MUTUAL FUND - ASSET OWNER INVESTMENT STRATEGY:

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Mutual funds are the pool of various stocks and bonds. Mutual fund portfolios are covering broad stock market index to focusing on specific sectors. Portfolio's asset mix balance allocations reduce the risk within investment portfolio by spreading money across stocks, bonds, or other assets to have profitable fund.

This article covers the features and characteristics of various type assets such as equities, debt securities and derivatives, the risk assessments and valuation to the equity and bonds to be taken based on different assets classes, in different sectors for preferred time horizon, likewise:

ASSETS:

Private & Listed Equity/stocks: The company profit & loss account determine the market share, volumes, sold realized prices, innovation of products cost of debt, etc.. The case flow statement has Capex implications and Balance Sheet gives idea about value of the liabilities and assets.

Market value of a company equals its stock price times shares outstanding. Equity analysis is having two key components financial statement analysis and equity valuation.

Financial statement analysis and key financial ratios indicate company liquidity, operating, profitability, leverage and growth efficiency within and compare to other companies. The company risk and return are also interpreted by the financial analysis.

Equity valuation encompasses various methods, common stock cash flow includes dividends and eventual selling price of the stock.:

Intrinsic value: This value for a common stock equals the present value of the case flow the investor expects to receive,

Dividend discount model: Many times, this model permits the company to grow at different rates over different period of time.

Earning multiplier model: This model shows the relationship between the Company P/E ratio and its dividend pay-out, growth and required return.

LIABILITIES:

Private Debts: Investor is able to be selective and specific with regard to the use of proceeds and on the other hand has more direct control and ways to engage with debtors. Some large financial institutions started issuing social impact loans, where the risk primum of a loan is directly linked to the social positive performance of the company.

Corporate Bonds: Similar to listed equity, shorter term to maturity, less widespread. Credit ratings embrace fund quality more broadly and systematically. Direct link between the financial side and the investment side.

In general, the credit analysis, relative credit worthiness of bond issuer, cash flow generation and sufficient to honour debt commitment on time is fundamental strategies to assess the bonds. Country risk, Industry risk, development strategy, competitive position, and regulatory/legal framework is way of business assessments.

Supranational Bonds: Issued by entities formed by two or more central governments to promote economic development for the member countries.

Sovereign Bonds: Sovereign bonds include sovereign guaranteed securities with an explicit government guarantee or support from the sovereign, principal or state governments.

One third of all assets under management in the bond market are in sovereign bonds. These bonds approaches exclusions criteria, country ratings inputs into investment process.

Green Bonds: Recently sovereign green bonds apart from development bank and corporate has been placed. The green bond principles and social bond principles and sustainability bond guidelines rest on four pillars:

1. **Use of proceeds**
2. **Process for project evaluation and selection**
3. **Management of proceeds and**
4. **Reporting**

Green bonds are typically designed as asset back securities i.e. the returns and risks are tied to specific underlying projects (green infrastructure projects, renewable energy, for example).

Local/Municipal Bonds: A municipal bond, commonly known as a muni bond, is a bond issued by a local government or territory, or one of their agencies. It is generally used to finance public projects such as roads, schools, parks, libraries, bridges, airports and seaports, and infrastructure-related repairs.

Commodities: Exchange traded commodity contracts (oil, gas, metals, agricultural products….). The institutional investors are manly maintaining the portfolios. Many challenges with the exchange traded commodity have like homogeneous, substitutable goods such as oil, gas, metals, agricultural products. The direct investment in commodities is to invest in companies that are engaged in commodity extraction and trading.

Hedge Fund: A hedge fund is a pool of money contributed by investors and run by a fund manager whose goal is to maximize returns and eliminate risk. Regardless of the structure, the hedge fund is operated by a manager who invests the money into different assets to achieve the fund's goals. Discounted cash flow method and arriving at present value net asset value is a valuation method for hedge fund.

Since the global companies from various sectors are acknowledging climate change as a financial risk, following strategies consider for investment or fund managements:

- Responsible Investments, in addition to economic aspects, consider aspects related to the environment, social *responsibility* and good governance when making *investment* decisions.
- Long term return and reward considering global megatrends will have, earlier or later, an impact on business models and accordingly with the funds.
- Investor interest with priority considering long term health of the company.
- Corporation having high standard of business ethics.
- Investments in renewables like smart grid and transmission networks, solution for water scarcity, further development of batteries etc,
- Assessments and investment decisions on stocks required standard deviation, stocks lower standard deviation having low risk and modest return and beta greater than 1 having diversified portfolio.

Additionally, the Mutual Fund industry needs to keep on evolving to add value to customers. The overall outlook for the sector not only looks promising but it’s bound to rise above the expectations.

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