



EB Wealth

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Building a diversified portfolio

What is it, and why is it important?

Trusting that your investments are progressing toward your objectives is vital, allowing you to concentrate on the things you value most in life. This is why building a diversified portfolio is crucial to any successful investment strategy.

Diversifying your investment portfolio can limit your exposure to any single type of asset, therefore helping to reduce the risk and volatility of your portfolio. The primary goal is to spread your investment portfolio across many different asset classes to mitigate the risk of each.

ACHIEVE LONG-TERM INVESTING SUCCESS

Investing in multiple different asset types ultimately means that the positive performance of certain investments neutralises the negative performance of others. Whilst this may be tipped in one way or another, it yields long-term, stable returns and lower risk over time.

Building a diversified portfolio is essential for anyone wanting to achieve long-term investing success. With the right approach, investors can create a balanced investment strategy that helps them reach their financial goals while minimising risk.

UNDERSTAND YOUR RISK TOLERANCE

Before you begin, it's crucial to assess your risk tolerance. This involves evaluating your financial goals, time horizon and comfort level with potential losses. Knowing your risk tolerance will help you select investments that align with your goals and preferences.

CHOOSE A VARIETY OF ASSET CLASSES

A well-diversified portfolio may include asset classes such as equities, bonds, cash and alternative investments like property or commodities. Each asset class has its own risk and return characteristics, so including a mix of them can help balance your overall risk.

INVEST IN DIFFERENT SECTORS AND INDUSTRIES

Within each asset class, diversify further by investing in various sectors and industries.

This helps to protect your portfolio from downturns in specific areas of the economy. For example, if you invest in equities, consider holding multiple sectors like technology, healthcare, finance and consumer goods.

CONSIDER GEOGRAPHICAL DIVERSIFICATION

Investing in different countries and regions can also reduce risk. Other economies and markets may respond differently to global events, so having exposure to international investments can provide additional diversification benefits.

REGULARLY REBALANCE YOUR PORTFOLIO

Over time, the performance of your investments will cause some to grow more than others. This can make your portfolio unbalanced and expose you to more risk than you initially intended. To maintain your desired level of diversification, reviewing and rebalancing your portfolio periodically is essential.

MONITOR AND ADJUST

Keep an eye on your investments and the overall market conditions. Stay informed about global events that could impact your investments, and be prepared to adjust your portfolio if necessary.

Building a diversified portfolio requires time, research and ongoing management. However, the benefits of spreading your risk and protecting your investments from market volatility make it a worthwhile endeavour for any investor. ■

ARE YOU LOOKING TO BUILD AN INVESTMENT PORTFOLIO CRAFTED AROUND YOUR UNIQUE NEEDS?

We understand the importance of putting the right planning in place for the future. We'll help you organise your affairs and plan for the future. To find out more, speak to us today.

THIS ARTICLE THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.