VOLATILITY GAME

GUIDELINES ON HOW TO CONDUCT THE VG.

On entering the room where VG is to be played, the conductor of the game introduces himself briefly and greets the audience. It is essential to greet the audience with smiling warmth and encourage them to greet you back in response. The audience should feel that you are their friend as well as their guide in the game. Make yourself easily approachable. Keep in mind that a little in the past you yourself had been a part of the audience, with an uncertain mind and with no knowledge of what was going to come in the session.

The principle objective is to engage the minds of the audience right from the beginning.

After the initial greetings get into playing the game quickly. Spend just a short time in introductory remarks saying that “Today we are going to have a remarkable and unique experience. By playing the game we will first enjoy ourselves and also teach ourselves something very significant: What is market volatility and how to manage ones’ portfolio in very different volatility conditions. We will start now”. Change the introduction slightly to suit the audience. Remember that the shorter the time spent in the beginning the longer you will have in the Q&A session at the end.

Ask the audience:

1. Almost in all cases, winners of a lottery or in gambling or in KBC lose their winnings within a year or two, although the gain was very substantial. WHY is that so. Show the slides relating to this.

The answer is that because the people do not have a ‘Money Mind Set’ or have a ‘No-Money Mind Set’. Explain the mind-set phenomenon briefly.

1. There are 2 investment options open for you: Option 1 and Option 2. Which one will give you more returns? Explain the power of compounding.
2. What is money? Explain the concept of money by the Definition, by the Formula and the actual formula, For example: The cost of tea vs. the Experience of tea.
3. Explain the concepts of Debt, Equity, NIFTY, PE, PB, MG.
4. Now start the game. Depending on the number of the participants, divide them in 2/3/4 teams. Name the teams and write the team names on the screen. Select/elect the team captain for each team and write their names on the screen.
5. Play the first round. When all the figures are on the screen, press GO. Now wait for the investment allocations to come from each team. Remember and remind the audience that returns from debt funds are a fixed 10% PA, whereas the returns from equity will be based on actual market conditions during the year. For each round, the time horizon for investments and returns is one year and each year will start with the asset value at the end of the last year. Play 4 rounds in total (rarely 5 rounds).
6. After all the teams had made the percentage allocations between debt and equity, ask each team the reasons of their decision on allocation. Then press invest: The results will come up on the screen.
7. Allow for some time for discussion between the groups. Press GO and get the allocation of Debt vs. Equity for the second round.
8. Take a break from playing the game and show the Power Point presentation of ‘Life of a common man’. Then show the results.
9. Press GO for the third round, get allocation of investment and then show the BSE history. Show the results of the 3rd round. Explain PE ratio in detail.
10. Get the allocations for the 4th round. Explain the figures as in the book, page nos: (Number of Equity investors in India, Percentage of small savings in India, etc.).
11. Press GO and get the allocation for the 5th Round. Next explain the MG ratio. Next ask ”What is the FII holding in NIFTY?”. Then show the Patriotic video. Then give your message: ‘Why every Indian should invest?’.
12. Show the final results and end the program.
13. Call the winning team to the front and play the song ‘Hindustani’ on the screen.
14. Q&A. Show the advantage of managing volatility and SIP.
15. END with thanks to all and a short wind-up speech.