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# Review on Portfolio Management

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***Abstract: A collection of investments all owned by the same individual or organization. These investments often include stocks, which are investments in individual businesses; bonds, which are investments in debt that are designed to earn interest; and mutual funds, which are essentially pools of money from many investors that are invested by professionals or according to indices.***

***In collections:***

- ***Portfolio (finance), a collection of assets held by an institution or a private individual***
- ***Artist's portfolio, a sample of an artist's work or a case used to display artwork, photographs etc.***
- ***Career portfolio, an organized presentation of an individual's education, work samples, and skills***
- ***Electronic portfolio, a collection of electronic documents***
- ***IT Portfolio, in IT portfolio management, the portfolio of large classes of items of enterprise Information Technology***
- ***Patent portfolio, a collection of patents owned by a single entity***
- ***Project Portfolio, in Project portfolio management, the portfolio of projects in an organization***
- ***Ministry (government department), the post and responsibilities of a head of a government department***

***Key Words: Investment, Selection of Portfolio, Portfolio Planning Etc.***

## I. INTRODUCTION

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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## II. Objective of The Study

- He invests to study tent decision process.
- To analysis the risk return characteristics of sample scripts.
- Ascertain portfolio weights.
- To construct an effective portfolio this offers the maximum return for minimum risk.
- How to analyze securities
- Marketability of the security which is essential for providing flexibility to investment portfolio
- To study the investment pattern and it's related risks & returns.
- To help the investors to choose wisely between alternative investment.
- To strike balance between costs of funds, risks and returns.

## III. Need of The Study

The India is emerging developing country. The public investment is increase in recent years .i.e. the people are interested to invest their money in to the share markets in order to get the quick & large profits. But most of the people doesn't know how to invest the money and some people fear to losses. So that this project is use to gain the knowledge to investment styles in the share markets.The main function of the PORT" to study the usefulness of efficient frontier technique in portfolio selection process.

- To see whether the portfolio risk is less than individual risk on whose basis the portfolio are constituted.
- To see whether the selected portfolios is yielding a satisfactory and constant return to the investor.
- To understand, analyze and select the best portfolio.

## IV. Research Methodology

Research design or research methodology is the procedure of collecting analyzing and interpreting the data to diagnosis the problem and react to the opportunity in such a way where the costs can be minimized and the desired level of accuracy can be achieved to arrive at a particular conclusion.

The methodology used in the study for the completion of the project and the fulfillment of the project objectives, is as follows:

- Market prices of the companies have been taken for the years of different dates, there by dividing the companies in to 5 sections.

» A final portfolio is made at the end of the year to know the changes in the portfolio at the end of the year.

***Sources of data:***

**Primary data:**

The primary data information Is gathered from share khan by interviewing share khan executives.

**Secondary data:**

The secondary data is collected from various financial books, magazines and from stocks lists of various newspapers and share khan as part of the training class undertaken for project.

## V. Limitation of The Study

» Only two samples have been selected for constructing a portfolio.

» The data provided by the company might not be reliable.

» Duration of the period was limited to only 45 days.

» Share prices of scripts of only 5 years period was taken

» Share provided by the company constructing a portfolio.

The secondary data is collected from various financial books

## VI. 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.

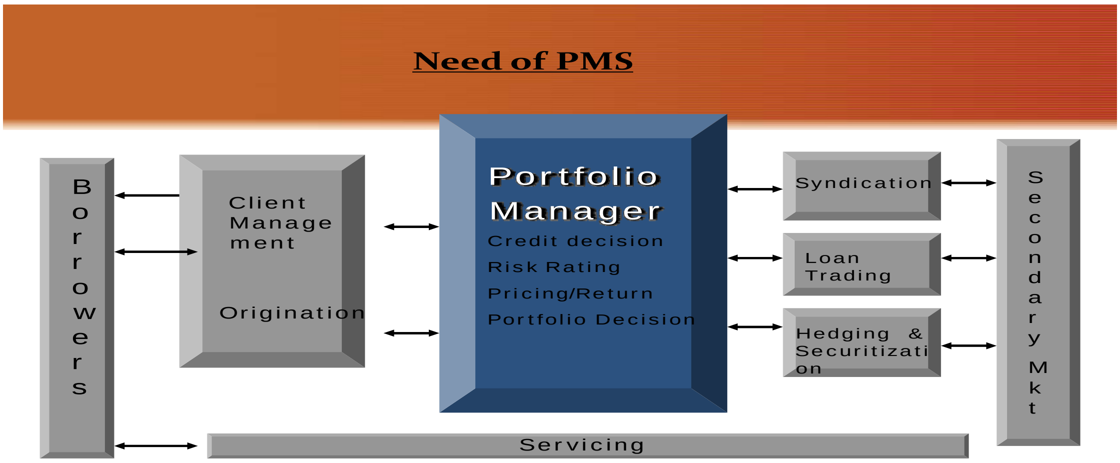
Securities analysis is only a tool for efficient portfolio management; both of them together and cannot be dissociated. Portfolios are combination of assets held by the investors. These combination may be various assets classed like equity and debt or of different issues like Govt. bonds and corporate 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.

## VII. Importance & 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" to examine the role process and merits of effective investment management and decision.




## VIII. 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 determine 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.

## IX. 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.

***SECONDARY OBJECTIVES:***

The following are the other ancillary objectives:

1. Regular return.
2. Stable income.
3. Appreciation of capital
4. More liquidity.
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.

## X. 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.

## XI. 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 an d investment horizon of the investor.

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## XII. CONCLUSION

***TCS & WIPRO:***

The combination of TCS and WIPRO gives the proportion of Investment is 1.20891and -0.20891. TCS and WIPRO, based on the standard deviation the standard deviation for TCS is 37.19130 and for WIPRO is 84.96568**.**

Hence the investor should invest their funds more in TCS when Compared to WIPRO as the risk involved in TCS is less than WIPRO.

Standard deviation of TCS is less than that of WIPRO.

***IDBI BANK & ANDHRA BANK:***

The combination of IDBI BANK & ANDHRA BANK gives the proportion of Investment is -1.42909and 2.42909 for IDBI BANK & ANDHRA BANK, based on the standard deviations.

The standard deviation for IDBI BANK is 70.00198 & for ANDHRA BANK are 66.44581.Hence the investor should invest their funds more in ANDHRA BANK when Compared to IDBI as the risk involved in ANDHRA BANK is less than IDBI BANK.

As the standard deviation of ANDHRA BANK is less than that of IDBI BANK .

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