

An Examination of the Variations Between Typical Investment Strategies

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DESCRIPTION

An investment strategy is a set of guidelines used in the field of finance to help investors choose their investment portfolio. People have varied profit goals, and depending on their unique skills, different approaches and plans are applicable. Certain decisions require balancing risk and reward. The majority of investors lie somewhere in the middle, taking on some risk in exchange for the prospect of greater profits. Investments are frequently chosen by investors as a kind of inflation insurance. When inflation is high, investments like shares typically perform worse in real terms. Investment horizon in time. Shares and other investments should be made with a minimum 5-year time horizon in mind. Before making riskier investments than those that have rapid access, it is advised in finance to have at least 6 to 12 months' worth of expenses in a rainy-day current account. Furthermore, experts advise investing no more than 90% of your funds in non-instant access shares. Unexpected costs can arise. Using share income funds, one can generate money if they do not currently have any.

Different investment strategies

Not a plan towards strategy: Investors without a plan have been referred to as sheep. Random decisions have been referred to stock prices was posted daily in the newspapers. Results of this infamous test were contentious.

Active vs. passive: To reduce transaction costs, passive methods like buy and hold and passive indexing are frequently utilized. The idea that one can time the market is rejected by passive investors. The goal of active methods like momentum trading is to outperform benchmark indices. Active investors consider their talents to be above average.

Comparing developed and emerging markets: Because industrialized stock markets are thought to be safer than emerging ones, many individuals use them. When making investments abroad, you run the risk of currency exchange rate fluctuations in addition to stock market performance. Others choose emerging economies on the theory that they have a larger chance of GDP growth, which would subsequently have a

beneficial impact on the share values in such nations. More political risks might be associated with emerging stock markets since they can be less well-regulated than those in mature markets, raising risks. Using funds is the most typical method of investing in international markets.

Equity dividend growth: This tactic entails purchasing firm stock in accordance with anticipated dividend payments in the future. Share prices of companies tend to be less erratic when dividends are paid consistently and predictably. A dividend aristocrat is a company that has increased its dividend payment for 25 years in a row. Established dividend-paying companies will typically try to increase their dividend payment each year. Whether invested directly or *via* a Dividend Reinvestment Plan, investors who reinvest the income can profit from compounding of their investment over the long run (DRIP).

Alternative investment: In order to achieve a long-term profit, a contrarian investment strategy entails picking solid companies during a bear market and purchasing large quantities of their stock. There are several possibilities to purchase high-quality shares at affordable prices during a recession. But what characteristics of a corporation are beneficial to shareholders? A good business is one that prioritizes its long-term value, the caliber of its products, or the share price.

This business must possess a long-lasting competitive advantage, which entails having a market position or brand that either restricts competitors' access or has control over a limited supply of raw materials. Companies in the fields of insurance, soft drinks, shoes, chocolates, home building, furniture, and many more are some examples of businesses that meet these characteristics. We can see that there is nothing "fancy" or unique about these investment categories because every single one of us uses them on a regular basis. While choosing the company, the ultimate decision must be based on a number of factors among them are:

- The business must be in a sector that is expanding.
- The business cannot be exposed to rivalry.
- Earnings must be increasing for the company.
- The business needs a steady return on its capital investments.
- In order to alter prices for inflation, the business must be adaptable.

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Received: 02-Feb-2023, Manuscript No. JSFT-23-22133; **Editor assigned:** 06-Feb-2023, Pre QC No. JSFT-23-22133 (PQ); **Reviewed:** 21-Feb-2023, QC No. JSFT-23-22133; **Revised:** 27-Feb-2023, Manuscript No. JSFT-23-22133 (R); **Published:** 06-March -2023, DOI: 10.35248/2168-9458.23.10.223

Citation: Wang L (2023) An Examination of the Variations Between Typical Investment Strategies. J Stock Forex. 10:223

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