

# ESCP HEC • MINERVA • NIC • Sigma Investments 2022 ASSET MANAGEMENT COMPETITION

sponsored by *Deutsche Bank and Nordea*

## Rule Framework

- Build your **virtual portfolio** with an investment allowance of **€10,000,000**
- Your portfolio must be made of **10-30 stocks** selected exclusively from **S&P 500** and **STOXX 600**. You will be able to hedge currency risk with futures and reduce the volatility through our selected bonds (see below)
- Your portfolio may include **long** as well as **short** positions on the equity part
- In the case of short positions, the net asset allocation must be equal to 100% (a deviation of up to 1% is allowed to account for the non-divisibility of shares). The short exposure cannot exceed 50% of the portfolio's total value
- Holding period: 2 months (**14<sup>th</sup> March – 13<sup>th</sup> May**)

You will be allowed to **rebalance/adjust** your portfolio once the first month has passed (n.b. it is not compulsory). Specifically, you may decide to change the previously selected stocks or rebalance the initial portfolio towards the starting weights. Note that we will not provide you with your particular asset investments; therefore, we recommend tracking your investments yourself.

Within one page, your team submits an elaboration of your rebalancing decisions and an Excel file with the trades (details on the format below). You can send these two documents to [assetmanagementcompetition@gmail.com](mailto:assetmanagementcompetition@gmail.com) by 23:59 CET on Saturday 9<sup>th</sup> April.

## Overview

The performance measurement will end on 13<sup>th</sup> May at close prices. Only the 50 best performing teams in terms of return will be selected to participate in the final stage of the competition. The teams shortlisted will be assessed on portfolio performance (60% weight) and the **quality of the investment strategy** provided (**40% weight**), judged by industry professionals.

The finalists (top 5 teams in terms of combined scoring) will be announced a few days after the end of the competition. The finals will include:

- A presentation of your strategy and results in front of the organising student associations and corporate partners
- A Q&A session to understand in-depth your processes and abilities
- The election of a winning team
- To participate, fill out the Excel file attached complying with the following instructions and send it back to [assetmanagementcompetition@gmail.com](mailto:assetmanagementcompetition@gmail.com) by 13<sup>th</sup> March at 23:59 CET

## Excel formatting instructions for asset allocation

- Name the Excel workbook with the number assigned to you (e.g. If you receive number 3, the file you will send back will be “3.xlsx”.) You will have the chance to specify your team name inside the excel file.
- Please fill out the first two sheets with the information required. You will find an asterisk whenever that specific field is optional
- The third sheet must contain your asset allocation:
  - Use the information in Refinitiv\_RIC\_list.xlsx file to fill the first three columns with the Company Common Name, Refinitiv RIC and ISIN Code. Since we will use coding to read your asset allocation, please make sure there are no typos.
  - Write in the fourth column capital “E”, “B”, “F” if the line corresponds respectively to an equity, bond, futures instrument.
  - In the fifth column, please include the ISO Currency Code of the instrument (e.g. USD, EUR, CHF, etc.)
  - Please specify the number of shares, bonds, or futures contracts you would like to buy or sell in the sixth column. Insert just integer numbers, positive or negative, depending on whether you intend to take a long or short position. Do not use the “+” sign in front of positive numbers.

Consider a minimum denomination of 1,000.00 for all the bonds. Pair value and incremental value are 1,000.00 as well. For example, a quantity of “2” invested in a bond would correspond to a nominal exposure of 2,000.00. Please note that the bond could trade above or below par on the day you create your asset allocation; thus, consider it when allocating the initial allowance.

If your investments do not sum to €10,000,000, we will automatically include a cash line to compensate for the difference (note that you cannot invest more than €10,000,000; therefore, you cannot use leverage).

The sent sheet will contain an elementary example to clarify the required format of the asset allocation. Therefore, please overwrite the dummy values with your chosen allocation. Furthermore, the allocation used as an example would not be considered valid since the portfolio does not respect the minimum diversification requirements (i.e. at least ten stocks).

## Excel format to adjust/rebalance the portfolio

- All rules above about asset allocation apply
- You need to fill in the same Excel sheet provided from scratch
- In excel, you are required to elaborate on the trades you would like to undertake. Sales of assets will be identified with a negative sign (-). Again, do not include any sign in front of positive values.

## Guidelines for the description of the strategy

- 800 – 1200 words submitted as a pdf document named just as the excel file, i.e., the number you will be assigned. Please use the blank word document provided as a template
- It is essential to give details and provide information on why these decisions were made and with what purpose or goal
- They will be reviewed by a professional, and therefore a work of high standard is expected
- The quality of the initial strategy counts towards the final assessment and will affect rankings
- Be consistent when implementing your strategy by building a compatible asset allocation.
- You can include graphs, your target prices, your expectations on price movements and industry trends, your macro view, or any investment theory you are willing to apply. The more specific and punctual you are, the higher your score for this section will be
- Use of academic literature to further substantiate your strategies is strongly recommended

## Essential aspects to consider in your strategy

- Long/short vs Long only (what is behind your decision to get involved or not in shorting?)
- To hedge or not to hedge, do you see the currency as a potential risk worthy to hedge and why?
- Geographical and industry allocation
- Are you aiming for any specific targets like an index Sharpe ratio target? VaR target?
- Value vs growth orientation Fundamental vs Technical vs Blended Analyses
- Main events, e.g. sources of risk that could arise during the competition

## Futures contracts

(only to hedge against the USD):

We will offer USD to Euro Future Contracts with different maturities: 14th March, 14th April and 16th May. Each contract has a volume of €125,000. The Initial Margin is 10% of the contract value, whereas the Maintenance Margin is 75%. The contracts are marked to market once a week on Saturday. There will be no settlement at expiration, but we will offset your positions and deposit/deduct the proceeds to/from your portfolio. A long position corresponds to a bullish view on USD. Please find below the list of bonds you may decide to include in your portfolio.

In case of a Margin Call, the team leader will receive an email, and they have 24h to respond. If there is no response, we will automatically close the future position and account for the loss.

### Bond Details

Company Common Name (issuer)	Maturity	Years to Maturity	Coupon (%)	Ratings (S&P, Moody's, Fitch)	ISIN
Volkswagen AG	12. Apr 23	1,1	0,875	BBB+/A3/n.a.	XS1806457211
Intesa Sanpaolo SpA	23. Apr 25	3,1	2,855	BB+/Ba1/BB+	XS1222597905
Apple Inc	13. Nov 27	5,7	3,000	AA+/Aaa/n.a.	US037833DK32
Target Corp	15. Apr 29	7,1	3,375	A/A2/A	US87612EBH80
TotalEnergies SE	10. Jan 30	7,9	2,829	A/A1/AA-	US89153VAT61
AT&T Inc	15. Mai 35	13,2	4,500	BBB/Baa2/BBB+	US00206RCP55

## Key takeaways

- Show the ability to create a detailed, well-crafted, and coherent strategy in line with your portfolio construction
- Express a clear investment philosophy that will be carried out throughout the competition
- Showcase a comprehensive understanding of the overall macroeconomic picture and environment in which you will evolve during the event

The organising student associations wish you great success in the competition!