

## Portfolio Optimisation: Case study

A customer reached to us with a request for optimisation of his portfolio and shared the details with us. The objective of the investment was to supplement the income during his retirement, due in next 5 years. After going through the existing portfolio in detail and understanding the customer requirements, we optimised it as below.

### Problem with the existing investments:

The fund selection was good but had the following challenges

1. Total 16 funds in the portfolio, with multiple funds from the same category with portfolio overlap
2. More number of funds dilute the return.
3. The objective being SWP, it is difficult to manage too many funds

**Solution:** The portfolio optimisation exercise was done to find out how to improve the yield with reduction in number of funds in a 3-step process

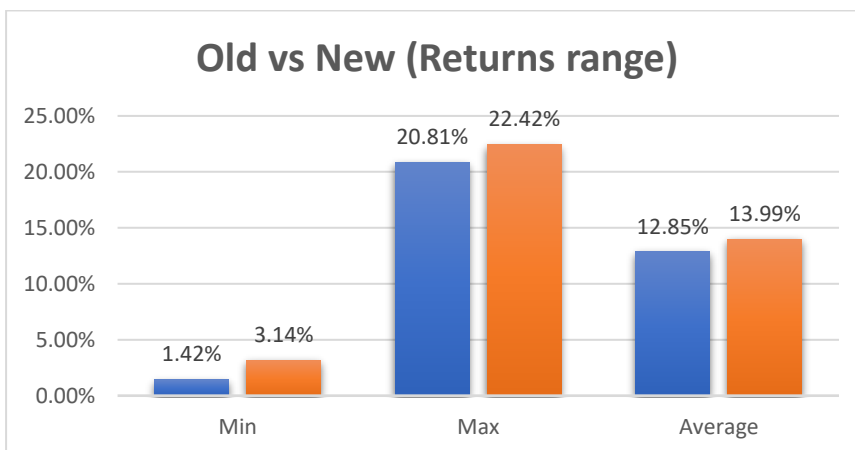
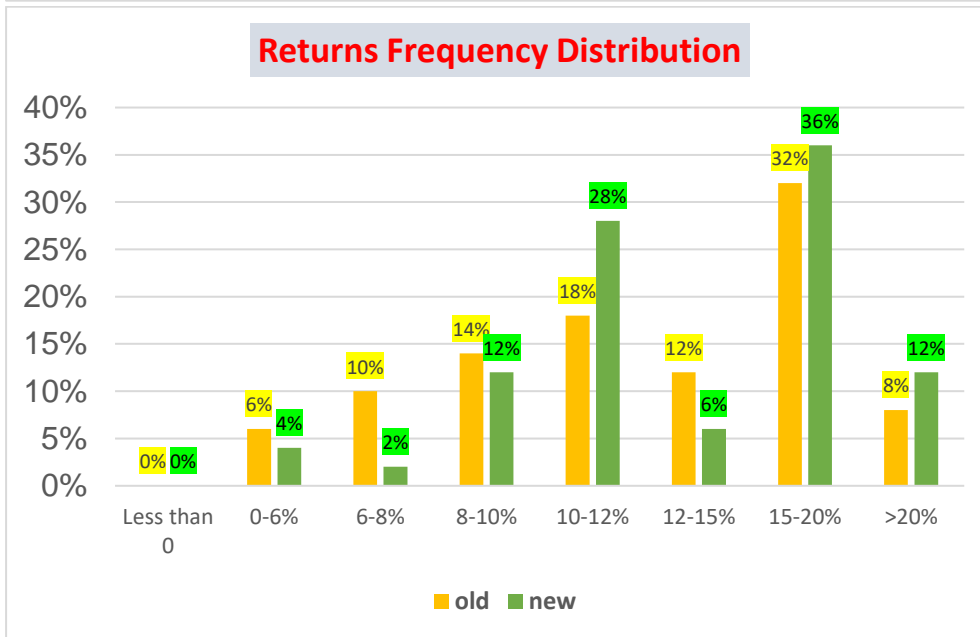
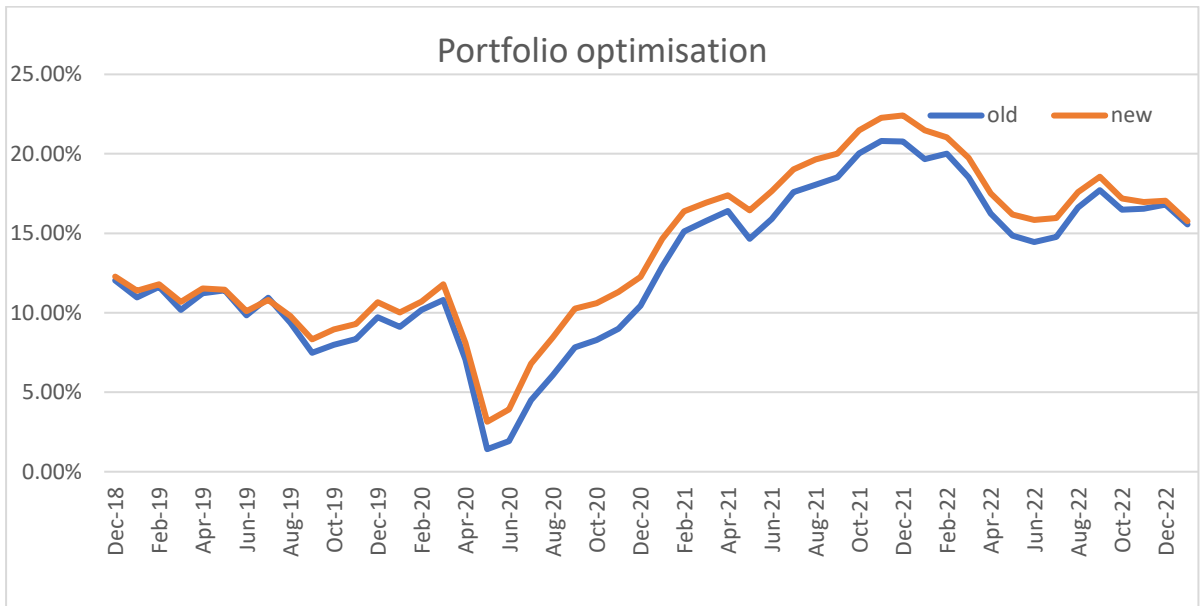
### 1. Fund category simplification

Fund category	# Funds-old	# Funds -new
Flexi cap	2	1
Large cap	4	0
Large and midcap	2	0
Small cap	3	1
Value	1	0
Focused equity	1	0
Hybrid	0	1
Midcap	2	1
<b>Total</b>	<b>16</b>	<b>4</b>

Thus, the funds were reduced by 75% and 16 funds reduced to only 4.

### 2. Returns optimisation

5 years of rolling average for the sip returns between the old and the new allocation is shown below



### 3. Tax optimisation

The earlier portfolio consisted of all equity funds. The new portfolio consists of one debt taxation fund so that beyond 1L long term capital gains, the indexation benefit available for debt taxation is utilised so that overall tax burden is reduced

### 4. Impact of change

Metric	Impact of change
# Funds	75% lesser funds- easy to handle, monitor and make adjustments
Minimum returns	28K higher returns per 10K sip
Maximum returns	40K higher returns per 10K sip
Average returns	30K higher returns per 10k sip