

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.

Virtual Stock Exchange game is intended for individuals ages 16 and older.

Project Overview and Goals

Acting as a prospective portfolio manager for UHNW clients, your potential clients have entrusted you with \$1,000,000 to invest at your discretion for a period of 10 weeks.

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 the *Sharpe Ratio*

Registration

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

[Note instructors can give the URL supplied for their specific game]

Login: _____

Registration is **free**. Enter the login code above.

Schedule

Date	Event
Weeks 1-2	Virtual Stock Exchange open trading Practice trading for the next two weeks
Week 3	Join Class Game [INSERT NAME]
Week 4	Philosophy, Process and Portfolio Statement Due
Week 5-9	Virtual Stock Exchange trading
Week 10	Final Portfolio Management Debrief Paper due

Practice for Two Weeks

The MarketWatch Virtual Stock Exchange is available for practice trading now, but the competition does not begin until for 2 weeks. I encourage you to use the two-week period 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 Week 3. You will receive the \$1 million in assets to begin investing for your potential clients then.

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 on the sidelines.

Philosophy, Process and Portfolio Statement

This 2-3 page double-spaced paper is due Week 3. 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
- Yahoo Finance: finance.yahoo.com
- Daily Treasury Yield Curve Rates:
<http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

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?