Essay on portfolio recommended to kim and rich

Business, Company

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Introduction

Management of portfolio always gives a good reasoning to the investor to park their money in their stocks accordingly, and with a flare of earnings. There are hundreds of thousands of investors who get benefited from the management of portfolio (Swensen, p. 45). Managing portfolio with optimization of the best available options to invest is a great thing on which the entire productivity of an investor would depend heavily. All the investors in the world are trying to mitigating their direct cost and risk in a perfect manner, because they have the idea in their mind that managing of risk will increases the investment portfolio consideration of an investor in a best possible and effective manner. The tradeoff between risk and investment is an important relation which every investor would like to have in their

operations. The assignment is all about making and then managing an investment portfolio comprises on different stocks having different investment cycle and tradeoff accordingly. There is a couple which is taken into consideration for the hypothetical recommendation, with the name of Kim and Rich. The companies which have been taken into consideration of the investment purpose are Microsoft, Wall-Mart and Proctor and Gamble. The total invested money that saves by Kim and Rich is $ 100, 000. With the help of effective investment and management techniques, effective actions should have been taken accordingly.

Analysis & Findings

Management of portfolio always is effective for the sake of an organization, and it is equally beneficial for their long term effectiveness and investment. The three companies which have been chosen for the same analysis and there is a rationale attached with the choice of each of the company in the investment portfolio.

The rationale of Choosing Proctor & Gamble (P&G)

Proctor & gamble (P&G) which also known as P&G is an American multinational organization with its headquartering located in Ohio, the United States (U. S). James Gamble and William Proctor are known as the founder of the company who founded the company way back in the year 1837. It is basically a company of cleaning agents, pet foods and the personal care products. Kellogg and Pringles are some of the major brands of the P&G; however the company is now focusing hard on the food and beverage items. The rationale behind choosing this particular company in the investment

portfolio management is its effective financial management aspects, and remarkable history as far as satisfying the needs of their investors in an ethical and well deserved manner. The company currently owns more than 120 brands, but they focuses only on the top 80 brands, and the services of the company are spread in more than 100 countries of the world. The financial effectiveness of the company is the only that induce to select in the portfolio, as the company reported net revenue amounting to US$ 84. 17 billion in the year 2013 with net income provision in the same year of US$ 11. 31 billion. The net profit margin of the company in the same year was nearly 14% which lay in a good position. Currently, more than 120, 000 employees are working with the company, with a great flare of satisfying their needs for the motivational level.

The rationale of Choosing Microsoft Corporation

The second company which has been chosen for the same analysis is Microsoft Corporation. It is a multinational company with the origin from the United States of America, owns by one of the richest persons of the world, Mr. Bill Gates. The company located in Washington, the United States. It develops manufactures and supports the computer software and consumer based electronics to customers related to different parts of the world. Microsoft's relies on the business model of Business to Business (B2B) in which the company will be in the interaction with their retailers and franchisers to sell their products to the company. The company is not in the direct interaction with the customers, which means that the company is utilizing One Level distribution service for their consumers. The company found effective due to its quality products and effectiveness in the services.

Microsoft Corporation has the accolade to have the largest software making and Development Company of the world.

The rationale behind choosing Microsoft is that the company has a great flexibility in their share function with a remarkable capability to manage the same accordingly. The company has a great investment structure with very low level of volatility and insurgencies in their stocks and shares. The reported revenue of Microsoft in the financial year 2014 was US$ 86. 84 billion with net income of US$ 22. 07 billion in the same year. The NPM of Microsoft is far better than that of the NPM of P&G, showing a proportion of 25% in the same year. Kim and Rich will certainly please with the current effort to mobilize their earnings in a best possible manner.

The rationale of Choosing Wall-Mart

Wall-Mart Stores is yet another American based multinational retail corporation that operates chain of large discounted base department stores and warehouses. Wall-Mart has it's headquarter location in Arkansas, the United States. Sam Walton is known as the founder of the company who has over 11, 000 stores in 27 different countries of the world. The company has wholly owned operations in Brazil, Argentina and Canada.

The rationale in choosing this company is the same which is having high effectiveness in the market, with satisfied customers and high financial portfolio particularly. Wall-Mart is known as the world's largest company in terms of revenue, and the biggest employer in the world, according to the report of Forbes-500. The shares of the company are actively trading in the New York Stock Exchange (NYSE). It is a financially strong company of the world with reported revenue of US$ 476. 294 billion in the year 2013 with net

income provision of US$ 16. 022 billion in the same year. Kim and Rich has to make sure that their investment is going in the right path and right direction, and for that purpose they are required to choose these three companies accordingly.

Allocation of Investment

The share history of last ten years will be taking into consideration for all of these three companies, and then relevant statistical measures would have been applied on this (Swensen, p. 45). The total investment which will be used for the used for the analysis purpose is $100, 000. The allocation will be done on the basis of the company's return and riskiness. Relevant statistical measures like mean, standard deviation and correlation will be applied on the analysis along with the analysis of increment and decrement of return accordingly. Mentioned below table is analyzing the same thing

The highest allocation is applied on the Microsoft because of high return provision; while second and 3rd highest are Wall-Mart and P&G respectively.

The Portfolio Management Analysis

In this part, it will be analyzed that how much return has been achieved by Kim and Rich on their net investment of $ 100, 000. The return would be based upon the level of allocation along with the management of riskiness

The total portfolio return is 2. 78%, which is comparatively higher than P&G and Wall-Mart, but slightly lower than the individual return on Microsoft. However, there will be a huge difference in the risk mitigation technique

The proportion of risk is 3. 91%, which is lower than all of the individual level of risk in securities. It is showing that making and management of portfolio

always work like wonders for the individual investors, and it is found in the same analysis as well.

Invested Amount by Kim and Rich = 100, 000

Return = 2. 7894% per year

Return in $ = 100, 000 * 2. 7894 = $ 2, 789

Equity Will Become after 1 year = $ 102, 789

Conclusion

The entire analysis which has been done on the subject of finance and investment management revealed that making and managing a portfolio always work like wonders for the companies, and it is equally beneficial for the individual investors in different parts of the world. It is equally beneficial for a hypothetical couple Kim and Rich, who will gain a return of $ 2, 789 by investing their initial amount of $ 100, 000 in the three dominating companies of the United States. Kim and Rich also found effective as far as managing their riskiness is concerned.

Work Cited

Swensen, David F. Pioneering Portfolio Management. New York: Free Press, 2000. Print.