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FEATURES OF FORMATION AND MANAGEMENT OF EFFECTIVE INVESTMENT PORTFOLIO IN UKRAINE

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Summary. This article investigates the processes of forming and managing an effective investment portfolio in Ukraine under challenging economic, legal, and market conditions. The authors analyze the country's macroeconomic environment, which is characterized by political instability, inflation, currency fluctuations, and trade deficits. The article underscores the importance of asset diversification and risk management to address Ukraine's unique challenges, including the ongoing impact of global crises, such as geopolitical conflicts and economic instability.

The study highlights several key aspects of investment portfolio management in Ukraine. First, it identifies political and regulatory risks as dominant factors influencing portfolio formation, given the frequent legislative changes and tax reforms that directly affect investment profitability. Second, it emphasizes the role of macroeconomic analysis in identifying opportunities and mitigating risks. Factors such as inflation, interest rates, and international trade dynamics are critical for shaping investment strategies. Third, the article explores how global trends – such as the rise of digital technologies, renewable energy investments, and dedollarization – impact portfolio composition and investor decision-making.

The authors propose practical recommendations for Ukrainian and foreign investors. These include prioritizing inflation-protected instruments, increasing the share of foreign currency assets, and incorporating real assets such as gold into portfolios. They also recommend focusing on short-term investments and regularly revising portfolios to adapt to macroeconomic conditions and global trends. Diversification is presented as a core principle, enabling investors to mitigate risks by distributing assets across sectors, regions, and financial instruments.

The article concludes that flexibility and strategic planning are essential for successful investment portfolio management in Ukraine. A well-balanced portfolio that incorporates diversified assets and accounts for global trends can help investors navigate the complexities of Ukraine's financial market. By understanding the interplay between macroeconomic factors, legal regulations, and global trends, investors can minimize risks, protect capital, and achieve sustainable returns. This study provides valuable insights for academics, policymakers, and practitioners interested in developing effective investment strategies in emerging markets, particularly in Ukraine.

Keywords: investments, investment portfolio, economy, analysis, diversification, macroeconomics, dynamics.

1. Introduction

The process of forming and maintaining an investment portfolio is an urgent task for investors who, in the current conditions of the financial market, seek to obtain a stable income and minimize risks. In Ukraine, this issue is especially relevant in the context of economic instability, currency fluctuations, limited access to international capital markets and the impact of the global crisis. At the same time, the financial market of the country is progressively changing, offering investors many tools for diversifying the portfolio. The study of this problem is important for the development of effective investment strategies adapted to state realities.

2. Analysis of economic, legal and market conditions in Ukraine

In order to form clear features of the organization and management of an effective investment portfolio in Ukraine, as per the author's version, it is advisable to analyze the conditions, including economics, law, and the business market.

The Ukrainian economy has significant challenges caused by both internal and external factors. The main internal challenges include monetary instability, strong inflation and currency fluctuations. External factors include the armed aggression of the Russian Federation, global economic crises and fluctuations in the prices of energy carriers.

Concurrently, the economy demonstrates a sufficiently high level of adaptability, in particular through finance assistance provided by international financial institutions (IMF, World Bank, EBRD), promoting the development of the IT sector, the agricultural sector and integration into the European market. Basic economic indicators such as GDP, exports and imports, and foreign direct investment, remain vulnerable to political and economic fluctuations.

The speed of inflation and the increase in the NBU discount rate leads to an increase in the cost of borrowing and increased risks for fixed-yield bonds. Under such circumstances, investors might want to restructure portfolios in favor of instruments with shorter terms to maturity or with reference to the inflation index. Nevertheless, rising rates can make bank deposits and government bonds more acceptable due to their relative stability.

Ukraine has a variety of legislation regulating the financial market, investment processes and protection of investors' rights. However, existing problems related to legal uncertainty, regulatory changes and political instability may affect the level of investment management efficiency.

For a detailed overview of legal documents and their impact on investment management, consider Table 1.stment, remain vulnerable to political and economic fluctuations.

On the basis of macroeconomic research as of the beginning of 2025, it can be noted that the Ukrainian economy shows mixed dynamics. On the one hand, significant reserves, increased lending and increased exports support financial stability. On the other hand, rising inflation, increasing trade deficit and the need for tight monetary policy are additional risks to macroeconomic stability (Independent Association of Ukrainian Banks, 2025).

Table 1 – Classification of legal documents and their impact on the formation of the investment portfolio

Legal document	Description	Impact on investment portfolio formation
Law of Ukraine "On Securities and Stock Market"	Legislatively regulates the procedure activities in the stock market, establishes the requirements and obligations market actors, such as investors, companies, and stock markets.	Forms the legal basis for the portfolio, defining investment instruments (stocks, bonds). It guarantees transparency and protection of investors "rights, which makes it possible to effectively diversify the portfolio. Violation of the law can lead to losses for the investor.
Tax Code of Ukraine	Formulates norms for taxation of income from investment activities, income tax, dividend tax, capital gains and other financial transactions.	It has an impact on portfolio profitability, since high income taxes can reduce the effectiveness of investments. Tax incentives can stimulate the creation of certain types of portfolios, for example, investment funds.
Law of Ukraine "On Financial Services and State Regulation of the Financial Services Market"	Determines the process of providing finance services, in particular credit and insurance services, investment services, and creates a transparent system for the provision of financial services.	Provides conditions for the formation of portfolios containing various financial instruments, such as deposits, security and pension foundations. This will guarantee the safety of investments in these tools, but bureaucratic barriers can slow down the investment process.
Law of Ukraine "On Joint Stock Companies"	Regulates the procedure for establishment, business activities and liquidation of public joint stock companies, the rights of shareholders and the management of share capital.	Reveals the mechanisms for investing in stocks, which is the basis for creating a portfolio focused on profitability and dividends. Important for investors who want to invest in shares of large companies. Violation of corporate rights may impair portfolio quality.
Law of Ukraine "On the National Bank of Ukraine"	Highlights the role of the National Bank of Ukraine in the country's economic policy, its powers in regulating the financial market and managing foreign exchange reserves.	It has an impact on macroeconomic stability, which is crucial for investment. NBU decisions on mortgage rates and monetary policy may vary the attractiveness of various instruments for portfolio formation, such as bonds, stocks and bank deposits.
Law of Ukraine "On Investment Activity"	It teaches the basics of investment activity in Ukraine, regulates the relations of the state, investors and other participants in investment processes.	It identifies investment opportunities, creates rules for the creation and management of investment funds that allow investors build portfolios more efficiently. In addition, it regulates the investments-related risks.
Law of Ukraine "On Protection of Consumer Rights"	Ensures the protection of consumer rights, in the account of investors, to obtain honest information and compensation for losses in case of violation of their rights.	Provides investors with the opportunity to protect their rights in case of breach of contract, which essential for the safety of the portfolio. This reduces the risks associated with fraud and unfair practices in the market, which can lead to losses.

Constructed by the author based on (Law of Ukraine "On Securities and Stock Market," n.d.; Tax Code of Ukraine, n.d.; Law of Ukraine "On Capital Markets and Organized Commodity Markets," n.d.; Law of Ukraine "On Joint Stock Companies," n.d.; Law of Ukraine "On Banks and Banking," n.d.; Law of Ukraine "On Investment Activity," n.d.; Law of Ukraine "On Protection of Consumer Rights," n.d.)

This table gives an understanding of how different legal documents affect the ability to form and manage investment portfolios, as well as how changes in legislation can increase or decrease the effectiveness of investment strategies.

Therefore, a well-formed legal environment is an important factor in developing an optimal financial portfolio. Investors must thoroughly analyze the relevant legal matters and update their policies to reflect the changes in legislation to minimize risks and increase the profitability of their investments.

3. Risk analysis, asset diversification and macroeconomic factors of investment portfolio formation

In order to form an effective investment portfolio, risks must be taken into account, adhere to the principle of asset diversification and analyze macroeconomic conditions.

Typical kinds of risks of formation of an effective investment portfolio, according to the works of D. Bodie, A. Kane and A. Marcus, the following can be distinguished: systematic risks (interest rate risk, inflation risk, recession risk); non-systematic risks (business risk, financial risk, legal risk); liquidity risks; currency risks; credit risk; risk of concentration; operational risks; political and regulatory risks and timing risk (Bodie, Kane, & Marcus, 2014).

In the words of the author, for Ukraine, the most relevant risks during the formation of the investment portfolio are political and regulatory due to political uncertainty due to regular changes in legislation, tax reforms that have a significant impact on the profitability and attractiveness of investments. In general, this applies to state regulation of the energy sector or the influence on the agricultural sector through changes in export rules. It follows that investors who work with assets in foreign currency (for example, Eurobonds) often face the risk of hryvnia devaluation, because the Ukrainian economy directly depends on imports and exports. That is why changes in the exchange rate in hryvnia also affect the profitability of assets.

Investment portfolio diversification is another crucial principle of investment portfolio management, which aims is to minimize risks by distributing equity between different types of assets and sectors, regions or financial instruments. In the context of Ukraine, this approach has its own characteristics, due to economic, market and political conditions.

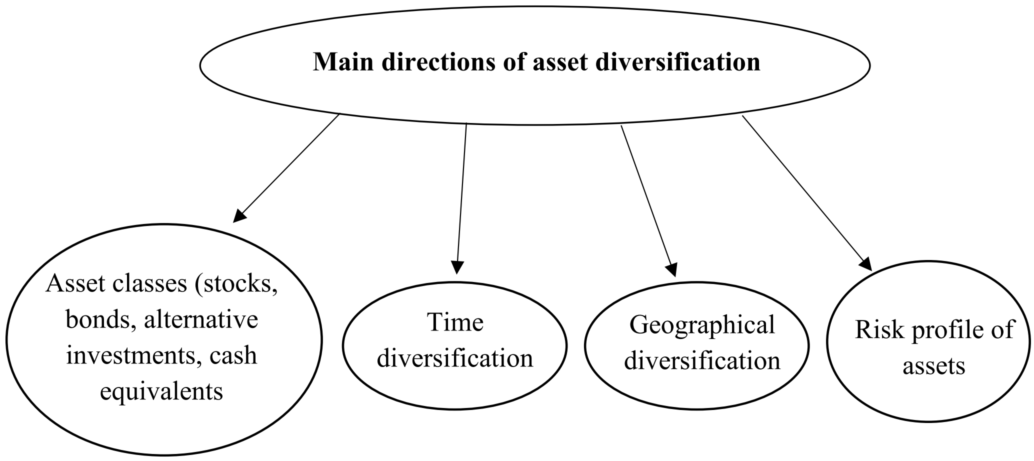

Image 1 – Main directions of asset diversification
Constructed by the author based on (LibreTexts Ukraine, n.d.)

Diversification of assets provides a number of advantages for the formation of an investment portfolio, for example:

• reducing the impact of an unsightly change in one asset class or industry on overall portfolio profitability;

• the balance between risky and more conservative investments ensures stable capital gains;

• investments in various financial assets and individual regions create portfolio protection from the negative impact of local crisis events;

• due to the variability of instruments, the investor gets access to capital as needed.

However, there are a number of risks of the process, in particular:

• investing in a limited segment (for example, only in shares of one industry) increases the instability of the portfolio to changes in the economic situation

• too much dependence on individual assets can cause significant losses under adverse market conditions

• lack of consideration of global trends, such as energy transit or digitalization, can reduce potential profitability.

The stock market is influenced by many factors, such as economic, political and many others. Investors typically buy or sell their securities or investments based on these factors.

One of the key macroeconomic factors for Ukraine is inflation. The level of inflation influences buying ability and profitability on investment. High inflation increases the demand for assets that can protect capital, such as real estate or gold. In 2024, inflation reached more than 12%, which prompted investors to look for short-term instruments or indexed assets.

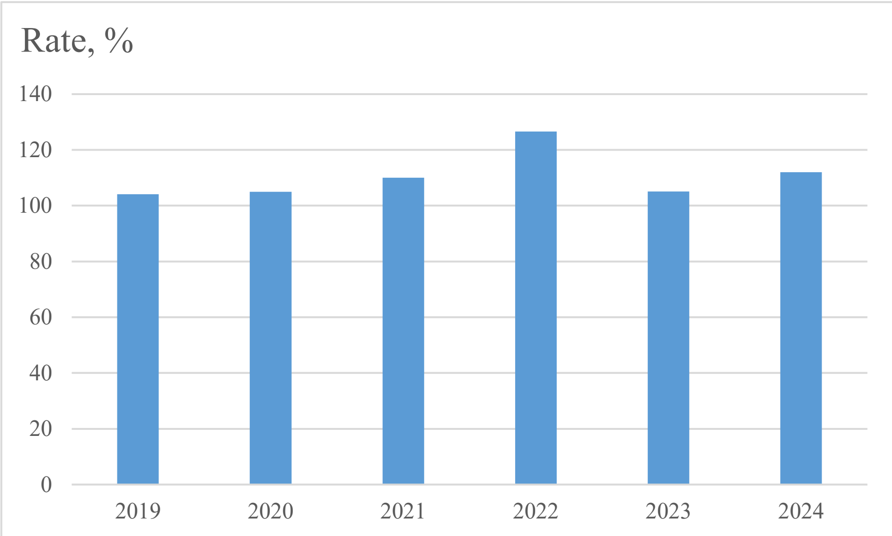

Image 2 – Dynamics of the inflation index of Ukraine 2019-2024
Constructed by the author based on (Ministry of Finance, n.d.)

Based on the figure, we can conclude that the inflation rate in Ukraine tended to increase during 2024, compared to 2023. due to economic, political and global factors. In such circumstances, investors will have to develop strategies aimed at protecting capital and ensuring optimal profitability, adapting their portfolios to risks. Such strategies can include the following steps:

• investing in instruments with inflation protection;

• portfolio diversification with foreign currency assets;

• increasing the share of real assets (gold and precious metals);

• focus on short-term instruments (short-term bonds, hryvnia deposits);

• regular analysis and hedging of risks.

Another macroeconomic factor of influence is considered to be the deficit of foreign trade. The growth of the deficit indicates pressure from the state on the foreign exchange market and threatens with devaluation.

In November 2024, Ukraine recorded a trade deficit of 2527 million USD. The average trade balance in Ukraine was -691.34 million USD. US from 2001 to 2024, reaching the highest level ever at 880.70 million USD. United States in March 2022 and a record low of -3019.10 million USD. Million in December 2023 (State Statistics Service of Ukraine, n.d.).

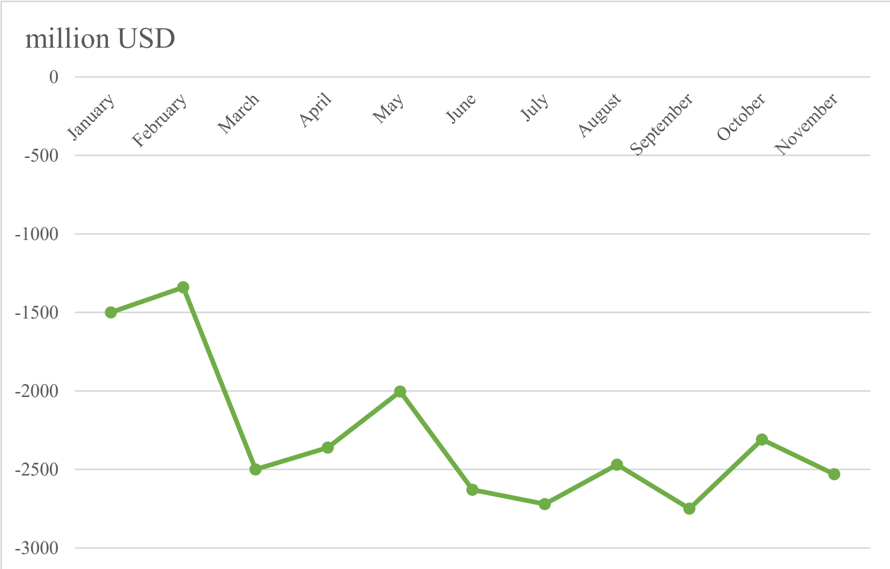

Image 3 – Trade balance of Ukraine 2024
Constructed by the author based on (Trading Economics, 2023)

Such a trade deficit indicates growing structural issues in Ukraine's foreign economic activity. To investors, this is a message about the risks associated with possible currency market pressure, a decrease in the stability of the hryvnia and an increase in dependence on external financing. When forming an investment portfolio, investors should take into account that the country is dominated by assets with a temporary, as they permit a fast response to macroeconomic changes resulting from the decline in the international trade balance. In the long term, it is expected that, Ukraine's trade balance in 2026 will be about -400.00 million USD.

4. Impact of global trends on portfolio formation

Building an investment portfolio is a complex process and largely depends on internal and external factors. In today's rapidly transforming globalized economic environment, global trends have a decisive impact on the structure and effectiveness of investments.

Global trends can contribute to the growth of some sectors of the economy, while creating risks for others. An example is the rise of digital intelligence and automation opens up new opportunities for technology companies, and climate change stimulates interest in investing in renewable energy and green technologies. Simultaneously, regional conflicts, trade wars and the volatility of financial markets can create new challenges for investors.

In this context, it is crucial not only to accurately evaluate the current macroeconomic conditions but also to anticipate future changes, which will effectively rebalance the portfolio. Asset diversification, analysis of market trends and the use of modern financial instruments help investors minimize risks and find growth points even in unstable economic conditions.

Global trends play a key role in building an investment portfolio, as they establish the future trend of the company of world markets, economic stability and prospects of individual sectors. Investors should consider macroeconomic factors such as inflation, central bank monetary policy, and global interest rate dynamics, as these measures directly affect the returns of different asset classes. Geopolitical risks, including international conflicts, sanctions and trade wars, can cause significant fluctuations in markets and change investment strategies.

Technological progress is also an important factor affecting the distribution of investments. Artificial intelligence, automation, financial technologies and blockchain create new opportunities for investment and stimulate promotion of alternative sectors. The main aspect of influence is the emergence of new companies in the field of FinTech, MedTech and EdTech, which provide the latest investment opportunities. Thus, technology startups bring big profits. However, one should always remember about the risks of new projects, because market instability and possible regulatory restrictions always affect them (Business Inform, 2019).

Increasing attention to such a process as dedollarization, which is manifested in changing in foreign currency patterns reserves and strengthening the importance of renewable energies in the context of the COVID-19 epidemic and the war in Ukraine, has a profound impression on the formation of the investment portfolio. Growth of private equity capital, digital assets and new financial instruments makes it possible to expand investment opportunities, but at the meantime, it raises the degree of risks (Mind.ua, 2025). This requires investors to take a more careful approach to diversifying and creating balanced portfolios that take into account not only the potential for profit, but also possible economic and political changes that can affect the liquidity and stability of assets.

5. Conclusions

In today's world, flexibility and strategic planning are key factors for successful investment. Analysis of global trends allows not only to predict possible risks, but also to find promising directions for growth. The formation of a balanced portfolio, including diversified assets, helps to minimize losses and effectively use market opportunities in the face of rapid changes in the global economy.

One of the key factors in the formation of the investment portfolio in Ukraine is macroeconomic stability and the political situation. Investor confidence, risk level and profitability of financial instruments are the main tasks of these factors.

When forming an investment portfolio, investors need to adhere to certain strategies and pay attention to risk management and the main directions of asset diversification.

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