Capstone Sim Portfolio

Objectives, Activities, and Grading – Module 5

Module 5 – Performance Evaluation

In Module 5, which concludes the Capstone Sim Portfolio, you will analyze the performance and risk characteristics of your Sim Portfolio and complete the Final Report. You will also su

SIMS Bullet Point Instructions

- Be sure all five weeks' prices of all assets are in **Price Inputs** tab (Friday closing prices for Modules 1 – 4, any day of the week for Module 5)
- Analyze returns in **Current Portfolio** and **Port Returns** making sure that "Week 5" is selected in both "Prices as of" cells (cell E5 in **Current Portfolio** and cell E2 in **Port Returns**).
- Analyze returns and risk in **Final Report** tab (pages 2 and 3)
- Complete **Final Report** (page 2)
  - Briefly document your performance analysis (page 2 bottom)
  - Make sure you have copied and pasted (as a picture) your Week 5 Current Portfolio into the **Final Report** (page 1 middle)
  - Review **Final Report** for completeness of all modules
- At the end of Module 5, you will submit your completed SIMS Excel file or a PDF or Word document containing all of your Sim Portfolio

Detailed Instructions

You will analyze the performance and risk characteristics of your Current Portfolio and will compare the Current Portfolio vs. your Policy Portfolio (which will serve as a Benchmark). You will report the results of your performance analysis and thus complete the **Final Report**.

Price Inputs Worksheet

First you need to ensure that prices of all assets for all five weeks of the Simulation are in Price Inputs for both "Policy Portfolio" and "New Tactical Positions" sections. Use Friday closing prices for Modules 1 – 4. For Module 5 you may price on a day other than Friday if you want to complete your analysis earlier. Just put the closing prices of any day that week into the "Week 5" column.

Remember if you want to include dividends you will need to use the adjusted closing price. However, dividends will be small over the 5 weeks of the simulation. Therefore, if you can't get adjusted prices, do not be concerned.

Current Portfolio Worksheet

As a reminder, this tab will show all of your assets, both Policy Portfolio and Current Portfolio on a week-by-week basis (shown by ETF in alphabetical order), will calculate the "Portfolio Total Value" (cell E8), and will create a Current Portfolio pie chart.

Very important: You may want to run this sheet week-by-week to get a sense of how your overall return has changed over the course of the simulation. But to conduct the final analysis, be sure to select "Week 5" in "Prices as of" box to calculate total holding period return and final Current Portfolio Allocation pie chart. The pie chart should also be copied and pasted (as a picture) into the **Final Report**.

Port Returns Worksheet

The **Port Returns** worksheet breaks down returns by asset into two categories:

- Unrealized returns (on a week-by-week basis) for assets that you still hold and thus, returns have yet to be realized
- Realized returns (for the entire period) for assets that have been sold

Very important: You may want to run this sheet week-by-week to get a sense of how your overall return has changed over the course of the simulation. But to conduct the final analysis, be sure to select "Week 5" in "Prices as of" (cell E2) box to calculate total holding period**.**

Final Report Worksheet

On page 2 (in the middle), the following data for the Current Portfolio is provided by the SIMS system:

- Total Portfolio Return
- Portfolio Standard Deviation
- Correlation with the Benchmark—which is your Policy Portfolio
- Beta (Relative to Benchmark)—which again is your Policy Portfolio

A chart comparing week-by-week returns of your Current Portfolio vs. Policy Portfolio is also provided.

Page 3 gives data on individual assets for both the Policy Portfolio investments (at the top) and Tactical Positions (at the bottom) including:

- Policy Portfolio Weight
- Average Weight during the holding period
- Historical return and standard deviation
- Expected return
- Actual return – both holding period and annualized

The tables on page 3 also demonstrates that the Policy Portfolio weighting = 100% and provides % asset allocation of policy portfolio assets in the Current Portfolio (top) and the % asset allocation of tactical assets in the Current Portfolio (bottom).

You will conclude your Sim Portfolio activities by writing a brief analysis of your performance in the "Performance Discussion" section (bottom of page 2), which may address the following items:

- Return and risk of the Current Portfolio
- Risk and Return of the Current Portfolio relative to the Benchmark (Policy Portfolio)
- Your best and worst performing ETFs and why
- How asset class returns performed relative to expectations
- Lessons learned and any plans for rebalancing going forward

Submission Procedures

At the end of Module 5, you will submit your completed Sim Portfolio by a single PDF file OR Word document** that contains each of the following:

- The three pages of the **Final Report**
- All four worksheets with yellow tabs – **Policy Portfolio**, **Risk & Returns**, **Trades**, **Price Inputs**
- The green tab worksheet **Current Portfolio**

You do NOT need to submit the **Port Returns** or **ETF List** worksheets, although you may submit these too if it is easier.

Note: SIMS is set-up to easily print to PDF. Choose "print entire workbook" and print to PDF. (If you only print pages 2 – 9 you will exclude the **ETF List and **Port Returns**). Alternatively, you can easily copy and paste each sheet into a Word document. Then you may submit the Word document directly or you can "save as PDF" and submit the PDF file.

Module 5 – Grading Rubric

Below is the grading rubric on Module 5 activities that will be used in Module 6 peer grading of your final Sim Portfolio product.

Performance Analysis

Are all 5 weeks of prices for all investments (Policy Portfolio and New Tactical Positions) included in the **Price Inputs** worksheet?

0 – Not done
1 – Partially done (only some weeks were priced or only some assets were priced)
2 – Completely done

Does the "Performance Discussion" section in the **Final Report** (page 2 bottom) briefly address overall Current Portfolio performance and risk?

0 – Not done
1 – Partially done (only addresses performance or risk)
2 – Completely done

Does the "Performance Discussion" section in the **Final Report** (page 2 bottom) briefly address Current Portfolio performance and risk relative to the Policy Portfolio Benchmark?

0 – Not done
1 – Partially done (only addresses performance or risk)
2 – Completely done

Current Portfolio

Is the final (5th week) Current Portfolio pie chart included in the **Final Report** (page 1 middle)?

0 – No
1 – A pie chart is there but it is not the final Current Portfolio
2 – Yes