

# Report on value of risk

[Finance](#), [Investment](#)



There is enough evidence showing that many private investors make investment mistakes, such as non participation in the stock market at all, under diversification and overestimation of the domestic equity in their portfolios. Therefore value at risk assists them to estimate the potential loss of these risky assets over a specific period of time. Hence if the value at risk on an asset is \$ 100 million at a one-week, 95% confidence level, there is a only a 5% opportunity that the value of an asset will fluctuate more than \$ 100 million within a specific period of time.

The value at risk is sometimes called the possible loss in value from what is considered normal loss in the market. Therefore in this paper have discussed the steps to be followed in constructing the asset allocation portfolio and possible recommendations on how to deal with risky situation and assets to avoid possible loss in fund.

The investor personality profile is the first step of creating a asset allocation recommendation paper. It entails giving brief description of the investors in regard to his or her age, marital status and others. Therefore below is my investor personality profile which full fills the requirements of the stages of asset allocation portfolio.

### **Age ; 25 years**

Marital status ; married and has one son

Current monthly income : \$850, works part-time as a waitress.

Spending habit. Spends too much money on clothes.

## **Saving pattern. ; Saves in insurance company for the child's education**

### Expenses

- Rent \$800/month,
- Food d \$900/month,
- Clothes. \$1250/month

### **Others**

- Amount in bank account \$2500
- Has a visa
- Better credit rating
- An engineer by profession

### **Step two**

Risk tolerance is the individual's attitude toward accepting a given risk. It has financial implications on both the consumers and the financial service providers such as banks and others. Therefore Mr. Maloney who is my client has a risk tolerance of accumulating money for their son's education in 18 years time. The man has \$69 000 which he has decided to invest on Repel t-shirts for his son so that when the son is through with his secondary education he can get money for pursuing post secondary education. Therefore the amount of money that my client shall have invested by the time his son will be through with secondary education will be \$69 000. therefore in a period of 18 years my claim shall have saved \$69 000 meaning that he has to save approximately \$3 833. 33 per year. Therefore the amount of money his son will need for post secondary education is broken down as shown below.

### **Step three**

#### Asset allocation

Here the main aim is to devise a mechanism of a money generating activity in which the expected money should be kept at, as shown below. Fishers financial is the recommended financial advisory financial institution for education investment, therefore Mr. Maloney who has 18 years to collect and invest \$69 000 for his sons education. Since fishers financial was concerned with vigorous they ended up putting the money into fixed tools and mutual income.

With my client, I decided that putting the money into a fixed income would be best, since it is the most convenient asset allocation for him because it generally provides much return than cash and saving accounts. Fixed income provides regular investment income, which is constant over time. This is basically fixed interest and an investment with minimal risk. Because of this my client won't lose his shirts if anything to happen to his investment.

Therefore, consistency of the stock chosen by an individual is very instrumental. Since we need stocks investments which are not prone to fluctuations decreases in earnings, In order to ensure that our client's income is safe.

### **Step four**

The creation of an investment portfolio investment recommendations and variance analysis.

Fishers Financial advised Maloney who has 18 years to accumulate \$69 000 for sons post secondary education to put his money into fixed income instruments and mutual funds. But Maloney decided to chose stocks on the

basis of growth potential. Meaning that Maloney might not have understood the real meaning of fixed income instruments. To Maloney's credit, Fishers Financial carried out some analytical reports and charts for their company's earnings for informed stock selection.

With my client Mr. Maloney, we decided to put our money in several stocks and mutual funds. The major stocks we decided to invest in are:

Edispatch. com Wireless Data (we invested in 100 shares/\$6. 70), AET Systems Int. (invested 75 shares/\$11. 10), Weatherford Oil (Invested in 19 shares/\$44. 50), and Viscogliosi Bros. (invested in 50 shares/\$14. 94). We then decided to invest in the

### **Stalks mentioned above.**

We found in the analytical reports which provided us with future outlooks for each company. we also read the charts of company earnings for over certain periods of time. We chose Oil Company, which had the greatest risk to give a variation of investment. Due to the fact that investing in the oil company is a long term process, my client will have sufficient time for moving up and down.

We chose to invest in funds did not fluctuate value but were constant, yet had increasing earnings. We invested 8 shares at \$78. 85 in Advantage Series Investors group, 1 share at \$194. 93 in Elite Equity (Investors), 150 shares at \$10. 86 in

Canadian Equity (investors) and 25 shares at \$22. 32 in Fidelity Besides investing in stocks, we went ahead put aside specific amount of money which has more risk. In fact, this was done in order to provide a variation of investment. Since our clients are investing long-term, we looked at the 5-

year charts to get a rough idea of how consistent each stock was.

Consistency was one of the most important factors in determining the stocks we selected. (Life insurance). Stocks. So the way we invested the total funds is shown below.

Mean variance analysis

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