PORTFOLIO ANALYSIS(PART-1)

- ## What effect did diversification have?

  It reduces the overall risk of a portfolio by spreading investment across different assets. When assets are combined ,the unsystematic risk decreases, which smoother return for the portfolio. This means when negative performance in one asset can be balanced by positive performance in another, leading to stable returns and lower volatility in total..

- ## How did changes in weights affect risk and return?

  If we Increase the allocation to risky assets, higher-return assets typically raise both the expected return and the volatility of the portfolio. Conversely, If we increase the weight of lower-risk assets reduce overall risk but may also decrease expected returns.So there should be an optimal balance which depends on the investor if he is risk-averse or risk-seeking..

- ## Which portfolio would you recommend and why?

  The recommended would be one that has an optimal balance between risk and return, often known as "efficient frontier."(can be seen from the plot).The portfolio that lies on the efficient frontier are preferred. Generally, a well-diversified portfolio with carefully selected weights is preferable for long-term growth and stability..