Portfolio Evaluation

Student’s Name

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**Introduction**

Investors consider a number of aspects before making final decision whether to invest in a market or not. Analysis the capital market line of Woolworth, Commonwealth Bank of Australia and Crown Resort would help an investor to integrate the performance of each company in order to make appropriate decision. However, the evaluation of the portfolio of each corporation in the stock market provides the insight of a company for effective decision making. According to Bodnar, Mazur and Okhrin (2017), portfolio is regarded as the evaluation of the performance of investment portfolio from the market. It is a process, which involved comparing return earned from a portfolio or several portfolios and benchmark portfolio. This paper therefore, present the analysis of the certain portfolio benchmarks essential for making investment decision in regard to Woolworth, Commonwealth bank of Australia and Crown Resort.

**Discuss the performance of the constructed portfolio based on the appropriate chosen benchmark**

The benchmark is standard measure of performance. Investors are usually focused on the earned return if they have made investment on a particular fund. In this case, the benchmarks would be the systematic risk of a specific stock, risk aversion based on the expected return. As stated by Campbell, Giglio, Polk and Turley (2018) the capital line is also an essential in analyzing both risk and the return of a company. The analysis of the capital market line provides an outlook of a stock whether a stock is prone to high risk and necessary precautions should be taken to prevent incurring losses from the investment. The capital market line is regarded as that line which represents the portfolios, which are able to combine optimally both risk and return (Garcia and Borrego, 2017). The capital asset pricing (CAP) is also an important benchmark in stock trading. It shows the level or rate of trade off between the return and risk in the market. With efficient utilization of CAP, to analyze performance of stock market and a company, it would be easily for any investor to make an informed decision hence losses would be minimized.

***Figure 1: Woolworth stock market return for FY 2002-2019***

In figure 1 above, the graph indicates a slope performance of Woolworth Company in the stock market. The performance is up and down every single day, which indicates market vulnerability. This kind of vulnerability translates to high risk, volatile of a market. Therefore, a critical element, which are used for investment benchmark is the return registered from market. The graph above in figure 1, indicates that Woolworth return is low and therefore, from the analysis an investor can be able to make appropriate decision on kind of investment decision to take based on the return made by Woolworth.

***Figure 2: Crown Resort market return for FY 2002-2019***

***Figure 3: CBA market return for FY 2002-2019***

**Figure 4: Expected sales return**

The sales return register by companies also depends on the risk, or market volatile. The analysis indicates that in regard to sales, Commonwealth Bank of Australia make high sales return and Woolworth make the lowest sales return in the market. Therefore, sales return can also be used as a benchmark portfolio to determine the market performance. With proper evaluation of a portfolio of a company, an investor would be able to understand a performance of a company in the stock market (Chambers Freen and Heiberger, 2017).Beta analysis is one of the tools, which are used to analyze and determine the performance of a company in the market. Investors would analyze the performance of each company based on it Beta return.

Figure 4: Portfolios with short sales return

***Figure 5: Beta Analysis***

**Discussion the potential impact of financial crisis such as the 2008 financial crisis and European debt**

The financial crisis such as of 2008 financial crisis and the European debt is likely to impact the allocation of the individual investor. The financial crisis scares investors from making critical investment decision. With financial crisis, the investors are more likely to withdraw investment due to fear of making huge loses. Such drastic action would affect the performance of Woolworth, Commonwealth Bank of Australia and Crown Resort. The stock market performance of the three companies is expected to be affected. The stock market share return is expected to reduce drastically due to lack of investors. Therefore, Woolworth, Commonwealth Bank of Australia and Crown Resort is expected to incur losses from the market.

Figure 1: CBA Beta Return

The graph above indicates how CBA beta return is vulnerable to market risk. The performance of the CBA can easily be affect by any market changes, or volatile and therefore, the financial crisis could easily declined the performance of the company resulting to a lot of loses.

Investment decisions are made based on the market factors. Decisions are based on the analysis of the market using various tools such as investors’ preferences,

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