

WHAT IS DIVERSIFICATION?

-Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles in an attempt at limiting exposure to any single asset or risk. The rationale behind this technique is that a portfolio constructed of different kinds of assets will, on average, yield higher long-term returns and lower the risk of any individual holding or security.

EFFECTS OF DIVERSIFICATION:

INVESTING IN A SINGLE -ASSET PORTFOLIO

-(INVESTORS A, B & C)

- ONGC provides the highest returns.(i.e)
- Although it provides with the highest returns out of all six investments, it is not as diversified as a two-asset portfolio and involves a higher risk factor.
- Limited price has to be paid for owning only one investment.
- Owning a single-asset portfolio helps the shareholder to be more involved with the company's policies and decisions

INVESTING IN A TWO-ASSET PORTFOLIO

-(INVESTORS D, E & F)

- HDFC & ONGC provide us with the highest returns in a two-asset portfolio.
- These share prices give the best returns at a lower risk factor.
- One needs to have a very stable financial position for owning a two asset portfolio.
- Owning a two-asset portfolio makes it difficult for shareholders to understand the company's best interests.

DIVISION OF WORK

I would like to express my gratitude to Mrs. Surbhi Gupta for giving us this great opportunity to work as a team and enlighten our perspectives.

1

After discussing with my partners I solved questions 1 and 2 of the project on excel.

2

The project helped me apply basic statistical formulas learnt in class and was essential in my deeper understanding of the subject.

SOLVED BY

MAHE POPAT

3

I solved question 3 and 4 of the project. This project was very interesting as

it helped me understand how I can use stats in my everyday life.

4

The questions also gave me an insight into sharpe ratio and excel formulae.

SOLVED BY
YASHVI SHAH

5

We had a great team which helped me understand and analyze the roots of this subject,

In Question 5&6 I learnt about correlation and comparative risk analysis of two given portfolios.

6

SOLVED BY
SAKSHI TRIPATHI