**Project Title**

**Assignment 1: Client profile**

1. **What is the full name of the client you have chosen to advise over the course of the Capstone Project?**

**Note: please refer to the previous reading called "Pick a client!" to learn about the 3 clients you can choose from.**

DAVINA TURNER

1. **What are your client's investment goals?**

**Note: each client has 2 investment goals.**

- assets to sufficiently support her for the rest of her life (about 400k per year)

- to give away USD 3mio to charities by the end of the year

1. **Does your client have any incoming expense (in less than one-year time)?**

**Note: please exclude any (recurring) yearly expenses.**

USD 3mio to charities by the end of the year

1. **What are your client's reasons for investing?**

**Note: each client has either 2 (Davina Turner & John Lam) or 3 (Erika Kozlov) reasons for investing.**

- Davina also feels a responsibility to maintain the family fortune for future generations.

- it is important for her to be able to discuss investment performance and market events at dinners and cocktail parties.

1. **What are your client's cognitive biases and is fear likely to affect their risk tolerance?**

**Note: each client has either 3 cognitive biases or 2 cognitive biases and a susceptibility to fear when it comes to financial markets.**

- The endowment effect - She wouldn't sell the local biscuit company shares because they were too cheap, but she wouldn't buy more because they were too expensive.

- Home bias - She would invest mostly in familiar government bonds (mainly Italy, plus the neighbors countries)

- Loss Aversion due to the dotcom bubble

1. **Given that you client's reasons for investing go beyond increasing their personal wealth, what would you suggest they do to fulfill these other (sometimes conflicting) needs in a way that will not affect their financial situation?**

**Note: please give 1 suggestion.**

It is important for Davina to be able to discuss investment performance and market events at dinners and cocktail parties. She can have a virtual portfolio and not affect her actual portfolio.

1. **What would you suggest they do if they still need to win and lose actual money (at least a little bit) in order the previously mentioned needs to be fulfilled?**

**Note: please give 1 suggestion.**

If Davina really needs to win/lose actual money, She can run a “fun” portfolio and not affect her needs from the actual portfolio.

1. **Your client's cognitive biases correspond to at least 1 of the 3 steps in the investment process. For example, the anchoring bias corresponds to the second step of the investment process ("Construction of the optimal investment strategy").**

**Please write down one of your client's cognitive biases, the corresponding step in the investment process and at least one piece of advice for you client to deal with the said cognitive bias.**

- home bias - step 1: definition for the universe of investment

advice:

- Get out of the comfort zone

- Do extensive research

- Don't rely only on readily available data

- endowment effect - step 3: adjustment and rebalancing over time

advice:

- stay on your original designated strategy

- buy and sell accordingly

1. **Although you are lacking some information to precisely determine the investment profile of your client at this point, use their description to make an educated guess of their investment profile between the following propositions:**

**Conservative investor**

**Balanced investor**

**Aggressive investor**

**(Hint: it may be useful to look at the 3 client profiles to see where your client stands in relative terms.)**

Conservative investor

1. **Congratulations! You have reached the end of the first assignment of the Capstone Project. At the end of the fourth and last assignment, you will have to compile all of your work in a document that you will be able to showcase to your current or future employer (or anyone else interested).**

**We suggest you use this last prompt to compile your answers for this first assignment in a particular format: we would like you to prepare a transcript for your next meeting with your client.**

**For example: "Our last conversation suggests that you may be affected by what we call the "anchoring bias": a tendency to be influenced by recently encountered numbers that may be completely unrelated (and detrimental) to the estimation task at hand".**

**Although this rubric is ungraded, your fellow learners will review your transcript and suggest improvements to be made and/or elements to be clarified in order for you to build a final document for this Capstone Project that will be of high quality and able to enhance your career prospects. In this aspect, try to use an adequate tone when writing your transcript; just like you were speaking to your client.**