

The background of the slide features a blurred, high-tech aesthetic. It includes a grid of thin white lines on a dark blue background, overlaid with a faint, glowing orange and yellow candlestick chart. The overall effect is one of digital finance and data analysis.

Active Management in Security Analysis and Portfolio Management



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Introduction to Active Management



Definition and Objectives



Understanding Active Management

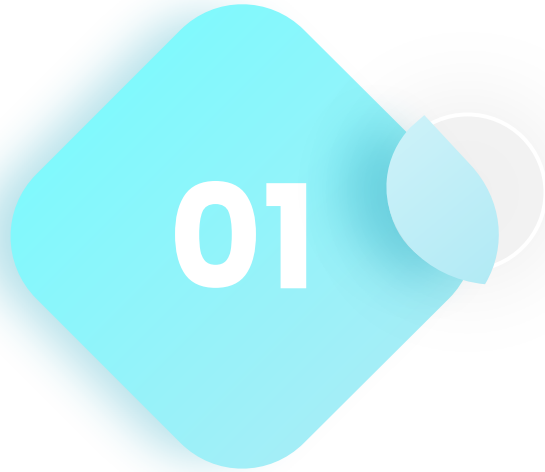
Active management involves making investment decisions based on research, forecasts, and the manager's judgment, aiming to outperform the market and achieve higher returns.



Goals of Active Management in Investment Strategies

The primary goal of active management is to maximize returns by leveraging market inefficiencies and making timely investment decisions based on analytical insights.

Importance in Portfolio Management



Contrast with Passive Management

Active management differs from passive management by seeking to capitalize on market fluctuations through strategic buying and selling, rather than simply tracking an index.



Benefits for Investors

Investors may benefit from active management through potential higher returns, better risk management, and the opportunity to adjust to market changes and economic events more swiftly.

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Strategies in Active Management



Types of Active Management Strategies



Fundamental Analysis

Detailed examination of a company's financial statements, industry position, and economic conditions to determine its value and potential for future growth.



Technical Analysis

Utilizing historical price patterns and trading volume data to forecast future price movements, often employing charts and indicators as primary tools.



Quantitative Approaches

Involves using mathematical models and statistical techniques to identify investment opportunities, focusing on data-driven decision-making rather than qualitative assessments.

Performance Evaluation

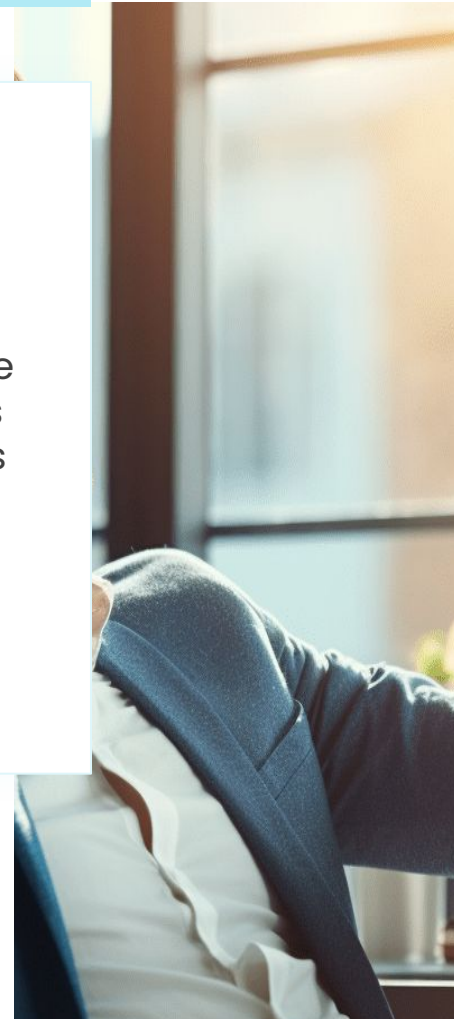


Measuring Active Management Success

Evaluating the effectiveness of active management by comparing fund performance against benchmarks and assessing alpha generated relative to market conditions.

Risk-adjusted Returns

Analyzing returns while accounting for the risk taken to achieve them, using metrics like Sharpe ratio or Sortino ratio to assess performance relative to volatility.



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Challenges and Considerations

Market Efficiency and Its Impact



Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) suggests that all available information is reflected in asset prices, making it difficult to outperform the market consistently through active trading.

Implications for Active Management Strategies

Active management strategies may face challenges in outperforming passive benchmarks due to market efficiency, leading to debates about the value and effectiveness of higher-cost management approaches.

Costs and Fees Associated

Understanding Management Fees



Management fees are charges by investment managers for their services, which can significantly impact overall investment performance, necessitating a clear understanding by investors.

Impact on Net Returns



High costs and fees can erode net returns, highlighting the importance of evaluating the cost- benefit ratio of different investment options to maximize long- term financial growth.

The background of the slide features a dark blue grid with glowing orange and red lines. Overlaid on this grid are blurred images of financial charts, including a bar chart with orange bars and a line graph with red and blue lines. The overall aesthetic is high-tech and data-oriented.

Thanks

Prepared by D.Deepa

