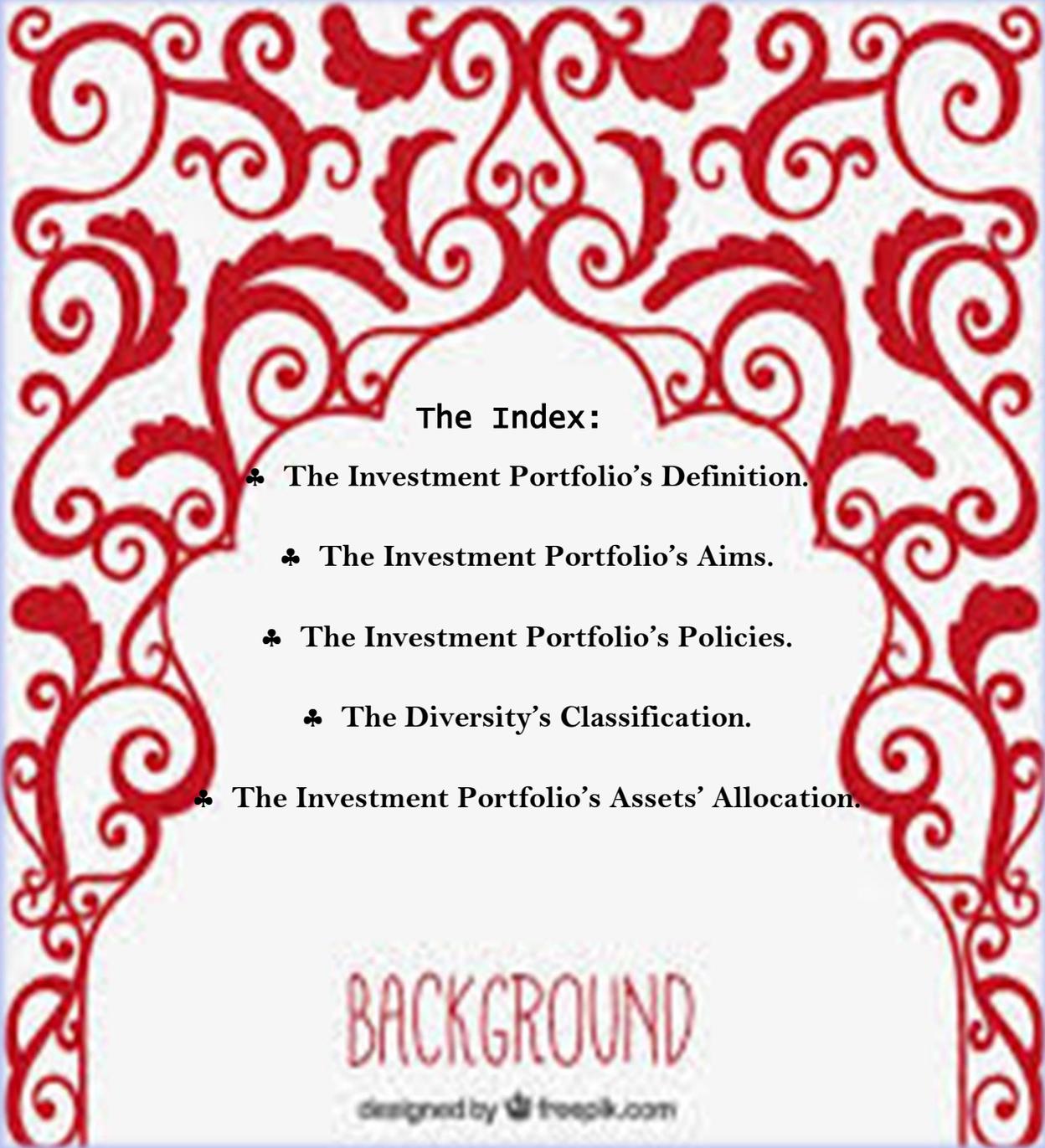




# The Investment Portfolio



**The Financial Awareness Program**



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- ♣ The Investment Portfolio's Definition.
- ♣ The Investment Portfolio's Aims.
- ♣ The Investment Portfolio's Policies.
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- ♣ The Investment Portfolio's Assets' Allocation.

BACKGROUND

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♣ **The Investment Portfolio's Definition:**

It is the Investment Portfolio that is consisted of a varied and balanced group of Assets and the Investment Instruments in a way that makes them the most appropriate for achieving the Investor's aims.

- **The Investment Portfolio:**

- It is "a series of various securities."
- It consists of varied securities from the type, rights and the Issuance Entity. And these securities are varied from the aspect of return, liquidity, the insurance, the due dates, the Marketing's Possibility, the Issuance Process and the Risk's Degree.
- It aims at maximizing the return at a certain level of risk through choosing a group of securities.





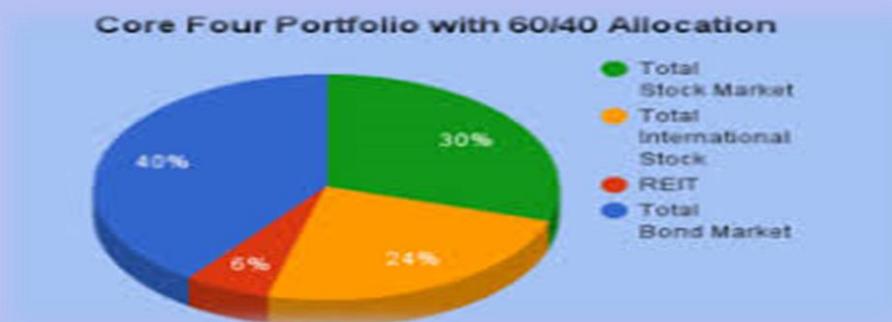
- The Investment Portfolio's Management's Strategies:

1) The Strategy of the Investments' Quality:

The necessity for dealing with High Quality Securities to obtain secured Returns.

And in this concern, it is considered as a necessity to avoid the securities that their Periodic Return is subject to severe fluctuations.

And to avoid the investments that their Market's Value is subject to the decrease.



2) The Strategy of the Investments' Diversification:

It consists of a varied group of securities that contribute into decreasing the Risks' Degree that the Investment Portfolio's Return is facing without having a reverse effect on the Return's Volume.

### **3) The Strategy for Reserving the Invested Funds:**

It means to reach into the real insurance that is to regain the same purchasing power of the Currency Units of the Assets' Investment Funds.



### **♣ The Investment Portfolio's Forming's Aims as for the Investor:**

- 1) To protect the Invested Funds from the slump of their Purchasing Power due to the inflation.
- 2) To develop the Portfolio, that is to vast its Capital's Value.
- 3) To achieve Periodic Return and an additional Capital Income that is resulted from the Selling's Capital's Profits in a way that is bigger than the Purchasing Value.
- 4) To insure against the Risks, and specifically the Risks of the Purchasing's Power's Slumping.



♣ **The Investment Portfolio's Management's Governing's Policies:**

The Investment's Policies are divided into:

**1) A Conservative or Defensive Investment Policy:**

It is a way of available Funds' Investing in the form of Long Term Bonds, or Treasury Bonds in a method that insures the providing of an organized Income on the Long Run.



**2) An Aggressive Investment Policy:**

It focuses on achieving Capital Profits due to fluctuations in the Securities' Prices that are usually in the form of Ordinary Securities. And this policy is distinguished with the rising of the Risk's Element.



### **3) The Balanced Investment Policy:**

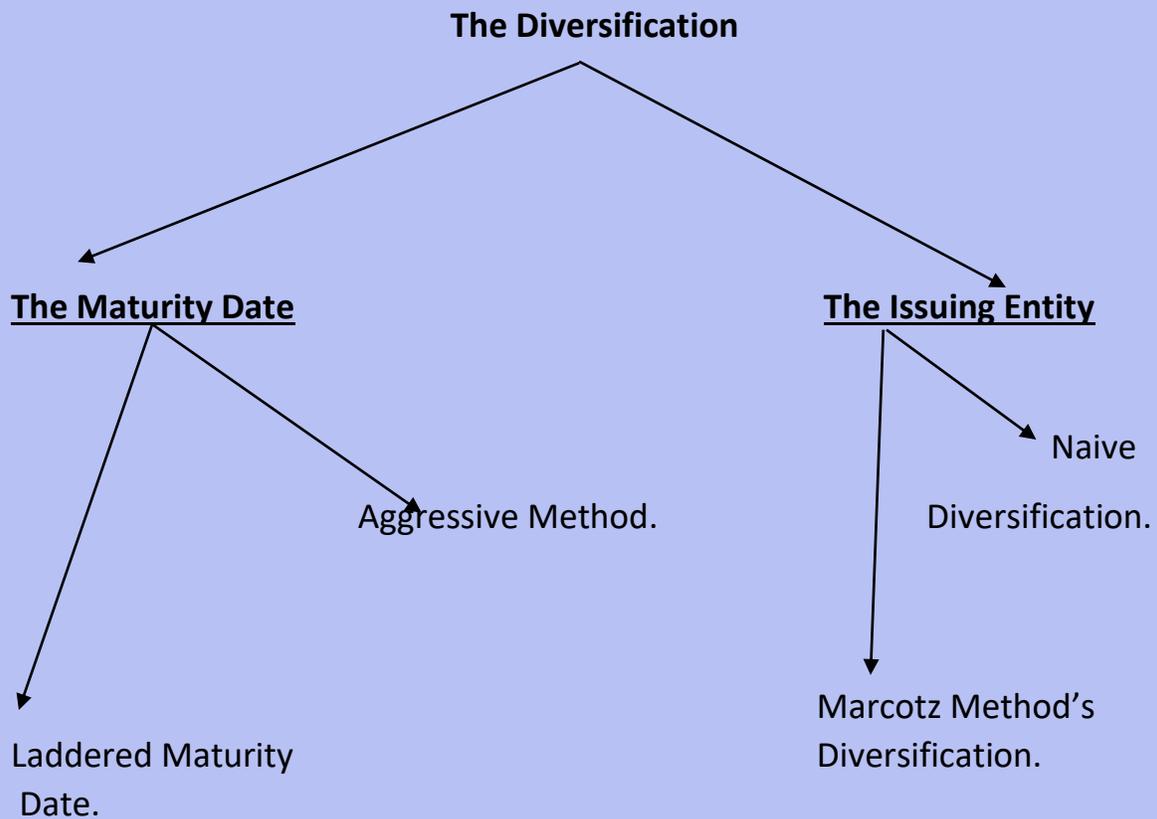
It combines between achieving the Secure Element and the Element of the Risk. And the Investment Portfolio will be formed since conducting this policy from the Ordinary Securities, Short Term Securities, and Long Term Investment Instruments such as Bonds.





♣ **The Diversification:**

We can clarify the most important type of Diversification as it is stated in the following diagram:



## **1)The Issuing Entity's Diversification:**

It means to abstain from directing the Invested Funds at the Investment Portfolio into one Institution's Issued Securities.

And it is considered as a false to concentrate the investments in one institution's securities.

And this diversification is Laddered Form into the Planning One.



### **A.The Naive Diversification's Method:**

The increasing in the investments' diversification that is included in the Investment portfolio may lead into the decreasing of the Un organized Risks, while it does not contribute at all in the Public Risks' decreasing.

And it leads into abstaining from the exaggerating in the Investment Portfolio's elements' diversification because of its resulted and ad versed effects as the following:

- 1) The difficulty in Managing the Investment Portfolio.
- 2) The rising research's Cost for new Investments.
- 3) The make – up of un safe Investment Decisions.
- 4) The rising average of the Purchasing Costs.

## **B. The Diversification According to Marcotz Method:**

It is based upon the narrow choosing's necessity of the Investment Portfolio's elements' investments taking into consideration the correlation's degree among these investments' return.

And each time we have a reversed relation, the risks that are facing the Investment Portfolio's return is less in comparison to what we call the direct relation among these investments' return.

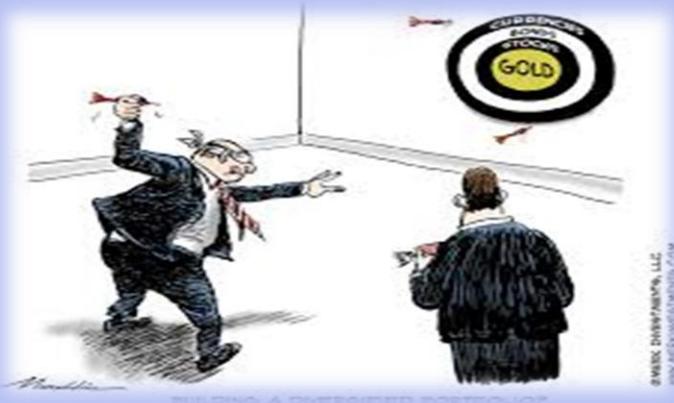


## **2) The Maturity Dates' Diversification:**

There is a relation between the Market's Interest's Price and the Bond's Market Value.

And we adopt a prudential diversification policy concerning the distribution of the invested funds at the Investment Portfolio between the Long Term Bonds and the Short Term Bonds.

And we can diversify through accrediting the following Methods:



### **A. The Aggressive Investment Portfolio Management Method:**

This Method is based upon the Consistent transformation from the Short Term Bonds into the Long Term Bonds according to the circumstances that are according to the Interest Price's Expected Trends.

So if the Expectations have signaled a sign for a rise in the Interest Price, the Manager of the Investment Portfolio has to accelerate in the selling of the Long Term Bonds and to use their gains in the purchasing of the Short Term Bonds.

### **B. The Laddered Maturity Date:**

It means to distribute the Investment Portfolio's Allocations on a Laddered Maturity Date Investments.



### **C. Focusing on the Short Term and the Long Term Investments; or what we call “Barbel Maturity Structure”:**

This Method of diversification is necessitate to distribute the Investment Portfolio's Allocations equally between the Short Term Investments and the Long Term Investments with the excluding of the Medium Term Securities.



♣ **The Investment Portfolio's Assets' Allocation:**

After the investor has defined the securities that he / she is intending for listing in his / her investment Portfolio, he / she will move to the second and basic decision to achieve his / her investing aim that is to allocate the Assets of the Securities' Investment Portfolio.

And we mean by that; how we can distribute the investments on the Various groups of the Financial Assets; such as the Securities, Bonds and the Foreign Securities.



## ♣ The Investment Portfolio's Performance's Evaluation's Methods:

To evaluate the Investment Portfolio has to be done from time to another while conducting the management process of the Investment Portfolio.

And the Evaluation's Methods for the performance of the Securities' Investment Portfolio will be varied.

And the most important Methods are clarified in (4) Four Basic Forms that are:

1. The Sharp Form.
2. The Tenure Form.
3. The Gensen Form.
4. And the Fama Form.

And each Form (Pattern) will be exposed clearly as the following:

### **1. The Sharp Form:**

A Compound Index to measure the performance of the Securities' Investment Portfolio.

It is used to compare among the similar aims Investment Portfolios.

And it is based upon defining the Additional Return that the Securities will achieve that represent a parallel part's unit of the over all risks' ones that are included in the investment of the Securities' Investment Portfolio.



## **2. The Tenure Form:**

It is based upon the dividing between the Organized Risks and the Un organized ones.

And the Organized Risks are measured by way of using Beta Coefficient (B), which is calculated by the way of calculating the Covariance between the return of an Investment Portfolio and the return of the Market's Investment Portfolio.



## **3. The Gensen Form:**

Gensen submits a pattern to measure the performance of the Securities' Investment Portfolio that is defined as (Alfa) Coefficient; that is based upon finding the deduction between two return's amounts.

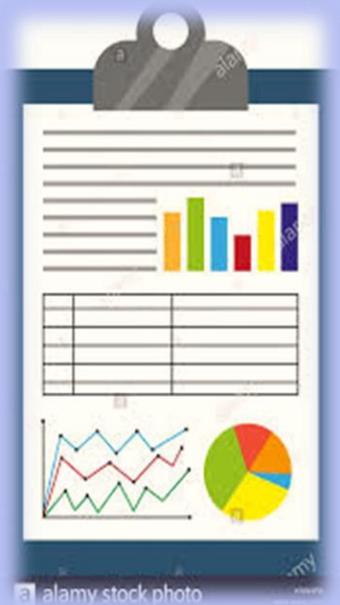
The First Amount expresses the amount of the "Additional Return." While the Second Amount expresses the "Market's Risk's Premium." And (Alfa) Coefficient indicates that the performance of the Securities' Investment Portfolio is good if the Coefficient is positive, while it is bad if the Coefficient is Negative.

And if Alfa is Zero, it indicates an equal return wherein there is an equality between the Return of the Securities' Investment Portfolio and the Market's Return.

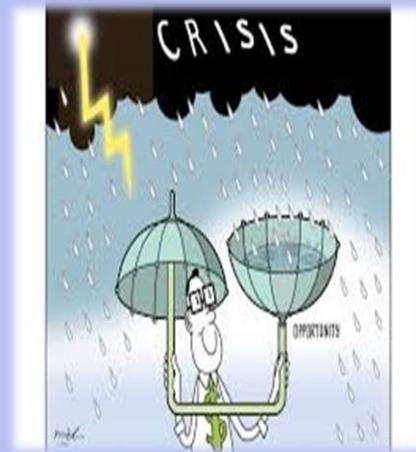


#### **4. The Fama Form:**

The Fama Form submits a Form for the evaluation of the Securities' Investment Portfolio's Performance that is based upon the deduction among the Similar Portfolios in the Levels of the risks.



And this Form is based upon the expecting of the Future's Market's Trend that clarifies the equal relation between the Expected Return and the Risk for any Securities' Investment Portfolio.





**For Contact with Syrian Commission on Financial Markets and Securities (SCFMS);**

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