



How to build your portfolio

The Risk-Return Trade off

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Understanding your
Risk Tolerance

Aligning with your
Goals

Factors Influencing Risk

Tolerance - Personal

Factors Influencing Risk Tolerance - Personal

Age

- Generally, younger investors can afford to take more risks because they have a longer time horizon to recover from potential losses.

Income & Financial stability

- Stable income and secure employment may allow for higher risk tolerance.

Investment Goals

- Our specific financial goals play a significant role

Factors influencing Risk

Tolerance - Psychological

Factors influencing Risk Tolerance - Psychological

Comfort with uncertainty

- Some people are naturally more comfortable with uncertainty and volatility

Past experiences

- Previous gains or losses can shape your attitude toward risk

Biases

- Overconfidence, fear of missing out (FOMO), or loss aversion can impact your risk tolerance

Matching Investment to Goals

Calculating Asset

Allocation

Calculating Asset Allocation

<https://investor.vanguard.com/tools-calculators/investor-questionnaire/questions>

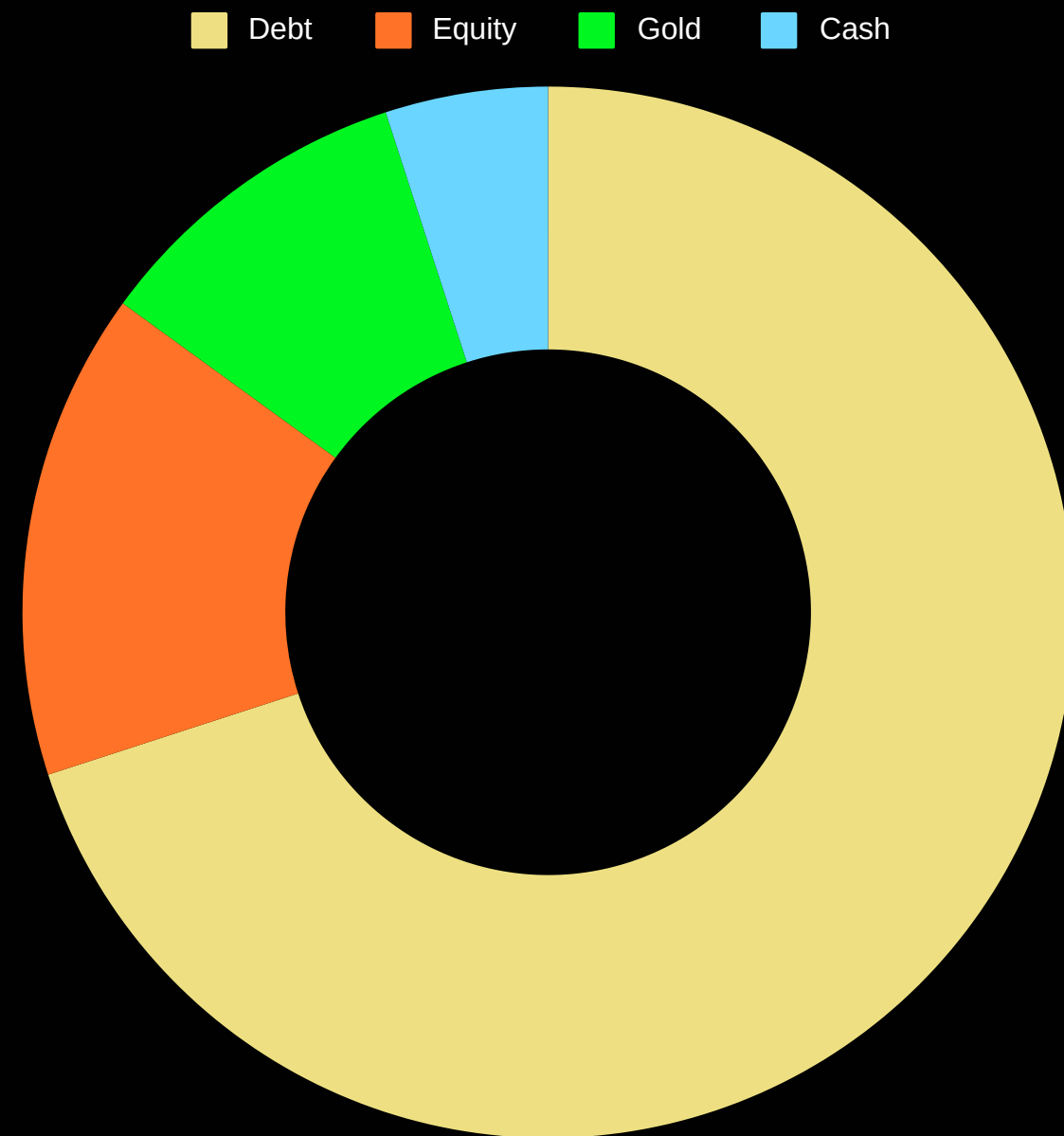
<https://mf.nipponindiaim.com/knowledge-center/tools/asset-allocation-calculator>

Model Portfolios

Conservative Portfolio

(Low risk tolerance)

Conservative Portfolio (Low risk tolerance)



Debt Instruments (70%):

- *Government bonds (e.g., RBI bonds)*
- *Fixed deposits with reputable banks*
- *Debt mutual funds (e.g., HDFC Short Term Debt Fund)*

Equities (15%):

- *Large-cap equity mutual funds (e.g., SBI Bluechip Fund)*
- *Index funds tracking NIFTY 50 or SENSEX*

Gold (10%):

- *Gold ETFs (e.g., Nippon India Gold ETF)*

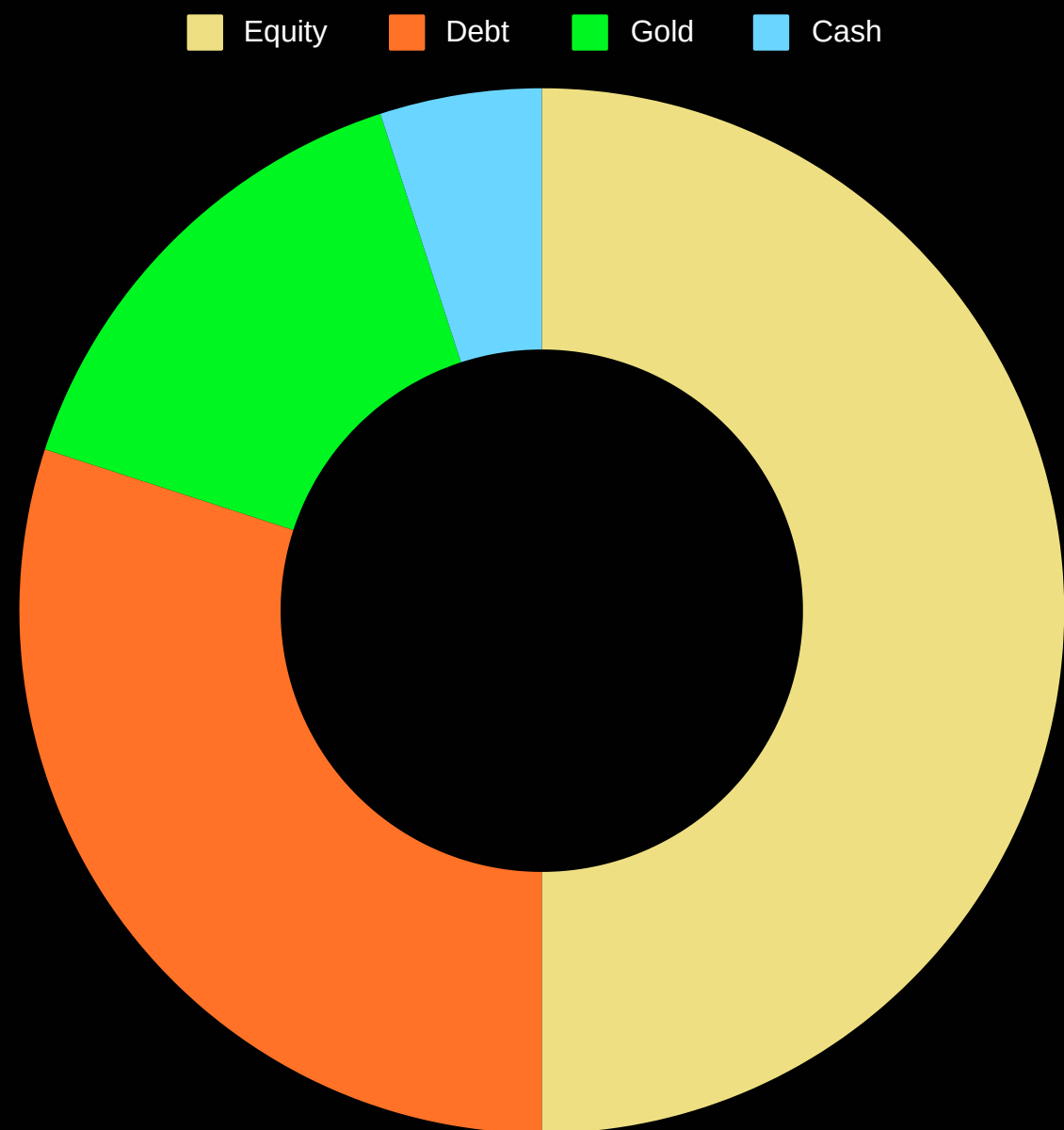
Cash and Cash Equivalents (5%):

- *Savings account*
- *Liquid funds*

Moderate Portfolio

(Medium risk tolerance)

Moderate Portfolio (Medium risk tolerance)



Equities (50%):

- Combination of large-cap and mid-cap equity mutual funds (e.g., Kotak Standard Multicap Fund)
- Select direct blue-chip stocks

Debt Instruments (30%):

- Corporate bonds with high credit ratings
- Debt mutual funds (e.g., ICICI Prudential Corporate Bond Fund)

Gold (15%):

- Gold ETFs (e.g., Nippon India Gold ETF)

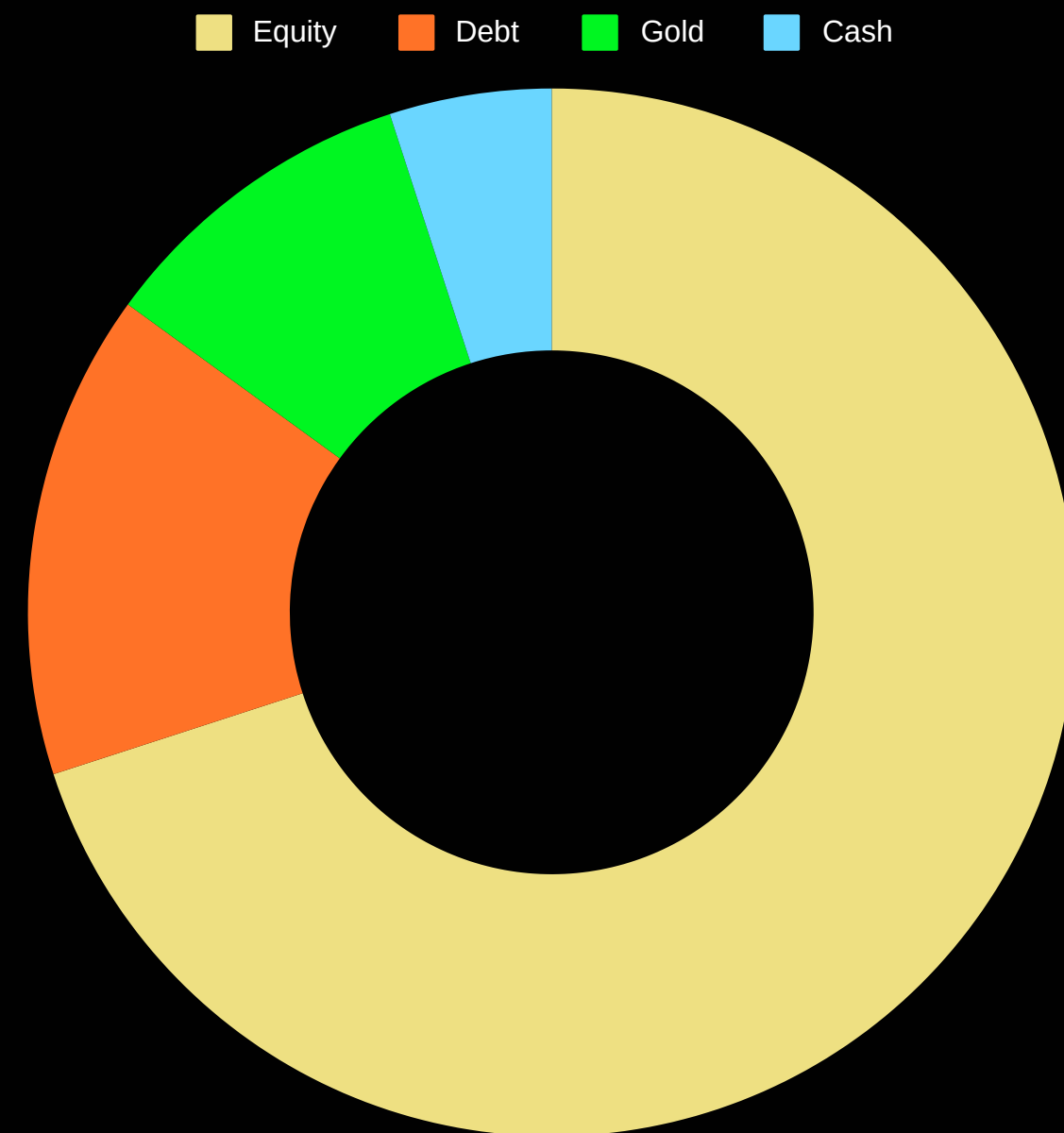
Cash and Cash Equivalents (5%):

- Savings account
- Liquid funds

Aggressive Portfolio

(High risk tolerance)

Aggressive Portfolio (High risk tolerance)



Equities (70%):

- Diversified equity mutual funds, including small-cap and sectoral funds (e.g., SBI Small Cap Fund)
- Direct stock investments in growth-oriented companies

Debt Instruments (15%):

- High-yield corporate bonds/ Corporate Bond MF

Gold (10%):

- Gold ETFs (e.g., Nippon India Gold ETF)

Cash and Cash Equivalents (5%):

- Savings account
- Liquid funds

Price to Earnings

What does it reveal

Opening Investment

Accounts

Opening Investment Accounts

Demat & Trading Account:

- Account needed to invest in Stocks (Direct Equity), Bonds (Direct Bonds), and ETFs
- You do not need Demat or trading for investing in Mutual Funds

Selecting a Brokerage:

● Factors to Consider:

- ❖ Brokerage fees and charges
- ❖ User-friendly platforms and tools
- ❖ Customer service and support

● Popular Options:

- ❖ Full-service brokers like HDFC Securities, ICICI Direct
- ❖ Discount brokers like Zerodha, Upstox

Selecting Specific Investments

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Research Research Research

- Use financial news portals, company reports, and screening tools for research
- **For Mutual Funds** – consider fund objectives, historical performance, and fund manager expertise

Evaluating Funds & Securities

- **Performance metrics:** Look at past returns, current valuations, and expectations
- **Risk Indicators:** Check the fund's beta, standard deviation, and credit ratings for debt instruments
- Consider fees and expense ratios for Funds

Monitoring & Rebalancing

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Regular Portfolio Reviews

- **Frequency:** Review your portfolio at least annually or when significant life changes occur.
- **What to Check:** Assess performance against benchmarks, check for drift in asset allocation.

Rebalancing to Maintain Asset Allocation

- **Why Rebalance:** Market movements can shift your original asset allocation, altering your risk profile.
- **How to Rebalance:** Sell overperforming assets and buy underperforming ones to restore balance.

Monitoring & Rebalancing

Adjusting for Changes in Goals or Risk Tolerance

- **Life Events:** Marriage, having children, or approaching retirement may necessitate changes in your investment strategy
- **Updating Your Plan:** Reassess your goals and risk tolerance regularly and adjust your portfolio accordingly.

Repeated Over Time

DISCIPLINE

+

PATIENCE

=

SUCCESS

Daily Action

Desired Outcome