Portfolio Management Techniques

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Investing: Making Money Work Harder for You

To earn our money, we all work very hard. But, no matter how much money we make, we still seem to always worry about it. The reality is that bills, our mortgage or rent, medical expenses, vacations, children's education, and, in the back of our minds, the nagging worry that we won't be financially ready for retirement are always with us. Wouldn't it be amazing if our money worked as hard for us as we do to earn it? What if we could just effortlessly invest in a straightforward, uncomplicated strategy to maximize the worth of our money for the future while also living a great life right now?

Times have changed. An increasing number of women are independently managing their finances and are increasingly less dependent on a male for their financial security. Women have become self-aware and value financial freedom. Women want to utilize the money they are earning, and can use it to reach a variety of financial objectives, such as purchasing a car or taking a dream vacation. The most crucial step toward financial freedom, however, is making your money work for you, and this is an area that some women still need to know so much more about. With the enormous amount of investments and information available on the market, it can be difficult to know where to start. And, for women, there is the additional pressure of consistently making good financial decisions to avoid the comments and criticism of a traditional, patriarchal-run society.

It's imperative to research before you invest so that you can put your money to good use. Of course, all investments must be made in the context of your complete financial plan because, without it, you won't be able to choose the best portfolio management strategy to achieve the goals outlined in your plan.

This book will teach you about portfolio management, what it is, why it's important, and five different portfolio management techniques. It also outlines some practical tips to managing your portfolio. With this information, you will hopefully be able to decide what portfolio management technique is best suited for you and the execution of your personal financial plan.

What is Portfolio Management?

The process of choosing and managing a set of investments to fulfil the long-term financial goals and risk tolerance of a client, a business, or an institution is known as portfolio management. Building and managing a portfolio requires selecting investments that will satisfy your long-term financial objectives and risk tolerance. Instead of just buying and selling a collection of different and potentially random financial holdings, portfolio management is a focused, well-organized technique for managing investments in a coordinated manner.

Managing a group of investments under the general heading of a portfolio which is, quite simply, a collection of investments, is known as portfolio management. One or more different investment vehicles, as well as a variety of investments, can make up a portfolio. These investments can be kept in a single account or in a number of them, such as a retirement account and a taxable investment account, for example.

The process of selecting the right mix of investments to hold in your portfolio and the percentage allocation of those investments is known as portfolio management. Stocks (also referred to as equities), bonds (also known as fixed income), and cash and/or cash equivalents should all be included in a well-balanced portfolio. These can be held in a mix of individual equities and bonds, mutual funds, or in exchange-traded funds (ETFs). Alternative investments, like real estate, private equity, or precious metals, may also be included in a portfolio.

Objectives of Portfolio Management

The objective of portfolio management is to manage a group of investments in a way that is compatible with your objectives, the time horizon for when you will need the money, and your tolerance for investment risk.

Your financial objectives are the foundation of portfolio management. Saving for retirement, for your children's education, or for a goal like a home purchase are a few examples of goals that you may have. In fact, investors frequently have a variety of short, medium and long-term financial goals for their assets.

Key Elements of Portfolio Management

Diversification

Diversification is an extremely important investment principle. When you diversify, it means that you spread your investments around so that your exposure to any one asset is limited. By diversifying across different financial investments, industries, countries and other categories, you can reduce risk by investing in different areas that react differently to the same market event. The idea is that, typically, as one asset class decreases, others may concurrently rise. If you're spread out and diversified, the poor performance of one investment doesn't necessarily affect your whole portfolio.

Many people refer to this strategy as "not putting all your eggs in one basket". For example, not only should you not invest all of your portfolio in equities, you should also not invest only in one country or sector. It's easy to diversify, even with a smaller portfolio.

There is no magic formula for how diversified your portfolio should be. The basic principle is to diversify your portfolio across investments whose returns aren't correlated with one another. For example, when investing in equities, you should consider investing in companies across different sectors, companies of different sizes, and both domestic and international companies. When you purchase mutual funds, each and every mutual fund is diversified. A professional money manager is applying this principle for you. If you are just starting out, mutual funds are an easy and affordable way to apply many of the principles of investing without having to monitor and action them yourself.

Asset Allocation

There are three basic asset classes or types of investments that should comprise every investment portfolio. These are cash/cash equivalents, fixed income and equities. The balance you determine amongst these asset classes is determined by considering key variables like your investment time horizon, age, tolerance for risk, and goals. This is called your asset allocation which is how you divide your investments among different asset classes.

Asset allocation is personal to you and may change at different times in your life. By specifying your personal asset allocation, you can better balance out the potential risks and returns to help you achieve your long-term goals. Asset allocation works because market conditions that create poor returns in one asset class may cause another to outperform. Therefore, a customized, proper asset allocation may lower the volatility of your returns without sacrificing your potential gains.

Over the years, a number of studies have identified asset allocation as the most important factor affecting a portfolio's return and volatility.

3. Rebalancing

Although asset allocation is an excellent place and very necessary place to start, rebalancing your portfolio on a regular basis to the target asset allocation is a crucial aspect of portfolio management. The actual performance of investment holdings across your portfolio's multiple asset classes will fluctuate over time in relation to one another. For example, for a few quarters, small-cap companies may lead the pack, but after that, international stocks may be stronger than domestic equities on a relative basis. Given that markets have always, and will always, fluctuate, some asset classes will always outperform others. This does typically even itself out over time, but it is important to review your portfolios on a regular basis to ensure that they do not become unevenly balanced and thus require rebalancing.

4. Asset Location

According to Investopedia, asset location is a tax minimization strategy that takes advantage of different types of investments getting different tax treatments. Using this strategy, an investor determines which securities should be held in tax-deferred accounts and in taxable accounts to maximize after-tax returns. Asset location should be considered if an investor's portfolio consists of investments in both taxable and tax-deferred retirement funds.

For many investors, taxes on long-term capital gains and qualifying dividend distributions are frequently less expensive than taxes on regular income from sources like interest. Due to these characteristics, having more equity-related

investments in taxable accounts may be more advantageous than holding a greater concentration of interest-producing investments, such as bonds and other fixed-income vehicles, in tax-deferred accounts.

Portfolio Management Technique: 1

Conservative

A conservative portfolio management technique is one that is best suited for those who would benefit from a low-risk portfolio, like one or more of the following:

- Investors with a medium-term time horizon
- Investors who are seeking to maintain their principal while earning interest income with the possibility of some capital growth
- Investors who are willing to accept modest fluctuations in the value of their investments
- Investors who are interested in low-risk investing
- Investors who want professional advice in selecting and monitoring their asset mix.

If you're looking for long-term financial growth or if you're not willing to accept even small fluctuations in the value of your investments, this portfolio management approach may not be right for you.

This approach is ideal for investors who are not investing for quick returns or higher risks. With a portfolio centered on reduced-risk investments that lessen volatility and provide predictable returns over the long term, you can have much more peace of mind. Conscientious investors can reduce their risk while still having access to income with a conservative portfolio.

The conservative portfolio management approach has the biggest proportion of fixed-income securities of all the portfolios we will discuss in this session, combined with a moderate amount of equity exposure to help safeguard your investments from price increases.

In conservative model portfolios, large portions of the total portfolio are typically allocated to lower-risk securities, such as fixed-income and money market instruments.
Because protecting your portfolio's principal value is the key objective of a conservative portfolio, these models are frequently referred to as capital preservation portfolios for this reason.

Even if you are extremely cautious and inclined to completely avoid stock markets, a small amount of exposure is almost always recommended because of the ability of stocks, or equities, to assist in counteracting inflation. The equity component might be put into an index mutual fund or a portfolio of reputable blue-chip corporations.

The goal of conservative investing is to minimize risk while maintaining the purchasing power of one's resources. The majority of low-risk securities, including high-quality bonds, money market, and cash equivalents, will often be given a relatively high allocation in conservative investment plans. A shorter investment time horizon, which may be related to older age, the preference for current income over growth, or the belief that stock prices will decline can all lead one to adopt a cautious viewpoint and, subsequently, a conservative portfolio.

Understanding Conservative Investments

Risk tolerance ranges from low to moderate for conservative investors. As a result, a conservative investment portfolio will contain more low-risk fixed-income securities and fewer equities or equity mutual funds. Investment in the most secure short-term securities, such as Treasury bills and government bonds, is required for a conservative strategy.

When compared to more aggressive investing techniques, a cautious investing strategy may safeguard against inflation, but it be unlikely to generate substantial returns over time. Regardless of personal risk tolerance, investors are frequently recommended to switch to conservative investing as they approach retirement age.

Strategies for Conservative Portfolio Management

Popular conservative investment techniques include capital preservation and current income. Maintaining current capital levels and avoiding portfolio losses are the two main goals of capital preservation. Treasury bills (T-bills) and cash management bills (CMBs) are examples of safe, short-term products that help achieve capital preservation strategies. An elderly investor wishing to optimize her current financial assets without taking major risks may be a good candidate for a capital preservation plan, for example.

For aging investors with a reduced risk tolerance who are searching for a way to continue to get a consistent income after retiring, a current income plan may be suitable. Finding investments that pay above-average distributions, like dividends and interest, is the goal of current income strategies. Although generally stable, current income strategies can be used in a variety of allocation choices across the risk spectrum. For investors who need predictable income, investing in well-established companies that pay consistently (i.e. without risk of default or missing a dividend payment date), such as large-cap or blue-chip equities, is typically most suitable.

When they anticipate a downturn in the markets, investors who would normally be more aggressive will occasionally switch to a conservative approach. This can be the result of inflated asset prices or signs of an impending economic downturn. When this occurs, the move to safer assets is known as a defensive strategy, which aims to provide safety first and modest growth later. They might revert to a more offensive or aggressive approach once they believe the market has adjusted. This strategy, however, is not advised for most investors as it does require in-depth knowledge of market cycles and analysis, and you must be very knowledgeable and more technically focused.

Portfolio Management Technique: 2

Moderate

A moderate portfolio strikes a balance between real investment growth and protection against prospective capital losses. Moderate portfolios often contain a major portion of funds in asset classes whose yearly returns have historically been quite stable, such as bonds, and are expected to exhibit returns that are significantly less volatile than returns from most broad equities.

Compared to a conservative portfolio, moderate portfolios are constructed to better enable a balance between higher predicted growth and greater potential return volatility.

A portfolio with a moderate asset allocation is diversified and created for long-term investors seeking current income with the possibility of capital growth. By blending asset classes, this type of portfolio seeks to offer both growth and stability because different asset classes outperform and underperform in various circumstances and throughout various economic conditions.

Rather than being too heavily weighted in equities, which creates more volatility and risk, a moderate portfolio that is balanced and includes some debt may be preferable for you. This type of portfolio would typically have a fixed-income weighting of 20–25 percent, for example.

Being more heavily weighted in fixed income offers two advantages. One is that it will reduce the volatility of the overall value of your portfolio. Additionally, there is an opportunity for you to rebalance during periods of market growth, and move some money from equities to fixed income, thus preserving some of your gains.

These types of portfolios are referred to as balanced portfolios because the asset composition is almost evenly split between fixed-income and equities. Thus, growth and income are in balance. This portfolio approach works best for investors with a longer time horizon (often more than five years) and a medium level of risk tolerance because moderate portfolios have a higher level of risk than conservative portfolios.

Portfolio Management Technique: 3

Aggressive

A portfolio management approach that aims to optimize returns by taking a comparatively higher level of risk is known as an aggressive investment strategy. Strategies for generating above-average returns frequently place a greater emphasis on capital growth than on income or principal safety. As a result, this strategy's asset allocation heavily favours stocks, with little emphasis placed on fixed income or cash.

Typically, younger investors with smaller portfolio sizes are expected to benefit from aggressive investment techniques. Investment advisors do not typically recommend this strategy for anyone other than young adults because this approach is applied to only a small portion of one's nest-egg savings. This is because losses early in one's career have less impact than losses later, and a lengthy investment horizon enables you to ride out market fluctuations. However, a high-risk tolerance is a must for an aggressive investment strategy regardless of the investor's age.

In order to achieve higher returns, aggressive portfolios take on more risk. Asset allocation and asset selection are two strategies that aggressive portfolio management may use to attain its goals.

Aggressive Investment Strategy

The proportional importance of high-risk, high-reward asset types like equities and commodities in a portfolio determines how aggressive a strategy's investment approach is.

For instance, Portfolio A, which has an asset allocation of 75% equities, 15% fixed income, and 10% commodities, would be seen as highly aggressive given that equities and commodities make up 85% of the portfolio. It would nevertheless be less risky than a portfolio which has an asset mix of 85% stocks and 15% commodities, for example.

The makeup of the stocks in an aggressive portfolio can have a considerable impact on its risk profile, even within the equity portion of the portfolio. For

instance, a portfolio would be viewed as less risky if the equity component solely included blue-chip stocks rather than only stocks with small capitalizations.

Allocation is yet another element of an aggressive investment approach. It would be quite aggressive to divide all available funds equally across 20 different stocks, but it would be even more aggressive to distribute the funds equally among only 5 stocks.

A high turnover investment strategy, which aims to buy and sell equities that exhibit strong relative returns in a brief period of time, is another example of an aggressive investment strategy. High turnover could boost returns but also increase transaction costs, raising the chance of subpar performance.

As the name suggests, the aggressive portfolio management technique does require active management, which means that you are required to do the research and selection of the different investments in your portfolio. With active management, you aim to beat the market, usually based on multiple investing strategies.

This differs from passive management, which is best described as an investment strategy in which your portfolio attempts to create returns that are similar to the returns of the portfolio's underlying assets. One of the most popular passive investing vehicles is an exchange-traded fund, or ETF, which tracks the performance of a stock or index. So, essentially, the ETF mirrors the market index.

Aggressive Technique and Active Management go hand in hand:

Since an aggressive strategy is likely to be more volatile and may need frequent adjustments depending on market conditions, it requires more active management than a conservative "buy-and-hold" strategy. To return portfolio allocations to their desired levels, additional rebalancing may also be necessary because the assets' volatility could cause allocations to drastically differ from their initial weights. Because a professional portfolio manager may need more people to handle all of these different equities, the additional effort often results in increased fees.

Active investment tactics have faced a lot of opposition in recent years. Due to the historical underperformance of their managers, many investors have taken their money out of hedge funds, for instance. Indeed, some people have opted to invest with passive managers instead.

The 80/20 portfolio versus a 60/40 portfolio is a common illustration of an aggressive strategy as compared to a conservative plan. Compared to a 60/40 portfolio, which distributes 60% to equities and 40% to fixed income, respectively, an 80/20 portfolio allocates 80 percent of the capital to equities and 20 percent to fixed income.

Aggressive Investment Methods:

An aggressive investment plan can be implemented in a variety of ways. Based on your income and level of understanding, the following three techniques can be used by the majority of investors.

1. Small-Cap Equities

Small-cap equities, which are stocks with a market capitalization of between $300 million and $2 billion, typically have a very high potential for capital growth. If the company succeeds and has significant sales growth and profitability, the stock may amount to much more than the initial value.

Small-cap stocks must account for the fact that, if the company fails, the investor could completely forfeit their investment. Because there is often not enough due diligence performed on smaller companies, it is occasionally possible for a corporation to be overtly fraudulent, which is more likely to occur with small-cap stocks than large-cap stocks. Therefore, it is crucial to conduct in-depth research on the companies before investing.

2. Emerging Markets Investing

Asia and some regions of Eastern Europe are home to emerging markets, which are expanding economies. With emerging markets, the nation's economy has had a recent rapid expansion, indicating a significant potential for growth. One of the

most reliable ways to increase your investment returns is by investing in emerging countries, which can compound quickly as the economy expands.

The superior institutions and governance present in mature markets, however, are typically absent from emerging markets. Political and regulatory risks are therefore more noticeable in rising markets. Investing in emerging markets may also be hampered by regulatory obstacles or currency problems.

3. High-Yield Bonds

For investors seeking greater returns while providing consistent income flows, high-yield bonds are a popular investment vehicle. These bonds, commonly referred to as speculative grade or trash bonds, typically have much higher yields, or returns, but are accompanied by sub-investment grade credit ratings.

Similar to small-cap stocks, high-yield bonds have correlating risks. Therefore, it is important to thoroughly investigate the issuing companies to make sure there are no liquidity or solvency difficulties.

Portfolio Management Technique: 4

Income Oriented

Investors can basically be divided into two categories at their core. Most people invest with the intention of having their investments increase in value. Of course, there are investors who are seeking more instant gratification, and demand that their assets "show me the money — immediately".

Building an income-oriented portfolio with dividend-paying stocks, bonds, properties, and other assets intended to create income on a periodic basis is known as income investing.

The benefit with this portfolio management approach is that, once you make your initial investments, there isn't typically much more to do when it comes to income investing. This is referred to as a buy and hold investment approach. The other key benefit of income-oriented portfolios is that they are typically lower in volatility and risk assuming you are basing your required income on high-quality fixed income and/or dividend-paying blue chip stocks.

Portfolio Income

Investment income, dividend income, interest income, and capital gains are all examples of portfolio income. Royalties from investment property are also regarded as sources of portfolio income. Active income and passive income round out the list.

The majority of portfolio income is taxed favourably particularly compared to earned income, which is taxed at a higher rate than dividends and capital gains.

Investors frequently look for a predictable rate of return on their cash as well as a regular income from their investments. Investments with fixed income provide both.

Fixed-income instruments cover a wide range of publicly-traded securities, including non-publicly traded securities and commercial paper, notes, and bonds that are traded on exchanges and over-the-counter (such as loans and private placements). To fulfill the various needs of investors, fixed-income portfolio

managers blend these numerous securities across issuers, maturities, and countries.

Important points to keep in mind for Income Oriented Portfolios:

- In the framework of a portfolio, fixed-income investments benefit from diversity. These advantages result from fixed-income assets' often low correlations with other important asset classes, such as equities.
- Bonds with floating rates and inflation links can be used to reduce the risk of inflation.
- Regular cash flows from fixed-income investments are advantageous for covering upcoming liabilities.
- The two major strategies for matching fixed-income assets with future liabilities in liability-based fixed-income mandates are duration matching and cash-flow matching.

Ideal Investments for Income Oriented Portfolios:

As referenced earlier, there are numerous key investment sources that produce income. These include:

- Dividend Stocks

Companies that issue dividend-paying stocks typically pay cash dividends per share based on the company's performance on a quarterly basis. Common and preferred shares are the two primary categories of dividend stocks.

Bonds

Bonds are loans made to the state or an organization. Bonds provide you with fixed interest rates as your source of income. You earn a defined amount of interest income on a regular basis as the bondholder (lender), and receive your initial investment back at the conclusion of the loan period.

- Real Estate

Real estate frequently offers a healthy income flow as well, despite the fact that it might, and does, appreciate in value. Rent payments from residential, commercial, or industrial tenants and, occasionally, mortgage interest on the buildings are what provide the income.

- Money Market Funds

A unique class of fixed-income mutual funds, known as money market funds (MMFs), invests in low-risk, short-maturity debt instruments that pay dividends like the majority of other income-producing investments.

- Certificates of Deposits

Additionally, banks offer income-generating investments that are popular among investors due to their comparatively low risk. Certificates of Deposit (CDs) are among the most popular. CDs are typically offered for periods of between three months to one year, and can be issued for a minimum deposit of 1 lakh.

Income investing is often associated with older, retired investors. According to conventional financial wisdom, as investors age, their portfolios tend to switch from growth-oriented to income-oriented in order to both reduce risk and prepare for regular income generation. However, all investors may, and ought, to include some fixed income in their portfolios, if only to provide a balance to assets that experience rapid growth.

In general, you will enjoy a better rate of return the more risk you are willing to take or the longer you are willing to let your money work.

Portfolio Management Technique: 5

Tax Effective

Unfortunately, many investors start building their portfolios before they fully understand what they're doing. They're likely to become aware that some changes need to be made as they gain more information and expertise. For instance, a young woman who initially built a portfolio that was balanced may realize that she should actually be investing mostly in equities, or an investor who initially built a portfolio of individual stocks may determine that mutual funds are a better fit for her busy schedule.

Every investment comes with its own expenses. Out of all the costs, however, taxes can hurt the most and take up the most of your earnings. The good news is that tax-efficient investing can reduce your tax liability and increase your bottom line, regardless of whether you want to create income or save for retirement.

Important Points to Keep in Mind for a Tax-Effective Portfolio:

- One of the biggest expenses and the biggest drain on your profits can be taxes.
- When your tax rate is higher, tax-efficient investing becomes more crucial.
- Taxable accounts are the best place to put your money for tax purposes.
- Tax-deferred or tax-exempt accounts are preferable for non-tax-efficient investments.

Tax-Effective Portfolio is Substantial:

It is proven that limiting the amount of taxes you pay has a substantial impact on how much of your hard-earned money you get to keep, even if investment selection and asset allocation are the most crucial variables that affect results.

This is due to two factors. One is that you don't get your tax money back. The other is that you forfeit any potential growth that the money may have produced if it had remained invested. Pre-tax returns are less important than after-tax returns. You will be spending this after-tax money both now and in retirement, after all. Tax-efficient investing is essential if you want to optimize your profits and keep more of your money.

Some Tax-Efficient Options in India:

Paying additional taxes is one of the few unavoidable circumstances in life but there are ways to maximize taxes on your investment returns. Following are several tax-saving strategies to consider if you'd like to lower your tax liabilities.

1. Unit Linked Insurance Plans (ULIPs)

ULIPs not only provide the benefit of tax exemptions to investors but also help to provide high returns over time. Offered by insurance companies, ULIPs combine the benefits of both insurance and investing, and the fact that there are no premium allocation or administration charges enables you to enjoy higher returns.

With ULIPs, you can create your very own managed portfolio using a variety of asset allocation strategies and by choosing from a variety of mutual fund alternatives, from safe, liquid funds to high-risk equity growth funds. And, you can change from one type of investment to another, typically 3-4 times per year, without incurring tax obligations. Additionally, you benefit from the taxability of income on the premium paid towards the policy. The ultimate goal is security but, with ULIPs, you also have the choice of premium protection because ULIPs promise to cover your investments in the event of your untimely death.

2. New Pension Scheme (NPS)

One of the best retirement savings plans offered in India is the National Pension Scheme or UPS. Excellent investment opportunities and tax advantages are provided by the NPS Tier-I account for employees and professionals who are self-employed.
The additional tax-saving opportunity of up to Rs. 50,000 may be the best feature of NPS. Therefore, an NPS account can assist you in lowering your taxable income by as many as Rs. 2 lakh per fiscal year.

One of the other benefits of the National Pension Scheme is that, if 10% of your basic salary is contributed by your employer, then the amount is not taxed. And

you can invest in equities to a maximum of 75%, thus enabling you to benefit from strong returns over the long term.

The lengthy lock-in period for withdrawals is the only downside of NPS. The account is designed exclusively for retirement and only becomes accessible for full withdrawals when you turn 60.

3. Guaranteed Savings Plan

Another tax-effective investing option offered by life insurance firms is guaranteed savings programs. In terms of tax exemption, these plans are comparable to ULIPs. As long as your annual premium is less than 10% of the policy sum assured, your maturity value is tax-exempt. Your tax burden is reduced by premiums up to Rs. 1.5 lakh.

Guaranteed savings plans do not, however, provide investors with a variety of investment selections like ULIPs do. Instead, aside from the life insurance component, these plans provide a safe and guaranteed minimum return on the invested amount. For those financial objectives where you must always create a certain amount of savings, guaranteed saving plans are your best choice.

4. Public Provident Fund (PPF)

Another well-liked alternative for long-term savings is Public Provident Fund. This investment was made with the intention of helping independent contractors and other workers in the unorganized sector. All contributions made to your PPF, the interest earned and maturity proceeds are all tax exempted. And, due to its debt-market-related rate of return and tax status, it is also a well-liked investment choice for long-term savings objectives.

Although the plan does allow for partial withdrawal after five years, you must deposit money in PPF for at least 15 years. A maximum of Rs 1.5 lakhs can be claimed for tax exemption. Investors have the choice to contribute either monthly or as a lump-sum amount. The maximum amount you can invest in a financial year is possibly the single downside to PPF investments.

5. Equity Linked Savings Scheme (ELSS)

The equity-linked saving scheme is a diversified mutual fund strategy. Ideal for those investors with a higher tolerance to risk, ELSS has proven to be a successful tax-saving strategy. ELSS schemes are passively managed equity funds that help investors save on taxes. Passively managed refers to the absence of active stock trading and the maintenance of a portfolio in accordance with a benchmark index.

A stringent lock-in term of 36 months applies to ELSS programs. Every deposit you make into the same account separately is subject to the lock-in period.

5 Tips to Manage Your Portfolio

You are aware of the need of maintaining healthy habits including a balanced diet, regular exercise, and adequate sleep. The same pattern holds true for your investing approach—there are a few key guidelines to follow when it comes to maintaining your financial stability.

So, if your schedule becomes hectic or you become overextended with research and analysis, for example, go back and review these five portfolio behaviours. They'll assist in maintaining the balance and health of your investment portfolio.

1. Know Your Goals & Strategies

Your goals are the main factor influencing your investments. In fact, your goals will provide the framework as to how to manage your portfolio, including when to sell your investments, and how to combine your assets.

Asking yourself the following questions can help you identify your goals:

- What do I invest in and save for?
- Will I need access to this money soon?
- What else do I require in order to accomplish my goal or goals?

These and other questions can help you define your objectives and create a sound investment strategy. For instance, you'll probably have a different approach for short-term goals (such as going on vacation) and long-term goals (like retirement).

2. Efficient Asset Allocation

Asset allocation may seem complicated, but, at its core, it is actually fairly easy. Based on your goals, risk tolerance, time horizon, and a few other key elements, you can determine the best asset allocation for you. This enables you to determine the optimal asset allocation, or balance of cash, fixed income and equities, thus protecting your portfolio from unforeseen fluctuations in the market by keeping it balanced.

An efficient asset allocation is made up of the proper mixture of investment types. This is based on various elements, such as:

- age
- timeline
- or goals, or goal(s)
- capacity for risk

These elements can aid in your decision-making on the types of investments you should make, such as the proportion of fixed income vs equities in your portfolio. Your asset allocation may alter over time, just like your objectives and plan of action. This is particularly true when you experience significant life events like purchasing a home, switching jobs, or starting a family.

3. Rebalance your Portfolio

Your goals may be impacted if your investment asset allocation changes over time due to market fluctuations, thus possibly throwing your portfolio off course. That's why it's crucial to rebalance your portfolio on a regular basis, which may entail moving money from one asset class to another, like from bonds to equities or vice versa, for example.

Rebalancing your portfolio helps to ensure your investments match your overall goals and strategy by returning them to their original balance. While there is no defined period of time for rebalancing, most experts advise doing so once or twice a year.

4. Diversify your Investments

A broad balance of investments across multiple asset classes can help you weather stock market volatility, much like a varied diet makes you feel well. Diversification is premised on the concept of not putting all your eggs in one basket or, in the case of investing, not putting them all in one stock or industry. As different asset classes react differently to different market conditions, diversification helps ensure that the poor performance of one asset class or investment doesn't necessarily affect your whole portfolio.

5. Understand How to Manage Your Investments

Today, it has never been easier to manage your investments. Real-time tools and resources, formerly reserved for the wealthy, are now accessible to everyone thanks to technology.
While information and resources are always beneficial, they still never replace using solid judgement while managing your finances. While managing a portfolio requires effort, you can have a successful investment portfolio by consistently practicing all of these strategies.

An Investor education and Awareness initiative of Aditya Birla Sun Life Mutual Fund

All investors have to go through a one-time KYC (Know Your Customer) process. Investors to invest only with SEBI registered Mutual Funds. For further information on KYC, list of SEBI registered Mutual Funds and redressal of complaints including details about SEBI SCORES portal, visit link : https://mutualfund.adityabirlacapital.com/Investor-Education/education/kyc-and-redressal for further details.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

म्यूचुअल फंड निवेश बाज़ार जोखिम के अधीन हैं, योजना संबंधी सभी दस्तावेज़ों को सावधानी से पढ़ें।