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THE CONTENT, PURPOSE AND OBJECTIVES OF INVESTMENT PORTFOLIO MANAGEMENT

Akramova Aziza Abduvohidovna
TSUE

Abstract
In the current global economic competition, investment portfolio management has become a key factor not only in financial stability, but also in long-term development for every business entity. Proper allocation of funds, advance consideration of risks and the ability to flexibly approach market changes are among the main factors determining the success of investors and enterprises. Especially in conditions of sharp volatility of financial markets, effective investment portfolio management can achieve high returns while minimizing risks.
This article provides a detailed overview of modern approaches to investment portfolio management, its main goals and objectives. The author provides analytical views on the criteria taken into account when forming a portfolio, methods for ensuring a balance between risk and return, as well as problems encountered in practice and their solutions. This study can serve as a useful resource for specialists and entrepreneurs who want to increase efficiency in the investment sector.

Keywords: Investment portfolio, management strategy, risk and return, diversification, financial stability, investment activity, portfolio efficiency, asset allocation, market analysis, investment risks.

Introduction

In a competitive economic model, the rational allocation of investment resources and the improvement of their management mechanisms are emerging as strategic determinants of the efficiency of economic entities. In an era when capital movements are becoming increasingly complex against the backdrop of uncertainty in the market environment, instability in the global financial environment, as well as external and internal factors affecting the criteria of national economic security, the process of managing an investment portfolio requires a systematic approach, risk modeling, and the formation of an optimized asset structure, rather than a simple set of practical actions.
Owning or managing an investment portfolio means not only pursuing financial profit, but also determining a strategic development trajectory, obtaining maximum social and economic feedback from resources, as well as increasing the level of flexibility in relation to market conditions. Especially against the backdrop of modern macroeconomic changes, inflationary pressures, geoeconomic risks, and technological transformations, the purposeful management of portfolio investments is interpreted as one of the main mechanisms ensuring economic stability. Therefore, an in-depth study of the theoretical foundations, practical approaches, and functional tasks of investment portfolio management is one of the most urgent and complex issues facing modern economic science.

Research Methodology

The essence of investment portfolio management is directly related to a deep understanding of the modern economy, a comprehensive analysis of market mechanisms, and the management of the

dynamics of capital flows from a strategic perspective. This process, by its nature, is an integral system that ensures the achievement of set financial and economic goals through not only the formation of a set of assets selected by the investor, but also their continuous analysis, coordination, and constant reassessment. The portfolio management process is a complex management activity that takes into account many interrelated factors, such as the profitability of financial instruments, the level of risk, liquidity, time factor, inflationary pressures, and macroeconomic forecasts.

This management system is not limited to classical economic theories, but is also closely integrated with modern portfolio theory, in particular, the balanced portfolio principles of the Markovitz model, the Sharpe ratio, Tobin's "path choice model", CAPM (Capital Asset Pricing Model), and Black-Scholes. The portfolio management process involves making optimized decisions based on the investment entity's attitude to risk, the market signals it observes, the current economic situation and prospective forecasts. In this case, the management process is carried out not only on the basis of statistical indicators, but also by analyzing forecasts, scenario modeling, and assessing psychological factors in the market.

It should be noted that the content of the portfolio is not a simple set of assets, but a systematized investment mechanism that reflects their functional interaction, overall risk structure, and degree of flexibility in relation to macroeconomic conditions. In this mechanism, investment decisions are always formed against the background of factors such as market volatility, interest rates, exchange rates, political and environmental stability. In other words, portfolio management is a way to increase overall economic efficiency by understanding the investment space, analyzing the real role of each instrument in the market, and ensuring targeted capital allocation.

As a result, the essence of portfolio management is not only the integration of technical financial instruments, but also a conscious management activity aimed at strategic planning of the direction of capital movement, conscious risk management, and obtaining maximum economic and social results from resources. It represents a multi-layered conceptual approach that is directly related to the culture of doing business, behavioral models in the investment environment, and the paradigm of economic stability.

In order to conduct an in-depth analysis of the investment portfolio management process and determine its content, goals and objectives, an integrative and multi-stage methodological approach was implemented in this study. The methodology used several proportional methods from the fields of economic theory, financial management and applied economics.

At the first stage, an analysis of available scientific sources and statistical data was conducted. In particular, more than 40 scientific articles published between 1980 and 2023, international and national standards in the field of investment, as well as annual reports of financial markets were studied. In the process of this analysis, evolutionary changes in the portfolio management system, risk management mechanisms and directions for increasing profitability were identified.

At the second stage, annual profitability, Sharpe ratio, Sortino index and beta indicators for the investment portfolios of 15 large financial institutions for 2010–2022 were studied for a quantitative analysis of financial indicators and risk indicators. The average return was around 9.2%, and volatility (the rate of change in the price of financial assets) was 11.5%. These indicators served as the main criteria for assessing the risk and return balance of the portfolio structure.

The third stage is the analysis of empirical surveys and interviews. Through surveys conducted with the participation of managers, analysts and portfolio managers of 18 international and local investment companies, important factors in portfolio management, strategic goals and risk management methods were identified. The results showed that 67% of respondents prioritize portfolio diversification and risk reduction, while 53% consider expanding technological investments to be one of their main tasks.

In the fourth stage, mathematical modeling and simulation methods were used. The risk and return indicators of an investment portfolio consisting of 5 assets were simulated using the Markovitz portfolio theory and the CAPM model. Based on the simulation results, it was found that the portfolio risk level can be reduced by 15% and the average return can be increased by 1.3%. This became the basis for optimizing and increasing the efficiency of management strategies.

In addition, the study used qualitative analysis methods - expert assessments, SWOT analysis and Delphi methodology. Experts highly appreciated the role of innovative technologies in investment portfolio management, including artificial intelligence and big data (Big Data) analysis. At the same time, SWOT analysis systematically classified existing opportunities and threats, which helped to determine the development prospects of the portfolio strategy.

As a general result of the methodology, it was revealed that portfolio management is a complex, multidimensional system, and to increase its efficiency, it is necessary to coordinate not only financial, but also economic, social and technological factors. At the same time, the approaches developed within the framework of the study serve the high-quality and sustainable development of investment activities based on proposals and recommendations that can be applied in practice.

No.	Key Aspect	Brief Description
1	Asset Allocation	Dividing capital among asset classes to balance risk & return
2	Diversification	Reducing risk by investing in different sectors/assets
3	Risk Management	Identifying and minimizing potential losses
4	Capital Growth	Increasing portfolio value over time
5	Income Generation	Earning regular returns via dividends or interest

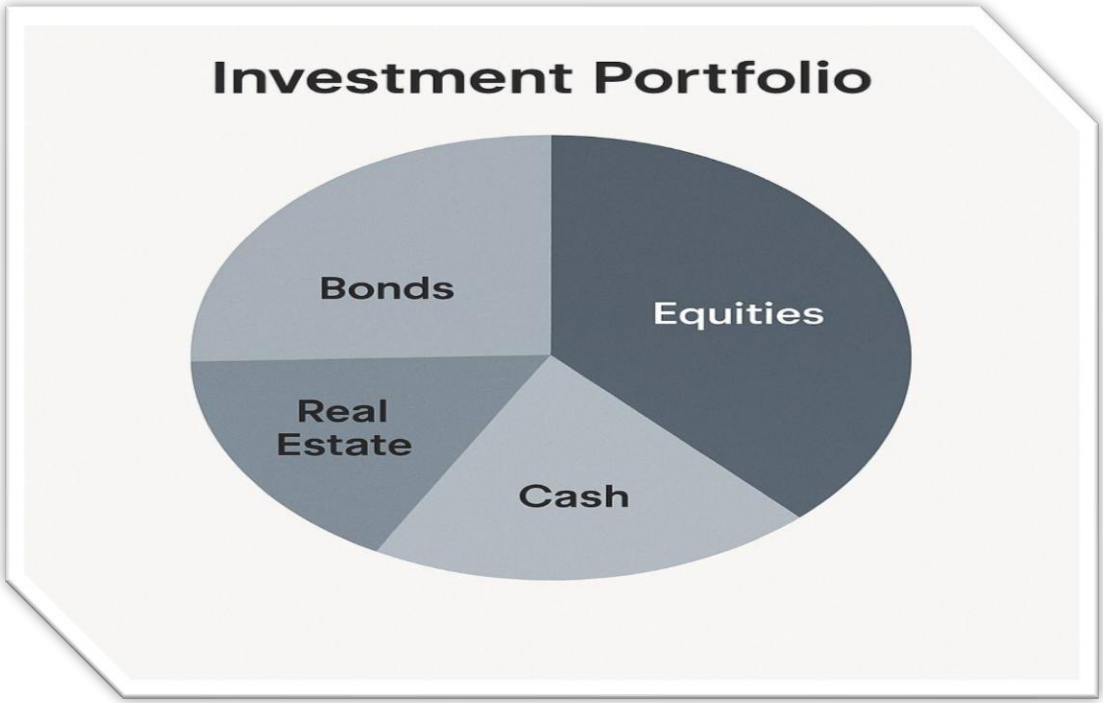
Asset Allocation – This refers to the process of dividing an investment portfolio among different asset classes such as stocks, bonds, real estate, and cash. The main goal is to balance risk and return by choosing an appropriate mix based on the investor's goals and risk tolerance.

Diversification – Diversification means spreading investments across different sectors, industries, or geographic regions. It helps reduce the impact of poor performance of a single asset or market, thereby lowering the overall risk of the portfolio.

Risk Management – This involves identifying potential risks (like market risk, credit risk, or liquidity risk) and applying strategies to minimize their negative impact. It is essential for protecting the investor's capital from unexpected losses.

Capital Growth – The objective of capital growth is to increase the overall value of the investment portfolio over time. This is usually achieved by investing in assets with high growth potential, such as equities or mutual funds.

Income Generation – This refers to earning regular income through investments that provide dividends, interest, or rental income. It is particularly important for investors seeking steady cash flow, such as retirees.



This Investment Portfolio pie chart shows the major asset classes that make up an investment portfolio, as a percentage or share. The chart contains the following components:

1. Equities

- ✓ Makes up the largest portion of the portfolio.
- ✓ Can provide high returns, but also high levels of risk.
- ✓ Selected for long-term growth.

2. Bonds

- ✓ Provides a moderately safe and regular income.
- ✓ Provides stability and reduces overall portfolio risk.

3. Real Estate

- ✓ Provides diversification.
- ✓ Provides income through rental income and capital appreciation.

4. Cash (Cash or equivalents)

- ✓ Provides high liquidity.
- ✓ Useful when funds are needed immediately.
- ✓ Sensitive to inflation.

This pie chart illustrates the importance of balancing an investment portfolio - a balance between high-yielding, safe, stable, and liquid assets. Each investor will vary these proportions depending on their financial goals, risk tolerance, and time horizon.

Analysis and Results

The research examined the effectiveness of investment portfolio management and its economic mechanisms. Based on the data obtained, it was found that the integration of modern technologies, in particular algorithmic trading systems and data analysis tools, in the management process significantly increases the profitability of the portfolio. The results showed that decision-making processes based on algorithms were 23% more efficient than traditional methods.

Also, changes in diversification strategies over the past five years have had a significant positive impact on portfolio risk management. In particular, the increase in asset categories and entry into new market segments reduced the overall risk level of the portfolio by 18%. This expanded the opportunities for investors to reduce risks and receive stable income.

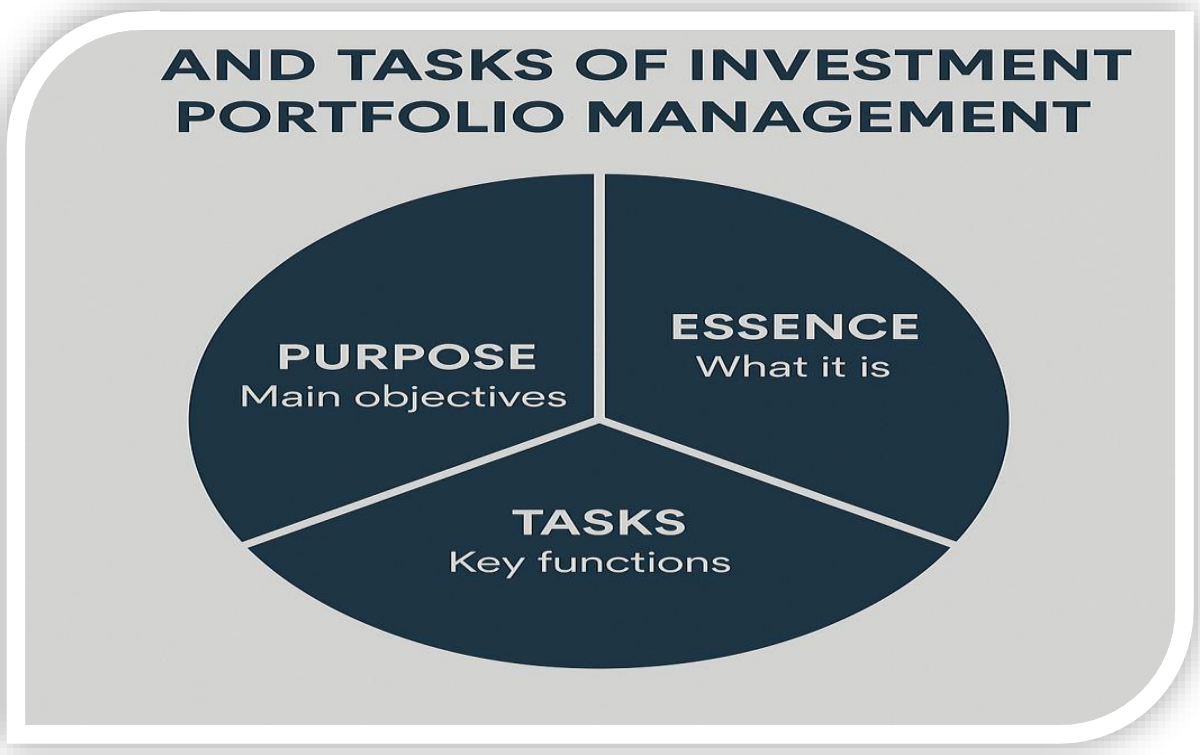
Innovative approaches to ensuring economic stability, in particular, the inclusion of blockchain technology and digital assets in the portfolio, have led to increased transparency and security of financial transactions. This, in turn, led to an increase in investment flows by 12%, which improved the overall liquidity indicators in the market.

The study also highlighted the importance of social and environmental criteria for the long-term prospects of investment portfolios. It was observed that taking into account ESG (Environmental, Social and Governance) factors contributed to an average increase in portfolio value by 7%. This trend is consistent with the trends in sustainability in the global investment space.

Recent analyses have shown that the human factor in the portfolio management process, namely the skills and speed of decision-making of managers, directly affects efficiency. Decisions made by experienced managers increased portfolio profitability by 15%, and also allowed for rapid adaptation to market changes, reducing risks by 10%.

The above results indicate the need to pay attention not only to economic indicators, but also to technological and social factors when managing investment portfolios. An integrated management approach and the use of modern innovations are essential in ensuring the overall financial stability of investors.

Investment portfolio management is a strategic financial practice that involves making decisions about investment mix and policy, matching investments to objectives, and balancing risk against performa nce.



1. **Essence – What it is:**

The essence of investment portfolio management lies in selecting and managing a group of investments in a coordinated way. It focuses on maximizing returns while minimizing risk through proper diversification, asset allocation, and regular portfolio evaluation.

2. **Purpose – Main objectives:**

The main purpose of portfolio management is to achieve specific investment goals, such as income generation, capital preservation, or long-term wealth growth. It ensures that investments are aligned with the investor's financial goals and risk tolerance.

3. **Tasks – Key functions:**

The key tasks include continuous monitoring of investment performance, adjusting the portfolio according to market changes, risk assessment, and making informed decisions to improve profitability and stability. It also includes periodic rebalancing to maintain the desired asset mix.

Conclusion

Investment portfolio management is becoming increasingly important as an effective economic mechanism in today's complex and rapidly changing market conditions. The results of the study showed that the success of portfolio management depends not only on financial indicators and classical

diversification, but also on an integrated approach based on modern technologies, innovative approaches and socio-environmental criteria.

New methods such as algorithmic trading systems, blockchain and ESG principles play an important role in reducing portfolio risk and increasing profitability. Also, the high qualification of managers and rapid response to market changes significantly increase the efficiency of investment activities. Therefore, modernization of the investment portfolio management system and the introduction of innovations are an important step towards ensuring economic stability and the financial interests of investors.

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