

Funds management and portfolio selection

[Business](#), [Management](#)



In addition, this effect is also likely to affect AXA in a similar manner, since it is also one of the companies with notable regression. AXA is the topmost wealth management company in Australia and New Zealand with capital management as its integral objective. Its steady improvement is the overall performance in the Australian stock market can be closely associated with the company's strong capital position. Comparing to other industries, the mining industry is the biggest market in Australian, and it takes a huge shape in the stock market. This is a reason behind FMG's higher regress than other companies. Next, these companies set up to ten different portfolios, and the beta decrease with the portfolio extending (Sutton, 2009).

Results from the selection of more stocks into the portfolio

When the extra stock is added in each portfolio, the level of Beta reduces from 0.5 to 0.1. As a general measure of a stock's systematic risk, Beta is defined as the quantity of systematic risk present in a certain asset respective of the risky asset. A beta level below 1.0 shows a stock with a lower amount of systematic risk compared to the market, the reverse is true.

Figure 2: Graphical representation of Beta

The results from the variation in Beta illustrate that when more stock is added to a portfolio, the lower the unsystematic risk exposed. This is evident in various industries or sectors, which are less risky. At first, Beta declines increasingly; however, the trend changes as more stocks are added to the portfolios.

Expected Returns

Figure 3: Expected Return

Figure 3 illustrates a decrease in the systematic risk with the expected return dropping to 0.0003346430 from 0.0009922230. It implies that systematic risks can be minimized by adding more stocks, hence diversification. However, the utility reduces rendering investment to be insignificant (Markowitz, 1952).