**BAFI1042 - INVESTMENT**

**Semester 2, 2019**

**Company analysis report (20%) and**

**Portfolio Management Analytic Report (20%)**

**Instructions:**

The dealing sessions are simulation exercises during which you work in small groups to act as portfolio managers. Each student **MUST ATTEND the** **four three-hour dealing sessions (2 hours in your allocated lecture and 1 hour in your allocated tutorial).**

Students are required to organise themselves into**teams of 3** **students**. More information about how teams are formed will be provided on CANVAS at the beginning of each semester.

***Where?*** All dealing sessions will be held in your allocated lecture and tutorial venues.

***When?*** The dealing sessions will be held during week 6, 9, 10, and 11.

**Attendance to all dealing sessions is compulsory.**

There are two stages for this assessment. **Stage 1** requires students to analyse stocks for inclusion into the portfolio and contribute to the group report in **Stage 2**.

**Stage 1 – COMPANY ANALYSIS REPORT - GROUP REPORT (20% of unit total):**

You (as a team) will prepare a company analysis report (due at the end of week 8), which will form your portfolio created for Stage 2 group report. To help you prepare for your report, you will be given access to **Thomson Reuters (Refinitiv) Eikon online**. You will learn how to analyse stocks using Eikon online in the dealing session in week **6**. Thomson Reuters Eikon provides information for fundamental and technical analysis. Login details will be arranged at the beginning of each semester.

The company analysis report is worth 20 marks out of 40 marks of Assessment 2. You will only have to submit one report per group.

**Stage 2 - DEALING SESSION REPORT - GROUP REPORT (20% of unit total)**

**Following the Dealing Sessions in week 9-11**, your group will need to submit a Portfolio Management Report (one report per group) based on the team’s research and trading activities in these sessions. This Dealing Session Report will be a group assignment. Further detail on the report can be found on Canvas.

You must **attend all your dealing sessions,** and you **must contribute to your team report** in order to receive marks for this assignment (also see contribution statement).

1. As a team, based on the company analysis in Stage 1, create a portfolio (Active Portfolio 1) in the second dealing session (Week 9). Given your stock analysis (developed in Stage 1), you (as a team) should design a trading strategy to implement in the second dealing session. This strategy will specify how you will construct your portfolio to meet your objectives.
2. In week 10, you (as a team) will evaluate the performance of your portfolio created in week 9 (Active Portfolio 1). After that, you will construct a new portfolio (Active Portfolio 2) to improve the performance of your position. You will need to make a decision as to whether you would like to choose new stocks or adjust the existing portfolio by mixing it with new stocks.
3. In week 11, you (as a team) will evaluate the performance of the new portfolio (Active Portfolio 2) and compare it with the original portfolio, as well as the benchmark portfolio.
4. In week 12, please submit a team report. Further information will be available on CANVAS.

Please note assignments must be submitted **online** through the course Canvas site.

Assignments must be accompanied by **RMIT assignment cover sheet, declaration of group work commitment, group work contribution statement** *(only if group dispute arises)* **and the originality report** from Turnitin. Failure to include these documents in submission will result in a penalty for the report (*5% deduction*).

If you have any questions regarding the dealing sessions, please contact your allocated dealing instructor.

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| **Key Questions To Address In Stage 1** | **Max Marks** |
| * Discuss your investment goals and strategies in stock selection [Hints: value investor, growth investor or combination of two; *Top down approach]*
* Explain the reason of your investment in the industry that you considered for creating your active portfolio [Hint: use macro-economic variables and/or industry specific qualitative factors].
 | 6 marks |
| * In addition, use company specific qualitative factors, the data you collected on financial ratios (that are provided in Eikon) under fundamental analysis to explain your decision of stock selection (9 companies are required) for Active Portfolio 1.
 | 7 marks |
| * Technical analysis to support stock selection decision (moving average lines and volume)
 | 3 marks |
| * Conclusion to summarise your report
 | 2 marks |
| * References and professional presentation
 | 2 marks |
| **TOTAL** | **20 marks** |

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| **Key Questions To Address In Stage 2** | **Max Marks** |
| * Discuss your investment goals and strategies while constructing your portfolio [Hints: active investment, value investor, growth investor or combination of two]
 | 1 mark |
| * Demonstrate your stock selection and weightings given to each stock when constructing Active Portfolio 1 in Dealing Session 2.
 | 2 mark |
| * Demonstrate your stock selection and weightings given to each stock when constructing Active Portfolio 2 in Dealing Session 2.
 | 4 marks |
| * For **BOTH** portfolios, explain which stocks contribute more towards the risk/return of your portfolio in terms of the contribution of the top 3 and bottom 3 securities to your portfolio return along with the largest top 3 positions (weighting) to your portfolio return.
* Also provide the sectors and securities name that are underweight/overweight in your portfolio compared to the benchmark [Hint: allocation & selection effect]. You can use a table to distinguish between active and benchmark portfolio while explaining.
 | 5 marks |
| * Provide comments on total return& active return of your active portfolio and you are required to determine the total risk & active risk as well as the sources by looking at the tracking error of this portfolio.
 | 4 marks |
| * Finally, compare and contrast the 2 portfolios that you have created during sessions 2 & 3 and summarize your comments on outcome achieved.
 | 2 marks |
| * References and professional presentation
 | 2 marks |
| **TOTAL** | **20 marks** |