

**TEAM NAME :** TEAM FHS Traders

**SCHOOL NAME :** FOUNTAINHEAD SCHOOL

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### **Section 1 : Investment Recommendations**

The investment strategies that we adapted:

- **Diversification :** To minimize the risk of failure and also expand our portfolio into different sectors.

<p>Strengths :</p> <ul style="list-style-type: none"><li>● If we diversify there is less risk of failure because we have invested in different sectors and not one.</li><li>● We can have gains from all sectors as many of them are generally unrelated.</li></ul>	<p>Weakness :</p> <ul style="list-style-type: none"><li>● It is costly because not all sectors have low prices</li><li>● It is very complicated to diversify as all the sectors don't work the same way.</li></ul>
<p>Opportunities :</p> <ul style="list-style-type: none"><li>● When it is holiday season most sectors would go in profit making our portfolio to go in high profits</li><li>●</li></ul>	<p>Threats :</p> <ul style="list-style-type: none"><li>● There is high market risk and that can decrease the volatility of our portfolio</li><li>● Some firms may give below average returns.</li></ul>

- **Value or Growth** : Firms which have large growth, so as to attain higher returns in the long run. Also, to invest in companies with large and medium value or mid cap so that we can diminish our risk.
- **Not buying Share for a short period of time** : To buy shares for more than 10 days so as to analyse the market properly for future investments and also, to observe the profit and loss made by the companies.
- Buying shares of a company in such a way that it will compensate the broker's fee and give profits in return.

As decided earlier, our group did not intend to invest all money, which made us invest around half of the money provided because we were very particular about investing the money in selected sectors or industry as we wanted the best for our client, Mr. Abraham.

The above strategies fit best for Mr Abraham because, as per his life cycle, he was inclined towards start up businesses and thus as the investment portfolio manager, we tried to invest in companies which were startups as well who had a scope of growth in the long run. Also our team did invest in companies which were already stable and consequently, would yield profit in the future.

Also as Mr Abraham was more of a technological person, we specifically looked upon sectors where continuous innovation is going on that is the Information and Technology sector, in which we had invested a good amount of money.

Looking at our investment strategy and analysing the research done upon each sector, we as a team would highly recommend KWAM to invest his money in the Utilities sector, Materials

sector as well as Information and Technology sector because we see a large scope of growth in these sectors with a sufficient and handful of yield earned.

Our group would like to suggest KWAM to invest around \$ 15000 - \$25000 on the above mentioned sectors because share price of each equity is under \$10 or so and to earn a good return and dividend, we need to buy more than 1000 shares in these firms. Therefore, the above mentioned amount would be needed for the investment.

Talking about specific industries to invest, KWAM should definitely look for firms in industry like Electrical and Gas Utilities, including Metals and Mining Industry and IT services.

These are the industries which have shown, a good amount of increase in their share value, growth as industry and also shows the ability to grow more in the future and therefore, we recommend KWAM to invest in these particular sectors.

We highly recommend KWAM to invest more in Electrical and Gas Utilities seeing its high and stable growth pattern and also to look for the Mining industry as it seems to be one of the stable industry giving sufficient repay.

Lastly talking about the particular stocks to buy, our team would like to recommend that KWAM invest more in UNITED STATES STL CORP NEW, GAIL INDIA LTD, PAYPAL HOLDINGS INC while it should also invest in companies like TATA POWER CO LTD, CBOE GLOBAL MARKETS INC, GREAT ELM CAP GROUP INC so as to cover up any loss and also diversify in the market and portfolio.

## **Section 2 : Investment Decision Process**

We were 9 people in one group and we had approximately 10 industries so each member of the group was given 1-2 sectors. Everybody had to research, analyse and come up with a bunch of firms in which we could invest. We looked at different things to take investment decisions in the beginning. We looked at equity style, price to earnings ratio, daily returns, future projections and price history charts. We collected the data and everybody came together and started to check if the companies shortlisted are worth investing in. We did not have a lot of background knowledge about stock market or how to trade so to understand we had taken the help of our advisor. We also did some trial trades so that we come to know about how it actually works. We used SWOT analysis and we used diversification to invest. It was quite easy to predict which firm will give us the highest returns after a pre forecasting. Pre forecasting tells us how firms have been in the market for past few days, weeks, and months. We invested in different industries to reduce the chances of earning losses however we were not able to gain profits. We analysed and came to know that we invested in firms whose price was constant throughout 12 months and so we were incurring losses. In the end we came up with firms which we thought would earn us profits to break even, we listed down some firms with high share price and high daily returns and we bought a larger number of shares so even if the share price increases a little we earn a high profit. Overall it was difficult to list down the firms according to our specifications.

## **Section 3 : Team dynamics**

There were approximately 11 sectors so as mentioned above each member was given 1-2 sectors each. Every member had to research and analyse the trends of the companies in their sector. Then the member had to decide which company to invest in from their sector and how

many shares should be bought of the company. There were situations where we incurred losses so at that times we decided conjointly about what was to be done next and which company we should invest in so as to cover the losses. Also, there were some companies whose trends were fluctuating so at that times we used to discuss and come to a conclusion about whether to invest in the company or not. Almost every decision in our group was made by discussion .This also led to some hitches because each one of us had different views on different situations but at the end after understanding each other, we used to reach to a conclusion. There were however rough times when we had to push each other, become a little harsh or cover up for the other one. We all had busy schedules and this caused many issues when it came to meeting the deadlines. Fortunately, our group consisted of people who were really supportive at such times and covered up. Having people with various persona in the group, we coped up with the work which was required to be done by all of us. There were few of us who were time bound, few who were workaholic, few who liked working at last moment and a few who worked by constant reminders but we all balanced each other out and it was like a team made to come together.

#### **Section 4: Ethics**

Morals is an ethical conduct on playing out a movement . In such a circumstance while getting private data about a specific organization and utilizing it for your own leeway is exploitative . This is named as "Insider Trading " which is unlawful and has serious allegations when performed . In the event that we were in such a conceivable situation then we could report it to the specialists of the stock trade . The purposes for this is whether we exploited , we could've been accused of outcomes and our notoriety of the firm would diminish because of such activities . Because of such reasons we wouldn't perform such an

activity . Notwithstanding we wouldn't considered such an activity since it is an inaccurate method for succeeding .

- If someone provides me with inner information then I would definitely report to the appropriate authorities.
- The values of a society can change. It encourages a society to change the practices of a business. Some time back, relatively few businesses were deeply concerned about sustainable practises. Even if the owners or executives of a business were not genuinely concerned about sustainable practises, external stakeholders will expect their business not to harm the environment in any possible way. In a host of other ways- ethics in lending, diversity in hiring, society's values have led to changes in many businesses objectives.
- Businesses may set themselves ethical objectives for some very good commercial reasons :-
  - **Building up customer loyalty**- Customers are more likely to return to a business they trust and respect, and ethical objectives and ethical action foster this.
  - **Creating a positive image**- both existing and potential customers are likely to shop at businesses with good reputations. The opposite is certainly true: customers will avoid businesses with reputations for untrustworthiness.
  - **Developing a positive work environment**- businesses that have well-motivated staff who enjoy working for the business have a competitive advantage. Businesses with strong ethical objectives can be attractive to many potential employees and serve to improve morale and motivation.
  - **Reducing the risk of legal redress**- Being unethical can cost a company money, not only from dissatisfied customers not returning or from the bad word-of-mouth reports

generated by unethical behaviour. Sometimes unethical behaviour can lead to legal redress by the government, by other businesses or by the customers themselves. Even if a business “wins” in court, the process can be expensive and cause significant damage to the firm’s reputation.

- **Satisfying customers ever-higher expectations for ethical behaviour-** with improved ICT and worldwide web, business decisions and actions are more visible than ever before. Today, customers are aware of what is considered ethical and unethical behaviour and often “punish” unethical behaviours by not patronizing certain businesses. Few businesses disregard public opinion.
- If I am the portfolio manager then the ethical situations taken care are the following:-
  - Investment managers need to perform research and analysis and make decisions that make sense for the client based on how the manager agreed to manage the client’s portfolio.
  - Managers cannot spread false rumors or misleading information about a security. Nor can managers buy a large position in a security just to manipulate the price or trade in illiquid stocks at the end of a quarter to drive up the security’s price so that when they report their holdings to clients, the price looks higher. Although many of these actions may be difficult to prove, particularly with the increased trading volume and volatility attributed to high frequency trading, from an ethical standpoint, the asset manager’s process should preclude these types of activities.
  - Clients need to feel certain that they are being treated equally, that no other client is given preferential treatment that may negatively impact their portfolio. There are certain cases, however, when a manager may offer more premium services or products to a select group of clients (based on level of assets being managed, for

example), but that manager needs to disclose these arrangements and make them available to all suitable clients.

- This provision, in particular, gets to the heart of the investment process. Managers cannot randomly select investments for a client's portfolio without a "reasonable and adequate basis." The investment process must be designed such that the manager can reasonably analyze the investment opportunity, whether using fundamental or technical analysis, to formulate an investment decision that is well-informed, has been thoroughly researched, and considers assumptions and risks related to the timeliness of information, the type of instrument, and the objectivity and independence of any third-party research (for example Wall Street research).
- The manager's investment process needs to be adhered to and clients need to trust that managers will stay true to their objectives. However, managers can also be granted some level of flexibility to take advantage of different market situations, but they need to communicate these decisions with clients. Communication should be on a regular basis, especially when managers deviate from their stated strategy. It is critical to keep clients well-informed and able to determine if the amended strategy meets their expectations.
- Managers, in order to take appropriate actions on behalf of the clients, need to understand the client's objectives. This is usually done in an Investment Policy Statement (IPS), which considers how much risk clients are willing or able to bear, expected return objectives, length of time until the assets are needed, short- and long-term money needs, liabilities (e.g. car loans, mortgages, etc.), tax impacts, and any legal, regulatory, or other unique circumstances. The IPS, which is reviewed annually or when a change in circumstance arises (such as a death or retirement), will



help the manager choose investments that are appropriate for the client while also determining how the manager's performance will be measured.

### **Section 5 : Takeaways**

When we entered this competition, we were a bunch of kids having no information about what stock market is and how it functions but when we started with the digging in, we explored a few websites, talked to our advisor and then started working ahead for the competition. When we were introduced to the list of stocks for trading, we learnt that there were lots of companies that we use in daily life or have an access to regularly. Knowing about what their stock prices were and how they were functioning in the stock market was something new for us. We also got to know a lot more about companies that are leading in the world but were sidelined from the headlines due to some reason.

Exploring different sectors and getting to know each firm and their prices helped us grow as we all gained a lot knowledge and information about things we would never get to know if we weren't introduced to this competition. We also learned how to work cooperatively with people for a long term as this was a competition for almost 70 days and working with the same kind of group where there are some members who do the work all by themselves and then some members who need to be pushed further to complete their work we learnt patience and teamwork all this while. We also learnt how to handle stress because there were stressful situations when we had to decide whether to keep our shares or sell them because we weren't sure about the future trends but as a team we learnt to handle stress and also we learnt to take a diplomatic stand and handle conflicts whenever they occurred in the team because of difference in opinion.

As we all are really young we took an impromptu decision of buying few stocks without keeping the point in mind that we had to cover commission fees which in the future led to huge losses so if the team had well planned the decisions for some investments and calculated properly we might have covered the commission fee and that would even lead us at least getting the money we had spent. Also some investments like in AIRMEDIA were regretted because we had considered only the trends for few days and we bought the stocks but in the future the prices dipped and we suffered huge losses because we had bought a lot of stocks from that company. The competition as what we imagined was pretty difficult because we didn't know concepts in the first place and once we were all aware with concepts and started research with companies we already had passed a month and we had no huge investments made by that time. It was difficult to cope with the competition as we were making losses and the investment strategies that were planned were not falling in place for the team.

We as a team enjoyed the competition even though it was stressful and time consuming but working as a group was fun and as we gained a lot extra knowledge it was a benefit for the team. Researching about different industries and then about each firm in the industry was interesting and engaging for the team. There were times when the team found the competition boring because all of us were lazy to write reports or do research but at the end of the competition what we recall is how it was interesting to work as a team and how it was interesting to collaborate. There were times that we did not enjoy the competition because it was really stressful and difficult to cope up with normal life. Also when in the team we have some people who don't work efficiently the fun of completing the task goes away as it is difficult to keep everyone motivated but in the end everything was all right and as now this comes to an end we all recall how fun it was working together as we also got to know each

other's interests better and also learnt how to deal with each other's anger and calm them down when they are stressed out.