

Is it time to rejig your investment portfolio?

15 Aug, 2015, 03.01PM IST

[Post a Comment](#)

By **Dr Vikas V Gupta**

Independence Day can also be a time to reflect on your own financial independence. It has been more than a year since the new government has taken over. The [stock markets](#) had gone euphoric around the time the new government took over. However, the last one year returns are in single digits.

It is time the markets are consolidating and are feeling a little bit uncertain. Uncertainty is the friend of the value investor. Economic fundamentals continue getting better. Company financials are still mixed and some sectors and companies are doing better than others.

The impact of the new government on the company balance sheets will most likely start becoming clearer over the next couple of quarters. This is an ideal time to analyse your portfolio and see whether it meets your requirements.

Some key questions to ask:

Asset Class Diversification: Is the portfolio diversified properly?

Is there enough equity allocation based on your future objectives?

Is there too much fixed income allocation? More than 75% fixed income is probably over allocation for most people.

Is there too much real estate? More than 20% is overallocation.

Is there too much gold? More than 10% is overallocation.

Is my portfolio structured well to meet my short and long-term investment objectives?

Equity Portfolio Diversification:

Are there more than 10 companies? And less than 30? Ideal is 20-25.

Are there more than 5 unrelated industries?

Is any company more than 10% of the portfolio?

Is any industry more than 25% of your portfolio?

Equity Portfolio Quality:

Are there any over-leveraged companies in your portfolio? Debt to Equity of 1:1 is the maximum, ideally much lower. Interest coverage of less than 4 is also a warning sign.

Are there any loss-making companies in your portfolio?

Are there companies with ROE less than 15% in your portfolio?

Are there companies with PE over 20 or PBV over 5 in your portfolio? It may be time to look at the valuations carefully and ask if they are justified.

Equity Portfolio performance:

How has your portfolio performed vis-a-vis the benchmark? Use an appropriate benchmark like the [BSE 500](#) or [CNX 500](#) if you are mostly investing across capitalization and [Nifty](#) or [BSE largecap](#) if you are mostly investing in large caps.

If the portfolio is underperforming, then is it because of low quality companies or overpaying for high quality?

Is the investment thesis still valid for the portfolio companies?

Are the fundamentals intact?

If they are still undervalued but performing well on fundamentals, it might be a time to increase the allocations.

If they are overvalued or fairly valued, it might be time to sell them and find new stocks.

Happy Financial Independence!



ET SPECIAL: Love visual aspect of news? Enjoy this exclusive slideshows treat!

(The author is Executive Vice President, Traded Markets and Investment Research at [ArthVeda Capital](#). He can be reached at [@vikasvgupta](#). Views and recommendations expressed in this section are his own and do not represent those of [EconomicTimes.com](#). Please consult your [financial advisor](#) before taking any position in the stock/s mentioned.)

Stay on top of business news with The Economic Times App. [Download it Now!](#)   

[Live Market](#)

[News](#)

[Portfolio](#)

[Mobile](#)

[Live TV](#)

[Newsletter](#)

[Commodities](#)

[Speed](#)

[QnA](#)

[Blogs](#)

[Alerts](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
छत्रेनोमिड रलडुडुस | Mumbai Mirror
Times Now | Indiatimes
नवभरत टाइम्स | महरररषुट टाइम्स
वेडुडुडु कंनुवरुडुडु | Lifehacker
Gizmodo | Eisamay | IGN India
NavGujarat Samay

Living and entertainment

Timescity | iDiva | Bollywood
Zoom | Healthmeup | Luxpresso
Technology | Guylife | Online
Songs | Travel Guides | Hotel
Reviews | Cricbuzz.com

Networking

itimes | Dating & Chat | Email
MensXP.com

Hot on the Web

Daily Horoscope | Weather in Delhi
Mumbai Map | Horoscope
Hotels in Delhi | Xiaomi Mobile
Phones

Services

Book print ads | Online shopping | Free SMS | Website
design | CRM | Tenders
Matrimonial | Ringtones | Astrology | Jobs | Property | Buy car | Bikes in
India
Used Cars | Online Deals | Restaurants in Delhi | Movie Show Timings in
Mumbai
Remit to India | Buy Mobiles | Listen Songs