left with 15lakhs for investment.

Portfolio Breakout

|  |  |  |
| --- | --- | --- |
| Asset Class | Amount Invested | Expected Return |
| 1.Equity | 300000 | 25-30% |
| 2.Deposite (FD) | 200000 | 7% |
| 3.Real Estate | 700000 | 8% |
| 4.Tax Saving MF | 150000 | 12-14% |
| 5.Debt | 150000 | 10-12% |

Portfolio Explanation

1. Equity – It is being most rewarding investment avenue. So most of the major proportion of investment is invested in equity. It is expected to have 30% return annually.
2. Deposite(FD) – Fixed deposite is one of the most safest and secure form of investment with an annual return of 7%.
3. Real Estate – It gives a rewarding return of 8% in the times of improving business cycle and could also certainly be reduced to 4% at the time of crisis.
4. Tax Saving MF – It helps in reducing the tax on annual income as well as helps investing in mutual fund plans.
5. Debt – It is considered to be the best investment with limited risk. It is invested in bonds and debentures. The investment can growth at 10-12% in case of mid cap companies.

|  |  |  |  |
| --- | --- | --- | --- |
| Asset Class | Asset Subdivision | Amount Invested | Return on investment  (estimated by expert) |
| Equity (shares with Growth) | 1.HDFC BANK  2.RELIANCE INDUSTRIES  3.TCS  4.ADANI GROUP  TOTAL RETURNS | 50000  100000  50000  100000  300000 | 15000  30000  15000  30000  90000 |
| Deposite (FD) | Bank Deposite | 200000 | 14000 |
| RealEstate | 1.Dlf group  2. oberoi reality  Total return | 400000  300000 700000 | 32000  24000  56000 |
| Tax saving MF | 1.UTI long term equity fund (tax saving)  2.Tata India Tax Saving fund  Total return | 75000  75000  150000 | 9000  9000  18000 |
| Debt | 1.Debenture  2.corporate bond  Total return | 80000  70000  150000 | 8000  7000  15000 |

**MR. Vinod’s Portfolio**

Mr. vinod is a businessman and has an annual turnover of 2 crore . After all deductions , tax filing and family expenditure he generates a profit of 65lakhs he thinks to save 15lakhs and wants to invest 50lakhs with high risk and high return.

**Portfolio Breakout**

|  |  |  |
| --- | --- | --- |
| **ASSET CLASS** | **AMOUNT INVESTED** | **EXPECTED RETURN** |
| **1.EQUITY** | **1500000** | **30%** |
| **2.DEBT** | **500000** | **12%** |
| **3.REAL ESTATE** | **800000** | **8%** |
| **4. VENTURE CAPITAL** | **2000000** | **40%** |
| **5.CRYPTO CURRENCY** | **200000** | **DIFFICULT TO ESTIMATE** |
|  |  |  |

Portfolio explanation

1.Equity- being one of the most invested and liquidate way to invest fund. Mr.vinod has invested some portion in equity market

2. Debt- it is considered as the safest place to invest fund and to somehow lower his risk he wants to invest fund in debt.

3. Real Estates- with the growing oppurtunities in lands and building mr.vinod wants to invest in metro city

4.Venture Capital – mr.vinod is a risky man he liked a new startup and has agreed the investor who came to him for investment.

5. Crypto Currency – last year the crypto currency appreciated 900% and it can’t be assumed for returns in such volatility.

|  |  |  |  |
| --- | --- | --- | --- |
| Asset class | Asset subdivision | Amount invested | Return on Investment |
| Equity | 1.Infosys  2. Hindustan unilever  3. Dr.reddy | 800000  300000  400000  Total return on 150000 | 240000  90000  120000  450000 |
| Debt | 1. monthly income plan  2.Ultra short term fund  Total return | 300000  200000  500000 | 36000  24000  60000 |
| Real estate | 1.Godrej properties  2.IBrealestates  Total return | 500000  300000  800000 | 40000  24000  64000 |
| Venture capital | App making startup | 2000000 | 800000 |
| Crypto currency | 1.Bitcoin  2. Ripple | 100000  100000 | Can’t be estimated or be sure of the returns) |

**Dr. Shilpa’s Portfolio**

Dr.Shilpa is a doctor by profession and she generates an annual income of 40lakhs after all expenses and tax she saves 25lakhs and invested in different assets with small risk for long term.

**Portfolio breakout**

|  |  |  |
| --- | --- | --- |
| Asset Class | Amount Invested | Expected Return |
| 1.Equity linked saving scheme (ELSS) | 250000 | 10% |
| 2. Fixed Deposite | 200000 | 8% |
| 3. Investment in pharmacy | 800000 | 35% |
| 4. SIP in Mutual Fund | 250000 | 18% |
| 5.RealEstate | 1000000 | 10% |

Portfolio Explanation

1.Equity linked saving scheme (ELSS)- It is a tax saving investment under mutual fund with low risk and expected return of 10%

2.Fixed deposite – being one of the most safest and secure form of investment dr.shilpa decided to invest her money in fixed deposite at 8% annually.

3. Investment in Pharmasy – Dr. shilpa has invested her money in one of the pharmacy with an expected return of 35%

4. SIP in Mutual Fund – SIP being indirectly invested in equity market by experts with around 18% of return in an year.

5. RealEstate- she has purchased a land thinking to sell it after one year with expected growth of 10%

Portfolio Breakup

|  |  |  |  |
| --- | --- | --- | --- |
| Asset class | Asset Subdivision | Amout Invested | Return on Investment |
| ELSS | Kotak tax saver fund | 250000  Total return | 25000 |
| FD | Bank deposite | 200000  Total return | 16000 |
| INVESTMENT  IN PHARMASY | Apollo Pharmasy | 800000  Total return | 280000 |
| SIP In MF | Axis Long term equity fund | 250000  Total return | 45000 |
| RealEstate | Property in Pune | 1000000  Total return | 100000 |

**Mr.Sinha’s Portfolio**

Mr. Sinha is a businessman and has a business of Sand. He has also invested in one of his friends bricks making company who promised him to give 25% ROI. After all deductions and expenses Mr. Sinha has an saving of 70lakhs which he wanted to invest all. He wants a mid-term investment with medium risk.

Portfolio Breakout

|  |  |  |
| --- | --- | --- |
| Asset class | Amount Invested | Expected Returns |
| 1.Equity | 250000 | 15% |
| 2. Moneylending | 2500000 | 10% |
| 3. investment in friends company | 3000000 | 25% |
| 4. Real Estate | 1000000 | 12% |
| 5.Dividend growth MF | 250000 | 10% |

Portfolio Explanation

1.Equity – Equity being one of the most preferable and easiest way to invest with good rate of return in bad conditions also Mr.sinha just except 15% return from it.

2.Money landing – money landing is way to provide loan in domestic market to individual by accepting some securities from them . He lends money with 10%interest.

3. Investment in his friends company – he has invested in his friends bricks company with the 25% return in an year.

4. Real estate- one of the best way and secure way for investing and annual growth of 12%

5. Dividend growth fund in MF- a type of fund invested in mutual fund with medium risk and regular growth of 10%

|  |  |  |  |
| --- | --- | --- | --- |
| Asset Class | Asset Subdivision | Amount Invested | Return on Investment |
| 1.Equity | 1. L&T  2. IRCTC | 130000  120000 | 19500  18000 |
| 2. Money lending | lending to domestic individual | 2500000 | 250000 |
| 3.Investment in friends company | Investment in friends bricks company | 3000000 | 750000 |
| 4. Real Estate | purchased land for short term investment | 1000000 | 120000 |
| 5.Dividend growth MF | 1. ICICI Prudential  2.UTI Dividend yield fund | 250000 | 25000 |
|  |  |  |  |

**Mr.Sharad’s Portfolio**

Mr.Sharad is retired government employee and has 1crore from government from which he decided to invest 70lakhs. Since he has lot of time so he has invested lot of his money in stock market and other derivatives . he is a risky trader and wants a high return in short term.

**Portfolio Breakout**

|  |  |  |
| --- | --- | --- |
| Asset Class | Amount Invested | Excepted Return |
| Equity | 1000000 | 25% |
| Commodity | 1800000 | 70% |
| Currency | 500000 | 50% |
| RealEstate | 2200000 | 12% |
| Investment in his Farm | 1500000 | 25% |
|  |  |  |

Portfolio Explanation

1.Equity – Equity being one the best investment tool and best return gaining opportunity

He has invested his money in equity for best return.

2.commodity- Commodity is best tool for investment and by hedging the positions it helps to save loss and generate good profit with expected return of 70%

3. Currency – It is also one of the best opportunity for investment and can gives a good return of 50%

4.RealEstate- it is the best and safest way for investment with good appreciation and can give good rewarding award of 12%

5. Investment in his Farm- He has invested in his farm and cropped a new fruit and expecting a good return of 25% in an year.

Portfolio Breakout

|  |  |  |  |
| --- | --- | --- | --- |
| Asset Class | Asset Subdivision | Amount invested | Return On Invested |
| Equity | 1.Tata elxis  2. Asian paints | 600000  400000 | 150000  100000 |
| Commodity | MCX | 1800000 | 1260000 |
| Currency | INR USD  INR EURO | 300000  200000 | 150000  100000 |
| RealEstate | Road side land on pune highway | 2200000 | 264000 |
| Investment in his farm | Invested to grow a fruit in his farm | 1500000 | 375000 |

Conclusion

* If at any time your savings don’t grow at the same rate as inflation, you are effectively losing the real value of money. Therefore, it is imperative to start investing in appreciating assets yielding higher returns than the rate of inflation in the country.
* Investment is a decision that abridges the probability to achieve future financial goal. Investing at a young age would benefit the portfolio and reap the magical benefits of compounding. A fundamental outcome of compounding is that return on the principle and the return on the accumulated earnings of the previous years’ cumulatively compound every year i.e. interest on interest.