



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

SFS and Portfolio Performance Concerns During Covid 19-A Case Based Approach

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DOI : <https://doi.org/10.55248/gengpi.5.1124.3122>

SFS is a financial planning and investment advisory company renowned for its capacity to offer high-quality guidance to retail investors in Uttar Pradesh. The company appears to have discovered a specific market niche where it focuses on lowering investing costs for retail investors. This incident is related to the first case of COVID-19 to be reported in Kerala (India) occurred in January 2020. A 20-year-old female patient arrived at the emergency room of the General Hospital in Thrissur, Kerala, with a one-day history of a dry cough and sore throat. And this information was disseminated by numerous news organizations throughout India, which bred anxiety across the country.

Mr. Aman Trivedi is an MBA from a reputed business school, who joined SFS in August 2019 and was doing good and improving the business for SFS by acquiring new clients and building good relations with old investors. He was also affected by the concern surrounding COVID-19, as several of his clients called him to inquire about the potential returns on their mutual fund and stock investments as Nifty and Sensex continued to decline following reports of COVID-19 cases in India.

Index	Date	Closing Price
NIFTY50	27-01-2020	12119
NIFTY50	27-02-2020	11633
NIFTY50	27-03-2020	8660

[Source: NSE Historical Data (www.nseindia.com)]

It can be observed from the above data how the index moved from the level of 12119 to 8660 in 2 months times. Even though investors praised SFS's strategy in the past for portfolio evaluation and revision, some of them began to voice their displeasure when recent portfolio performance fell short of expectations. Mr. Aman was in an online meeting with one such demanding investor, Mr. Kunal, who was of the view that recent recommendations and portfolio revisions are not up to the mark by SFS and he will not be continuing with SFS next year.

Mr. Kunal expressed his worries to Aman regarding the performance of his portfolio during this covid period and portfolio management done by SFS in the last 2 months and wanted to discuss future strategies also.

Kunal was concerned about the fact that no one from SFS had gotten in touch with him in the previous two months to offer advice on managing his portfolio and determining how it would align during this chaotic time in the financial market caused by COVID-19.

He was particularly concerned about SFS's decision to handle his portfolio without the use of any hedging tools. He believed that SFS should be considering placing some investments in gold for portfolio hedging given the expectation that the number of COVID cases will rise quickly.

Mr. Aman concurred with Mr. Kunal and clarified that although he had suggested to Kunal during their previous meeting in October 2019 that some portfolio allocation may be made in gold, Kunal had not yet expressly given his approval at that time.

He conceded that the client needed regular and appropriate counselling during this anxious and fearful time but he added that it couldn't be done from a corporate standpoint because some of the major management figures were dealing with serious health issues at the time.

Kunal recognized the information but was not quite satisfied with the responses. He advised Aman to talk about his worries with his team's senior members and provide him with a thorough strategy.

Teaching Note:

This case shows a typical day in Rajesh's life as an investment counselor. Asset classes may make a customer uncomfortable because they don't always perform the way an advisor would anticipate. Additionally, every client would prefer to own the top performing asset class at all times, which is just not viable.

Though there are no ideal responses to clients' inquiries, it is the advisor's duty to give a knowledgeable response and underline the importance of diversification.

The following learning goals can be met using this case: -

- Gaining knowledge of Indian equity markets
- Developing an understanding of mutual funds as a portfolio investment
- Difference between Active & Passive Investing
- Portfolio Risk & Return

Essential Conceptual Knowledge:

Understanding portfolio construction

Performance of Gold as an investment option

Performance of government securities and bonds as an investment option

Assignment Question:

1. Describe the numerous variables that led to the client's stock portfolio's underperformance.
2. Analyse gold as a hedging tool for a portfolio at that point in time.
3. Find out the ways to satisfy the client and retain him for a long time.

Suggested ways to discuss case study in classroom:

This case study can be discussed under five sections in the classroom

- Performance of the Indian Equity Markets Recently
- Factors affecting the Indian equity market
- Track the performance of the Indian equity market in previous crises
- Gold as a hedging tool for equity investment in India
- Track the performance of the global financial market during covid period

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[This fictional Case was created using publicly accessible data and the authors' own independent research. Characters, names, companies, locations, events, and the incidents mentioned in this case are either made up or the author's imagination at work.]