Investment Management and Portfolio Strategies

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EXECUTIVE SUMMARY

Investing in equities market needs to requires time, knowledge and constant monitoring of the financial market. For those that need an expert to assist to manage their investments, portfolio management service (PMS) comes as a solution .

The business of portfolio management has never been a simple one. Juggling the limited choices at hand with the dual requirements of adequate safety and sizeable returns may be a task fraught with complexities.

Given the unpredictable nature of the sell requires solid experience and powerful research to form the proper decision. within the end it boils right down to make the proper move within the right direction at the proper time. That‘s where the expert comes in.

Portfolio management services includes functions as such merchant banking activities which were recognized by SEBI and these activities are often rendered by SEBI authorized portfolio managers or discretionary portfolio managers.

A portfolio manager by the help of his or her knowledge, background and knowledge may help his clients to form investment in profitable avenues. A portfolio manager has got to suits the provisions of the SEBI (portfolio managers) rules and regulations, 1993.

This project also includes the various services rendered by the portfolio manager. It includes varaious functions to be performed by the concerned portfolio manager.

What is the difference between the worth of your time and money? In other words, we should learn to separate time from money.

When it involves the importance of your time , what percentage folks believe that point is money. We all know that the work done by us is calculated by units of your time . have you ever ever considered the difference between an employee who is functioning on an hourly rate and therefore the other who is functioning on salary basis? the sole difference between them is of the unit of your time . regardless of whether you get your pay by the hour, bi-weekly, or annually; one thing common altogether is that the quantity is paid to you consistent with amount of your time you spent on working. In some or other words, time is very important and holds far more importance than money. that's the rationale the time is taken into account as a crucial think about wealth creation.

The project also shows the factors that one considers for creating an investment decision.

CHAPTER: 1 PORTFOLIO MANAGEMENT

INTRODUCTION

Stock exchange operations are peculiar in nature and most of the Investors feel insecure in managing their investment on the stock exchange because it's difficult for a private to identify companies which have growth prospects for investment. Further thanks to volatile nature of the markets, it requires constant reshuffling of portfolios to maximize the expansion opportunities. Even after identifying the expansion oriented companies and their securities, the trading practices also are complicated, making it a difficult task for investors to trade all the exchange and follow up on post trading formalities.

Investors like better to hold groups of securities rather than single security that provide the greater expected returns. They believe that a mix of securities held together will provides a beneficial result if they're grouped during a fashion to secure higher return after taking into consideration the danger element. that's why professional investment advice through portfolio management service can help the investors to form an intelligent and informed choice between alternative investments opportunities without the fear of post trading hassles.

MEANING OF PORTFOLIO MANAGEMENT.

Portfolio management is Managing the safety and Diversify the investments of Investors to realize their Goal. This however requires financial expertise in selecting the right mixture of securities in changing market conditions to urge the only out of the stock market . In India, also as during variety of western countries, portfolio management service has assumed the role of a specialized service now a days and sort of professional merchant bankers compete aggressively to provide the only to high net worth clients, who have little time to manage their investments. the thought is catching on with the boom within the capital market and an increasing number of people are inclined to make profits out of their hard-earned savings.

Portfolio management service Recognised by Securities and Exchange Board of India (SEBI). A merchant banker acting as a Portfolio Manager shall even be bound by the principles and regulations as applicable to the portfolio manager. Realizing the Importance of portfolio management SEBI has given Proper guidelines. As per guidelines only recognized merchant bankers registered with SEBI are authorized to supply these services.

Portfolio management or investment helps investors in effective and efficient management of their investment to understand this goal. The rapid growth of capital markets in India has opened new investment avenues for investors.

Common man Thinks Investment in stock market so attractive they will get more returns but there is more need of Efficient and Effective portfolio management to keep their Risk Low and higher returns.

Hence this is the study on Investment Management And Portfolio strategies to know the Various Rules and regulations related to the Managing portfolio.

CHAPTER – 2

TYPES OF PORTFOLIO MANAGEMENT

There are various sort of portfolio management:

- **Investment Management**
- **IT Portfolio Management**
- **Project Portfolio Management**

1. INVESMENT MANAGEMENT:

Investment management is which Diversify the investors Investment(bonds, shar es etc.) and assets (e.g., real estate), to Achieve specified investment goals of the investors. Investors could also be institutions or private investors both directly via investment contracts and more commonly via collective investment schemes (e.g.Exchange Traded Funds or mutual fund).

The term asset management is usually wont to ask the investment management of collective investments,(not necessarily) whilst the more generic fund management may ask all sorts of institutional investment also as investment management for personal investors.

Fund manager means includes both a firm that would provides investment management services and an individual who directs fund management decision.

2. IT PORTFOLIO MANAGEMENT:

IT portfolio management is that part of application of systematic management to a huge classis of things which are been managed by enterprise Information Technology (IT) capabilities.

The term is that analogous to concerned financial portfolio management, but there are very significant differences. IT investments are not liquid for example- Equity stocks and bonds (although investment portfolios may be illiquid assets), and are been measured using both financial as well as non-financial yardsticks (a balanced scorecard approach); a pure financial view which is not sufficient.

At its most needed, Portfolio management is been fulfilled through the creation of two major portfolios which includes:

3. PROJECT PORTFOLIO MANAGEMENT:

Project portfolio management well good in a series of projects into one portfolio including of reports that capture project objectives, risks factors and other critical factors. Executives can also be regularly review fully portfolios, spread resources appropriately and adjust projects to supply the atmost best departmental returns.
Project management is that the discipline of designing , organizing and managing resources to cause the successful completion of specific project goals and objectives.
A project may be a finite endeavor undertaken to make a singular product or service which brings about beneficial change or added value. This major features of projects stands in contrast to processes, or operations, which are been permanent or semi-permanent functional work to repeat produce an equivalent product or service. In practice, the management of those two systems is usually found to be quite different, and should requires the event of distinct technical as well as managerial skills and therefore the adoption of separate management.

CHAPTER: 3

Portfolio Management Process

(A) THERE ARE 3 MAJOR ACTIVITIES INVOLVED IN PORTFOLIO MANAGEMENT WHICH ARE AS FOLLOWS:-

a) Identification of assets or securities, allocation of investment and also identifying the classes of assets for the aim of investment.

b) they need to make a decision the main weights, proportion of various assets within the portfolio by taking in to consideration the related risk factors.

c) Finally they select the safety within the asset classes as identify. The above activities are directed to understand the sole purpose of maximizing return and minimizing risk on investment. It is documented undeniable fact that portfolio manager balances the danger and return during a portfolio investment. With higher risk higher return could even be expected and therefore the other way around .

CHAPTER - 4 RISK – RETURN ANALYSIS RISK ON PORTFOLIO :

The expected returns from individual securities carry some extent of risk. Risk on the portfolio is different from the danger on individual securities. the danger is reflected within the variability of the returns from zero to infinity. The expected return depends on the probability of the returns and their weighted contribution to the danger of the portfolio.
These are two measures of risk during this context one is that absolutely the deviation and other variance . Most investors invest during a portfolio of assets, because on spread risk by not putting all eggs in one basket. Hence, what really matters to them isn't the danger and return of stocks in isolation, but the danger and return of the portfolio as an entire . Risk is particularly reduced by Diversification. Following are the variability of the kinds of

Risk: 1) rate of interest Risk: This arises due to the variability within the interest rates from time to time. A change within the speed of interest establishes an inverse relationship within the price of the safety i.e. price of the safety tends to maneuver inversely with change in rate of interest, future securities show greater variability within the price with reference to rate of interest changes than short term securities.Interest rate risk vulnerability for various securities is as under:

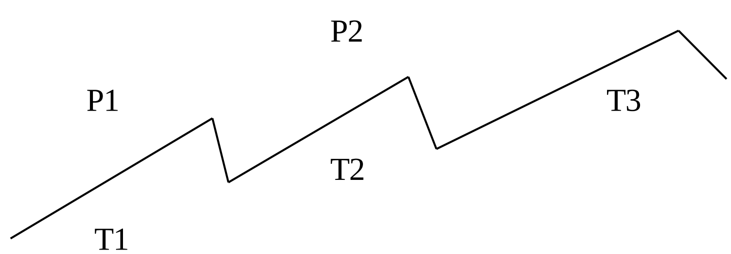
TYPES	RISK EXTENT
Cash Equivalent	Less vulnerable to interest rate risk.
Long Term Bonds	More vulnerable to interest rate risk.

CHAPTER: 5 PORTFOLIO THEORIES

I. Dow Jones THEORY: The Dow Jones THEORY is perhaps the foremost popular theory regarding the behavior of stock exchange prices. the thought derives its name from Charles H. Dow, who established the Dow Jones & Co. and was the primary editor of the Wall Street Journal – variety one publication on financial and economic matters within the U.S.A. Although Dow never gave an accurate shape to the thought , ideas are expanded and articulated by many of his successors. The Dow Jones theory classifies the movement of the costs on the share market into three major categories:

1. Primary Movements,
2. Secondary Movements and
3. Daily Fluctuations.

1) primary market. If the long range behavior of market prices is seen, it'll be observed that the share markets undergo definite phases where the costs are consistently rising or falling. These phases are mentioned as bull and bear phases.P3



Graph 1

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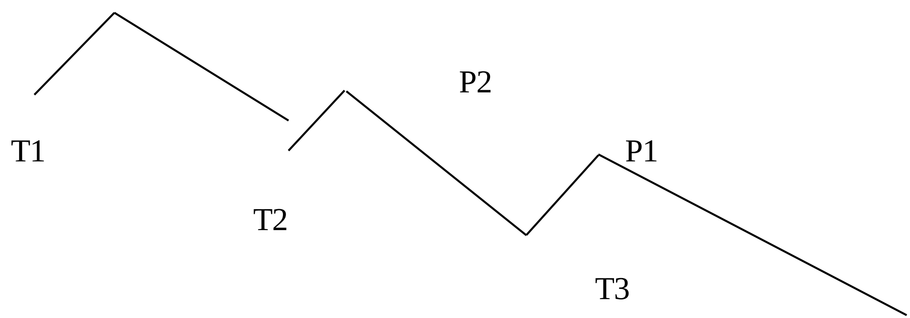
During a bull phase, the essential trend is that of rise in prices. Graph 1 above shows the behavior of stock exchange prices in bull phase.

You would notice from the graph that although the costs fall after each rise, the essential trend is that of inflation . As are often seen from the graph that every trough prices reach, is at a better level than the sooner one. Similarly, each peak that the costs reach is on a better level than the sooner one. Thus P2 is higher than P1 and T2 is higher than T1. This means that prices don't rise consistently even during a bull phase. They rise for a few time and after each rise, they fall. However, the falls are of a lower magnitude then earlier. As a result, prices reach higher levels with each rise.

Once the costs have risen very high, the bear introduce sure to start i.e., price will start falling. Graph 2 shows the standard behavior of costs on the stock market within the case of aP3



Graph 2

Bear phase. It would be seen that prices aren't falling consistently and, after each fall, there's an increase in prices. However, the increase isn't very much like to require the costs above the previous peak. It means each peak and trough is now less than the previous peak and trough.

RULES TO BE FOLLOWED BEFORE INVESTMENT IN PORTFOLIO'S

1)net profit before tax, compare the profit earning of company with that of the industry average nature of product manufacture service render and it future demand
,know about the promoters and their back ground, dividend diary , bonus shares within the past 3 to five years ,reflects company's commitment to share holders the relevant information are often accessed from the RDC is been published financial results like financed quarters, journals and ledgers. 2) Look forward to the highs and lows of the scripts from the past 2 to 3 years and their timing cyclical scripts have a tendency to repeat their performance,
3) The high level of the trading volume is been higher is liquidity and still higher the chance of speculation, it is futile to invest in such shares who's daily movements can't have track, if you want to reap rich returns keep investment over along horizon and it will offset the wild intraday trading fluctuation's, the minor movement of scripts should be ignored, we must remember that share market moves in phases and the span of each phase is 6 months to 5 years.

CHAPTER – 6 PERSONS INVOLVED IN PORTFOLIO MANAGEMENT

DEFAULTS AND PENALTIES:

The following functions must be kept in mind:

Liabilities in case of default - A portfolio manager is liable to penalties if he:

1. Fails to suits any conditions subject to which certificate of registration has been granted.
2. It‘s Rules and Regulations would contravenes any of the provisions of the SEBI act.

In such a case, he shall be suspectiable to any of the subsequent penalties, after enquiry-

i. Suspension of registration for a selected period.

ii. Cancellation of registration.

CHAPTER - 7

INVESTMENT ANALYSIS

MEANING OF INVESTMENT

Investment means employment of funds during a productive manner so on to create additional income. The term investment means various things to various persons. Investment in financial assets results in further production and income. It‘s lending of funds for income and commitment of cash for creation of assets, producing further income.

Investment which means purchasing of securities, financial products or claims for future income. Investment is made from income and savings credit or borrowings. It‘s a gift for expecting money.

The following figure indicates alternative avenues for Investment:

CHAPTER - 8

ASSEST ALLOCATION

INTRODUCTION

The portfolio manager needs to invest in these securities that form the most optimal portfolio. Once a portfolio is selected the forward step is the selection of the concerned assets to be included in the portfolio. Assets in this respect means group of security or various types of investment. While selection process, the assets the portfolio manager has to allocate asset allocation. It is the procedure of dividing the funds among different asset class portfolios.

ASSET ALLOCATION

The different allocation of assets class definitions are widely debated, but four common divisions are stocks, bonds, land and commodities. The exercise of allocating funds among these concerned assets is that type of investment management firms are paid for.

Asset classes are been exhibit different market dynamics, and different effects; thus, the allocation of values among asset classes will have a significant effect on the performance of the fund.

CONCLUSION

From the above discussion it has been concluded that portfolio functioning is been totally based on market risk, so one can get through the help from the portfolio manager or the Merchant banker if necessary before investment because applicability of practical knowledge through technical analysis can help an individual investor to reduce risk factor. In other words, Security prices are been determined by money manager and home managers, students and strikers, doctors and dog catchers, lawyers and landscapers, the wealthy and the wanting. This depth of market participants guarantees an element of unpredictability and excitement. If we are all totally logical and could separate our emotions from our investment decisions then, the determination of value based on future earnings would work efficiently. And since we should all have the same completely logical expectations, value would only change when quarterly reports or relevant news was been released.

I can also conclude from this project that the portfolio management has become an crucial service for the investors to identify the companies with high growth potential. Portfolio managers can also been provide the professional advice to the investors to make an intelligent and informed investment.
Portfolio management role is not been identified in the recent time but due it expansion of investors market and growing complexities of the investors the services of the portfolio managers will be nearly in great demand in the upcoming future.
Today the individual investors do not show interest in taking professional help but they surely with the growing importance and awareness regarding portfolio‘s manager‘s people will definitely prefer will take professional help.

Recommendation

Start Early Start saving as soon as you attend work by participating during a 401(k) pension plan, if it's offered by your employer. If a 401(k) plan isn't available, establish a private pension plan (IRA) and earmark a percentage of your compensation for a monthly contribution to the account. When you start investing while you're young—before your financial commitments start piling up—you'll probably even have additional cash available for investments and a extended time horizon before retirement. With extra money to take a position for several years to return, you will have a much bigger retirement nest egg. Diversify The idea is to pick stocks across a broad spectrum of market categories. this is often best achieved through an mutual fund. Aim to take a position in conservative stocks with regular dividends, stocks with long-term growth potential, and alittle percentage of stocks with better returns or higher risk potential. If you're investing in individual stocks, don't put quite 4% of your total portfolio into one stock. Certain AAA-rated bonds also are good investments for the future, either corporate or government. Long-term U.S. Treasury bonds, for instance, are safe and pay a better rate of return than short- and mid-term bonds. Keep Costs to a Minimum Invest with a reduction brokerage. one more reason to think about index funds when starting to invest is that they need low fees. Because you will be investing for the future, do not buy and sell regularly in response to plug ups and downs. this protects you commission expenses and management fees and should prevent cash losses when the worth of your stock declines.

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