



THE AFRICAN CAPACITY  
BUILDING FOUNDATION

FONDATION POUR LE RENFORCEMENT  
DES CAPACITÉS EN AFRIQUE

# Analyzing your investment portfolio

**Investment Strategy is Not One-Size-Fits-All**



*The African Capacity Building Foundation | Fondation pour le Renforcement des Capacités en Afrique  
Securing Africa's future through capacity development | Assurer l'avenir de l'Afrique en renforçant les capacités*

# Objective

- Provide basic guidelines to analyze or plan your investment portfolio to ensure that you reach your financial goals



# Today's agenda

- Basic definitions
- Portfolio allocation
- Q&A

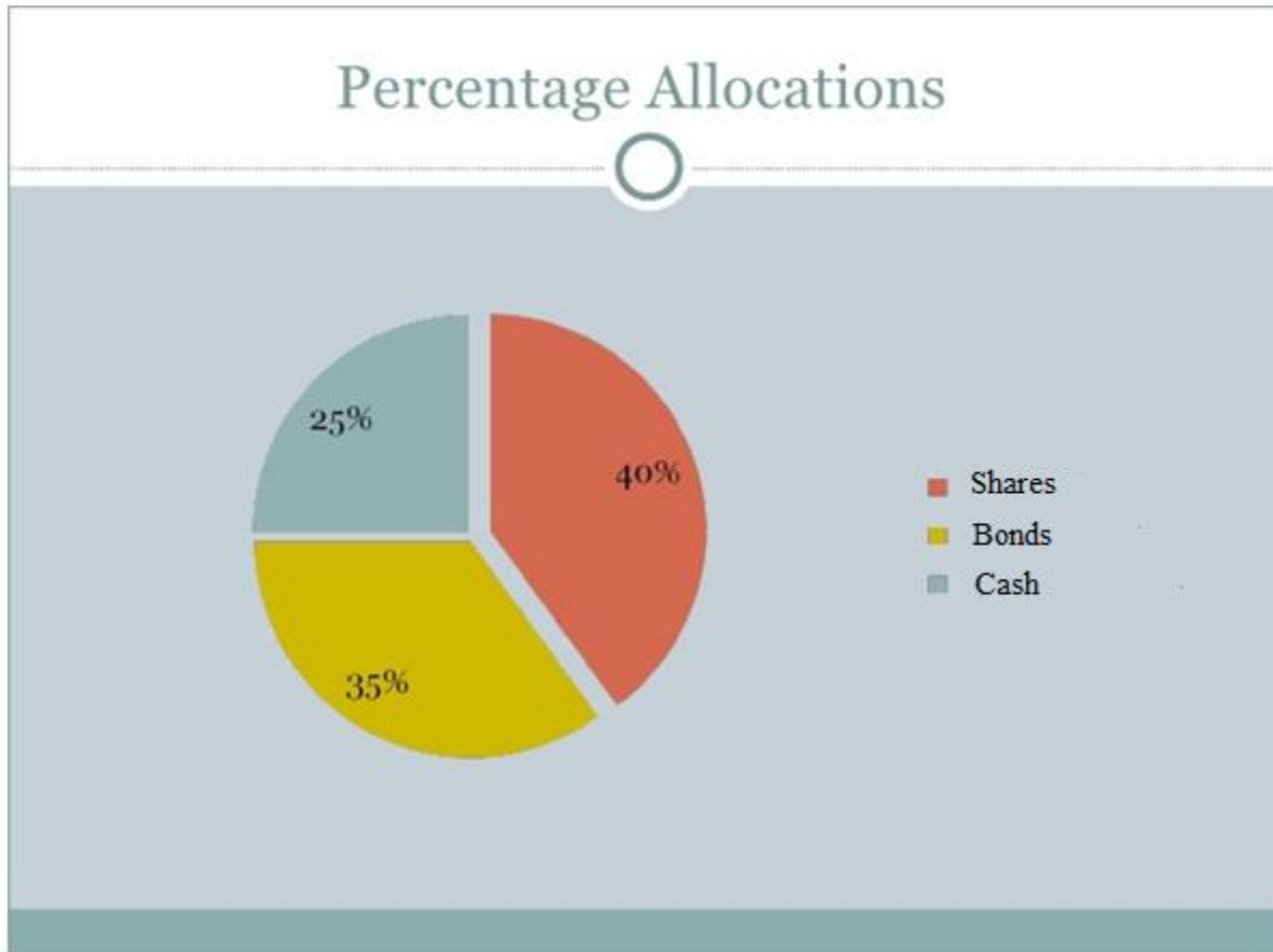


# Basic definitions

- Asset: anything that produces income or can be purchased and sold, such as stocks, bonds, or certificates of deposit
- Major asset classes:
  - Shares
  - Bonds
  - Cash
- There are other assets such as real estate, precious metals, commodities, etc.
- Investment portfolio: in plain English, a collection of assets



# Sample investment portfolio



# Is there a perfect investment portfolio?

- No
- Investment strategy is Not One-Size-Fits-All
- The golden rule of building a profitable portfolio is diversification-don't put all your eggs in one basket
- Portfolio allocation: most investors use asset allocation to diversify their portfolios
  - How do you blend assets to form a diversified portfolio that is aligned to your financial goals is the challenge

Mutual funds vs. individual shares or bonds(Generali funds)



# Portfolio allocation

- **How do I allocate my assets?**
- Before investing your savings, you must know yourself well.
- How do you do that? By defining your investor profile
  - Simply put, what type of investor are you



# How do I determine my investor profile?

## Time is important

Question #1: When do I need my money? What is the purpose of my investment?

- Retirement
- Buy a home
- Education for children
- .





# How do I determine my investor profile?

Time is important

- Asset volatility: markets and the value of your investment go up and down
- Liquidity: how quickly you can get your hands on your cash



# How do I determine my investor profile?

General rule:

Short investment timeframe: need money in less than 5 years. Your portfolio should be more towards preserving your capital

Medium term investment timeframe: need money in 5 to 7 years. Stay safe but allow room for some growth assets

Long term investment timeframe: need money after 7 years. Your portfolio should include more of assets with potential for growth.



# How do I determine my investor profile?

Risk tolerance is critical

Question #2:

- How do I feel about risk?
- How much risk can I tolerate?
- All investments have some degree of risk
  - Your personality
  - Your age
  - How much money you already have
  - Your present and future earning power



# How do I determine my investor profile?

## Question #2:

- How do you feel about risk?
  - Do you prefer guaranteed returns for your investments?
  - Do you prefer to forego higher returns for peace of mind?
  - Are you willing to accept a short-term capital loss ?



# How do I determine my investor profile?

Knowing and understanding what you are investing in

Question #3:

- How much do I know about investments in my portfolio(characteristics, risks, expected return, etc.)?
- Are my investments based on the advice of friends?



# Risk profiles

- Merrill Edge®
- Conservative: investors who are predominately risk-averse. Primary focus is on portfolio stability and preservation
- Moderately Conservative: investors who are somewhat risk-averse. Primary focus is to achieve a modest level of portfolio appreciation with minimal principal loss and volatility
- Moderate: investors who are willing to take a moderate
- level of risk. Primary emphasis is to strike a balance
- between portfolio stability and portfolio appreciation,

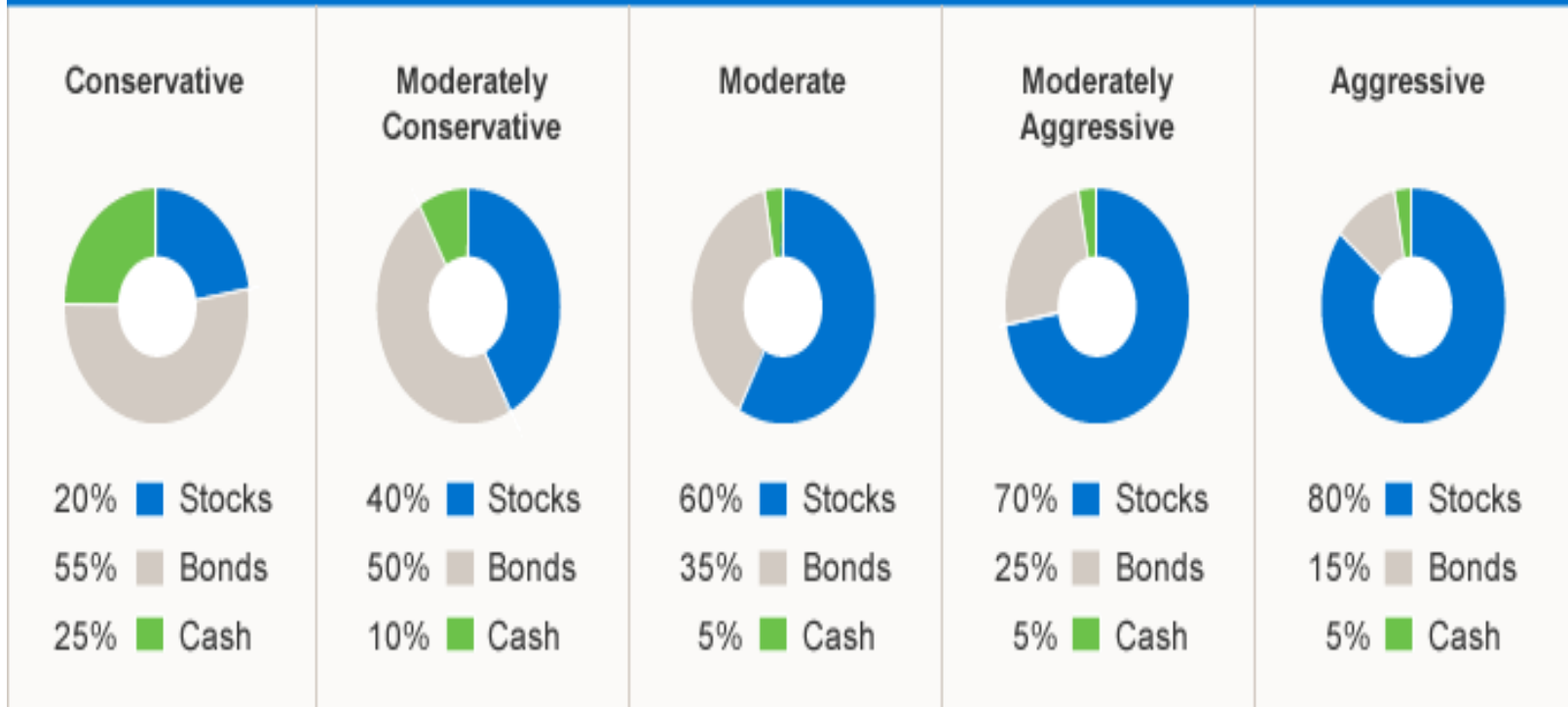


# Risk profiles

- Merrill Edge®
- Moderately Aggressive: investors who are willing to take a fair amount of risk. Primary emphasis is on achieving portfolio appreciation over time.
- Aggressive investors who are willing to take substantial risk. Primary emphasis is on achieving above-average portfolio appreciation over time



## Asset allocation by investor profile



Source:

<https://www.merrilledge.ml.bac-assets.com/Publish/Content/image/gif/GWMOL/ME-portfolio-chart-allocation-desktop.gif>





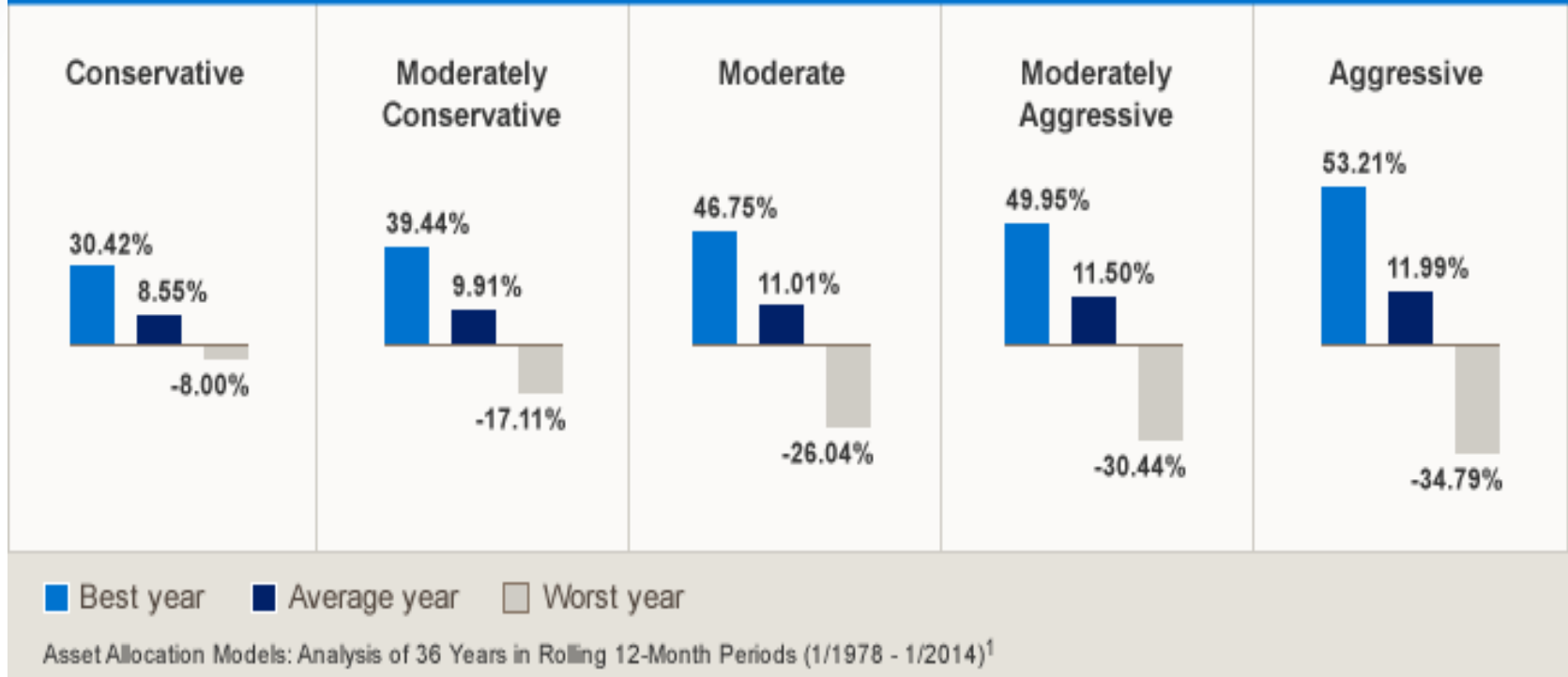
INVESTOR PROFILE MODEL	RISK POTENTIAL LESS ← → MORE	RETURN POTENTIAL LESS ← → MORE	TARGET ASSET ALLOCATION
Conservative			Stocks 20% Bonds 55% Cash 25%
Moderately Conservative			Stocks 40% Bonds 50% Cash 10%
Moderate			Stocks 60% Bonds 35% Cash 5%
Moderately Aggressive			Stocks 70% Bonds 25% Cash 5%
Aggressive			Stocks 80% Bonds 15% Cash 5%

Source:

<https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/Investor-Profile-Questionnaire.pdf>



## Historical returns by investor profile



Source:

<https://www.merrilledge.ml.bac-assets.com/Publish/Content/image/gif/GWMOL/ME-portfolio-chart-historical-desktop.gif>



# Online risk profilers

- Check your risk tolerance:
  - <http://money.cnn.com/quizzes/retirement/risk-tolerance/index.html>



# Other factors to consider

- Currency: know the currency exposure your portfolio has
- Lifecycle funds
- Cost: compare fees(index funds)
- Robo-advisors : provides portfolio management online with minimal human intervention( e.g. Betterment, wealthfront.)



# The Bottom Line

- “Investing is simple, but not easy”.
  - - Warren Buffet



# Disclaimer

- **Information contained in this presentation has been obtained from sources believed to be reliable, but is not guaranteed.**
- **This presentation has been done for educational purposes and should not be considered investment advice or an offer of sale for services**



# Thank You!!

- Q & A

