Virtual Stock Exchange  
Portfolio Management 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 management.

# Project Overview and Goals

Acting as a prospective portfolio manager for Holy Cross International clients, your potential clients have entrusted you with $100,000 to invest at your discretion until June 15th, 2012.

They are expecting you to invest their money wisely and profitably. While your clients desire a high rate of return, their tolerance for risk is considered **low**.

Additionally, your prospective clients are considering other asset managers (your classmates) and 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 the following criteria:

* **Returns** 
  + **Absolute return**:  The total dollar increase in the portfolio over the trading period
  + **Risk-adjusted return**: The return on the portfolio taking into account the level of risk assumed by you, as measured by Holy Cross International’s Chief Investment Officer Mr. Clarke.
  + You are instructed to have your money spread across different industries to reduce risk, search for firms that are consistently profitable, and keep a reasonable amount of cash on the sidelines.

# Registration

To register your account, go to <http://www.marketwatch.com/game/>

(The game is titled HCSS-Economics and the password is hcss-economics)

# Schedule

|  |  |
| --- | --- |
| **Date** | **Event** |
| Weeks 1 | Join Game  Discussion with your CFO |
| Weeks 2-3 | Develop and submit Portfolio Statement (2 Pages Typed) |
| Weeks 4-6 | Submit Portfolio Statement and Analysis (2 Pages Typed) |
| Weeks 7-12 | Submit Portfolio Statement and Analysis (2 Pages Typed) |
| Week 12 | Final Portfolio Management Debrief Paper Due |

# Practice

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

Your portfolio will be evaluated beginning on Weeks 2-3 (With your statement).

# Portfolio Management Constraints

* Each position you take in an asset must be a minimum of 5% of your assets and a maximum of 10% of your assets.
* Cash must not exceed 20% of your portfolio at any time. We want you invested, not sitting completely on the sidelines.
* Diversification is important. Select different firms from a variety of industries.

# Philosophy, Process and Portfolio Statement

This 2-3 page double-spaced paper is due 3 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.

# Sources of Information for Portfolio Managers

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

* 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 handed out, which is titled "Analyzing Stocks as Investments."

# Final Virtual Stock Exchange Debrief Paper

A three-page, double-spaced paper about your Virtual Stock Exchange experience will be due at the end of the semester. 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 Virtual Stock Exchange experience?
* How will your Virtual 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?

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