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PORTFOLIO MANAGEMENT PROCESS OF PREFERENCE ON INVESTORS PURCHASING – A REVIEW PAPER

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INTRODUCTION

Investment involves risk also most of investors would like to invest his funds into the equity. To get optimal return with low risk investor invests his funds with different securities, by using this portfolio management to get the optimal return with low risk. Portfolios are combinations of assets held by the investors. The traditional Portfolio Theory aims at the selection of such securities that would fit in well with the asset preferences, need and choice of investor. Modern Portfolio Theory postulates that maximization of return and or minimization of risk. Portfolio analysis includes portfolio construction, and performance of portfolio. All these are part of the subject of portfolio Management which is a dynamic concept, subject to daily and hourly changes based on information flows, money flows and economic and non-economic forces operating in the country on the markets and securities The return on portfolio is weighted average of returns of individual stocks and the weights are proportional to each stocks percentage in the total portfolio.

PORTFOLIO MANAGEMENT & ITS PHASES PORTFOLIO MANAGEMENT

IS a process encompassing many activities aimed at optimizing investment of funds, each phase is an integral part of the whole process and the success of portfolio management depends upon the efficiency in carrying out each phase. Five phases can be identified:-

1. Security analysis
2. Portfolio analysis
3. Portfolio selection
4. Portfolio revision
5. Portfolio evaluation

SECURITY ANALYSIS

It refers to the analysis of trading securities from the point of view of their prices, return, and risk. All investment is risky and the expected return is related to risk. The securities available to an investor for investment are numerous and of various types. The shares of over more than 7000 are listed in stock exchanges of the country. Securities classified into ownership securities such as equity shares and preference shares and debentures and bonds. Recently ,a number of new securities such as convertible debentures and deep discount bonds, zero coupon bonds, Flexi bonds, Floating rate bonds GDRs Euro currency bonds etc…, are issued to raise funds for their projects by companies from which investor has to choose those securities the is worthwhile to be included in his investment portfolio. This calls for detailed analysis of the available securities. Security analysis is the initial phase of the portfolio management process. It examines the risk return characteristics of individual securities. A basic strategy in securities investment is to buy under priced securities and sell over priced securities. But the problem is how to identify such securities in other words mispriced securities. This is what security analysis is all about.

PORTFOLIO REVISION

The portfolio which is once selected has to be continuously reviewed over a period of time and then revised depending on the objectives of the investor. The care taken in construction of portfolio should be extended to the review and revision of the portfolio. Fluctuations that occur in the equity prices cause substantial gain or loss to the investors. The investor should have competence and skill in the revision of the portfolio. The portfolio management process needs frequent changes in the composition of stocks and bonds. In securities, the type of securities to be held should be revised according to the portfolio policy. An investor purchases stock according to his objectives and return risk framework. The prices of stock that he purchases fluctuate, each stock having its own cycle of fluctuations. These price fluctuations may be related to economic activity in a country or due to other changed circumstances in the market. If an investor is able to forecast these changes by developing a framework for the future through careful analysis of the behavior and movement of stock prices is in a position to make higher profit than if he was to simply buy securities and hold them through the process of diversification. Mechanical methods are adopted to earn better profit through proper timing. The investor uses formula plans to help him in making decisions for them. Future by exploiting the fluctuations in prices

EVALUATION OF PORTFOLIO

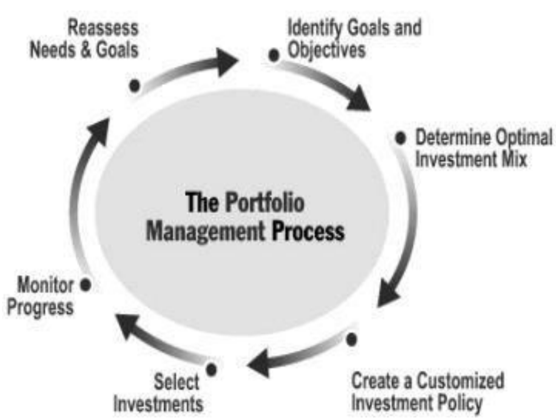
Portfolio manager evaluates his portfolio performance and identifies the sources of strengths and weakness. The evaluation of the portfolio provides a feed back about the performance to evolve better management strategy. Even though evaluation of portfolio performance is considered to be the last stage of investment process, it is a continuous process. There are number of situations in which an evaluation becomes necessary and important.

i. Self Valuation: An individual may want to evaluate how well he has done. This is a part of the process of refining his skills and improving his performance over a period of time.

ii. Evaluation of Managers: A mutual fund or similar organization might want to evaluate its managers. A mutual fund may have several managers each running a separate fund or sub-fund. It is often necessary to compare the performance of these managers.

iii. Evaluation of Mutual Funds: An investor may want to evaluate the various mutual funds operating in the country to decide which, if any, of these should be chosen for investment. A similar need arises in the case of individuals or organizations who engage external agencies for portfolio advisory services.

iv. Evaluation of Groups: have different skills or access to different information. Academics or researchers may want to evaluate the performance of a whole group of investors and compare it with another group of investors who use different techniques Process of Portfolio Management: The Portfolio Program and Asset Management Program both follow a disciplined process to establish and monitor an optimal investment mix. This six-stage process helps ensure that the investments match investors unique needs, both now and in the future.



1. IDENTIFY GOALS AND OBJECTIVES When will you need the money from your investments? What are you saving your money for? With the assistance of financial advisor, the Investment Profile Questionnaire will guide through a series of questions to help identify the goals and objectives for the investments.

2.DETERMINE OPTIMAL INVESTMENT MIX

Once the Investment Profile Questionnaire is completed, investors optimal investment mix or asset allocation will be determined. An asset allocation represents the mix of investments (cash, fixed income and equities) that match individual risk and return needs. This step represents one of the most important decisions in your portfolio construction, as asset allocation has been found to be the major determinant of long-term portfolio performance.

3.CREATE A CUSTOMIZED INVESTMENT POLICY STATEMENT

When the optimal investment mix is determined, the next step is to formalize our goals and objectives in order to utilize them as a benchmark to monitor progress and future updates.

4.SELECT INVESTMENTS

The customized portfolio is created using an allocation of select QFM Funds. Each QFM Fund is designed to satisfy the requirements of a specific asset class, and is selected in the necessary proportion to match the optimal investment mix.

5.MONITOR PROGRESS

Building an optimal investment mix is only part of the process. It is equally important to maintain the optimal mix when varying market conditions cause investment mix to drift away from its target. To ensure that mix of asset classes stays in line with investors unique needs, the portfolio will be monitored and rebalanced back to the optimal investment mix

6. REASSESS NEEDS AND GOALS

Just as markets shift, so do the goals and objectives of investors. With the flexibility of the Portfolio Program and Asset Management Program, when the investors needs or other life circumstances change, the

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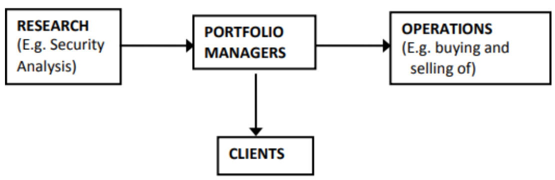
portfolio has the flexibility to accommodate such changes.

STRUCTURE / PROCESS OF TYPICAL PORTFOLIO MANAGEMENT

In the small firm, the portfolio manager performs the job of security analyst. In the case of medium and large sized organizations, job function of portfolio manager and security analyst are separate.



BOMBAY STOCK EXCHANGE

A very common name for all traders in the stock market, BSE, stands for Bombay Stock Exchange. It is the oldest market not only in the country, but also in Asia. In the early days, BSE was known as "The Native Share & Stock Brokers Association." It was established in the year 1875 and became the first stock exchange in the country to be recognized by the government. In 1956, BSE obtained a permanent recognition from the Government of India under the Securities Contracts (Regulation) Act, 1956. In the past and even now, it plays a pivotal role in the development of the country's capital market. This is recognized worldwide and its index, SENSEX, is also tracked worldwide. Earlier it was an Association of Persons (AOP), but now it is a demutualised and corporatized entity incorporated under the provisions of the Companies Act, 1956, pursuant to the BSE (Corporatization and Demutualization) Scheme, 2005 notified by the Securities and Exchange Board of India (SEBI). CLIENTS RESEARCH (E.g. Security Analysis) OPERATIONS (E.g. buying and selling of) PORTFOLIO MANAGERS BSE with its long history of capital market development is fully geared to continue its contributions to further the growth of the securities markets of the country, thus helping India increases its sphere of influence in international financial markets.

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange by financial institutions (FI‟s) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock Exchange in the country. On its recognition as a stock exchange under the Securities Contracts (Regulation) Act, 1956 in April 1993, NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital Market (Equities) segment commenced operations in November 1994 and operations in Derivatives segment commenced in June 2000.

NEED OF THE STUDY

Portfolio management is process encompassing many activities of investment in assets and securities. It is a dynamic and flexible concept and involves regular and

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systematic analysis judgment and action. • It helps to guide the investor to select the portfolio which provides current income • The study helps in mutual funds management. • To help in optimizing the returns with lower risks. • To help the investors in adjusting their returns in tune with the market conditions. • The study helps to the investors to take effective investment decision. • To understand the price fluctuations in selected scripts

OBJECTIVES OF THE STUDY

The objectives of the study have the following aspects. To study the selected portfolio is yielding a satisfactoryϖ & constant return to the investor. To find out the optimal portfolio, which gives optimal return at a minimum risk to theϖ investor? To find out the risk and return of the selected scripts.ϖ To understand the role of stock exchange in securities trading.ϖ To calculate the co-variance and correlation between the securities.ϖ To offer findings, suggestions and conclusion of the study.ϖ

METHODOLOGY

There are two types of data sources 1. Primary data is the data which is collected first time by our own by using observation, personal interview 2. Secondary data was taken from the already existing source like books, magazines and news papers. In the present study, the secondary data is collected the following sources. Manuals, Journals & Magazines, Websites, Company recorders. Data Analysis In the present study, in analyzed the data by using various statistical tools like standard deviation, correlation coefficient, covariance, and by using graphs and charts. The present study focus on the following companies is: MARUTI SUZUKI, ICICI, RELIANCE

Data Collection Method The methodology adopted for the study in observation method. It is used to understand the procedures & evaluation of the investor's performance as well as the impact of the brokers of the stock exchanges in the selections and performance of portfolio.

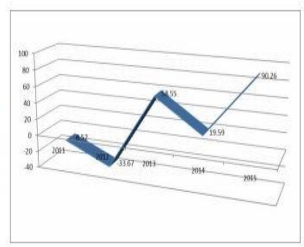
DATA ANALYSIS AND INTERPRETATION

MARUTI SUZUKI

Year	Year of being (P0)	Year of ending(P1)	Dividend (D)	(P1-P0)	D+(P1-P0)/ P0*100
2011	1560	1421	6	-139	-8.52
2012	1421	935	7.5	-486	-33.67
2013	935	1475	7.5	540	58.55
2014	1475	1756	8	281	19.59
2015	1756	3329	12	1573	90.26
AVERAGE RETURN					25.24

Interpretation

From the above table the dividend in 2015 is higher than the remaining years and return is higher in 2015 i.e 90.26 than the remaining the average return is 25.24/-



ICICI BANK

Year	Year of being (P0)	Year of ending(P1)	Dividend (D)	(P1-P0)	D+(P1-P0)/ P0*100
2011	876	1145	12	269	32.07
2012	1145	684	14	-461	-39.03
2013	684	1138	16.5	454	68.78
2014	1138	1098	20	-40	-1.93
2015	1098	353	23	-745	-65.69
AVERAGE RETURN					-1.16

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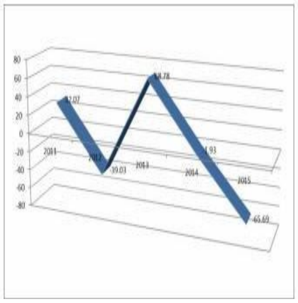
Interpretation

From the above table the dividend in 2015 is higher than remaining years and return is higher in 2013 than remaining .The average return is -1.16/-

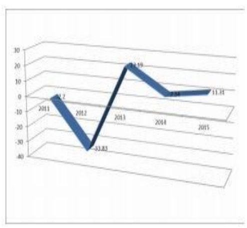


RELIANCE

Year	Year of being (P0)	Year of ending(P1)	Dividend (D)	(P1-P0)	D+(P1-P0)/ P0*100
2011	1089	1058	7	-31	-2.20
2012	1058	692	8	-366	-33.83
2013	692	844	8.5	152	23.19
2014	844	897	9	53	7.34
2015	897	989	9.5	92	11.31
AVERAGE RETURN					1.16

Interpretation

From the above table, the dividend in 2015 is higher than the remaining years and return is higher in 2013 than remaining. The average return is 1.16/-



FINDINGS

Investors would be able to achieve when the returns of shares and debentures Resultant would be known as diversified portfolio. Thus portfolio construction would address itself to three major via, selectivity, timing and diversification. In case of portfolio management, negatively correlated assets are most profitable. A rational investor would constantly examine his chosen portfolio both for average return and risk. Individual returns on the selected stocks including Marutisuzuki, ICICI, and Reliance are 25.24%, -1.16%, 1.16% respectively. Individual risks on the selected stocks including Marutisuzuki, ICICI, and Relianceare 44.67%, 48.15%, 19.29% respectively.

SUGGESTIONS

All the stocks under consideration have given positive return which indicates the positive performance of the stock market, specially the SENSEX stocks. All the investors who invest in the securities are ultimately benefited by investing in¬ selected scripts of Industries. Low Risk investors are advised to keep away from Maruti¬ & ICICI (risk of 32%) and prefer the Portfolios of ICICI & Reliance (16.92%) CONCLUSION The main objective of the Portfolio management is to help the investors to make wise choice between alternate investments without a post trading shares. Any portfolio management must specify the objectives like Maximum returns, Optimum Returns, Capital appreciation, Safety etc., in the same prospectus “Greater Portfolio Return with less Risk is always is an attractive combination” for the Investors.

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