MONEY GAINS MAKING IT COUNT

Lesson 7

Minds On case study

"The Curious Case of Malik's Portfolio"

CASE STUDY: MALIK'S PORTFOLIO JOURNEY

Malik is 17 and has just started investing using money he saved from working part-time and birthday gifts. He's learned a little about investing from online videos and decides to open an online brokerage account. He starts with **$2,000** and chooses a **balanced ETF portfolio** that is 50% global bonds and 50% equities (stock market). He sets clear goals: he wants the money to grow for college in 4 years and is moderately comfortable with risk.

YEAR 1 – SOLID START

Malik's investments are growing! The market goes up overall, and his portfolio returns 8%. He logs into his account every month and enjoys watching his balance increase. His allocation is still close to 50/50, and he's happy.

YEAR 2 – MARKET SHIFTS

Malik hears from a friend that tech stocks are booming, especially cryptocurrency and AI. He sells some of his bonds and buys a tech-focused ETF. Now his portfolio is about 70% equities and 30% bonds. At first, it seems to be working, and his return jumps to 12% that year.

YEAR 3 – VOLATILITY HITS

Suddenly, the tech market crashes. The tech ETF Malik bought loses 20% of its value. His overall portfolio drops by 10%. Malik doesn't check his account as much anymore, as he's busy with school and frustrated with the dip. He also ignores the warning emails from his brokerage about rebalancing; his allocation is now 80% equities and 20% bonds, without him realizing it.

YEAR 4 – UNEXPECTED RESULTS

In his final year before college, Malik finally checks his portfolio. He's shocked: it's worth less than it was a year ago. Even though the broader market has recovered slightly, his portfolio hasn't bounced back. He needs to withdraw the money soon but realizes it's not where he thought it would be.

Class Question: What could have gone wrong?

"Malik started out strong—so why is his portfolio not meeting his goals? What could have gone wrong?"

Come up with at least **three possible reasons** on what could have gone wrong, and what he **should** have done for each.

Lesson 7

Possible Solutions: What went wrong in Malik's portfolio

YEAR-BY-YEAR BREAKDOWN

Year 1 – Solid Start

WHAT WENT RIGHT:

- Malik had a **clear goal**: to grow money for college over four years.
- He chose a **balanced portfolio**: 50% global bonds and 50% equities.
- He likely stayed within his **risk tolerance** and earned a **steady 8% return**.

Year 2 – Market Shifts

WHAT LIKELY WENT WRONG:

- Malik **changed his investment mix** based on market trends (tech and crypto).
- He **reduced bond holdings** and increased high-growth, high-risk assets.
- This change **increased the risk level** of his portfolio without adjusting his original financial goals or timeline.
- His new asset allocation (approx. 70% equities, 30% bonds) no longer aligned with his **initial moderate risk tolerance**.

Year 3 – Volatility Hits

WHAT LIKELY WENT WRONG:

- Malik's **tech-focused investments dropped significantly** in value.
- He wasn't actively **monitoring** his portfolio or risk exposure.
- He ignored **notices from his brokerage** (e.g., account summaries, rebalancing reminders).
- His portfolio unintentionally shifted to around **80% equities, 20% bonds**, which is considered aggressive—especially for someone nearing a withdrawal timeline.
- He didn't **rebalance** to reduce volatility or return to his target mix.

Year 4 – Unexpected Results

WHAT LIKELY WENT WRONG:

- Malik was surprised that his portfolio hadn't recovered, even though **broader markets improved**.
- His portfolio didn't recover because he was **overexposed to sectors that didn't bounce back** as fast (e.g., tech).
- He also **ignored risk-adjusted performance metrics**—even if some investments had high return potential, the **volatility and timing didn't match his needs**.
- His final return didn't meet his expectations, likely because of:
  - Lack of **portfolio monitoring**
  - Failure to **rebalance**
  - **Chasing trends** without re-evaluating his goals

MONEY GAINS MAKING IT COUNT

Lesson 7

Key Concepts Connected to Solutions

Concept	What Malik should have done
Monitoring	Regularly reviewed portfolio performance and asset allocation.
Benchmarking	Compared his performance to relevant market indexes to evaluate changes.
Rebalancing	Adjusted portfolio back to original 50/50 allocation annually or semi-annually.
Risk tolerance	Stuck to a moderate risk level appropriate for a 4-year investment horizon.
Volatility awareness	Understood that shifting heavily into tech increased the chance of large swings.
Sharpe ratio awareness	Considered whether the higher returns were worth the increased risk.

FIC-2891658 11/25 3469422-v2025123