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An Empirical Study on Investment Strategies and Portfolio Management at Standard Chartered Bank

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ABSTRACT: In the Globalization era , Portfolio Management plays an important role in the investment of securities. Portfolio Management is both an art and science. It is much more than the selection of securities from a catalogue from a financial consultant or the application of formula to a set of financial data input supplied by a security analyst. It is a dynamic decision making process. One that is continuous and systematic but also one that requires large amount of astute managerial judgement about the securities market and the individual for whom the portfolio is managed portfolio management is a decisive element for the good performance of new product development and compliance with business objectives because it not only new product projects but revisions update and also and even decisions regarding the discontinuation of products that are produced and commercialized.The article proposes a frame work with specific objective of presenting an objective that presenting an approach that could be useful to portfolio management The framework proposed in this paper presents a holistic perspective of portfolio management suggesting a use of set of formal management method for not only evaluating product projects but also extending to organizational aspects and including them in portfolio management and investment strategies of Standard Chartered bank.

I. INTRODUCTION

Overview of the Banking System

Until the 1950s, banking in India was carried by large number of banks, many of them are quite small. India is still primarily an agricultural country with an economic and social structure based largely on village. The integration of banking has been impeded by poor communications, by illiteracy and by the barriers of language and caste. Modern banking in India is said to be developed during the British era. In the first half of the 19th century, the British East India Company established 3 banks - the Bank of Bengal in 1809, the Bank of Bombay 1840 and the Bank of Madras in 1843. But in the course of time these three banks were amalgamated to a new bank called Imperial Bank and later it was taken over by the State Bank of India in 1955.Allahabad Bank was the first dully Indian owned bank.

1.2 HISTORY OF STANDARD CHARTERED

The Standard Chartered group was formed in 1969 through a merger of 2 banks. The Standard Bank of British South Africa, founded in 1863 and Standard Bank of India, Australia and China, founded in 1853.

Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing and movement of goods from Europe to East and to Africa.

❖ The Chartered Bank

- Founded by James Wilson, following the grant of a royal charter by Queen Victoria in the year 1853.
- Chartered open its first branches in Mumbai, Calcutta and Shanghai in 1858, followed by Hong Kong and Singapore in 1859
- Traditional business was in cotton from Mumbai, indigo and tea from Calcutta, rice in Burma, Sugar from Java, tobacco from Sumatra, hemp in Manila and silk from Yokohama
- Played a major role in the development of trade with the east, which followed the opening of the Suez Canal in 1869 and the extension of the Telegraph to China in 1871

❖ The Standard Bank

- Founded in the Cape Province of South Africa in 1862 by John Patterson, commenced business in Port Elizabeth, South Africa in January 1863
- Was prominent in financing the development of the diamond fields of Kimberly from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885
- Expanded in Southern, Central, and eastern Africa and by 1953 had 600 offices
- In 1965 it merged with the Bank of West Africa, expanding its operations into Cameroon, Gambia, Ghana, Nigeria, and Sierra Leone.

The decision to merge amicably was made in 1969 by Standard and chartered. A hostile takeover proposal for the UK's group of Lloyds Banks was launched in 1969. With the rejection of the proposal, Standard Chartered underwent change. Loans to businesses and entrepreneurs who couldn't keep their promises necessitated making provisions for their exposure to debt from the third world. In addition to selling a number of assets, Standard Chartered started a series of disinvestments, particularly in South Africa and the United States.

With the help of its operations in the United Kingdom and North America, Standard Chartered has concentrated since the early 1990s on building strong franchises in Asia, the Middle East, and Africa to provide customers with the bridge between these markets for clients in North America by the United Kingdom. Second, it would concentrate on treasury services and consumer, corporate, and institutional banking—areas where the group was particularly strong and knowledgeable.

We bought Grind Lays Bank from the ANZ Group and the pursue Consumer banking activities in Hong Kong in the new millennium.

❖ Standard Chartered - leading the way

Standard Chartered PLC is listed on both the London stock exchange and the Hong Kong Stock Exchange and is consistently ranked in the top 25 among FTSE-100 companies by market capitalization.

Standard Chartered has a history of over 150 years in banking and operates in many of the world fastest growing market with an extensive global network of over 1400 branches,

(including subsidiaries, associates and joint ventures) in over 50 countries in the Asia Pacific Region, South Asia and Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employees almost 60,000 people, representing over 100 nationalities worldwide. This diversity lies at the heart of the banks Values and supports the banks growth as the world increasingly becomes one Market.

Standard Chartered derives over 90 per cent of profits from Asia, Africa and Middle East. Serving both Customer and Wholesale Banking customers worldwide, the bank combines deep local knowledge with global capability to offer a wide range of innovative products and services as well as award-winning solutions.

Strategic alliances and acquisitions

2005 and 2006 historic years for us and we achieved several milestones with the number of strategic alliances and acquisitions that will extend our customer or geographic reach and broadband or product range.

- We completed, rebranded and successfully integrated SC First Bank in Korea, which to date is the biggest acquisition in our history.
- We completed full integration between Standard Chartered Bank Thailand and Standard Chartered Bank Bangkok in October
- We form strategic alliances with Fleming family and partners to expand private wealth management in Asia and Middle East
- We acquired stakes in ACB Vietnam and Travelex
- We acquired the business operations of. American Express Bank in Bangladesh.
- We acquire stake in Bohai Bank in Tianjin in China, making us the first Foreign Bank to be allowed at stake in the local bank in China
- We acquired a 25% stake in First Africa Group Holdings in June 2006.

2010 to Present

Standard Chartered Bank Tower in Pudong, Shanghai, People's Republic of China

Standard Chartered announced an agreement on 27 April 2010 to buy the African custody business from Barclays PLC. On 13 May 2010, Standard Chartered PLC launched the first-ever Indian Depository Receipt "IDR" offer.

In December 2010, Standard Chartered was recognized as the Global Bank of the Year in

The Banker's Bank of the Year 2010 awards. Standard Chartered also was named The Banker's inaugural winners of the Global and European Transaction Bank of the Year awards in September 2014, largely "on the basis of its work in emerging markets, particularly Asia".

In January 2015, the company announced that it was exiting the money-losing "equity capital markets business completely", "becoming one of the first global banks" to do so. In November that year, the bank announced that it would cut 15,000 jobs, including one thousand senior jobs, "from managing director up to board executives". The cuts followed a change of CEO after profit warnings and money laundering fines in the first half of the year.

In 2016, Standard Chartered announced that it would stop providing loans to the midstream segment of the diamonds and jewelry industries. The announcement was the result of a review of the bank's involvement in risky business sectors. In 2017, the bank was reported to have lost \$400 million on risky diamond debt on a portfolio of loans that was once worth \$3 billion. Owing to defaults of jewelry and diamond companies from 2013 onwards, Standard Chartered is currently estimated to have \$1.7 billion of diamond debt still to be repaid. The company received criticism in April 2017 from the Institutional Shareholder Services (ISS). The investor advisory firm told shareholders it was concerned that targets set for the top bosses in the bank's long-term incentive plan (LTIP) were not demanding enough.

Priorities at Standard Chartered

At Standard Chartered, we believe that our future success depends on our ability to deliver a sustainable business. Our "Building a sustainable business" strategy will help us take long term view of the implications of everything we do. This means taking responsible decisions that benefit our business, the economy, society and the environment, and build the trust of all our stakeholders.

Our "Building a sustainable business" strategy explicitly recognizes seven areas where we and our stakeholders believe we are the most likely to make the greatest contribution to sustainability. They are:

- **Sustainable lending** - Making sure when we lend money, we are aware of the environment, social and governance risks attached to such decisions and that we take steps to address them.
- **Tackling financial crime**- Making sure that we have the right systems in place to detect such things as fraud and money laundering and exceed rather than simply meet increasingly stringent legal requirements in this field
- **Access to financial services**- Access to financial services. Making sure we develop new ways for those deprived of banking services to get proper access to finance so that they can improve the standard of living and economic independence
- **Responsible selling and marketing**- Making sure we treat customers fairly and set the highest standards in service and transparency



▪ **Great place to work-** Making sure that we are people who represent over hundred nationalities from over 50 countries, feel valued, included, and engaged. We are determined to attract, develop and retain the best people and to leverage our strength. The diversity of the people brings which is an incomparable advantage.

Standard Chartered alternative investment group

Standard Chartered banks alternative Investment group focuses on distressed and high-yield opportunities by investing in senior debt, mezzanine, or equity instruments. In addition, it provides asset management services to investment banks, financial institutions, and value investors, as well as advisory services to companies in financial distress or requiring assistance with their capital structure.

Investments: Our investment program is aimed at both the primary and secondary markets. We provide liquidity to the distressed and high-yield market through the following.

- Acquisition of distressed assets portfolios
- Investments in loans and bonds
- Offering priority loans (DIP), subordinate or mezzanine debt
- Investments in equity
- Investments in hybrid structures

Asset management: A range of services under asset management, including origination of investment opportunities, due diligence, loan servicing (monitoring and recovery) for single assets and portfolio investments. The bank has a successful track record of managing and resolving non-performing loans.

Corporate advisory: We offer corporate advisory services to companies requiring capital structuring and to companies in financial distress. Our range of services includes:

- Assessment of strategic issues, ranging from corporate and capital structures to potential mergers and sale of businesses
- Development and implementation of creative and comprehensive solutions to address clients' various complex issues such as capital restructuring exercise
- Assistance in implementing the appropriate debt and equity financing structure

1.3. INVESTMENT STRATEGIES AND PORTFOLIO MANAGEMENT

About investment

It is the money that you save and channelize into success that gives you return i.e., use of money in hope of making more money.

One needs to invest to:

- Earn returns on idle resources
- Generate a Specified sum of money for a specific goal in life
- Make a provision for an uncertain future
- To meet the cost of inflation

Types of investments (periodic specific)

1. **Short term investment-** The investment period is usually less than a year, and it provides liquidity to the investors.

a) **Savings Bank account-** It is most often the first banking product that people use. This offers them interest (4% 5% pa), which is better than idle money.

b) **Money market of liquid funds-** These are specialized form of mutual funds that invest in extremely short-term fixed income instruments and provides liquidity. It focuses on protecting your capital and then on making returns.

2. **Long term investment-** The investment period is more than a year and the returns are much higher than short term investments. Long term instruments are less liquid in short term investments.

a) **Post office savings-** The Post office monthly income scheme is a risk saving instrument, which can be availed through any post office. It provides an interest rate of 8% for annum. Which is paid monthly minimum amount which can be invested in ₹1000, and maximum is ₹3,00,000. It has been maturity period of 6 years.

b) Public Provident fund- A long-term saving instrument with a maturity of 15 years and interest payable at 8:00 percent for annum, compounded annually. A PPF account can be opened through a nationalized bank at any time during

the year and is open all through the year for depositing money tax benefits can be availed.

c) Company fixed deposits- These are short term 6 months to medium 3 to 5 years' borrowings by companies at a fixed rate of interest, which is payable monthly, quarterly, semi-annually or annually.

d) Bonds- It is a fixed income debt instrument issued for a period of more than one year with purpose of raising capital the central, State government corporations and similar institutions sell bonds

e) Mutual funds- These are funds operated by an investment company which raises money from the public and invests in a group of assets (shares, debentures etc.) in accordance with a stated set of objectives. It is a substitute for those who are unable to invest directly in equities or debt because of resources, time or knowledge constraints.

About portfolio

A portfolio is a combination of different investment assets, mixed and matched for the purpose of achieving an investor's goal. A portfolio may contain items like shares, debentures, bonds, any asset you own, mutual funds to items such as gold art, real estate.

Must have variety of investments within a portfolio in order to diversify market risk. The portfolio should be designed in such a way that it minimizes the impact of one security on overall portfolio performance.

Advantages of having a diversified portfolio:

- Decline in any one security will not affect the entire portfolio
- Investments across various types of assets and markets will reduce the risk of entire portfolio getting affected by the adverse returns of any single asset class.

II. RESEARCH METHODOLOGY

OBJECTIVE

- ❖ To understand the basics of investment and various alternatives that are available with investors
- ❖ Also, to understand the customer psychology of investments and what are the various objectives behind investment.

TYPE OF RESEARCH

Descriptive in nature- The descriptive research design is one that describes the things such as the market potential for a product or the demographics and attitudes of consumers who buy the product it includes questionnaire survey and fact-finding inquiry.

Sources of Data Collection

We have used secondary method for collection of data

SECONDARY DATA COLLECTION

- Internet
- Articles
- Papers and Book

➤ Investment Options

Bajaj Allianz new unit. Gain super offers for choice of 5 funds. You can choose to invest fully in anyone fund or allocate your premiums into the various funds in the proportion that suits your investment needs.

The five funds offered are as under:

1. **Equity Index Fund II - Risk Profile High:**
The investment objective of this fund is to provide capital appreciation through investment in equities forming part of NSI NIFTY.
2. **Equity Growth Fund- Risk Profile- Very High:**



Investment objective of this fund is to provide capital appreciation through investment in selected equity stocks that have the potential for capital appreciation.

3. **Accelerator Mid-Capital Fund- Risk Profile- Very High:**

The objective of this one is to achieve capital appreciation by investing in a diversified basket of mid capital stocks and large capital stocks.

4. **Asset allocation fund- Risk Profile- High:**

The Objective of this fund will be to realize the level of total income, including current income and capital appreciation, which is consistent with reasonable investment risk.

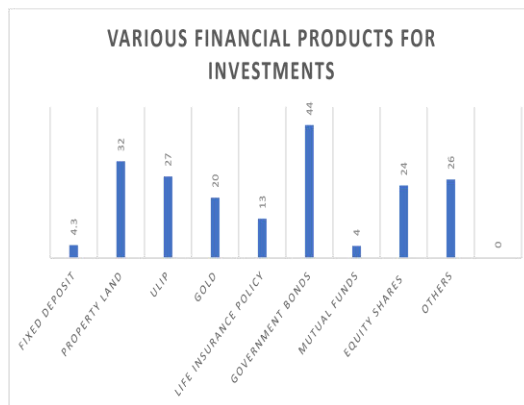
It allows for flexibility in allocating assets between equities, bonds, and cash. It will help to capitalize the changing financial markets and economic conditions

The funds will adjust its weights in equity, debt and cash depending on the relative attractiveness of each asset class.

5. **Liquid Fund- Risk Profile- Low:**

The objective of this fund is to have a fund that protects invested capital. Through investment in liquid money market, in short term instruments.

III. ANALYSIS AND INTERPRETATION WHAT DO YOU HAVE PRESENTLY IN YOUR PORTFOLIO IN FORM OF INVESTMENT?



These are 2 those instruments which involves low risk.

Those who can moderate risk have invested in property, mutual funds, and equity.

How would you rate the satisfaction level with your current portfolio?

The above chart shows the satisfaction level of the sample population. Majority of the sample population read their current portfolio as good, which constitutes to 70%. 18% of sample population red their current portfolio as very good



6% of respondents are not much satisfied with their portfolios, so they rate it as average.

Only 4% of the respondents rate their portfolio as excellent as they must be getting good returns from their investment.

Remaining 2% of the total population do not have much idea about the investment strategies, so may not be getting many returns, so they read their portfolio as poor.



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IV. CONCLUSION

The project investment strategies and portfolio management has helped me a lot to gain and insert about the various banking products. Standard Chartered Bank is one of the leading private banks which provide all the banking products and investment solutions to the customer. They have differentiated themselves in a very distinct way by providing the best of their services. The bank is listed on both London Stock Exchange and Hong Kong Stock Exchange.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest growing markets with an extensive global network of over 1200 branches.

Standard Chartered designs over 90% of profits from Asia, Africa in the Middle East. The products of Standard Chartered are very competitive and provide the best of the services to the customer.



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