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Finance and taxes department

**Uzbek financial markets**

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# Lesson 11. Elements of financial markets

1. Investment risk.

2. Investment portfolio and fundamentals of formation.

3. Fundamentals of Investment Portfolio Assessment and Management.

# 1. Investment risk.



The investment process in financial markets involves five interrelated steps

- 1) selection of investment policies;
- 2) breaking the financial market;
- 3) formation of investment portfolio (selectivity, timing of operations, diversification of issues);
- 4) Revision of the investment portfolio (repayment of 1-3 steps);
- 5) Evaluating the Effectiveness (Efficiency) of the Investment Portfolio.

*Conservative investors: The main purpose of such investors is to ensure reliable investment, minimize existing risks. They are mainly interested in high quality bonds and preferred shares. Examples of such investors are government agencies and companies with reputable reputation.*

*Moderate Aggressive Investors: Such investors are more prone to risk and prefer to limit their level. Their goal is to protect and safeguard their investment simultaneously on their investment, and to achieve high levels of profitability. Their investment portfolios include high and high quality securities.*

*Aggressive investors: These investors are more loyal to risk and form their own investment portfolios from high-risk medium and low-quality securities (mostly fast-growing stocks), with high yield profits.*

*Experienced Investors: Such investors have rich experience in investing activities and are well aware of and predict the stock market environment conjuncture. Therefore, even though they invest in objective risk securities in their investment activity, they also achieve high liquidity and stable earnings.*

*Well-known good speculative players: these investors are always ready to spend their capital for the maximum benefit, they create their investment portfolios with speculative low-quality, fluctuations in their exchange rates. At the same time, they prefer to play in the national currency exchange rate.*

## 2. Infestational portfolio and fundamentals of formation.



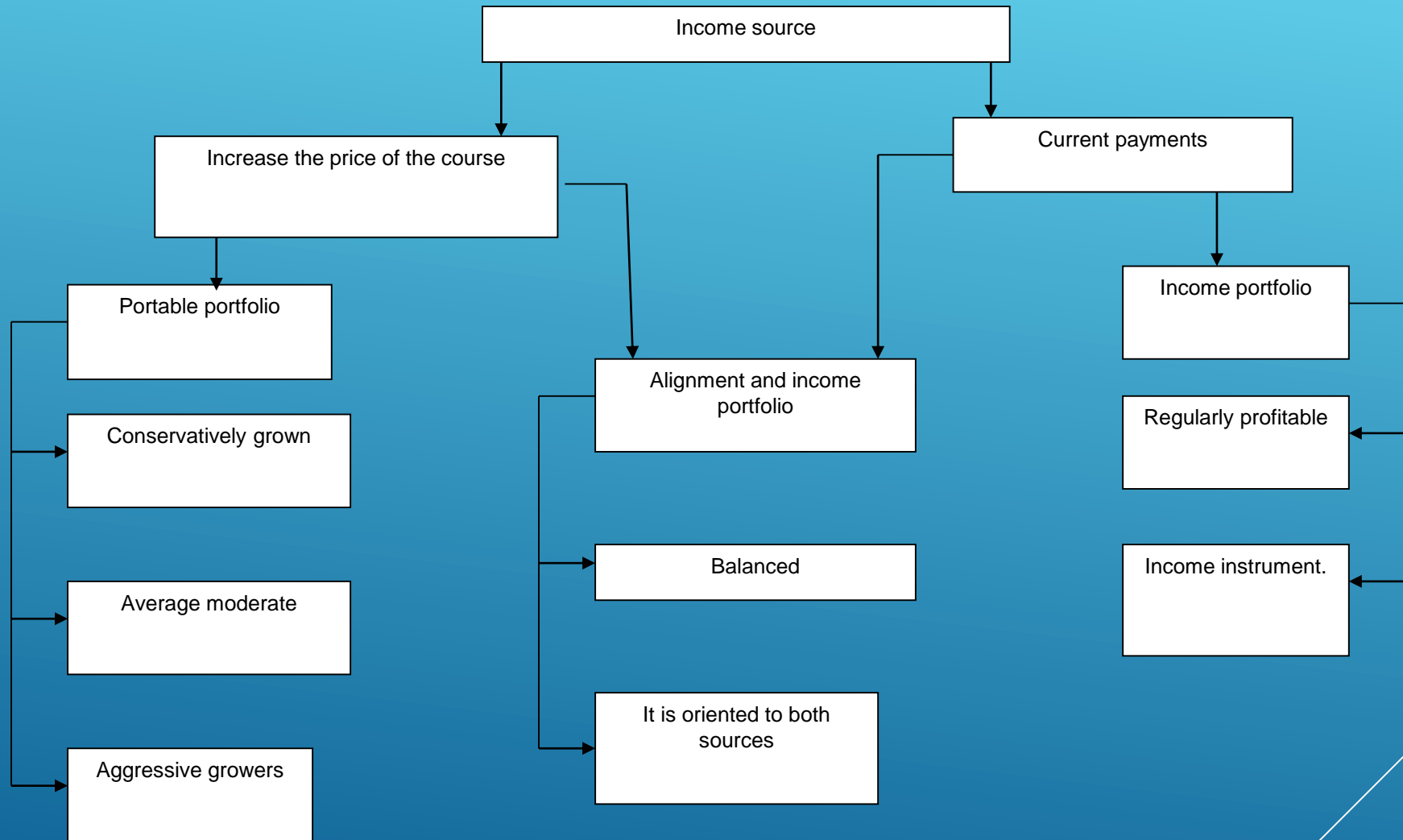
The main purpose of the investment portfolio

– Getting planned profit on low (high) risks on the basis of investing of investors' funds on financial instruments (securities)

Portfolio content

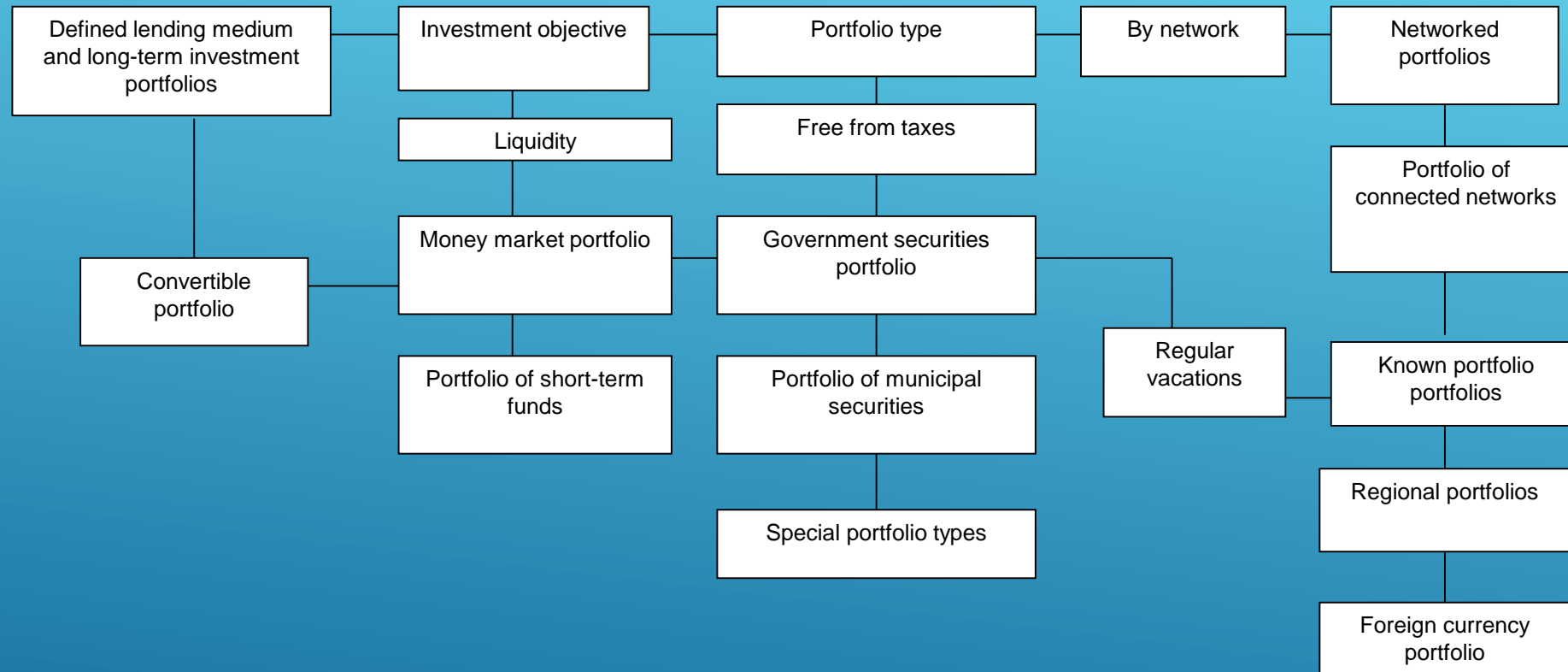
one of which is to improve the investment climate favorable for the investor on a set of securities, in which investment securities that meet the requirements of the conditions of the investor's investment policy will be formulated in this package. These peculiarities can not be guaranteed in a particular type of securities, but can only be shaped in combination

Consequently, the type of portfolio is the portfolio characteristics based on income and risk. What is the most important way to classify the portfolio and how it is derived from sources such as growth of course rates or current payments of dividends, interest income.



Portfolio classification for revenue source

Money Market Portfolio - The main purpose of the portfolio is to provide a complete portfolio of securities, which includes more money and frequently sold assets



Basic investment attributes

Portfolio investors intend to obtain the planned revenues at risk at the pre-existing risk level in formulating their portfolio

In doing so, they will carry out the following activities when placing their funds :

selection of investment assets (objects) required for the formation of an investment portfolio;

- Determine the volume of funds allocated to each financial instrument (securities);
- Analyzing the financial market and determining a portfolio formation strategy.

Creating a portfolio is the process of selecting a group of assets that is significantly influenced by the status of the securities market

At the same time, portfolio investors follow the following main principles:

- Long-term prospects for determining portfolio volume, avoiding precise identification of current (current) status of securities market;
- the formation of large packages of assets (in accumulation of portfolio) that affects the activity of portfolio investor on the securities market;
  - Political, economic and financial information is a key element of success.

The porphylium is composed of the following sequence of operations

The following are analyzed and initial monitoring is carried out:

- Securities market, its segments and indicators;
- financial and economic indicators of issuers;
- investment securities quality indicators.

2. Determine two packages of stocks and bonds at least for the initial portfolio of investment portfolio that is based on the results of initial monitoring (analytical monitoring).

3. Distribution of planned investment funds on the basis of diversification principle, which will allow achieving the investment objective. The following is an example of this.

### 3. Fundamentals of Investment Portfolio Assessment and Management.



Any investor stays silent over a period of 3-5 years based on the market position in accordance with the investment strategy in accordance with the investment strategy (ie, refers to a portion of the composition of an investment, which refers to an investment purpose). It should be remembered that the excessively large (with a diversified, diversified portfolio of securities) in the portfolio management does not increase the rate of its profitability significantly.

Asset management method

Passive management method

Monitoring (Assessment of Investment Quality of Securities)

Selecting Paper

Effective purchase

Low selling profits

Calculation of "New portfolio" indicators

Revision of old and new portfolio (by expenditure)

Formation of "new"

Determination of minimal income

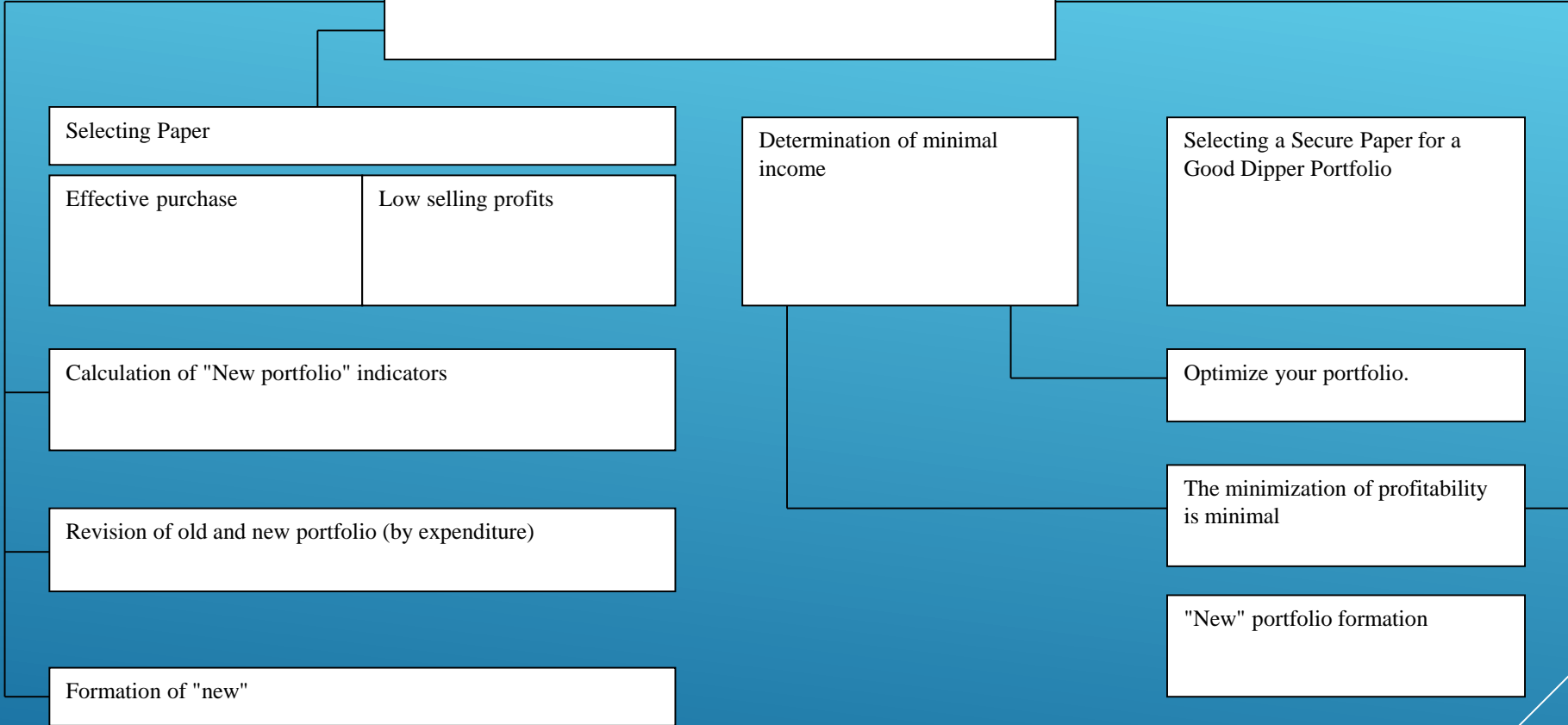
Selecting a Secure Paper for a Good Dipper Portfolio

Optimize your portfolio.

The minimization of profitability is minimal

"New" portfolio formation

Investment Quality Assessment



There are five components in the scheme:

1. Investment objectives, investors' tendency, ie, determinants of management strategies.

2. Describe the level of income of different types of securities.

3. Integration of images and investment goals for the optimal unit of the selected instruments.

Continuous analysis and analysis of factors causing changes in portfolio structure.