equaliFi ACADEMY

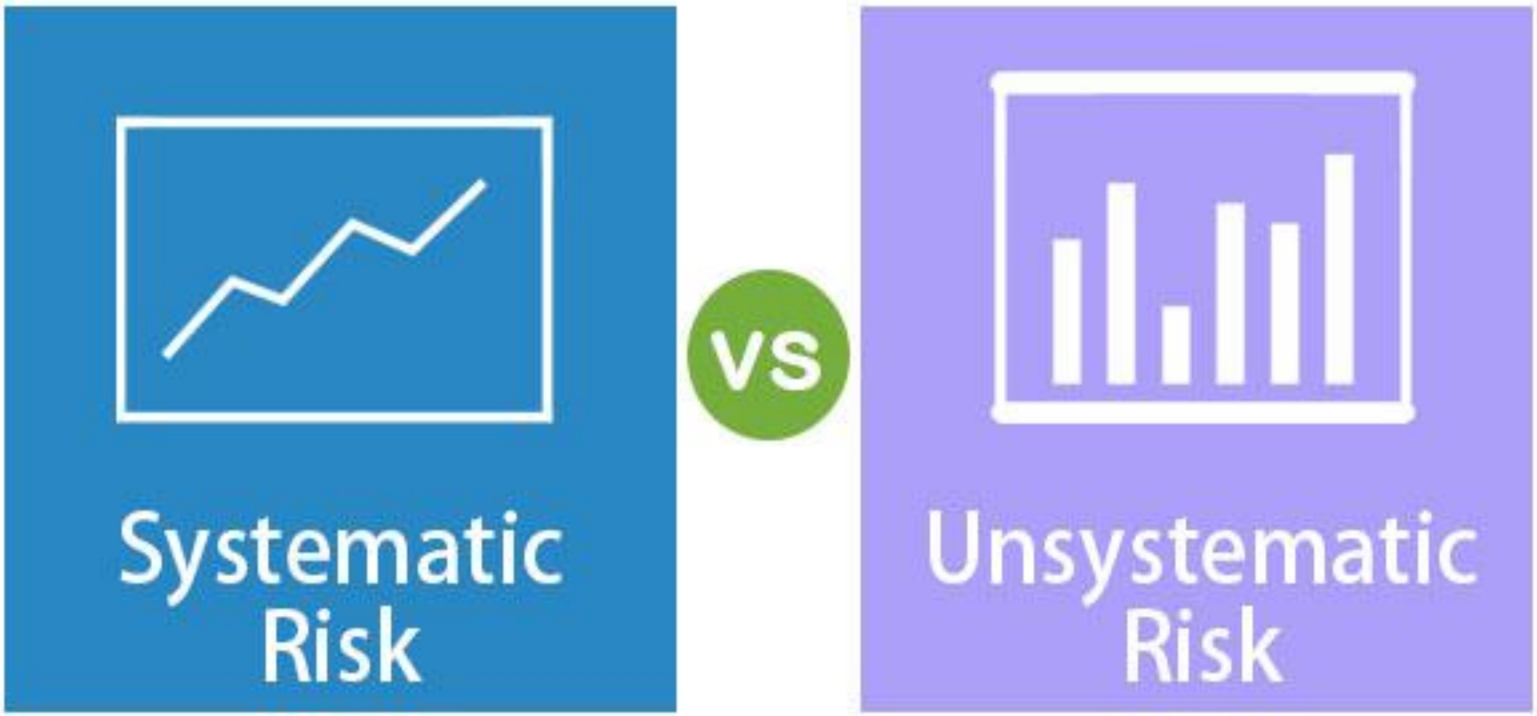
WMA

CERTIFICATE IN
WEALTH MANAGEMENT

Session 3 & 4 - Risks & Financial Mathematics

Presentation Order

- Systematic v/s Unsystematic
- Different Types of risk
- Risk Measurement Tools
- Time value of Money


Systematic Risk
VS
Unsystematic Risk

#1. Meaning

Risk/Threat associated with the market or the segment as a whole.	Hazard associated with specific security, firm or industry.

#2. Impact

Large number of securities in the market.	Restricted to the specific company or industry.

#3. Controllability

Cannot be controlled.	Controllable.

#4. Hedging

Allocation of the Assets.	Diversification of the Portfolio.

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#5. Types

Interest
Risk and Market Risk.

Financial
and Business specific Risk.

#6. Responsible Factors

External.

Internal.

#7. Avoidance

Cannot be Avoided.	Can be avoided or resolved at a quicker pace.

Types of risk an Investor Faces

Systematic Risk

Equity and Debt

- Inflation Risk
- Currency Risk
- Political Risk

Debt

- Interest Rate / Reinvestment Risk

Unsystematic Risk

Debt
- Liquidity Risk
- Credit Risk

Equity and Debt
- Business Risk
- Operational Risk

Portfolio Risk
- Concentration Risk
- Horizon Risk
- Longevity Risk

Portfolio Level Risk

Concentration Risk

- Sector
- Security

Horizon Risk

Longevity Risk

Risk Measurement Tools

Risk Measurement Tools

Standard Deviation

- Deviation from its own past standards
- Higher the number more the risk
- Applicable to Equity & Debt both

Beta

- Measures risk compared a diversified equity index
- Higher the number more the risk
- Applicable to Equity

Risk Adjusted Ratio

Sharpe

- (Portfolio Return *minus* Risk Free return) / Std. Dev of the Portfolio Returns
- Higher the number more superior the risk-adjusted returns
- Applicable to Equity & Debt both

Treynor

- (Portfolio Return *minus* Risk Free return) / Beta of the Portfolio Returns
- Higher the number more superior the risk-adjusted returns
- Applicable to Equity

Alpha

- Portfolio Return minus Index Return
- Higher the number better the performance
- Applicable to diversified equity schemes

Financial Mathematics

Know your numbers

Time Value of Money
- FV
- PV
- Rate
- Nper

Regular Transaction
- SIP
- EMI

Returns
- IRR
- XIRR

Thank You