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# A Study on Portfolio Management

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## ABSTRACT

The term portfolio refers to any collection of financial assets such as stocks, bonds and cash. It is generally accepted that a portfolio is designed according to the investors risk, time frame and investment objectives. Portfolio is the combination of two or more assets and it is constructed to see that the risk is minimized. Portfolio management is a process encompassing many activities of investment in assets and securities. It is dynamic and flexible concept and involves regular and systematic analysis, judgment and action. The objective of this service is to help the unknown and investors with the expertise of professionals in investment portfolio management. It involves construction of a portfolio based upon the investors' objectives, constraints, and preferences for risk and returns and tax liability.

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## INTRODUCTION

Portfolio management refers to the management or administration of a portfolio of securities to protect and enhance the value of the underlying investment. It is the management of various securities (shares, bonds etc) and other assets (e.g. real estate), to meet specified investment goals for the benefit of the investors. It helps to reduce risk without sacrificing returns. It involves a proper investment decision with regards to what to buy and sell. It involves proper money management. It is also known as Investment Management.

Portfolio management involves deciding what assets to include in the portfolio, given the goals of the portfolio owner and changing economic conditions. Selection involves deciding what assets to purchase, how many to purchase, when to purchase them, and what assets to divest. These decisions always involve some sort of performance measurement, most typically expected return on the portfolio, and the risk associated with this return (i.e. the standard deviation of the return). Typically the expected return from portfolios of different asset bundles is compared.

The unique goals and circumstances of the investor must also be considered. Some investors are more risk averse than others. Mutual funds have developed particular techniques to optimize their portfolio holdings. The art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance .

**Need of the study:**

The need of the study is to analyze the performance of portfolio and to suggest the investor to take the investment decisions wisely.

**Scope of the study:**

The study on "Portfolio management" is done at HDFC securities LTD. The study covers the calculation of risk, return of securities in order to know the performance of portfolio. Further the study covers 1 year of data for interpretation i.e., 2019

**Objectives of the study:**

- To analyze the returns of the selected scripts.
- To measure the risk of the selected scripts.
- To rank and construct the optimum portfolio amongst the selected scripts.

**Research methodology:**

The study is based on Secondary data. It is collected from annual reports and company websites
WEBSITE: www.moneycontrol.com
www.nscindia.com

**Limitations of the study;**

- The study is confined to HDFC Securities Ltd., only.
- The study is limited for a period of 1 year i.e, 2019.

**Data Analysis and Interpretation:**

**HYPOTHESIS:**

H0 = There is no significant relationship between the returns of HDFC Bank and Wipro

H1 = There is significant relationship between the returns of HDFC Bank and Wipro.
H0 = There is no significant relationship between the returns of HDFC Bank and ITC.
H1 = There is significant relationship between the returns of HDFC Bank and ITC.
H0 = There is no significant relationship between the returns of Wipro and ITC.
H1 = There is significant relationship between the returns of Wipro and ITC.

**TABLE SHOWING RETURN & RISK OF INDIVIDUAL SECURITIES**

| COMPANIES | RETURNS | RISK |
|---|---|---|
| HDFC | 3.19 | 6.11 |
| WIPRO | -0.13 | 8.45 |
| ITC | -1.02 | 4.45 |

**GRAPH SHOWING RETURN&RISK OF INDIVIDUAL SECURITIES**

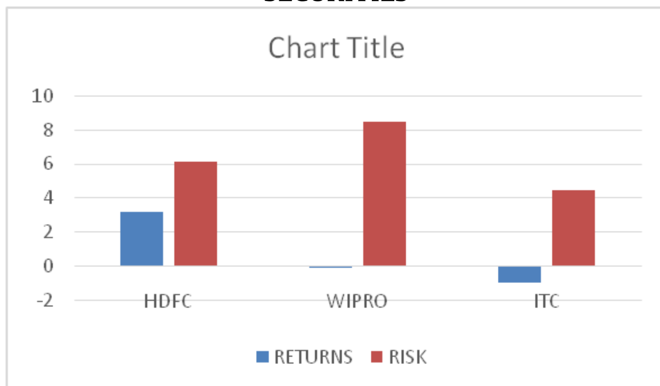



**Table showing beta values of individual securities**

| Stocks | covariance | Nifty variance | beta |
|---|---|---|---|
| HDFC | 26.69 | 35.65 | 1.42 |
| WIPRO | -13.49 | 35.65 | -0.05 |
| ITC | 13.23 | 35.65 | 0.81 |

**CONSTRUCTION OFPORTFOLIOS:**
**PORTFOLIO 1 - HDFC&WIPRO**

PORTFOLIO RETURN = 1.53%

PORTFOLIO RISK = 4.074

Portfoliorisk=√((w1^2*S.D1^2)+(w2^2*S.D2^2)+(2*W1*W2(rxy*S.D1*S.D2)))

Portfolio return= Σ(weights * returns)

**PORTFOLIO 2 - HDFC&ITC**

PORTFOLIO RETURN= 1.085%

PORTFOLIO RISK = 4.24

Portfoliorisk=√((w1^2*S.D1^2)+(w2^2*S.D2^2)+(2*W1*W2(rxy*S.D1*S.D2)))

Portfolio return= Σ(weights * returns)

**PORTFOLIO 3 - WIPRO&ITC**

PORTFOLIO RETURN= -0.575%

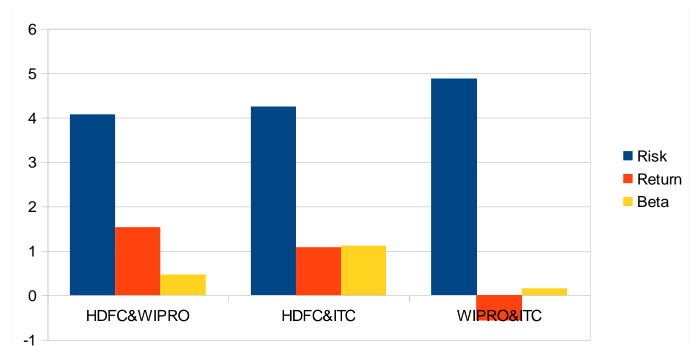
PORTFOLIO RISK = 4.87

Portfoliorisk=√((w1^2*S.D1^2)+(w2^2*S.D2^2)+(2*W1*W2(rxy*S.D1*S.D2)))

Portfolio return= Σ(weights * returns)

**RISK, RETURN AND BETA OF PORTFOLIOS:**

| PORTFOLIO | RISK | RETURN | BETA |
|---|---|---|---|
| HDFC&WIPRO | 4.07 | 1.53 | 0.46 |
| HDFC&ITC | 4.24 | 1.08 | 1.115 |
| WIPRO&ITC | 4.87 | -0.57 | 0.155 |




**Findings:**

- Among the individual stock calculations, HDFC is better with returns of 3.19% and the risk of 6.11% and the beta of 0.82%. Whereas Wipro is having risk and adjusted returns are 8.45 and -0.13 respectively and ITC is having risk and adjusted returns are as 4.45 and -1.02 respectively
- On a portfolio construction, an equal combination of HDFC &Wipro has given a better risk adjusted return of 1.53% with risk of 4.07%. The Beta of HDFC Bank Wipro is 0.2 .the correlation and covariance between HDFC Bank & Wipro is -0.41% and -12.38 respectively.
- HDFC Bank & ITC are also good enough in risk adjusted return of 1.08% with risk of 4.24%. The Beta of HDFC Bank & ITC is 0.62. The correlation and covariance between HDFC Bank & ITC is 0.27 and 13.49 respectively.
- On evaluating performance HDFC Bank & Wipro ranks 1st in sharpe's index performance.
- While comparing the portfolios the systematic and unsystematic risks plays an important role in construction of portfolio.
- Finally the noticing thing is that, a portfolio with HDFC Bank is well performed.

**Suggestions:**

Among these three portfolio combinations, the portfolio with HDFC & Wipro is having optimum portfolio and it is preferable Portfolio with Wipro & ITC is not having positive returns. So, it is not preferable.

**Conclusion:**

On behave of the portfolio management study we can conclude that:

- The aim and objectives of the study has achieved.
- Investors with low risk averse can go for investing in a combination HDFC Bank & WIPRO, as the risk is low.
- Don't put your trust in only one investment. It is like "putting all the eggs in one basket" This will help to reduce the risk in the long term.

**Reference**

WEBSITE: www.moneycontrol.com
www.nscindia.com