Strategic Investment Portfolio Report (2025–2033)

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GitHub Repository: https://github.com/codedemon123/Portfolio-Managment

1 Executive Summary

This report presents a detailed, phased investment strategy for Mr. Karan and Mrs. Meenal Malhotra to meet long-term financial goals over an 8-year period (2025–2033). The portfolio includes a combination of gold, silver, large-cap stocks, mid-cap stocks, and tactical themes in lithium and Indian electronics, with adjustments based on key economic triggers.

2 Investment Philosophy

- **Approach:** Core & Satellite
- **Focus:** Value + Tactical Growth
- **Horizon:** Long-term (8 years)
- **Risk Profile:** Moderate to Aggressive
- **Principles:** Data-driven selection using Sharpe Ratio, ROE, ROA, Volatility, and Modern Portfolio Theory (MPT)
- **Sectoral Preferences:** Avoid sectors heavily reliant on Chinese imports post-2030

3 Investment Objectives

Objective	Corpus Needed	Timeline	Purpose
Buy Home	50L	2030	Downpayment for 3.5Cr property
Child's Education	2Cr	2033	Abroad education
Retirement Savings	1.5Cr	2033	Financial security

4 Investment Phases

4.1 Phase 1: 2025–2028

Asset Allocation

- Gold: 15,00,000
- Silver: 5,00,000
- Large Cap Stocks: 40,00,000
- Mid Cap Stocks: 20,00,000

Purpose of Each Asset

- **Gold & Silver:** Hedge against inflation and a store of value
- **Large Cap Stocks:** Stability and consistent returns
- **Mid Cap Stocks:** Growth potential, optimized through MPT

Key Financial Ratios

- **Sharpe Ratio:** $\frac{E[R_i]-R_f}{\sigma_i}$
- **ROA:** $\frac{\text{Net Income}}{\text{Total Assets}}$
- **ROE:** $\frac{\text{Net Income}}{\text{Shareholders' Equity}}$
- **CAGR:** $\left(\frac{V_f}{V_i}\right)^{1/n} - 1$
- **Volatility:** Standard deviation of returns
- **Correlation Matrix:** Used to reduce risk through diversification

Modern Portfolio Theory (MPT)

- **Expected Return:** $E[R_p] = \mathbf{w}^T\mathbf{E}[R]$
- **Portfolio Variance:** $\sigma_p^2 = \mathbf{w}^T\Sigma\mathbf{w}$
- **Sharpe Optimization:** $\max_{\mathbf{w}} \frac{E[R_p]-R_f}{\sigma_p}$

Excel References:

- Phase 1 Portfolio Sheet: https://docs.google.com/spreadsheets/d/19G4aEJ_rjv8WqzX-uj7rznK edit?usp=sharing
- Mid Cap Stock Sheet: https://docs.google.com/spreadsheets/d/1XMoUO2ChwW6oOT7_B5EOflpTwCR4BxLjQVBCDJ5OkUo/edit?usp=sharing

4.2 Phase 2: 2028-2031

Strategic Reallocation and Growth Focus

- Retain 20L in Gold and Silver for continued macroeconomic hedge.
- Reinvest equity gains from Phase 1:
  - **65% Allocation: Lithium Sector Stocks**
    Target companies include Vedanta, Tata Chemicals, Exide, Amara Raja Energy & Mobility, Gujarat Fluorochemicals, Kabra Extrusion, etc.
    These firms are involved in lithium mining, battery materials, cell manufacturing, pack assembly, and EV integration, as documented in the below PDF.
  - **35% Allocation: Original Large-Cap Holdings**
    Focused on maintaining portfolio stability through high-quality blue-chip stocks.

Excel Link Placeholder: Excel Sheet of Phase 2
Reference PDF: Phase 2 Detialed Report

4.3 Phase 3: 2031–2033 — Strategic Reallocation During Policy Maturity

In January 2031, the Indian government enacts a landmark decision under its Tech Sovereignty initiative by imposing a **30% import tariff** on electronics and components originating from China. This move aims to strengthen domestic manufacturing capabilities and reduce strategic dependencies on foreign supply chains.

The policy sends immediate ripples across sectors like:

- **Consumer Electronics:** Companies relying on imported kits and finished components face margin compression and production delays.
- **Telecom Equipment:** Firms dependent on low-cost Chinese networking gear must pivot to local alternatives.
- **Semiconductors and Embedded Systems:** Supply disruptions force a reconfiguration of sourcing strategies.
- **EV Components:** Imported drivetrains and battery parts become 30% more expensive, impacting cost structures.

To safeguard the portfolio and capitalize on structural shifts, the following investment actions are recommended:

- **Exit positions** in companies significantly exposed to Chinese imports *(Note: While companies like Blue Star, Voltas, Havells, V-Guard, and Optiemus Infracom are considered vulnerable, they are not part of the current portfolio — so no selling is necessary.)*
- **Reallocate capital** to domestic beneficiaries of the Tech Sovereignty Policy:

  - Allocate **60%** to high-growth Indian Electronics & Telecom manufacturers:
    * Dixon Technologies
    * Tejas Networks
    * Syrma SGS
    * HFCL
    * Tata Elxsi
    * Vedanta Ltd
    * Bharat Forge
  - Retain **40%** exposure in stable large-cap companies:

- **Supporting Documents**:
  - PDF Report Phase Phase 3 Detailed Report
  - Excel summary: Indian_Stocks_Tech_Sovereignty_Impact.xlsx

Note: Withdraw 50L from large-cap portfolio by end of 2030 for real estate downpayment.

5 Methodology

Mid Cap Criteria:

- Sharpe Ratio > 1
- ROE $> 15\%$
- ROA $> 5\%$
- CAGR $> 12\%$
- Volatility $< 30\%$
- Sectoral Diversification + Low Correlation

Lithium & Electronics Stocks:

- Based on market cap exposure, supply chain integration, growth potential
- From reports:
  Best Lithium Stocks PDF, Tech Sovereignty Impact Report

6 Event-Based Adjustments

Event	Year	Action
Lithium Discovery	2028	Shift equity into lithium stocks
China Tariff	2031	Exit import-dependent electronics
Property Downpayment	2030	Withdraw 50L from large-cap

7 Tax Benefit Strategies

Effective tax planning is crucial in it case for maximizing returns and achieving financial objectives. This section outlines key tax benefits and strategies applicable to the Malhotra's portfolio, focusing on long-term capital gains, specific exemptions, and the strategic use of tax loss harvesting.

7.1 Long-Term Capital Gains (LTCG) Exemption

In India, LTCG offer tax benefits. We plan to utilize **Section 54F** of the Income Tax Act. This section exempts LTCG from selling non-residential assets if the proceeds are reinvested into purchasing or constructing a new residential house in India within specified timelines.

By selling portfolio assets in the final phase (2031-2033), we intend to use the gains for their residential property purchase, ensuring the new house is acquired within the statutory period. This strategy aims to significantly reduce their overall tax liability on accumulated LTCG.

- **Equity Shares:** Gains exceeding 1.25 lakhs in a financial year from the sale of listed equity shares and units of equity-oriented mutual funds held for more than 12 months are taxed at a rate of 12.5% without indexation benefit (as per post-Union Budget 2024 amendments, effective July 23, 2024).
- **Gold and Silver (Physical):** If gold or silver is held for more than 36 months, the gains are considered long-term capital gains. These are taxed at a rate of 20% with indexation benefits. however, is taxable as per the individual's slab rate.
- **Immovable Property (Applicable for Home Purchase):** When Mr. and Mrs. Malhotra sell other capital assets (like stocks, gold, etc.) and use the proceeds to buy a residential house, they can potentially avail exemption under **Section 54F** of the Income Tax Act.
  - **Section 54F:** This section allows for exemption of long-term capital gains arising from the sale of any capital asset (other than a residential house) if the net consideration from such sale is reinvested in the purchase or construction of a new residential house in India.

7.2 Tax Loss Harvesting at Rebalancing Points

Tax loss harvesting strategically offsets capital gains by **Wash Sale** of underperforming assets.

- **Mechanism:** STCL can offset both STCG and LTCG. LTCL can only offset LTCG.
- **Carry Forward:** Unadjusted losses can be carried forward for up to 8 assessment years if the ITR is filed by the due date.

- **Strategic Application:** At end of each finacal year we will Wash Sale (India has no wash sale restrictions) and at rebalancing points, realized losses for all unclaimed years underperforming investments to reduce taxable gains, then reinvest proceeds as per the portfolio strategy.

8 Performance Metrics (Optional)

- Sharpe Ratio (expected): Weighted excess return / portfolio volatility
- Beta: Calculated using 5-year monthly data (source: Investing.com)
- Jensen's Alpha and Treynor Ratio: In GitHub repo

References:

- https://www.investing.com/
- https://e-vehicleinfo.com/top-lithium-ion-battery-manufacturers/
- https://upstox.com/news/market-news/stocks/top-stocks-in-battery-recycling-space-ir
- https://finance.yahoo.com/

9 Conclusion

This report provides a clear and thoughtful investment plan for Mr. and Mrs. Malhotra to help them achieve their financial goals by the year 2033. The plan is divided into three phases, each designed to balance growth, safety, and flexibility.

We started with a strong foundation using gold, silver, and reliable large- and mid-cap stocks. In Phase 2, we moved into fast-growing sectors like lithium, which are expected to benefit from the rise of electric vehicles. In Phase 3, we adjusted the portfolio to respond to a major policy change — the 30% tariff on Chinese electronics — by focusing more on Indian companies that are set to grow as a result.

All investments were chosen based on solid data such as Sharpe Ratio, ROE, and other important financial metrics. This makes the plan strong, not just in theory, but also in real-world market conditions.

In summary, this portfolio is designed to grow steadily, adapt to big changes in the economy, and provide enough money for key life goals such as buying a home, funding a child's education, and securing retirement.

Disclaimer: All assumptions (zero inflation, no salary hike, etc.) are as per competition guidelines. This is a hypothetical academic portfolio.