

REVIEW OF LITERATURE

Ananth N Madhavan (2003) once a fairly esoteric subject, risk analysis and measurement have become a critical function for both portfolio managers and traders. Yet accurate measurement and analysis of risk presents many practical challenges, including the choice of risk model. This detailed overview of recent developments in risk analysis and modeling focuses on practical applications. While risk management tools can provide invaluable insights as to portfolio risk, they must be applied with considerable care. Risk analysis, as it stands today, is as much an art as a science.

Peter Brooke (2009) suggested that the easiest way to build a very diverse portfolio is via investment funds. The choice of funds is now enormous and nearly every asset class is covered by them. This means it is very easy and inexpensive to put several funds together and have a very broad spread. There are now some very good 'multi asset' funds which provide exposure to all of these different classes in one professionally managed place. These multi asset managers may also be able to access some funds which are still not available to the retail investor, such as private equity. Peter Brooke is a financial planner to the English speaking expatriate community. This article (Portfolio Construction) was published in the July 2009 edition of Dock walk magazine

Anita Bhoir, (2011) Portfolio construction & services offered by banks and brokerages to face heat; Mumbai: Regulators may put an end to discretionary portfolio management services offered by banks and brokerages after a series of frauds, including high-profile ones at City and Standard Chartered, said a person familiar with the thinking. RBI, SEBI and a sub-committee of the Financial Stability and Development Council are working on the proposed guidelines for portfolio management, said the person requesting anonymity.

Research methodology

Objective of study

- Investment analysis and portfolio management objective is to help entrepreneurs and practitioners to understand the investments field as it is currently understood and practiced for sound investment decisions making.
- The theory and practice of investments, focusing on investment portfolio formation and management issues.
- To understand and to explain the logic of investment process and the contents of its' each stage.
- To use the quantitative methods for investment decision making – to calculate risk and expected return of various investment tools and the investment portfolio
- To understand the psychological issues in investment decision making.
To analyze and to evaluate relevance of stocks, bonds, options for the investments;

Methodology used

- Secondary data
 - Internet
 - Books

Conclusion

It is important to understand that equity shares are not recommended for all investors. If you are past sixty, and depend on your savings for living, I would strongly advise you not to buy and hold equity shares only but also in other securities which give a regular income in periodic intervals. On the other hand, if you are young and resilient enough to take risks, the stock market can be quite interesting and rewarding.

- Do not speculate.
- Do not invest in new issues.
- Limit the number of scrips in your portfolio.
- Invest for the long term.
- Invest in real value.
- Invest in sunrise industries.
- Set a limit to your greed.

Recommendation

A portfolio includes not only equity shares, but all other major categories of investment, like houses or flats, bank accounts, company deposits and debentures, mutual funds, gold and silver, etc. You may also notice that a certain risk – profile is assumed for each investor. If your actual risk profile is different from the ones assumed due to reasons like family background, inheritance, etc. you should modify your investment strategy.

Summary

This project with a broad knowledge on the key topics of investment analysis and portfolio management. It contains the theoretical knowledge of the investment decision making, analysis and evaluation of different corporate securities as investments, portfolio diversification and management. Special attention is given to the formulation of investment policy and strategy. The most important characteristics of investment vehicles on which bases the overall variety of investment vehicles can be assorted are the return on investment and the risk which is defined as the uncertainty about the actual return that will be earned on an investment. Each type of investment vehicles could be characterized by certain level of profitability and risk because of the specifics of these financial instruments. The main types of financial investment vehicles are: short-term investment vehicles; fixed-income securities; common stock; speculative investment vehicles; other investment tools. Essentiality of the Markowitz portfolio theory is the problem of optimal portfolio selection. The Markowitz approach included portfolio formation by considering the expected rate of return and risk of individual stocks measured as standard deviation, and their interrelationship as measured by correlation. The diversification plays a key role in the modern portfolio theory.

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