

STOCK TRAK PROJECT PART I

FI 412 INVESTMENTS

OBJECTIVE: The purpose of this project is to generate and trade an active portfolio based on the methods and principles discussed in class. There will be two parts to the project due throughout the semester. You must use Stock Trak. You should register for Stock Trak using the following link:

9:25 class:

<https://www.stocktrak.com:443/members/registerstudent?className=FIN412Fall18>

Part I: Getting Started

Based on your interview in IPS you should invest according to the asset allocation including a range and target for each asset class.

Part II: Trading in your STOCK-TRAK account:

In this assignment, you will also begin building your STOCKTRAK portfolio, in which you will be given \$100,000 to trade with. You will be utilizing your IPS created at the beginning of the course to invest the portfolio. There will be approximately \$25,000 of required trades, while the remainder is yours to invest as you wish with no restrictions.

1. Go to your STOCK-TRAK account. If you have not registered for this account, you must do so immediately. Take a long or short position (buy or short sell) of at least \$5,000 of the company that you have been assigned based on your equity valuation project. This will be your first stock purchase. You may purchase shares of some other companies as well, you must purchase @ least 6 other companies.
2. Next, buy two different mutual funds. One must be a closed end fund while the other must be an open-end or "retail" fund. The closed end fund can be a closed-end (actively managed) stock mutual fund, an ETF (exchange traded fund), or a REIT. The open end fund can be either an actively managed stock fund or an index fund. If you do not choose a REIT, then one fund should be actively managed and the other a (passively managed) index fund. To find funds, check out CNN Fund Screener, MSN Money, TheStreet.com, Quicken Investments, Yahoo Finance, or any of the hundreds of other mutual fund websites on the Internet. The total value invested in each fund should be at a minimum \$2,000. You may choose to invest in fixed income or money market mutual funds; be advised investing in these assets would not be included in your equity allocation, but rather the fixed income and cash classes, respectively.

Be certain that the amount you purchase in the equity securities and mutual funds are within the ranges of your asset allocations set forth in your investment policy statement.

Note: in STOCK-TRAK, ETFs and REITs are traded as stocks - only open-end mutual funds are traded as mutual funds.

3. Take a short position for a security. The initial value should be at least \$2,000. Obviously, you cannot short a stock that you already hold in your portfolio. Funds associated with the short sale will show in the cash balance of your portfolio, but cannot be used.

Stock Trak trades only a very limited number of bonds. To trade bonds, you click on “Bonds” under “Trading.” In the trading window, you will select type (either Treasury or Corporate) and under “Symbol”, you will find a selection of traded bonds.

4. You will select a Treasury bond based on the following formula:
Bond Maturity Year = Your Birthday Month + 17
Bond Maturity Month + Month closest to your Birthday (within the Year)
Select the Treasury bond that has a maturity closest to the formula result, if there are multiple bonds within that year maturing in the same month, just choose one. You must purchase some of this bond and each bond you purchase has a par value of \$1,000.
5. You will also select at least four additional corporate bonds (all from different companies) and add them to your Stock Trak portfolio. The choice of which bonds to add is entirely up to you.

Your total bond allocation must be within the portfolio allocation of bonds.

You are expected to continue adjusting your portfolio throughout the semester and will be penalized if you leave excessive amounts of cash or have an inactive account.

Your Stock-Trak account will be checked on **March 14th** to confirm that these trades have been executed. If you have not completed these transactions or your Stock-Track account does not exist, you will receive a grade of zero on this part of the project.

PART IV: Written Report

Prepare a report that incorporates all of the following.

Section I:

Overview of investment objectives and target asset allocations (see Part I) Explain how macroeconomic and other market conditions have led you to these goals/allocations. Use information from your classmates’ industry presentations to discuss industry allocations.

Section II:

Identify the company that you have chosen, as well as all other companies that you purchased. Note the purchase price, P/E ratio, dividend yield, market cap, and a brief explanation of why you made these purchases. There are many sources on the web that provide information on the economy, industry, company, and/or stock price. Give brief summaries of the companies you purchased using information from these sources. Don’t just list the information for the companies, discuss how these characteristics may have impacted your purchases. (i.e. do they contribute to your large cap allocation, etc.)

Describe why you selected the stock for the short sell and how this transaction complements your investment objectives.

Section III:

Download monthly closing prices for your stock and create a graph of price volatility over the past five years, by month (i.e. find monthly volatility using daily prices). You are encouraged to also

download market closing prices (i.e., for DJIA or S&P 500) and compare their monthly volatilities. You should also include a graph of your stock's average monthly return versus that of the index. Discuss these graphs in terms of the risk/reward tradeoff.

Section IV:

Include information on the mutual funds you have purchased such as their strategy, manager, risk profile, and return history. Again discuss how these characteristics helped you make your purchasing decisions.

Section V:

After investing include details on what your current allocation is and a risk assessment of those positions. You should also include details on your initial allocation how you will maintain the positions (ETFs, stocks etc) and maintain diversification

Your report should be professionally written, and leave little doubt that you clearly understand your trading activity. In conclusion, explain why your selections were made and how they fit into your investment goals. This assignment is due at the beginning of class on **Wednesday March 28th**. To receive credit, your STOCK-TRAK account must show all of the above transactions (a minimum of 15 trades).

Evaluation Criteria

Name:	Professional (100%-90%)	Proficient (89%-80%)	Developing (79%-70%)	Undeveloped (69%-0%)
Are the Investment Goals and Asset Allocation clearly stated and maintained during the initial allocation?				
Is there a discussion of how macroeconomic and current market conditions have impacted your asset allocation decision.				
Do you effectively synthesize and summarize the data from your classmates industry presentations and utilize that information in your allocations?				
Are reasons for your purchases clearly stated and supported by the research you have done on these companies				
Are the graphs correct and is there an accurate discussion of the risk/reward tradeoff?				
Is the information included for mutual funds complete and do you discuss how this information led to your purchase decisions?				
Is there a well informed discussion of your short selling strategy?				
Is the report professional, free of grammatical and spelling errors?				
Does the report reflect that you fully understand your trading strategy?				

NOTE: Each of these criteria are not necessarily equal in "value" in assessing your overall grade. This rubric is designed to dissect your performance on the assignment so you can see what you need to work on and what you are doing well. Your overall grade will be a letter grade based on your performance on these criteria. Please see me if you have any further questions on your grade for this assignment.

Developed by Kate Upton & Adam Aiken (Finance)