Investment Process

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Investment Process

An investment process refers to a set of guidelines individuals or organizations follow to achieve their financial objectives. It is a systematic and structured procedure and focuses on maximising returns while minimising risks. It aims to avoid emotional investment decisions.

Determining investment goals and objectives

Planning is the first step of an **investment management process**. It focuses on setting clear and specific goals for the short and long term. Your short-term goals can be paying education fees or buying a car. Your long-term goals can be retirement planning. These goals help to formulate your investment strategies.

Evaluating current financial conditions

This step includes understanding your income, assets, liabilities, monthly expenses, and risk tolerance. You must know how much loss you are capable of handling.

Allocating assets

- Invest your money in different asset classes to build a portfolio according to your risk tolerance. You can choose between equities, debt, bonds, and other asset classes.
- The risk-return profiles vary for different investment vehicles, making allocation challenging. Generally, when an asset class has a higher return potential, it carries higher risks.
- Investors with a high-risk tolerance should invest more in equities. On the other hand, those wanting to avoid huge volatility should take a more balanced approach.

ACTIVITY

Categorize the below investments into short term and long term

1. Real estate
2. Commercial Paper
3. Treasury Bills
4. Certificate of Deposits
5. Fixed Deposits

Selecting an investment strategy to build a portfolio

Active: The investor actively remains involved in fund management.

Passive: The investor does not track investments on a day-to-day basis.

The investor waits and watches the generation of returns on investment.

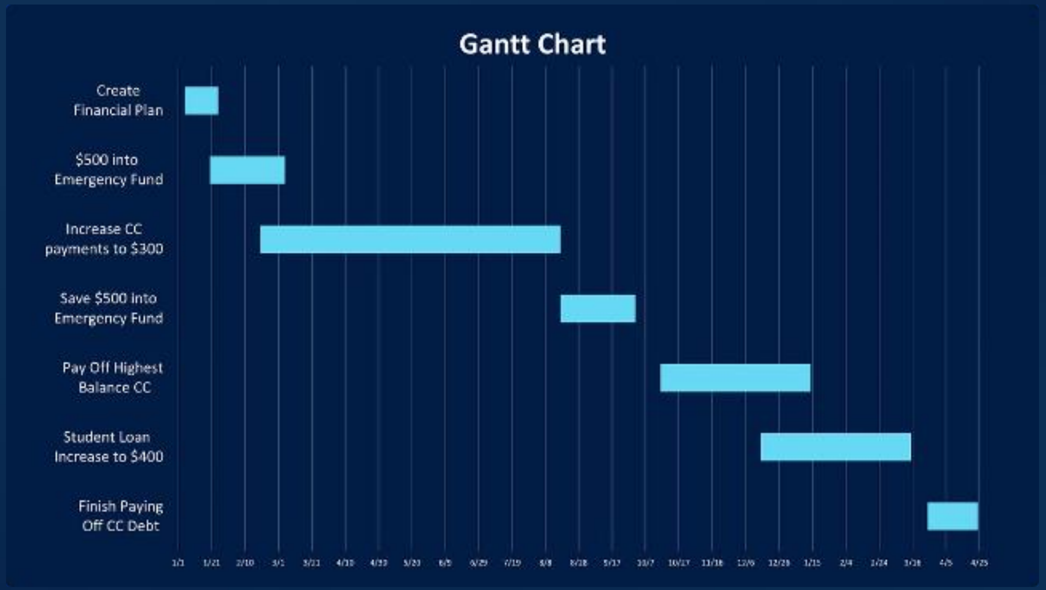
Short term: This strategy focuses on returns in a short period. The investor invests in cash funds, short-term bonds, money market instruments, etc.

Long term: This strategy focuses on generating returns over many years.

You can invest in mutual funds, gold, real estate, and stocks.

Monitoring, tracking, and updating the portfolio

The next step in the investment management process is tracking and managing your portfolio. Investors review the performance of assets regularly to ensure their investments are aligned with their financial objectives and goals.



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