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Evaluating Investment Portfolio for Best Investment Decisions

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ABSTRACT: Investment decisions play a crucial role in achieving financial stability and wealth creation. Evaluating different investment avenues helps investors choose suitable options based on their risk tolerance and return expectations. This study aims to evaluate an investment portfolio and identify the best investment decisions for different categories of investors. A descriptive research design is adopted for this study. Secondary data is used for the analysis, and the data is collected from various financial sources related to selected investment avenues such as equity, bonds, and government securities. Analytical tools such as portfolio allocation, percentage analysis, tabular presentation, and scenario analysis are used to evaluate the performance of the portfolio. The study classifies investors into safe investors, medium risk investors, and high-risk investors, and analyzes portfolio performance under different market scenarios. The findings of the study indicate that proper diversification and optimal allocation of investments across different financial instruments help in balancing risk and return. Based on the results, it is evident that investors should adopt diversified portfolio strategies and allocate funds according to their risk profile to make effective investment decisions.

KEYWORDS: Investment Portfolio, Portfolio Evaluation, Risk and Return, Portfolio Diversification, Investment Decisions, Equity Investment, Bonds, Government Securities, Scenario Analysis, Portfolio Allocation, Financial Planning.

I. INTRODUCTION

Investment involves allocating funds to financial assets to generate future income or capital appreciation. An investment portfolio is a combination of assets such as shares, bonds, mutual funds, government securities, and money market instruments. Diversification across these assets helps reduce risk and improve return stability. Portfolio evaluation analyzes performance based on risk, return, liquidity, and safety. This study evaluates different investment avenues and identifies suitable portfolio structures for safe, medium-risk, and high-risk investors to support informed investment decisions and long-term financial growth.

II. PROBLEM STATEMENT

Investors often face difficulties in selecting an optimal portfolio that balances risk and return. Many lack a systematic approach to evaluate and compare different investment options under uncertain market conditions. This creates a gap between theoretical portfolio models and their practical application. Therefore, this study evaluates investment portfolios using criteria such as risk, return, and diversification to support better investment decisions.

OBJECTIVES

- To examine the challenges investors face in evaluating portfolios during rapidly changing market conditions.
- To evaluate how different levels of investor risk preference impact the selection of an optimal investment portfolio.
- To evaluate how the complexity and assumptions of different portfolio evaluation models affect their practical applicability for real world investment decisions.



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III. REVIEW OF LITERATURE

Kumar R, & Shukla A. (2023) objective of this study is to evaluate the performance of diversified equity portfolios in the Indian stock market. The research focuses on analyzing how diversification among different equity stocks can help reduce investment risk while improving overall returns. It also aims to examine the effectiveness of portfolio management strategies in achieving optimal risk–return balance for investors.

Jayawardhana A. (2024) assessed the study is to analyze the relationship between cryptocurrencies and traditional financial assets through cointegration analysis. The research aims to understand whether cryptocurrencies can act as a diversification tool in investment portfolios. It also evaluates the potential benefits and risks of including cryptocurrencies alongside traditional assets such as stocks and bonds.

Naem M, Farid, S, & Shahzad, S. J. H. (2022) examined the diversification benefits of green bonds in investment portfolios. The research focuses on analyzing the dynamic connectedness between green bonds and other financial assets to determine their role in reducing portfolio risk. It also aims to evaluate whether green bonds can enhance portfolio stability and provide sustainable investment opportunities.

Babu S, & Reddy P. (2023) evaluated the performance of mutual funds in India by analyzing their risk and return characteristics. The research aims to assess whether mutual funds are able to generate consistent returns compared to market benchmarks. It also focuses on understanding the efficiency of fund managers in managing diversified investment portfolios.

Ahmed S, & Rahman, M. (2025) examined the impact of portfolio diversification in emerging markets and its implications for risk and return. The research focuses on understanding how diversification across different asset classes can improve investment performance. It also aims to provide insights into portfolio allocation strategies that help investors manage risk effectively while achieving better financial returns.

IV. RESEARCH METHODOLOGY

Secondary data refers to the data that has already been collected, recorded, and published by others for some other purpose and is used by the researcher for analysis. Sources include books, journals, financial reports, government publications, and websites.

Secondary data has been collected from the following sources:

- Stock market websites and reports
- Mutual fund fact sheets
- Government publications on securities
- Books, journals, and research articles related to investment management
- Financial news portals

TOOLS USED FOR ANALYSIS

- Portfolio allocation
- Percentage calculations
- Tabular presentation of data
- Comparative analysis
- Scenario Analysis

Excel is used for calculating returns, portfolio weights, standard deviation, percentage changes, and scenario-based results, and due to its simplicity, accuracy, and wide acceptance in financial analysis.

Portfolio Allocation for Safe Investors

Investment Instrument	Allocation (%)
Bonds	30
Government Securities	30



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Mutual Funds	20
Shares	20

Discussion:

The results reveal that safe investors allocate 60 percent of their funds to bonds and government securities. This allocation minimizes risk and ensures stable returns. Limited exposure to equity reduces market volatility.

Portfolio Allocation for Medium Risk Investors

Investment Instrument	Allocation (%)
Bonds	20
Government Securities	20
Mutual Funds	30
Shares	30

Discussion:

The portfolio shows a balanced distribution between equity and debt instruments. This suggests that medium-risk investors aim for moderate growth while maintaining reasonable safety.

Portfolio Allocation for High-Risk Investors

Investment Instrument	Allocation (%)
Shares	60
Bonds	20
Mutual Funds	20

Discussion:

High-risk investors allocate a majority of their funds to equity shares, indicating a strong preference for higher returns despite increased risk exposure.

Portfolio Weight Allocation

Equity Weight Allocation for Safe Investors

Company	Weight (%)
TCS	50
Reliance Industries	20
SBIN	10
Maruti Suzuki	10
Asian Paints	10

Discussion:

The equity portfolio focuses on stable, large-cap companies, reducing uncertainty and risk.

Equity Weight Allocation for Medium-Risk Investors

Company	Weight (%)
SBIN	50
Reliance Industries	20
TCS	10
Maruti Suzuki	10
Asian Paints	10



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Discussion:

The portfolio provides sectoral diversification with a higher weight to banking stocks for growth.

Equity Weight Allocation for High-Risk Investors

Company	Weight (%)
SBIN	35
Asian Paints	35
Maruti Suzuki	10
TCS	10
Reliance Industries	10

Discussion:

Higher allocation to growth-oriented stocks increases volatility but also improves return potential.

V. FINDINGS OF THE STUDY

Risk and Return Relationship

The study found a strong relationship between risk and return across different investment avenues. Investments with higher risk levels generally offered higher potential returns, while low-risk instruments provided stable but comparatively lower returns. This indicates that investors must carefully evaluate their risk tolerance before selecting investment options, as the expected return is directly influenced by the level of risk undertaken.

Portfolio Diversification

The findings show that diversification plays an important role in reducing overall investment risk. By allocating funds across different asset classes such as equities, bonds, and other financial instruments, investors can minimize the impact of poor performance in any single investment. A diversified portfolio helps achieve better balance and stability in returns over time.

Safe Investors

The study observed that safe investors prefer low-risk investment options that provide stable and predictable returns. They generally allocate a larger portion of their funds to safer instruments such as government securities, bonds, or fixed-income investments. Although the returns from these investments are relatively lower, they provide security of capital and consistent income.

Medium Risk Investors

Medium risk investors tend to maintain a balanced portfolio by investing in both safe and moderately risky assets. They allocate funds between fixed-income securities and equity investments to achieve a moderate level of return while controlling risk. This strategy allows them to benefit from market growth while still maintaining some level of financial stability.

High Risk Investors

High risk investors are willing to accept greater fluctuations in the market in order to achieve higher potential returns. The study found that such investors allocate a significant portion of their portfolio to equities and other high-growth investment avenues. Although this strategy can generate higher returns, it also exposes the portfolio to greater market volatility.

Optimal Allocation

The study highlights that optimal allocation of funds among different investment avenues is essential for achieving a balanced portfolio. Assigning appropriate weights to each asset based on the investor's risk profile helps improve overall portfolio performance. Proper allocation ensures that investors can maximize returns while managing potential risks effectively.



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Portfolio Performance Evaluation

Evaluation of portfolio performance is necessary to ensure that investments are aligned with financial objectives. Performance evaluation helps investors identify underperforming assets and make necessary adjustments in asset allocation. Continuous monitoring and rebalancing of the portfolio contribute to improved long-term investment outcomes.

VI. SUGGESTION

Future studies may expand the scope by including alternative investment options such as real estate, commodities, and cryptocurrencies along with traditional financial instruments. This would provide a broader understanding of diversification and help analyze how different asset classes affect portfolio risk and return. Investment options such as real estate, commodities, and cryptocurrencies along with traditional financial instruments. This would provide a broader understanding of diversification and help analyze how different asset classes affect portfolio risk and return.

Future research may examine the role of behavioral finance in investment decisions. Psychological factors such as overconfidence, herd behavior, and risk perception often influence investor choices. Studying these aspects can provide deeper insights into how investor behavior affects portfolio selection and financial decision-making.

Another area for future research is a comparative study between active and passive portfolio management. Active management aims to outperform the market through frequent trading, whereas passive management focuses on tracking a market index. Such comparisons can help determine their effectiveness in terms of cost, risk, and long-term returns.

Further studies may also analyze portfolio performance across different economic cycles such as periods of growth, recession, or market volatility. This would help investors understand how portfolios perform under changing economic conditions and improve long-term investment strategies.

In addition, future research can apply advanced financial models and analytical tools for portfolio evaluation. Techniques such as risk-adjusted performance measures and portfolio optimization models can provide deeper insights into investment performance and support better decision-making.

VII. CONCLUSION

In conclusion, investment portfolio evaluation plays a vital role in achieving financial goals and ensuring effective use of funds. Investors have various options such as equities, bonds, mutual funds, and government securities, each with different levels of risk and return. It highlights that considering both risk and return is essential for making sound investment decisions. Diversification across different asset classes helps reduce overall risk and maintain portfolio stability. The findings also emphasize the importance of systematic financial analysis and regular portfolio evaluation. A well-diversified and carefully evaluated portfolio helps investors achieve financial stability, growth, and long-term security.

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