Virtual Stock Exchange  
Portfolio Management / Investment Project

# Purpose

The purpose of using Virtual Stock Exchange is to give you a better understanding of trading strategies and portfolio management. You will also learn a variety of financial instruments and their risks and rewards as they apply to asset/wealth management.

# Project Overview and Goals

Acting as an investment portfolio manager for Holy Cross International clients, your clients have entrusted you with money to invest from **February 23rd until April 3rd**, but first, they want to see and understand your overall plan.

They are expecting you to invest their money wisely, rationally, and profitably. While your clients desire a **high rate of return**, their tolerance for **risk is considered** **low**. These two objectives can be referred to as economic goal conflicts, and you must help rectify this.

Additionally, your prospective clients are very wealthy, and considering other asset managers (your classmates) for more of their money. They will be ranking each according to the success of their portfolio management. You will be able to track how you are measuring up throughout this exercise.

At the end of the trading period, if your clients are satisfied with your performance managing their portfolio, they will extend their relationship with you.

**Specifically, they are concerned about, and measuring, the following criteria:**

* **Criteria** 
  + **Absolute Return**:  The total dollar increase in the portfolio over the trading period.
  + **Risk-Level**: The total risk level of the businesses in your portfolio; less risk is better than more.
  + **Diversification**: Your clients want their money spread across many different industries. The more diversity in the portfolio the better.
  + **Rationale**: You have demanding clients, and they want a rational explanation for every investment, and a discussion of your overall plan. Keep them in the loop and up-to-date.

# Schedule

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| **Date** | **Event** |
| By the 6th of March. | Join Game  **Discussion with your CFO** (Bring your questions and ideas for discussion so you start on the right track) |
| By the 13th of March. | Develop and submit **Portfolio Statement** (2 Pages Typed) |
| By the 27th of March. | Submit **Portfolio Statement and Analysis** (2 Pages Typed) |
| By the 10th of April. | Final **Portfolio Management Debrief** Due (2 Pages Typed) |

# Practice

I encourage you to fully understand the game mechanics, try some strategies, and get a feel for the market as it is now. Ask questions and have fun!

# Portfolio Management Constraints

* Each position you take in an asset must be **a minimum** of 5% of your portfolio and a **maximum** of 10% of your portfolio.
* **Cash** is not a bad thing, as long as you have a plan.
* **Diversification** is important. Select many different firms from a variety of **industries**.

# Philosophy, Process, and Portfolio Statement

This 2 page double-spaced report is due 2 times. In addition to your **philosophy and process**, please include the initial positions for your portfolio and your allocations to each position within the constraints above. Remember to highlight what industry each of your businesses is in as well. This is really the major **WHAT? and WHY?** component of any portfolio. You can be creative and use Excel to highlight where you invested the money. Include information about “Valuation,” such as the P/E ratios, “Dividends,” etc. Feel free to include news and research.

# Sources of Information for Portfolio Managers

Sources that you may find to be particularly valuable for your research include:

* Investopedia: <http://www.investopedia.com/university/stocks/>
* MarketWatch: <http://www.marketwatch.com/>
* Wall Street Journal:  [www.wsj.com](http://www.wsj.com/)
* Yahoo Finance:   [finance.yahoo.com](http://www.finance.yahoo.com/)

# Google Finance: <http://www.google.com/finance>

And most importantly, the on-line handout titled "**Get Smart About Investing**," and the section of it titled "**Analyzing Stocks as Investments**."

# Final Virtual Stock Exchange Debrief Paper

A two-page, double-spaced paper about your Stock Exchange experience will be due at the end. Please address the following:

* Which positions exceeded your expectations? What conditions caused this?
* Which positions underperformed for you? What factors created the performance gap?
* What are the key things you learned from your Stock Exchange experience?
* How will your Stock Exchange experience influence your personal investing in the future?
* What were the principal factors you considered when making your investment selections? What did you like or not like about certain firms?
* What resources did you utilize when making your investment selections and why? Did you find some less valuable and why?
* How did you utilize information from your course and readings throughout the activity?
* Other key learnings or information.

When marking your debrief and portfolio statements, your CFO will be looking to ensure that you are familiar with some of the key concepts from the course and readings.