

FEM11181 Seminar Advanced Investments (2023-2024, block IV)

Trading game

Lecturer: Dr. Philippe Versijp¹

1 YOUR GOAL AND MEASUREMENT

You are a team of fund managers managing a fund with AUM of \$1,000,000. Pick a name for your fund. For inspirations, go to <http://www.hedgefundnamegenerator.com/>. You manage the portfolios for your clients over the next 4 week trading period. This period begins now, and continues through to April 19th. Please register ASAP, at least before March 19th. You do not need to liquidate your portfolio at the end of the trading game.

The clients of the fund have specified capital appreciation as the main investment objective and have no short-term cash needs. Your challenge will be to design and execute an investment strategy that satisfies the client over the (almost) six week investment period. Your grade for this project is based on a trading report (see below). Each team will be responsible for the following:

- Articulate the investment objective. Besides the performance investment objective, you can also target clients who have other specific requirements, e.g. Socially responsible investment.
- Choose the benchmark according to your investment objectives.
- Formulate an appropriate investment strategy to meet the objectives.
- Conduct the necessary research.
- Selecting the appropriate securities and executing trades. Note that you can only execute 300 trades during this period. Use them wisely.
- Track the daily performance of your portfolio and your benchmark index.
- Rebalance the portfolio when necessary.
- If you decide to change your strategy, you must justify your decisions.
- You can invest in individual stocks, bonds, options, and futures (no ETFs, mutual funds and crypto) worldwide.

2 REGISTRATION

To register your account, go to

<https://www.stocktrak.com:443/members/register?session=EUR-ESE-AdvInvSemBlockIV>

Each team only needs ONE account. Use the StockTrak User Guide to get familiar with the platform: <https://content.stocktrak.com/stocktrak-student-user-guide/>

¹ With many thanks to dr Esad Smajlbegovic, on whose writing this document is based.

IMPORTANT DATES

Right now (16/3): Stock-Trak opens for trading, start formulating your investment objective, asset allocation, investment strategies and choice of benchmark index

20/3: You can at most have 10% of the AUM in cash. I want you to invest and not to sit on the sidelines.

19/4: Trading ends

22/4: Deadline for submission of the trading game report. See below.

3 FINAL STOCK-TRAK REPORT AND PRESENTATION

Your clients are also evaluating other portfolio managers, all of whom happen to be in the Adv Inv Seminar (amazing coincidence!). At the end of the almost 5-week trial period, they plan to host a conference meeting with the fund managers. Each team has 10 minutes to show that you have the true skills to generate the best risk-adjusted return or meet other investment goals. The best performing funds need to prove that their performance is due to skills rather than luck. The funds that do not perform well can show that the funds have the sound strategies to produce best long term returns. The clients will decide which teams of fund managers have the true skills and have their final pick of the funds to continue managing their money. The short report should be no more than 5 pages (including tables and figures).

Deadline: April 22nd, 23:59

Please upload an electronic version of your report to Assignment in Canvas and email a copy to versijp@ese.eur.nl

Please include the following in the report and presentation:

- . Investment objective, Target clients and Benchmark
- . Philosophy, Process and Portfolio Statement
- . Risk-adjusted returns
- . Which positions exceeded your expectations? What factors created the gap?
- . Which positions underperformed for you? What factors created the gap?
- . What are the key things you learn from this portfolio management experience?

You can use any means of presentation: formal business presentation, video, movie, etc. Be as creative as you can be!

A member of a competing team will lead the discussion of your report.

4 GRADING

The report grade accounts for another 15% of the total grade. Your grade of the trading game depends primarily on the quality of your trading game report:

- Do you have clearly defined investment objectives?
- Are the investment strategies you took appropriate for your clients given the investment objectives and target risk/return goals that you selected?
- What specific steps did you take during the trading period to attempt to adjust your portfolio to better achieve your target? How successful were these steps?
- Do you apply what you have learned through the class in your portfolio management?
- Do you follow the trading rules (number of trades, choice of benchmark, use of cash, tracking your performance)?

Note 1: Your performance is not graded. I will grade the quality of your report and whether you invested in accordance with your investment objectives.

Note 2: However, your team can earn additional 0.5 points on top of your trading report grade as a bonus. How? If your portfolio exceeds the AUM of my fund. My fund tracks the world index by investing 90% in a well-diversified 'World' ETF and 10% remain as cash (+interest). I will implement my strategy on March 18th.

Have fun investing!