

Diversification

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What is diversification?

- It is an investing strategy most investors use
- It mixes a **variety** of asset types to limit losses from a single asset
- The average yield of the assets usually leads to higher long-term gains than holding just one asset.



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Well how can you diversify?



Main ways that investors diversify

- By asset class:

Stocks

Bonds

Cash

ETFs

Real estate

Commodities



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Why?

- What negatively impacts one asset class might benefit the other

For example,

When interest rates go up, bond prices usually go down

When interest rates go up, real estate prices usually go up

Basically, you are hedging your investments against one another



Can you name another way?



By industry!

- Investors diversify across industries by investing in stocks that may balance each other out

Can you think of examples?

Investing in Netflix (streaming)

Investing in American Airlines (Aviation)

Unrelated industries that minimise portfolio risk



By investing in different types of stocks

Growth vs Value stocks

Growth – Usually riskier

Value – Usually more stable and established



By different locations

e.g. investing in American & Thai stocks

Why? – If there is a recession in a country the stock prices tend to go down so investing in different locations will minimise these losses



Across different platforms

Let's say you have 20,000 baht

You might put
10,000 in SCB
10,000 in Kbank

Or

20,000 to
keep in his
safe

Which one should you do and why?



Never...

Invest your money in one ...

Depend on a particular ...

Invest only in one ... class



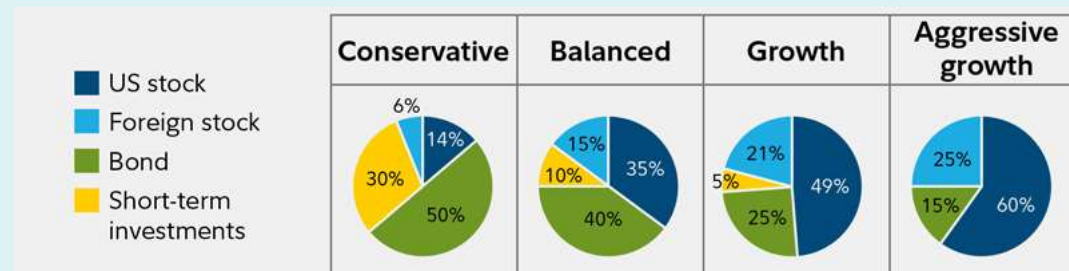
Not Diversified



Still Not Diversified



That's More Like It



Advantages of Diversification

Lower your portfolio risk

It enables you to hedge against market volatility

It could lead to higher long term gains



Disadvantages of Diversification

May be more annoying to do at first

It could be time consuming

Limits quick short-term gains



Thank You

