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Short Review Paper

Portfolio management in present scenario

Sanju Singh
Sai College, Bhilai, CG, India
sanjusingh.singh3@gmail.com

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Abstract

A Portfolio management refers to the collection of investment tools. It's Quite frequent that investor's fill insecure in managing their own port folio in security because they considered them self lacking, logical steps they take is to turn the job over to a professional port folio consultant. Port folio consultant trained in the techniques of security analysis devote their full time in managing the assets gainfully.

Keywords: Performance, evaluation, systematic risk, risk-adjustment measures, investment.

Introduction

Portfolio management is the best investment plan for an individual[1]. As per budget, age and ability to undertake risk. Modern Portfolio Theory (MPT) helps an individual to optimize expected rate of Return based at market risk. According to the Theory, it's possible to construct an "efficient frontier" of optimal portfolios' it offer the maximum possible return for given level of risk. The Theory was pioneered by Harry Markowitz in his paper "Portfolio selection"[2]. The theory is the basis at Portfolio management. A Portfolio management is all about an individual or a corporate unit in the holding of securities and investment in financial assets. These holding are the result of individual preferences and decision[3].

Portfolio Management

The art of selecting the correct investment policy her individuals to minimum risk and maximum return. It is a process of encompassing activities like investment, securities etc. It is dynamic in nature also Flexible. The concept that involves continuous and systematic analytical and, Judgmental and operations. The object is to service or help the uninitiated investors[4]. It involves construction of portfolio, it based on the fact sheet of the investor. It givies out the object, that constraints, his tax liability. Secondly the portfolio is reviewed and adjusted from market conditions. The adjustment is done through change in the weighting pattern.. Thirdly, the evaluation of portfolio is being done. The performance by the manager forgets set for risk and return and in the portfolio[5]. Investment policies according to the portfolio manager extract an individuals with the returned to be qualified. Formulation of the strategies help an individual's to grow accordingly.

Element of portfolio management: i. A proper Investment of how to buy and sell those once accordingly. ii. Reduce the risk and increase returns. iii. Evaluate and monitor the performance of portfolio, iv. Identification of the objectives of the investor's. v. It helps in Constraints and preference. vi. Money management should be properly done.

The collection of data by the investors preference should be done so that the, objectives of portfolio management is to achieve. The investment strategy should be according to time horizon for income and capital appreciation[6]. The strategies formulated by the portfolio managers to be correlated with the expectation. The combination of assets is chosen on the basis of investment strategy. Different types of assets allocation technique should be separately managed.

Portfolio Construction

Portfolio management is to be done to specify the investment policy. It is like the tools that help an individual with the assessment for investment. It is a combination of securities such as stock, bonds and money. This process of blending togetherness with the broad classes so as to obtain high return with minimum risk which can also be called as portfolio construction[5]. Diversification of investment helps in spreading risk over many assets, hence one must diversify securities in the port folio to create an optimum portfolio and ensure good returns on portfolio. There are two approaches to portfolio contraction: i. Traditional Approach at portfolio construction. ii. Modern Approach of portfolio construction.

Traditional Approach: Under the tradition approach the financial plan of an individual is evaluated with regard as needs in terms that can be modified as the income and capital also appreciation or an appropriate securities which are selected to meet those needs. It consists of five steps which are: i. Determination of objective, ii. Analysis of constraints, iii. Selection of portfolio, iv. Assessment of risk and return. v. Diversification.

Modern approach: The modern approach of portfolio construction also known as Markowitz approach emphasizes on selection of securities on the basis of risk and return. The financial plan of an individual is audited in terms of risks and return is made to maximize expected returns for a given level of risk.

Unlike traditional approach which considers an investors need for income or capital appreciation as basis for selection of stocks, the modern approach takes into accounts the investor need in from of market return and his tolerance for risks as basis for selection of stocks, returns are usually measured in terms of market return and dividend and forms the basis of selection of stock.

Risk and Expected return in portfolio management

The objectives of portfolio management are to minimize risk and maximize the return. The two major type of risk are systematic or market related risk. The systematic risk is the market problems like Raw material availability and Tax policies, Government policies, interest rate, inflation risk and financial risk. The unsystematic risks are increasing inventory, mismanagement wrong financial policy, defective marketing etc.[7]. Investors are interested in an income from their investment either in the form at interest and dividend. This is called the return; returns are used to evaluate the performance of assets in which the investments are made. Two terms used namely realized return and expected return have to be distinguished. Realized return is actually earned income of the past, while the investment decisions are made on the basis of expected return.

Evaluation of portfolio performance

In investment analysis it depends upon the strategies that are involves in assets allocation for maximizing the return. Portfolio managers continuously monitor it. The evaluations of the results of the performance are frequently done. The evaluation of the performances is about her several reasons. First is that the investor himself whose funds have been invested in the portfolio needs know the relative performance at portfolio. The performance provides information that will help the investors to assess the need for balancing of his investment. Second the management of portfolio needs correct information to evaluate the performance of the manager's compensation[8]. If there is a need to the portfolio performance. The performance evaluation method generally falls into two categories namely conventional and risk-adjusted method. All the required method includes benchmark comparison and style comparison. The risk-adjusted method adjust returns in order to take account of difference in risk taking arability levels between the managed portfolio and the benchmark. The basic feature of good portfolio managers is that their abilities should be perceive by the market trends correctly and make correct expectations and estimate regarding return, risk, ability to make proper diversification to reduce the company related risk and use proper beta estimates for selection of securities to reduce the systematic risk. In such case, it is possible for on expert portfolio manager to show superior performance over the market risk[1]. Its performance also depends on the timing at investment and superior investment analysis through research and expertise in security selection.

Portfolio managers in SEBI guidelines

It will thus be seen that portfolio Manager is an art and requires high degree of expertise the merchant banker has been authorized to do portfolio management service. A useful measure of him intake risk tolerance. If they belong to categories licensed by the SEBI. The applicant has to pay non refundable application fees of Rs. 1 Lac. He has to have a minimum net worth if Rs. 2 crore on registration he has to pay a sum at Rs. 10 lac. This registration is valid for 3 year and he has to pay renewal fees of Rs. 5 Lac, 3 month before the expiry of registration. The SEBI provides a list of names of PMS providers whose services can be availed by investors. Portfolio management has become a complex and responsible job which requires an in-depth training and experience. The SEBI work on portfolio management becomes necessary that minimize the qualification and experience that also ensure registration with SEBI. Nobody can do portfolio management without SEBI registration and license.

Conclusion

Port folio management is best investment plan. It help the individuals for their income budget ability and risk[3]. It minimizes the risk that is involved in the scheme. The investment also increase the chances to play as pivotal role in deciding the best plan. It help an individual for investment as per his income, age, ability to take risk. A port folio manager is also responsible for making aware about the various investment tools. It avail the market, benefit that is associated with each plan[9]. Make an individual realize why he actually needs to invest and which plan would the best for him.

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