

Portfolio Diversification

Deepna Khanna (3rd Year)

My dear friend was recently gifted a 1TB external hard drive costing about Rs 6000 by her brother on Raksha Bandhan and I, on the other hand, have lost all my memory storage devices and considering my not-so-tech savvy family I am unlikely to get anything more than a 4GB pen drive + another 4GB one, picked up from my sister's drawer without her knowledge + 4GB on my mobile = 12GB.

However since I have stored my data in 3 different locations (similar to investing in 3 different types of stocks) and she has stored her entire data at a single location (similar to investing your entire wealth in a single stock), my portfolio is more diversified. Hence, even though her total wealth (measured in terms of total data storage) is much larger than mine, I am no worse off than her.

If anything happens to that 1TB external hard disk i.e. if it gets drenched or if it is stolen, she loses all her stuff -movies, music, pictures etc. On the other hand, if I loose one of my pen drives, I still have some of wealth left (read: data, movies, playlists etc).

Hence however much she boasts about it, we needn't be envious of her 1 TB drive as it is a particularly risky asset.