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AN ANALYSIS OF ASSET ALLOCATION ANDINVESTMENT MANAGEMENT

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ABSTRACT

Asset allocation arrives at a conclusion on, what part of a portfolio of investment should be placed, and in which part of the class of broad assets (e.g. liquid cash, equities, or fixed interest securities). Investment management is the field of study, where various investors pool their investments and manage them. The main aim of this research is to analyze any scope of difference between theoretical and the practical allocation of assets in this type of Industry. Researching the asset allocation theory and applying it in co-dependently can help to find several ways in the improvement of both. This research also identifies the gaps in theoretical and the practical aspect-and come up with some methods that may lead to overcoming these gaps. Authors have also tried to show the in-depth details of allocation of assets as well as investment management, to realize client's needs and wants as per the current market scenario, and how a client's portfolio can be defined and managed, and, which of variables a portfolio manager should consider designing a portfolio. The current research utilizes the set of both quantitative and qualitative data for examining the level of awareness among customers and practical use of theories of asset allocation, and the theoretical methods by the professional industrialists.

KEYWORDS: Investment & Allocation of Assets

1. INTRODUCTION

Due to numerous investment opportunities and multiple assets, it becomes important to study the behavior of experienced investors and develop asset allocation strategies for the weighted balance between multiple assets in an investment portfolio. These strategies help in optimizing the risks and rewards. Asset Allocation has no simple equation that can give the right strategy for investment. It varies from individual to individual and depends on multiple factors such as the investment amount that the investor willing to source, market conditions, expected rate of return, type of investment and risk appetite of an investor. Different strategies are required for attaining different objectives. Asset Allocation relies on the fact that various types of assets perform in a different manner in various types of economic or market conditions. This difference in performance can be accounted as a consequence of no perfect correlation between different asset classes. Hence, this difference curbs the risk involved and determines returns from an investment portfolio. As every investor in the competitive market is targeting to maximize his gains, he should first understand the market trends, their impacts and act according to some predefined strategy.

A new investor, who invests in the future, faces two main options –individual stocks or mutual funds. Mutual stocks or funds are nothing but a type of an actively managed bucket of stocks defined to counter the market with assistance of the fund manager. An investor can buy individual funds through a broker, and thereby it becomes the responsibility of the buyer to manage the portfolio. On the other hand, mutual funds are considered more of a passive type of investment. Both Individual stocks and mutual funds have their own set pros and cons, which are key factors to be considered by the investors.

The first timer investors start with mutual funds, as they are automatically diversified, and have a large scope of bucket – ranging from a particular sector funds like tech sector, or financial, or retail ranging to commodities or to foreign indexes. Mutual funds have large stock holding, and only a small percentage comprises of equity. It presents both pros and cons.

Allocating an asset is a type of an investment strategy that is aimed to balance the risk and returnsbyadjustingtheportfolioassetsaspertheindividual'sobjectives,the risk involved and its tolerance and the scope. The main classes of asset that are liquid cash, equity, fixed- income and their equivalent shave different range of involved risk and return, and so behave in a different manner with a passage of time.

There isn't a well-defined way or a concrete formula to define the allocation of assets. However, various financial professionals have narrowed it down to the notion that allocating assets is among the most crucial decision by an investor. By definition, each security option is the second determinant of how stocks are allocated by assets, or by bonds, or by liquid cash, or by equity, which is the deciding factor in your investment results.

Investors use various types of asset allocations for different objectives. For example, if an individual is saving for a new car in the next year, he/she can deposit his/ her savings for a car with a lot of cash, deposit certificates (CDs) and temporary bonds. Another saving, for many decades that each retired person consider is to invest most of their retirement account (IRA) in stock, as they have more time for temporary market erosion. Risk involvement and tolerance plays a crucial role here. If an individual, who is uncomfortable to invest in a stock can invest his/ her money for a long-term allocation.

2. LITERATUREREVIEW

Ali, Tariq, et al., (2018) observed that allocation of assets helps the individuals who are looking to invest shorten their risks by diversifying it. Looking at history returns from bonds, stocks, and invested cash haven't behaved in a similar manner. Economic and market parameters, which leads any one asset out of this set outperform others in a similar time frame that may lead to underperforming of another asset. In addition to diversification, to fulfill your financial objectives asset allocation is crucial. An individual, who's investing and isn't taking risks might not fulfill their financial objectives as they might not generate high returns, whereas an investor who's taking on excessive risk may face shortage of funds when he/ she needs to access it. Choosing the right asset allocation means ensuring an ideally positioned portfolio to fulfill a goal. Asset allocation marks a whopping 88% of dynamicity and returns, as per Vanguard, meaning that the individual's experience will be very stable and consistent compared to any other investor, who has diversified his/ her funds with the same allocation of assets. Conclusively, allocating assets are lot more crucial than picking a stock if you want to fulfill your goals.

Hadhri, Sinda et al., (2019) investigated if it would be profitable enough investing in emerging markets. There is a third moment involved in allocation of assets apart from the first two: realized skewness. By observation, it is obvious that the emerging markets display both positive and negative realized skewness. Skewness analysis across markets lays emphasis on new opportunities in diversification of portfolio and different investment strategies. In addition, various types of skewness-based strategies are proposed to invest in regional emerging markets and conclude that the asymmetry in returns can lead to a good portion of certainty equivalent gains. The results here depict that investing in a developed market is being outperformed by investing in an emerging market for different time horizons and most crucially in dilemma times.

Sandeep Bhattacharjee's research paper focused on the impact of allocation of the stocks and bonds on the performance of the portfolio. There's enough recognition and notion that there exists a relationship between risk involved and the returns. More returns typically, come with higher risk. But, it is not always true that higher risk is accompanied by more returns. Now, firstly, if a higher return were guaranteed, the venture wouldn't really be risky. In addition, the theory tells us that only the efficient risks can be approximated to be compensated by more returns. Unthoughtful risks show no prospect of more returns. Allocating funds to stocks, bonds or cash are directly impacted by the risk constraints. Investors have to come to a decision as to how much percentage of their money should be invested in which of the asset classes. A few analysts sub-categorize the already asset classes, and include other asset class types like precious metals, or real estate, or income trusts. A combination of equity and debt has been tested with pooling of equity funds and debt funds, separately. Every Portfolio which contains 23 stocks each has been pooled together into Equity basket, Debt basket and Balanced basket. T-test analysis has been used to test the performance of the baskets. The outcome obtained can be used by mid-term investors for effective investments with better returns in such period.

Hamish Anderson, Ben Marshall, et al., (2014) from United States and the international economics and markets, concluded about the performance of the 'Permanent Portfolio'. They observed that superior risk-modified rewards are given by permanent portfolio, but throughout a buy-and-hold strategy which is based on the raw returns, it is likely to underperform. They also observed that there is a likelihood that the permanent portfolio is in the interest for investors, who are predominantly risk-aversed.

Robert V. Kohn and Oana M. Papazoglu-Statescu (2006) have depicted in their study that despite the dynamics, the static allocation of asset decisions differs from each other generically, but coincide in enough number of case.

Whereas, Robert Jarrow and Feng Zhao (2006) affirmed that the quantitative techniques usage for portfolio management of bonds, and the increased use of derivatives for the purpose of to manage the equity portfolio has shown a resurgence in the portfolio management literatures, due to downside loss-averse preferences. In their study, they justified the reasonable use of mean – variance analysis since fixed- income portfolios are less normally distributed than portfolios which include equity only that have small risk events, despite the increasing empirical evidence which support the use of downside loss portfolio theory in management of investments.

3. RESEARCHMETHODOLOGY

3.1 Objectives

- Studying investor awareness that influences Asset Allocation in various investment schemes.
- Studying various factors that affects the decisions on Asset Allocation in investments
- Attempting to identify market points to formulate a profitable investment strategy

3.2 Sample Size

The research was done with a sample size of 175 respondents.

3.3 Tools used for the Analysis

- SPSS for graphical representation
- Piechart

- MS Excel to compare and analyze data by using statistical tools, which include mean, Standard deviation on the basis of returns and various risk measuring tools such as Sharpe Ratio, Alpha, Beta etc.

3.4 Data Collection Approach

Primary data was collected for this research. Various journals and publications and websites were used for secondary research. Structured and non-disguised questionnaire are designed for primary data. The questionnaire has both open and close-ended questions.

4. DATA ANALYSIS

Pie Chart 1: Where should you invest money for short term?

Pie Chart 1

Interpretation: According to the survey, 50.3% customers mentioned car as their short term goal because people have a psychology of owning a car means having a convenience of life.

Pie Chart 2: Where should you invest money for long term?

Pie Chart 2

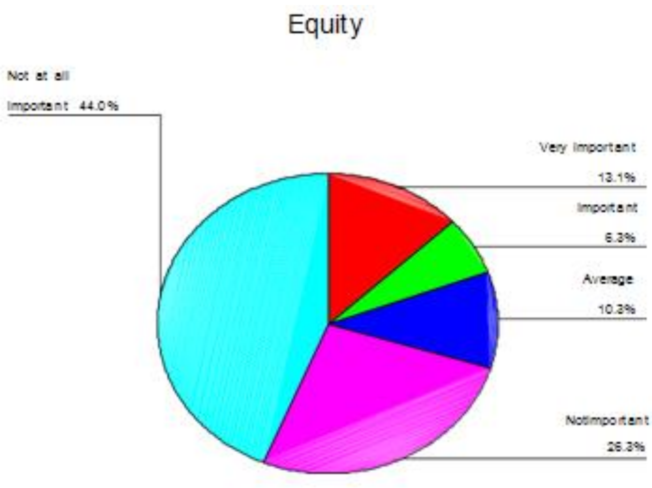
Interpretation: According to the survey, 67.5% people give more preference to property. This emphasize that majority of the people have long term goal of buying a property once in a life time.

Pie Chart 3: Have you done financial planning for the following?

Pie Chart 3

Interpretation: According to the survey, only 21% of the people have planned for retirement. There is a need to educate the investors to invest in retirement planning.

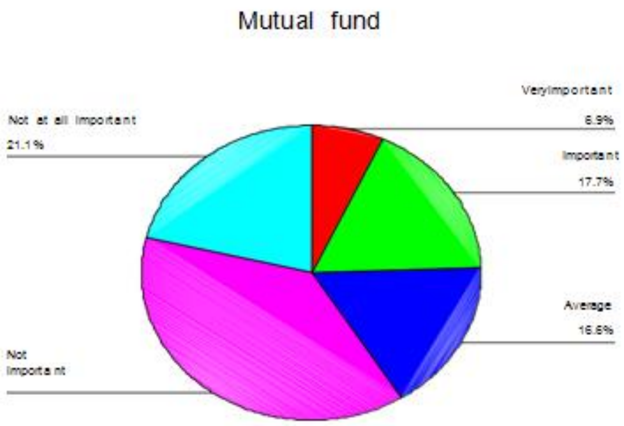
Pie Chart 4: How important is equity for a long term investment plan?



Pie Chart 4

Interpretation: According to the survey, only 13.1% people give more preference to equity and 26.3% mentioned as not at all important, as almost all because people don't have much knowledge about share market.

Pie Chart 5: How important is mutual fund for a long term investment plan?



Pie Chart 5

Interpretation: According to the survey, only 18% customers give more importance and 21% customers mentioned as not at all important because majority of the customers don't have much idea about mutual fund.

Pie Chart 6: Is financial planning necessary in life?

Interpretation: According to the survey, 97% customers mentioned that financial planning is necessary in life because planning helps an individual to maintain reserves and surplus which can be useful in future.

Table 1: Investment Avenues and Investment Decisions of Investors across Gender

Investment Avenue	Gender	Mann-Whitney U value	Z	Sig. (2-tailed)	Investment decision	Mann-Whitney U value	Z	Sig. (2-tailed)
Stock markets	M	1008.000	-1.324	0.187	Yes	697.000	-2.968	0.002*
	F				No			
	T	120			Total	120		
Mutual Fund	M	758.00	-3.196	0.001*	Yes	872.000	-1.651	0.096
	F				No			
	T	120			Total	120		
Real Estate	M	1114.00	-0.554	0.583	Yes	728.000	-2.714	0.005*
	F				No			
	T	120			Total	120		

Insurance	M	1098.000	-0.674	0.504	Yes	824.000	-1.996	0.044*
	F				No			
	T	120			Total	120		
Bank Savings	M	1072.000	-0.876	0.384	Yes	776.000	-2.398	0.014*
	F				No			
	T	120			Total	120		

*significant at 5% level

The above table depicts data as per investment ventures and decisions by the individuals across their gender. It can be interpreted from the above table that, with the exception of Mutual Fund investment, the Mann-Whitney U value at significance level of 5% on investment in stock market is 0.002, for the investment on real estate it is 0.005, for investment on insurance it is 0.044, for investment on bank savings it is 0.014.

The values arrived at are less than 0.5 which is the hypothetical value. Therefore, we reject the null hypothesis (Ho1) and conclude a significant relationship of perception of investors to different types of investment ventures and gender.

Table 2: Investors Perception towards various Investment Avenues based on their Age and Annual Income

Investment Avenue	Age (In years)	Chi-square	Asymp. Sig.	Annual Income (in Rs)	Chi-square	Asymp. Sig
Stock markets	21-30	24.812	0.000*	Up to 2 lakhs	2.489	0.442
	31-40			2- 4 lakhs		
	41-50			4-6 lakhs		
	51-60			Above 6 lakhs		
	Above 60					
Mutual Fund	21-30	17.869	0.000*		4.719	0.159
	31-40			Up to 2 lakhs		
	41-50			2- 4 lakhs		
	51-60			4-6 lakhs		
	Above 60			Above 6 lakhs		
Real Estate	21-30	6.126	0.126*	Up to 2 lakhs	2.845	0.368
	31-40			2- 4 lakhs		
	41-50			4-6 lakhs		
	51-60			Above 6 lakhs		
	Above 60					
Insurance	21-30	7.296	0.074	Up to 2 lakhs	6.514	0.054
	31-40			2- 4 lakhs		
	41-50			4-6 lakhs		
	51-60			Above 6 lakhs		
	Above 60					

The above table depicts that there exists a significant relationship between investment avenues and respondent's age. Excepting the arrived values of Kruskal- Wallis test, to the some of the other variables like share markets (0.000), Mutual Fund (0.000), Bank savings (0.001) and Post office savings (0.001) are less than 0.05, which is the hypothetical value at significance level of 5%.

Thus, we reject the null hypothesis (Ho2), and we can conclude that a significant association of investor's perception on different types of investment avenues and their age factors. It was also observed that preference order of investment avenues like insurance and real estate are similar across the age group of the respondents and changes as per the investment avenues like stock markets, Mutual Fund, post office and bank savings.

The table further shows the perception towards investment avenues by basing on their income levels. The calculated values for the investment avenues are more at 0.05 which is the hypothetical value at significance level of 5%. Thus, we accept the null hypothesis (Ho2) and it can be concluded that there exists no significant association between investor perception on different types of investment avenues and their level of income. Hence, we conclude that between different types of investment avenues differ in the aspects like stock markets, Mutual Fund, bank savings and real estate, the perception of respondents change.

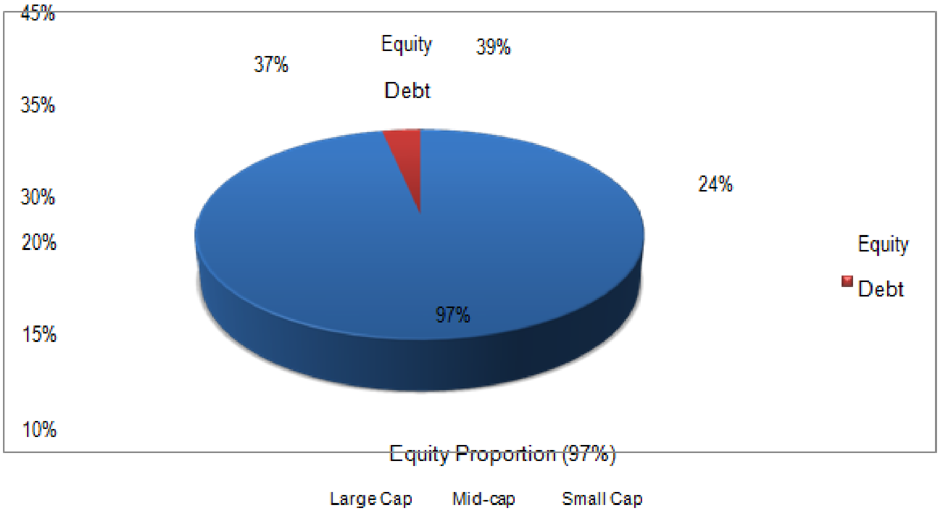
5. FIVE PORTFOLIOS FOR ALL TYPES OF INVESTORS

We have designed five portfolios that cover almost the entire spectrum of investing population, ranging from aggressive investors, who are willing to live with volatility to conservative investors who want reasonable growth with minimal risk.

5.1 Wealth Maximizer: For Eager and theYoung

This portfolio is basically designed for people, who are aggressive investors who are risk takers. It is suitable to the young and restless investors who want high returns and don't mind taking risk.

This portfolio consists of one variegated fund, one large cap, two mid cap & small-cap funds. The funds have 96.7% equity and 3.3% debt and others.



In this portfolio, we have given maximum portion to equity as it's an aggressive portfolio, where one needs to take higher risk to get higher returns. Also, we have kept 37% of funds as large cap to give this portfolio some stability, as there are less fluctuations in these funds, whereas larger portion is covered by mid and small cap funds, as there are more fluctuations in these funds followed by less stability, which lead to possibility of high returns as well high risk.

The portfolio given below is our recommendation for the client, who is looking to invest aggressively with the tenure of 5 years:

Fund Name	Category	Amount	3 Years	5years
Franklin India Smaller Companies Fund	Small & Mid Cap	10000	7.97 %	16.97%
Mirae Asset emerging Blue-chip fund	Small & Mid Cap	10000	17.11%	22.33%
Reliance Large Cap Fund - Growth	Large cap	10000	15.15%	14.45%
Mirae Asset India Equity (G)	Multicap	10000	15.50%	15.70%

Analysis

This portfolio of wealth maximizer is for an aggressive investor, who is willing to take risk. In this, we have taken two mid and small cap funds, one large cap and one multi cap fund. Considering risk appetite of the investor, we have recommended these particular funds as these funds have been showing consistent performance even in a volatile market, and also provide higher returns in long term.

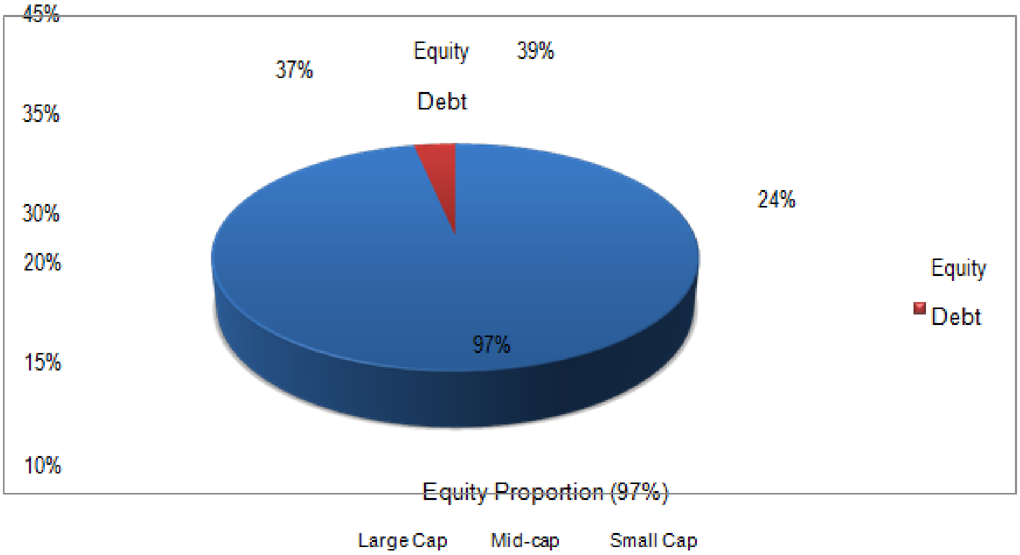
Volatility is inherent to stock market, but in longer run, stock market has given superior returns compared to any other investment product, therefore we have chosen two mid and small cap funds so that it gives better returns to the investor. The Reliance Large Cap Fund - Growth is a type of a large cap funds, which has given consistent returns from past 5 years and thus brings consistency also, Mirae Asset India Equity (G) has nearly 60% of large cap, making not as volatile as the mid and small cap funds.

So, the investors who have the capacity to handle volatility can opt for this portfolio with a commitment of at least 5-7 years of investment on a portfolio, can earn good returns.

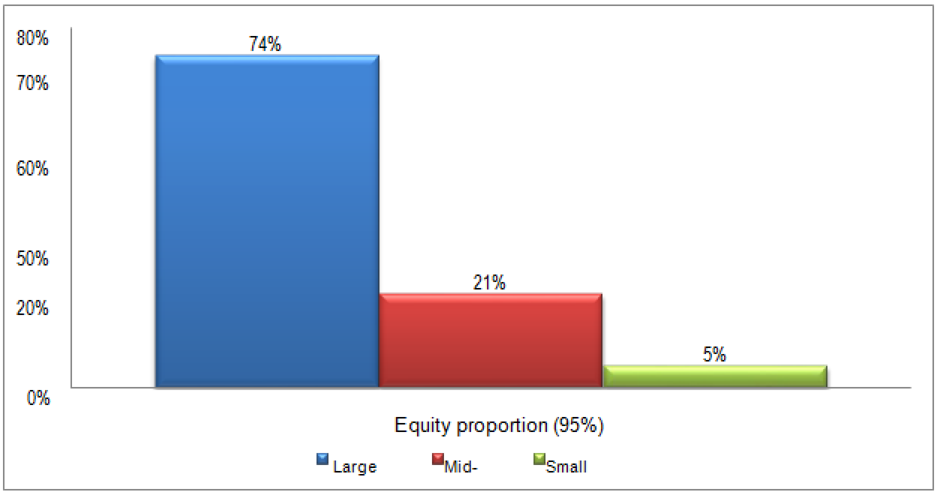
5.2 Wealth Builder: Cautiously Optimistic on Markets

This portfolio is suitable for the investors, who want stable returns and invest in large cap stocks.

Though, in previous years, small and mid-cap funds have performed exceptionally well, even though, the large cap funds have not performed very badly in the last 3-5 years. The large cap category increased by 26% in the past year but still returns from that weren't very good. Despite all this, the large cap funds portfolio has good potential to produce decent returns for the long- term.



The equity proportion is further divided into 74% large cap, 21% Mid cap and 5% small cap. Since it is a wealth builder portfolio, we have given maximum portion to large cap funds so that the investor can get stable returns and doesn't get affected too much by the market volatility. We have given 26% to small and midcap funds to give some amount of fluctuations to the portfolios that will help in getting high returns in long run.



The portfolio given below is my recommendation for the client who want to build their wealth for tenure of 5 years:

Fund Name	Category	Amount	3 Years	5 Years
Mirae Asset India Equity (G)	Multi Cap	10000	15.50%	15.70%
HDFC Top 100 Fund (G)	Large Cap	10000	14.87%	11.36%
Reliance Large Cap Fund – Growth	Large cap	10000	15.15%	14.45%
HDFC Equity Fund – Growth	Multi Cap	10000	14.58%	11.66%

Analysis

This portfolio of wealth builder is for investors, who want to build wealth by having maximum exposure in equity. In this, we have taken two large cap funds and two multi cap fund. Considering the risk appetite of the investor, we have recommended these particular funds, because these funds have shown consistent performance even in a volatile market and also will provide stable returns in long term.

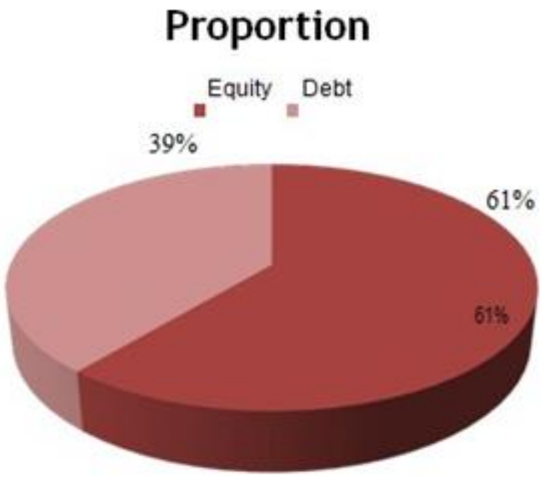
We have picked funds, which have high stability score. For example, Mirae Asset India Equity (G) is among the most consistent in its category. The other funds in the portfolio have a similar good record. The Reliance Large Cap Fund - Growth has achieved the benchmark point and its category average with a good margin. The HDFC Top 100 Fund (G) is another fund which produced stable returns.

So, investors who want stable returns along with moderate risk appetite should go for this portfolio.

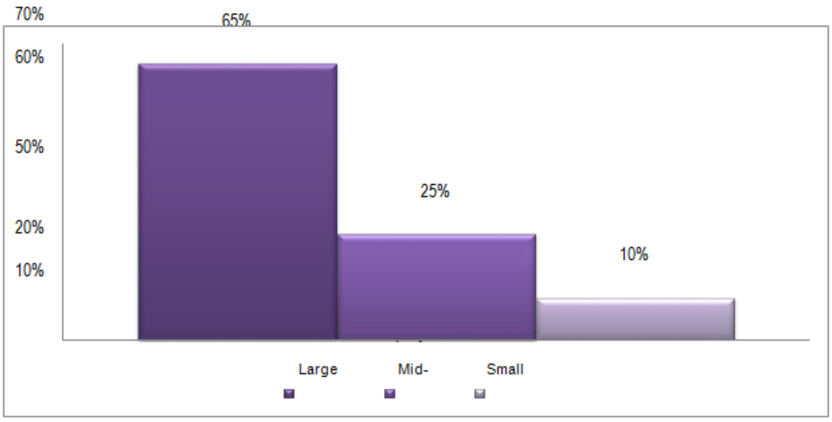
5.3 Stable Wealth: Get the Best of Both Worlds

This portfolio provides individuals a balance of Equity and Debt.

Despite the stock market being optimistic, but not everyone like to place big bets on it. This type of portfolio's main intention is to provide individuals a fair development and that too not with too much risk.



In this portfolio, we have created a balance of equity and debt to get balance wealth. This portfolio is for the investor who wants exposure of both equity and debt, having 61% of equity and 39% debt. The equity portion is further divided into 65% large cap, 25% mid cap and 10% small cap. The individuals are provided the best balance between the debt and equity ratio. The best thing about this balance is that, equity half produces returns when the markets are doing good while the debt half acts as a comfortable cushion to fall back on if the equity is headed downtown.



The portfolio given below is my recommendation for the client who is looking for a balance of equity and debt with tenure of 5 years:

Fund Name	Category	Amount	3 Years	5 Years
SBI Equity Hybrid Fund - RP - Growth	Balanced	10000	10.87%	13.64%
CR Equity Hybrid Fund - RP (G)	Balanced	10000	11.42%	13.30%
Kotak Tax Saver Scheme - Growth	ELSS	10000	14.32%	12.57%
ICICI Prudential Regular Savings(G)	Balanced	10000	9.79%	10.76%

Analysis

This portfolio is for the investor, who wants the balance of both equity and debt. In this, we have taken three balanced funds and one tax saving fund.

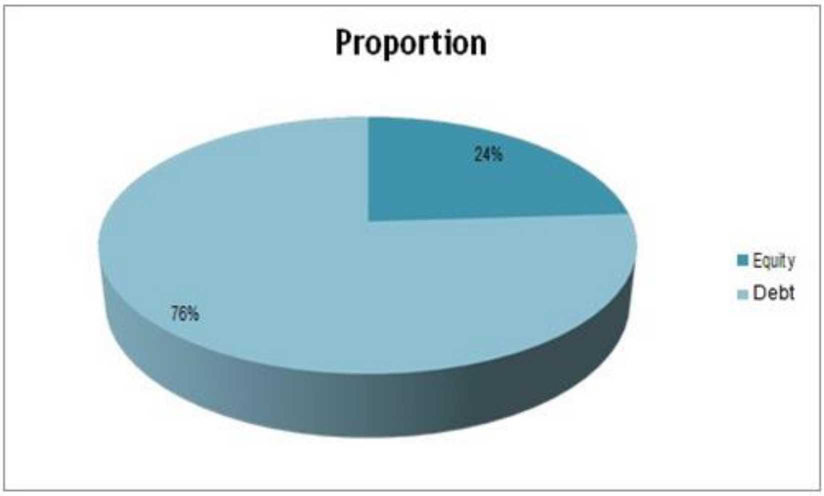
This portfolio is for the investor, who wants the best of the investing world. The key success factor behind a balanced fund is despite the 40% of the entire portion is of debt, it is provided the same tax treatment as the equity fund enjoys. This means that 40% of the portfolio earns tax-free returns for the portfolio manager. And, the 60% of corpus is in equity which will help getting higher returns. Debt gives stability to the portfolio.

So, those investors who want a balance of both equity and debt must opt for this type of portfolio, with the commitment of investment of at least 5 to 7 years so as to enjoy good returns.

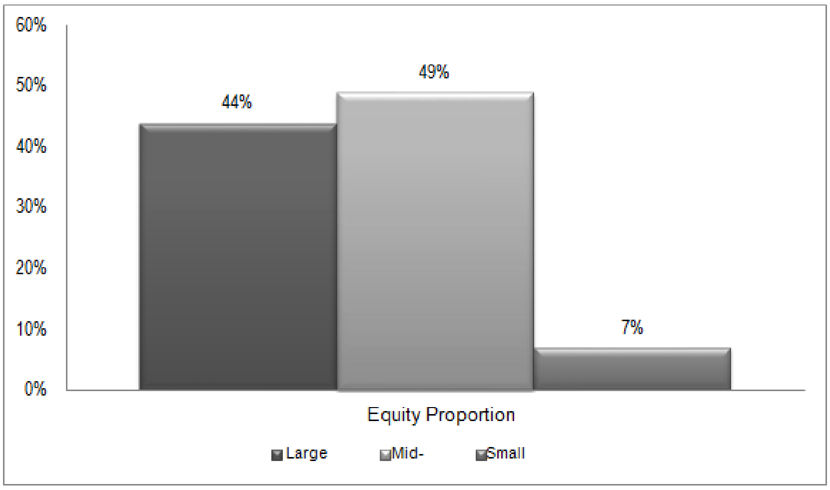
5.4 Wealth Secure: When Safety is Supreme

Individuals invest in this type of portfolio if they don't want to risk their money in stocks.

This type of portfolio is the safest best for those individuals, who are risk averse. This type of portfolio has 2 types of funds, a conservative hybrid fund and the second ELSS scheme. The equity part is just 24%, and the rest is debt.



In this portfolio, we have taken 24% equity and 76% debt. This 24% of equity is further divided into 44% large cap, 49% mid cap and 7% small cap.



The portfolio given below is my recommendation for risk averse clients, who want to build wealth securely with the tenure of 5 years.

Fund Name	Category	Amount	3 Years	5 Years
Kotak Tax Saver Scheme - Growth	Tax Saving	10000	14.32%	12.57%
SBI Magnum Low duration fund - Growth	Debt: Short Term	10000	7.39%	7.94%
ICICI Prudential Regular Savings Fund - Growth	Hybrid: Conservative	10000	9.79%	10.76%
HDFC Short term debt fund - Growth	Debt: Short Term	10000	7.50%	8.18%

Analysis

This portfolio is for the risk averse individuals for stocks. This portfolio deals with the conservative allocation with very low exposure to equity.

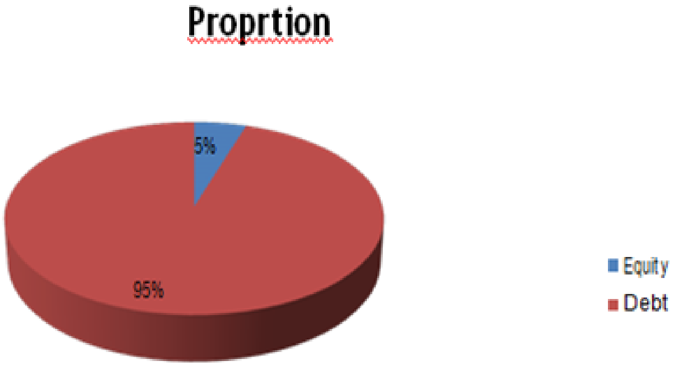
Debt funds aren't as much volatile as equity funds, however they can lose money. Also, these funds are interest rate sensitive and inversely proportional to interest rate. Since the last 6 months, long-term debt has lost 1.5%, with only 2.6% one-year returns, which is way less offering by a savings bank account.

Due to this reason, only short-term debt funds have been included in this portfolio as they are less volatile.

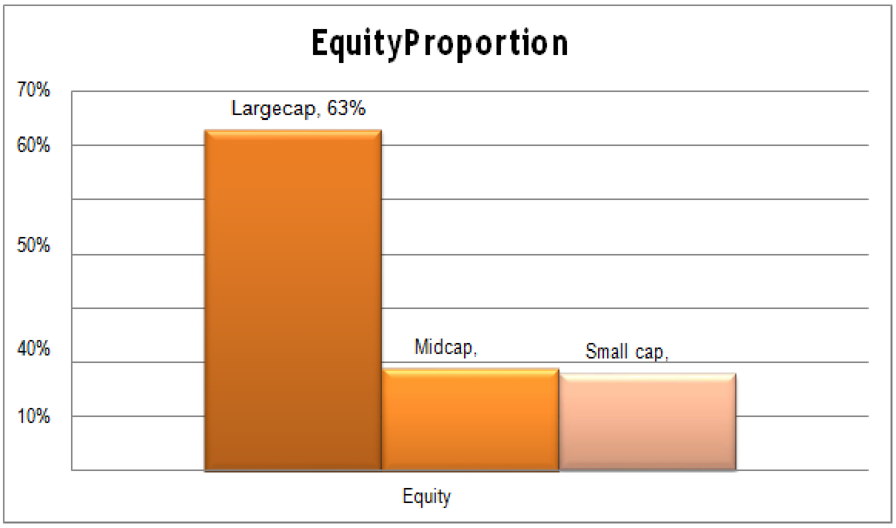
5.5 Income Generator: Regular Income in the Golden Years

This type of portfolio is best for retired people, who are looking for a type of monthly income generated from their investments.

Individuals should go for this portfolio if he is a conservative investor and believes in traditional investment tools. This is perfect portfolio for risk averse investors, due to decreasing trend in deposit rates and is anticipated to go down further. Debt funds produce a little better return than fixed deposits.



In this portfolio, 95% exposure is given to debt and only 5%is given to equity. Equity portion is further divided into 63% large cap, 19% mid cap and 18% small cap.



The portfolio given below is our recommendation for the client, who wants a regular income from their investment:

Fund Name	Category	Amount	3 Years	5 Years
HDFC Short term debt fund - Growth	Debt: Short Term	10000	7.50%	8.18%
SBI Magnum Medium duration fund - Growth	Debt: Income	10000	8.67%	9.40%
Reliance income fund - Growth	Debt: Income	10000	6.92%	8.17%
SBI Magnum Low duration fund-(G)	Debt: Short Term	10000	7.39%	7.94%

Analysis

This portfolio is for the investor, who wants a monthly income to be generated from their investments.

The income from bank deposits is fully taxable; however the actual benefit is the tax advantage, which debt funds enjoy over fixed deposits. In debt funds, the gain is only a thin sliver of the redemption proceeds. Debt funds get the indexation benefit.

Gains are a type of long-term capital which is taxed at a lower rate of 20% after indexation, after 3 years. The retired people should consider stabilizing their retirement portfolios as a good debt fund, to enjoy advantages of taxation.

6. FINDINGS

The traditional investment tools such as bank deposit, insurance, real estate take precedence in terms of investments as they have less risk, but these tools are not able to beat inflation. To cater the growing needs of people, one of the best type of investment as all benefits come in one package is mutual funds. As it is a tool that beats inflation, and it is easier to start even with small investment where the funds are managed by the fund manager. It is also found that when the period of investment is higher, his returns are comparatively better than shorter period of investment. Due to less awareness about mutual funds, many individuals stay away from being a potential investor. There is a need to educate the investors, because they have many myths in their minds. In spite of the marketing campaigns like advertisement by the government or different management companies, new investments are driven by less awareness or fear of uncertainty. Assets of mutual funds in India constitutes less than 8% of GDP, which is still low compared to other Asian and global countries. The main focus of investing in a mutual fund is on improved returns and benefits on tax.

Factors that Influence an Investor’s Risk Profile

- With an increase in number of earning members, earning risk appetite also increases.
- With an increase in dependent members, dependent risk appetite also decreases.
- Age factor: The lower the age, an individual can handle more risk.
- Employability factor: Qualified and multi skilled individuals working as professionals can afford more risks.

- Job nature: Individuals with stable jobs are in a better position to take risks.
- Psychological: Adventurous and risk-taking people are able to mentally handle more risks.
- Capital base: Higher the capital base more is the capacity to handle the downsides of risks.
- Regularity of Income People: Individual with a stable and regularized income is in a better position to handle risks than people with uncertain jobs or income.

7. CONCLUSIONS

Asset allocation means, diversification of money into various assets to achieve short term, medium term and long term goals of the investors, and mutual funds helps in asset allocation by investing in various schemes, but majority of the investors are not aware about asset allocation and the importance of asset allocation to minimize risk and maximize return. They either do not invest any money in equity or invest only in equity mutual funds. Both options are not the right way of asset allocation for an investor because during the times when stock market is falling, other asset class i.e. debt helps to meet the requirement of money without any erosion, and also allow switching more money into equity for maximize returns over a longer period of time. On the other side, if any investor has not invested in equity fund, then he cannot beat inflation and maximize returns over a period of time to achieve his goals. There is a need to balance between equity and debt with the help of mutual fund scheme, as it brings both professional management at low cost as well as risk diversification. Many investors invest their money in various equity schemes assuming they have done asset allocation, which is not at all asset allocation as the impact of fluctuations on stock market are more or less same as objective to invest each and every equity fund to invest in shares. There are various factors such as Age, Income/Corpus, Risk Tolerance, Risk Diversification, Guidance/Rebalancing Goals etc., which are equally important and affects decision making of Asset Allocation. Choosing right asset class to invest is alone not sufficient. An investor needs to decide on the appropriate proportion, which should be allocated to each asset class, to generate maximum return with the lowest risk.

8. RECOMMENDATIONS

- Investors can invest even in foreign stock exchanges tools.
- Transparency is important, and the investors have a right to know where their funds are invested and continuous feedback has to been there with the investors in this regard.
- Monthly reports should be sent to the investors about the performance of the fund, and the different sectors where their funds are diversified.
- Now a days, investors who are in urban area and having an income of 2-3 lacs are going for advisors, who can give suggestions on wealth management and even many banks are advising the wealth management.
- Insurance should not be understood as an investment. Insurance is to cover the risk and there is also a need to educate the customers regarding insurance.
- According to the survey, only 21% have planned for retirement; there is a need for educating the investors to go for retirement planning
- People don’t invest in shares, because they don’t have much idea about share market, and

- There is a need for investor's education. To start with, investors can invest in Mutual funds.
- There is a lot of scope for mutual funds in India, so AMC's should come with more schemes and funds to attract people.
- Many institutions in the market are providing wealth management services to the investors, but these services are very costly. Thus the costs should be kept in check.
- Government should come up with more advertisement and campaigns to aware people about mutual funds, as people lack knowledge in mutual fund and therefore limit themselves to traditional investment tools.

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