Portfolio Management Project
Finance 34600

University of Notre Dame, London Centre
Spring Semester 2008
Professor Shane A. Corwin

The primary goal of this project is to gain an understanding of the investment process by becoming an interested participant. Students will participate in a simulation exercise by investing and trading an initial wealth of $500,000.

Students will work individually or in groups of 2. Each group will begin with a value of $500,000 and initial trades will be made on Monday, January 21st. After the initial trading decision, you will need to keep track of your portfolio value at the end of every trading day (Monday through Friday, excluding exchange holidays). Every Monday, you will turn in portfolio values and a trading history for the previous week. The last day of trading for our simulation is Friday, April 18th.

What are the goals of the investment team?

The general investment guideline for this course is a strategy that "provides reasonable short-term growth of principal and income but with moderate risk." For this reason, you must maintain a minimum level of diversification by holding at least five securities in your portfolio at all times. Each team should take this vague strategy statement and refine it according to that group's investment strategy. Each group will hand in a statement including the group name, the names of the group members, the investment strategy of the group (i.e. growth, income, small-cap, etc.), a performance benchmark (other than the S&P 500 – for example, DJIA, Nasdaq Index, Russell 2000, etc.), and any other relevant features of the investment plan. Remember that the performance benchmark should be chosen to match the investment strategy. Strategy statements will be used as a guideline when grading the end-of-semester portfolio projects.

Students will NOT be graded on the basis of their investment performance. Students are, however, required to do the following:

- Keep track of portfolio values for every trading day and hand in portfolio values and trading histories every Monday.
- Prepare for classroom discussion of important events in the markets that may affect risk or return performance.
- Complete a final portfolio performance project (due Monday, April 28th). This group assignment will be discussed in detail later in the semester. Your grade will be based on this assignment and your timely completion of all assignments related to the investment simulation.
- Turn in evaluations of group member performance.

What securities can we trade?

You can trade any stocks, bonds, and investment funds listed on the NYSE, AMEX or NASDAQ in the U.S. or on any major international exchange. You can also trade derivative securities such as put and call options, but you should not do so unless you have a basic understanding of these securities. Finally, any funds left in your cash account will earn interest at an annual rate of 2.5% (.025/250=0.0001 per trading day).

How many and what types of trades are permitted?

There is no limit on the number of trades you can make during the semester. You can submit either market or limit orders. Market orders will be executed at the closing price if you submit the order during market hours or at opening price if you submit the order during non-trading hours. Market buy orders execute at the ask and market sell orders execute at the bid. Limit orders will be executed at the end of the day if the limit price falls within the daily high-low price range. Trades are limited to no more than 10,000 shares for stocks above $10 and to no more than 1,000 shares for stocks below $10.

You are allowed to execute margin and short sell trades. However, you need to fully understand what you are doing before executing these types of trades. Remember that you will be required to completely analyze any margin and short sale positions in your final project. The initial margin requirement is 50%. In addition, an annual interest rate of 10% (0.0004 per day) will be charged on margin account balances.

Commissions:

For stocks and funds, the basic commission is $10 per trade (regardless of the number of shares). The commission for bonds is $10 per $1,000 bond contract and the commission for options is $10 per trade plus $0.75 per 100-share contract.

How and when can we trade?

To make a trade, simply notify me in writing or by email of your intention to buy or sell, including the name or ticker of the security, the number of shares, the type of trade, and the limit price (if applicable). You can make a trade on any business day. However, you must make the trade prior during market hours in order for the trade to be executed at that day's closing price. Trades entered outside market hours will be executed on the next business day.

What about dividends, stock splits, and interest?

You will need to adjust your portfolio values for both dividends and stock splits. Dividends can be added to your cash account on the day they are paid. However, in order to receive the dividend you must have owned the stock on the ex-dividend day. For stock splits, you can simply adjust the number of shares you own. You will also need to keep track of these events for your final project. Interest on your cash account will be added daily. Interest on any bond investments should be added when you sell the security.

What will the final project involve?

The details of the final project will be discussed later in the semester. However, you should be aware of the following information. The project will include analysis and discussion of the daily return on your portfolio, all trading activity, risk/return characteristics of individual securities, and key market-wide, industry, and security-specific events that affect the performance of your portfolio. Be sure to keep track of this information throughout the semester so that it will not be necessary to back-research at the end of the semester. You should also keep track of your benchmark index and the value of the S&P 500 index on a daily basis. The final project is due in class on Monday, April 28th.

What should I do now?

1. Put together a group that you would enjoy meeting with during the semester and discuss a particular investment strategy that would be fun to pursue. Pick a team name. **(**Note: If you would like some basic information about potential investment strategies, check out the 'Tutorials' section at www.investopedia.com)
2. Prepare a one-page statement of objectives identifying your group name, the members of your group, your investment strategy, and your benchmark index. This is due on Monday, January 21st.
3. Turn in your initial trades on Monday, January 21st.
4. Do not hesitate to talk to me about any questions you may have.

Group Member Evaluation

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On the lines below, please list the name of your group and the members of your group. For each group member (including yourself), assign a percentage grade (out of 100%). These assignments will be considered when determining final project grades and final quarter grades. If you had significant problems with a group member or wish to commend a group member who worked especially hard, describe the situation in the written comments section at the bottom of the page.

Group Name: ____

Group Members:	Grade Assignment (100%)
(You)____	____________________________
____	____________________________
____	____________________________

Comments:

Investment Strategy Statement

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Group Name: ____

Group Members: ____

____

Benchmark Index: ____

Description of Investment Strategy:

Trade Sheet

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Security	Trade (Buy/Sell)	Amount	Price	Commission	Total
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					